

## AS 2 → Inventories

### 1. Definition

Inventories → Assets which are-

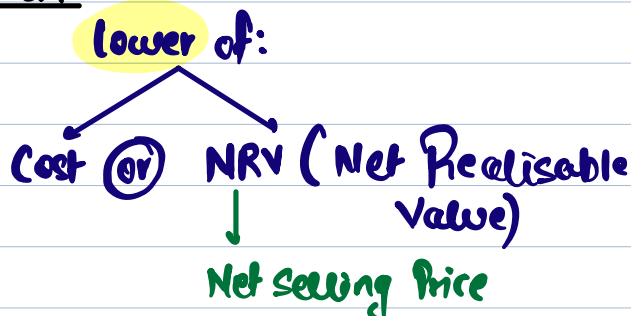
- Held for sale in **ordinary course of Business** (**Finished Goods**)
- Used in the process of production for such sale (**WIP**)
- In the form of materials to be consumed in production process (**Raw Materials**)

### 2. Scope

Following are **excluded** from the scope of AS 2

- 1) Work in progress arising under construction contracts (covered under AS 7)  
→ If Bldg is ready (Apts ready) FG → Then covered under AS 2.
- 2) Shares, Debentures & other financial instruments held as stock in Trade (covered under AS 13)
- 3) Producers of livestock, agricultural & forest products (No AS, Ind AS 41)
- 4) Mineral oil, ores & gases. → (No AS, Ind AS 106)

### 3. Measurement



14/02 → Inven  
↓  
unsold  
31/03 Inv Bk  
??!

eg: Inventory (FG) → cost → ₹ 100  
 NRV → ₹ 90 ↓

∴ Inventory will be measured at ₹ 90.

#### 4. Cost of Inventories

##### ⑥ Cost of Purchases of Raw Materials / Finished Goods

- Purchase price (less trade discounts) → <sup>Manufact. Buyn</sup> iPhone 1.2L T.D. (20k) → <sup>Trading Buyn.</sup> given to all
- Duties & Non-Refundable Taxes

(If taxes are refundable → Not form part of cost)

- All Directly Attributable Expenses

(eg: Handling cost, Freight/Transport cost, Insurance, Brokerage or Commission paid to Buying Agents)

eg: Iphone pro max 1TB (Orange)

Price 1L  
 (+) 18% GST 18k  
 Total 1.18L

↙ If tax Non Refundable → Inv cost → 1.18L

↘ If tax Refundable → Inv cost → 1L

##### ⑥ Cost of Conversion (RM se FG mein convert karne ka kharcha)

- Direct cost (Direct Material, Direct labour, Direct Exp)
- Variable Overheads (Based on Actual production)
- \* Fixed Overheads (Based on Normal capacity or Actual prod<sup>n</sup> whichever is higher)

Eg: ① Factory Rent  $\rightarrow$  ₹1,50,000

Production kitna bhi karo, rent will still be ₹1,00,000

Normal capacity = 1,00,000 units

Actual production = 75,000 units

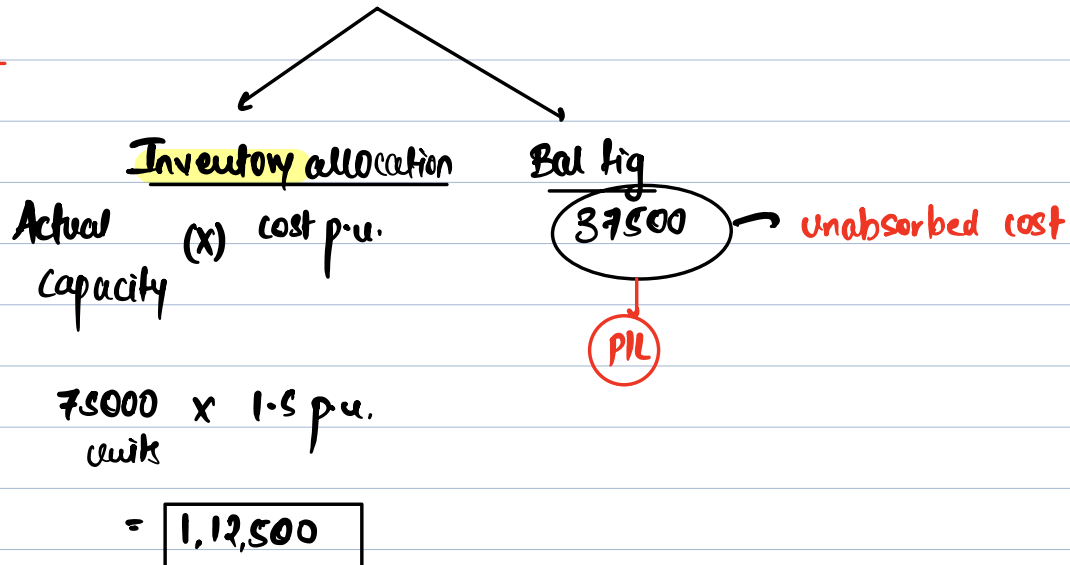
(Books)

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Sol<sup>n</sup> : Step 0: Fixed cost p.u. =  $\frac{₹150000}{100000 \text{ units (Normal capacity)}}$   
= ₹1.5 p.u.

Step 2:  
Allocation

Fixed cost = ₹150000



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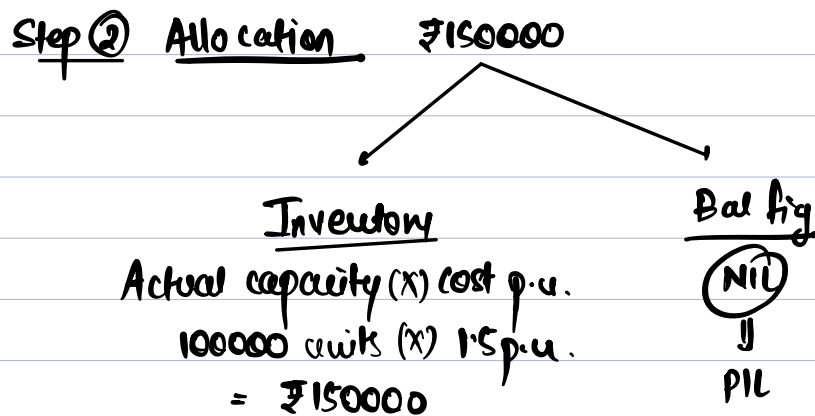
Eg ② Fixed OH = ₹150000

Normal capacity = 100000 units

Actual capacity = 100000 units

Step ① Fixed cost p.u. =  $\frac{£150000}{100000 \text{ units (Normal capacity)}}$

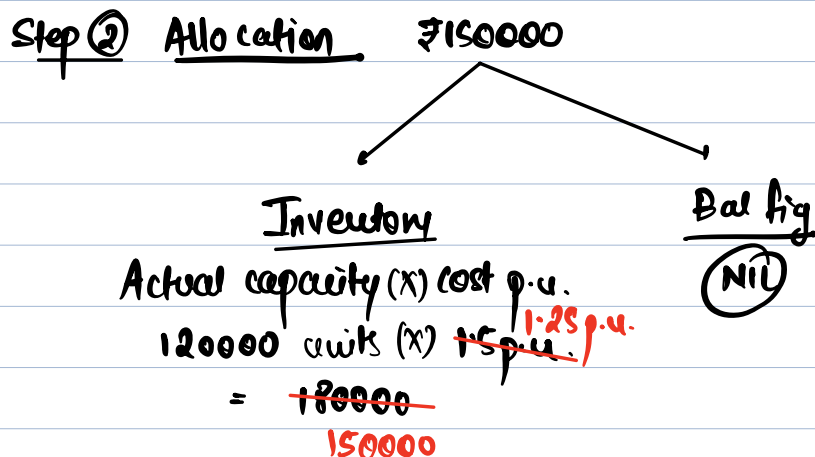
= £1.5 p.u.



Eg ③ Fixed OH = £150000  
 Normal capacity = 100000 units  
 Actual capacity = 120000 units

Step ① Fixed cost p.u. =  $\frac{£150000}{100000 \text{ units (Normal capacity)}}$  = ~~£1.5 p.u.~~ 1.25 p.u.

~~100000 units~~ 120000 units



Ques 1 (Pg No. 5-1)

Case ①

Step ① Fixed cost p.u. =  $\frac{£1800000}{100000 \text{ units}}$  (Based on Normal capacity)  
= £18 p.u.

Step ② Allocation

① Inventory allocation = Actual capacity (x) cost p.u.  
= 100000 units x £18  
= £1800000

② Trf to P/L → NIL.

Case 2:

Step ① Fixed cost p.u. =  $\frac{£1800000}{100000 \text{ units}}$  (Based on Normal capacity)  
= £18 p.u.

Step ② Allocation

① Inventory allocation = Actual capacity (x) cost p.u.  
= 90000 units x £18 p.u.  
= £16,20,000

② Trf to P/L → 180000

Case ③: Actual cap = 120000 units

Step ① Fixed cost p.u. =  $\frac{₹1800000}{120000 \text{ units}}$  (Based on Normal / Actual whichever is higher)  
= ₹15 p.u.

Step ② Allocation

⑥ Inventory allocation = Actual capacity (x) cost p.u.  
= 120000 units (x) ₹15 p.u.  
= ₹1800000

⑦ Trf to P/L = NIL

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③ Exclusions from cost of Inventories

i) Abnormal wastage \*

ii) Storage cost

(But if storage is part of prod<sup>n</sup>, then add storage cost to cost of Inv)  
eg: Wines, pickles.

iii) Admin Overheads (eg: Sal<sup>y</sup> to emp not involved in manufact<sup>y</sup>)

iv) Selling & Dist<sup>n</sup> overheads (eg: Advt & market<sup>y</sup>)

v) Interest charges



eg: (roma → Ipad pro 1TB 1L } 10k extra is  
Pay after 1yr 1.1L } Interest  
↓  
credit period

Cost of Ipad (Inventory) = 1,00,000 , Balance 10000 (Trf to P/L) → Interest Exp.

Eg: Abnormal wastage

1000 Books purchased @ ₹ 150 p.u. = ₹ 150000.

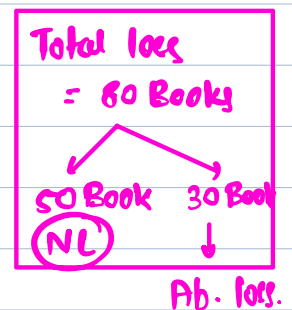
Normal loss = 5%.

Out of 1000 Books, only 920 Books were rec'd in good condition.

Calculate, Revised cost p.u., cost of Inventory of Books,  
Amount of Abnormal loss.

Sol<sup>n</sup>: Step ① Revised cost p.u. =  $\frac{\text{Total cost}}{\text{Total units } (-) \text{ Normal loss}}$

$$= \frac{₹ 150000}{920 \text{ units}} \\ = ₹ 163.04 \text{ p.u.}$$



Step ② (a) Inventory cost (Actual units)

$$920 \text{ units } (x) ₹ 163.04 \text{ p.u.} = 150000 \text{ approx.}$$

(b) Abnormal loss

$$30 \text{ units } (x) ₹ 163.04 \text{ p.u.} = \frac{4891}{150000} \text{ approx.} \rightarrow \text{PIL}$$

Eg ② Milk 5000 litres @ ₹ 20 per litre

Normal loss = 2%

Milk actually received is only 4900 litres

Calculate Amount to be allocated to Inventory & Amt of Abnormal loss.

Sol<sup>n</sup>: Total loss = 250 litres  $\left\{ \begin{array}{l} \rightarrow \text{NL (5000} \times 2\%) = 100 \text{ litres} \\ \rightarrow \text{Ab loss} = 150 \text{ litres} \end{array} \right.$

Step ① Revised cost p.u. =  $\frac{\text{Total cost}}{\text{Total units (-) Normal loss}}$

=  $\frac{100000}{4900 \text{ litres}}$  = ₹20.41 approx

Step ② (a) Inventory cost

$4750 \times 20.41 = ₹96947 \text{ approx}$

(b) Abnormal loss

$150 \times 20.41 = \frac{₹3062}{1,00,000 \text{ approx}}$  approx  $\rightarrow$  (PIL)

Q2 (LOR)

Total loss = 300 MT  $\left\{ \begin{array}{l} \rightarrow \text{NL} = 5000 \times 5\% = 250 \text{ units} \\ \rightarrow \text{Ab loss} = 50 \text{ units} \end{array} \right.$

Step ① Revised cost p.u. =  $\frac{\text{Total cost}}{\text{Total units (-) Nor loss}}$

=  $\frac{50,00,000}{4750} = 1052.63$

### Step 2 @ Inventory cost

$$4700 \times 1052.63 = 49,47,361$$

units

#### (b) Ab loss

$$50 \text{ units} \times 1052.63 = \frac{52631}{50,00,000} \text{ approx.} + 8 \rightarrow \text{approx diff}$$

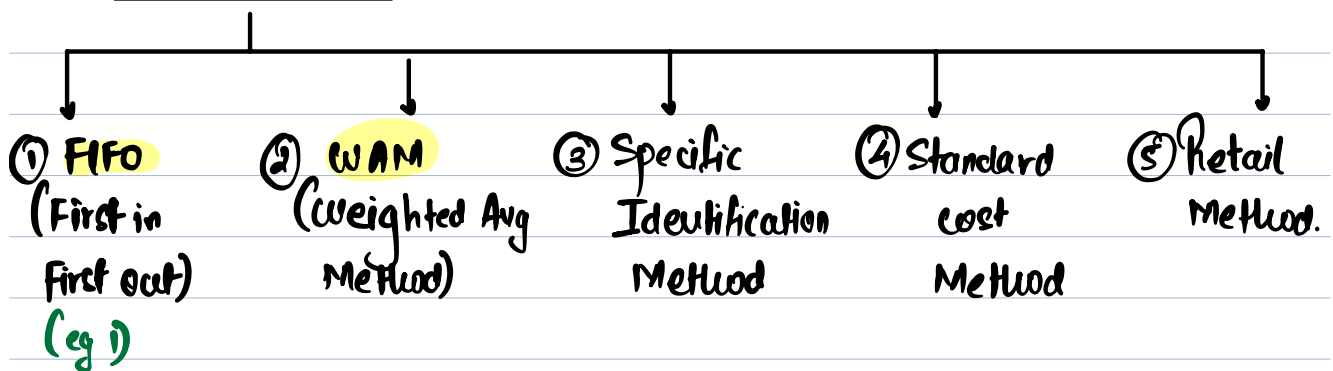
As per AS 2 → Inventories, Inventory is to be valued at cost which in this case is ₹ 49,47,361.

Ab loss of ₹ 52631 is excluded from the cost of Inventories & Trf to P/L.

#### Exclusive Note:

Fixed OH allocation & Abnormal loss calculation are 2 Diff concepts.

### 5. Costs formula



Note: LIFO (Last in First out) is prohibited as per AS 2.

eg ① FIFO

Purchase

01/04 100 units @ ₹ 20 = ₹ 2000

01/06 70 units @ ₹ 25 = ₹ 1750  
170 3750

Sale

01/08 → 60 units @ ₹ 30

Required :

① COGS (Cost of Goods sold)

② Value of clg stk.

Sol<sup>n</sup>:

i) COGS

60 units × ₹ 20 = ₹ 1200

ii) clg stk

40 units × ₹ 20 = 800

70 units × ₹ 25 = 1750, (2550)

eg ② same as eg ①, solve as per weighted Avg Method.

$$\frac{\text{Total cost}}{\text{Total unit}} = \frac{3750}{170 \text{ unit}} = 22.06 \text{ p.u.}$$

i) COGS

$$60 \text{ units} \times ₹ 22.06 = ₹ 1324$$

ii) CLB Stk

$$110 \text{ units} \times ₹ 22.06 = ₹ 2426$$

eg ③ Sp. Id. Method

It is used when inventory are NOT interchangeable (eg: Jewellery)

Purchase

1 Ring @ 5000

1 Necklace @ 15000

1 Bracelet @ 25000

Sale

1 Neck lace sold.

Required COGS & value of CLB stk.

Sol<sup>n</sup>: COGS

$$1 \text{ Necklace} \times 15000 = \boxed{15000}$$

CLB Stk

1 Ring  $\times 5000$

1 Bracelet  $\times 25000$ ,  $\boxed{30000}$

Eg 4 Standard cost Method → full chapter in cost<sup>g</sup> subject

It is used when actual costs incurred cannot be identified easily. Here we find cost by considering normal levels of utilization of materials, labour, capacity utilization.

Eg 5 Retail Method

This method is often used when items are rapidly changing & have similar gross margin.

Cost is calculated as follows:

$$\begin{array}{r} \text{Selling price of Inventory} \quad xxx \\ (-) \text{Gross margin (expected)} \quad \underline{(xx)} \\ \text{Cost of Inventory} \quad \underline{xxx} \end{array}$$

⑥ NRV (Net Realisable Value)



⑦ NRV of FG

$$\begin{array}{r} \text{Estimated Selling Price} \quad xxx \\ \text{less: Estimated cost to make} \quad \underline{(xx)} \\ \text{the sale} \end{array} \quad \begin{array}{l} \text{(eg: Commission, Brokerage, Delivery} \\ \text{cost, cost of selling, packaging} \\ \text{etc.)} \end{array}$$

NRV of FG xx

## ⑥ NRV of WIP

$$\begin{array}{r} \text{Estimated Selling Price of FG} \quad xxx \\ \text{less: Estimated cost of completion}^* \quad (xxx) \\ \text{less: " cost to make the sale} \quad \underline{(xx)} \\ \text{NRV of WIP} \quad \underline{xx} \end{array}$$

Eg: WIP

Cost incurred till date = ₹150

Selling price of FG = ₹250

Selling cost = ₹20

Cost yet to be incurred for completion = ₹100

Required: CV Sfr value of WIP.

Soln: WIP → lower of  $\left\{ \begin{array}{l} \text{cost} = 150 \\ \text{NRV} = 130 \end{array} \right.$

$$\begin{array}{r} \text{S.P of FG} \quad 250 \\ (-) \text{ cost of comp} = (100) \\ (-) \text{ cost to sell} \quad \underline{(20)} \\ 130 \end{array}$$

③ NRV of Raw Materials → (we have purchased RM to consume in FG & not sell it)

If FG is sold at cost or above cost

Measure Raw Material @ cost

If FG is sold Below cost

Measure Raw Material @  
cost or Replacement cost  
(whichever is lower)

Replacement cost is the amt. than an entity would have to pay to replace the RM at present time according to its current worth.

|              |     |
|--------------|-----|
| eg FG → cost | 100 |
| NRV          | 110 |

}  
RM → cost 20  
Replacement cost 18

Since FG is sold above cost  
∴ Measure RM @ cost i.e. ₹ 20

|            |     |
|------------|-----|
| eg FG cost | 100 |
| NRV        | 75  |

RM → cost 20  
Replacement cost 18

Since FG is sold Below cost  
∴ Measure RM @ cost or Rep. cost

whichever is lower  
(i.e. ₹ 18)

## 7. Allocation of cost of Joint Products & By products.

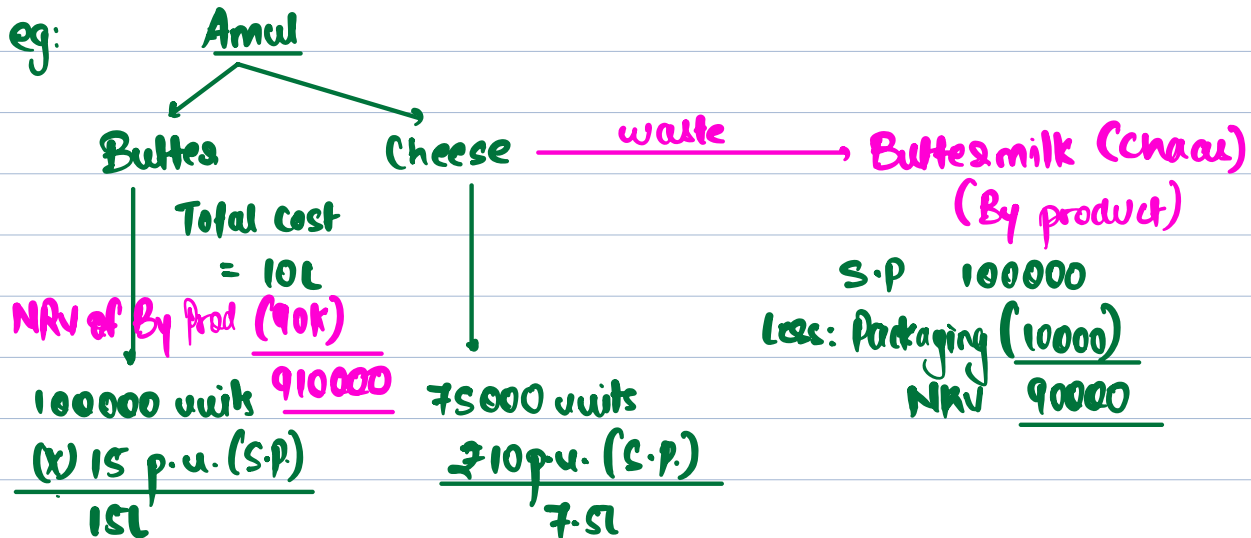
### i) In case of joint products

When cost of conversion of each main product cannot be identified separately, they need to be allocated in sales value ratio i.e. (Total units (x) Selling price p.u.)

### ii) In case of By product

Most by products are immaterial, therefore they are measured at NRV. NRV of By product will be deducted from total cost of conversion & after deducting, net cost of conversion will be allocated to main products.

eg:



Cost 6,06,667

3,03,333

Allocation

$$\left( 910000 \times \frac{15L}{22.5L} \right) \quad \left( 910000 \times \frac{7.5L}{22.5L} \right)$$

Q5 → H.W

Q6 → As per AS 2 Inventories, it should be valued at lower of cost or NRV.

|                  |            |        |
|------------------|------------|--------|
| Purchase         | 40 lakhs   |        |
| Sold (75%)       | (30 lakhs) |        |
| CLB stk          | 10 lakhs   | → cost |
| NRV              | 9.9 lakhs  | → NRV  |
| (11 lakhs - 10%) |            |        |

} lower

Value of CLB stk @ NRV = 9.9 lakhs

Q7 → Q.B.

Q8

WIP (Measured at lower of:)

|          |   |     |
|----------|---|-----|
| (a) Cost | → | 530 |
| (b) NRV  | → | 410 |



|                                |            |
|--------------------------------|------------|
| Selling price of FG            | 750        |
| less: cost of comp.            | (310)      |
| less: cost of sale (Brokerage) | (30)       |
| NRV of WIP                     | <u>410</u> |

(750 × 4%)

Q9 (LOR)

(a) Calculation of Revised cost p.u. = Total cost (WN1)

Step 1

Total units (-) Normal loss

= 2077600

19600 (20000 - 2% Nor. loss)

= ₹106 per kg

WN1 Purch. price (20000 kgs x 110) = 22,00,000 (includes Ref GST)  
less: GST → ITC available (240000)  
(20000 kg x ₹12)

Add: Freight

117600

Total cost

20,77,600



Step 2

(b) Allocation of material cost

Inventory cost allocation = 19500 kgs

consumed 18000 kgs x 106 = 1908000  
cls stk 1500 kgs x 106 = 159000

Ab loss (Trf to P/L) = 100 kgs x 106 = 10600

Q10

⑥ Cost (Weighted Avg Method) → using periodic inventory method.

$$20 \text{ units} \times ₹108 = 2160$$

$$15 \text{ units} \times ₹107 = 1605$$

$$30 \text{ units} \times ₹109 = 3270$$

$$15 \text{ units} \times ₹107 = 1605$$

$$\underline{8640}$$

$$\div \text{No. of units } 80$$

$$\text{Avg cost p.u. } \underline{108}$$

⑦ CLC STK (units)

$$= 80 \text{ units} (-) 60 \text{ units} = 20 \text{ units}$$

Value of CLC STK

$$\text{Cost} = 20 \text{ units} \times 108 = ₹2160$$

$$\text{NRV} = 20 \text{ units} \times 107.75 = ₹2155 \quad \downarrow$$

∴ CLC STK will be valued at ₹2155

Extra

$$\underline{\text{COGS}} = 60 \text{ units} \times ₹108 = \boxed{₹6480}$$

Q11

| Value of cls stk        | Qty        | Rate       | Amount (Value) ₹ |
|-------------------------|------------|------------|------------------|
| ① Raw Material x        | 1000 units | 440 (lost) | 440000           |
| ② Chemical Y (FG)       | 2400 units | 660 (lost) | 1584000          |
| Total value of cls stk. |            |            | 20,24,000        |

Working Note:

① Raw Material

② Cost

|               |     |
|---------------|-----|
| Cost price    | 380 |
| (+) Unloading | 20  |
| (+) Freight   | 40  |
| Cost          | 440 |

Replacement cost 300

(since FG is sold above cost  
∴ Measure RM @ cost)

② FG

Cost

|                                                     |     |
|-----------------------------------------------------|-----|
| Material consumed                                   | 440 |
| Direct labour                                       | 120 |
| Variable OH's                                       | 80  |
| * Fixed OH ( $\frac{400000}{20000 \text{ units}}$ ) | 20  |

Total cost 660  
NRV 800 ↓

Q12 (WR)

Case i) When NRV of FG is ₹450 p.u.

|                     | Qty        | Rate       | Value (Amount) |
|---------------------|------------|------------|----------------|
| a) Raw Material (P) | 600 units  | 275 (lost) | 165000         |
| b) Fin. Goods B     | 1500 units | 360 (lost) | 540000         |
| Value of cls stk    |            |            | 705000         |

Case ii) When NRV of FG is ₹ 340 p.u.

|                     | Qty        | Rate            | Value (Amount) |
|---------------------|------------|-----------------|----------------|
| a) Raw Material (P) | 600 units  | 180 (Rep. cost) | 108000         |
| b) Fin. Goods &     | 1500 units | 340 (NRV)       | 510000         |
|                     |            |                 | <u>618000</u>  |

CWN

① Raw Material

① Cost

|                                  |            |
|----------------------------------|------------|
| Cost price (incl GST)            | 250        |
| less: GST (input available) (20) |            |
|                                  | <u>230</u> |

(+) Freight 30

(+) Handling 15

Cost 275

Rep. cost 180

② FG

Cost

Mat. cost. 250

Direct lab 70

Variable OH 30

Fixed OH (31/30k) 10

Cost 360

Case i) NRV 450

ii) NRV 340

Q14 Value of clg stk

|                    | Qty       | Rate      | Amount       |
|--------------------|-----------|-----------|--------------|
| i) Product A (FG)  | 200 units | 90 (Cost) | 18000        |
| ii) Product B (FG) | 800 units | 70 (NRV)  | <u>56000</u> |
|                    |           |           | <u>74000</u> |

CWN Product A

Mat. 40

wages 30

OH 20

Cost 90

NRV 99

(110 - 10%)

Product B

Mat. 45

wag 35

Cost 80

NRV ~~150~~ 70

Q15 → Q.B.

Q16

Imp Note: As I does not apply to producers of agriculture products  
But it applies to wholesaler/trader of \_\_\_\_\_  
∴ Value inventory @ cost or NRV (whichever is lower) if  
As I applicable

Q17 (Wk)

|                                       |               |
|---------------------------------------|---------------|
| Value of closing stock @ cost (Given) | 450000        |
| less: Adjustment for 100 coats (WN1)  | (20000)       |
| less: Adj for shirts (WN2)            | -             |
| Value of clg stk                      | <u>430000</u> |

No adj reqd for shirts as clg stk is already at cost.

WN① 100 coats

|                          |               |
|--------------------------|---------------|
| Cost (100 coats × £2200) | 220000        |
| NRV (100 coats × £2000)  | <u>200000</u> |
| ↓ in value               | £20,000       |

WN② Shirts

|      |       |
|------|-------|
| Cost | 50000 |
| NRV  | 55000 |

Note: we can make a mistake  
by taking NRV as £49500.  
But plz note 55000 is  
directly given as NRV.

Q18 (LOR)

As per AS 2- Inventories

a) Inv of FG will be valued at cost or NRV whichever is lower

b) ——— WIP will also be ———

But to find NRV of WIP, we will consider S.P of FG (-) cost of comp  
(-) cost to sale.

c) Inv of RM will be valued at cost if FG sold at cost or above <sup>cost</sup>  
RM will be valued at cost or rep. cost whichever is lower if FG is  
sold below cost

|                        | Qty | Rate           | Am't   |
|------------------------|-----|----------------|--------|
| i) Raw Material x      | 900 | 80 (Rep. cost) | 72000  |
| ii) WIP                | 400 | 216 (NRV)      | 86400  |
| iii) Fin. Goods P      | 800 | 266 (NRV)      | 212800 |
| Total value of c/s stk |     |                | 371200 |

|                                                  |                                                                                                                                        |                                                                                                          |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <u>WN</u> ① <u>RM</u><br>Cost 100<br>Rep cost 80 | ② <u>WIP</u><br>Cost 245<br><u>NRV</u><br>S.P of FG 280<br>(-) Cost of comp (50)<br>(-) Cost of sale (14) (280 x 5%)<br>NRV of WIP 216 | ③ <u>FG</u><br>Cost 295<br><u>NRV</u><br>S.P of FG 280<br>less: cost to (14)<br>sale<br>NRV of 266<br>FG |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|

## Q19 (LOR)

i) Value of cu stk

|                | Qty       | Rate            | Amount       |
|----------------|-----------|-----------------|--------------|
| Raw Material   | 900 kgs   | 9.5 (Rep. cost) | 8550         |
| Finished Goods | 1200 kgs. | 20 (NRV)        | 24000        |
|                |           |                 | <u>32550</u> |

## WN1

Calculation of total cost & per unit cost

i) Raw Material

Total cost = 1,00,000  
 Total kgs 10000 kgs  
 cost p.u. = ₹ 10 per kg  
 Rep cost = ₹ 9.5 per kg

ii) Finished Goods

Raw Material consumed 1,02,000  
 (Op<sup>n</sup> + Purch (-) Cls)  
 (1100 kgs + 10000 (-) 900 kgs) 10200 kgs  
 x ₹ 10 per kg.  
 Labour 76500  
 Fixed OH (WN2) 51000

Total cost (FG) 229500  
 ÷ Actual Prod<sup>n</sup> 10200 kgs  
 Cost p.u. 22.5  
 NRV p.u. 20.

WN2 Cal<sup>n</sup> of Actual Production (in kgs) of FG

Op<sup>n</sup> + ~~Purch~~ (-) Cls = COGS  
 1000 kgs ? (-) 1200 = 10,000

Actual Prod<sup>n</sup> = 10000 - 1000 + 1200  
 = 10200 kgs.

|                          |            |
|--------------------------|------------|
| Fixed OH                 | 75000      |
| Actual Prod <sup>n</sup> | 10200 kgs  |
| Normal                   | 15000 kgs. |

step ① Fixed cost p.u. :  $\frac{75000}{15000 \text{ kgs}} = ₹5 \text{ per kg.}$

step ② Allocation

Inventory

Actual Prod<sup>n</sup> x p-u  
10200 x ₹5  
= 51000

Prod

24000 (P/L)

Q21 (work)

Given: (FIFO method)

a: (FIFO Method)

Opn → 10,000 litres @ ₹92 per litre → lot 1

Purch. 20,000 litres @ ₹90 per litre → lot 2

          10,000 litres @ ₹95 per litre → lot 3

Sold 10000  
Sold 17000  
Cus stk 3000  
Cus stk 10000

CLB SH = 13000 litres

Sales = 27000 litres

i) Value of eq stk as on 30<sup>th</sup> June

$$3000 \text{ litres} \times \text{£ } 90 = 270000$$

$$10000 \text{ litres} \times \text{£ } 95 = 950000$$

12,20,000

ii) Acct of COGS on 30<sup>th</sup> June

$$10000 \text{ litres} \times ₹ 92 = ₹ 920000$$

$$17000 \text{ litres} \times \text{£ } 90 = \underline{1530000}$$

24,50,000

OR

COGS: Op'n STR + Purchases (-) clc STR

$$= 920000 + 2750000 (-) 12,20,000$$

$$\begin{array}{r} (10k \times 92) \\ (20k \times 90) \\ (+) 10k \times 95 \end{array}$$

$$= 24,50,000$$

### iii) Profit/loss for the period

|                |                    |
|----------------|--------------------|
| Sales (Given)  | 30,40,000          |
| less: COGS     | <u>(24,50,000)</u> |
| Gross Profit   | 5,90,000           |
| less: Gen OH's | <u>(400,000)</u>   |
| Net profit     | 190,000            |

Q23 Value of clc stk ( $Op^a + Purch - ? = COGS$ )

|                     |   |                 |
|---------------------|---|-----------------|
| Op <sup>a</sup> stk | = | 20000           |
| (+) Purchases       | = | 147000          |
| (-) * COGS          | = | <u>(140000)</u> |
| clc stk             |   | <u>27000</u>    |

(S.P = 154000, Margin 10% on cost)

$$\begin{array}{rcl} C + P & = & S \\ 100 + 10 & = & 110 \\ & & \downarrow \\ & & 154000 \end{array}$$

140000

### ii) Value of clc stk (Chairs)

Cost (250 chairs x ₹300) = 75000

NRV (250 chairs x ₹280) = 70000

(400 x 70%)

Value of clc stk 70000  
(lower of cost or NRV)

Q24 Value of computer (p.u.) | ₹ in lakh

|                          |            |
|--------------------------|------------|
| RM consumed              | 400        |
| (+) Direct labour        | 250        |
| (+) Variable Prod OH     | 150        |
| (+) Fixed OH (290 - 100) | <u>190</u> |

<sup>Interest</sup>

Total cost 990

÷ No. of comp 550 comp

Cost per comp ₹1.8 lakh per comp.

Here we did not follow 2 steps for fixed OH as we don't have data of normal capacity

Q25 (WOK)

Value of c/s stk

|          | <u>Qty</u> | <u>Rate</u>  | <u>Am't</u>  |
|----------|------------|--------------|--------------|
| Polyster | 1600 units | 31.14 (lost) | 49824        |
| Nylon    | 400 units  | 18.68 (lost) | <u>7472</u>  |
|          |            |              | <u>57296</u> |

cont Calculation of cost of Joint products

|                |        |
|----------------|--------|
| Raw material   | 350000 |
| (+) Wages paid | 160000 |
| (+) Fixed OH   | 120000 |

(Normal capacity is not given. ∴ we did not follow 2 steps & we added full fixed OH)

(+) Variable OH

Total cost  $\frac{60000}{690000}$

Less: NRV of By products

Fibre  $((3200 \times 40) \leftarrow 10000 - 9000)$   $(109000)$

Scrap  $(5000)$

Total Net cost  $576000$

Polyester

12500 units

(x) S.P  $\frac{100 \text{ p.u.}}{1250,000}$

Nylon

10000 units

S.P (x)  $\frac{60 \text{ p.u.}}{600000}$

Cost  $389189$

$186811$

Allocation

$(576000 \times \frac{1250000}{1850000})$

$(576000 \times \frac{600000}{1850000})$

$\div$  No. of units  
12500 units

10000 units

Cost p.u.  $31.14 \text{ p.u.}$

$18.68 \text{ p.u.}$

NRV  $100 \text{ p.u.}$

$60 \text{ p.u.}$

Q26

Value of closing stock

|                   | Qty       | Rate          | Am't.         |
|-------------------|-----------|---------------|---------------|
| ① Raw Material    | 700 units | 35 (lost)     | 24500         |
| ② FP1 (FG)        | 500 units | 155.93 (lost) | 77965         |
| ③ FP2 (FG)        | 300 units | 97.45 (lost)  | 29235         |
| Value of cl's stk |           |               | <u>131700</u> |

WN Total cost of Main Products

|                          |        |
|--------------------------|--------|
| R.M consumed             | 320000 |
| Direct labour            | 160000 |
| Direct Expenses          | 78000  |
| Fixed OH (95000 - 15000) | 80000  |

(\* storage cost is excluded from cost of Inventory)

Total cost 638000

less: NRV of By product

|                                         |        |
|-----------------------------------------|--------|
| By product $[(1000 \times 12) + 12500]$ | (9500) |
| Scrap                                   | (4800) |

Net cost 623700

↓  
FP1  
3000 units  
(x) 160 p.u.  
480000

↓  
FP2  
1600 units  
(x) 100 p.u.  
160000

Cost 4,67,775

1,55,925

Allocation

$$\left( 623700 \times \frac{480000}{640000} \right)$$

$$\left( 623700 \times \frac{160000}{640000} \right)$$

÷ No. of  
units

3000

1600

Cost p.u.

155.93

97.45

NRV

160

100