



**Sabaragamuwa Provincial Department of Education
– Weekly School**

Subject - Accounting

Week - 4

Grade - 13

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Competency level 11.0 – Uses Sri Lanka Accounting Standards in preparing and presenting financial statements.

Competency level 11.4 – Explaining the main concepts relating to inventory and accounting for inventory.

- **Inventories are assets :**

- (a) Held for sale in the ordinary course of business (Finished goods)
- (b) In the process of production for such sale (Work in progress)
- (c) In the form of materials or supplies to be consumed in the production process or in the rendering of services (Raw materials)

Elements of cost of inventories

1. Costs of purchase
2. Costs of conversion
3. Other costs incurred in bringing the inventories in their present location and condition.

Assessment

1. What is meant by Net Realizable Value?
2. What are the methods of deciding net realizable value?
3. Name the cost formulas recommended by the standard and explain them?
4. Mention two situations when the inventories are recognized as expense.