

## Tutorial 1

### LKAS 02: Inventories and LKAS 10: Events after the reporting period

#### Activity 1

Europe PLC is a textile manufacturing company. Following information is relevant clothes and other raw materials imported during the March 2017.

- Purchased price (Prior to the trade discount) – 1,000 meters Rs. 860 000
- Discount 5%
- Freight and insurance Rs.150 000
- Import duties Rs.250 000
- Transport charges Rs. 25 000

During the period these materials were used to manufacture garments and normal losses incurred in the process was 10% of the input of material. The direct labour cost and manufacturing overhead incurred were Rs.170 000 and Rs.180 000 respectively. Special design cost of Rs.60 000 was incurred for a special customer order which was manufactured using these materials. All item produced were available in the stores and storage cost was Rs.55 000. General administration expense of the March 2017 was Rs.75 000.

**Required:** Calculate the cost of closing inventory as at 31.03.2017

#### Activity 2

Lanka PLC had 50 000 units of product X which are fully completed and 10 000 of product Y which are partly completed. Cost incurred for product X and Y were Rs. 350,000 and Rs.150,000 respectively. A completed unit of product X and Y are expected to be sold at Rs.60 and Rs.50 each respectively. However a cost of Rs.80,000 has to be incurred to complete the product Y. Further, 10% sales commission should be given to sales staff at the time of sale.

**Required:** Calculate the NRV of the inventories.

### Activity 3

Following information is relevant to product Y purchased and sold by ABC PLC during the December 2017

Date	Description
1.12	Balance of 2 000 units purchased at Rs.10 each
5.12	Purchase of 1 500 units @ Rs.12 each
12.12	Sale of 1 750 units at Rs.20 each
18.12	Purchase of 1 250 units at Rs.15 each
20.12	Sale of 1 000 units at Rs.20 each
22.12	Sale of 500 units at Rs.21 each
25.12	Purchase of 750 units at Rs.20 each
31.12	Sale of 250 units

**Required:** Cost of closing inventories under the FIFO and weighted average methods.

### Activity 4

The financial statements of the ABC PLC is prepared for the year ended 31.03.2017. The financial statements are authorized for issue by the BOD on 01.06.2017. The following events were occurred after the reporting period.

05/04: A factory building with a carrying amount of Rs.5 million was fully destroyed due to fire.

10/04: A debtor with a balance of Rs.100,000 as at 31.03.2017 was declared as bankrupt by the court.

22/04: The Court gave the order to pay Rs.500,000 claim to customer relating to a case filed by him. This case was filed in October 2016 and as at the balance sheet date no liability had been recognized.

15/05: A stock valued at NRV of Rs.125,000 was sold for only for Rs.100,000.

20/05: Company made a bonus issue of one for every five shares held at the value of Rs.25 per share. The nos. of shares before the bonus issue was 400,000.

28/05: The final invoice of Rs.6.4 million was received from the contractor relating to the building of which the constructions works were completed On 25.03.2017. The estimated contract price was available as at 31.03.2017 was Rs.6 million.

30.05: The BOD proposed a divided of Rs.400,000 for the ordinary share holders.

05/06: A debtor of Rs.200,000 as at 31.03.2017 was declared as bankrupt by the court.

20/06: A new plant of Rs.6 million was purchase and this will enhance the production capacity of the business by 30%.

**Required:** Identify the above events as adjusting and non-adjusting and state the appropriate accounting treatment. (Provide the journal entry when it is required)