AS-2: VALUATION OF INVENTORY

Spares

Printing machine
↓
Ink cartridge
↓
200 cartridge
↓
spares
↓
AS-2 : Inventory

Indigo Airlines
↓
Engines
↓
25 engines → TA → useful life > 12m → Rendering of service
spares
↓
AS-10 PPE ✓

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%

1.4.16	31.3.17	31.3.18
Car purchased		
100	110	121
$x = 1000000 \times \frac{100}{121}$		1000000
Cost : 826446	909090	1000000

+10% = 82644   +10% = 90910

Journal Entry

1.4.16	Car a/c	Dr.	826446	
	To Nora Cars			826446
31.3.17	Interest	Dr.	82644	
	To Nora cars			82644
31.3.17	Depreciation → Rate not mentioned.			
31.3.17	P&L	Dr.	82644	
	To Interest			82644
31.3.18	Interest	Dr.	90910	
	To Nora cars			90910
31.3.18	P&L	Dr.	90910	
	To Interest			90910
31.3.18	Nora Cars	Dr.	1000000	
	To cash/bank			1000000

Question 12 :-

Plant = 20000000

Boiler

C = 5000000

Depn for 2y = $\left(\frac{5000000}{10} \times 2\right)$

= 1000000

WDV = 4000000

Remainder

C = 15000000

= $\frac{15000000}{10} \times 2$

= 3000000

WDV = 12000000

End of Year 2

P&L Dr. 4000000
To, Boiler 4000000

New Boiler purchased

New Boiler Dr. 6000000
To, Bank 6000000

18000000