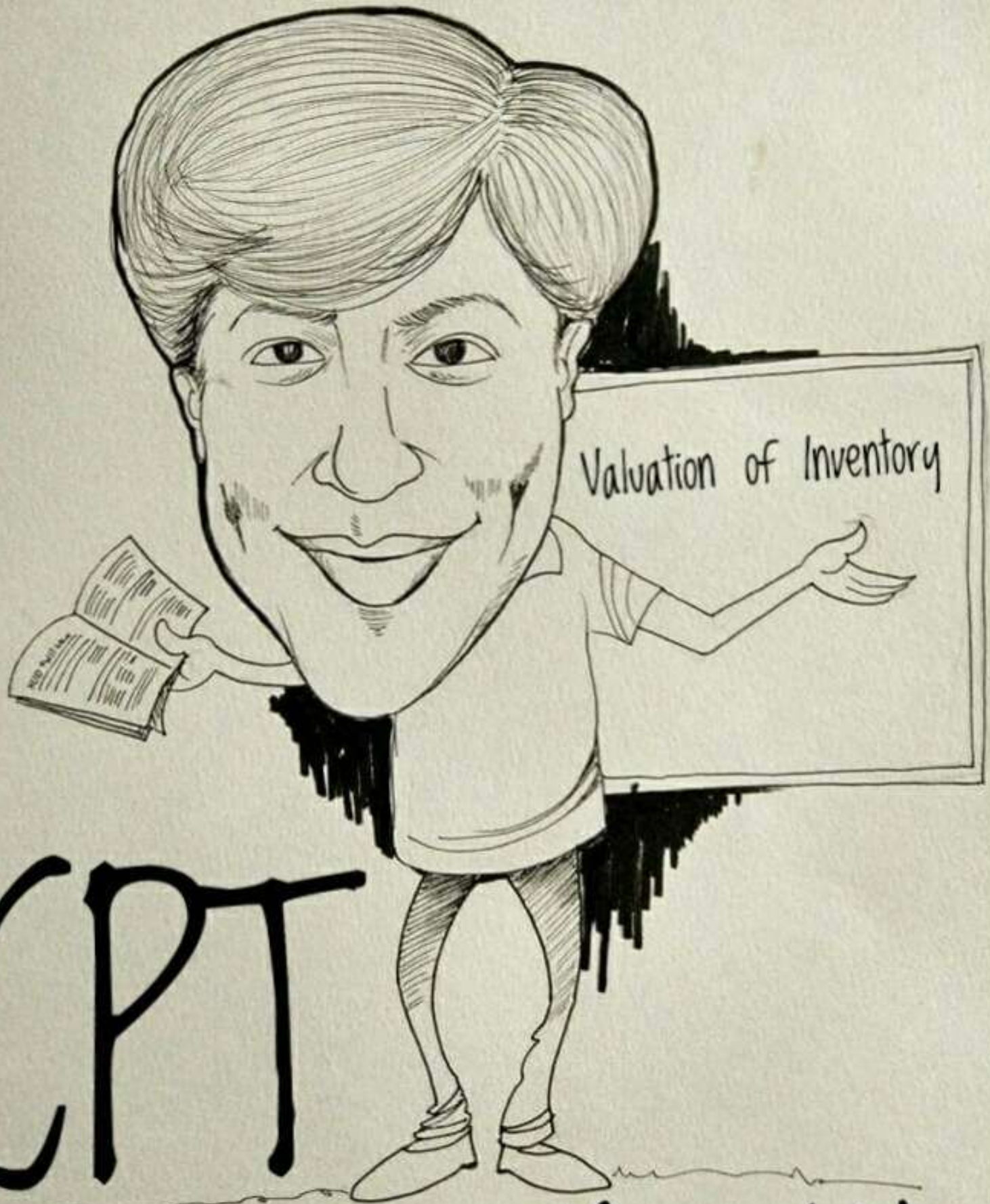


for the LOVE of ACCOUNTS !



CPT

#AccountsMan

30/04/2017  
SUNDAY

# measurement ← VALUATION OF INVENTORIES → closing stock

(Accounting Standard - 2)

Valuation refers to measurement in terms of money.

Inventories include the following:

- \* Raw Materials → 0.1. progress
  - \* Work in Progress → ↑
  - \* Finished Goods → 100.1. progress
- wool  
cloth  
sheet

Paragraph 5 of AS 2 states that:

Inventories must be valued at the lower of  
Cost Or Net Realisable Value

Purchase Price

+

Expenses incurred  
to bring goods  
to warehouse

(direct expenses)

Selling Price

-

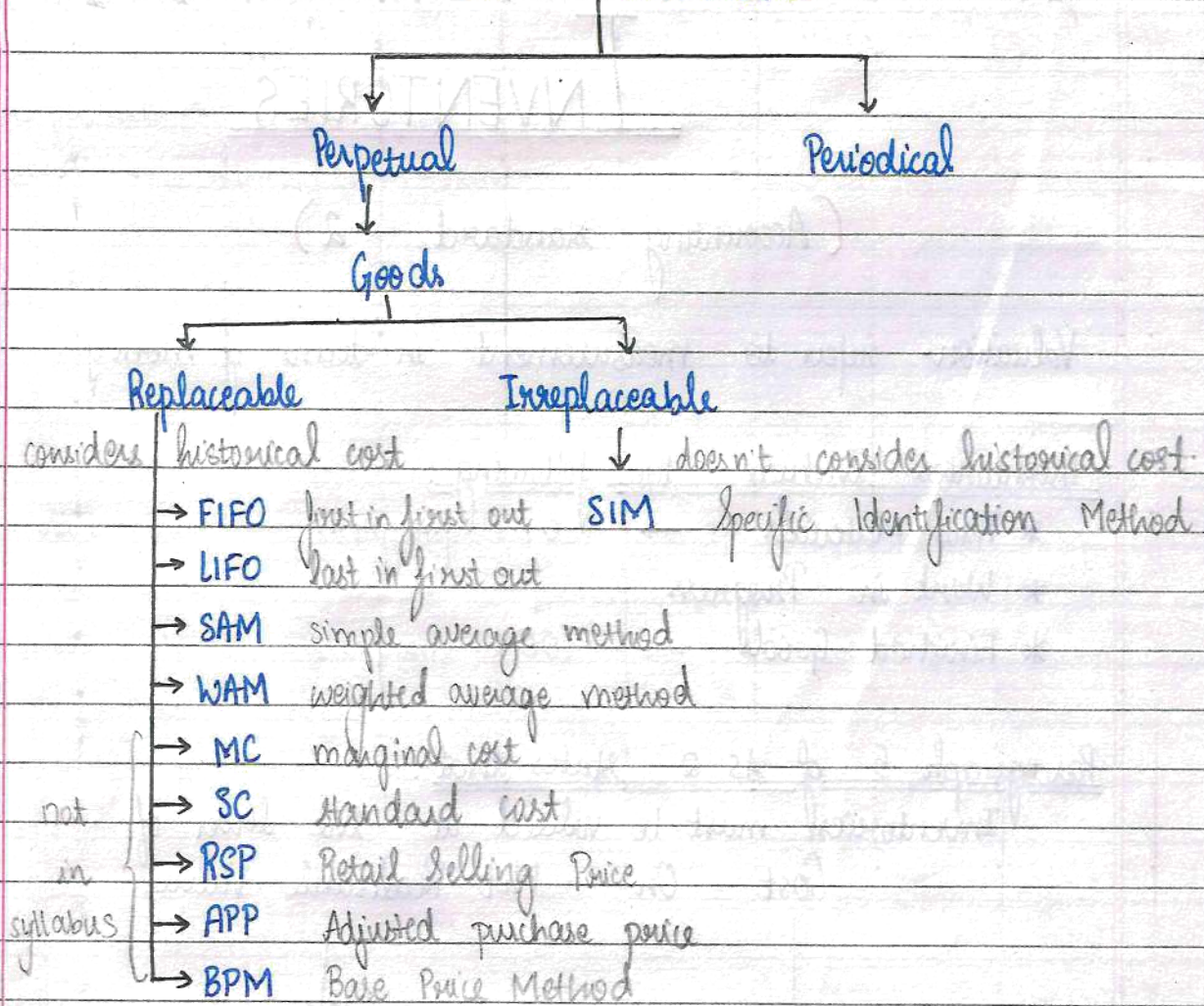
Selling Expenses

Objectives

- \* To know true financial position
- \* To know true financial performance

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## System of Valuation of Inventories



1. Following details were available from the books of MBA Ltd. for the month of April 2017.

01-04-2017	Stock was 100 Bondas of ₹10 each
10-04-2017	Purchased 50 Bondas at ₹12 each
15-04-2017	Issued 75 Bondas
20-04-2017	Purchased 125 Bondas at ₹11 each
25-04-2017	Issued 100 Bondas
30-04-2017	Purchased 50 Bondas at ₹9 each

Compute the value of Inventory as on 30-04-2017 under following cases:



ii) CASE II → Last In First Out

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY.	RATE	AMT.	QTY.	RATE	AMT.	QTY.	RATE	AMT.
1.							100	10	1000
10.	50	12	600				100	10	1000
							50	12	600
15.				50	12	600	75	10	750
				25	10	250			
20.	125	11	1375				75	10	750
							125	11	1375
25.				100	11	1100	75	10	750
							25	11	275
30.	50	9	450				75	10	750
							25	11	275
							50	9	450
<b>CLOSING STOCK</b>							150		1475

Short cut

OS	<del>100</del> <sup>75</sup>	units at	10	75 × 10	750
P	<del>50</del> <sup>0</sup>	units at	12	0 × 12	0
P	<del>125</del> <sup>25</sup>	units at	11	25 × 11	275
P	50	units at	9	50 × 9	450
				<u>150</u>	<u>1475</u>

iii) CASE III → Simple Average Method

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY.	RATE.	AMT.	QTY.	RATE	AMT.	QTY.	RATE	AMT.
1.							100	10	1000
10.	50	12	600				150	11	1650
15.				75	11	825	75	11	825
20.	125	11	1375				200	11	2200
25.				100	11	1100	100	11	1100
30.	50	9	450				150	10	1500
<b>CLOSING STOCK</b>							150		1500

Shortcut

OS	100 units	at 10	] 11
P	50 units	at 12	
S	(75) units		] 11
P	125 units	at 11	
S	(100) units		] 10
P	50 units	at 9	
	<u>150</u>	<u>1175</u>	
		<u>410 × 11 = 4510</u>	

$150 \times 10 = \underline{1500}$

ICA1 →  $150 \times \frac{10 + 12 + 11 + 9}{4} = \underline{1675}$



2. Following details were available from books of a trader.

01-04-16	Opening Stock	75 units at ₹10
10-04-16	Issue	50 units
15-04-16	Purchases	75 units at ₹12
20-04-16	Issue	50 units
25-04-16	Purchases	50 units at ₹11

Compute closing stock as on 30-04-16 under following cases

i) CASE I First In First Out

DATE	RECEIPTS			ISSUES			BALANCE	
	QTY	RATE	AMT.	QTY	RATE	AMT.	QTY.	RATE
1.							75	10
10.				50	10	500	25	10
15.	75	12	900				25	10
							75	12
20.				25	10	250	50	12
				25	12	300		
25.	50	11	550				50	12
							50	11
				CLOSING STOCK			100	



ii) CASE II Last In First Out

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY.	RATE	AMT.	QTY.	RATE	AMT.	QTY.	RATE.	AMT.
1.							75	10	750
10.				50	10	500	25	10	250
15.	75	12	900				25	10	250
							75	12	900
20.				50	12	600	25	10	250
							25	12	300
25.	50	11	550				25	10	250
							25	12	300
							50	11	550
CLOSING STOCK							100		1100

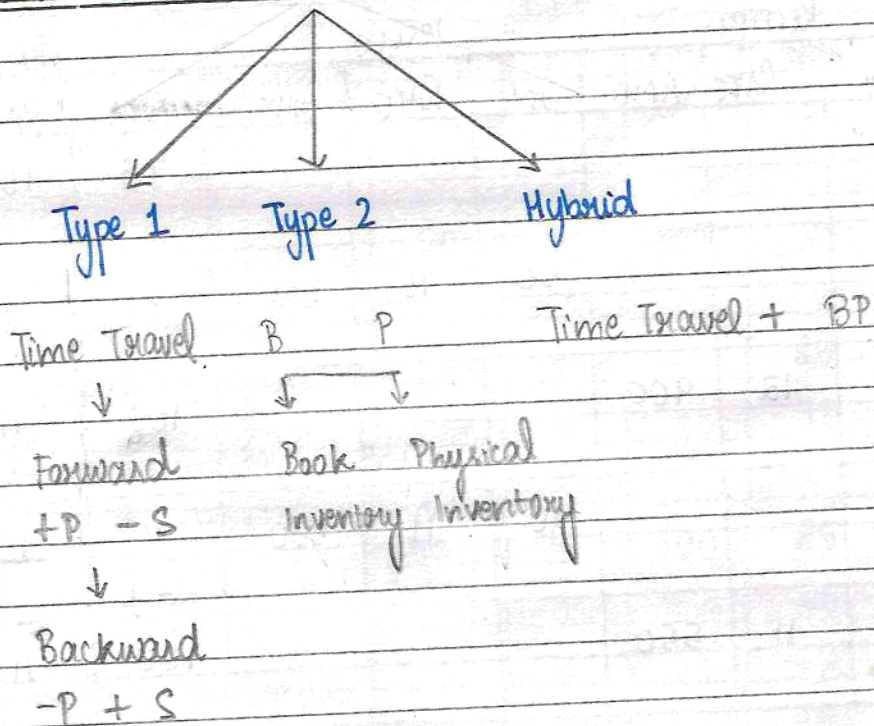
iii) CASE III Simple Average Method

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY	RATE	AMT.	QTY	RATE	AMT.	QTY	RATE	AMT.
1.							75	10	750
10.				50	10	500	25	10	250
15.	75	12	900				100	11	1100
20.				50	11	550	50	11	550
25.	50	11	550				100	11	1100
CLOSING STOCK							100		1100

iv) CASE IV Weighted Average Method

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY	RATE	AMT.	QTY	RATE	AMT.	QTY	RATE	AMT.
1.							75	10	750
10.				50	10	500	25	10	250
15.	75	12	900				100	11.5	1150
20.				50	11.5	575	50	11.5	575
25.	50	11	550				100	11.25	1125
CLOSING STOCK							100		1125

## PROBLEMS ON RECONCILIATION OF STOCK



### TIME TRAVEL

3. Stock as on 25<sup>th</sup> March 2017 was ₹ 80,000. Details of transactions affected between 25<sup>th</sup> and 31<sup>st</sup> is as follows:-

- i) Goods purchased ₹ 10,000
- ii) Goods sold ₹ 20,000
- iii) Goods purchased earlier, now returned ₹ 5,000
- iv) Goods issued as free samples ₹ 1,000
- v) Goods lost ₹ 500

Find Stock as on 31<sup>st</sup> March 2017.

Particulars	Amount(₹)
Stock as on 25 <sup>th</sup> March 2017 $\Rightarrow$	80,000
Add: Purchases	10,000
Less: Sales	(20,000)
Less: Purchase Returns	(5,000)
Less: Free Samples	(1,000)
Less: Goods lost	(500)
Stock as on 31 <sup>st</sup> March 2017 $\Rightarrow$	63,500

4. Inventory as on 5<sup>th</sup> April 2017 is ₹1,00,000. Following transactions were affected between 31<sup>st</sup> March and 5<sup>th</sup> April

- i) Goods costing ₹10,000 were issued at ₹12,500
- ii) Purchases amounted to ₹20,000
- iii) Goods sold earlier now returned ₹3,000
- iv) Goods lost or damaged ₹2,000

Find Inventory as on 31<sup>st</sup> March 2017

Particulars	Amount (€)
Stock as on 5 <sup>th</sup> April 2017 $\Rightarrow$	1,00,000
<u>Add</u> : Sales	1,000
<u>Less</u> : Purchases,	(20,000)
<u>Less</u> : Sales Returns	(3,000)
<u>Add</u> Goods Lost / Damaged	2,000
Stock as on 31 <sup>st</sup> March 2017 $\Rightarrow$	89,000

### BOOK INVENTORY AND PHYSICAL INVENTORY

5. Book inventory as on 31-03-2017 was ₹ 89,000. On detailed investigation, following observations were made:-

- i) Goods sold, but not delivered ₹ 12,000
- ii) Goods purchased, but not received ₹ 9,000
- iii) Goods sent on consignment amounted to ₹ 6,000
- iv) Goods of third party received against which discussion is pending amounted to ₹ 3,000
- v) Goods damaged against which no adjustment is made in books amounted to ₹ 1,000.

Find the physical inventory as on 31<sup>st</sup> March 2017.

Particulars	Amount (₹)	Amount (₹)
Book inventory $\Rightarrow$		89,000
<b>Add:</b>		
i) Goods sold but not delivered	12,000	
ii) Goods of third party received against which decision is pending	3,000	15,000
<b>Less:</b>		
i) Goods purchased but not received	9,000	
ii) Goods sent on consignment	6,000	
iii) Goods damaged	1,000	(16,000)
Physical Inventory $\Rightarrow$		88,000

6. Physical inventory as on 31-03-2017 was ₹1,20,000. Following observations were made on inspection:-

- i) Goods issued against which no invoice was raised ₹12,500.
- ii) Goods purchased but not yet received ₹15,000.
- iii) Goods lost/damaged not adjusted in books amounted to ₹35,000.
- iv) Goods sent on consignment ₹2,500.
- v) Goods sold but not delivered amounted to ₹5,000.
- vi) Slow moving items written off in books of accounts ₹1,000.

Find book inventory as on 31<sup>st</sup> March 2017.

Particulars	Amount(₹)	Amount(₹)
Physical Inventory $\Rightarrow$		1,20,000
<b>Add:</b>		
i) Goods issued against which no invoice is raised	12,500	
ii) Goods purchased but not received	15,000	
iii) Goods lost/damaged	3,500	
iv) Goods sent on consignment	2,500	33,500
<b>Less:</b>		
v) Goods sold but not delivered	5,000	
vi) Slow moving items written off in books of accounts	1,000	(6,000)
Book Inventory $\Rightarrow$		1,47,500

### RETAIL SELLING PRICE METHOD:

7. Pg 227 (Pecuson's method)

	Cost	RP
OS	50,000	75,000
P	250,000	425,000
S	<u>1,92,000</u>	320,000

$$\text{COGS} = \text{OS} + \text{P} - \text{CS}$$

$$1,92,000 = 50,000 + 250,000 - \text{CS}$$

$$\text{CS} = \underline{\underline{1,08,000}}$$

#AccountsMan

#ACCOUNTSMAN

RING ME - +91-9738105515

MAIL - anilrajavardhan@gmail.com

Facebook - @Rajavardhansir

INSTAGRAM - @ANILRAJAVARDHAN

SNAP - A.RAJAVARDHAN



“LIFE IS NOT A BATTLE  
TO BE STRUGGLING.  
IT'S A **GAME**  
TO BE ENJOYED.

TILL THE TIME YOU'RE  
INTHE GAME, LIFE IS FINE.  
THE DAY YOU GET INTO  
**BATTLE**, YOU MIGHT  
START STRUGGLING...

SO! KEY TO HAPPINESS IS TO  
STAY IN THE GAME.....



# it's\_all\_in\_the\_game<sup>99</sup>

- # the\_accounts\_man

