Q.7. A Company purchased raw materials during the month of March 2007 as stated below:

Marc 2, 1600 units @ Rs.60 per unit.

8, 2400 units @ Rs.55 per unit.

11, 5000 units @Rs.57 per unit.

19, 6000 units @ Rs.54 per unit.

23 3000 units @ Rs. 58 per unit.

30, 2000 units @ Rs.63 r unit.

While preparing final accounts on 31st March 2007 the company had 2600 units of raw materials in its godown.

You are required to calculate the values of closing stock of raw materials according to:

(a).First-in-First out Method.

(b). Last-in-First out Method.

( c). Weighted Average Method

Solution:

|  |  |  |  |
| --- | --- | --- | --- |
| FIFO Method | Rs. | LIFO Method | Rs. |
| Closing Stock 2600 units as on 31 March 2007 |  | Closing Stock 2600 units as on 31 March 2007 |  |
| 2000 units @Rs.63 per unit | 126000 | 1600 units @Rs.60 per unit | 96000 |
| 600 units @Rs.58 per unit | 34800 | 1000 units @ Rs.55 per unit | 55000 |
| Total | 160800 | Total | 151000 |

Weighted Average Cost Method:

|  |  |  |
| --- | --- | --- |
| 2007 | Amount(Rs) | Weighted Average(Per unit) |
| March 2 | 1600 units @ Rs.60 per unit = 96000 |  |
| March 8 | 2400 units @ Rs.55 per unit = 132000 |  |
| Total | 4000 units 228000 | 228000/4000 = Rs.57 |
| March 11 | 5000 units @ Rs.57 per unit = 285000 |  |
| Total | 9000 units 513000 | 513000/9000 = Rs.57 |
| March 19 | 6000 units @ Rs.54 per unit 324000 |  |
| Total | 15000 units 837000 | 837000/15000 =Rs.55.80 |
| March 23 | 3000 units @ Rs.58 per unit 174000 |  |
| Total | 18000 units 1011000 | 1011000/18000 = Rs.56.17 |
| March 30 | 2000 units @ Rs.63 per unit 126000 |  |
| Total | 20000 units 1137000 | 1137000/20000 = Rs.56.85 |

Closing stock under weighted average cost method = 2600 units @ Rs.56.85 = Rs.147810

Note: If Sale/Issues are made between this periods, then weighted average price will change accordingly.