

S02.02-AS-04-I.1

I - Inventories: General principles

1. Reference texts and definitions

1.1. Reference Standard

- [IAS 2 - Inventories](#)

1.2. Definitions

(IAS 2, par 6)

Inventories are assets:

- held for sale in the ordinary course of business;*
- in the process of production for such sale; or*
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.*

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(IAS 2, par 8)

Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the entity and include materials and supplies awaiting use in the production process. In the case of a service provider, inventories include the costs of the service for which the entity has not yet recognised the related revenue.