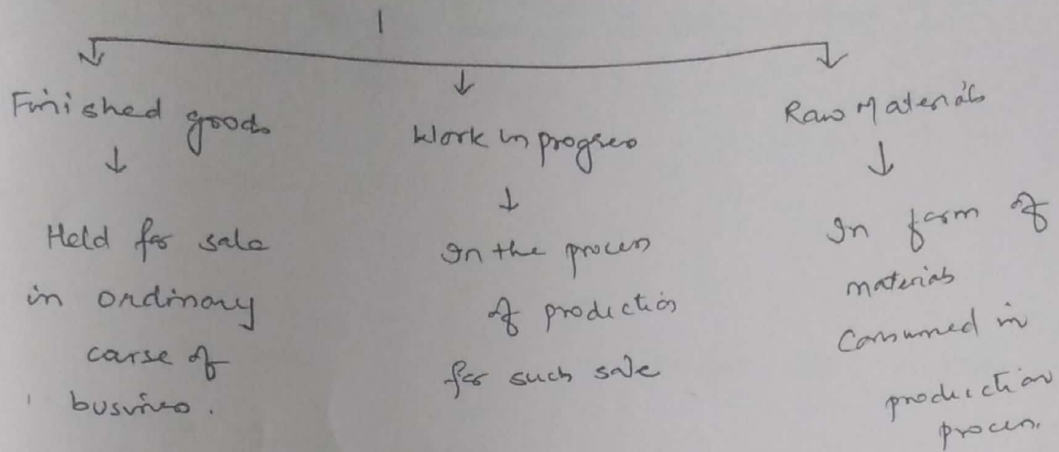
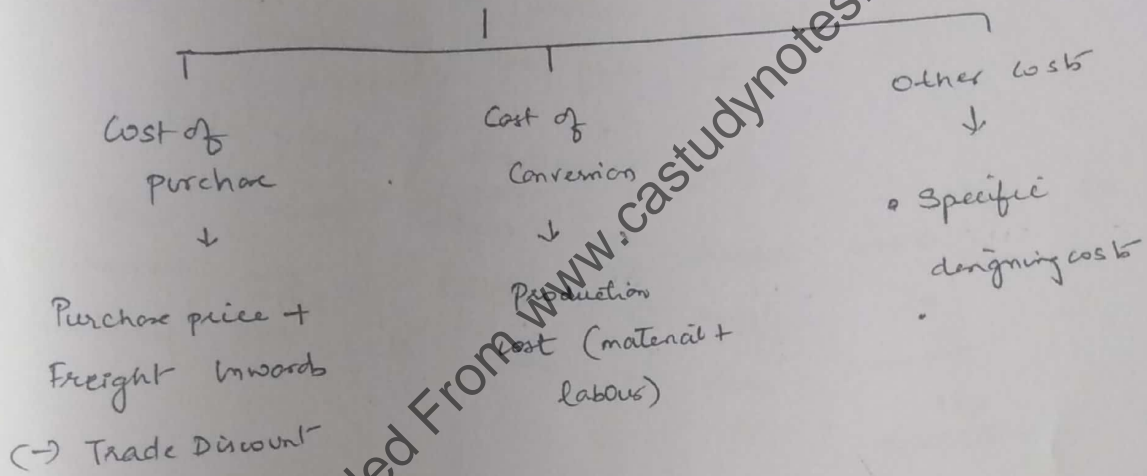


Meaning:



Components of Cost.



Exclusion from cost.

- 1) Abnormal cost of wasted materials, labour, other production costs.
- 2) Storage costs.
- 3) Administrative overheads.
- 4) Selling & Distribution overheads.
- 5) Interest and borrowing costs.

\* Valuation Principle.

- Cost or Net Realizable Value whichever is lower.

\* Methods for Valuation:

1) FIFO - In this method, closing stock is valued at recent prices. Issue of materials in the order in which they are purchased.

2) LIFO - In this method, closing stock is valued at earliest prices. Issue of materials in the reverse order in which they are purchased.

3) Weighted Average Price method:

In this method, closing stock is at price

$$= \frac{\text{Total cost of goods received}}{\text{Total qty purchased}}$$

- Every time a purchase is made, price per unit is recalculated.

4) Adjusted Selling price method.

- Cost = Sales price - Gross profit.
- Purchases at cost price + Profit = Sales + Closing stock at selling price.
- Profit % =  $\frac{\text{Profit}}{\text{Sales + Closing at S.P.}} \times 100$

\* Formulas:-

1) COGS = Opening stock + Purches + Direct expenses - Closing stock.

2) COGS = Sales - GP

3) GP% =  $\frac{GP}{Net\ sales} \times 100$

4)  $\frac{x}{100}$  on cost =  $\frac{x}{100+x}$  on sales.

x is profit %

(OR) Cost + 20% (given).

Then always take

Cost	=	100
Profit	=	20
SP	=	<u><u>120</u></u>

\* Record keeping systems:

1) Stock Taking :

Since it is not possible to complete stock counting on a single day; the problem arises to compute the value of stock. The adjustments relating to Purchases and Sales after physical counting has to be done.

2) Book Records.

<u>Date</u>	<u>Receipts</u>			<u>Issue</u>			<u>Balance</u>		
	<u>Unit</u>	<u>Rate</u>	<u>Amnt.</u>	<u>Units</u>	<u>Rate</u>	<u>Amnt</u>	<u>Units</u>	<u>Rate</u>	<u>Amnt.</u>

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