



## **[Summary]**

### **Valuation of Inventories**

|                                 |   |
|---------------------------------|---|
| <b>Subject:</b>                 | Business Economics                                      |
| <b>Course:</b>                  | B.A., 1st Semester,<br>Undergraduate                    |
| <b>Paper No. &amp; Title:</b>   | Paper – 103<br>Fundamentals of Business &<br>Accounting |
| <b>Unit No. &amp; Title:</b>    | Unit – 3 (III)<br>Valuation of Inventories              |
| <b>Lecture No. &amp; Title:</b> | Lecture – 3<br>Valuation of Inventories                 |

## **Summary**

Inventories include Raw material, Work In Progress, Finished Goods and Stock in Trade. It also includes spare parts, loose tools and consumable stores. Accounting Standard-2 applies to valuation of inventory. AS-2 states that inventory should be valued at lower of cost & Net Realizable value. Cost of Inventory includes cost of purchase, Cost of conversion and other costs incurred to bring the inventory in current state. Inventory records are maintained by of Periodic record system and perpetual record system. Methods of valuation of closing inventory are LIFO, FIFO and Weighted Average.