Inventory Valuation

Accounting & Finance

The methods, and what each does to reported profit.

The methods.

Method	Assumes	In rising prices
FIFO	Oldest sold first	Higher profit, higher stock value
Weighted average	All units identical	Between the two
LIFO	Newest sold first	Lower profit — banned under IFRS
Specific identification	Each item tracked	Used for unique items

**Inventory is carried at the lower of cost and net realisable value.
Write-downs are recognised immediately.**