

INVENTORY ACCOUNTING AND COSTING

MAC024

COURSE OVERVIEW

Inventory has a major impact on your net income and on the balance sheet, regardless you are a merchandiser, manufacturer, contractor or a service provider, In this course, you are guided step by step through best practices for the purchasing process, the allocation of direct costs, indirect costs and production costs and comparisons between the different cost flow assumptions such as FIFO, LIFO and weighted average cost along with their impact on the financials and the physical counting of goods.

COURSE GOAL

To enhance the participants knowledge, skills, and abilities necessary to understand the process of inventory accounting and costing from the physical counting of goods to the inclusion of costs, to the calculation on the value of the goods thereby connecting the cost of goods to retained earnings and the balance sheet. Also, necessary to understand different methods of apportioning costs to a stock item, and more.

COURSE OBJECTIVES

By the end of the course, participants will be able to:

- Identify the types of inventories and recognize the timing of inventory ownership.
- Understand when to use the periodic inventory system, and how the perpetual system can be enhanced.
- Identify the situations that can cause incorrect inventory transactions.
- Understand the activities needed to establish a system of inventory record keeping, and how such a system may be rendered less accurate.
- Recognize and correctly measure inventory under International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP)
- Apply professional judgment in accounting for inventory not on hand.
- Categorize different inventory cost flow assumptions and describe how they affect the company's financial position and income statement.
- Understand the various approaches for cost accounting.

WHO SHOULD ATTEND

Inventory professionals, including supervisors, account managers, purchasing and facility supervisors and coordinators, financial controllers, new employees handling inventory, internal auditors, warehouse assistants and managers, and operations managers.

COURSE DURATION

5 Working Days

COURSE OUTLINES

1. Introduction to inventory

- Current assets and inventory management
- The four reasons for keeping inventory
- Inventory cycle from purchases to sales
 - Ordering and receiving
 - Sales and delivery
 - Best practices in count process
- Inventory industry types: merchandise, manufacturing, construction, real estate, and natural resources.
- Differences between inventory, fixed assets, and investment properties
- Understanding and analyzing inventory ratios

2. Accounting for Inventory

- Perpetual versus periodic inventory methods
- Cost accounting versus financial accounting
- Cost allocation techniques:
 - Direct material, direct labor and manufacturing overhead
 - Initial recognition
 - Cost of purchase, cost of conversion and treatment of discounts and rebates received
 - Measurement after recognition
 - Calculating 'net realizable value' (IFRS)
 - Calculating market price under the Lower of Cost or Market (LCM) method (GAAP)
 - Estimating and booking write downs for slow moving and obsolete inventory
 - Accounting for write backs of impairment under IFRS and GAAP
 - Accounting for errors identified in physical count

3. Accounting for Inventory: Special Topics

- Accounting for inventory not on hand
 - On consignment
 - Goods in-transit: defining incoterms
 - Sold with right of return
 - Sold subject to installation and inspection
 - Sold on a 'bill and hold' basis
- The concept of 'inventory credit': inventory used as collateral to raise finance
- Impact of accounting policies changes on financial statements
- Inventory required disclosures

4. Inventory Cost Flow Assumptions

- First-in First-out (FIFO) and Last-in First-out (LIFO)
- Weighted average and moving average
- Specific identification

5. Inventory Estimation and Cost Accounting Approaches

- Inventory estimation techniques
 - Gross profit method
 - Retail method
- Cost accounting approaches
 - Traditional costing versus activity based costing
 - Target costing versus cost plus pricing method
 - Standard cost accounting
 - Throughput accounting
- Consolidating your inventory data
- Validating data for accuracy
- Analyzing slow moving and obsolete inventory
- Tests of recalculating weighted average and moving average costs

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