

Stock Revaluation Adjustment Example

Scenario

A company has 400 units of Product X in stock. The current book value of Product X is \$15 per unit. After a market review, the replacement cost is now \$13 per unit. The company decides to revalue the closing stock.

Calculation of Adjustment

Description	Before Revaluation	After Revaluation
Number of units in stock	400	400
Unit Value (\$)	15	13
Total Stock Value (\$)	$400 \times 15 = 6,000$	$400 \times 13 = 5,200$
Adjustment Needed (\$)	$6,000 - 5,200 = 800$	

Journal Entry

- **Debit:** Stock Revaluation Loss Account \$800
- **Credit:** Inventory/Stock Account \$800

Note: This adjustment reflects the reduction in inventory value and recognizes the loss in the profit and loss account.