3055 BA SANGAM COLLEGE
PH: 6674003/9264117 E-mail: basangam@connect.com.fj

WORKSHEET: 19

School: Ba Sangam College **Year: 1101** **Name:_____**
Subject : Accounting

Strand – 6	**SYSTEMS FOR IMPLEMENTING THE ACCOUNTING PROCESS- I**
Sub Strand (6.3)	**Sub System Inventory**
Content Learning Outcome (6.3.1)	Evaluate the internal control procedures over inventory.

Sub System Inventory

WAC (Weighted Average Cost)

It calculates a new average cost every time inventory is bought.
It is suitable for manufacturing enterprises where several steps are involved e.g.petrol.

Formula:

$$\text{Weighted Average Cost Per Unit} = \frac{\text{Cost of Goods Available for Sale}}{\text{No. of Units Available for sale.}}$$

Advantages	Disadvantages
It evens out price fluctuations where there is constant changes in price prices therefore giving better results than LIFO and FIFO.	Calculations in this method becomes complicated when there are numerous purchases.
Is less complicated than LIFO and FIFO	
Is acceptable by FRCS	
Permitted as a stock valuation method under financial reporting standards.	

Example :
Daven and Company sells saffron dresses. The following transactions took place during the month.

June 1 Balance 10 dress at $20 each
8 Purchases 15 dress at $8 each
10 Sold 12 dresses
19 Purchased 25 dresses at $10 each
22 Sold 15 dresses
26 Purchased 35 dresses at $9 each
30 Sold 20 dresses

Required
a) Prepare the Stock Ledger card using the WAC method under perpetual system.
b) Calculate the total amount of purchases.

c) Calculate the cost of goods sold.
d) Calculate the gross profit or loss made if the selling price of the dress is $15 each.
e) Calculate the amount of closing stock.

Solution

Item : Dress							Method: WAC			
		Receipt/ In			Issued/ Out			Balance		
Date	*Particulars*	*Qty*	*Price*	*Total*	*Qty*	*Price*	*Total*	*Qty*	*Price*	*Total*
1	Balance							10	20	200
8	Purchases	15	8	120				25	12.8	320
10	Sales				12	12.8	153.6	13	12.8	166.4
	Purchases	25	10	250				38	10.96	416.48
19	Sales				15	10.96	164.40	23	10.96	252.08
22	Purchases	35	9	315				58	9.78	567.08
	Sales				20	9.78	195.60	38	9.78	371.64

Activity Question

From the following information prepare the stock ledger card using the WAC method

April 1 Stock 500kg @ $3.00
6 Purchases 300kg @ 42.50
14 Sales 600kg
18 Purchases 200kg @ $3.50
20 Sales 300kg
25 Purchases 400kg @ $2.50

SOLUTION

i.

Item: Food Item							**Method: WAC**			
		Receipt/ In			**Issued/ Out**			**Balance**		
Date	**Particulars**	**Qty**	**Price**	**Total**	**Qty**	**Price**	**Total**	**Qty**	**Price**	**Total**
April 1										