

Class - B Com P-IV

Subject - Cost Acc

Topic - Method of pricing of issue of material.

Lecture - Div. 2022/23

Statement, let us continue the topic.

(III) Last in first out (LIFO) -

Under this method recent purchase will be the first to be issued. The issue are priced out at the most recent batch received and continued to be charged until a new batch received is arrived into stock. It is a method of pricing the issue of material using the purchase price of the latest unit in the stock.

Advantages :-

(A) stock issued at more recent price represent the current market value based on the replacement cost.

(B) It is a simple & understandable policy to apply.

(C) product cost will tend to be more realistic since material cost is charged at more recent price.

(d) In the time of rising prices, the pricing of issue will be at a more recent market price.

Disadvantages :-

(A) valuation of inventory under this method is not acceptable in preparation of financial account.

(B) More than one price may have to be adopted for an issue.

(C) It renders cost comparison between job difficult.

(d) In time of inflation valuation of inventory under this method will not represent the current market price.

(E) It involves more clerical work and sometimes valuation may go wrong.

Next day I will deliver the other method.