

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

ILLUSTRATION 2 – FIFO

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

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

1,600 units were issued during the month of December till 18th December. Calculate the value of closing inventory.

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)
<i>P</i>	38	42
<i>Q</i>	29	29
<i>R</i>	17	14

911.5

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	800	47
	2,600	

Record of issues

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

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ILLUSTRATION 8

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

	₹
<i>Inventory as on 1.4.2021</i>	<i>1,42,500</i>
<i>Purchases</i>	<i>7,62,500</i>
<i>Manufacturing Expenses</i>	<i>1,50,000</i>
<i>Selling Expenses</i>	<i>60,500</i>
<i>Administrative Expenses</i>	<i>30,000</i>
<i>Financial Charges</i>	<i>21,500</i>
<i>Sales</i>	<i>12,45,000</i>

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.

From the following information, ascertain the value of stock as on 31.3.2022:

	₹
<i>Value of stock on 1.4.2021</i>	<i>7,00,000</i>
<i>Purchases during the period from 1.4.2021 to 31.3.2022</i>	<i>34,60,000</i>
<i>Manufacturing expenses during the above period</i>	<i>7,00,000</i>
<i>Sales during the same period</i>	<i>52,20,000</i>

At the time of valuing stock on 31.3.2021 a sum of ₹ 60,000 was written off a particular item which was originally purchased for ₹ 2,00,000 and was sold for ₹ 1,60,000. But for the above transaction the gross profit earned during the year was 25% on cost.

PQ.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 ₹ 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 $33\frac{1}{3}\%$ on cost.

Ascertain the value of physical stock as on 31.3.2022.

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 ₹ 50,000. The following facts were established between 31st March and 15th 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 15th 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 10th April, approving the rest; the customer was billed on 16th 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 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.

PQ-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.*
- (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.*
- (iv) Goods are sold at cost plus 25%. However, goods costing ₹ 2,40,000 had been sold for ₹ 1,20,000.*

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

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.

PQ-3

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 $33\frac{1}{3}\%$ 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.

ILLUSTRATION 7

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

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

NOTE: Profit margin of 33.33 % on cost means 25 % on sales price.

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	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.

ILLUSTRATION 12

Continuing with the information given in illustration 11, find out the value of Inventory as on 31-3-2022 if the company follows Weighted Average basis.

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)

₹ 15,75,500

Trade discount 3% and GST 11%

Packaging and transportation charges

₹ 87,500

Sales during the year

₹ 22,45,500

Sales price of closing inventories

₹ 2,35,000

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

SEP 25 MTP 2

2. (a) M/s McGraw, Profit and loss account showed a net profit of ₹ 32,00,000, after considering the closing stock of ₹ 30,00,000 on 31st March, 2025. Subsequently the following information was obtained from scrutiny of the books:
- (i) Purchases for the year included ₹ 1,20,000 paid for new electric fittings for the shop.
 - (ii) M/s Manas gave away goods valued at ₹ 3,20,000 as free samples for which no entry was made in the books of accounts.
 - (iii) Invoices for goods amounting to ₹ 20,00,000 have been entered on 25th March, 2025, but the goods were not included in stock.
 - (iv) In March, 2025 goods of ₹ 16,00,000 sold and delivered were taken in the sales for April, 2025.
 - (v) Goods costing ₹ 6,00,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2025 these were taken as sales for March, 2025.

You are required to determine the adjusted net profit for the year ended on 31.3.2025 and calculate the value of stock on 31st March, 2025. (10 Marks)

special que

SEP25 MTP 1

- (b) Attempt any ONE out of the two sub parts i.e. either (i) or (ii).
- (i) The following details are available of raw material of a manufacturing unit:

1-5-2025	Opening Inventory	100 units @ ₹ 15 per unit
2-5-2025	Purchases	300 units @ ₹ 18 per unit
5-5-2025	Issued for consumption	250 units
16-5-2025	Purchases	500 units @ ₹ 21 per unit
21-5-2025	Issued for consumption	100 units
25-5-2025	Issued for consumption	450 units

The manufacturer also incurred Freight of ₹ 600 and unloading charges of ₹ 300 at the time of every purchase respectively.

You are required to find out the value of inventory as on May 31, 2025, if the company follows:

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

MAY25 MTP 2

- (c) From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

Purchase during the year	-	₹ 7,50,000	
Sales during the year	-	₹ 11,25,000	
Opening Inventory	-	Nil	
Closing Inventory at selling price	-	₹ 1,50,000	(5 Marks)

special que

MAY25 MTP 1

- (c) The following are the details of the spare parts of a Paper Factory:

1-1-2025	Opening Inventory	Nil
1-1-2025	Purchases	10 units @ ₹ 300 per unit
15-1-2025	Issued for consumption	5 units
1-2-2025	Purchases	20 units @ ₹ 400 per unit
	Freight incurred	500

15-2-2025	Issued for consumption	10 units
20-2-2025	Issued for consumption	10 units

Find out the value of Inventory as on 31.3.2025, if the company follows Weighted Average Method. **(4 Marks)**

Special que JAN25 MTP 2

2. (a) Sunshine Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2024 with the stock figure as on 31st December, 2023 and some other information is available to you:
- (i) The cost of stock on 31st December, 2023 as shown by the inventory sheet was ₹ 80,000.
 - (ii) On 31st December, stock sheet showed the following discrepancies:
 - (a) A page total of ₹ 5,000 had been carried to summary sheet as ₹ 6,000.
 - (b) The total of a page had been undercast by ₹ 200.
 - (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2024 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2023. Invoices entered in April 2024 relating to goods received in March, 2024 totalled ₹ 4,000.
 - (iv) Sales invoiced to customers totalled ₹ 90,000 from January to March, 2024. Of this ₹ 5,000 related to goods dispatched before 31st December, 2023. Goods dispatched to customers before 31st March, 2024 but invoiced in April, 2024 totalled ₹ 4,000.
 - (v) During the final quarter, credit notes at invoiced value of ₹ 1,000 had been issued to customers in respect of goods returned during

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that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2024. **(10 Marks)**

JAN25 MTP 1

(c) The following are the details of the spare parts of a Chemical Mill:

1-1-2024	Opening Inventory	Nil
1-1-2024	Purchases	100 units @ ₹ 300 per unit
15-1-2024	Issued for consumption	50 units
1-2-2024	Purchases	200 units @ ₹ 400 per unit
15-2-2024	Issued for consumption	100 units
20-2-2024	Issued for consumption	100 units

Find out the value of Inventory as on 31.3.2024, if the company follows Weighted Average Method. **(4 Marks)**

SEP24 MTP 1

(b) M/s Dheeraj, Profit and loss account showed a net profit of ₹ 8,00,000, after considering the closing stock of ₹ 7,50,000 on 31st March, 2024. Subsequently the following information was obtained from scrutiny of the books:

- (i) Purchases for the year included ₹ 30,000 paid for new electric fittings for the shop.
- (ii) M/s Dheeraj gave away goods valued at ₹ 80,000 as free samples for which no entry was made in the books of accounts.

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- (iii) Invoices for goods amounting to ₹ 5,00,000 have been entered on 27th March, 2024, but the goods were not included in stock.
- (iv) In March, 2024 goods of ₹ 4,00,000 sold and delivered were taken in the sales for April, 2024.
- (v) Goods costing ₹ 1,50,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2024 these were taken as sales for March, 2024.

You are required to determine the adjusted net profit for the year ended on 31.3.2024 and calculate the value of stock on 31st March, 2024.

(10 Marks)

special que

JUN24 MTP 3

- (b) Ram Setu Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2024 with the stock figure as on 31st December, 2023 and some other information is available to you:
- (i) The cost of stock on 31st December, 2023 as shown by the inventory sheet was ₹ 7,20,000.
 - (ii) On 31st December, stock sheet showed the following discrepancies:
 - (a) A page total of ₹ 45,000 had been carried to summary sheet as ₹ 54,000.
 - (b) The total of a page had been undercast by ₹1,800.
 - (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2024 totalled ₹ 6,30,000. Out of this ₹ 27,000 related to goods received prior to 31st December, 2023. Invoices entered in April, 2024 relating to goods received in March, 2024 totalled ₹ 36,000.
 - (iv) Sales invoiced to customers totalled ₹ 8,10,000 from January to March, 2024. Of this ₹ 45,000 related to goods dispatched before 31st December, 2023. Goods dispatched to customers before 31st March, 2024 but invoiced in April, 2024 totalled ₹ 36,000.
 - (v) During the final quarter, credit notes at invoiced value of ₹ 9,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2024. **(10 Marks)**

Repeated que Sep25 MTP 2

JUN24 MTP 2

2. (a) M/s Manas, Profit and loss account showed a net profit of ₹ 32,00,000, after considering the closing stock of ₹ 30,00,000 on 31st March, 2024. Subsequently the following information was obtained from scrutiny of the books:
- (i) Purchases for the year included ₹ 1,20,000 paid for new electric fittings for the shop.
 - (ii) M/s Manas gave away goods valued at ₹ 3,20,000 as free samples for which no entry was made in the books of accounts.
 - (iii) Invoices for goods amounting to ₹ 20,00,000 have been entered on 25th March, 2024, but the goods were not included in stock.
 - (iv) In March, 2024 goods of ₹ 16,00,000 sold and delivered were taken in the sales for April, 2024.
 - (v) Goods costing ₹ 6,00,000 were sent on sale or return in March, 2024 at a margin of profit of $33\frac{1}{3}\%$ on cost. Though approval was given in April, 2024 these were taken as sales for March, 2024.

You are required to determine the adjusted net profit for the year ended on 31.3.2024 and calculate the value of stock on 31st March, 2024.

(10 Marks)

- (b) M/s Dheeraj, Profit and loss account showed a net profit of ₹ 8,00,000, after considering the closing stock of ₹ 7,50,000 on 31st March, 2024. Subsequently the following information was obtained from scrutiny of the books:
- (i) Purchases for the year included ₹ 30,000 paid for new electric fittings for the shop.
 - (ii) M/s Dheeraj gave away goods valued at ₹ 80,000 as free samples for which no entry was made in the books of accounts.

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- (iii) Invoices for goods amounting to ₹ 5,00,000 have been entered on 27th March, 2024, but the goods were not included in stock.
- (iv) In March, 2024 goods of ₹ 4,00,000 sold and delivered were taken in the sales for April, 2024.
- (v) Goods costing ₹ 1,50,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2024 these were taken as sales for March, 2024.

You are required to determine the adjusted net profit for the year ended on 31.3.2024 and calculate the value of stock on 31st March, 2024.

(10 Marks)

Question 7: (ICAI Study Material)/(RTP May 2018/Nov 2019/May 2021/Nov 2023)

Inventory taking for the year ended 31st March, 2023 was completed by 10th April, 2023, the valuation of which showed a stock 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 of 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 floods, 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, 2023.

Calculate the value of inventory for inclusion in the final accounts for the year ended 31st March, 2023.

Question 8: (CA Foundation May 2019) (5 Marks) / (RTP May 2023) (Similar)

Raj Ltd. prepared their accounts financial year ended on 31st March 2023. Due to unavoidable circumstances actual stock has been taken on 10th April 2023, when it was ascertained at ₹ 1,25,000. It has been found that;

- (i) Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.
- (ii) Purchases are entered in the Purchase Book on the day the Invoices are received.
- (iii) Sales between 1st April 2023 to 9th April 2023 amounting to ₹ 20,000 as per Sales Day Book.
- (iv) Free samples for business promotion issued during 1st April 2023 to 9th April 2023 amounting to ₹ 4,000 at cost.
- (v) Purchases during 1st April 2023 to 9th April 2023 amounting to ₹ 10,000 but goods amounts to ₹ 2,000 not received till the date of stock taking.
- (vi) Invoices for goods purchased amounting to ₹ 20,000 were entered on 28th March 2023 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost. Ascertain the value of Stock as on 31st March 2023.

Question 9: (ICAI Study Material)/(RTP May 2019/Nov 2020/May 2022/Nov 2022)

A trader prepares his account on 31st March each year. Due to some avoidable reasons, no stocktaking could be possible till 15th April 2023. On which date total cost of goods in his godown came to ₹ 50,000.

The following facts were established between 31st March and 15th April 2023.

- a) Sales ₹ 41,000 (including cash sales ₹ 10,000)
- b) Purchase ₹ 5,034 (including cash purchase ₹ 1,990)
- c) Sales Return ₹ 1,000
- d) On 15th March goods of the sale value of ₹ 10,000 were sent on sale or return basis to 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.
- e) The trader had also received goods costing ₹ 8,000 in March, for sale on consignment basis, 20% of the goods had been sold by 31st March, and another 50% by 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 2023.

Question 10: (CA Foundation Nov 2020) (10 Marks)

Physical verification of stock in a business was done on 23rd February, 2020. The value of the stock was ₹ 28,00,000. The following transactions took place from 23rd February to 29th February, 2020 :

- (1) Out of the goods sent on consignment, goods at cost worth ₹ 2,30,000 were unsold.
- (2) Purchases of ₹ 3,00,000 were made out of which goods worth ₹ 1,20,000 were delivered on 5th March, 2020.
- (3) Sales were ₹ 13,60,000 which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.
- (4) Goods are sold at cost plus 25%. However goods costing ₹ 2,40,000 had been sold for ₹ 1,50,000.

Determine the value of stock on 29th February, 2020.