

**SARE** CHAPTERS KA **REVISION**  
**30 DAYS PLANNER**  
**FIGHTER SERIES**  
for  
**CA FOUNDATION**  
**JAN 2025**

CA HARDIK MANCHANDA

The banner features a man in a suit and glasses, CA Hardik Manchanda, on the left. The background is dark with various icons like a calculator, a person with a bow, and a lightbulb. The text is in bold, colorful fonts (red, yellow, white, black).

1. Live
2. Chats  
L off
3. Phone x
4. Ques

# Inventory Valuation

## → Basis of Inventory Valuation

As per Prudence Concept → Valued at Lower of Cost or NRV  
NRV → Net Realisable value

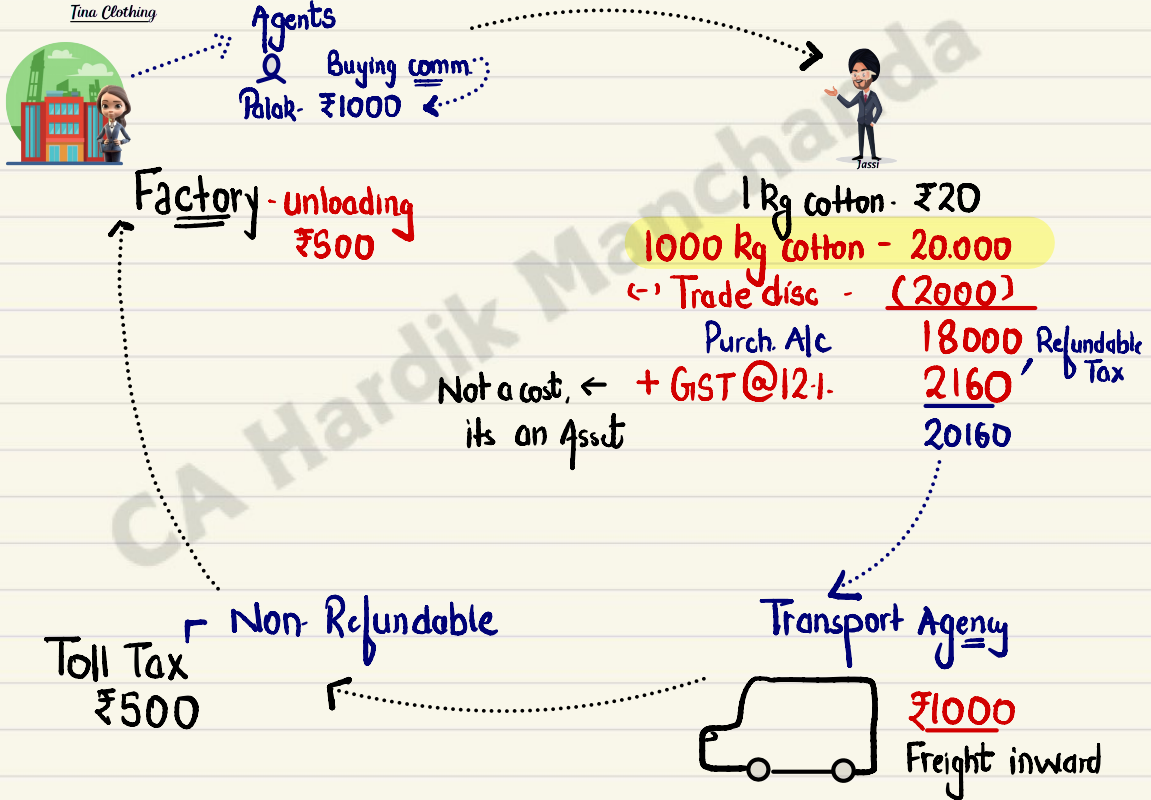
Eg. 200 packets of chips  
Cost - 5400 } Anticipated  
NRV - 4000 } loss

CLOSING STOCK - ₹ 4000

Eg. 200 packets of chips  
Cost - 5400 } Anticipated  
NRV - 9000 } Profits X

CLOSING STOCK - ₹ 5400

# → Meaning of Cost



1. Cost of Purchase : 1000  
+ 18000  
+ 1000  
+ 500  
+ 500  
21000

Cost of 1000 kgs 21000

2. Cost of Conversion - Manufac. cost

↓  
Factory related cost  
- Labour cost : wages  
- Mach : Dep  
- Rent, power.

3. Other cost

↳ Designing cost

→ Net Realisable value

1. Finished Goods

NRV: Estimated selling Price      xxx  
↳ Selling exp      (xxx)  
NRV      xxx

## 2. Work-in-progress (WIP)

WIP- Cost incurred till now - ₹1000 - Cost  
 Estimated cost of completion - ₹800

NRV: (800) - estimated cost of comp.  
 + 3000 - Estimated selling price  
(100) - estimated selling exp.  
 2100 - NRV

Inventory valuation - ₹1000

## 3. Raw Material

Cost - ₹500

NRV - Replacement cost  
 ↳ ₹400

Raw Material will be valued at ₹400.

### Imp points:

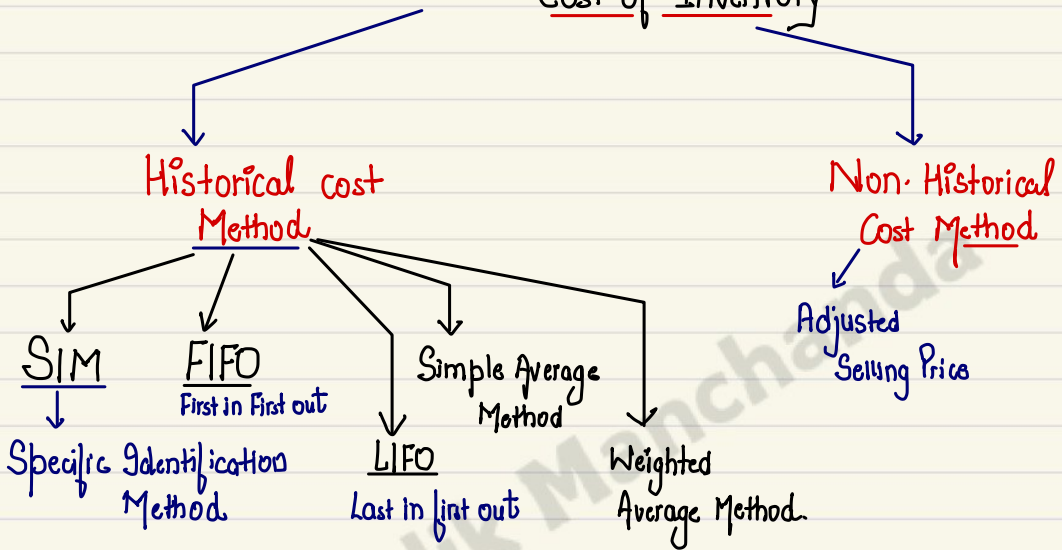
1. Inventory valuation to be done at each Balance Sheet date.

### 2. Example:

Product	Cost	NRV	
A	2000	1800	→ 1800
B	3000	4100	→ 3000
	5000	5900	4800

→ Inventory to be written down to NRV on item by item basis.

## Methods to Determine Cost of Inventory



### 1. Specific Identification Method



HM limited

Machine #1  
2 crore  
2 qty

Machine #2  
5 crore  
3 qty

Machines #3  
10 crore  
1 qty

Cl. stock - 4 crore  
15 cr.  
10 cr  
29 crore

→ This method is generally used where items are not interchangeable & are expensive.

CA F **ILLUSTRATION 1**

Surekha Ltd deals in 3 products P, Q & R, which are neither similar nor interchangeable. At the end of a financial year, the Historical Cost and NRV of items of Closing Stock are given below. Determine the value of Closing Stock.

Items	Historical Cost (in ₹ Lakhs)	Net Realisable Value (in Lakhs)
P	38	42
Q	29	29
R	17	14

Ans-

Items	Historical cost (₹ Lakhs)	NRV (₹ Lakhs)	CL Stock (₹ Lakhs)
P	38	42	38
Q	29	29	29
R	17	14	14
			<u>81</u>

- CL stock is valued at lower of cost & NRV, whichever is lower.
- Inventory to be written down to NRV on item by item basis.

2. FIFO - First in First out

Ex-

Date	Qty	pu	₹
2/1/24	100	100	10,000
10/1/24	50	120	6000
15/1/24	<u>20</u>	110	2200
	<u>170</u>		

Sold 130 units on 18/1/24

Closing stock - 40 units - 18/1/24

$$\begin{array}{c}
 \downarrow \qquad \qquad \downarrow \\
 20 \times 120 \qquad \qquad 20 \times 110 \\
 \hline
 \text{₹ } 4600
 \end{array}$$

**ILLUSTRATION 11**

The following are the details of a spare part of Sriram mills:

1-1-2022	Opening Inventory	Nil
1-1-2022	Purchases	100 units @ ₹ 30 per unit
15-1-2022	Issued for consumption use	50 units
1-2-2022	Purchases	200 units @ ₹ 40 per unit
15-2-2022	Issued for consumption	100 units
20-2-2022	Issued for consumption ✓	100 units

Find out the value of Inventory as on 31-3-2022 if the company follows First in first out basis.

Date	Receipts			Issued			Cl. Stock		
	Unik	Rate	Amt	Units	Rate	Amt	Unik	Rate	Amt
1.1.2022	Bal.						xxx	xxx	xxx
1.1.2022	100	30	3000				100	30	3000
15.1.2022				50	30	1500	50	30	1500
1.2.2022	200	40	8000				50	30	1500
							200	40	8000
15.2.2022				50	30	1500			
				50	40	2000	150	40	6000
20.2.2022				100	40	4000	50	40	2000

Value of Inv. as on 31-3-2022 is ₹2000 [50 units @ ₹40]



### 3. LIFO - Last-in-first-out

→ As per this method, goods which are purchased most recently are sold/issued first & therefore, closing stock consist of goods which were purchased earlier.

→ Accounting Standards does not permit the usage of LIFO Method.

#### Illustration-3

A manufacturer has the following record of purchases of a condenser, which he uses while manufacturing radio sets:

Date	Quantity (units)	Price per unit
Dec. 4 ✓	900	50
Dec. 10 ✓	400	55
Dec. 11 ✓	300	55
Dec. 19 ✓	200	60
Dec. 28 ✓	800	47
	2,600	

Record of issues

Date	Quantity (units)
Dec. 5 ✓	500 ✓
Dec. 20 ✓	600 ✓
Dec. 29 ✓	500 ✓
Total	1,600

## Valuation of Inventory

Date	Receipts			Issued			Cl. Stock		
	Units	Rate	₹	Units	Rate	₹	Units	Rate	₹
Dec 4	400	50	45000				400	50	45000
Dec 5				500	50	25000	400	50	20,000
Dec 10	400	55	22000				400	50	20,000
							400	55	22000
Dec 11	300	55	16500				400	50	20,000
							400	55	22000
							300	55	16500
Dec 19	200	60	12000				400	50	20,000
							-400	55	22000
							-300	55	16500
							200	60	12000
Dec 20				200	60	12000			
				300	55	16500			
				100	55	5500	400	50	20,000
							300	55	16500
Dec 28	800	47	37600				400	50	20,000
							300	55	16500
							800	47	37600
Dec 29				500	47	23500	400	50	20,000
							300	55	16500
							300	47	14100

→ Value of Cl. Inventory of 1000 unit is 350600

#### 4. Simple Average Method

Ex-

1/12/23	100 units @ 25
15/12/23	500 units @ 30
26/12/23	<u>200 units @ 20</u>

600 units sold

$$\rightarrow \text{Average price} = \left( \frac{25 + 30 + 20}{3} \right), \quad ₹25$$

$$\text{Closing Stock} = 200 \text{ units @ } ₹25$$

... ₹5000

**ILLUSTRATION 4**

In the same example of a manufacturer of radio sets given earlier, let us calculate the value of closing inventory using Average Price Method:

A manufacturer has the following record of purchases of a condenser, which he uses while manufacturing radio sets:

Date	Quantity (units)	Price per unit
Dec. 4	900	50
Dec. 10	400	55
Dec. 11	300	55
Dec. 19	200	60
Dec. 28	800	47
	2,600	

1600 units were issued during the month of Dec.

$$\text{Average price} - \left( \frac{50 + 55 + 55 + 60 + 47}{5} \right) = 53.4$$

$$\text{Value of closing Inv. of 1000 units} = 1000 @ 53.4 = \underline{\underline{₹53400}}$$

## 5. Weighted Average Price Method

Ex.	1/2/24	100	x	₹20	}	$\frac{60}{3} = \underline{\underline{₹20}}$
	10/2/24	200	x	₹30		
	13/2/24	<u>400</u>	x	₹10		
		700				

↓

500 units Sold

Closing stock - 200 units @ ₹20 - ₹4000

→ The problem with Simple Average price Method is that it does not consider quantities purchased.

### \* Weighted Average Price Method

Units	Price	₹ - Total cost
100	20	2000
200	30	6000
<u>400</u>	10	<u>4000</u>
700		12000

$$\text{Weighted Avg. price} = \frac{12000}{700} = \underline{\underline{₹17.14}}$$

Cl. Stock - 200 units @ ₹17.14  
= ₹3428

→ Weighted Avg price =  $\frac{\text{Total cost of goods available for sale}}{\text{Total no. of units}}$

## CA Foundation - Accounts

90.5

A manufacturer has the following record of purchases of a condenser, which he uses while manufacturing radio sets:

Date	Quantity (units)	Price per unit
Dec. 4	900	50
Dec. 10	400	55
Dec. 11	300	55
Dec. 19	200	60
Dec. 28 ✓	<u>800</u>	<u>47</u>
	2,600	

Record of issues

Date	Quantity (units)
Dec. 5	✓ 500
Dec. 20	600
Dec. 29	500
Total	1,600

CA Foundation - Accounts

Date	Receipts			Issued			Cl. Stock		
	Units	Rate	₹	Units	Rate	₹	Units	Rate	₹
Dec 4	900	50	45000				900	50	45000
Dec 5				500	50	25000	400	50	20000
Dec 10	400	55	22000				800	52.5	42000
Dec 11	300	55	16500				1100	53.18	58500
Dec 19	200	60	12000				1300	54.23	70500
Dec 20				600	54.23	32538	700	54.23	37962
Dec 28	800	47	37600				1500	50.37	75562
Dec 29				500	50.37	25185	1000	50.37	50377

Value of 1000 units = ₹50377

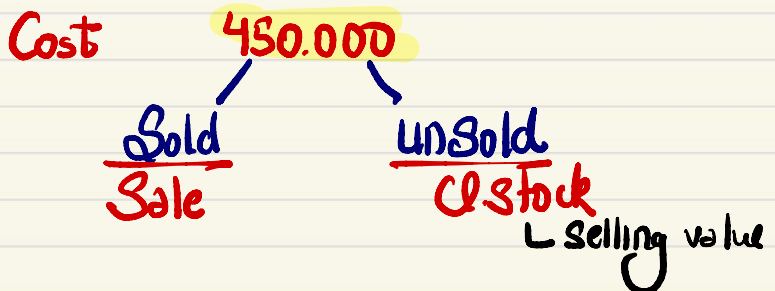
→ Adjusted Selling Price Method  
↳ Retail Inventory Method

Example:

Op Stock -	₹100,000	✓
Purchases -	₹300,000	✓
Direct exp -	₹50,000	✓
Cost of goods available for Sale →	₹450,000	

Sales - ₹400,000 - Selling  
Closing stock - ₹200,000 - Sale price  
↓  
Cost ?

$$SP = CP + Profit$$
$$SP - Profit = \underline{CP}$$





$$\begin{aligned}
 1. \text{ Total cost of goods} &= ₹450,000 \\
 &\quad \downarrow \\
 \text{Total Selling price} &= ₹600,000 \\
 \text{of goods} &
 \end{aligned}$$

$$\text{Profit} = ₹150,000$$

$$\begin{aligned}
 \text{Gross Margin (\%)} &= \frac{150,000}{600,000} \times 100 \\
 \text{on Sales} &= \underline{\underline{25\%}}
 \end{aligned}$$

$$\text{Cost} = \text{SP} - \text{Profit}$$

$$\begin{aligned}
 \text{Closing Stock} &= \text{Cl. Stock} - \text{Profit} \\
 \text{(Cost)} &= \text{Cl. Stock} - \text{Profit} \\
 &= 200,000 - \frac{25}{100} \times 200,000 \\
 &= \underline{\underline{₹150,000}}
 \end{aligned}$$

→ This method is appropriate where there are large no. of items & it is impractical to use any historical cost method.

Step 1 Calculate cost of Goods available for Sale

- Op Stock
- + Purchases
- + Direct exp.

Step 2: Calculate Total Sale value of goods available  
Sales during the year  
+ Closing Stock [selling price]

Step 3: Calculate Gross Margin [%] on sales.

Total Sale value [Step 2]  
(-) Total cost of goods [Step 1]

Gross Margin xxx

$$\text{Gross Margin [\%] on Sales} = \frac{\text{Gross Margin}}{\text{Total Sale value [Step 2]}} \times 100$$

Step 4: Closing Stock [Cost]

Closing Stock [Selling price]  
(-) Gross Margin  
[Cl. Stock (Sell. Price) x Gross Margin %]

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**ILLUSTRATION 7**

From the following information, calculate the non historical cost of closing inventories using adjusted selling price method:

	₹
Sales during the year	2,00,000
Cost of purchases	2,00,000
Opening inventory	Nil
Closing inventory at selling price	50,000

Selling price of goods available = 2,50,000  
 [2,00,000 + 50,000]

Cost of goods available for sale - (₹2,00,000)

Gross Margin = 50,000

$$\text{Gross Margin (\%)} = \frac{50,000}{2,50,000} \times 100$$

$$= 20\%$$

$$\text{Cost of cl. Inventory} = 50,000 - \left[ \frac{20}{100} \times 50,000 \right]$$

$$= ₹40,000$$

1575500  
 1696341  
 1528235  
 +11%

**ILLUSTRATION 6**

M/s X, Y and Z are in retail business, following information are obtained from their records for the year ended 31st March, 2022:

Goods received from suppliers ✓

(subject to trade discount and taxes)

Trade discount 3% and GST 11%

Packaging and transportation charges ✓

Sales during the year

Sales price of closing inventories

Assumption:  
 Non-Refundable  
 Direct

₹	15,75,500
₹	87,500
₹	22,45,500
₹	2,35,000

Find out the non-historical cost of inventories using adjusted selling price method.

1. Selling price of goods available for Sale  
 - Sales during year - 2245,500  
 Sales price of closing inv - 235000

₹ 24,80,500

2. Cost of Goods available for Sale

Goods Received from Suppliers - 1575500  
 (-) Trade discount (3%) (47265)  
 1528235  
 Add: GST @11% 168106  
 1696341  
 Add: Packaging & Transp. 87500

(1783841)

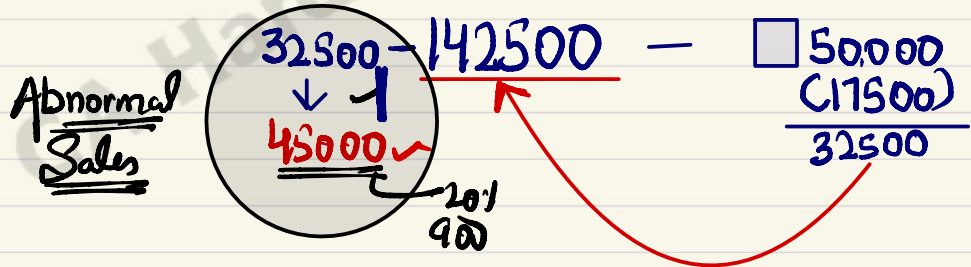
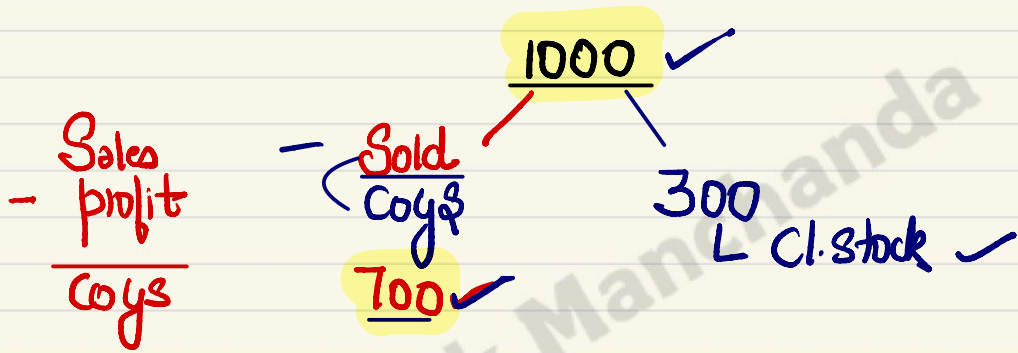
Gross Margin  
 Gross Margin %

696659  
 $\frac{696659}{2480500} \times 100$   
 28.09%  
 = 28.09%

Closing stock at cost =  $235000 - \frac{28.09}{100} \times 235000$

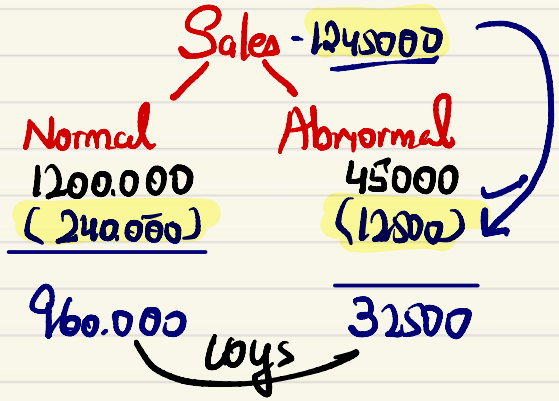
⇒ 168989

$$\text{CL. Stock} = \text{Cost of goods av. for Sale} - \text{Cost of Goods Sold}$$



2. COGS

(-) GIP  
COYS



Imp

**ILLUSTRATION 8**

From the following particulars ascertain the value of Inventories as on 31st March, 2022:

	₹
Inventory as on 1.4.2021	1,42,500
Purchases	7,62,500
Manufacturing Expenses	1,50,000
Selling Expenses <del>x</del> ✓	60,500
Administrative Expenses <del>x</del> ✓	30,000
Financial Charges <del>x</del> ✓	21,500
Sales ✓ - <u>GP = COGS</u>	12,45,000

At the time of valuing inventory as on 31st March, 2021, a sum of ₹ 17,500 was written off on a particular item, which was originally purchased for ₹ 50,000 and was sold during the year for ₹ 45,000. Barring the transaction relating to this item, the gross profit earned during the year was 20% on sales.

1. Cost of Goods available for sale (WN1)	10,55,000
- Cost of Goods sold (WN2)	9,92,500
<b>Closing Stock as on 31/3/2022</b>	<u><u>62,500</u></u>

WN1 Cost of goods available for Sale:

Opening Inventory	-	142500
Purchases	-	762500
Man. Exp	-	150000
		<u>1055000</u>

WN2 Cost of Good Sold:

Sales	-	1245000
Less: Gross Profit		
Normal Sales - 1200,000 x 20%		240000
Abnormal sales - 45000 - 32500		12500
		<u>252500</u>
		992500

# INVENTORY TAKING

Physical counting of stock.



Before the end of Accounting Year

After the end of Accounting year

25th March - ₹100,000 - Physical count  
 + Purchases - ₹30,000 - Invoice  
 [26th Mar - 31st Mar]

Sales - 50,000 <sup>Invoice</sup>  
 GP (10,000) (40,000) - COGS

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Stock as on 31st Mar ₹90,000

5th April - ₹1,20,000  
 Purchases - (₹25,000)  
 [1st Apr - 5th Apr]

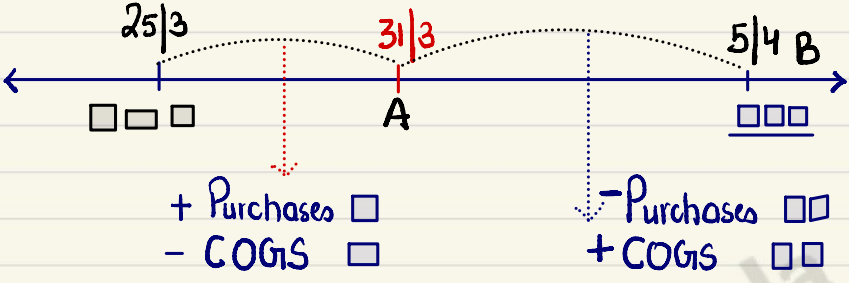
Sales - 40,000  
 GP (10,000) + 30,000

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Stock as on 31st Mar 1,25,000

Stock Taking	-	xxx
+ Purchases		xxx
- COGS		(xxx)
Stock as on 31/3		<u>xxx</u>

Stock Taking	xxx
Less: Purchases	(xxx)
Add: COGS	xxx
Stock as on 31/3	<u>xxx</u>

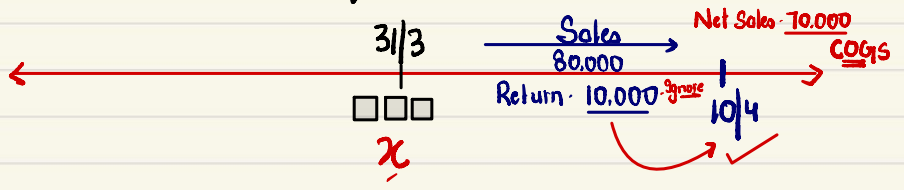


Stock as on A -	xxx
+ Purchases	xxx
- COGS	(xxx)
Stock as on B	xxx

**Example:** Physical stock as on 10th Apr, 2023. ₹1,40,000  
 Full info is available which relates to period b/w 1st Apr & 10th Apr, 2023:

- a) Purchases - ₹50,000 [incl. cash purch. ₹15,000]
  - b) Sales - ₹80,000
  - Sales Ret - ₹10,000
- 10,000 - 14000 = 5600

Goods are sold at a profit Margin of 20%.  
 → Calculate value of Stock as on 31st Mar 2023.





Ans.

	₹
Physical Stock as on 10th Apr. 23	140,000
less: Purchases from 1st Apr. 10th Apr	(50,000)
Add: Cost of Goods Sold	56,000
Net Sales (80,000 - 10,000) -	70,000
- Gross Profit	<u>(14,000)</u>
Value of stock as on 31st Mar. 23	<u>146,000</u>

↓      ↓  
 Trading A/c    B/s

CA Hardik Marchanda

- Diff b/w 'value of Stock' & 'value of physical Stock'.

Stock Taking → 25th March - ₹2,50,000  
↓ Purchases - ₹1,00,000 → [out of total purchase, ₹10,000 not yet received]  
[Invoice]  
31st Mar

31st March - Value of Stock  
₹ 3,50,000 - Trading A/c

Stock  
↳ ownership

Value of physical Stock - 3,40,000

$$\left[ \frac{1}{3} \times \text{Cost} \right] = \frac{1}{4} \times \text{Sales}$$

CA Foundation - Accounts

PQ-1

- Purch + COGS

X who was closing his books on 31.3.2022 failed to take the actual stock which he did only on 9th April, 2022, when it was ascertained by him to be worth ₹2,50,000.

It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchases day book once the invoices are received.

It was found that sales between 31.3.2022 and 9.4.2022 as per the sales day book are ₹17,200. Purchases between 31.3.2022 and 9.4.2022 as per purchases day book are ₹1,200, out of these goods amounting to ₹500 were not received until after the stock was taken.

Goods invoiced during the month of March, 2022 but goods received only on 4th April, 2022 amounted to ₹1,000. Rate of gross profit is 33-1/3% on cost.

Ascertain the value of ~~XXXX~~ stock as on 31.3.2022.

1/3 on cost ✓

Physical Stock. 9/4	250,000	<u>700</u> <u>1000</u>
+ COGS	12900	
[ Sales - 17200 ✓ (- ) GP (4300) ]		
- Purch (1/4 - 9th)	(700) (1000)	
	261200	

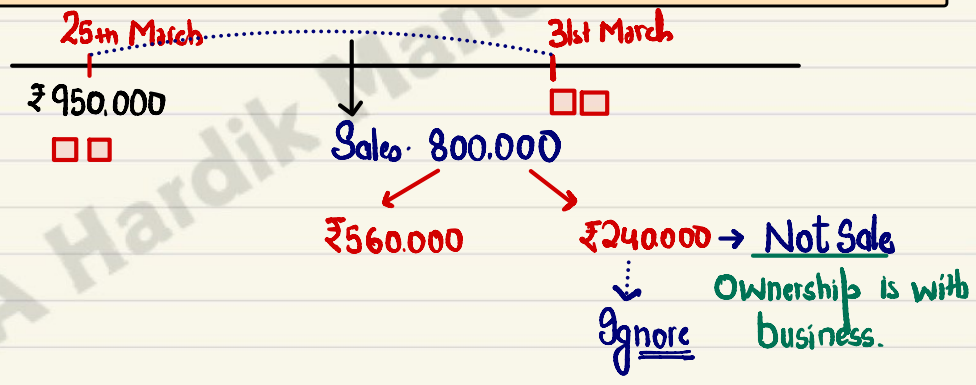
## → Goods Sent on Approval

Inventory taking for the year ended 31st March, 2023 was taken on 25th March, 2023, the valuation of which showed an inventory figure of Rs. 9,50,000. The following facts were established between 25th March to 31st March, 2023.

- a. Sales were Rs. 8,00,000 which includes goods worth Rs. 2,40,000 sent on approval.
- b. Goods are sold at a margin of 25%.
- c. Purchases were Rs. 3,00,000.

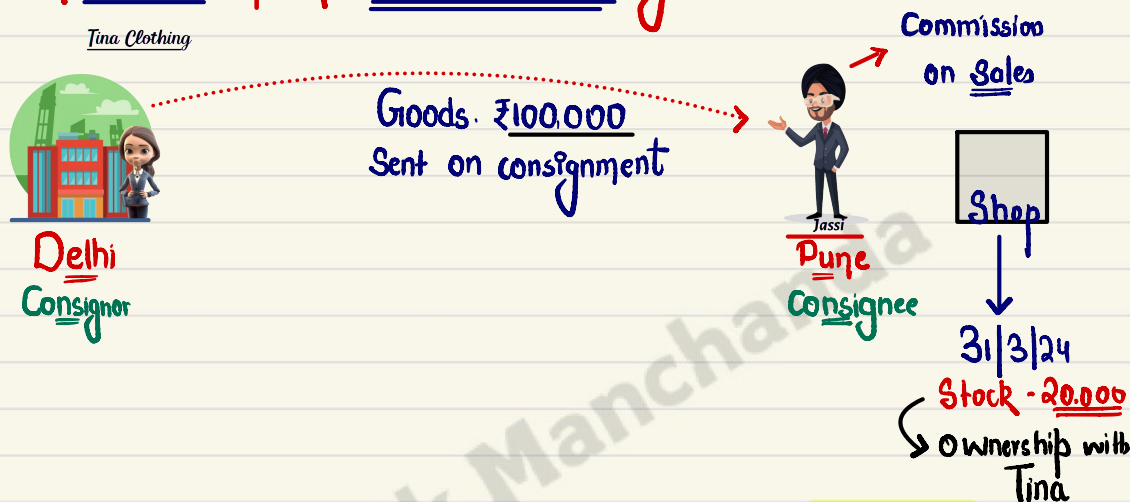
$$\begin{array}{r}
 800.000 \\
 - 240.000 \\
 \hline
 560.000
 \end{array}$$

Determine the value Of stock on 31st March, 2023.



Value of physical stock as on 25th March	<u>950,000</u>
<u>Less:</u> Cost of Goods Sold	
Total Sales - 800,000	
(-) Goods sent on approval - <u>(240,000)</u>	560,000
(-) Gross profit <u>(140,000)</u>	<u>(420,000)</u>
 <u>Add:</u> Purchases	 <u>300,000</u>
Value of stock as on 31st Mar. 23	<u><u>830,000</u></u>

## → Goods sent | Received on Consignment



Eg-1 Inventory taking as on 25th March, 24 - ₹100,000  
 Info:- Out of the goods sent on consignment, goods costing ₹20,000 are with consignee.

Stock as on 31st March, 24 - ₹100,000  
 + 20,000 ₹120,000

Eg-2 Inventory taking as on 10th Apr, 24 - ₹120,000

→ Goods received on consignment during Mar 24 - ₹25,000  
 40% of the goods sold till 31st Mar, another 20% sold by 10th Apr & remaining are unsold.  
 → 40% goods are with Consignee.

→ Value of physical stock as on 10th Apr. ₹ 120,000  
 less: unsold goods, received on consignment (25000 x 40%) ₹ 10,000

Value of stock as on 31st March, 24 1,10,000



**ILLUSTRATION 9**

- Purch + Coys

A trader prepared his accounts on 31<sup>st</sup> March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15<sup>th</sup> April, 2022 on which date total cost of goods in his godown came to ₹ 50,000. The following facts were established between 31<sup>st</sup> March and 15<sup>th</sup> April, 2022.

- (i) Sales ₹ 41,000 (including cash sales ₹ 10,000).
- (ii) Purchases ₹ 5,034 (including cash purchases ₹ 1,990).
- (iii) Sales return ₹ 1,000.
- (iv) On 15<sup>th</sup> March, goods of the sale value of ₹ 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10<sup>th</sup> April, approving the rest; the customer was billed on 16<sup>th</sup> April.
- (v) The trader had also received goods costing ₹ 8,000 in March, for sale on consignment basis. 20% of the goods had been sold by 31<sup>st</sup> March, and another 50% by the 15<sup>th</sup> April. These sales are not included in above sales.

NS = 40,000  
 (-) GP

Ignore

- 30% = 2400

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of inventory as on 31<sup>st</sup> March, 2022.

$$\begin{aligned}
 & \text{S } (40,000 - 8,000) + \text{Coys } 50,000 - 15/4 \text{ (79366)} \\
 & \text{Add: Cost of goods sent on approval (60%)} \rightarrow 4,800 \\
 & \text{Sale value. } 6,000 \\
 & \text{(-) GP } (1,200) \\
 & \text{--- 5034 --- } (2,400) \text{ ---}
 \end{aligned}$$

+ Purch - Coys

PG-4

Physical verification of stock in a business was done on 23rd June, 2022. The value of the stock was ₹ 48,00,000. The following transactions took place between 23rd June to 30th June, 2022:

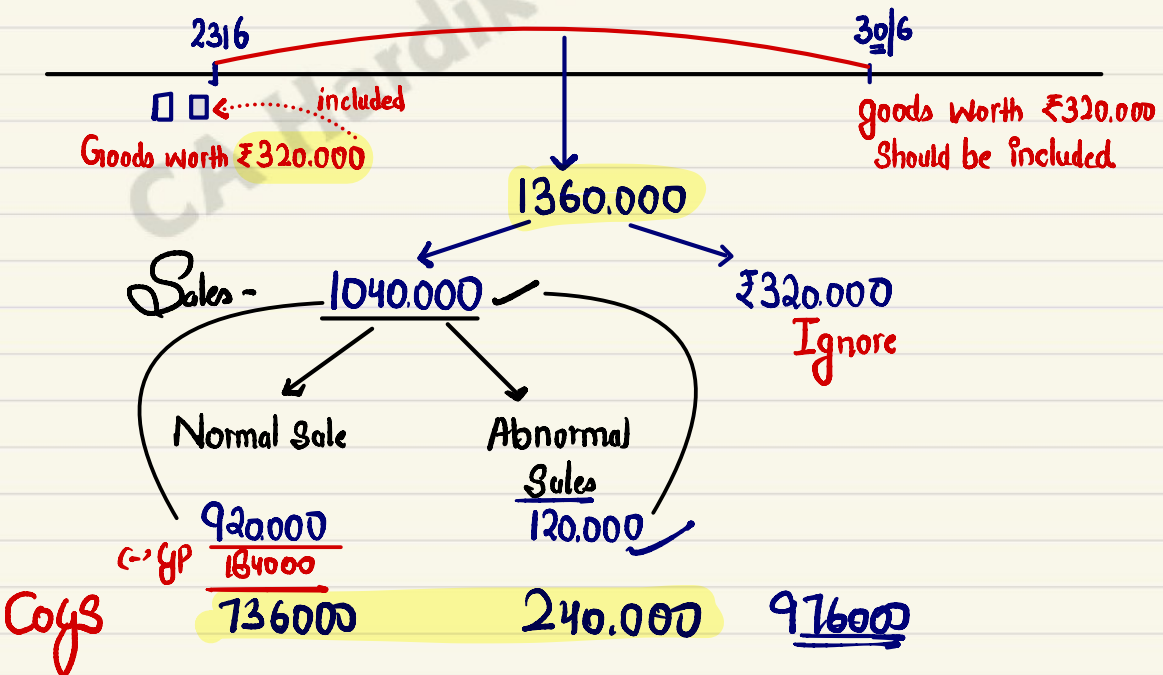
(i) Out of the goods sent on consignment, goods at cost worth ₹ 2,40,000 were unsold. +

(ii) Purchases of ₹ 4,00,000 were made out of which goods worth ₹ 1,60,000 were delivered on 5th July, 2022. +400000

(iii) Sales were ₹ 13,60,000, which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 30th June, 2022. 1040000

(iv) Goods are sold at cost plus 25%. However, goods costing ₹ 2,40,000 had been sold for ₹ 1,20,000.  $\frac{1}{4} \times \text{cost} = \frac{1}{5} \text{ Sales}$

Determine the value of stock on 30th June, 2022



	Amount (₹)
Value of physical stock as on 23rd June, 22	4800.000
Add: Goods sent on consignment, unsold	240.000
Add: Purchases from 23rd June to 30th June	400.000
Less: Cost of Goods Sold	
Total Sales -	1360.000
(-) Goods sent on App.	<u>(320.000)</u>
	1040.000
Less: Gross Profit	
Normal Sales - $920,000 \times \frac{1}{5} = 184,000$	
Abnormal Sales -	<u>(120.000)</u> <u>64,000</u>
	<u>(976,000)</u>
Value of stock as on 30th June, 22	<u>44,64,000</u>

$$\begin{array}{r}
 11250 \\
 - 6000 \\
 \hline
 5250
 \end{array}
 \left. \vphantom{\begin{array}{r} 11250 \\ - 6000 \\ \hline 5250 \end{array}} \right) 6000$$

$$\begin{array}{r}
 11250 \\
 - 6000 \\
 \hline
 5250
 \end{array}$$

$$\begin{array}{r}
 15500 \\
 12500 \\
 \hline
 3000
 \end{array}$$



68750  
(3000)  
65750

$$\frac{1}{3} \times \text{Cost} = \frac{1}{4} \times \text{Sales}$$

Imp

- Purch + Coys

ILLUSTRATION 10

Inventory taking for the year ended 31st March, 2022 was completed by 10th April 2022, the valuation of which showed a inventory figure of ₹ 16,75,000 at cost as on the completion date. After the end of the accounting year and till the date of completion of inventory taking, sales for the next year were made for ₹ 68,750 profit margin being 33.33 % on cost. Purchases for the next year included in the inventory amounted to ₹ 90,000 at cost less trade discount 10 %. During this period, goods were added to inventory at the mark up price of ₹ 3,000 in respect of sales returns. After inventory taking it was found that there were certain very old slow-moving items costing ₹ 11,250, which should be taken at ₹ 5,250 to ensure disposal to an interested customer. Due to heavy flood, certain goods costing ₹ 15,500 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be ₹ 12,500 on 31st March. Compute the value of inventory for inclusion in the final accounts for the year ended 31st March, 2022.

-81000

	₹
Add: Value of stock as on 10th Apr. 22	1675000
Cost of Goods Sold	
[ Net Sales (68750-3000) - 65750 ]	
(-) Gross profit [1/4 on sales] (16438)	49312
Less: Purchases from 1st Apr to 10th Apr (90.000 - 10%)	(81000)
Less: Decrease in the value of old slow moving items (11250 - 5250)	(6000)
Less: Decrease in the value of stock (15500 - 12500)	(3000)
Value of stock as on 31st Mar	<u>1634312</u>

PQ-3

Adv. Dr → No effect  
To Purch A/c

Nominal  
Dr  
Cr  
P.L.

The Profit and loss account of Hanuman showed a net profit of ₹ 6,00,000, after considering the closing stock of ₹ 3,75,000 on 31st March, 2022. Subsequently the following information was obtained from scrutiny of the books:

- (i) Purchases for the year included ₹ 15,000 paid for new electric fittings for the shop.
- (ii) Hanuman gave away goods valued at ₹ 40,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to ₹ 2,50,000 have been entered on 27th March, 2022, but the goods were not included in stock.
- (iv) In March, 2022 goods of ₹ 2,00,000 sold and delivered were taken in the sales for April, 2022.
- (v) Goods costing ₹ 75,000 were sent on sale or return in March, 2022 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2022 these were taken as sales for March, 2022.

Calculate the value of stock on 31st March, 2022 and the adjusted net profit for the year ended on that date.

Dr		Profit & Loss Adj A/c		Cr	
To Sales (Sales Reversal)	100,000	by bal b/d		600,000	
To Adj. Net Profit	1040,000	by electric fittings		15,000	
		by stock (not included in the closing st.)		250,000	
		by Sales (not included in March)		200,000	
		by stock (goods sent on App basis)		75,000	
	<u>          </u>			<u>          </u>	

		₹
→	Closing Stock (given)	375,000
	Add: Goods purchased but not included in the stock	250,000
	Add: Goods Sent on Approval Basis	75,000
		100,000

---

1. Electric fittings Dr. 15000  
 To purch A/c 15000 → Purch Dr  
 To p&L A/c

Nominal

Profit ↓ Dr.                      Cr. Profit ↑

2. Adv. Exp Dr. → Nominal  
 To purch A/c → Nominal } No impact on Profit.  
Note!

3. Closing stock Dr.  
 To Trading A/c → p&L Adj A/c

4. Debtor Dr                      Sales Dr ✓  
 To Sales                      To p&L Adj - Cr.  
     ↳ p&L Adj

5. a) Sales Dr                      1L  
 To Debtor A/c 1L

b) Clst Dr                      75K  
 To Trading                      75K

Ques Practice ✓

Comment ✓

100% Inventory Done

Application - Jan 25  
↳ Answer

upload + Telegram

CA Hardik Manchanda