Inventory loss: check NRV first

MODULE 5 / 1 / REVERSE ONLY THE INTERNAL COMPONENT

Original group cost 30,000; internal selling price 24,000; half remains. Assume group NRV supports original cost, so the internal loss still held is 3,000. Tax assumptions: seller transfer gain/loss is taxable/deductible; buyer tax base follows invoice cost; 30% tax; all DTAs satisfy recognition. Recalculate for different tax facts. Worksheet entries, not extra legal-entity entries.

Current transfer and loss elimination

Dr Sales	24,000
Dr Inventory	3,000
Cr Cost of sales	27,000

Tax on restored inventory

Dr Income tax expense	900
Cr Deferred tax liability	900

Group inventory rises from buyer 12,000 to group cost 15,000. Profit rises 3,000 before tax, 2,100 after tax.

If remaining goods have NRV of only 13,500

Group cost is still 15,000, but 1,500 is a genuine group write-down. Restore only 1,500 from buyer carrying amount 12,000. The combined entry becomes Dr sales 24,000; Dr inventory 1,500; Cr cost of sales 25,500. DTL is 450 under the stated tax assumption.

NRV is estimated selling price less completion and selling costs in the ordinary course. It is not automatically fair value less costs of disposal. Preserve the lower-of-cost-and-NRV measurement.

Historical standards (October 2022 study context). AASB 10 B86(c); AASB 102 6-9, 28-34; AASB 112 11, 15. Original Accounting Ahead examples.

Opening inventory loss: later realisation

MODULE 5 / 2 / NO GENUINE IMPAIRMENT IN THIS CASE

Continue the no-impairment case. The prior closing internal loss eliminated was 3,000 and DTL 900. All opening goods are sold externally this year.

Combined worksheet: all sold

Dr Cost of sales	3,000
Cr Opening retained earnings	2,100
Cr Income tax expense	900

Current group profit decreases 2,100 after tax. The higher group inventory cost is now consumed externally, and the prior DTL reverses. No closing inventory or DTL adjustment remains for that batch.

If only 60% of the opening batch is sold

Combined worksheet: partial realisation

Dr Cost of sales	1,800
Dr Inventory	1,200
Cr Opening retained earnings	2,100
Cr Deferred tax liability	360
Cr Income tax expense	540

Remaining inventory increase = 1,200; closing DTL = 360. Current profit decreases 1,800 - 540 = 1,260.

These are alternatives, not cumulative entries. Reassess NRV if facts change. Do not carry forward an artificial uplift above the amount the group is allowed to recognise.

Historical standards (October 2022 study context). AASB 10 B86(c); AASB 102 9, 28-34; AASB 112 11, 15, 58. Original Accounting Ahead examples.