

Hard-Close Instruction for Inventory Reserve



Objectives

The purpose of this document is to explain how to generate the proposition and how to account in ERP the valuation of the stocks at the "fair value" in order to give relevant information about the "real value" of the company to all economic actors (share-holders, legal authorities...).

Before the closure in the months of March, June, September and (November and or December)*. The final validation and postings should be done until D-5 at the latest.

General Rules - Frequency (*Best Practice)

- On a quarterly basis, review the impairment of inventories based on the matrix of inventory and impairment type that is recommended and update an existing inventory reserve.
- At least once a year, justify slow-turn inventory reserve in November for hard-close and NRV inventory reserve in December for year-end close.
- Mandatory for all companies included in the consolidation under full integration
- Recommended for "joint operation", joint-ventures and where Solvay is considered as "associate"
- All types of inventories that need to be written down by below impairment cases:
 - Slow-turn
 - Obsolescence (end of shelf-life)
 - Off-specification / bad-quality
 - Damage
 - Net realizable value

	Slow-turn	Obsolescence / Off-specification / Bad-quality / Damage	NRV
To be validated	In November	In November	In December
Finished Goods	X	YES	YES
Intermediate	YES	YES	X
RM	YES	YES	X
Spare Parts	YES	YES	X
Packaging	X	YES	X

*YES means "designated impairment types should be checked for the concerned inventory type"

WHO	WHAT	WHEN
FRA	• Ask Service Center to reverse the slow-turn inventory reserve of Q3. • Ask PIM to initiate an inventory reserve for obsolete, off-spec and damaged inventories and validate it. • In WP1 perimeter, ask Service Center to calculate a slow-turn inventory reserve based on the stocks at the end of October and validate it. • In PF1 perimeter, calculate a slow-turn inventory reserve based on the stocks at the end of October. • Ask Service Center to post a new slow-turn inventory reserve for November closing.	November
PIM	• Validate an obsolete, off-spec and damaged inventories and propose an inventory reserve to FRA.	November
GCCO	• Identify the NRV inventory reserve of Q3 and if no NRV reserve posted in Q3, validate it if there is no impairment indication by NRV. • Ask Service Center to recalculate the NRV inventory reserve based on the stocks at the end of November and validate it in WP1 perimeter and calculate it in PF1 perimeter.	November December

Technical expert for spare part	Propose an inventory reserve for obsolete, off-spec and damaged spare parts.	November
Service Center	- Calculate an inventory reserve in WP1 perimeter and report it to FRA, according to this procedure. - Post an inventory reserve that is validated by FRA (slow-turn) or GCCO (NRV).	November
RCOM	Follow up external audit requirements for hard-close in Audit WIKI.	December
CAM	Review stock accounts for inventory reserve based on the CAM Guidebook.	December D4

? Unknown Attachment