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Course Information

Course Title: *Accounting for Inventory*

#360224

Number of continuing education credit hours recommended for this course:

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

CPA: 13 (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE .51 PSR

Pennsylvania Board of Accountancy: PX 178025

Texas State Board of Accountancy: 009349

Course Description

The value of inventory is a difficult figure to pin down, and yet it must be properly derived in order to create accurate financial statements. The *Accounting for Inventory* course enhances the accountant's ability to derive an accurate valuation, every time. It does so by delving into inventory counting systems, cost layering, standard costing, overhead allocation, the lower of cost or market rule, disclosures, measurements, and much more. This course is an essential tool for dealing with one of the largest and most complex assets on the balance sheet.

Course Content

Publication/Revision date: 8/9/2024.

Author: Steven M. Bragg, CPA.

Final exam (online): Sixty-five questions (multiple-choice).

Program Delivery Method

NASBA QAS Self-Study (interactive)

Subject Codes/Field of Study

NASBA (CPA): Accounting

Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: Basic familiarity with accounting practices.

Advance Preparation: None

Instructions for Taking This Course

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- A passing grade of at least **70%** is required on the exam for this course.
- You will have **three attempts** to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Objectives

- Identify the types of inventory and recognize the timing of inventory ownership.
- Specify the situations in which the periodic inventory system should be used, and how the perpetual system can be enhanced.
- Identify the situations that can cause incorrect inventory transactions.
- Recognize the activities needed to establish a system of inventory record keeping, and how such a system may be rendered less accurate.
- Estimate ending inventory using the retail method.
- Identify the contents and calculation methods used for all systems of cost layering.
- Recognize the calculation methods for and causes of variances from standard costs.
- Identify the accounting for and uses of a job costing system.
- Specify the calculation methods and inputs needed to operate a process costing system.
- Specify the contents of and controls over the use of overhead.
- Identify who is responsible for spotting obsolete inventory, as well as the methods used to account for it.
- Recognize the cost classifications used in the lower of cost or market rule.
- Specify the accounting for spoilage, scrap, and rework.
- Identify the methods of allocation for joint costs and by-products.
- Recognize the disclosures associated with inventory.
- Identify the contents of the various accounting entries needed to record inventory transactions.

- Identify the rules promulgated by the Internal Revenue Service that relate to inventory.
- Itemize the pricing methods that can be used to compile transfer prices between subsidiaries, as well as the issues associated with each one.
- Identify the controls that can be used in the purchasing, receiving, and shipping of inventory.
- Specify the kinds of inventory-related activities that can be fraudulently employed to alter financial results or steal assets.
- Identify those policies that can be used to support accounting transactions related to inventory.
- Recognize the calculation methods used for the various budgets that include inventory, as well as the issues to consider when constructing these budgets.
- Specify how the results of various inventory measurements can be interpreted, when these measurements should be used, and the types of behavior they can reinforce.

About the Author

Steven Bragg, CPA, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 300 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*. He has also written the science fiction novel *Under an Autumn Sun*, first book in *The Auditors* trilogy.

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Preface

Inventory can be the largest asset that a company owns, and is one of the most complex to track and value. This presents a risk to the accountant, since an inventory misstatement could be large enough to seriously alter the financial statements. In *Accounting for Inventory*, we present every issue that the accountant might need to create and maintain an accurate and comprehensive system of inventory accounting. The topics covered include inventory record accuracy, how to count inventory, the costs to assign to inventory, when to adjust recorded balances, and a great deal more. As examples of the topics covered, *Accounting for Inventory* provides answers to the following questions:

- What causes inventory records to become inaccurate?
- How do I manage a physical inventory count?
- What methods are available for estimating the amount of ending inventory?
- What types of cost layering systems are available?
- How can I use standard costs to value inventory?
- Which costs can be included in factory overhead?
- What methods are available to account for obsolete inventory?
- How do I calculate the lower of cost or market rule?
- What are the accounting treatments for normal and excessive spoilage?
- What is the journal entry for each type of inventory transaction?
- Which controls should be installed to improve inventory recordation?
- How can someone commit fraud using inventory?
- How do I budget for inventory?

Accounting for Inventory is intended for accountants, auditors, and students, who can benefit from its broad range of topics related to inventory.

Centennial, Colorado
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