



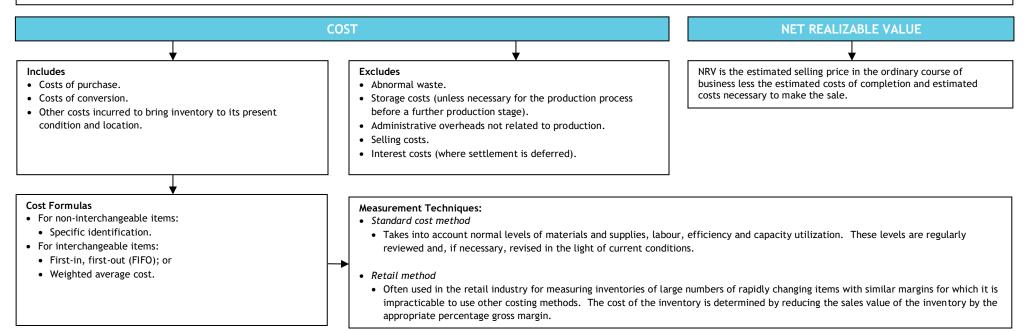
Section 3031 - Inventories

Effective Date Fiscal years beginning on or after January 1, 2011¹

SCOPE **DEFINITION** Applies to all inventories except: Does not apply to the measurement of inventories: Inventories are assets: • Contracts accounted for using the percentage of completion method (Section • Held by producers forest products, minerals and mineral products Held for sale in the ordinary course of measured at net realizable value. 3400, Revenue). · Financial Instruments. • Held by commodity broker-traders who measure inventory at fair • In the process of production for such sale; value less costs to sell. • Agricultural inventories held by agricultural producers (Section 3041, • In the form of materials or supplies to be Agriculture. • Major spare parts and standby equipment that may qualify as property, plant consumed in the production process or in the rendering of services. and equipment (Section 3061, Property, Plant and Equipment).

INVENTORIES ARE MEASURED AT THE LOWER OF COST AND NET REALIZABLE VALUE

- When inventory is written down below cost to net realizable value (NRV), the write-down is recognized as an expense in the period in which it occurs.
- When circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in NRV due to a change in economic circumstances, the amount of the write-down is reversed, but the reversal cannot exceed the amount of the original write-down.



¹ Except as specified in paragraph 3031.39.

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