

①. Classified types of inventory and their respective evaluation method.

Ans

There are four types of Inventory.

①. Raw Materials Inventory:-

This consists of basic materials that have not yet been committed to production in a manufacturing firm. Raw materials that are purchased from firms to be used in the firm's production operation. The aim of maintaining raw material inventory is to uncouple the production function from the purchasing function so that delays in shipment of raw materials do not cause production delays.

②

Stores and Spares:-

This includes those products which are accessories to the main products produced for the purpose of sales.



Examples of stores and spares are bolts, nuts, clamps, screws, etc.

These spare parts are generally bought from outside.

### ③ Work in process Inventory: —

This includes those materials that have been committed to the production process but have not been completed. The more complex and lengthy the production process the larger will be the investment in work in process inventory.

### ④ Finished Goods Inventory: —

There are completed products awaiting sales. The purpose of finished goods inventory is to uncouple the production and sales functions so that it is no longer necessary to produce the goods before a sales can occur.



② What do you mean by cash flow and classified activity of cash flow with ~~an~~ suitable example?

Ans. Represent the inflow & out flow of cash in a business.

There are three activity of cash flow.

① Operating Activity:—

Operating activities are the activities that comprise of the primary / main activities of an enterprise during an accounting period.

For Example:—

For a garment manufacturing company, operating activities include procurement of raw material, sales of garment etc. These are the principal ~~and~~ revenue generating activities of the enterprise.



## ② Investing Activities:—

Cash flow from investing activities includes the movement in cash & equivalents owing to the purchase and sale of assets. It relates to purchase and sale of long-term assets or fixed assets such as machinery, furniture, land and building etc.

## ③ Financial Activities:—

It includes financial activities related to long-term funds or capital of an enterprise. Financing activities are activities that result in changes in the size and composition of the owner's capital and borrowings of the enterprise.

Ex:—

cash proceeds from issue of equity shares, debentures, raising long-term loans, repayment of bank loans, etc.



③ How a business determine their sale price.

Ans-

A business determine their sale to some factors like:-

↳ Product cost! —  
Product cost refer to the total of fixed costs, variable costs and semi variables cost incurred during the production, distribution and selling of the product.

↳ The utility of Demand! —  
Consumers demand more units of a product when its price is low and vice-versa.

↳ Extent of competition in the market! —  
The next important factor affects the price of a product is the nature and degree of competition in the market. A firm can fix any price for its product if the degree of competition is low.



↳ Government And legal Regulation:-  
The firm which have monopoly in the markets, usually charge high price for their product.

↳ Price objective:-  
Another important factor, affecting the price of a product or services in the pricing objective.  
Pricing objective of any business are:-

- ① profit maximisation
- ② obtaining market share leadership
- ③ Surviving in a competitive market.
- ④ Attaining product quality leadership.

↳ Marketing Method chosen:-  
The various ~~marketing~~ marketing method such as distribution system, quality of salesman, advertising, type of packaging, customer service etc.