

### Monthly Inventory – Cost of Sales Method

Name \_\_\_\_\_ Taxing district \_\_\_\_\_

DBA \_\_\_\_\_ County \_\_\_\_\_

<b>Beginning Inventory</b>	Date:		\$			
<b>Plus: Net purchases for year</b>		+	\$	=	\$	
<b>Less: Ending inventory</b>	Date:			-	\$	
Cost of goods sold .....						\$
Cost of sales	\$	÷	Net sales	\$	=	0.00%

**Net purchases:** Must include all deliveries during the month, freight-in, sales and excise taxes and exclude discounts earned. Manufacturers are to include direct labor and manufacturing burden.

**Net sales:** Should not include any service charges or sales or excise taxes (unless such excise tax is included in the cost to the taxpayer).

Column 1	Column 2	Column 3	Column 4	Column 5
Beginning Inventory Date:	Net Purchases (manufacturers include direct labor and burden) \$	Net Sales \$	Sales at Cost 0.00% of Net Sales Column 3 \$	Estimated Monthly Inventory \$
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
<b>Total</b>	\$	\$	\$	\$

Average Estimated Monthly Inventory	\$	÷	(Months)	=	\$
	(Total column 5)				

0.00%	List value, merchant or manufacturer	\$
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## Instructions Monthly Inventory – Cost of Sales Method

### Method for Establishing Cost of Sales Percentage – Example

Inventory figures should come from monthly trial balances

<b>Beginning Inventory</b>	Date: <b>1/01/05</b>		\$ <b>47,050</b>			
<b>Plus: Net purchases for year</b>		+	\$ <b>375,140</b>	=	\$ <b>422,190</b>	
<b>Less: Ending inventory</b>	Date: <b>12/31/05</b>			-	\$ <b>49,675</b>	
Cost of goods sold .....					\$ <b>372,515</b>	
Cost of sales	\$ <b>372,515</b>	÷	Net sales		\$ <b>625,655</b>	= <b>59.54%</b>

**Net purchases:** Must include all deliveries during the month, freight-in, sales and excise taxes and exclude discounts earned. Manufacturers are to include direct labor and manufacturing burden.

**Net sales:** Should not include any service charges or sales or excise taxes (unless such excise tax is included in the cost to the taxpayer).

#### To Calculate Monthly Inventory:

Add the Jan. 1 inventory (\$47,050), the January net purchases (\$31,293); deduct January sale at cost (\$37,671 @ 59.54% = \$22,429). The result will be the estimated amount of inventory on hand Jan. 31 (\$55,914). The inventory on Jan. 31 (\$55,914), plus February net purchases (\$27,675), less sales at cost (\$47,698 @ 59.54% = \$28,399) gives Feb. 28 inventory (\$55,190). Correct computation for each month throughout the year should give a Dec. 31 inventory very close to actual inventory at Dec. 31. Actual inventory for Dec. 31 will be recorded in column 5.

Column 1	Column 2	Column 3	Column 4	Column 5
Beginning Inventory Date: 1/01/03	Net Purchases (manufacturers include direct labor and burden)	Net Sales	Sales at Cost 59.54% of Net Sales Column 3	Estimated Monthly Inventory
	\$ 47,050	\$	\$	\$
January	\$31,293	\$37,671	\$22,429	\$55,914
February	27,675	47,698	28,399	55,190
March	45,415	75,148	44,743	55,862
April	29,421	52,083	31,010	54,273
May	21,763	62,791	37,385	38,651
June	17,561	40,083	23,865	32,347
July	18,076	24,037	14,311	36,112
August	21,006	30,710	18,285	38,833
September	45,761	41,344	24,610	59,984
October	53,411	52,791	31,431	81,964
November	30,130	75,000	44,654	67,440
December	33,628	86,319	51,393	49,675
<b>Total</b>	\$ <b>375,140</b>	\$ <b>625,655</b>	\$ <b>372,515</b>	\$ <b>626,245</b>

Average Estimated Monthly Inventory	\$ 626,245	÷	12	=	\$ 52,187
	(Total column 5)		(Months)		

0.00%	List value, merchant or manufacturer	\$	
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