

DHALL HAI TOH HALL HAI



[CLICK HERE TO GET ALL CA FOUNDATION NOTES PDF](#)

BEST FACULTY FOR

[CA FND ACCOUNTS](#) | [CA INTER ADV.ACCOUNTS](#) | [CA FINAL FR](#)

CA FOUNDATION ACCOUNTS

INVENTORY



[CLICK TO WATCH](#)

REVISION NOTES + QUESTIONS

CA VIPUL DHALL
AIR 43

CLICK BELOW TO ACCESS

NOTES



[CA Vipul Dhall](#)

REVISION



[CA FOUNDATION
by CA Vipul Dhall](#)

LECTURE



[CACLASSES.IN](#)

INSIGHTS



[Vipul.dhall1](#)

SUPPORT



[+91-9310226047](#)



Inventory





✓ Inventories (5-7)

1. Meaning :- Asset held

- For sale in Ordinary Course of Business, or
- In the process of production for such sale, or WIP
- For consumption in production of goods / services RM

Included: Consumable, loose tool

Excluded: Spare of M/c, Servicing equipment.

2. Basis for Inventory Valuation

Inventory is valued at ✓ Cost
or
✓ NRV,
whichever is lower

Shivangi → Shivam.

Freight Pay.
↓
Third Party

Cost: Purchase price / Cost of purchase 10,000-
(+) Conversion Cost

(+) Other cost. (Freight paid to 3rd party) 5000





Net Realizable value = SP 1000
WIP, FG \Leftrightarrow Estimate S. Exp. (200)
800
Increase of WIP \Leftrightarrow Estimated Cost (160)
NRV 640





3. Methods to Determine Cost

Historical Cost Method

Non-Historical Cost Method

Inventory not
and/or not
interchangeable

Otherwise

① Adjusted Selling Price method

② Standard Cost Method

FIFO

LIFO

Simple
Average

Weighted
Average

Specific Identification Method

Cost	NRV	Value
A 100	80	80
B 110	200	110
C 200	200	200
		<u>390</u>

$$\frac{10120+130}{3} = 20$$

Qty	Rate	Cost
100	10	1000
50	20	1000
1	30	30
151		<u>2030</u>
	W.Avg =	<u>13.44</u>





$$\text{COGS} + \text{GP} = \text{SP}$$

Adjusted S.P. = SP of Cl. Stock . $\times x$

(-) Gross margin \checkmark $\frac{(x)}{xx}$
Cost of Cl. Stock . $\frac{xx}{xx}$

Std. Cost \rightarrow 1 pen = 9 \times 1000 units = 9000





Question 1:

The following are the details of the spare parts of an Oil Mill:

1-1-2021	Opening Inventory	Nil
1-1-2021,	Purchases	10 units @ ₹ 300 per unit
15-1-2021	Issued for consumption	5 units
1-2-2021	Purchases	20 units @ ₹ 400 per unit
15-2-2021	Issued for consumption	10 units
20-2-2021	Issued for consumption	10 units

Find out the value of Inventory as on 31.3.2021, if the company follows Weighted Average Method.

(Source: Dec'2021)

Solution:

Computation of value of closing stock

Date	Receipt			Issue			Balance		
	Qty	Rate	Amnt	Qty	Rate	Amnt	Qty	Rate	Amount
1.1	10	300	3,000				10	300	3,000
15.1				5	300	1,500	5	300	1,500
1.2.	20	400	8,000				25	380	9,500 ($\frac{9500}{25}$)
15.2				10	380	3,800	15	380	5,700
20.2.				10	380	3,800	5	380	1,900





Question 2:

From the following information, ascertain the value of Closing Stock as on 31st March, 2023.

Particulars	(₹)
Opening Stock	1,47,500
Cash Sales	5,50,000
Credit Sales	4,00,000
Purchases	8,85,000
Manufacturing Expenses	1,35,000
Advertisement Expenses	43,000
Rate of Gross Profit on Cost	25%

At the time of valuing inventory as on 31st March, 2022, a sum of ₹12,500 was written off on a particular item, which was originally purchased for ₹50,000 and was sold during the year for ₹40,000.

(Source: Dec'2023)

Ab. normal

Solution:

Computation of value of closing stock

Particulars	Amount	
I. Cost of Goods available for sale		
Opening inventory	1,47,500	
(+) Purchases	8,85,000	
(+) Manufacturing Expenses	1,35,000	
	<u>11,67,500</u>	
II. Cost of Goods sold.		
	Normal	Abnormal
Sale	9,00,000	40,000
(-) Gross margin	$(9,00,000 \times \frac{25}{125})$	$(40,000 - 37,500)$
	<u>= (1,82,000)</u>	<u>= (2,500)</u>
	7,28,000	37,500
		<u>7,65,500</u>





Cost of Closing Stock.

402000

₹.

amt.

COG Available for Sale (Normal item)

Op. S $147500 - 37500 = 1,10,000$

Purch = 885000

+ Dep = 1,35,000 (A) 1130,000

COGS

Sale $(950,000 - 40,000)$ 910,000

(-) GP $(910,000 \times \frac{25}{125})$ (1,82,000) (B) 728,000

Closing Stock 402,000





4. Inventory taking

a. Inventory taking refers to Stocks count

b. Sometimes count is done before or after reporting date

c. Hence, all transactions between date

of count & reporting date are adjusted to calculate stock in hand on reporting date.

Handwritten notes: DOC, 25th, T, R.D, 31.3, 10.4

d. Note:- If not mentioned whether to calculate physical inventory or inventory as per Books, You have to calculate inventory as per Books.





Handwritten calculations:

$$\begin{array}{r} 810,000 \\ - 45,000 \\ + 36,000 \\ \hline 801,000 \\ - 9,000 \\ \hline 792,000 \end{array}$$

31.12.24 31.3.24

Question 3:

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.

(Source: MTP Jun'2024)

Solution:

Statement Showing Computation of Value of Stock as on 31.3.24

Particulars	Am't (₹)
Cost of Stock as on 31.12.23	7,20,000
(-) Wrong carry forward	(9,000)
(+) Undercasting of inventory sheet	1,800





(+) Purchases during 1.1.24 to 31.3.24 6,39,000
(6,30,000 - 2,7,000 + 36,000)

(-) Cost of Goods Sold.

Sales during 1.1.24 to 31.3.24 8,01,000
(8,10,000 - 4,50,000 + 36,000)

(-) Sale Return (9,000)

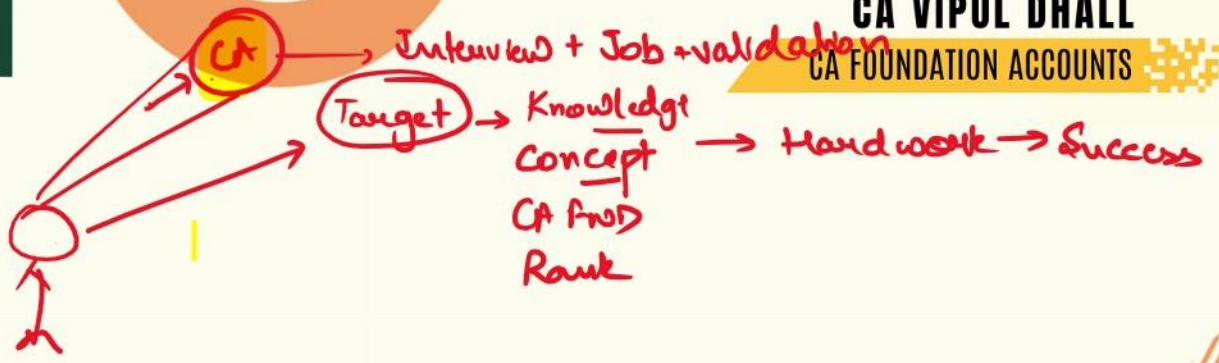
Net Sales 7,92,000

(-) Gross margin (1,58,400) (6,33,600)
(7,92,000 \times $\frac{25}{125}$)

Value of Closing Stock on 31st March. 7,18,200
2024.



Link



iWision
Learn ! Perform ! Repeat !



+91-9310226047



@CAVipulDhall



@iWision



@CAfoundationbyiwision



www.iwision.com

ALL THE BEST

From **CA VIPUL DHALL**

All Course Features

1. Full course with Unlimited Views
2. Hardcopy of Books
3. Call / whatsapp Doubt support
4. PYQ RTP MTP solved in class
5. Included Test Series
6. Prep like All India Ranker



Courses	Regular	Exam Oriented	Practice Batch
CA FND ACCOUNTS	✓	✓	✓
CA INTER ADV. ACCOUNTS	✓	✓	✓
CA FINAL FR	✓	✓	✓

ENROL NOW

GET **SPECIAL OFFER** ONLY ON  **+91-9310226047**

UP TO 50% OFF