



[Glossary]

Valuation of Inventories

Subject:	Business Economics
Course:	B.A., 1st Semester, Undergraduate
Paper No. & Title:	Paper – 103 Fundamentals of Business & Accounting
Unit No. & Title:	Unit – 3 (III) Valuation of Inventories
Lecture No. & Title:	Lecture – 3 Valuation of Inventories

Glossary

Accounting standard

A code of conduct regarding Generally Accepted Accounting Principles imposed on accountants by custom, law or professional body.

Abnormal loss

Normal loss is the expected loss in a process. Normal gain is the expected gain in a process. If the loss or the gain in a process is different from the normal loss or gain, then we have an abnormal loss or an abnormal gain in the process.

Conversion costs

Conversion costs are the combination of direct labor costs plus manufacturing overhead costs. These costs can be viewed as the manufacturing or production costs necessary to convert raw materials into products.

Financial Statements

Statements prepared by a company at the end of an accounting period which include Statement of profit and Loss, Balance Sheet and Cash Flow Statement.

Finished Goods

Goods on which all processes are complete and which is ready for sale.

Fixed Assets

Assets purchased for longer period of time and which are not held for resale and which increases earning capacity of the business. E.g. Plant and machinery, Land and Building. They are also called as non-current assets.

Normal loss

Normal loss is the expected loss in a process.

Normal gain

Normal gain is the expected gain in a process.

Raw Material

The material which major component of a product or material from which the product is manufactured.e.g. Cotton is raw material for manufacturing cloth. Leather is raw material for manufacturing foot wear.

Work In Progress

The state of raw material on which some production processes are performed while some processes are yet to be performed is called as WIP. WIP is neither raw material nor finished goods. E.g. Plain cloth manufactured from cotton on which color and design process are incomplete is WIP.

Working capital

Current Assets – Current Liabilities.