

**Chapter wise Test (1001)**  
**Material Cost**

**Instructions**

- All questions are compulsory.
- Test Duration will be one hour and 10 minutes, starting from 11:00 AM to 12:10 PM
- 5 minutes of reading time will be provided before 11, i.e. question paper will be shared by 10:55 AM.
- Share your scanned answer sheets by 12:15 on the below link  
<https://forms.gle/wLRZWiTvMELNpCeC6>

- 1.** MM Ltd. uses 7500 valves per month which is purchased at a price of ` 1.50 per unit. The carrying cost is estimated to be 20% of average inventory investment on an annual basis. The cost to place an order and getting the delivery is ` 15. It takes a period of 1.5 months to receive a delivery from the date of placing an order and a safety stock of 3200 valves is desired.

You are required to determine:

- (i) The Economic Order Quantity (EOQ) and the frequency of orders.
- (ii) The re-order point.
- (iii) The Economic Order Quantity (EOQ) if the valve costs ` 4.50 each instead of ` 1.50 each

(Assume a year consists of 360 days)

(5 Marks)

- 2.** XYZ Ltd uses two types of raw materials-'Material A' and 'Material B' in the production process and has provided the following data for the year ended on 31st March, 2021:

Particulars	Material A (₹)	Material B (₹)
Opening stock as on 01.04.2020	30,000	32,000
Purchase during the year	90,000	51,000
Closing stock as on 31.03,2021	20,000	14,000

(i) You are required to calculate:

- a. The inventory turnover ratio of 'Material A and Material B'
- b. The number of days for which the average inventory is held for both materials 'A' and 'B'.

(ii) Based on above calculations, give your comments.

(Assume 360 days in a year,)

(5 Marks)

3. The following are the details of receipt and issue of material 'CXE' in a manufacturing Co. during the month of April 2019:

Date	Particulars	Quantity (kg)	Rate per kg (₹)
April 4	Purchase	3,000	16
April 8	Issue	1,000	
April 15	Purchase	1,500	18
April 20	Issue	1,200	
April 25	Return to supplier out of purchase made on April 15	300	
April 26	Issue	1,000	
April 28	Purchase	500	17

Opening stock as on 01-04-2019 is 1,000 kg @ `15 per kg.

On 30th April, 2019 it was found that 50 kg of material 'CXE' was fraudulently misappropriated by the store assistant and never recovered by the Company.

Required:

- (i) Prepare a store ledger account under each of the following method of pricing the issue:
- Weighted Average Method
  - LIFO
- (ii) What would be the value of material consumed and value of closing stock as on 30-04-2019 as per these two methods?

(5 Marks)

4. M/s. SJ Private Limited manufactures 20000 units of a product per month. The cost of placing an order is `1,500. The purchase price of the raw material is `100 per kg. The re-order period is 5 to 7 weeks. The consumption of raw materials varies from 200 kg to 300 kg per week, the average consumption being 250 kg. The carrying cost of inventory is 9.75% per annum.

You are required to calculate:

- Re-order quantity
- Re-order level
- Maximum level

- (iv) Minimum level  
(iv) Average stock level

(5 Marks)

5. M/s Tyrotubes trades in four-wheeler tyres and tubes. It stocks enough tyres of almost every vehicle. In year end 2021-22, the report of sales manager revealed that M/s Tyrotubes experienced stock-out of tyres. The stock-out data is as follows:

Stock out of tyres	No of times
100	2
80	5
50	10
20	20
10	30
0	33

M/s Tyrotubes loses `150 per unit due to stock-out and spends `50 per unit on carrying of inventory. Determine optimum safest stock level

(10 Marks)