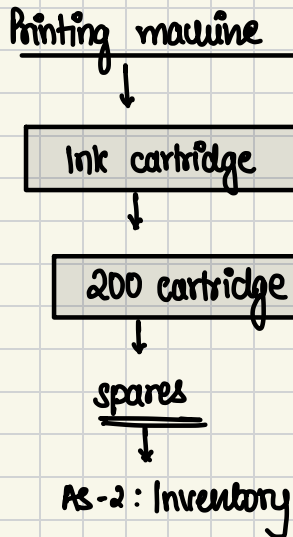


SparesIndigo Airlines

Engines

25 engines

spares

AS-10 PPE ✓

TA

useful life 712m

Rendering of service

Inventory meaning :-

1. FG & SIT → held for sale
2. WIP → held in production process
3. RM → material / supplies to be used in prodn process.
4. Consumables & spares (other than those covered in AS-10)
5. Packing material

Non-applicability :- will be explained with questions

Inventory valuation :-

Cost OR NRV w.e. lower

1. Ascertainment of cost of Inventory

Raw Material

WIP / FG

→ Cost of purchase

less: Trade discounts & rebates

add: Non recoverable taxes

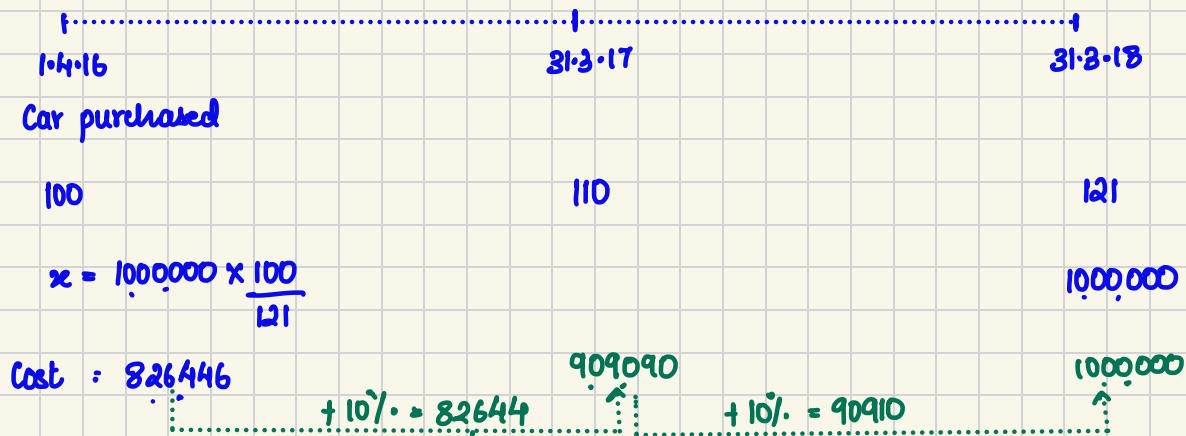
add: Cost incurred to bring the inventory to its present location & condition.

→ Normal loss is considered as a part of cost of inventory.

→ Abnormal loss is Debited to P&L.

Question 7 :-

Int Rate = 10%.



Journal Entry

1-4-16	Car a/c To, Nora Cars	Dr.	826446	826446
31-3-17	Interest To, Nora cars	Dr.	82644	82644
31-3-17	Depreciation	→ Rate not mentioned.		
31-3-17	P&L To, Interest	Dr.	82644	82644
31-3-18	Interest To, Nora cars	Dr.	90910	90910
31-3-18	P&L To, Interest	Dr.	90910	90910
31-3-18	Nora Cars To, cash/bank	Dr.	1000000	1000000

Question 12:-

Plant = 200,00,000

Boiler

C = 50,00,000

$$\text{Depr for 2y} = \left(\frac{50,00,000 \times 2}{10} \right)$$

$$= 10,00,000$$

$$\text{WDV} = \underline{\underline{40,00,000}}$$



End of

Year 2

P&L

To, Boiler

Dr. 10,00,000

40,00,000

New boiler purchased

New boiler Dr. 60,00,000

To, Bank 60,00,000

Remainder

C = 150,00,000

$$= \frac{150,00,000 \times 2}{10}$$

$$= 30,00,000$$

$$\text{WDV} = \underline{\underline{120,00,000}}$$



180,00,000