

$$\begin{aligned} \frac{\text{Storage and handling costs}}{\text{Beginning inventory plus 1994 purchases}} &= \frac{(\$110,000 + \$80,000) + (\$90,000 + \$80,000)}{\$2,000,000 + \$10,000,000} \\ &= \frac{\$190,000 + \$170,000}{\$12,000,000} \\ &= \frac{\$360,000}{\$12,000,000} \\ &= 3.0\% \end{aligned}$$