

# S02.02-AS-04-I.5

## I - Inventories: General principles

### 5. Revaluation

#### 5.1. Related IFRS Standards

- **(IAS 2, par 28)**  
*The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use.*
- **(IAS 2, par 29)**  
*Inventories are usually written down to net realisable value item by item. In some circumstances, however, it may be appropriate to group similar or related items. This may be the case with items of inventory relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line. It is not appropriate to write inventories down on the basis of a classification of inventory, for example, finished goods, or all the inventories in a particular industry or geographical segment. (...)*
- **(IAS 2, par 32)**  
*Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realizable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realisable value.*
- **(IAS 2, par 34)**  
***When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs.** The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.*

#### 5.2. General principles - Provisions for impairment

- **(IAS 2, par 9)**  
*Inventories shall be measured at the **lower of cost and net realisable value.***  
At each financial closing, therefore, a verification of each inventory item should be carried out to see whether **(IAS 2, par 28)**:
  - it has been damaged,
  - it has become partially or completely obsolete,
  - its sale price will fall,
  - the costs necessary for its completion have increased,
  - the costs necessary for its sale have increased.
- If necessary, these inventories should be depreciated.