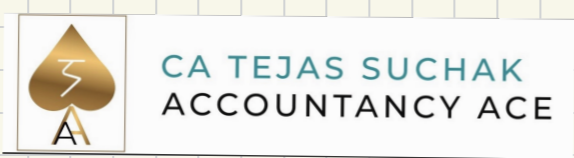


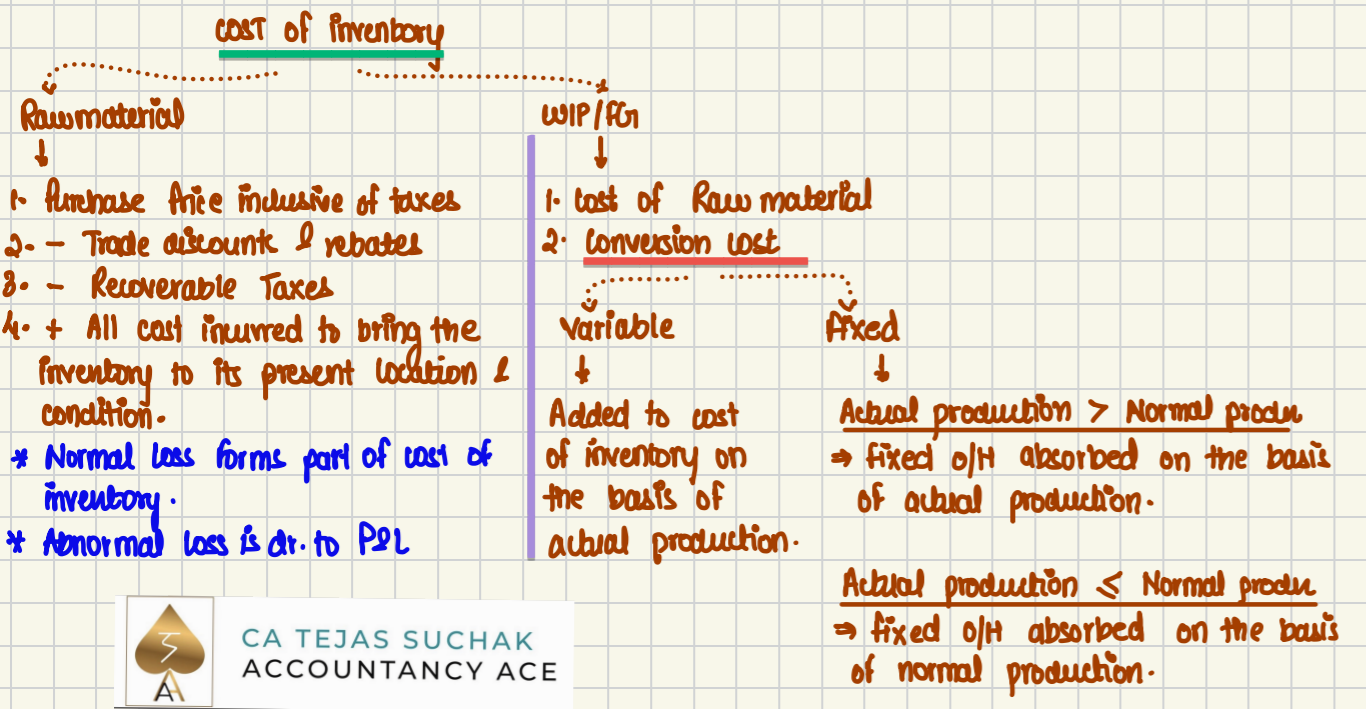
AS-2: Summary Chart



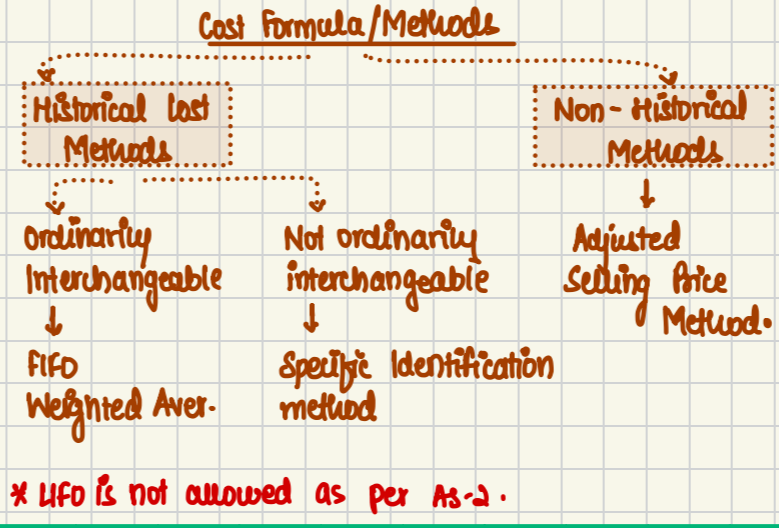
Inventory meaning:

1. Goods held for sale : FG or SIT
2. Goods in the process of production : WIP
3. Material or supplies to be used in production process : RM
4. Consumables & spares (if not covered under AS-10)
5. Packing material

Inventory Valuation: - COST OR NRV w.e. lower.



- COST EXCLUDED :-
- > General Administration cost.
 - > Selling & Distribution costs.
 - > Abnormal losses.
 - > Storage costs (unless it is necessary to bring inventory to its present condition)



Net Realisable Value

1. NRV of Finished Goods

- a. Selling Price
 - b. - Cost of Selling
- Net Realisable Value

2. NRV of WIP

- a. NRV of FG
 - b. - Cost of Completion
- NRV of WIP

3. NRV of Raw material = Replacement Cost

Exception :- When $RM : cost > NRV$
General rule $RM : value = NRV$

RM is used in production of FG and $NRV of FG > cost of FG$;
then RM will also be valued at cost, irrespective of its NRV.



Joint Product

L7

Two or more finished goods using same production process. All goods produced are material and important.

-> Cost of Raw Material + Cost of Conversion

Apportion on the basis of

Sale Value at split off point of all Joint products.

* Sale value is mentioned and not selling price p.u.
 $Sale Value = Units produced \times Selling price p.u.$

* Sale value after further processing will not be considered.

Main Product & By product

When using the same production process, two or more finished goods are manufactured, out of which one or more is important and the other is not so important.

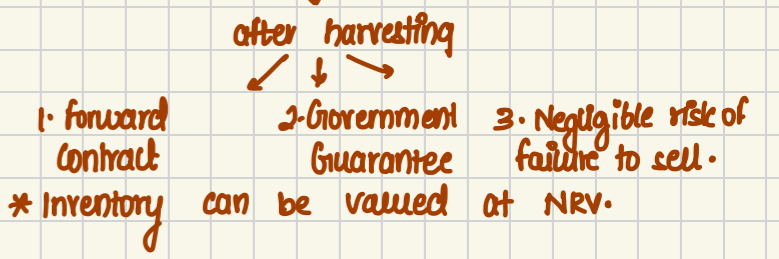
Important & Material FG = Main Product
Not so important & immaterial FG = By product.

Entire cost of Raw Material & Production process is assigned to the Main product.

By product is valued at NRV and such NRV is reduced from cost of main product to arrive at the net cost of main product.

Non-applicability of AS-2

- > WIP arising under construction contracts.
- > WIP of service providers.
- > If entity has shares, debenture as stock in trade.
- > Producers inventory of livestock & agricultural/forest prod.



-> Mineral oils/ores/gases -> after extraction -> valued at NRV.