BOLTI KITAB

2. MATERIALS

Concept No. 1 - Valuation of Material Purchased

1. Trade Discount
2. Quantity discount
3. Cash discount
4. Any subsidy
5. Road, Entry Tax
6. CST
7. VAT
8. Excise
9. Custom Duty
10. Purchase Tax
11. Any Penalty
12. Container
13. Any Other charges

Concept No. 2 - Treatment of Abnormal and Normal Loss

1. Normal loss: To be deducted from qty for calculating cost per unit
2. Abnormal loss: Not to be deducted from qty calculating cost per unit

Concept No. 4 - EOQ

FORMULA

$$EOQ = \frac{2\ K\ annual\ consumption\ K\ ordering\ cost\ per\ order}{Carrying\ Cost\ p.u.p.a}$$

$$No. of\ Orders = \frac{Annual\ Consumption}{EOQ}$$

a) Total Ordering cost: No. of orders X Cost per order

b) Total Carrying cost: Carrying cost p.u. p.a x EOQ/ROQ x ½

c) Total purchase cost: Annual demand x Purchase Price

d) Total inventory cost: a+b+c

Concept No. 6 - Comparison of ROQ and EOQ (Discount)

- Calculate Total inventory cost of EOQ and ROQ
- Select the alternative having lower cost
- Format of Statement

1. $T.O.C. = \frac{A.C.}{O.Q.}\ X\ O.C.Order$

$$E.O.Q. = \frac{A.C.}{E.O.Q.}\ X\ O.C.Order$$

$$R.O.Q. = \frac{A.C.}{R.O.Q.}\ X\ O.C.Order$$

2. *T.C.C. Carrying cost p.u. p.a x ½*

E.O.Q.: E.O.Q. X Carrying cost p.u. p.a (of EOQ) x ½

R.O.Q.: R.O.Q. X Carrying cost p.u. p.a (of ROQ) x ½

3. T.P.C. = A.C. X P.C.

EOQ = A.C. X P.C. (Of EOQ)

ROQ = A.C. X P.C. (Of ROQ)