

Inventories, Section 3031

- .35 *The financial statements shall disclose:*
- (a) *the accounting policies adopted in measuring inventories, including the cost formula used;*
 - (b) *the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity; and*
 - (c) *the amount of inventories recognized as an expense during the period.*
- .36 Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods.
- .37 The amount of inventories recognized as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold and unallocated production overheads and abnormal amounts of production costs of inventories. The circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs.
- .38 Some entities adopt a format for the income statement that results in amounts being disclosed other than the cost of inventories recognized as an expense during the period. Under this format, an entity presents an analysis of expenses using a classification based on the nature of expenses. In this case, the entity discloses the costs recognized as an expense for raw materials and consumables, labour costs and other costs together with the amount of the net change in inventories for the period.
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