



1. ROE
2. BRS
3. BOE
4. Inventory valuation. ✓

Jan 25

(i) The following details are available of raw material of a manufacturing unit:

1-5-2024	Opening Inventory	100 units @ ₹ 15 per unit
2-5-2024	Purchases	300 units @ ₹ 18 per unit
5-5-2024	Issued for consumption	250 units
16-5-2024	Purchases	500 units @ ₹ 21 per unit
21-5-2024	Issued for consumption	100 units
25-5-2024	Issued for consumption	450 units

The manufacturer also incurred the following expenses:

- ✓ Freight of ₹ 300 and unloading charges of ₹ 150 at the time of every purchase respectively. ✓
- Warehouse rent of ₹ 2,000 per month. ✗
- Administrative Expenses of ₹ 1,500 per month. ✗

You are required to find out the value of inventory as on May 31, 2024 if the company follows:

- ✓ (a) Weighted Average method for inventory valuation.
- ✓ (b) First in First Out method for inventory valuation. (5 Marks)

WN 1. Per unit cost of stock purchased on 2nd May, 24.

$$= \frac{300 \times 18 + 300 + 150}{300} = 19.5$$

2. 16th May, 24

$$= \frac{500 \times 21 + 300 + 150}{500} = 21.9$$

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Date	Receipts			Issue			Cl. Stock		
	Units	Rate	₹	Units	Rate	₹	Units	Rate	₹
1-5-24							100	15	1500
2-5-24	300	19.5	5850				400	18.38	7350
5-5-24				250	18.38	4595	150	18.38	2755
16-5-24	500	21.9	10950				650	21.08	13705
21-5-24				100	21.08	2108	550	21.08	11597
25-5				450	21.08	9466	100	21.08	2111

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	Rs. 15,75,500
(subject to trade discount and taxes)	
Trade discount 3% and GST 11%	
Packaging and transportation charges	Rs. 87,500
Sales during the year	Rs. 22,45,500
Sales price of closing inventories	Rs. 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 the year - 2245500

Sales price of closing inventories - 235000

2480500

2. Cost of goods available for sale.

Goods purchased - 1575500

- Trade discount [3%] - (47265)

1528235

+ GST @ 11% (168106)

1696341

+ Packaging & Transp. 87500

(1783841)

Gross Margin % on Sales - 696659

696659 x 100

2480500

= 28.09%

$$\begin{aligned}\text{Closing Stock} &= 235000 - \frac{28.09}{100} \times 235000 \\ \text{(cost)} &= 168989\end{aligned}$$

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Illustration 8: From the following particulars ascertain the value of Inventories as on 31st March, 2022:

Particulars	Amt.
Inventory as on 1.4.2021..op	1,42,500
Purchases	7,62,500
Manufacturing Expenses	1,50,000
Selling Expenses ✕	60,500
Administrative Expenses ✕	30,000
Financial Charges ✕	21,500
Sales ✓	12,45,000

32500

32500

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

- 1. Sales - COGS = GP
- 2. Cost of goods available for sale - COGS = cl.stock

	Amt
1. Cost of Goods available for sale (WN1)	1055000
(-) Cost of Goods sold (WN2)	(992500)
Closing Stock	<u>62500</u>

WN1

Op Inventory	=	142500
+ Purchase	=	762500
+ Mfg. exp	=	<u>150,000</u>
		<u>1055000</u>

WN2 COGS

Sales	-	1245000
(-) Gross profit		(252500)
		<u>992500</u>

[Normal Sales - 1200,000 x 20% = 240,000]

[Abnormal Sales - (45000 - 32500) = 12500]

992500

*

Question 1: 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 Rs. 2,50,000.

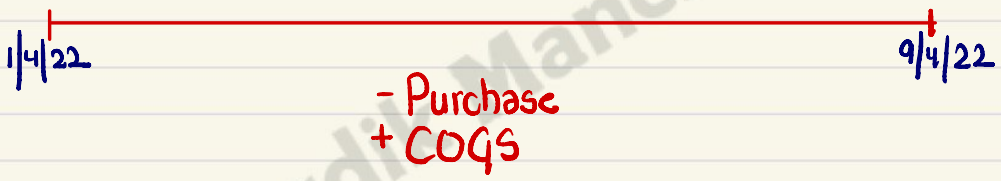
It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchases day book once the invoices are received.

It was found that sales between 31.3.2022 and 9.4.2022 as per the sales day book are Rs. 17,200. Purchases between 31.3.2022 and 9.4.2022 as per purchases day book are Rs. 1,200, out of these goods amounting to Rs. 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 Rs. 1,000. Rate of gross profit is 33-1/3% on cost.

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

Ascertain the value of physical stock as on 31.3.2022.



	Amount
1. Value of physical stock as on 9th Apr	250,000
Less: Purchases from 1st Apr - 9th Apr [Invoice received - 1200 (-) Goods not received - (500)]	(700)
Add: COGS [Sales - 17200 (-) GP - (4300)]	12900
Less: Goods purch. in Mar but received in Apr	(1000)
	<u>261200</u>

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Illustration 9: A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2022 on which date total cost of goods in his godown came to Rs. 50,000. The following facts were established between 31st March and 15th April, 2022.

- 1. Sales Rs. 41,000 (~~including cash sales Rs. 10,000~~).
- 2. Purchases Rs. 5,034 (~~including cash purchases Rs. 1,990~~).
- 3. Sales return Rs. 1,000.
- 4. On 15th March, goods of the sale value of Rs. 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 10th April, approving the rest; the customer was billed on 16th April.
- 5. The trader had also received goods costing Rs. 8,000 in March, for sale on consignment basis. 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales. Goods are sold by the trader at a profit of 20% on sales.

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



	Amount
Value of physical stock as on 15th Apr	50,000
Add: Cost of Goods Sold [Net Sales (41000 - 1000) = 40,000 (-) Gross profit (8000)]	32000
Less: Purchases	(5034)
Add: Cost of Goods Sent on Approval basis [value of sales (10,000 x 60%) = 6000 (-) Gross profit (1200)]	4800
Less: Goods received on consignment (8000 x 30%)	(2400)
Value of stock as on 31st Mar, 22	<u>79366</u>

Cost plus 25%
100 25

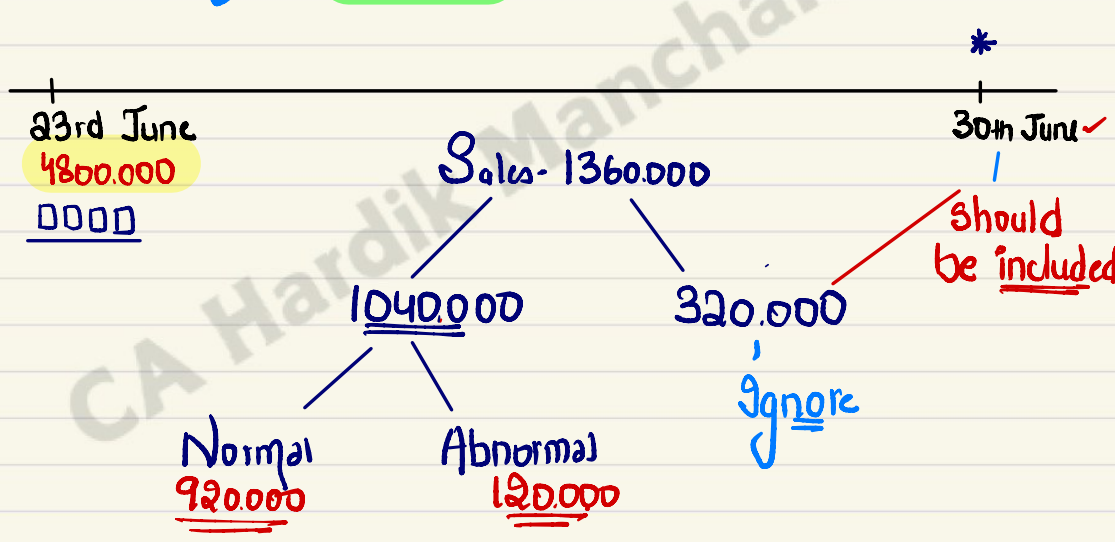
$\frac{1}{4} \times \text{Cost} = \frac{1}{5} \times \text{Sales}$

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Question 4 & PYQ Sep 24: Physical verification of stock in a business was done on 23rd June, 2022. The value of the stock was Rs. 48,00,000. The following transactions took place between 23rd June to 30th June, 2022:

- 1. Out of the goods sent on consignment, goods at cost worth Rs. 2,40,000 were unsold.
- 2. Purchases of Rs. 4,00,000 were made out of which goods worth Rs. 1,60,000 were delivered on 5th July, 2022.
- 3. Sales were Rs. 13,60,000, which include goods worth Rs. 3,20,000 sent on approval. Half of these goods were returned before 30th June, 2022.
- 4. Goods are sold at cost plus 25%. However, goods costing Rs. 2,40,000 had been sold for Rs. 1,20,000.

Determine the value of stock on 30th June, 2022.



1. Value of physical stock as on 23rd June	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 Approval	<u>(320.000)</u>
	1040.000
Less: Gross Profit	<u>(64000)</u>
	(976000)
<div><div>- Normal sales [$920.000 \times \frac{1}{5}$]</div><div>- Abnormal sales [$120.000 - 240.000$]</div></div>	<div>184000</div> <div>(120.000)</div>
Value of Stock as on 30th June	<u>4464000</u>

$$\frac{1}{2} \times \text{cost} = \frac{1}{4} \times \text{Sales}$$

6000
↓
3000

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 Rs. 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 Rs. 68,750, profit margin being 33.33 % on cost. Purchases for the next year included in the inventory amounted to Rs. 90,000 at cost less trade discount 10 %. During this period, goods were added to inventory at the mark up price of Rs. 3,000 in respect of sales returns. After inventory taking it was found that there were certain very old slow-moving items costing Rs. 11,250, which should be taken at Rs. 5,250 to ensure disposal to an interested customer. Due to heavy flood, certain goods costing Rs. 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 Rs. 12,500 on 31st March. Compute the value of inventory for inclusion in the final accounts for the year ended 31st March, 2022.

Value of physical stock as on 10th Apr	1675000
Add: Cost of Goods Sold	
[Net Sales (68750-3000) = 65750]	
[(-) Gross profit (1/4 on sales) = (16438)]	49312
Less: Purchases [90,000 - 10%]	(81000)
less: Decrease in the value of old slow moving [11250-5250]	(6000)
less: Dec. in the value of stock [15500-12500]	(3000)
	<u>1634312</u>

+250000 + 75000 = 700,000

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

- 1. Purchases for the year included Rs. 15,000 paid for new electric fittings for the shop.
- 2. Hanuman gave away goods valued at Rs. 40,000 as free samples for which no entry was made in the books of accounts.
- 3. Invoices for goods amounting to Rs. 2,50,000 have been entered on 27th March, 2022, but the goods were not included in stock.
- 4. In March, 2022 goods of Rs. 2,00,000 sold and delivered, were taken in the sales for April, 2022.
- 5. Goods costing Rs. 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.

P&L Adj A/c

Part		Part	
₹		₹	Cr.
To sales (sales reversal)	100,000	by bal b/d	600,000
		by electric fittings	15,000
		by stock (not included)	250,000
		by sales (not incl. in March)	200,000
To Adj NP	1,04,000	By stock (goods sent on approval)	75,000
	⇒		⇒