

## SECTION 3032

### inventories held by not-for-profit organizations

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<b>PURPOSE AND SCOPE</b>	
.01 This Section prescribes the accounting treatment for inventories of a not-for-profit organization. Except as otherwise provided for in this Section:	
(a) inventories are accounted for in accordance with INVENTORIES, Section 3031 in Part II of the Handbook; and	
(b) agricultural inventories are accounted for in accordance with AGRICULTURE, Section 3041 in Part II of the Handbook.	
<b>RECOGNITION AND MEASUREMENT</b>	
.02 Paragraphs 3032.03-.06 address the recognition and measurement of inventories that:	
(a) have been contributed;	
(b) are held for distribution at no charge or for a nominal charge; or	
(c) are held for consumption in the production process of goods to be distributed at no charge or for a nominal charge.	
<b>Contributions of materials and services</b>	
.03 <i>When a not-for-profit organization recognizes contributions of materials and services, the cost of inventories shall reflect the amounts recorded as contributions in accordance with CONTRIBUTIONS — REVENUE RECOGNITION, paragraph 4410.19, (i.e., fair value at the date of contribution).</i>	
.04 CONTRIBUTIONS — REVENUE RECOGNITION, paragraph 4410.16, provides a choice for a not-for-profit organization to recognize or not recognize contributions of materials and services. When a not-for-profit organization does not recognize contributions of materials and services, this Section does not apply to those materials and services.	
<b>Inventories to be distributed at no charge or for a nominal charge</b>	
.05 <i>A not-for-profit organization shall measure inventories at the lower of cost and current replacement cost when they are held for:</i>	
(a) <i>distribution at no charge or for a nominal charge; or</i>	
(b) <i>consumption in the production process of goods to be distributed at no charge or for a nominal charge.</i>	
.06 A not-for-profit organization may hold inventories whose future economic benefits or service potential are not directly related to their ability to generate net cash flows. These types of inventories may arise when a not-for-profit organization distributes certain goods at no charge or for a nominal charge. In these cases, the future economic benefits or service potential of the inventory for financial reporting purposes is reflected by the amount the organization would need to pay to acquire the economic benefits or service potential if this was necessary to achieve the objectives of the organization.	
<b>EFFECTIVE DATE</b>	
.07 Except as specified in paragraph 3032.08, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2012. Earlier application is permitted.	
.08 AGRICULTURE, Section 3041, issued in November 2019, amended paragraph 3032.01. An enterprise shall apply this paragraph when it applies Section 3041.	

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