

Elizabeth Egbert owns a galvanizing plant. Customers bring in their fabricated steel products (like light poles, towers, trailers, etc.), and Egbert dips them into a heated vat of molten zinc. The zinc bonds to the metal and produces a highly durable corrosion resistant product.

Egbert's primary inventory is molten zinc purchased from suppliers in large blocks of solid material. These blocks are immersed in the heated vat and will melt together with the zinc already in the pool. Egbert generally keeps the vat relatively full, and it is never allowed to cool.

Egbert started the year 20X8 with 500,000 pounds of zinc in the pool. During the year Egbert purchased 2,800,000 pounds of zinc. At year's end, the pool contained 520,000 pounds of zinc.

- (a) How much zinc was used during 20X8?
- (b) Accountants frequently refer to "goods available for sale." Is this concept the same as ending inventory? How much zinc, in pounds, was "available for sale?"
- (c) If the beginning inventory cost \$1.25 per pound, and purchases during 20X8 cost \$1.50 per pound, how much is the "cost of goods available for sale"?
- (d) In preparing financial statements for 20X8, to what financial statement elements will the amount you calculated in part (c) be allocated?
- (e) If Egbert uses FIFO, how much should be attributed to ending inventory and how much to cost of goods sold?
- (f) If Egbert uses LIFO, how much should be attributed to ending inventory and how much to cost of goods sold?
- (g) What will be the difference in profitability between choosing the FIFO and LIFO methods? Does it seem reasonable that the choice of accounting method can change the reported profit?