

Limited Revision to Accounting Standard (AS) 2 (revised 1999)

Valuation of Inventories

The following is the text of the limited revision to AS 2, Valuation of Inventories, issued by the Institute of Chartered Accountants of India..

In view of Accounting Standard (AS) 30, *Financial Instruments: Recognition and Measurement*, AS 2 (revised 1999) is modified as under (modifications are shown as double-underline/ strike-through):

After the existing paragraph 12, new paragraph 12A is added as below:

12A. An enterprise may purchase inventories on deferred settlement terms. When the arrangement effectively contains a financing element, that element, for example a difference between the purchase price for normal credit terms and the amount paid, is recognised as interest expense over the period of the financing.

The limited revision comes into effect in respect of accounting periods commencing on or after the date on which Accounting Standard (AS) 30, *Financial Instruments: Recognition and Measurement*, comes into effect.