30/04/2017
SUNDAY

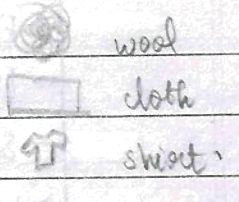
measurement ← # VALUATION OF INVENTORIES → closing stock

(Accounting Standard - 2)

Valuation refers to measurement in terms of money.

Inventories include the following:

* Raw Materials → 0% progress
* Work in Progress ↕
* Finished Goods → 100% progress



Paragraph 5 of AS 2 states that:

Inventories must be valued at the lower of

Cost Or Net Realisable Value

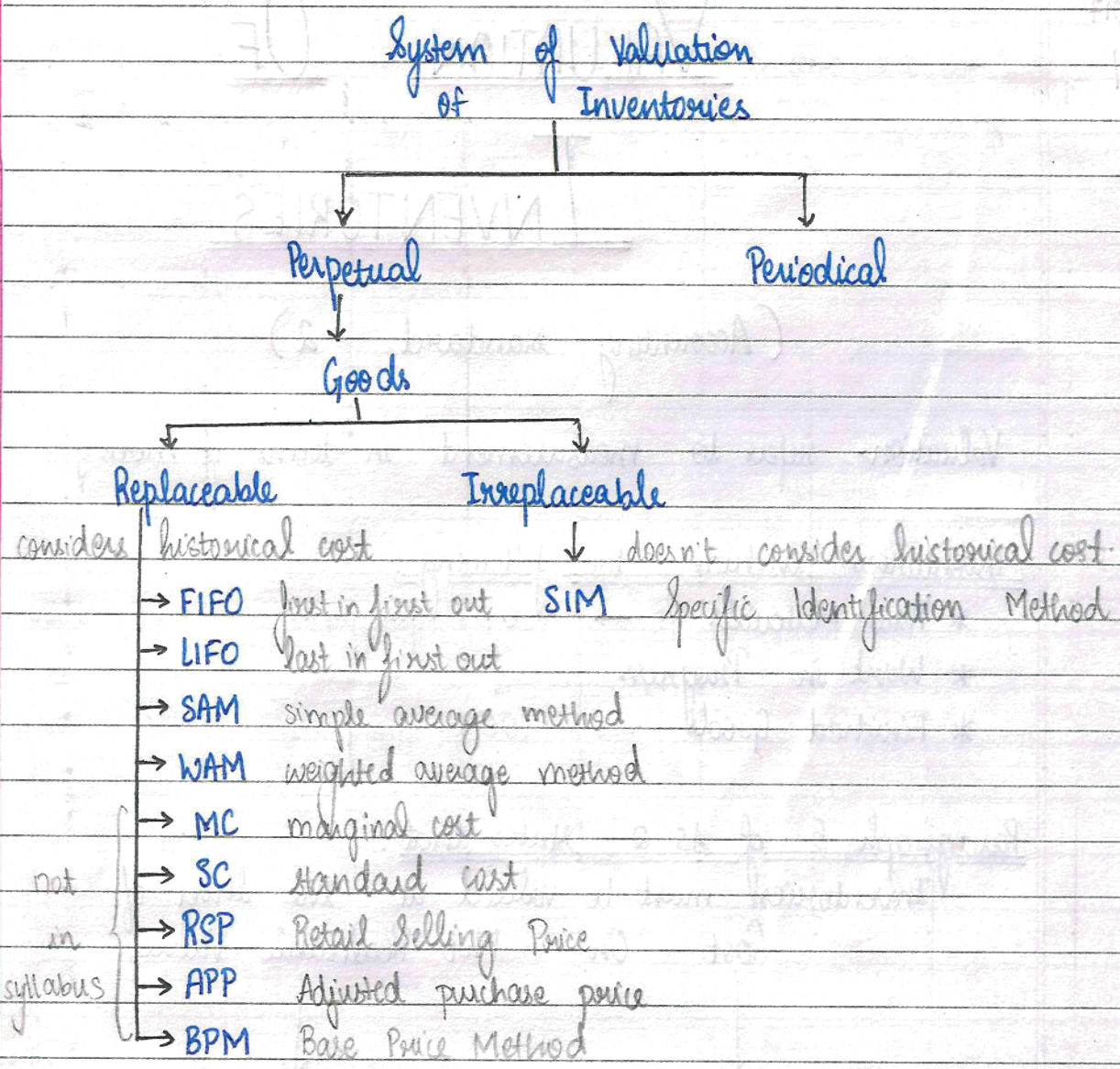
↓ ↓

Purchase Price + Expenses incurred to bring goods to warehouse (direct expenses)

Selling Price − Selling Expenses

Objectives

* To know true financial position
* To know true financial performance



1. Following details were available from the books of MBA Ltd. for the month of April 2017.

01-04-2017	Stock was 100 Bondas of ₹10 each
10-04-2017	Purchased 50 Bondas at ₹12 each
15-04-2017	Issued 75 Bondas
20-04-2017	Purchased 125 Bondas at ₹11 each
25-04-2017	Issued 100 Bondas
30-04-2017	Purchased 50 Bondas at ₹9 each

Compute the value of inventory as on 30-04-2017 under following cases:

i) Case I → First In First Out

DATE	RECIEPTS			ISSUES			BALANCE		
	QTY.	RATE	AMT.	QTY.	RATE	AMT.	QTY.	RATE	AMT.
1.							100	10	1000
10	50	12	600				100	10	100
							50	12	60
15				75	10	750	25	10	250
							50	12	600
20	125	11	1375				25	10	250
							50	12	600
							125	11	1375
25.				25	10	250			
				50	12	600	100	11	1100
				25	11	275			
30	50	9	450				100	11	1100
							50	9	450
			CLOSING STOCK				150		1550

for the

Short cut

OS ~~100~~ 0 units at 10 — 0×10 = 0

P ~~50~~ 0 units at 12 — 0×12 = 0

P ~~125~~ 100 units at 11 — 100×11 = 1100

P 50 units at 9 — 50×9 = 450

150 — 1550

eases :

ii) Case II → Last In First Out

Date	Receipts			Issues			Balance		
	Qty.	Rate	Amt.	Qty.	Rate	Amt.	Qty.	Rate	Amt.
1.							100	10	1000
10.	50	12	600				100	10	1000
							50	12	600
15.				50	12	600	75	10	750
				25	10	250			
20.	125	11	1375				75	10	750
							125	11	1375
25.				100	11	1100	75	10	750
							25	11	275
30.	50	9	450				75	10	750
							25	11	275
							50	9	450
		Closing Stock					150		1475

Short cut

OS	~~100~~ 75	units	at	10	75×10 = 750
P	~~50~~ 0	units	at	12	0×12 = 0
P	~~125~~ 25	units	at	11	25×11 = 275
P	50	units	at	9	50×9 = 450
	150				1475

(iii) CASE III → Simple Average Method

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY.	RATE.	AMT.	QTY.	RATE	AMT.	QTY.	RATE	AMT.
1.							100	10	1000
10.	50	12	600				150	11	1650
15.				75	11	825	75	11	825
20.	125	11	1375				200	11	2200
25.				100	11	1100	100	11	1100
30.	50	9	450				150	10	1500
			CLOSING STOCK				150		1500

Shortcut

OS	100	units	at	10] 11
P	50	units	at	12]
S	(75)	units		11
P	125	units	at	11
S	(100)	units		10
P	50	units	at	9
	150			410

$150 \times 10 = 1500$

ICAI → $150 \times \frac{10+12+11+9}{4} = 1575$

(iv) Case IV → Weighted Average Method

Date	Receipts			Issues			Balance		
	Qty.	Rate	Amt.	Qty.	Rate	Amt.	Qty.	Rate	Amt.
1.							100	10	1000
10.	50	12	600				150	10·67	1600
15.				75	10·67	800	75	10·67	800
20.	125	11	1375				200	10·875	2175
25.				100	10·875	1087·5	100	10875	1087·5
30.	50	9	450				150	10·25	1537·5
			Closing Stock				150		1537·5

Shortcut

	AC MRC	M-
OS	100 × 10	M+
P	50 × 12	M+
I	MRC ÷ 150 × 75	M-
P	125 × 11	M+
I	MRC ÷ 200 × 100	M-
P	50 × 9	M+
	MRC	

Date Page

2. Following details were available from books of a trader.

01-04-16	Opening Stock	75 units at ₹10
10-04-16	Issue	50 units
15-04-16	Purchases	75 units at ₹12
20-04-16	Issue	50 units
25-04-16	Purchases	50 units at ₹11

Compute Closing Stock as on 30-04-16 under following cases

i) CASE I First In First Out

DATE	RECEIPTS			ISSUES			BALANCE	
	QTY	RATE	AMT.	QTY	RATE	AMT.	QTY.	RATE
1.							75	10
10.				50	10	500	25	10
15.	75	12	900				25	10
							75	12
20.				25	10	250	50	12
				25	12	300		
25.	50	11	550				50	12
							50	11
			CLOSING STOCK				100	

AMT.
1000
1600
800
2175
1087.5
1537.5
1537.5

iii) CASE II Last In First Out

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY.	RATE	AMT.	QTY.	RATE	AMT.	QTY.	RATE.	AMT.
1.							75	10	750
10.				50	10	500	25	10	250
15.	75	12	900				25	10	250
							75	12	900
20.				50	12	600	25	10	250
							25	12	300
25.	50	11	550				25	10	250
							25	12	300
							50	11	550
			CLOSING STOCK				100		1100

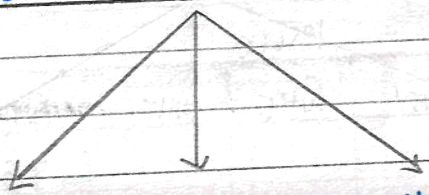
iii) CASE III Simple Average Method

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY	RATE	AMT.	QTY	RATE.	AMT.	QTY.	RATE	AMT.
1.							75	10	750
10.				50	10	500	25	10	250
15.	75	12	900				100	11	1100
20.				50	11	550	50	11	550
25.	50	11	550				100	11	1100
				CLOSING STOCK			100		1100

iv) CASE IV Weighted Average Method

DATE	RECEIPTS			ISSUES			BALANCE		
	QTY.	RATE	AMT.	QTY.	RATE	AMT.	QTY.	RATE.	AMT.
1.							75	10	750
10.				50	10	500	25	10	250
15.	75	12	900				100	11.5	1150
20.				50	11.5	575	50	11.5	575
25.	50	11	550				100	11.25	1125
				CLOSING STOCK			100		1125

Problems On Reconciliation Of Stock



Type 1 Type 2 Hybrid

Time Travel B P Time Travel + BP

Forward
+P −S

Backward
−P +S

Book Inventory

Physical Inventory

Time Travel

3. Stock as on 25th March 2017 was ₹ 80,000. Details of transactions affected between 25th and 31st is as follows:-

i) Goods purchased ₹ 10,000
ii) Goods sold ₹ 20,000
iii) Goods purchased earlier, now returned ₹ 5,000
iv) Goods issued as free samples ₹ 1,000
v) Goods lost ₹ 500

Find Stock as on 31st March 2017.

Particulars	Amount(₹)
Stock as on 25th March 2017 ⟹	80,000
Add: Purchases	10,000
Less: Sales	(20,000)
Less: Purchase Returns	(5000)
Less: Free Samples	(1000)
Less: Goods lost	(500)
Stock as on 31st March 2017 ⟹	63,500

4. Inventory as on 5th April 2017 is ₹1,00,000. Following transactions were affected between 31st March and 5th April

i) Goods costing ₹10,000 were issued at ₹12500
ii) Purchases amounted to ₹20,000
iii) Goods sold earlier now returned ₹3000
iv) Goods lost or damaged ₹2000

Find Inventory as on 31st March 2017

Particulars		Amount (₹)
Stock as on 5th April 2017	⟹	1,00,000
Add: Sales		10,000
Less: Purchases,		(20,000)
Less: Sales Returns		(3,000)
Add Goods Lost / Damaged		2,000
Stock as on 31st March 2017	⟹	89,000

Book Inventory And Physical Inventory

5. Book inventory as on 31-03-2017 was ₹ 89000. On Detailed investigation following observations were made:-

i) Goods sold, but not delivered ₹ 12,000
ii) Goods purchased, but not received ₹ 9,000
iii) Goods sent on consignment amounted to ₹ 6,000
iv) Goods of third party received against which discussion is pending amounted to ₹ 3000.
v) Goods damaged against which no adjustment is made in books amounted to ₹ 1000.

Find the physical inventory as on 31st March 2017.

Particulars	Amount (₹)	Amount (₹)
Book inventory ⟹		89,000
Add:		
i) Goods sold but not delivered	12,000	
iv) Goods of third party received against which decision is pending	3,000	15,000
Less:		
ii) Goods purchased but not received	9,000	
iii) Goods sent on consignment	6,000	
iv) Goods damaged	1,000	(16,000)
Physical Inventory ⟹		88,000

6. Physical inventory as on 31-03-2017 was ₹120000. Following observations were made on inspection :-

i) Goods issued against which no invoice was raised ₹12500.
ii) Goods purchased but not yet received ₹15000.
iii) Goods lost / damaged not adjusted in books amounted to ₹3500.
iv) Goods sent on consignment ₹2500.
v) Goods sold but not delivered amounted to ₹5000.
vi) Slow moving items written off in books of accounts ₹1000.

Find book inventory as on 31st March 2017.

Particulars	Amount(₹)	Amount(₹)
Physical Inventory ⟹		120,000
Add:		
i) Goods issued against which no invoice is raised	12,500	
ii) Goods purchased but not received	15,000	
iii) Goods lost/damaged	3,500	
iv) Goods sent on consignment	2,500	33,500
Less:		
v) Goods sold but not delivered	5,000	
vi) Slow moving items written off in books of accounts	1,000	(6,000)
Book Inventory ⟹		147,500

RETAIL SELLING PRICE METHOD:

7. Pg 227 (Pearson's method)

	Cost	RP
OS	50000	75000
P	250000	425000
S	192000	320000

COGS = OS + P − CS.

192000 = 50000 + 250000 − CS.

CS = 108000