

Accounting Procedure - Inventories

Section 1 - Background and Purpose

(1) This Procedure is applied in accounting for all inventories, except for:

- a. work in progress arising under construction contracts, including directly related service contracts; and financial instruments

Section 2 - Scope

(2) Refer to the [Accounting \(Financial\) Policy](#).

Section 3 - Policy Statement

(3) Refer to the [Accounting \(Financial\) Policy](#).

Section 4 - Procedure

Recognition

(4) The University initially recognises inventory when it has control of the inventory, expects it to provide future economic benefits and the cost of the inventory can be measured reliably.

Measurement

(5) Inventories shall be measured on weighted average cost basis at the lower of cost and net realisable value.

(6) Where net realisable value of inventory is lower than the original acquisition cost or other subsequent carrying amount, the amount of the inventory that has been written down to net realisable value is recognised as an expense in the period in which the write-down occurs.

(7) When as a result of an increase in net realisable value a write down is reversed, the reversal is recognised against the amount of inventories as an expense in the period in which the reversal occurs.

(8) The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(9) Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

De-Recognition

(10) When the inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the income statement, in the period in which the related revenue is recognised.

(11) The University also derecognises inventory when it has no future economic value.

(12) At the point of de-recognition, the cost of inventories is assigned to individual items of inventory by using weighted average costs.

Section 5 - Definitions

(13) For the purpose of this Procedure:

- a. Inventories are assets:
 - i. held for sale in the ordinary course of business;
 - ii. used in the process of production for such sale; or
 - iii. in the form of materials or supplies to be consumed in the production process or in the rendering of services.
- b. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.
- c. The University means La Trobe University.

Status and Details

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