NRV = ESP -(ECC+ECS)	
ESP-Estimated Selling Price	
ECC-Estimated Cost to Complete	
ECS-Estimated Cost to Sell	

Qno1:

Req no 1:

Computation for Total Value of Closing Inventory
(Value of Inventory for Balance Sheet)

Types of Inventory	Cost	NRV	Lower of Cost or NRV	NRV Loss
Table Eggs	234,000	260,000	234,000	-
Day Old Chicks	182,000	156,000	156,000	(26,000)
Chicken	299,000	312,000	299,000	-
	715,000	**728,000**	**689,000**	(26,000)

Entry:

NRV Loss	26,000	
Inventory		26,000
(To record NRV loss)		

Req no 2:

The situations in which net realizable value-NRV is likely to be less than cost are following:

1) An increase in costs or a fall in selling price
2) Physical deterioration of inventories
3) Obsolescence of products
4) A decision as part of a company's marketing strategy to manufacture and sell a product at a loss
5) Errors in production or purchasing

Qno3:

Total Inventory	1,130,482
Less:Inventory Destroyed	**(150,800)**
Balance	979,682
Less: Inventory Damaged	**(96,850)**
Good Inventory	**882,832**

Computation for Total Value of Closing Inventory

Types of Inventory	Cost	ESP	ECC	NRV	Lower of Cost or NRV	NRV Loss
Inventory Destroyed	150,800	-	-	-	-	(150,800)
Inventory Damaged	96,850	78,330	22,090	56,240	56,240	(40,610)
Good Inventory	882,832	N/A	N/A	N/A	882,832	N/A
	1,130,482			**56,240**	**939,072**	(191,410)

Entry:

NRV Loss	191,410	
Inventory		191,410
(To record NRV loss)		

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Qno2:

Inventory	%	Cost	Normal Sale Price =Cost x 1.25	Estimated Selling Price	Estimated Cost Complete	Estimated Cost to Sell	NRV	Lower of Cost or NRV	NRV Loss
Good Stock	75	600,000	750,000	750,000	-	-	750,000	600,000	-
Slightly Damaged	15	120,000	150,000	150,000	15,000	-	135,000	120,000	-
Damaged	10	80,000	100,000	60,000	-	-	60,000	60,000	(20,000)
Total	100	800,000						780,000	(20,000)

The value of inventory to be reported into balance sheet is Rs.780,000 and there will be an NRV loss in Income Statement for Rs.20,000.

Qno5:

Items	Units	Material Cost/Unit	Production Cost/Unit	Total Cost/Unit	Total Cost	ESP/Unit	ECC/Unit	NRV/unit	Total NRV	Lower of Cost or NRV	NRV Los
Suit Cases	450	165	18	183	**82,350**	184	14	170	**76,500**	76,500	(5,850)
Hand Bags	330	55	15	70	**23,100**	85	12	73	**24,090**	23,100	-
										99,600	(5,850)

The value of inventory to be reported into balance sheet is 99,600

Mark-up:

On Cost:	
Cost	100
Profit	25
Selling Price	125

Margin:

On Selling Price	
Cost	80
Profit	20
Selling Price	100

Example:

Cost	120,000
Profit	**30,000**
S.P	150,000

On Cost:

Profit % = Profit / Cost x 100 Profit % = 30000/120000 x 100 = 25%

On Selling Price:

Profit % = Profit / Selling Price x 100 Profit % = 30000 / 150,000 x 100 = 20%

If Profit % on cost is given:

On Cost	
Cost	100
Profit	35
Selling Price	135

Cost	200,000
Profit	**70,000**
S.P	270,000
Profit % on Cost	35

If Profit % on cost is given:

On selling price	
Cost	60
Profit	40
Selling Price	100

Cost	132,000
Profit	**88,000**
S.P	220,000
Profit % on S.P	40

	Short Cut:	
1	If Cost is given and selling price is to be computed:	
	Mark-up	Selling Price=Cost x (% of Mark-up +100)
	Margin	Selling Price=Cost /(100 - % of Margin)
2	If selling price is given and cost is to be computed:	
	Mark-up	Cost = Selling price /(% of Mark-up +100)
	Margin	Cost = Selling price x (100 - % of Margin)

Qno6:

Products	**Cost**	**Estimated Selling Price**						
		Calculation	**Amount**	**ECC**	**ECS**	**NRV**	**Lower of Cost or NRV**	**NRV Loss**
A	100,000	(100000x1.2)	120,000	15,000	6,000	**99,000**	99,000	(1,000)
B	270,000	(270000 / .85)	317,647	18,900	9,529	**289,218**	270,000	-
C	830,000	(830000 x 1.25)	1,037,500	166,000	62,250	**809,250**	809,250	(20,750)
D	690,000	(690000 x 1.3)	897,000	151,800	71,760	**673,440**	673,440	(16,560)
E	500,000	(500000 / .5)	1,000,000	10,000	100,000	**890,000**	500,000	-
	2,390,000						2,351,690	(38,310)

The value of inventory to be reported into balance sheet is Rs.2,351,690 and there will be an NRV loss in Income Statement for Rs.38,310.