



Competency 11.0 – Uses Sri Lanka Accounting Standards for the preparation and presentation of financial statements.

Competency Level 11.4 - Explaining the main concepts relating to inventory and accounting for Inventory.

Fashion Ltd company produces and exports readymade garments. Using the following information selects items that can be included under costs of inventories of this company.

(This company is a registered company for VAT)

- Purchase price of raw materials
- Carriage inward charges of raw materials
- Loading and unloading charges
- Value Added Tax
- Trade discounts (On purchase price)
- Salaries of machine operators
- Costs for fashion designing
- Salaries of supervisors
- Interest on bank loans
- Expenses in preparing export documents

1. Following are the details of inventories of a company as at the year end.

As per LKAS 02, calculate the value of inventories based on lower of cost and net realizable value using item by item method and group method separately. Show the journal entries and extracts of financial statements.

Group	Types of product	Number of units	Unit cost (Rs.)	Net Realizable value per unit (Rs.)
Soap	A	300	50	40
	B	200	40	45
	C	100	30	40
Tooth paste	P	50	80	70
	Q	60	50	60

