**Q. 2.**

Sudhir co. sold 20000 crates of a soft drink @ RS.120 during the year. Its beginning inventory consisted of 1000 crates at Rs.70 per crate. The following purchases were made during the year: 5000 crates @ Rs.75.

8000 crates @ Rs.76 & 9000 crates @ Rs.80. Operating expenses Were Rs.3,65,000. Income tax payable @ 30%.

Calculate Net Profit using the FIFO Method & LIFO Method

**Q.2 Solution**

|  |  |  |  |
| --- | --- | --- | --- |
| Cost of Sales FIFO Method | Amount(Rs) | Cost of Sales LIFO Method | Amount(Rs) |
| Opening stock 1000 units @Rs.70 per unit | 70000 | Opening stock @Rs.70 per unit | 70000 |
| Purchases: |  | Purchases: |  |
| 5000 units @Rs.75 per unit | 375000 | 5000 units @Rs.75 per unit | 375000 |
| 8000 units @ Rs.76 per unit | 608000 | 8000 units @Rs.76 per unit | 608000 |
| 9000 units @Rs.80 per unit | 720000 | 9000 units @Rs.80 per unit | 720000 |
| Total (1) | 1773000 | Total(1) | 1773000 |
| Total Units= Opening stock + purchases = 23000 units(A) |  | Total Units= Opening Stock + Purchases = 23000 units(A) |  |
| Sales/Issues 20000 units(B) |  | Sales/Issues 20000 units (B) |  |
| Cost of Sales of 20000 units under FIFO Method |  | Cost of Sales of 20000 units under LIFO Method |  |
| 1000 units @ Rs.70 per unit | 70000 | 9000 Units @Rs.80 per unit | 720000 |
| 5000 units @Rs.75 per unit | 375000 | 8000 Units @Rs.76 per unit | 608000 |
| 8000 units @ Rs.76 per unit | 608000 | 3000 units @Rs.75 per unit | 225000 |
| 6000 units @ Rs.80 per unit | 480000 |  |  |
| **Total cost of sales** | **1533000** | **Total cost of sales** | **1553000** |
| Closing Stock 3000 units(A)-(B) |  | Closing stock 3000 units(A)-(B) |  |
| Value of closing stock under FIFO Method(2) |  | Value of Closing Stock under LIFO Method (2) |  |
| 3000 units @ Rs.80 per unit | 240000 | 2000 units @Rs.75 per unit | 150000 |
|  |  | 1000 units @Rs.70 per unit | 70000 |
|  |  |  | 220000 |
| **Cost of Sales(Opening Stock + purchases – Closing stock) 1-2** | **1533000** | **Cost of Sales (Opening Stock+ Purchases-Closing Stock)1-2** | **1553000** |
| Net Profit under FIFO Method | Rs | Net Profit under LIFO Method | Rs |
| Sales 20000 units @Rs.120 per unit | 2400000 | Sales 20000 units @Rs.120 per unit | 2400000 |
| Less: Cost of Sales | 1533000 | Less: Cost of Sales | 1553000 |
| Gross Profit | 867000 |  | 847000 |
| Less: Operating Expenses | 365000 | Less: Operating Expenses | 365000 |
| Profit before Tax | 502000 | Profit before Tax | 482000 |
| Less: Tax @30% | 150600 | Less :Tax @30% | 144600 |
| Profit After Tax | 351400 | Profit After Tax | 337400 |