



CITY OF KIGALI/ GASABO DISTRICT

ACADEMIC YEAR,2023

SECTOR: FINANCE/ SUB-SECTOR: ACCOUNTING

MODULE: MONITORING INVENTORY SYSTEM/ CODE: ACCIS401

INSTRUCTIONS

- ✓ The exam consists Two sections: A ,and B
- ✓ All questions in section A are compulsory
- ✓ Tree questions in section B.
- ✓ TIME REQUIRED 3 HOURS

SECTION A: ATTEMPT ALL QUESTIONS (5 markse each) /40 MARKS

1. Define the following terms
 - a. Inventory
 - b. Periodic inventory
 - c. Perpetual inventory
 - d. Good received note
 - e. Good delivery note
2. Discuss inventory and its five advantages
3. What are the main three categories of materials
4. Discuss about the differences between physical and perpetual inventory system
5. What are the limitations of keeping the higher stock level
6. What are the differences between material requisition and purchase order
7. What are the elements which appears on requisition form
8. Who is in charge of stock keeping in business?

SECTION B:ATTEMPT ANY THREE QUESTIONS /30 MARKS

9. The following information relates to material MS 20. The information has been extracted from the stores records of ELGON Manufacturers Ltd

Maximum consumption per day: 250 units Minimum consumption per day: 100 units

Normal consumption per day: 150 units Maximum re-order period: 7 days

Minimum re-order period: 3 days

Normal re-order period: 5 days Re-order quantity: 1 500 units

You are required to calculate:

i) Re-order Level

ii) Minimum Stock Level

iii) Maximum Stock Level

iv) Average Stock Level

10. BOUGHT: 5/2/2006: 600 units at 1 800Rwf each
each

SOLD: 6/4/2006: 480 units at 2 760Rwf

8/3/2006: 600 units at 2 040Rwf each

20/12/2006: 720 units at 3 360Rwf each

2/9/2006: 1 200 units at 2 400Rwf each

25/12/2006: 700 units at 3 500Rwf

Prepare the stores ledger card for above information using the FIFO method (opening stock: 100 unit at 1 600Rwf each).

11. Discuss about objectives of material control at least five.

12. Discuss about five factors affecting stock levels

13. State the types of physical inventory data to be recorded

MARKING SCHEME OF MONITORING INVENTORY SYSTEM

- a. Periodic inventory means the use of a record card for each item of stocks that shows the balance in and after transactions
- b. Perpetual inventory: is the maintenance of system inventory records on a continuous basis.
- c. Inventory: is the collection of unsold products waiting to be sold.
- d. Good received notes: it is the document which confirms the goods received by customer.
- e. Good delivery notes: it is the document which shows the goods delivered by a supplier to the customers.

2. The benefits of inventory

- Increased sales
- Increased information transparency
- Shortage lead times
- Lower costs
- Improved delivery performances
- Increased employee efficiency
- Accurate planning
- Decreased stock-out
- Increased inventory turnover

3. What are the limitations of keeping the higher stock level?

- Obsolete inventory
- Storage costs
- Poor turnover
- Loss or damage

4. Categories of materials are the following:

Raw materials (direct material)

Indirect materials

Business containers

5. Purchase requisition: is a document that is created by the purchaser and submitted to the

Department that controls finances. While purchase order is an important document for vendor as well. Vendors use them for order fulfillment and process payment.

6. Who is in charge of stock keeping in business is storekeeper

7. The types of physical inventory system

- Perpetual inventory
- Periodic inventory

SECTION B:ATTEMPT ANY 3 QUESTIONS(10 marks each);30MARKS

9. Periodic inventory means the use of a record card for each items of stocks that shows the balance in and after transactions

Periodic inventory: is the maintenance of system inventory records on a continuous basis.

10 i) Re-order Level = Maximum Consumption x Maximum Re-order Period

$$= 250 \times 7 = 1\,750 \text{ units}$$

ii) Minimum Stock Level = Re-order level – (Normal Consumption x Normal Re-order Period).
 $= 1\,750 - (150 \times 5) = 1\,000 \text{ units}$

iii) Maximum Stock Level = Minimum Stock Level + Re-order Quantity + (Minimum Consumption x Minimum Re-order Period) = 1 000 + 1 500 + (100 x 3) = 2 800 units

iv) Normal Stock Level = maximum stock level+ minimum stock level = 2800+1000/2= 1900 units

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12.

STORE LEDGER CARD (FIFO METHOD)

DATE	RECEIPT (IN)			ISSUED (OUT)			BALANCE		
	QNTY	P.U	TOTAL	QNTY	P.U	TOTAL	QNTY	P.U	TOTAL
1/ 2/ Bal. b/d							100	1 600	160 000
5/ 2 Purchases	600	1 800	1 080 000	-----	-----	-----	100	1 600	160 000
							600	1 800	1 080 000
8/ 3 Purchases	600	2 040	1 224 000	-----	-----	-----	100	1 600	160 000
							600	1 800	1 080 000
							600	2 040	1 244 000
6/ 4 Sales	-----	-----	-----	100	1 600	160 000	220	1 800	396 000
				380	1 800	684 000	600	2 040	1 244 000
2 / 9 Purchases	1 200	2 400	2 880 000	-----	-----	-----	220	1 800	396 000
							600	2 040	1 244 000
							1 200	2 400	2 880 000
20 / 12 Sales	-----	-----	-----	220	1 800	396 000	100	2 040	204 000
				500	2 040	1 020 000	1 200	2 400	2 880 000
25 / 12 sales	-----	-----	-----	100	2 040	204 000	600	2 400	1 440 000
				600	2 400	1 440 000			

Total	2 400	-----	5 184 000	1 900	-----	3 904 000			
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Closing inventory: 1 440 000Rwf

Cost of goods sold : 3 904 000Rwf ;

Gross profit : Sales revenues – Cost of goods sold

Sales revenues: (480units x 2 760) + (720units x 3 360) + (700units x 3 500) = 6 194 000Rwf

Gross Profit: 6 194 000 – 3 904 000 = 2 290 000 Rwf

13. Discuss about objectives of material control at least five

- No under –stocking
- No over stocking
- Economy in purchasing
- Proper quality
- Minimum wastage
- Information about material
- Materials reports to management

14.Factors affecting stock levels are

- Availability
- Lead time
- Stockholding cost
- Consumption
- Trade discount
- Durability
- Anticipated rate of consumption
- Amount of capital available
- Procurement costs