



Solution 100.6

Component	Cost of sales
Index	Classification of expenses within cost of sales
Short title	Monetary gains and losses on inventories

Attention: This guidance is based on the revised standards and interpretations that are mandatory for accounting periods commencing 1 January 2005. A company may early adopt an individual revised standard, but only in its entirety. Guidance based on the previous version of the standards is included in the “Applying IFRS 2004” guidance.

Issue

An entity may classify expenses according to nature or function. Functions are defined as cost of sales, distribution activities or administrative activities [IAS1R.92].

Should management classify monetary gains or losses on inventories as part of cost of sales?

Background

An entity operates in a hyperinflationary economy and prepares purchasing power adjusted financial statements. The entity recognises a substantial monetary gain one year, principally arising from inventory on hand.

Solution

Management should classify the net monetary gain or loss as a component of finance income or expense. It does not relate to the cost of production [IAS 29.28].