For 1 Mark and 2 marks Only ( Class 12 Account)

Chapter Summary

1. Adjusted Entry (1 Mark, Group-A)
2. Economic order quantity (1 mark, Group-A)
3. LIFO and FIFO (3 Mark, Group-B)
4. Cost Reconciliation Statement (2 mark, Group-B)
5. Debenture (3 marks, Group-B)
6. Issue of share other Than Cash (2 marks, Group-B)
7. Accounting For labor (2 marks- Group-B)
8. Cash Flow Statement (Using Indirect Method, Group-A)

**Economic Order Quantity(खरिद आदर्श आदेश परिमाण)**

 Economic Order Quantity, also known as Economic Purchase Quantity, is the order quantity that minimizes the total holding costs and ordering costs in inventory management. It is one of the oldest classical production scheduling models

 Formula (1) EOQ= $\sqrt{2\*A\*O}/C$

**Where,**

A= Annual Demand/Annual Requirements/Annual purchase

O= Ordering Cost per order/ purchasing cost per order

C= Carrying cost/ Holding cost+ Insurance cost

(2) No of Order(N) = **A/ EOQ**

(3) Total Cost(TC)=$\sqrt{2\*A\*O}\*c$ **or TOC+TCC**

Examples

2075 set A

The following information are given below calculate EOQ and No of order

Annual requirement = 36000 units

Ordering cost per order = Rs60

Carrying cost per units 10%of inventory Rs 2

Purchase cost / inventory/materials cost = 100

Required: EOQ, No of order and Total Cost

Given,

Annual demand (A)= 36000 units
Ordering Cost per order(O)= Rs 60
Carrying Cost (C) = 10% of inventory cost (10% of 100)

 = Rs 10

**Solution**

1. **Economic order quantity(EOQ) =**$\sqrt{2\*A\*O}/C$

 **=**$\sqrt{2\*36000\*60/}10$ **=**$\sqrt{4320000}/10$ **=**$\sqrt{432000}$ **EOQ = 657.26 Units Ans**

1. **No of Order (N) = A/EOQ** = 36000/657.26
 N= 54 Times
2. **Total cost(TC) =** $\sqrt{2\*A\*O}\*C$

 **=**$\sqrt{2\*36000\*60\*10}$ **=** $\sqrt{43200000}$ **= Rs, 6572.67 Ans**

**Practice questions**

**2076 set C Q no 19**

The following information are given

Ordering cost per order Rs 300 Purchasing price per unit Rs 20 /materials cost per unit Rs 20
Carrying cost 10% annual requirements 30000 units
Required: Economic order Quantity and No of orders Per year

Given,

Ordering cost per order( O) = Rs 300
Carrying cost ( C) = Rs 10 of purchasing cost 10\*20/100 = Rs 2
Annual requirements( A) = 30000 units
EOQ = ?
N= ?

1. EOQ = $\frac{\sqrt{2\*A\*O}}{C} $

 = $\sqrt{2\*30000\*}300/$**2**

 = 3000 units ns

The economic order quantity( EOQ) = 3000 units Ans