

B-08.10

The Quilting Pad is a retail store that sells materials for custom quilts. The store has a quilting room where quilters gather to sew and visit.

The store's inventory consists of bolts of fabrics, spools of thread, and trays of various batting and backing material. Customers generally select what they need, and pay for what they use. The retail price of goods is clearly marked on the bolts, spools, and trays. The Quilting Pad has virtually no problem with theft or shortages of inventory.

It is virtually impossible to track inventory in any detailed fashion. The store simply marks up all goods by a constant percentage. The mark up formula has been consistently applied to all items in inventory for many years.

The Quilting Pad uses the retail inventory technique. Following is information for 20X7:

Beginning inventory at cost	\$ 46,800
Beginning inventory at retail	78,000
Cost of purchases of inventory during the year	230,000

At the end of the year, the Quilting Pad's inventory was physically counted and it was determined that \$100,000 was the retail value of goods on hand.

Apply the retail method to estimate the sales and gross profit for 20X7.