

Registration No

Q7. Multiple Choice Questions

(Marks 10)

1. The inventories are recorded at the latest price but the production cost is changed old cost price?
(a) FIFO (b) Average (c) Both A & B (d) None
2. Ascertain purchases from the following figures
Cost of Goods Sold Rs 80,700
Opening Stock 5,800
Closing Stock 6,000
(a) Rs. 80,540 (b) Rs. 80,539 (c) Rs. 80,912 (d) Rs. 80,900
3. In a rising market which is the best option for income statement preparation in perpetual inventory system?
(a) LIFO (b) FIFO (c) W. Avg (d) (a) or (c)
4. What is the effect on net income if a company fails to record a purchase in transit (FOB shipping point) and also fails to include the purchase in physical inventory?
(a) Income is overstated (b) Income is understated
(c) Income is correct (d) Not enough information is provided to determine the answer
5. Which inventory costing method usually is most applicable when inventory consists of a small quantity of goods which are relatively large in size or cost and are individually identifiable?
(a) Simple average (b) Specific cost identification
(c) Moving average (d) Weighted average
6. Amount of profit on revenue after deducting the direct cost of making the goods or supplying the services is called
(a) Gross profit (b) Cost of sales (c) Expenses (d) Net profit
7. Which of the following would not be considered a component of 'cost' of Goods Sold?
(a) Sales force Salaries (b) Transportation for purchase
(c) Import duties or raw material (d) Factory electricity expense
8. Selling expenses are shown in?
(a) Cost of Goods sold (b) Profit and loss account
(c) Manufacturing account (d) Profit and loss appropriation account
9. Cost of Goods Manufactured can be calculated as follow?
(a) Total factory Cost Add Opening Work in process inventory Less Closing Work in process inventory
(b) Total factory Cost Less Opening Work in process inventory Add Closing Work in process inventory
(c) Total factory Cost Less Opening Work in process inventory Less Closing Work in process inventory
(d) Total factory Cost Add Opening Work in process inventory Add Closing Work in process inventory
10. Variable cost per unit?
(a) Varies when output varies (b) Remains constant
(c) Increases when output increases (d) Decrease when output decreases

Q3. Following are data extracted from Fatima Bibi Ltd. Inventory valuation is done at the end year 2010 (*Marks 10*)

<u>Date</u>		<u>No. of Units</u>	<u>Cost/Unit</u>	<u>Total Cost</u>
Jan. 1	Balance	800	Rs. 7.00	Rs. 5,600
Mar. 8	Purchases	2,200	7.50	16,500
June 23	Purchases	4,000	7.75	31,000
Dec.15	Purchases	<u>3,000</u>	8.00	<u>24,000</u>
Total		10,000		Rs. 77,100

If the year-end 2010, inventory reveals 1,000 units on hand, what is the store's cost of merchandise sold and what is the inventory value on the balance sheet by (LIFO, FIFO and W. Avg.) as well as Comparative Cost Sheet by assuming that Rs. 13 is per unit selling price?

Solution: FIFO

Cost of Sales

Units	@	Amount

Cost Ending Inventory

Units	@	Amount

Solution: LIFO

Cost of Sales

Units	@	Amount

Cost Ending Inventory

Units	@	Amount

Solution: W. Avg

Cost of Sales

Units	@	Amount

Cost Ending Inventory

Units	@	Amount

W. Avg Rate =

Comparative Cost Sheet (in amount)

<i>Methods</i>	<i>Balance</i>	<i>Purchases</i>	<i>(Closing Stock)</i>	<i>CGS</i>	<i>Sales</i>	<i>(CGS)</i>	<i>Gross Profit</i>
<i>FIFO</i>							
<i>LIFO</i>							
<i>Average</i>							