Inventory Management

Read the details below:

1 February 2011 Zegna Shoes orders 200 pairs of joggers for $30 a pair

1 February – 31 March 150 pairs of joggers are sold for $50 a pair

1 April 2011 Zegna Shoes orders 100 pairs of joggers for $35 a pair

1 April – 30 June 60 pairs of joggers are sold for $55 a pair

Complete the shaded cells in the table below:

|  |  |  |
| --- | --- | --- |
| SALES |  |  |
| 1 February – 31 March | 150 x $50 |  |
| 1 April – 30 June |  | $3300 |
| TOTAL SALES |  |  |
|  |  |  |
| COGS (FIFO) |  |  |
| 1 February – 31 March | 150 x $30 |  |
| 1 April – 30 June | 50 x $ |  |
| 1 April – 30 June | 10 x $ |  |
| TOTAL COGS (FIFO) |  |  |
|  |  |  |
| **GROSS PROFIT** | **(TOTAL SALES – COGS)** |  |
|  | | |
| SALES |  |  |
| 1 February – 31 March | 150 x $50 |  |
| 1 April – 30 June |  | $3300 |
| TOTAL SALES |  |  |
|  |  |  |
| COGS (LIFO) |  |  |
| 1 February – 31 March | 150x$30 |  |
| 1 April – 30 June | 60 x $ |  |
| TOTAL COGS (LIFO) |  |  |
|  |  |  |
| **GROSS PROFIT** | **(TOTAL SALES – COGS)** |  |

Explain how the just-in-time approach can improve productivity and reduce costs.

Determine the potential problems you can see with the just-in-time approach.