

Microsoft® **Excel for Accounting**

Chapter 4: Inventory Costing and Analysis



LABYRINTH
LEARNING™

Learning Objectives

- After studying this chapter, you will be able to:
 - ▲ Use functions in formulas to perform calculations and manipulate text
 - ▲ Calculate inventory cost under the LIFO, FIFO, and weighted average methods
 - ▲ Apply data bars to worksheets
 - ▲ Create PivotTables

Accounting Refresher: Inventory Costing Methods

- The cost of goods sold can be calculated using multiple methods:
 - ▲ LIFO (Last In, First Out)
 - ▲ FIFO (First In, First Out)
 - ▲ Weighted average
- These methods are used to estimate the cost of goods sold, but they do not necessarily follow the exact flow of goods through a warehouse.

LIFO (Last In, First Out) Method

- This assumes that the most recent inventory purchased is the first inventory to be sold.
- In periods of rising prices, the LIFO method results in the highest cost of goods sold.

FIFO (First In, First Out) Method

- This assumes that the earliest inventory purchased is the first inventory to be sold.
- In periods of rising prices, the FIFO method results in the lowest cost of goods sold.

Weighted Average

- This averages all inventory costs during the period.
- The average cost is used to calculate both the cost of goods sold and the ending inventory.
- In periods of rising prices, the weighted average method results in a cost of goods sold that falls between those determined through the LIFO and FIFO methods.

Working with Functions

- A function is a prewritten formula built into Excel.
- AutoSum can be used to create formulas containing a number of functions including:
 - ▲ SUM
 - ▲ AVERAGE
 - ▲ COUNT NUMBERS
 - ▲ MAX
 - ▲ MIN

Status Bar Functions

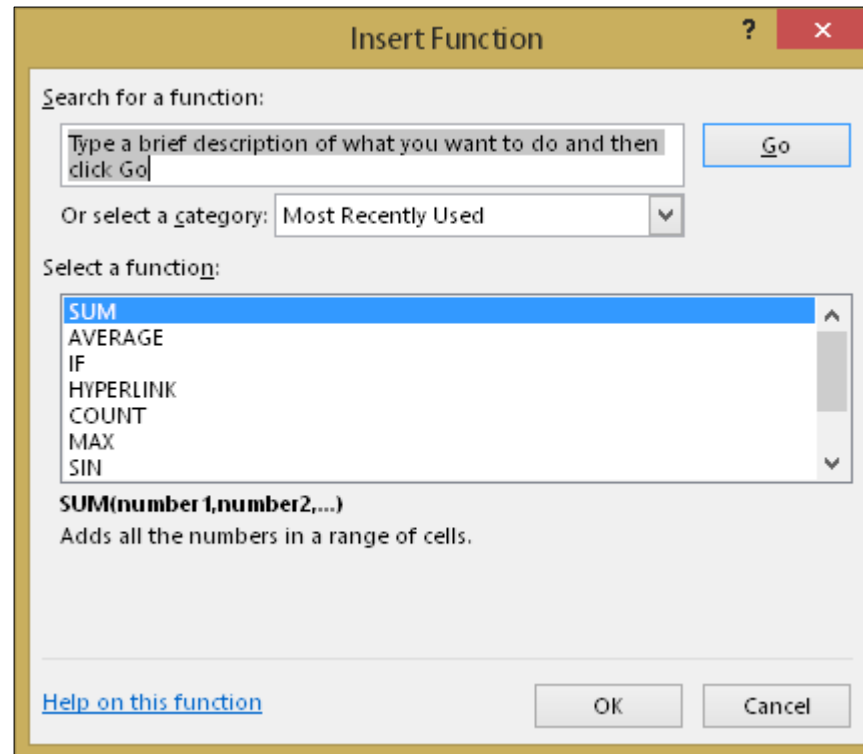
- The status bar is at the bottom of the Excel window.
- It includes a wide variety of information that can be displayed for the active range.

Intermediate	\$	-	\$	✓	Average	\$4,338	\$
Professional	\$	-	\$	✓	Count	4	\$
Professional	\$	790	\$		Numerical Count		\$
Professional	\$	1,300	\$		Minimum		\$
Professional	\$	6,300	\$		Maximum		\$
Beginner	\$	6,300	\$	✓	Sum	\$17,350	\$
Casual User	\$	3,450	\$	✓	Upload Status		
	\$	275,760	\$	✓	View Shortcuts		
				✓	Zoom Slider		
				✓	Zoom	100%	

Average: \$4,338 Count: 4 Sum: \$17,350

Insert Function

- The Insert Function dialog box can be used to create a formulas containing a function.



Using Functions to Format Text

- Portions of text can be extracted using a number of functions:
 - ▲ LEFT
 - ▲ MID
 - ▲ RIGHT
- Text can be combined within a cell using the CONCATENATE function.

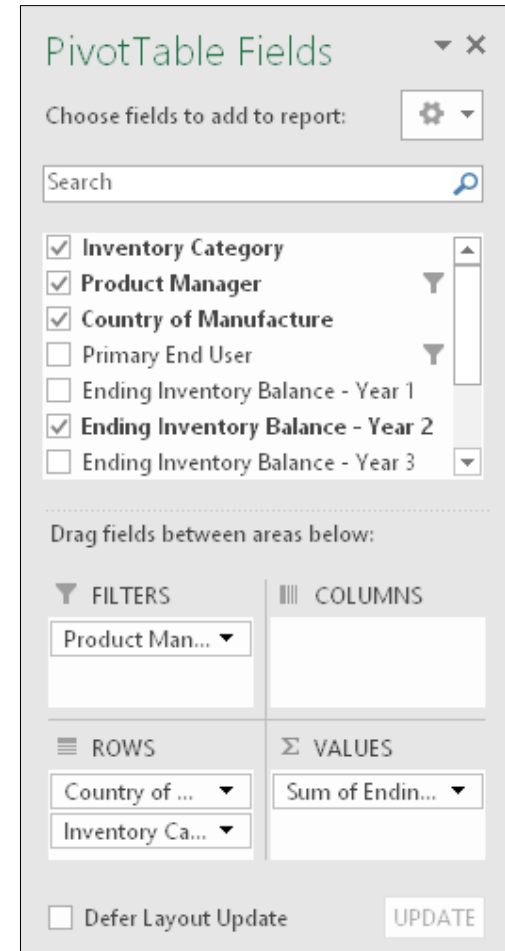
Applying Conditional Formatting

- Conditional Formatting applies the desired format to cells only when they meet specified criteria.
- Some basic conditional formatting options include:
 - ▲ Data bars
 - ▲ Color scales
 - ▲ Icons

<i>Ending Inventory Balance - Year 1</i>	<i>Ending Inventory Balance - Year 2</i>	<i>Ending Inventory Balance - Year 3</i>
\$ 1,600	\$ 3,100	\$ -
\$ 700	\$ 900	\$ 600
\$ 1,100	\$ 1,000	\$ 1,000

Creating PivotTables

- PivotTables are powerful data analysis tools.
- They allow large amounts of data to be displayed and analyzed in multiple ways.
- The PivotTable Fields task pane allows for changes to be easily made.



Filtering PivotTables with Slicers

- Slicers are menu frames that contain all the filtering options for a single field in a PivotTable.

	A	B	C	D	E	F
1	Product Manager	(Multiple Items)	Product Manager		Primary End User	
2						
3	Row Labels	Sum of Ending Inventory Balance - Year 2	Abbott		Beginner	
4	France	380	Brown		Casual User	
5	Bass Guitar Strings	380	Clancy		Intermediate	
6	Germany	6100	Howard		Professional	
7	Headphone Amplifiers	6100	Jacobs			
8	Sweden	5300	Noone			
9	Over-Ear Headphones	5300	Pouncey			
10	U.S.A.	4900	Williams			
11	Electric Guitars	4500				
12	Guitar Amplifiers	400				
13	Grand Total	16680				

Creating PivotCharts

- PivotCharts are a visual representation of data within a PivotTable.

