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# Cost of Inventory

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<b>Purpose</b>	To prescribe the ongoing requirements for the accounting for and reporting of Inventory.
<b>Application</b>	<b>Applies to all Cemetery Trusts declared under section 3 of the Financial Management Act 1994, to which Part 7 of FMA applies.</b>
<b>Requirement</b>	<ul style="list-style-type: none"><li>• <b>All costs of purchase, construction, conversion and other costs, including the cost of direct labour where it can be reliably measured, incurred in the development of:</b><ul style="list-style-type: none"><li>○ <b>beam foundations laid for lawn grave purposes</b></li><li>○ <b>foundations laid for monumental and monumental vault grave purposes</b></li><li>○ <b>structures built predominantly for niche wall purposes, and.</b></li><li>○ <b>structures built predominantly for memorial garden position purposes,</b></li></ul><p><b>are to form part of the cost of inventory for those items.</b></p></li><li>• <b>Whilst under construction, the costs of constructing grave beams, grave foundations, memorial niche walls or memorial garden positions should be accumulated in Inventory – Work In Progress.</b></li><li>• <b>The specific cost of each inventory item is derived by averaging the total cost of development of that inventory item over the number of positions in the structure.</b></li></ul> <p><b>Subsequent to initial recognition and measurement, remaining unallocated graves and memorial positions shall be measured at the lower of specific cost and net realisable value.</b></p>
<b>Operative Date</b>	Annual reporting periods commencing on or after 1 July 2008. Comparative information prepared for these reporting periods is to be restated as if these requirements had always applied.
<b>First-time Adoption</b>	Total cost of each grave or memorial position should be treated as inventory or as cost of goods previously sold. Any adjustments required under this policy should be reported as per the requirements of AASB108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> paragraph 29. Specific care should be taken where adjustments to property plant and equipment are required, to ensure the effects of previous depreciation, impairments and revaluations are correctly identified and reversed.
<b>Definitions</b>	Refer to AASB 102 for the following definitions: <b><i>Inventories</i></b> (paragraph 6) <b><i>Net realisable value</i></b> (paragraph 6) <b><i>Current replacement cost</i></b> (paragraph Aus 6.1) <b><i>Inventories held for distribution</i></b> (paragraph Aus 6.1) <b><i>Specific identification of cost</i></b> (paragraph 23) <b><i>First-in-first-out</i></b> (paragraph 27) <b><i>Weighted average cost</i></b> (paragraph 27)

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## Guidance

This accounting policy has been developed so as to provide clarity and consistency of reporting of inventory by cemetery trusts.

Graves are developed for the predominant purpose of interment of bodily remains by the sale of beam and foundation graves in the ordinary course of business to interested parties. Similarly, niche walls and memorial gardens are developed for the predominant purpose of interment of cremated remains by the sale of memorial positions in the ordinary course of business to interested parties. As such, the total cost of development and construction of grave beams and foundations should be included as a cost of inventory of those grave beams and foundations.

Whilst completing the construction of any inventory item, the costs of such construction should be accumulated in Inventories – Work In Progress. At the conclusion of the construction phase, the total cost can be allocated to those individual inventory values which should then be transferred to Inventory – Right of Interment.

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## Relevant Pronouncements

- AASB 101 *Presentation of Financial Statements (September 2007)*
- AASB 102 *Inventories (May 2007)*
- AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors (April 2007)*
- FRD102 *Inventories (December 2004)*

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## Background

The Cemeteries Financial Policy Committee (CFPC) convened by the Department of Human Services (DHS) in November 2006, when reviewing the capitalisation of property, plant and equipment discovered that there was inconsistency in the treatment of inventory items across the cemetery sector. The inconsistency was inclusion/exclusion of costs of developing beams and foundations for graves, niche walls and memorial gardens from the cost of graves and memorial positions included in inventory.

Averaging the total cost of development and construction of beams and foundations for graves, niche walls and memorial positions over the number of graves or memorials positions in the construction project has been determined to be the most appropriate treatment to provide consistency across Victorian Cemetery Trusts.

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## Model for Disclosure Within Financial Report

AASB 101 requires disclosure of accounting policies used that are relevant to gaining an understanding of the financial report. The following disclosure may be deemed appropriate.

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### Summary of Significant Accounting Policies Note:

#### Inventories – Right of Interment

Inventories – Right of Interment are measured at the lower of cost and net realisable value.

Costs are assigned to graves and memorial positions (under development and developed) on a specific identification of cost basis, with the costs of development and constructions averaged over the number of graves or memorial positions in the construction.

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## Issued by

Cemeteries Financial Policy Committee auspiced by the Department of Human Services.