Extract from Delta Ltd's accounting policy.

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5) Inventories

Goods for resale

The company does not record inventories during the business period. Purchases technical account is used to record purchased goods for resale during the period. Inventory stock take is held at the end of each month and cost of good sold is calculated and booked based on this.

Costs are assigned to individual items of inventory **on the basis of First In First Out method**. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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25(r) Property, plant and equipment

The accounting policy for land and buildings is explained in note 8(a). All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

25(r) Property, plant and equipment

The depreciation/amortisation method used by the business is straight line, residual value and useful lifetime of the assets are as follows:

	Useful lifetime	Residual (salvage) value
Electronic pieces of equipment	5 yrs	Nil
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Intangible asset – purchased customer list	2 yrs	Nil
Intangible assets (not listed separately)	3 yrs	Nil
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The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 25(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, any amounts included in other reserves in respect of those assets should be transferred to retained earnings.