

AASB 102 Inventories vs. IFRS for SMEs Section 13 Inventories

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

The main difference in recognition and measurement between the standards is that *IFRS for SMEs* references impairment of inventory to the Impairment chapter (the equivalent of IAS 36 *Impairment of Assets*), compared with AASB 102 that requires assessment of net realisable value.

Disclosure proposals

It is proposed to exclude paragraphs 36(c) and 36(g) from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 102 <i>Inventories</i>	Text in <i>IFRS for SMEs</i> Section 13 <i>Inventories</i>	Comment
<p>Disclosure</p> <p>36. The financial statements shall disclose:</p> <ul style="list-style-type: none"> (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; (c) the carrying amount of inventories carried at fair value less costs to sell; (d) the amount of inventories recognised as an expense during the period; (e) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34; (f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with paragraph 34; (g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 34; and (h) the carrying amount of inventories pledged as security for liabilities. 	<p>Disclosure</p> <p>13.22 An entity shall disclose the following:</p> <ul style="list-style-type: none"> (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. (c) the amount of inventories recognised as an expense during the period. (d) impairment losses recognised or reversed in profit or loss in accordance with Section 27. (e) the total carrying amount of inventories pledged as security for liabilities. 	<p>Paragraphs 36(a), 36(b), 36(d), 36(e), 36(f) and 36(h) and paragraph 13.22 of the <i>IFRS for SMEs</i> correspond. Paragraphs 36(a), 36(b), 36(d), 36(e), 36(f) and 36(h) should be retained in the RDR.</p> <p>Paragraphs 36(c) and 36(g) have no equivalent in the in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of this Appendix, paragraphs 36(c) and 36(g) should be excluded from the RDR.</p>
<p>37. 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</p>		<p>Paragraph 37 has no equivalent in the <i>IFRS for SMEs</i>. It provides guidance in relation to a disclosure that is retained in the RDR and should be also be retained based on</p>

<p align="center">Text in AASB 102 <i>Inventories</i></p>	<p align="center">Text in <i>IFRS for SMEs</i> Section 13 <i>Inventories</i></p>	<p align="center">Comment</p>
<p>merchandise, production supplies, materials, work in progress and finished goods. The inventories of a service provider may be described as work in progress.</p>		<p>paragraph IN7 of this Appendix.</p>
<p>38. The amount of inventories recognised 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.</p>		<p>Paragraph 38 has no equivalent in the <i>IFRS for SMEs</i>. It provides guidance in relation to a disclosure that is retained in the RDR and should be also be retained based on paragraph IN7 of this Appendix.</p>
<p>39. Some entities adopt a format for profit or loss that results in amounts being disclosed other than the cost of inventories recognised 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 recognised 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.</p>		<p>Paragraph 39 has no equivalent in the <i>IFRS for SMEs</i>. It provides guidance in relation to a disclosure that is retained in the RDR and should be also be retained based on paragraph IN7 of this Appendix</p>

3. AASB 102 *Inventories*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 102 *Inventories*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

36. 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;**
- (c) the carrying amount of inventories carried at fair value less costs to sell;**
- (d) the amount of inventories recognised as an expense during the period;**
- (e) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34;**
- (f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with paragraph 34;**
- (g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 34; and**
- (h) the carrying amount of inventories pledged as security for liabilities.**

37. 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. The inventories of a service provider may be described as work in progress.

38. The amount of inventories recognised 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.

39. Some entities adopt a format for profit or loss that results in amounts being disclosed other than the cost of inventories recognised 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 recognised 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.