

VALUATION OF INVENTORIES

SOLUTIONS

ANSWER TO Q.19.

Statement of Valuation of Stock as on 31st March, 2017

PARTICULARS	Rs.
Value of stock as on 1st April, 2016	1,42,500
Add: Purchases	7,62,500
Add: Manufacturing expenses	1,50,000
Less: Cost of goods sold (WN 1)	9,92,500
Value of stock as on 31.3.2017	62,500

WORKING NOTE

Sales	12,45,000
Less: abnormal sales	45,000
Normal sales	12,00,000
Less: GP margin 20%	2,40,000
Cost of normal sales	9,60,000
Cost of abnormal sales (given) (50,000 – 17,500)	32,500
Cost of goods sold	9,92,500



ANSWER TO Q.20.

Statement of Valuation of Stock as on 31st March, 2017

PARTICULARS	Rs.
Value of stock as on 1st April, 2016	7,00,000
Add: Purchases	34,60,000
Add: Manufacturing expenses	7,00,000
Less: Cost of goods sold (WN 1)	41,88,000
Value of stock as on 31.3.2017	6,72,000

WORKING NOTE

Sales	52,20,000
Less: abnormal sales	160000
Normal sales	50,60,000
Less: GP margin 20%	10,12,000
Cost of normal sales	40,48,000
Cost of abnormal sales (given)	1,40,000
Cost of goods sold	41,88,000

ANSWER TO Q.NO.21

Statement showing the valuation of Inventory as on 30th September

Value of Inventory as on 10 th October	1,67,500
Less: Cost of old moving items	1,125
Add: NRV of old moving items	525
Value of Inventory as on 30 th September	1,66,900



ANSWER TO Q.NO. 22

Selling price of closing inventory = Rs. 50,000
 Less: Gross profit Margin @ 20% = Rs. 10,000
Cost price of closing inventory = Rs.40,000

Calculation of gross profit margin:

	Rs.
Sales	2,00,000
Add: Closing inventory (at selling price)	50,000
Less: Opening stock	Nil
Less: Purchases	2,00,000
Gross Profit	50,000

Calculation of gross profit margin:

$$\text{Rate of gross margin} = \frac{50,000}{2,50,000} \times 100 = 20\%$$

ANSWER TO Q.NO. 23

Statement of Valuation of Stock as on 31st March, 2017

PARTICULARS	Rs.
Value of stock as on 1st April, 2016	1,42,500
Add: Purchases	7,62,500
Add: Manufacturing expenses	1,50,000
Less: Cost of goods sold (WN 1)	9,92,500
Value of stock as on 31.3.2017	62,500

WORKING NOTE

Sales	12,45,000
Less: abnormal sales	45,000
Normal sales	12,00,000
Less: GP margin 20%	2,40,000
Cost of normal sales	9,60,000
Cost of abnormal sales (given) (50,000 – 17,500)	32,500
Cost of goods sold	9,92,500



ANSWER TO Q.NO. 24

Statement showing the valuation of Inventory as on 31st March, 2016

Value of Inventory as on 10th April	1,67,500
Add: Cost of goods sold after 31st March till Inventory taking (Rs.6,875 - Rs.1,719)	5,156
Less: Purchases for the next period (net)	(8,100)
Value of Inventory	1,64,556

ANSWER TO Q.NO. 25

Profit and Loss Adjustment Account

Particulars	Rs.	Particulars	Rs.
To Advertisement (samples)	40,000	By Net profit	6,00,000
To Sales (goods approved in April to be taken as April sales: 75,000 + 25,000)	1,00,000	By Electric fittings / Fixture & fittings (reduction in purchases will increase profit) (it is presumed this cost shall be added to the cost of shop and shall not be charged to profit n loss)	15,000
		By Samples (reduction in purchases will increase profit)	40,000
		By Stock (purchases of March not included in stock)	2,50,000
		By Sales (goods sold in March wrongly taken as April sales)	2,00,000
To Adjusted net profit	10,40,000	By Stock (goods sent on approval basis not included in stock)	75,000
	11,80,000		11,80,000

Calculation of value of inventory on 31st March, 2016

Stock on 31st March, 2016 (given)	3,75,000
Add: Purchases of March, 2016 not included in the stock (Since invoice is entered therefore no impact on profit, only on stock)	2,50,000
Goods lying with customers on approval basis	75,000
	7,00,000



ANSWER TO Q.NO. 26

Statement of valuation of Inventory on 31st March, 2017

	Rs.	Rs.
Value of Inventory as on 15th April, 2017		5,00,000
Add: Cost of goods sold during the period between 31st March, 2017 to 15th April, 2017		
Sales (Rs. 4,10,000 - Rs. 10,000)	4,00,000	
Less: Gross Profit (20% of Rs. 4,00,000)	80,000	3,20,000
		8,20,000
Less: Purchases during the period from 31st March, 2017 to 15th April, 2017		50,340
		<u>7,69,660</u>

ANSWER TO Q.NO. 27

Statement of Valuation of Stock on 30th June, 2016

Value of stock as on 23rd June, 2016		48,00,000
Add: Stock of the goods sent on consignment		2,40,000
Purchases during the period from 23rd June, 2016 to 30th June		4,00,000
Less: Cost of sales		
Sales (Rs. 13,60,000 - Rs. 3,20,000)	10,40,000	
Less: Gross profit		
20% X (Rs. 13,60,000 - Rs. 3,20,000 - Rs.1,20,000) =	1,84,000	
Less: loss on abnormal sales =	1,20,000	
Gross profit	64,000	9,76,000
Value of stock as on 30th June, 2016		44,64,000

ANSWER TO Q.NO. 28

Statement of Valuation of Physical Inventory

	Rs.
Value of Inventory as per books / perpetual inventory	1,50,000
Add: Goods Purchased and included in the physical stock but no entry was made in the books	10,000
Add: Goods were sold and entered in the books but the stock is yet to be delivered	30,000
Less: Goods were returned to the suppliers but is omitted to be recorded	5,000
Value of the physical inventory	1,85,000



ANSWER TO Q.NO. 29

Calculation of value of inventory

Date		Receipts			Issues			Balance		
		Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
April 01	Opening Stock							50	44	2,200
April 02	Purchases	100	47	4,700				150	46	6,900
April 02	Issued				50	46	2,300	100	46	4,600

Closing stock = 100 Units x 46 = 4,600

ANSWER TO Q.NO. 30

Statement of Valuation of Physical Stock as on 31st March, 2016

		Rs.
Value of stock as on 9th April, 2016		2,50,000
Add: Cost of sales during the intervening period		
Sales	17,200	
Less: Gross profit @25% on sales	(4,300)	12,900
Less: Purchases <u>actually received</u> during the intervening period:		
Purchases from 1.4.2016 to 9.4.2016	1,200	
Less: Goods not received upto 9.4.2016	(500)	700
Less: Purchases during March, 2016 received on 4.4.2016		1,000
Value of physical stock as on 31.3.2016		2,61,200

