Accounting for Materials -5 marks

Numerical Notes

Materials

- Materials are the major element of cost of production which provide physical existence to the final product.
- It covers major parts (above 70% of total cost) of a product.
  The materials are divided into two types:
a. **Direct Materials:-**The materials which are directly involved in production of goods are called direct materials. For examples:-wood in table, leather in shoes, clay in bricks etc.
b. **Indirect Materials:-**The materials which are do not directly involved in production of goods are called indirect materials. For examples:-nut, bolt in furniture, button in cloth etc.

Store Ledger

- Store ledger is an account which shows both quantity wise and value wise details of receipts, issue and balance of materials.
- It is kept in the cost department.
  Format of store ledger is given below:

Store ledger
Under …………method

Date	Particulars	Receipts			Issues			Balance		
		Qty.	Rate	Amount	Qty.	Rate	Amount	Qty.	Rate	Amount

Methods of pricing materials issued:-Following are the important methods of pricing materials issued:-
    a. First- In-First-Out Method (FIFO Method)
    b. Last-In First-Out Method (LIFO Method)
    c. Simple Average Method (SAM Method)
    ***Note:-**As per new course of study of NEB, SAM Method is not included. So it is not explained*.

a. **FIFO Method:-**According to this method materials received first are issued first. Under this method, the materials which are purchased at first are issued first. This method is useful when prices of the materials are decreased. It is the natural method of material pricing.
b. **LIFO Method:-**This method is opposite to FIFO Method. Under this method, materials received last are issued first. The materials which are purchased at last are issued first. This method is useful when price of materials are increased.

While preparing store ledger account, following points should be consider:-

(i) Common terms used in pricing of material issued:-

Receipts	Issues
Purchase	Sales
Return from Creditors/ vendor/ suppliers	Return to creditors/ vendor/ suppliers
Return from customers/ debtors	Return to customers/ debtors
Return from work order	Return to work order
Return from workshop	Return to workshop
Return from department	Return to department
Return from factory	Return to factory
Surplus	Shortage/ wastage/ loss
Return to store	Return from store

(ii) Transfer of materials:-Any transfer of material from one department to another department is not shown in store ledger account.

(iii) Return to store:-It is treated as receipts of materials. If the rate is not given, it should be assumed as latest issued rate.

Numerical Problems

Store Ledger under FIFO Method
Model 1

1. Following are the store transactions for the month of Magh:

Magh 1	Opening balance	200 units @ Rs. 50 per units
Magh 2	Purchased	400 units @ Rs. 55 per unit
Magh 10	Issued	300 units
Magh 16	Purchased	500 untis @ Rs. 60 per unit
Magh 20	Returned to vendors	20 units
Magh 28	Shortage in stock verification	10 units

   Required: Store ledger under FIFO method.   **[2075 Set B]**

   Ans: Closing stock:270 units @ Rs. 55, 500 units @ Rs. 60

2. The store transactions for the month of Bhadra are given below:

Bhadra 1	Opening stock	400 units @ Rs. 10 each.
Bhadra 3	Purchases	1000 units @ Rs. 11 each.
Bhadra 5	Issued	500 units.
Bhadra 7	Purchases	600 units @ Rs. 12 each.
Bhadra 10	Issued	800 units.
Bhadra 12	Return from department	100 units @ Rs. 12 each.
Bhadra 15	Issued	500 units.

   Required: Store ledger under FIFO method.   **[2074 Set B]**

   Ans: Closing stock = 300 units @ Rs. 12

3. Stores transactions during the month of Magh are as under:

Opening stock:	Magh 1	500 units @ Rs. 10 per unit
Purchased:	Magh 4	600 units @ Rs. 11 per unit
	Magh 9	600 units @ Rs. 12 per unit
	Magh 20	600 units @ Rs. 12.5 per unit
Issued:	Magh 7	500 units

	Magh 15	500 units
	Magh 25	500 units
Stock verification loss:	Magh 28	20 units

Required: Stores ledger under First-in-First-out method.   **[2073 Set C]**

Ans: Closing stock: 180 units @ Rs.12 and 600 @ Rs. 12.50

Model 2

4. Following are the transactions of a firm on purchases and issuance of materials for the month of Chaitra:

Chaitra 1	Opening balance	1200 units @ Rs. 300
Chaitra 3	Purchases	600 units @ Rs. 350
Chaitra 7	Issued	600 units
Chaitra 14	Purchases	400 units @ Rs.370
Chaitra 20	Issued	400 units
Chaitra 24	Return from work order	100 units
Chaitra 28	Issued	600 units

Required: Stores ledger under First In First Out (FIFO) Method.   **[2074 Supp.]**

Ans: Closing stock: 200units @ Rs. 350, 400 units @ Rs. 370, 100 units @ Rs.300

5. Following are the store transactions for the month of Magh:

Magh 1	Opening stock	200 units @ Rs. 50
Magh 5	Purchased	300 units @ Rs. 55
Magh 10	Issued	400 units
Magh 15	Return from work order	10 units
Magh 22	Purchased	200 units @ Rs. 60
Magh 25	Issued	100 units
Magh 27	Issued	110 units

Required: Store ledger under FIFO method.   **[2073 Set B]**

Ans: Closing stock:100 units @ Rs.60

6. Following are the transactions of materials of a company for the month of chaitra:

Chaitra 1	Opening stock	600 units @ Rs. 10 per unit
Chaitra 5	Purchased	900 units @ Rs. 12 per unit
Chaitra 11	Issued	1,100 units
Chaitra 15	Return to store	100 units
Chaitra 20	Purchased	400 units @ Rs. 11 per unit
Chaitra 25	Issued	700 units
Chaitira 27	Shortage on stock verification	50 units

Required: Store ledger under FIFFO method.   **[2069 Set B]**

Ans: Closing stock: 150 units @ Rs. 11

7. The following transactions were taken from the store for the month of Poush:

Poush 1	Opening balance	400 units for Rs. 2000
Poush 3	Purchase	600 units @ Rs. 6 each
Poush 6	Issued	800 units
Pouch 15	Return from department	70 units
Pouch 22	Purchase	800 units @ Rs. 7 each
Pouch 25	Issued	830 units
Posh 28	Store verification surplus	10 units

Required: Store ledger under First In First Out Method.   **[2075 Set A]**

Ans: Closing stock: 250 units @ Rs. 7

Model 3

8. The stores transactions for the month of Baishakh are as follows:

Baishakh 1	Opening stock	300 units @ Rs. 20 each
Baishakh 4	Purchases	700 units @ Rs. 19 each
Baishakh 8	Issued	600 units
Baishakh 12	Purchased	1000 units @ 21 each
Baishakh 15	Issued	1000 units
Baishakh 18	Issued	200 units
Baishakh 20	Rreturned out of 18th issue	20 units

   Required: Stores ledger under FIFO method.   **[2071 Supp.]**

   Ans: Closing stock: 220 units @ Rs. 21

9. Given below are the transactions of a certain material for the month of Chaitra:

Chaitra 1	Opening stock	800 units @ Rs. 100 per unit
Chaitra 11	Purchased	900 units @ Rs. 110 per unit
Chaitra 13	Issued	800 units
Chaitra 17	Issued	200 units
Chaitra 20	Purchased	1,200 units @ Rs. 120 per unit
Chaitra 23	Issued	700 units
Chaitra 25	Purchased	500 units @ Rs.130 per unit
Chaitra 27	Returned out of 23rd issue	30 units
Chaitra 28	Stock verification loss	10 units
Chaitra 30	Issued	300 units

   Required: Stores ledger under First-In-First-Out method.   *[2063]*

   Ans: Closing stock: 890 units @ 120, 500 units @ Rs. 130 and 30 units @ Rs. 110

Store ledger under LIFO method

10. A firm furnishes the following stores transactions for the month of Chaitra:

Chaitra	1	Opening balance	500 units @ Rs. 30 per unit
	3	Issued	250 units
	13	Received from vendor	200 units @ Rs. 28 per unit.
	14	Returned from department	15 units @ Rs. 25 per unit.
	16	Issued	200 units
	20	Received from vendor	250 units @ Rs. 26 per unit
	25	Issued	300 units

   Required: Stores ledger under last-in-first-out method.   **[2066 (C)]**

   Ans: clsing stock 215 units @ Rs. 30

11. Following receipts and issues of a material were made during the month of April. Stock on 1st April was 500 units @ Rs. 20 each.

Date	Quantity Purchased	Cost per unit	Quantity issued
April 3	-	-	200 units
" 5	800 units	Rs. 21	-
" 8	-	-	400 units
" 10	-	-	300 units
" 15	500 units	Rs.22	-
" 18	-	-	500 units
" 25	200 units	Rs.22	-

Issued are to be priced under last-in-first out method. On 18th April a physical verification was made when the verifier notified that there is shortage of 20 units in stock.

Required: Store Ledger Account.   *[2064 Supp.]*

Ans: Closing stock 300 units @ Rs.20, 80 units @ Rs. 21, 200 units @ Rs.22

12. Following are the transactions relating to materials of a company for the month of Chaitra.

Chaitra 1	Opening stock	500 units @ Rs. 10 per unit
Chaitra 5	Purchases	600 units @ Rs. 12 per unit
Chaitra 10	Issued	900 units
Chaitra 15	Return from factory	50 units
Chaitra 20	Purchases	1000 units @ Rs. 11 per unit
Chaitra 25	Issued	1100 units
Chaitra 27	Shortage on stock verification	20 units

Required: Store ledger under LIFO method.   *[2074 Set A]*

Ans: Closing stock 130 units @ Rs.10

13. Stores transactions of a limited company for the month of Shrawan 2068 are given below:

Shrawan 1	Opening stock	2000 units @ Rs.60
Shrawan 4	Purchased	1000 units @ Rs.65
Shrawan 10	Purchased	500 units @ Rs. 70
Shrawan 15	Issued	600 units
Shrawn 21	Issued	100 units
Shrawan 25	Received from work order	30 units
Shrawan 29	Stock verification loss	10 units

Required: Stores ledger under LIFO method.   *[2070 Set C]*

Ans: Closing stock 2000 units @ Rs. 60 and 820 units @ Rs. 65

14. Store transactions of a Limited Company for the month of Baishakh 2072 are given below:

Baishakh 1	Opening stock	5000 kg @ Rs. 100 per kg
Baishakh 5	Purchased	2000 kg @ Rs. 150 per kg
Baishakh 7	Issued	4000 kgs
Baishakh 20	Purchased	1000 kgs @ Rs. 200 per kg
Baishakh 25	Issued	2000 kgs
Baishakh 26	Return to store	50 kgs

Required: Store ledger under LIFO method.   *[2073 Supp.]*

Ans: Closing stock 2000 kg @ Rs. 100 and 50 kg @ Rs. 100

15. Following information are given in respect of materials transactions during the month of jestha 2068.

Jestha 1	Opening balance	1000 units @ Rs. 10
Jestha 5	Issued	300 units
Jestha 8	Purchased	400 units @ Rs.12
Jestha 10	Issued	400 units
Jestha 12	Purchased	200 units @ Rs.11
Jestha 13	Return to store	50 units issued from 8th Jestha
Jestha 18	Purchased	200 units @ Rs. 10
Jestha 25	Issued	600 units
Jestha 30	Shortage on verification	20 units

Required: Store ledger under LIFO method   *[2071 Set D]*

Ans: Closing stock 530 units @ Rs. 10

16. Following are the store transactions of certain material during the month of Chaitra:

Chaitra	1	Stock in hand	200 units @ Rs. 50 each
	4	Purchases	400 units @ Rs. 60 each
	7	Issued	300 units
	12	Purchases	100 units @ Rs. 70 units
	16	Returned to store	50 units (issued out of opening stock)
	20	Purchases	200 units @ Rs. 80 each
	25	Issued	400 units
	28	Stock Verification surplus	20 units
	30	Issued	100 units

Required: Store ledger under LIFO method. *[2061]*

Ans: Closing stock 170 units @ Rs. 50

17. A firm furnishes the following stores transactions for the month of Ashwin:

Ashwin	1	Opening balance	250 units @ Rs. 5 per unit
	2	Receipt from vendor	1000 units @ Rs.6 per unit
	5	Issued	750 units
	8	Receipt from vendor	1000 units @ Rs. 7 per unit
	9	Returned to vendor	100 units out of purchased on 2nd Aashwin
	12	Issued	1000 units
	15	Returned from departments	Issued on 5th Ashwin, 20 units
	16	Issued	100 units
	25	Shortage in stock taking	10 units

Required: Stores ledger under LIFO method showing received, issued and balance. *[2060]*

Ans: Closing stock 250 units @ Rs. 5 and 60 units @ Rs. 6

18. Following stock transaction of a company are given:

Ashad 1	Balance	1000 units @ Rs. 4 each
Ashad 5	Purchased	500 units @ Rs. 5 each
Ashad 8	Issued	1300 units
Ashad 18	Purchased	800 units @ Rs. 7 each
Ashad 20	Return to Creditors	100 units of Ashad 18 purchased
Ashad 25	Issued	700 units
Ashad 30	Return from work order	100 units

Required: Store ledger under LIFO method. *[2069 Supp. Set A]*

Ans: Closing stock 200 units @ Rs.4 and 100 units @ Rs.7

19. Following are the store transactions of certain material during the month of April:

April 1	Opening stock	500 units @ Rs. 10 per unit
April 5	Purchased	2,000 units @ Rs. 12 per unit
April 8	Issued	1,500 units
April 12	Purchased	2,000 units @ Rs.14 per unit
April 14	Returned to vendor	200 units out of purchased on 5th April
April 16	Issued	2,000 units
April 18	Returned from the department	40 units issued on 8th April
April 20	Issued	200 units
April 25	Stock verification fall short	20 units

Required: Store ledger under Last-in-First-out method. *[2064 Old]*

Ans: Closing stock 500 units @ Rs. 10 and 120 units @ Rs. 12