

Problem 18-4A

Ending inventory
computation and
evaluation

C4



Check (1) Ending (heel)
inventory, 3,000 units;
\$24,000

Nazaro's Boot Company makes specialty boots for the rodeo circuit. On December 31, 2014, the company had (a) 300 pairs of boots in finished goods inventory and (b) 1,200 heels at a cost of \$8 each in raw materials inventory. During 2015, the company purchased 35,000 additional heels at \$8 each and manufactured 16,600 pairs of boots.

Required

1. Determine the unit and dollar amounts of raw materials inventory in heels at December 31, 2015.

Analysis Component

2. Write a one-half page memorandum to the production manager explaining why a just-in-time inventory system for heels should be considered. Include the amount of working capital that can be reduced at December 31, 2015, if the ending heel raw material inventory is cut by half.