

AS 2: Valuation of Inventories

Meaning of Inventories

These are the assets

- ★ Held for sale in ordinary course of business
(Finished Goods / Stock in Trade)
- ★ In the process of production (Work in Progress)
- ★ In the form of material or supplies to be consumed
(Raw Material, stores & spares, etc.)

Non Applicability

- ★ WIP arising under construction contracts
- ★ WIP of service providers
- ★ Shares, debentures, etc. held as stock in trade
- ★ Producers inventories of livestock, agricultural & forest products to the extent measured at NRV

Valuation

Raw Material

$$SP_{FG} \geq CP_{FG}$$

At Cost Price

$$SP_{FG} < CP_{FG}$$

Cost Price
or
Replacement Price
w.e. is lower

WIP & Finished Goods

Lower of Cost or NRV

Cost

Actual Cost
★

Standard Cost

On Normal
consumption

Retail Price

Sales value
of Inventory
(-) GP (-/-)

Used for convenience if results
approximates actual cost

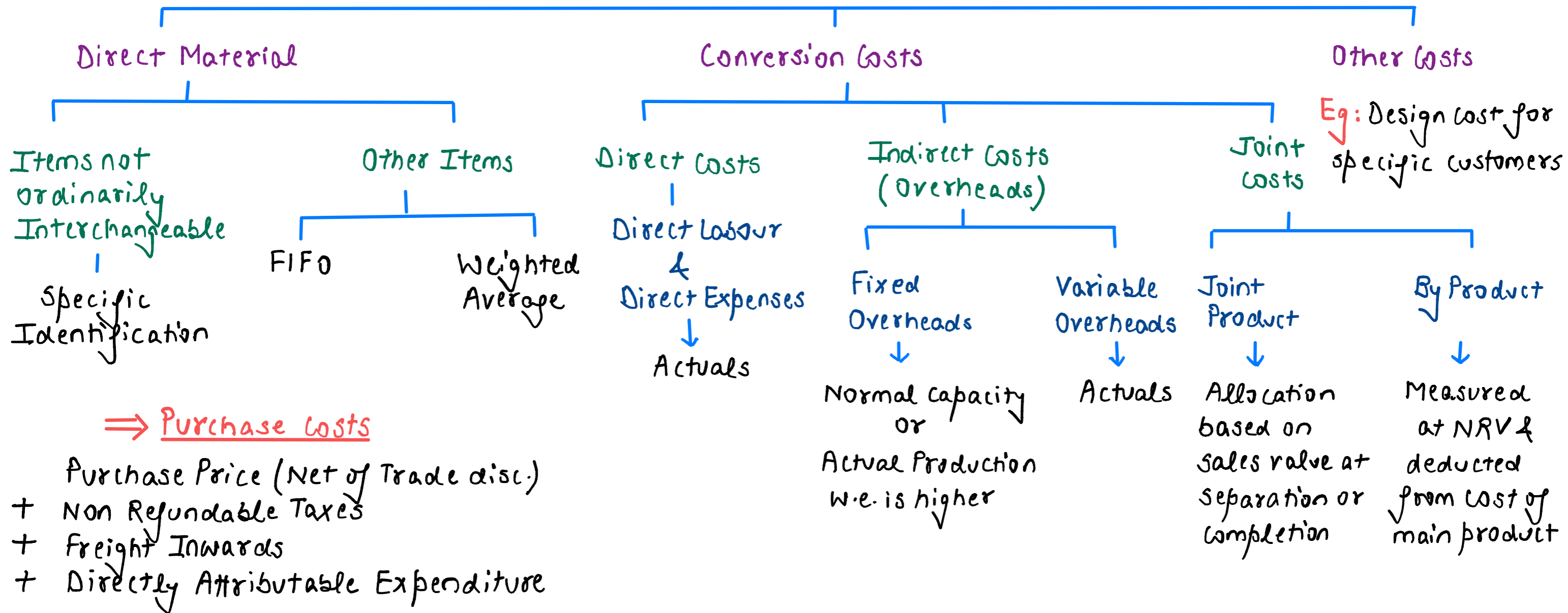
NRV

(Net Realisable value)

Estimated Selling Price
(-) Est. selling Expenses
(-) Est. costs of completion

(Firm/committed contract:
NRV shall be contract Price)

* Actual Cost



⇒ Purchase Costs

- Purchase Price (Net of Trade disc.)
- + Non Refundable Taxes
- + Freight Inwards
- + Directly Attributable Expenditure

⇒ Exclusions from Cost

- * Abnormal Loss
- * Storage costs unless necessary in production process
- * Administrative Overheads
- * Selling & Distribution costs
- * Interest & other borrowing costs (Exception AS 16)