



# Accounting & Valuation of Inventories



**CA. PRAMOD JAIN**

FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

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# STANDARDS

## Ind AS

- 2 - Inventories

## AS

- 2 – Valuation of Inventories

## ICDS

- 2 – Valuation of Inventories



# CLASSIFICATION (AS -2 / Sch III)

1. Raw materials ~~and components (Schedule III)~~
2. Work-in-progress
3. Finished goods
4. Stock-in-trade (in respect of goods acquired for trading)
5. Stores and spares
6. Loose tools
7. Others (specify nature

# VALUATION

- Method
  - ~~— Cost or market price whichever is lower~~
  - ~~— Lower of Cost or Net Realizable Value~~
  - Lower of Cost and Net Realizable Value
  - Cost or NRV whichever is lower
- Measurement of Cost:
  - Standard Cost
  - Retail method (An average percentage for each retail department is to be used )
- Cost formulae:
  - Specific identification of cost
  - FIFO
  - Weighted Average

# CHANGE IN INVENTORY

- **Loss of Inventory due to fire / theft**
  - Reduce from Cost of good sold / change in inventory – reduce inventory
  - No specific entry – reduce inventory
  - Recognize insurance claim to the extent receivable
- **Excess Stock during Search / Survey**
  - Declare income / unaccounted purchase – increase stock
  - Schedule III - Undisclosed income - details of any transaction not recorded in books of accounts that has been surrendered or disclosed as income and also state whether **previously unrecorded income and related assets have been properly recorded in books of account during the year**

# COMPARATIVE

Nature	AS	Ind AS	ICDS
Duty & Taxes	Exclusive	Exclusive	Inclusive
Machinery Spares	Read with AS 10 – PPE if expected to be used for more than 12 months	Read with Ind AS 16 - PPE if expected to be used for more than 12 months	Which can be used only in connection with tangible fixed asset & their use is expected to be irregular – FA
Dissolution	No Provision	NA	For partnership or AOP / BOI, notwithstanding whether business discontinued or not - at NRV.

# COMPARATIVE

Nature	AS	Ind AS	ICDS
Fair Value	Not Defined	Defined – Commodity broker-traders	Not defined
Change in NRV post initial recognition	No Provision	Para 34 - Increase till write-down	No Provision
Subsequent recognition of cost / carrying amount of inventories	No Provision	Para 34 provides to recognize as expense when revenue is recognised.	No provision
Losses of inventory subsequently	No Provision	Para 34 provides	No provision



# COMPARATIVE - DISCLOSURES

AS	Ind AS	ICDS
<ul style="list-style-type: none"><li>• Accounting policies adopted in measuring inventories, including cost formula used</li><li>• Total carrying amount of inventories</li><li>• Classification</li></ul>	<ul style="list-style-type: none"><li>• Accounting policies adopted in measuring inventories, including cost formula used</li><li>• Total carrying amount of inventories</li><li>• Classification</li><li>• Carrying amount of inventories carried at fair value less costs to sell</li><li>• Inventories recognised as an expense</li><li>• Write-down of inventories recognised as an expense (34)</li><li>• Reversal of any write-down that is recognised as a reduction in inventories recognised as expense (34)</li><li>• Circumstances or events that led to the reversal of a write-down of inventories (34)</li><li>• Carrying amount of inventories pledged as security for liabilities</li></ul>	<ul style="list-style-type: none"><li>• Accounting policies adopted in measuring inventories, including cost formula used</li><li>• Where Standard Costing used as a measurement of cost, details of such inventories and confirmation of the fact that standard cost approximates the actual cost</li><li>• Total carrying amount of inventories</li><li>• Classification</li></ul>



Thank You!

**CA. Pramod Jain**

[www.caprmodjain.com](http://www.caprmodjain.com)

[pramodjain@lunawat.com](mailto:pramodjain@lunawat.com)

+91 9811073867



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