

AS2 - Valuation of Inventory

C1

Inventory

- are Assets
- a) held for sale in ordinary course of Business
- b) in the process of production for such sale
- c) in form of material/supplies to be consumed in the production process or in the rendering of services
- not include machinery spares
- which can be used only with an item of Fixed Assets.

C2 SCOPE

- Applied on Inventories other than
 1. WGP under construction contract (AS-7)
 2. WGP of service providers
 3. Sdar, Debenture & other Financial Instruments as stock in trade.
 4. Producer's Inventories of livestock, agricultural & Forest Products and Mineral oils, ores etc to the extent they are measured at NRV.

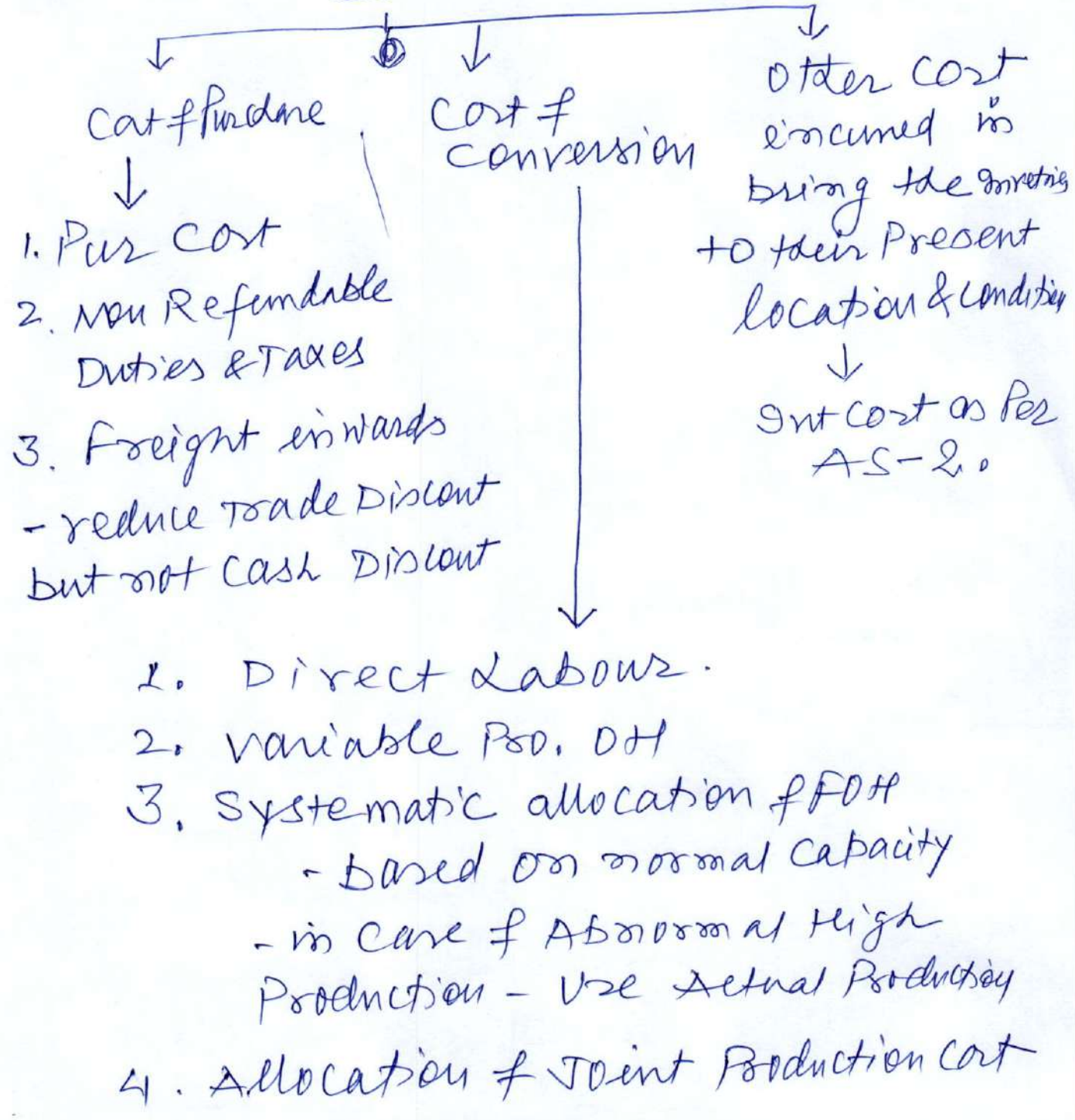
C3 measurement

- valued at lower of



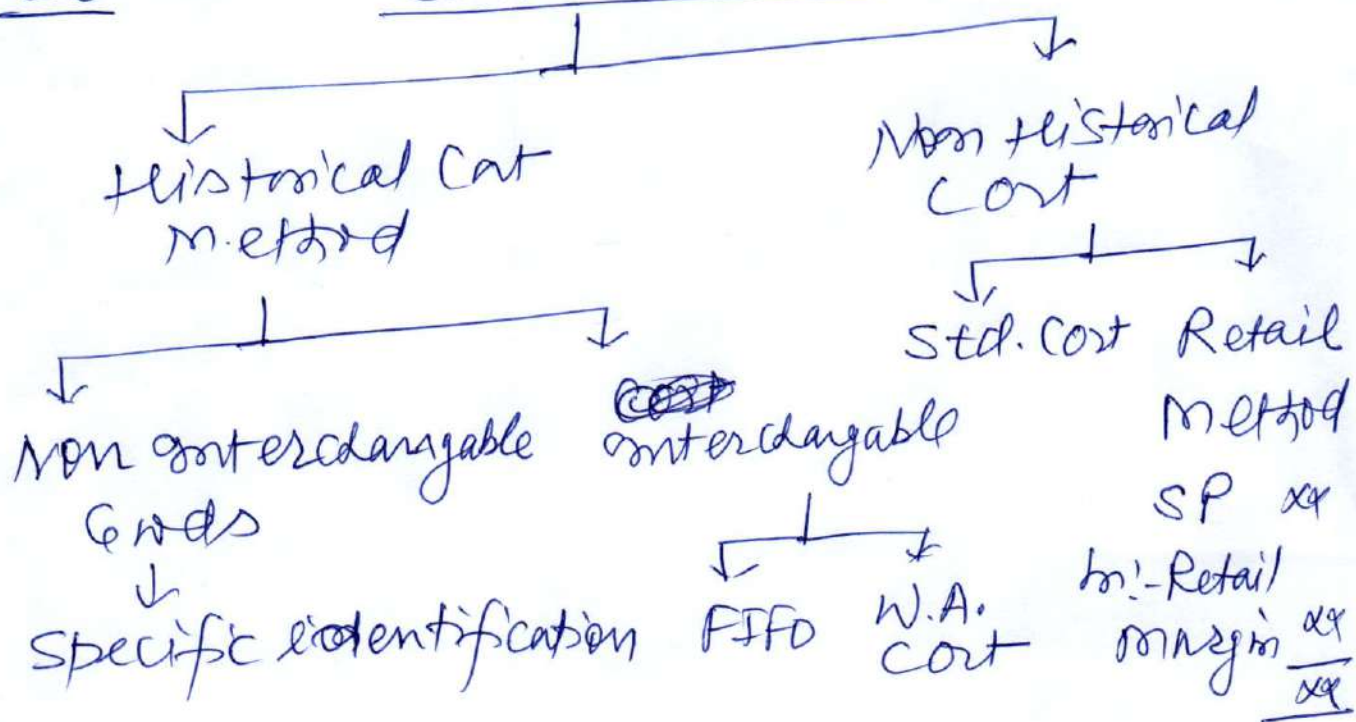
C4

Cost



C5. Exclude from cost

1. Abnormal wastage of material, labour & other cost
2. Store cost unless necessary in production process
3. Admi. OH not related to inventories
4. selling & Distro. cost

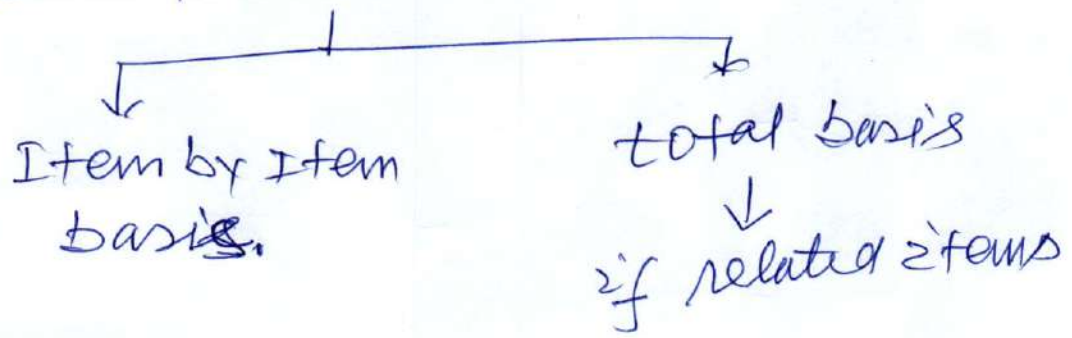
C6Cost MethodsC7 Net Realizable value.

estimated selling price in ordinary course of business

less: - estimated cost of completion

less: - estimated cost necessary to make the sale

C8 Comparison



C9 RM-NRV

- when RM Price is declining
- & Cost of Fini Stock is expected to be less than ~~x~~ RV of Fini Stock
- then Replacement Cost of RM is best available measure of NRV of R.M