

**Q.4 - Page 80 :**

**Query No. 2 : Calculation of Insurance, Material Handling cost not understood.**

**Solution :**

(1) Please refer the EOQ model studied in CA IPCC or Intermediate Costing Syllabus again for better understanding. Specially, calculation of total inventory carrying cost p.a.

(2) Insurance, Material Handling etc. is one of the type of Inventory Carrying Cost. It is always given as Per Unit Per Annum. However, as the inventory (i.e. stock level) never remains constant, it is always calculated on Average Inventory.

(3) Similarly, you should also differentiate between "Carrying Cost Per Unit Per Annum" and "Total Carrying Cost Per Annum."

(4) Total Carrying Cost p.a. = Average Inventory x Carrying Cost p.u.p.a.