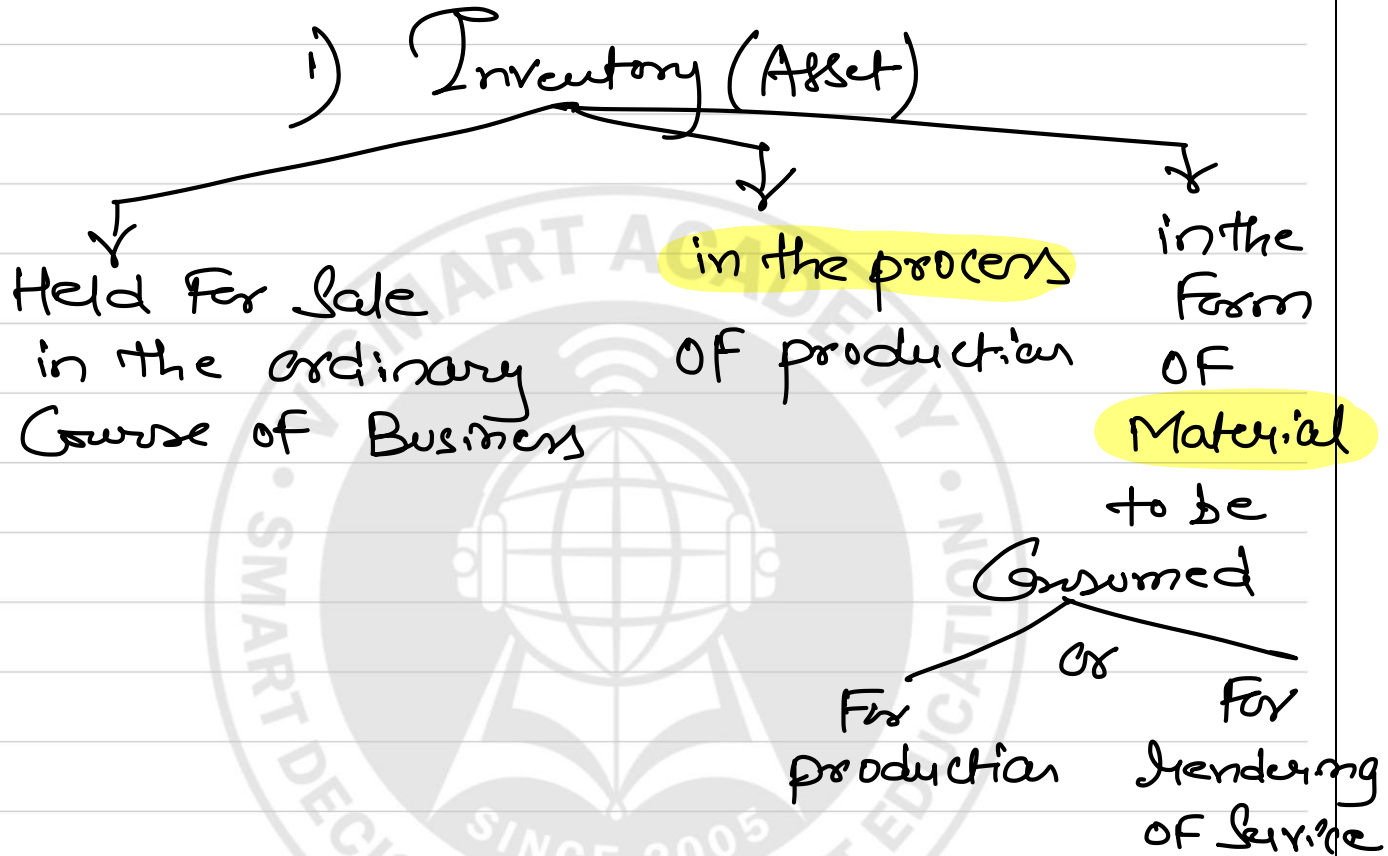
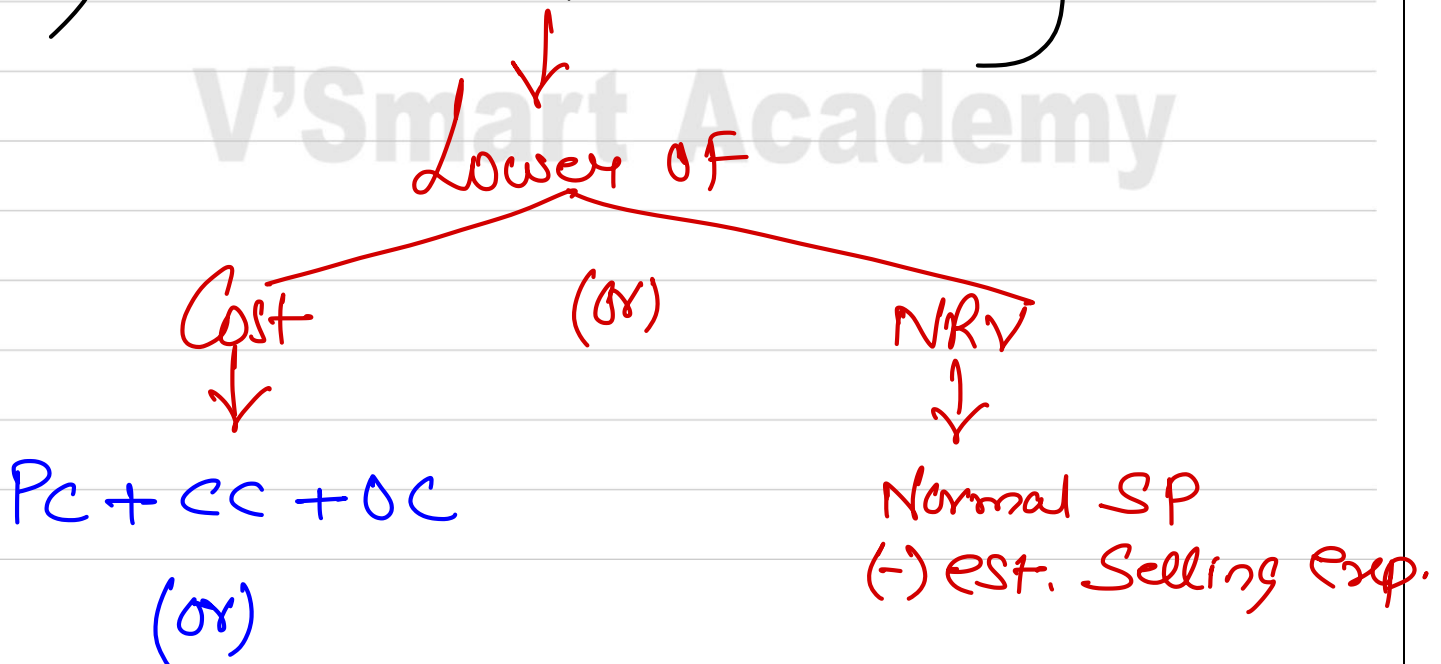


AS 2 - Valuation of Inventory

Revision :-



2) Measurement of Inventory



Rm Consumed ——— XXX

(+) Direct Labour ——— XXX
Exp

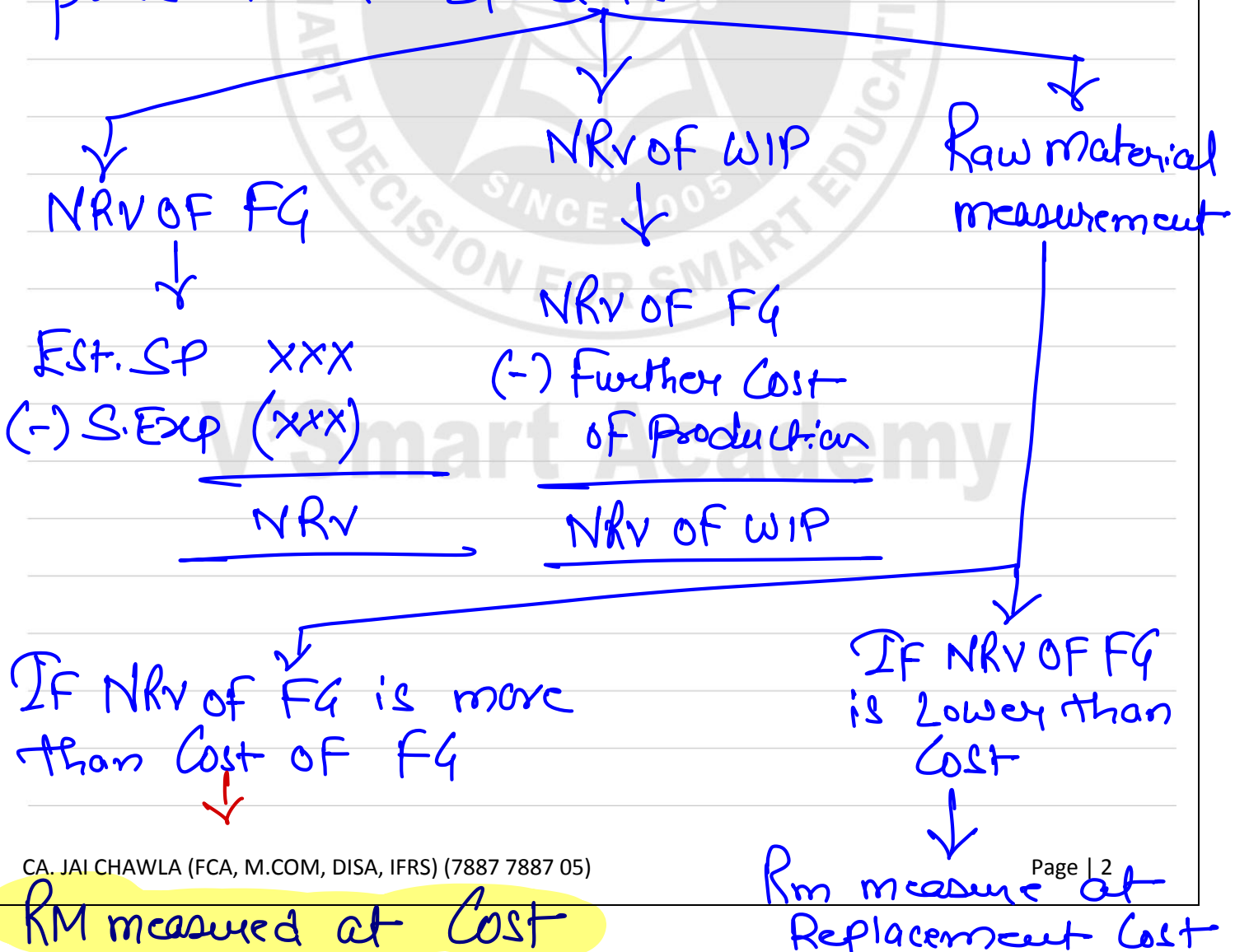
(+) Fixed Overheads ——— XXX

(+) Variable Overheads ——— XXX

Cost of FG

3) Net Realisable Value (NRV)

Est. SP (normal SP) or actual Transaction price after B/s date.



or Org. Cost
Whichever is lower.

4) Effect of Defected Goods on NRV :-

Class Ex:-2 31/3/24 80 HP Laptop

Normal SP = 75000/-

25 Laptops are Defected & they require repair costing 5000/- each, they will be expected to sell at 70% of Normal SP.

Each Laptop is Having Cost of 5000/-

What is the Inventory value as per As 2

Sol):-

← Total 80 Laptops

55 Laptops

25 Laptops

a) Cost = 50000/-
(or)

b) NRV = 75000/-

a) Cost = 50000/-

b) NRV :- 52500
- 5000
47500

∴ 50000 × 55 = 27,50,000/-

∴ 47500 × 25

11,87,500

Total Inventory Value = 39,37,500/-

Q5 (Pg no. 3.2)

1) Coats :- Actual Cost = 80/-

$$\begin{aligned} \text{NRV} &= \text{actual sale after B/S} - \text{S/E} \\ &= (150 \times 50\%) - 5\% = 71.25 \end{aligned}$$

NRV is lower Hence $400 \times 71.25 = 28500$
Inventory Value

2) Skirts Cost = 20/-

$$\text{NRV} = \text{actual sale after B/S} = 28/-$$

$$\begin{aligned} &\text{date} \\ (-) \text{ Remedial Exp} &= (5/-) \end{aligned}$$

$$\begin{aligned} (-) \text{ S/E } \frac{800}{800} &= (1/-) \end{aligned}$$

$$\text{NRV} \underline{\underline{22/-}}$$

Since Cost is lower Hence No need for any adjustment in Total Cost.

Final Inventory Value:-

$$\begin{array}{rcl} \text{Total Cost} & = & 284700 \\ (-) \text{ Cost of 400 coats} & = & (32000) \\ (+) \text{ NRV of 400 coats} & = & 28500 \\ \hline & & 281200 \end{array}$$

Cost of Inventory

- 1) Purchase Cost
- + GST (Non refundable)
- + Custom duty
- (+) Transport Octroi
- (+) Transit Insurance
- (+) Loading Unloading
- (+) Primary packaging
- (+)

1) Rm Consumed

2) Wages / Labour.

3) Factory power / fuel / Rent / Mach. Dep
Rent of Mach. / Supervisor Salary,
Royalty of patent

Factory OverHead
(or)
production OverHead

Fixed

Variable

Q9 (Pg. no. 3.3)

Calculation of Cost of Rm & FG

Rm :- purchase cost = 380/-
Unloading = 20/-
Frighe = 40/-

Cost per unit (Rm) = 440

FG:- Rm Cost = 440/-

(+) Labour = 120/-

(+) V. OH = 80/-

(+) F OH = 20/-

Cost per Unit = 660/-
OF FG (Y)

Valuation of Inventory

As per As 2, Inventory is measured at Cost or NRV whichever is lower.

In Case of Rm, if NRV of FG is higher than its Cost, then Rm shall be measured at Cost.

In Case of Rm, if NRV of FG is lower than its Cost, then Rm shall be measured at Replacement Cost or actual Cost whichever is lower.

Case 1:- NRV OF FG = 800/-

FG (Y)

Rm (X)

Cost = 660/-
NRV = 800/-
Lower is 660/-

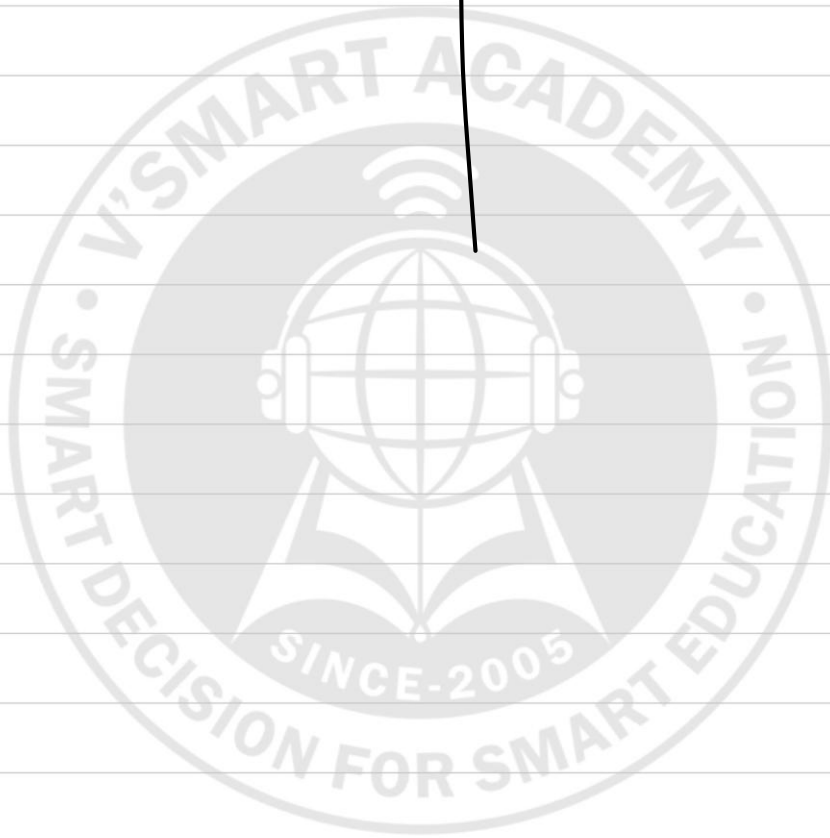
NRV OF FG is Higher
∴ Rm shall be measured at actual Cost

Value = 660 × 2400

15,84,000

$$\begin{aligned} \text{Value} &= 440 \times 1000 \\ &= 4,40,000 \end{aligned}$$

Case 2:- NRV OF FG = 600/-



V'Smart Academy

Q7 (Pg no. 33)

Calculation of Total Cost of production

Material	-	150000
(+) Wages	-	90000
(+) F. OH	-	65000
(+) V. OH	-	50000

Total Cost - 355000

(-) NRv of By Product - (30000)
40000 - 10000
NSP Exp

(-) Scrap Sale - (5000)

Net Cost of production
of MP₁ & MP₂ = 320000

Allocation

MP₁ ⇒ Est. Sale ⇒ 5000 × 60/- = 300000/-

MP₂ ⇒ Est. Sale ⇒ 4000 × 50/- = 200000/-

Allocation shall be made in the ratio of
above Est. Sale Values.

$$\text{Cost for MP}_1 = 320000 \times \frac{3}{5} = 192000$$

$$\text{Per Unit Cost} = \frac{192000}{5000 \text{ no.}} = 38.40/-$$

$$\text{Cost of MP}_2 = 320000 \times \frac{2}{5} = \frac{128000}{4000 \text{ no.}} = 32/- \text{ per unit.}$$

Value of Closing Stock :-

$$\text{MP}_1 \Rightarrow 250 \times 38.40 = 9600/-$$

$$\text{MP}_2 \Rightarrow 100 \times 32 = 3200/-$$

$$\underline{\underline{12,800/-}}$$

V'Smart Academy

Jan \Rightarrow 8000/- 500 unit

Feb \Rightarrow 81000/- 400 unit

March \Rightarrow 78000/- 600 unit

3/3 Cl. Stock \Rightarrow 200 unit



$$\begin{aligned} M &= 10 \text{ lac.} \\ L &= 6 \text{ lac.} \\ OH &= 4 \text{ l.} \end{aligned}$$

$$\begin{array}{r} 20 \\ \hline = \\ 100 \text{ units} \end{array}$$

20000/-

Q10 Calculation of Cost of FG produced

		<u>Amnt.</u>
1) Raw material Consumed	opening 1100 purch. 10000 (-) Closg (900)	10200
	Consumed $\frac{10200 \times 10/-}{*}$	

2) <u>Add:-</u> Labour exp.	Given	76500
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3) <u>Add:-</u> Fixed OH	Rate = $\frac{75000}{\text{Higher of } 15000 \text{ (normal) or } 10200 \text{ (actual)}}$ 5/- x 10200 no.	51000
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$$\text{Total Cost of FG} = 229500$$
$$\div \text{Total FG produced} = 10200$$

$$\text{FG Cost per Unit} = 22.5/-$$

$$\text{NRV per unit} = 20/-$$

Lower is NRV \Rightarrow FG Inventory Value = 20×1200
= 24000/-

Rm Inventory Value (NRV of FG is lower) :- at Replacem.
Cost
 $900 \times 9.5/- = 8550/-$

$$\begin{aligned} \text{Total Inventory} &= 24000 + 8550 \\ &= 32550/- \end{aligned}$$

Note:-

1) Rm Consumed = FG produced during the year

if no extra info. is given

Hence FG produced = 10200 units

2) Rm cost per unit \Rightarrow $\frac{\text{Total Pur. Value}}{\text{Purchased Units} - \text{Normal Wastage}}$

$$\Rightarrow \frac{100000}{10000 - 0} = 10/-$$