Qno 3-Jawaid & Co

Quantity Schedule

Date		Description	Units	Unit Cost	Total Cost
2014					
Jan	1	Beginning Inventory	105,000	6.20	651,000
Feb	15	Purchases	65,000	6.00	390,000
Mar	20	Purchases	45,000	6.50	292,500
May	18	Purchases	20,000	7.00	140,000
July	26	Purchases	50,000	7.20	360,000
Aug	15	Purchases	10,000	6.80	68,000
Sep	10	Purchases	20,000	7.30	146,000
Oct	16	Purchases	75,000	7.50	562,500
Dec	31	Purchases	98,000	7.80	764,400
		Available for sale	488,000		3,374,400
Less: Units Sold			(305,000)		
Ending Units			183,000		

By FIFO

Computation for Cost of Ending Inventory

10000 units from purchases of Sep 10 @ Rs.7.30 each	73,000
75000 units from purchases of Oct 16 @ Rs.7.5 each	562,500
98,000 units from purchases of Dec 31 @ Rs.7.8 each	764,400
Cost of Ending Inventory	1,399,900

By LIFO

Computation for Cost of Ending Inventory

105000 units from beginning inventory @ Rs.6.20 each	651,000
65,000 units from purchases of Feb 15 @ Rs.6.0 each	390,000
13,000 units from purchases of Mar 20 @ Rs.6.50 each	84,500
Cost of Ending Inventory	1,125,500

By Weighted Average

Computation for Weighted Average Unit Cost

Weighted Average Unit Cost = Cost of Goods Available for Sale / Units Available for Sale

= 3,374,400 / 488,000

= 6.9148

Computation for Cost of Ending Inventory

Cost of Ending Inventory	=	Units in Ending Inventory	X	Weighted Average Unit Cost
Cost of Ending Inventory	=	183,000	X	6.9148
Cost of Ending Inventory	=			1,265,400

Jawaid & Co
Income Statement-Comparative
For the period ended Dec 31, 2014 Rs.

	FIFO		LIFO		Average	
Revenue						
Sales(305,000 x 20)	6,100,000		6,100,000		6,100,000	
Net Sales		6,100,000		6,100,000		6,100,000
Less:Cost of Goods Sold						
Beginning Inventory	651,000		651,000		651,000	
Add:Purchaes	2,723,400		2,723,400		2,723,400	
Cost of Goods available for Sale	3,374,400		3,374,400		3,374,400	
Less: Ending Inventory	**(1,399,900)**		**(1,125,500)**		**(1,265,400)**	
Cost of Goods Sold		**(1,974,500)**		**(2,248,900)**		**(2,109,000)**
Gross Profit		**4,125,500**		**3,851,100**		**3,991,000**
Less:Operating Expenses:						
Selling & Administrative Expenses		(500,000)		(500,000)		(500,000)
Income before tax		3,625,500		3,351,100		3,491,000
Less:Tax Expense		**(1,631,475)**		**(1,507,995)**		**(1,570,950)**
Net Income		1,994,025		1,843,105		1,920,050

Effects of Overstatement and Understatement of Ending Inventory- Ending inventory is negatively related with cost of goods sold and positively related with Gross profit, net income, current assets, total assets, owner's equity and total equities

If ending inventory is overstated,
1) Cost of good sold is understated
2) Gross profit, net income, current assets, total assets, owner's equity and total equities are overstated.

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1) Cost of good sold is overstated
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Effects of Overstatement and Understatement of Beginning Inventory-Beginning inventory is positively related with cost of goods sold and nagatively related with Gross profit, net income etc

If beginning inventory is overstated,
1) Cost of good sold is overstated
2) Gross profit, and net income are understated and capital is counter-balanced.

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1) Cost of good sold is understated
2) Gross profit, and net income are overstated and capital is counter-balanced.

Accounting with Jaweed Hassan(ACMA,MBA) Cell No: 0332-2935798
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Operational Level 1 — Fundamentals of Financial Accounting

Original-Year 1			Original-Year 2		
Revenue			**Revenue**		
Sales	500,000		Sales	600,000	
Net Sales		500,000	Net Sales		600,000
Less:Cost of Goods Sold			**Less:Cost of Goods Sold**		
Beginning Inventory	200,000		Beginning Inventory	350,000	
Add:Purchaes	600,000		Add:Purchaes	500,000	
Cost of Goods available for Sale	800,000		Cost of Goods available for Sale	850,000	
Less: Ending Inventory	(350,000)		Less: Ending Inventory	(350,000)	
Cost of Goods Sold		(450,000)	Cost of Goods Sold		(500,000)
Gross Profit		50,000	Gross Profit		100,000

Original-Year 1-Ending inventory is overstated			Original-Year 2-Beginning inventory is overstated		
Revenue			**Revenue**		
Sales	500,000		Sales	600,000	
Net Sales		500,000	Net Sales		600,000
Less:Cost of Goods Sold			**Less:Cost of Goods Sold**		
Beginning Inventory	200,000		Beginning Inventory	400,000	
Add:Purchaes	600,000		Add:Purchaes	500,000	
Cost of Goods available for Sale	800,000		Cost of Goods available for Sale	900,000	
Less: Ending Inventory	(400,000)		Less: Ending Inventory	(350,000)	
Cost of Goods Sold		(400,000)	Cost of Goods Sold		(550,000)
Gross Profit		100,000	Gross Profit		50,000

Original-Year 1			Original-Year 2		
Revenue			**Revenue**		
Sales	500,000		Sales	600,000	
Net Sales		500,000	Net Sales		600,000
Less:Cost of Goods Sold			**Less:Cost of Goods Sold**		
Beginning Inventory	200,000		Beginning Inventory	350,000	
Add:Purchaes	600,000		Add:Purchaes	500,000	
Cost of Goods available for Sale	800,000		Cost of Goods available for Sale	850,000	
Less: Ending Inventory	(350,000)		Less: Ending Inventory	(350,000)	
Cost of Goods Sold		(450,000)	Cost of Goods Sold		(500,000)
Gross Profit		50,000	Gross Profit		100,000

Original-Year 1-Ending inventory is understated			Original-Year 2-Beginning inventory is overstated		
Revenue			**Revenue**		
Sales	500,000		Sales	600,000	
Net Sales		500,000	Net Sales		600,000
Less:Cost of Goods Sold			**Less:Cost of Goods Sold**		
Beginning Inventory	200,000		Beginning Inventory	320,000	
Add:Purchaes	600,000		Add:Purchaes	500,000	
Cost of Goods available for Sale	800,000		Cost of Goods available for Sale	820,000	
Less: Ending Inventory	(320,000)		Less: Ending Inventory	(350,000)	
Cost of Goods Sold		(480,000)	Cost of Goods Sold		(470,000)
Gross Profit		20,000	Gross Profit		130,000

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