

# Unit 02 Inventory planning and valuation- Perpetual

Content Area: **Business**  
Course(s): **Accounting 2A**  
Time Period: **Semester 1**  
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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How are financial statements affected by using different inventory costing methods?

What are the effects of merchandise inventory errors on the financial statements?

How can inventory ratios evaluate performance?

## **Knowledge and Skills**

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- Differentiate inventory from other current assets
- Identify accounting principles and controls related to merchandise inventory
- Account for merchandise inventory costs under a perpetual inventory system
- Calculate costs based on specific identification, First in, First out, Last in First out, Weighted Average methods of costing
- Compare the effects on the financial statements when using the different inventory costing methods
- Apply the lower of cost or market rule to merchandise inventory
- Measure the effects of merchandise inventory errors on the financial statements
- Use inventory turnover and days' sales in inventory to evaluate business performance

## **Transfer Goals**

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One rule often cannot apply to a multitude of situations.

Attention to detail avoids mistakes.

## **Resources**

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Horngren's Financial and Managerial Accounting

Albert.io

Accountingcoach.com