

# Unit 08 Inventory planning and valuation-perpetual

Content Area: **Business**  
Course(s): **Accounting 1**  
Time Period: **Semester 2**  
Length: **3 weeks**  
Status: **Published**

## Standards

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NJ 2009 CCCS: Standard 9 21<sup>st</sup> Life and Career: 9.4 CTE:F Finance Career Cluster Pathway Accounting

9.4.12.F.(1).1 Access and evaluate financial information to assist business decision-making.

Ethics and Legal Responsibilities: Legal responsibilities, professional ethics, and codes of conduct affect management practices, business performance, and regulatory compliance, as well as the confidence of customers, business partners, and investors.

9.4.12.F.(1).2 Describe laws and regulations affecting business operations and transactions in order to ensure compliance with industry requirements.

Employability and Career Development: Employability skills and career and entrepreneurship opportunities build the capacity for successful careers in a global economy.

9.4.12.F.(1).3 Apply career planning concepts, tools, and strategies to explore, plan, obtain, and develop a career in this pathway.

Technical Skills: Technical knowledge and skills play a role in all careers within the cluster and pathway.

9.4.12.F.(1).4 Use accounting tools, strategies, and systems to plan the use and management of financial resources.

## Enduring Understanding

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Inventory is a large ticket asset on the balance sheet.

Inventory can be costed using various methods.

Utilizing different methods will affect the value of the assets on the balance sheet and the net income as inventory is sold.

## Essential Questions

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Why do different methods of costing affect net income?

How do the rise and decrease of pricing affect inventory methods?

## **Knowledge and Skills**

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- Differentiate inventory from other current assets
- Explain the periodic inventory system and describe its benefits and what types of business are likely to use that method
- Explain the perpetual inventory system and describe the benefits and what types of business are likely to use that method
- Record the transactions involved in using both the periodic and perpetual methods and identify the appropriate accounts debited and credited for both the purchase and sale of inventory
- Calculate ending inventory values based on the Lifo method of costing
- Calculate ending inventory values based on the Fifo method of costing
- Calculate ending inventory values based on weighted average
- Differentiate between each method and its affect on net income

## **Transfer Goals**

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Categorizing data allows you to make more meaningful observations.

Using data to back decisions allows for greater clarity and accuracy.

## **Resources**

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Horngren's Financial and Managerial Accounting

Albert.io

Accountingcoach.com