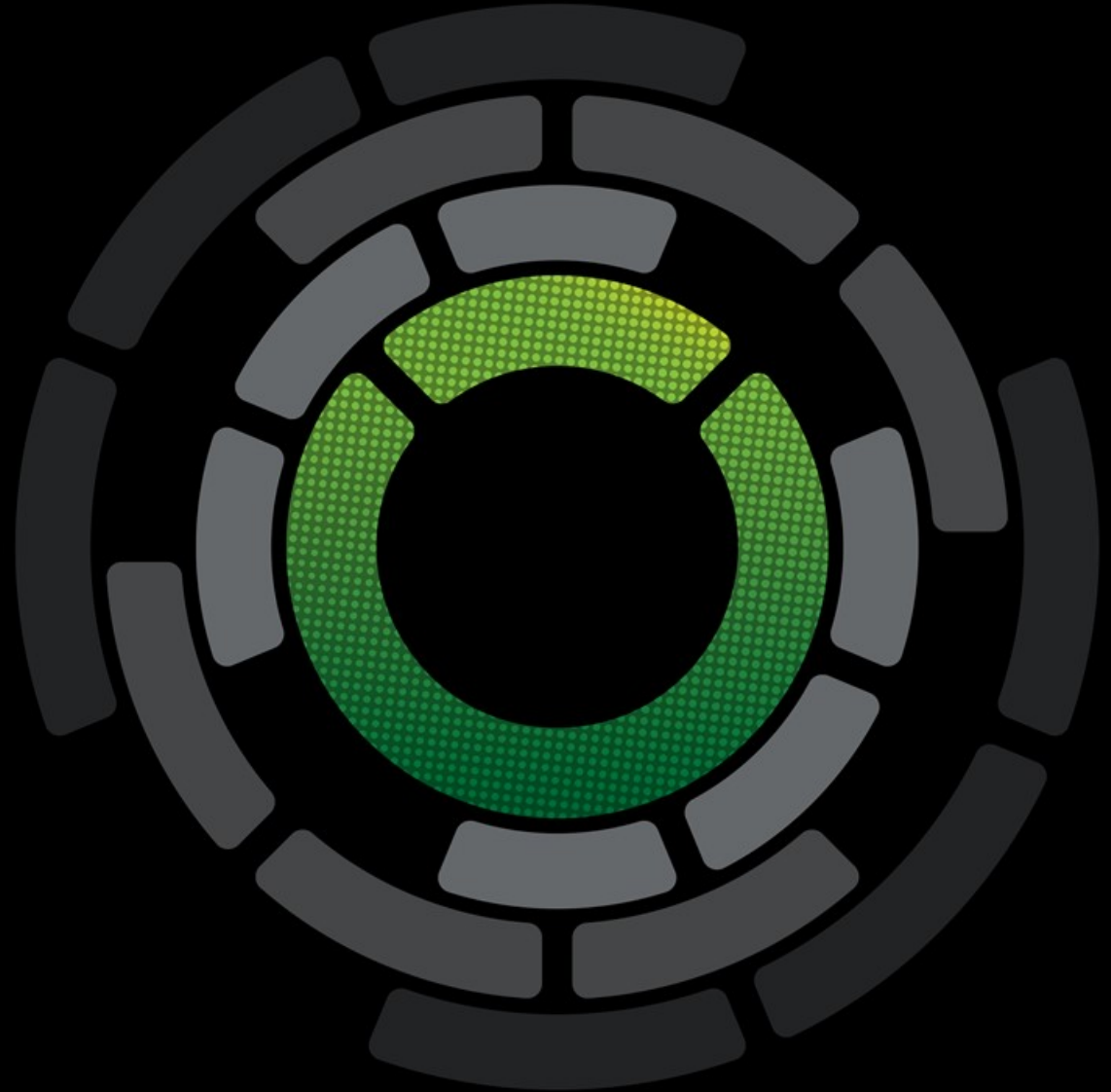


Overview of updates to Russian Accounting Standards

FAS 5/2019 Inventory:
Advisory and Accounting
Services



Why is it important?

The new accounting standard brings clarity to the accounting for inventories by Russian companies and is aimed at converging industry standards with IFRS.

In particular, FAS 5/2019:

- offers a general definition of inventories
- treats construction-in-progress and intellectual property held for sale as inventories
- establishes inventory recognition requirements
- defines and introduces procedures for determining the net sales value and fair value of inventories
- enables recognition of inventories held for administrative purposes as part of current expenses
- provides for revaluation of inventory after recognition.

Companies will have to revise their policies for calculating production costs due to the changes in the list of expenses included in actual cost of inventories and work-in-progress. Companies will also face the need to determine the fair value of inventories under IFRS, and for purchased inventories where payment was deferred – to apply discounts to cost.

The new standard streamlines and expands requirements to disclosure of information in the financial statements similar to IFRS. The standard will be mandatory starting from FY 2021 financial statements for all companies purchasing and/or generating inventories!



How can Deloitte help?



The implementation of the new standard requires analysis of a number of issues: calculation of the actual cost of inventories, their subsequent revaluation, determination of the fair value of inventories, and calculation of the discounted value.

Our team has accumulated solid hands-on experience our clients can benefit from when implementing the new standard: we know the pitfalls and can help you avoid them.

We would be willing to provide full-scope services to our clients:

- to assess readiness for the transition to the standard
- to work out an overall approach and develop accounting policies
- to analyse the standard's impact on reporting
- to properly implement the standard.

The standard will sooner or later become mandatory for all trading and production companies. We will be happy to answer any questions relating to the transition.



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