PART A: STRUCTURED QUESTIONS

- 1. Describe the material recording procedures.
- 2. Discuss two (2) internal control of stock management.

Part B: Practical Exercises

1. NU Ltd's Chief Executive believes the company is holding excessive materials and has asked for the Management Accountant to carry out an investigation.

Information on the two material items is given below:

Material	Purchase	Administration cost	Monthly	Holding cost per
item	price per unit	per order (RM)	demand	year % of
	(RM)		(Units)	purchase price
G	300	90	16,000	13.34
Н	26	29	2,900	9.00

The company's material ordering policy is based on the Economic Order Quantity (EOQ). You are required to calculate EOQ and the number of orders per year that the company will place for item G and H.

2. Below are the forecasted consumption figures for Wright Ltd in respect of material MX13.

Months	Units	Months	Units
January	1,000	July	1,500
February	1,000	August	1,500
March	1,400	September	1,100
April	1,400	October	1,100
May	1,500	November	1,000
June	1,500	December	1,000

Reorder quantity (EOQ): 4,000 units

Delivery period: Maximum 4 months; Minimum 2 months You are required to compute the following for the year:

a)	Reorder level	
b)	Maximum material level	
c)	Minimum material level	
d)	Average material level	

3. The following information has been extracted from the stores ledger account of ABC Ltd for the year 2016:

	RECEIPTS			ISSUES		
Date	Quantity	Unit price	Amount	Quantity	Unit price	Amount
Jan	Kg	RM	RM	Kg	RM	RM
1	750	3.00				
4	1,000	3.05				
5				550		1,650
8				400		1,210
10				500		1,525
15	1,200	3.20				
18				450		1,395
22	2,500	3.25				

25		450	1,440
28		1,200	3,870

Required:

- a) State the method of inventory valuation used.
- b) What will be the value of the stock on 31 January 2016?(Show your working with inventory valuation worksheet)

	RECEIPTS				ISSU	JES		ĺ	BALANC	E
Date	Quantity	Unit price	Amount	Date	Quantity	Unit Price	Amount	Quantity	Unit price	Amount

4. On 1st April 2016, it had stocks of 40 units valued at RM400. The transactions for the month of April are given below:

Date	Transactions	Quantity (Units)	Unit cost (RM)
April 4	Bought	140	11
10	Sold	90	
12	Bought	60	12
13	Sold	100	
16	Bought	200	10
21	Sold	70	
23	Sold	80	
26	Bought	50	12
29	Sold	60	

- a) Prepare the perpetual stock valuation analysis by using the following methods:
 - i. First-in, first-out (FIFO)

	REC	EIPTS			ISSU	JES		E	BALANC	E
Date	Quantity	Unit price	Amount	Date	Date Quantity Unit Amount Price			Quantity	Unit price	Amount

ii. Last-in, first-out (LIFO)

	RECI	EIPTS		ISSUES				BALANCE		
Date	Quantity	Unit price	Amount	Date	Quantity	Unit Price	Amount	Quantity	Unit price	Amount

iii. Weighted average (WA)

	RECEIPTS			ISSUES				BALANCE		
Date	Quantity	Unit price	Amount	Date	Quantity	Unit Price	Amount	Quantity	Unit price	Amount

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b) Calculate the gross profit for each of the methods if the unit selling price is RM15.