JUNE 2024

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

WEDNESDAY 22
MAY
WK 21 • 143-223

IV

Inventories

(1) Inventory can be define as assets held :-

a) for sale in ordinary course of business
b) in the process of production of such sales
c) for consumption in production of goods or service for sales, including maintances supplies & consumable [other than machine spares, standy equipments and servicing equipment.]
: not inventory.

(2) Inventory valuation [why] :-

a.) Determination of income -
Valuation of inventory is necessary for determing the true income.

* Closing inventory (↑) Income (↑)
* closing inventory (↓) Income (↓)

* Op inventory (↑) Income (↓)
* Op inventory (↓) Income (↑)

b) Ascertainment of financial position -
Inventories are classified as current assets.

c) Liquidity Analysis -
Liquidity ratio is known as current ratio

$$= \frac{\text{Current assets}}{\text{Current liability}}$$

inventories are current assets, if help to find the liquidity ratio.

d) Statutory Complines -
Schedule III of companies Act 2013, requires valuation of Inventories.
(legal work)

3) Basis of Valuation of Inventories - (AS-2)
(prudence or conservation)

Accounting standard.

Cost or Net Realisable value

whichever is lower
on individual basis.

JUNE 2024

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
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FRIDAY
MAY
24
WK 21 • 145-221

Cost → Cost of purchase
→ Cost of conversion
→ other cost (bringing the inventory to the location & condition)

Net realisable value →

Expected selling price − Expected cost of completion.

Question. 01.) Find the value of inventory.

Items	Cost	NRV
A	23	32
B	25	12
C	21	18
D	14	11
E	11	~~16~~ 6
F	18	23

Sol :- valu of Inventory = 23 + 12 + 18 + 11 + 6 + 18 = 88

MAY 2024

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

* Exclusion from cost -
  - Abnormal cost
  - Storage cost
  - Administrative overheads
  - Selling & distribution cost.

Exclud from the cost.

(4) Inventory record Systems =

periodic Inventory system	perepetual Inventory system.
i) It is a method of ascertaining inventory by taking actual physical count. (i.e stock taking)	i) It is a method of recording inventory balances after each receipt and issue.

26 SUNDAY

ii) This is simple and less expensive

iii) Under this system, inventory control is not possible

iv) Cost of goods sold is residual value

v) Cost of goods sold includes goods lost

Formula :-

Op stock + purchase − Cl. stock

= COGS
(Cost of goods sold)

ii) This is costly method

iii) Here inventory control is possible.

iv) Closing inventory is residual value.

v) Closing inventory includes goods lost.

Formula -

Op Stock + purchase − COGS

= Cl. Stock.

28
TUESDAY
MAY
WK 22 • 149-217

MAY 2024

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

9 (5) **Basic formula** =

(i) COGS = Net sales — Gross profit

or

= Op stock + Net purchase + Direct expense − Cl. Stock

(ii) Adjusted purchase = Op. stock + Net purchase − Cl. stock

(iii) Cost of goods available for Sale = Op. Stock + Net purchase.

(6) **Inventory Valuation Technique**

not interchangeable

Interchangeable

A successful team is a group of many hands but one mind

JUNE 2024

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

WEDNESDAY 29
MAY
WK 22 • 150-216

Historical Cost Method

(माप्त पता होता है।)

→ Specific Identification Method

→ FIFO (AS-2)

→ LIFO

→ Avg. price

→ weighted Avg. price (AS-2)

Non-Historical cost Method

(माप्त नहीं पता है।)

→ Adjusted selling price method.

(Retail Inventory method)

(i) Specific Identification method

→ pricing under this method based on actual physical ~~follow~~ flow of goods. This method is used when inventory is not interchangeable.

→ COST OR NRV (Whichever is lower)

e.g Question . 02)

P	R	S
cost - 9	cost - 7	cost - 12
NRV = 12	NRV = 10	NRV - 14

Sol:-

Valution = P = ₹9
R = ₹7
S = ₹12

(ii) FIFO (First in first out)

In this Method, it is assumed that inventory which are purchased first sold first.

Question . 03)

1 Jan = purchase 3 unit @ ₹10 each
4 Jan = purchase 5 units @ ₹12 each
5 Jan = sold 26 units
7 Jan = purchase 11 units @ 14 each
9 J = sold 5 units
10 Jan = purchase 2 unit @ 15 each

JUNE 2024

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

FRIDAY 31
MAY
WK 22 • 152-214

Find closing stock on 10 Jan. by :-
i) periodic Inventory system
ii) perpetual inventory system.

ii) In ~~perpetual~~ periodic Inventory system (10 Jan)

= 8 units @ 14 each = 112
2 units @ 15 each = 30
142.

ii) perpetual Inventory system. ⇒ SO1 = 10 units at ₹ 142.

Date	Receipts			Issues			Balance		
	Qty	Rate	Amt	Qty	Rate	Amt	Qty	Rate	Amt
01	3	10	30	—	—	—	3	10	30
04	5	12	60	—	—	—	3	10	30
							5	12	60
05	—	—	—	3	10	30			
				6	12	36	2	12	24
07	11	14	140				2	12	24
							11	14	154
09	—	—	—	2	12	24			
				3	11	33	8	14	112
10	2	15	30	—	—	—	8	11	112
							2	15	30

Some people dream of success, while others wake up and work hard at it 2024

01 SATURDAY
WK 22 • 153-213 JUNE

JUNE 2024

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Question 04)

1 Jan = purchase 10 units @ 12 each
3 Jan = purchase 11 units @ 13 each
5 Jan = sold 7 units
7 Jan = purchase 3 units @ 9 each
8 Jan = sold 12 units
10 Jan = purchase 5 units @ 11 each

Date.	Receipts			Issues			Balance		
	Qty	Rate	Amt	Qty	Rate	Amt	Qty	Rate	Amt
01	10	12	120				10	12	120
03	11	13	143				10	12	120
							11	13	143
05	–	–	–	7	12	84			
02 SUNDAY							3	12	36
							11	13	143
07	3	9	27	–	–	–	3	12	36
							11	13	143
							3	9	27
08	–	–	–	3	12	36			
				9	13	117			
2024							2	13	26
							3	9	27

Like any other thing, love requires effort to keep it healthy

10	5	11	55	–	–	–	2	13	26
							3	9	27
							5	11	55

10 units at ₹ 108.

(iii) FIFO (Last in first out.)

In this method assumed that good purchase lately are sold first.

Question · 05)

1 Jan = Purchase 10 units @ ₹12
3 Jan = Purchased 5 units @ ₹15
6 Jan = Sold 6 units
7 Jan = purchase 3 units @ 14
9 Jan = Sold 4 units

Find the value of Cl. Stock, on 9th Jan.
(i) periodic
(ii) perpetual (LIFO)

04 TUESDAY
WK 23 • 156-210 JUNE

JUNE 2024

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Date.	Receipt			Issue			Balance		
	Qty	Rate	Amt	Qty	Rate	Amt	Qty	Rate	Amt
Jan 01	10	12	120	–	–	–	10	12	120
03	5	15	75	–	–	–	10	12	120
							5	15	75
06	–	–	–	5	15	75			
				1	12	12			
							9	12	108
07	3	14	42				9	12	108
							3	14	42
09	–	–	–	3	14	42			
				1	12	12			
							8	12	96.

(iv) Average price method [simple]

* Under this method, we calculate average price and value of inventory is calculate on basis of this price only.

* General used in period method.

The person who has the will to undergo all labour may win any goal

Question : 06 }
(using the same fig of 8:05)

Avg. price ⇒ $\frac{12+15+14}{3}$ = 13.67

on 9th Jan ⇒ 8 units
unsold stock

Value of unsold stock ⇒ 8 × 13.67
on 9th Jan ⇒ 109.36

~~Question : 07 }~~

(v) Weighted average price method

Under this method, weighted Average price is calculate and this price used to calculate Cl. Stock

Question : 07 } (same above question)

W. Avg price ⇒ $\frac{(12\times10)+(15\times5)+(14\times3)}{10+5+3}$

⇒ $\frac{237}{18}$ ⇒ 13.16

JUNE 2024

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
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(7) Non-historical Cost Method

(i) Adjusted selling method.

Cl. stock at selling price — xxx
(+) Sales — xxx
selling price of goods → xxxx — (A)

(−) purchases — xx
(−) op. stock — xx
Gross Margin → xxx — (B)

Gross Margin % ⇒ $\frac{B}{A} \times 100 = \%$

Cl. stock at cost = Cl. stock at selling price − Gross Margin %

Question = 08)

Goods received from creditor (subject to tax and discount) — ₹15,75,500

Tax 11% and discount 3%

Packing charges (part of purchase) ₹ 87500

Opening stock –

Cl. Stock at selling price ₹ 2,35,000

Sales ₹ 22,45,500

Find the cost of Cl Stock. ? → Closing stock

Sol :- Adjusted selling method.

Cl. Stock at selling price	235000
Sales	2245500
	2480500
Purchase	1783841
Gross Margin →	696659

Gross Margin % = $\frac{696659}{2480500} \times 100 = 28\%$

Closing stock at cost = 235000 − 28%

= 169012 (Approx)

Question: 09)

Sales = purchase = 200000
Cl. stock at S.P = 50000
find the cl. stock.

Sol:-

Cl. stock at S.P	50000
Sales	200000
	250000
purchase	200000
Gross Margin)	50000

Gross Margin % = $\frac{50000}{250000} \times 100 = 20\%$

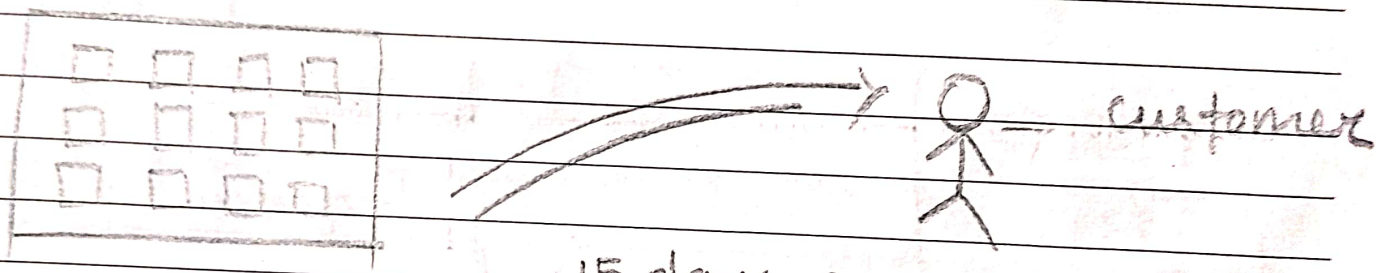
Cl. ~~cst~~ stock at cost = 250000 − 20%

= 200000

(8) Stock Taking

(i) physical Stock = Physical count of stock.

→ Goods sent to Customer on Approval Basis.



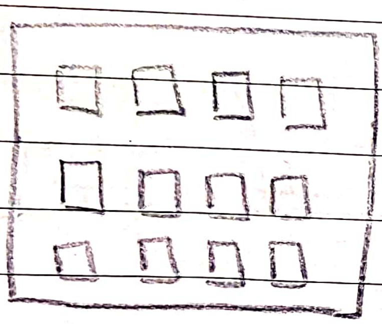
↓
physical stock
₹ 1900

31 st March

Actual stock =
12 units
+ 2 units
14 units
⇒ ₹ 1900.

→ Goods remaining unsold with Consignee.

Owner ⟶ Agent
↓ (+ 2 units) ↓
Consignor Consignee



31 March

physical Stock = 12 units
physical = ₹1200

Actual stock =
12 units
(+) 2 units
14 units.

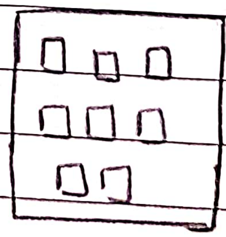
→ Application

16 SUNDAY

1-April 2023 ⟶ 31 March 2024

Transcation

31 March 2024 ⟶ 10 April 2024 → Day 10.
(Cl. Stock)



(opening stock)
Day - 01

JULY 2024

T	W	T	F	S	S
2	3	4	5	6	7
9	10	11	12	13	14
16	17	18	19	20	21
23	24	25	26	27	28
30	31				

MONDAY 17
JUNE
WK 25 • 169-197

COGS = Opening Stock + Net purchase + Direct expense − Closing stock.

Opening Stock = Closing Stock + COGS − Net purchase − Direct expense
(Days on) (Days to)

Statement of valuation of Inventory on 31 March.

	Stock on 10 April 2024 →	xxxx
Add (+)	Net Sales xxx (−) Gross profit xxx	xx
sub (−)	Net purchase	xxx
sub (−)	Direct expense	xxx
	∴ Stock on 31 March 2024	xxxx

S24

March 08

Wk-10 068-298 Fri

Question:

(11) Illustration: 10.

Statement of Valuation of Stock on 31st Mar, 24

Value of Inventory on 10th April.	1675000
Add:- cost of good Sold	51562.5
(	
Less:- Net purchase	81000
Less:- Sales refuen	2250
Less:- Loss on slow-moving items	6000
Less:- Reduction in the value of goods	3000
Value of Inventory on 31st, March 2024	1634310