InventoryCloud: Why do FIFO and LIFO items show Average Cost?

Jason - 2019-08-01 - Cloud

Items using the FIFO and LIFO cost methods in InventoryCloud do show the Average Cost, calculated based on the Costs entered when adding and removing inventory for that item. This is a change from what was displayed for Average Cost for FIFO/LIFO items in the older versions.

This Average Cost can be used to calculate the total value of the item, but the system will use the correct Cost records for transactions.

For example, if you have an item using FIFO with a Cost of $500.00 and you add quantity 10, then the cost changes to 550, and you add another 1, the Average Cost will rise to $504.55. (500*10 + 550*1 = 5550. 5550/11=504.55) If you then remove 3, the system will use cost 500 for the Remove transaction, because of FIFO, and the Average Cost will rise to 506.25. (500*7 + 550*1 = 4050. 4050/8 = 506.25)