CORE
CONCEPT

Inventory Accounting and Costing: IAS 2 Valuation, Adjustments and Error Correction

8 – 12 November 2026
Dammam - Eastern Province five-star

Inventory Accounting and Costing: IAS 2 Valuation, Adjustments and Error Correction

Ref: 268_15434 **Date:** 8 – 12 November 2026 **Location:** Dammam - Eastern Province five-star **Fees:** 19500 SAR

Introduction:

Inventory accounting errors rarely come from one large mistake. They build up through overheads absorbed on the wrong capacity, variances left outside closing stock, provisions set by habit and count differences written off without a reconciliation. The result is misstated margins, surprise year-end adjustments and restated comparatives. This Core Concept course gives accountants and cost controllers the IAS 2 measurement rules, costing methods and correction techniques to value inventories, post adjustments and fix prior period errors to standard. Participants build an Inventory Valuation and Provisioning Workbook for their own entity.

Course Objectives:

- Measure inventories at the lower of cost and net realisable value, applying specific identification, FIFO or weighted average cost as IAS 2 requires
- Calculate costs of conversion and absorb fixed production overhead on normal capacity, expensing unabsorbed amounts in the period
- Post standard cost variances, net realisable value write-downs, reversals and obsolete stock provisions with supporting calculations
- Reconcile the inventory sub-ledger and count results to the general ledger and test period-end cut-off
- Correct material prior period inventory errors retrospectively under IAS 8 and draft the related disclosure
- Produce an Inventory Valuation and Provisioning Workbook with finance KPIs for their own entity

Target Audience:

- Accountants who post inventory journals and close the inventory control account each month
- Cost accountants who maintain standard costs, overhead rates and product cost roll-ups
- Cost controllers who analyse variances and prepare inventory valuation schedules
- Financial reporting staff who draft inventory disclosures and year-end adjustments
- Internal audit and finance control staff who test inventory balances and controls

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Course Outline:

Day 1: Inventory Accounting Foundations and Current-State Review

- Inventory Classes on the Statement of Financial Position: Raw Materials, Work in Progress and Finished Goods
- IAS 2 Scope, Definitions and Items Outside the Standard
- Perpetual Versus Periodic Recording and the Cost of Sales Equation
- Inventory Sub-Ledger, Control Account and Chart of Accounts Mapping
- Current-State Diagnostic of the Inventory Close and Valuation Policy

Day 2: IAS 2 Measurement Rules and Cost Formulas

- Lower of Cost and Net Realisable Value Principle
- Costs of Purchase: Freight, Import Duties, Rebates and Trade Discounts
- Specific Identification for Non-Interchangeable Items
- FIFO and Weighted Average Cost Calculations and the LIFO Prohibition
- IAS 2 Disclosure Checklist: Cost Formulas, Carrying Amounts and Pledged Inventories

Day 3: Conversion Costing, Standard Costs and Period-End Valuation

- Costs of Conversion: Direct Labour and Variable Production Overhead
- Fixed Production Overhead Absorption at Normal Capacity and Unabsorbed Overhead
- Standard Cost Roll-Up and Purchase Price Variance Posting
- Capitalising Material, Labour and Overhead Variances into Closing Inventory
- Net Realisable Value Testing, Write-Down Journals and Reversals

Day 4: Adjustments, Errors, Controls and Audit Evidence

- Obsolete and Slow-Moving Provision Matrix by Ageing Band
- Count Variance Journals and Sub-Ledger to General Ledger Reconciliation
- Goods-in-Transit and Consignment Cut-Off Testing at Period End
- IAS 8 Prior Period Error Correction and Retrospective Restatement of Comparatives
- Inventory Key Controls Matrix and Audit Evidence for Existence and Valuation

Day 5: Modelling Build and the Inventory Valuation and Provisioning Workbook

- Inventory KPI Dashboard Build: Days Inventory Outstanding, Provision Coverage and Write-Off Trend
- Manufacturing Case: Overhead Absorption and NRV Test for a Product Range
- Distribution Case: Cut-Off Error Discovery and Restatement Entries
- Own-Entity Inventory Valuation and Provisioning Workbook Build
- Peer Review of Journals, Reconciliations and Disclosure Note Drafts

Skills You Will Gain:

- Inventory Measurement
- Cost Formula Application
- Overhead Absorption Costing
- Variance Capitalisation
- Inventory Provisioning
- Ledger Reconciliation
- Error Restatement
- Inventory Control Testing

Why Attend This Course:

- Return with an Inventory Valuation and Provisioning Workbook built and tested on your own inventory data
- Stop year-end surprises by closing the gap between count results, the sub-ledger and the general ledger every month
- Defend write-downs, provisions and overhead rates to auditors with calculations that follow IAS 2
- Compare inventory close and costing practice with finance peers from manufacturing, distribution and service sectors

Conclusion:

Reliable inventory figures depend on correct measurement, disciplined adjustments and a close that reconciles. The course moves from inventory classes and ledger structure, through IAS 2 cost formulas and conversion costing, to standard cost variances, net realisable value testing, provisions, count reconciliations, cut-off and the correction of prior period errors. The final day is spent building the Inventory Valuation and Provisioning Workbook, giving each participant tested schedules, journals and KPIs to use at the next period close.