**Controlling Inventories**

1. One hundred scarves were purchased for your department for $30 each at the beginning of the season. Two months later, 50 more scarves were purchased for $31.50 each (due

to a price increase by the vendor). At the end of the season, 12 scarves remained in inventory. (a) Calculate the value of the 12 scarves in ending inventory based on the FIFO method, and (b) then, calculate the value of the 12 scarves based on the LIFO method.

1. **$378.00**
2. **$360.00**
3. The children’s department made the following purchases:

|  |
| --- |
| Jan. 1: 20 pants purchased at $30 each |
| Feb. 1: 20 pants purchased at $31 each |
| Mar. 1: 50 pants purchased at $32 each |
| Apr. 1: 20 pants purchased at $33 each |

On April 30, 21 pants remained in stock. (a) What is the ending inventory value of these pants based on both LIFO? (b) What is the ending inventory value of these pants based on FIFO?

1. **$631.00**
2. **$725.00**
3. Why is it important for retail buyers to place a value on ending inventory?

* **To understand the amount they’re spending on inventory and about how much did not sell within their inventory assortment. Knowing the value of what did not sell.**

1. At the end of the fall season, your department had a gross margin of 48% combined with a stock turnover rate of 2.1. It has a markup percentage of 46.5%. Calculate the GMROI.

**GMROI: 1.88**

1. A department has a GMROI of 1.88. What other information would be needed to make this figure meaningful?

* **Markdowns and sales**

1. At the end of the fall season, Department 38 had a gross margin of 43% combined with a turnover rate of 2.0. It has a markup percentage of 50.2%. At the end of the spring season, Department 38 had a gross margin of 41% combined with a turnover rate of 2.3.

It has a markup percentage of 47%. Which season produced the highest GMROI?

1. **Fall: 1.73**
2. **Spring: 1.78**
3. **The spring season produced the highest GMROI.**