

Companies keep detailed records of the cost of each inventory purchase and sale. These records continuously – perpetually – show the inventory that should be on hand for every item. Companies that sell products with fixed prices use perpetual inventory systems. A perpetual inventory system provides better control over inventories than a periodic inventory system (we will explain in chapter 2). Since the inventory records show the quantities that should be on hand, the company can count the goods at anytime to see whether the amount of goods actually on hand agrees with the inventory records.