Answer on Question #41443 – Math – Other

Question:

How the value of inventory is calculated using the periodic weighted average method of valuation.

Answer:

Weighted Average Cost is a method of calculating value of inventory cost. It takes cost of goods available for sale and divides it by the number of units available for sale (number of goods from beginning inventory + purchases/production - sales). This gives a **Weighted Average Cost per Unit**. A physical count is then performed on the ending inventory to determine the number of goods left. After that this quantity is multiplied by **Weighted Average Cost** per Unit to give an estimate of value inventory cost.