IAS-2

Qno1:

Mr. Shahwez, Inventory Manager of Al-Ghazi Poultry (Pvt.) Limited, has received a number of queries in relation to IAS 2 – Inventories by the General Manager. The company has three types of inventories with following relevant costs and net realizable values (NRV):

		Rupees
Types of Inventories	**Cost**	**NRV**
Table eggs	234,000	260,000
Day old chicks	182,000	156,000
Chickens	299,000	312,000
	715,000	**728,000**

Required:

In the context of IAS 2 – Inventories, Mr. Shahwez has been asked to answer the following:

(i) Calculate total value of closing inventory of Al-Ghazi Poultry (Pvt.) Limited as at June 30, 2019. **03**

(ii) Briefly discuss the situations in which net realizable value (NRV) is likely to be less than the cost of inventory. **02**

Qno2:

The cost of inventory on hand of a firm on 31-12-2013 was Rs. 800,000.There were doubts regarding its condition and net realizable value. It was found that:

- The good stocks were 75% and were expected to realize the normal sales price of cost plus 25%.
- 15% were slightly damaged and required an expenditure of 10% of the sale value for making it readily saleable at the normal price.
- 10% was damaged and would fetch only 60% of the normal sale price.

Required:

Value of inventory to be shown in the statement of financial position.

Qno3:

Al-Hikmat (Pvt.) Limited's closing inventory, before adjustments, as at June 30, 2019 is Rs. 1,130,482, which includes Rs. 150,800 for the items accidentally destroyed on June 30, 2019, after the count was completed. It also includes Rs. 96,850, which relates to the cost of an inventory damaged in April 2019 and can be reprocessed, at a cost of Rs. 22,090, and then can be sold for Rs. 78,330.

Required:

Calculate the value of closing inventory of Al-Hikmat (Pvt.) Limited as at June 30, 2019.

Qno4:

Qasim International has imported goods during the year. The following expenses are related to these goods:

	Rupees
Invoice amount	200,000
Import duty and other non-adjustable taxes	65,000
Transportation charges	12,000
Labour handling charges	5,000

The company has acquired a warehouse on rent to store the imported goods until they are sold out. The rent is Rs. 60,000 per annum. The estimated selling expenses are Rs. 15,000.

The selling price of the imported goods is Rs. 340,000. Due to rain in the city the goods were affected. The net realizable value of the goods is assessed to be Rs. 275,000.

Required:

(i) Calculate the landed cost of the goods.

(ii) Show at what amount will the inventories be shown in the Statement of Financial Position in accordance with IAS 2.

Qno5:

AFP & Co., has inventory on hand at the end of the year on December 31, 2011 as follows:

Item	Units	Material Cost/ Unit (Rs.)	Production Cost/ Unit (Rs.)	Selling Cost/ Unit (Rs.)	Selling Price/ Unit (Rs.)
Suit Cases	450	165	18	14	184
Hand Bags	330	55	15	12	85

Required:

State at what amount, the inventories will be shown in the financial statements as per the requirements of IAS-2.

Qno6:

HM has following products in hand as at 31st December 2001, the relevant information is as follows:

Product	Cost	Estimate d Selling Price (ESP)	Estimate d Selling cost (ESC)	Estimated Cost to complete sale (ECCS)
A	100,000	20% Markup	5% of ESP	15% of Cost
B	270,000	15% margin	3% of ESP	7% of Cost
C	830,000	25% Markup	6% of ESP	20% of Cost
D	690,000	30% Markup	8% of ESP	22% of Cost
E	500,000	50% margin	10% of ESP	2% of Cost

Based on above information, calculate the value of inventories to b
NRV loss to be booked, if any.