Chapter 13
Inventory & Services
Inventory & Services

Merchandise inventory includes all goods owned by the business and held for sale. For tracking merchandise inventory, Susan’s Service Merchandise uses Account No. 12000, Merchandise Inventory.

Peachtree uses a perpetual inventory system.

In a perpetual inventory system, a merchandising business updates inventory each time an item is purchased or sold.

Inventory calculations include FIFO (first in, first out), LIFO (last in, first out), and average cost methods.
Software Objectives, p. 497

1. Enter inventory maintenance and default information.
2. Enter inventory item information, including Sales account, Merchandise Inventory account, and Cost of Sales account.
3. Enter item codes when recording purchases and sales.
4. Enter inventory adjustments.
5. Make three backups: two for Susan’s Service Merchandise; one for the end-of-chapter exercise.
1. Use your Internet browser to go to the book’s website at www.mhhe.com/yacht2008.

Go to the Internet Activity link on the book’s website. Then, select WEB EXERCISES PART 3. Complete the third web exercise in Part 3—Accountant's World.

Use a word processing program to write summaries of the websites that you visited.
The journal entry for purchasing four pairs of curtains from Ronald Baker Fabrics at $30 each, p. 499.

<table>
<thead>
<tr>
<th>Account ID</th>
<th>Account Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>12000</td>
<td>Merchandise Inventory</td>
<td>120.00</td>
<td></td>
</tr>
<tr>
<td>20000/RBF08</td>
<td>Accounts Payable/ Ronald Baker Fabrics</td>
<td></td>
<td>120.00</td>
</tr>
</tbody>
</table>
The journal entry for selling four pairs of curtains to Phil Merchant at $100 each, p. 499

<table>
<thead>
<tr>
<th>Account ID</th>
<th>Account Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>50500</td>
<td>Cost of Sales-Wall</td>
<td>120.00</td>
<td></td>
</tr>
<tr>
<td>11000/pm005</td>
<td>Accounts Receivable/Phil Merchant</td>
<td></td>
<td>432.00</td>
</tr>
<tr>
<td>12000</td>
<td>Merchandise Inventory</td>
<td></td>
<td>120.00</td>
</tr>
<tr>
<td>40200</td>
<td>Sales-Walls</td>
<td></td>
<td>400.00</td>
</tr>
<tr>
<td>23100</td>
<td>Sales Tax Payable</td>
<td></td>
<td>32.00</td>
</tr>
</tbody>
</table>
Peachtree Tips

Chapters 11 and 12 *must* be completed before starting Chapter 13.

In Chapters 11-13, Peachtree automatically uses the average inventory method.
Part 3 continues in Chapter 13. The chart below shows the size of the backups made in Chapter 13. Refer to textbook p. 380 for the chart of all the backups made in Part 3-Chapters 11, 12, 13, 14 and Project 2.

<table>
<thead>
<tr>
<th>Backup Name</th>
<th>KB</th>
<th>Page Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 13 Begin</td>
<td>1,014 KB</td>
<td>506</td>
</tr>
<tr>
<td>Chapter 13</td>
<td>1,033 KB</td>
<td>516-517</td>
</tr>
<tr>
<td>Exercise 13-1</td>
<td>970 KB</td>
<td>521</td>
</tr>
</tbody>
</table>
Chapter 13 Topics

1. Software & web objectives, p. 497
2. Cost methods, p. 498
   a. Average cost, pp. 498-499
   b. LIFO (Last in, First Out), pp. 499-500
   c. FIFO (First in, First Out), p. 500
3. Types of Inventory Items, pp. 500-501
4. Getting Started, pp. 501-503
5. Entering inventory item maintenance information, pp. 503-505
6. Backing up your data, p. 506
7. Inventory adjustments, pp. 506-508
Chapter 13 Topics (concluded)

8. Additional Transactions, pp. 508-510
9. Printing Reports, pp. 510-516
10. Backing up Chapter 13 data, pp. 516-517
11. Internet activity, p. 517
12. Summary and review, p. 518
   a. Going to the net, p. 518
   b. Short-answer questions, pp. 519-52
   c. Exercise 13-1, p. 520-521
   d. Exercise 13-2, p. 521
   d. Chapter 13 index, p. 522
Getting started, pp. 501-503

- Complete steps 1 – 3 on pages 501 and 502.
- From the Navigation Bar, select `Inventory & Services`; then select `Inventory Items`. Select Set Up Inventory Defaults. The Inventory Item Defaults window is shown on p. 502.
Taxes/Shipping tab, p. 503

- Click on the Taxes/Shipping tab.

- Read the information on p. 503. Then, click <OK> to close the Inventory Item Defaults window.
Entering inventory item maintenance information, pp. 503-505

Read the information on page 503. Then, complete steps 1 – 5 on pp. 504-505.
Backing up your data, p. 506

- Complete steps 1 – 6 on p. 506 to back up your data.
- Use Chapter 13 Begin as the back up name.
Read the Inventory Adjustment transaction, p. 506.

From the Vendors & Purchases page, click Enter Bills.

Select New Bill. Record the January 14, 2008 transaction. The Purchases/Receive Inventory window is shown on p. 507.

Post, then close.
Inventory Adjustments (concluded), pp. 507-508

- Read the transaction, p. 507. Then, complete steps 1-6 on pages 507-508. The Inventory Adjustments window is shown on page 508.

- Complete step 7 on p. 508.
Additional Transactions, pp. 508-510

Complete the transactions on pages 508-510.
Printing reports, pp. 510-516

- Complete steps 1–8 on pages 510-516.
- Compare your reports with the ones shown on pages 510-516.
Backing Up Chapter 13 Data, pp. 516-517

- Complete steps 1 - 7 on pp. 516-517.
- The back up name is **Chapter 13**.
Chapter 13
Glossary of Terms
Merchandise inventory includes all goods owned by the business and held for resale.

The inventory account for Susan’s Service Merchandise is Account No. 12000, Merchandise Inventory.
Merchandising business, p. 497

- Retail stores that resell goods and/or perform services.
The FIFO (first in, first out) inventory method assumes that the items in the beginning inventory are sold first.
The LIFO (last in, first out) inventory method assumes that the goods received last are sold first.
## Internet Activity, p. 517

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Link to Student Edition.</td>
</tr>
<tr>
<td>3</td>
<td>In the Course-wide Content list, link to Part 3 Internet Activities for Chapters 11-14. Open or Save. (You can also choose Chapter 13, then link to Internet Activities. If you Choose a Chapter, observe that other chapter-specific links are available; for example, Quizzes, PowerPoints, and Going to the Net Exercises.).</td>
</tr>
<tr>
<td>4</td>
<td>Complete the Accountant’s World-Chapter 13 exercise. Read steps 1 and 2.</td>
</tr>
<tr>
<td>5</td>
<td>Follow the steps shown on the book’s website to complete this Internet activity.</td>
</tr>
<tr>
<td>6</td>
<td>Using a word processing program, write a brief summary of what you find. Include all appropriate website addresses.</td>
</tr>
</tbody>
</table>
Access the Small Business Knowledge Base website at http://www.bizmove.com/finance/m3d3.htm. Scroll down the window to Merchandise Inventories: Perpetual Inventory. Answer these questions about perpetual inventory.

1. What is a perpetual inventory at retail?
2. When is a physical count of inventory necessary?