

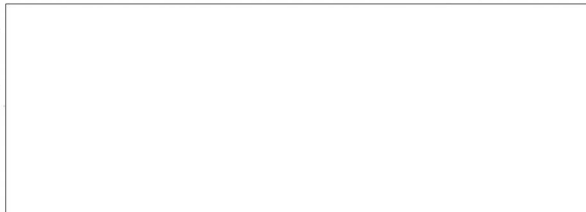
PRIMARY PRODUCTION INVENTORIES  
IN A MARKET SELLING PRICE  
ACCOUNTING SYSTEM

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for the Degree of Master of Economics

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I certify that this essay represents my own original work, and that it contains no material which has already been published or otherwise used by me.



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## SYNOPSIS

This essay is a study of the feasibility of the continuously contemporary accounting system proposed by Chambers, as it applies to the inventories of primary producers.

To counter suggestions that the use of market selling prices represents a radical departure from accepted methods of valuing primary producers' inventories, the recommendations of the various accounting bodies in the U.S.A., U.K., and Australia are examined. This examination shows that market selling price is already a part of the present inventory valuation system. Further, the financial statements of a number of companies engaged in primary production are examined to determine the valuation methods currently in use. This analysis indicates that the number of companies using current market selling price was increasing over the period examined.

As a test of the feasibility of the continuously contemporary accounting system, consideration is given to the availability of price data on which to assess current market selling prices. An examination of the publications of several statutory and other bodies engaged in primary industry reveals the existence of the evidence required by Chambers' style of accounting for its implementation in respect of primary producers' inventories.

SECTION 1

INTRODUCTION

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The purpose of accounting is to provide continuous and up-to-date financial information to serve as a basis for financial decision making by the participants in corporate activity. Balance sheets provide financial information about assets and liabilities as an indication of financial position; whilst income statements provide information about changes in financial position over time, namely periodic income. There is considerable debate in the accounting literature as to which is the best method of valuing non-monetary assets for the purpose of deriving financial position and measuring periodic income. For example, Sterling suggests that four main schools of thought have emerged: "historical costs and realized income"; "replacement costs and business income"; "current cash equivalents and realizable income"; and, "discounted cash flows and economic income".<sup>1</sup> These four systems of accounting can be examined in a theoretical context by assessing the validity of their basic assumptions, with respect to observable 'real world' phenomena; and the logic

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<sup>1</sup> R.R. Sterling, Asset Valuation and Income Determination, Scholars' Book Company, Kansas, 1971, p. (v).

and internal consistency of the subsequent argument, based on those assumptions, from which the conclusions are derived. However, it is only through implementation that the feasibility of a system of accounting can be ascertained; namely, by observing both the general availability of the evidential data required by the system for its implementation and the degree of difficulty experienced in obtaining the required data. Extensive research is certainly required to determine the feasibility of such systems of accounting.

### 1.1 JUSTIFICATION FOR UNDERTAKING THE STUDY

The criticisms which have been levelled against Chambers' style of accounting in the literature, possess one significant and common characteristic: few critics of Chambers have analyzed the essential building blocks or foundations of his model.<sup>2</sup> Chambers himself has recognized this deficiency in the criticisms levelled against his model: "But none of the critics has attacked the main features of the argument. These are:

- (a) that informed choice of future actions and informed appraisals of past actions depend on present knowledge

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<sup>2</sup> R.W. Leftwich, A Critical Analysis of Some Behavioural Assumption Underlying R.J. Chambers' Accounting, Evaluation and Economic Behavior, University of Queensland Press, St. Lucia, 1969.



of a present state;

- (b) that in respect of financial information there is no business function other than accounting which accumulates such knowledge; and
- (c) that such knowledge is only part of the premises of choice or judgement, the other parts being presently available external information and the (subjective) expectations of managers, investors and others who exercise choice and judgement. If these points remain unchallenged, and as they are the main grounds for the detail of the whole system, I can only feel that my critics have left the main part of the structure unscarred".<sup>3</sup>

Given that the assumptions of the model can be validated by observation of 'real world' phenomena, and that the subsequently derived argument is logical and internally consistent, there is a very real case for the establishment of the feasibility of the model. It is at this level that important questions regarding the continuously contemporary accounting model have been raised. McDonald highlights the importance of this aspect of the model: "of those opposed to the current value approach,

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<sup>3</sup> R.J. Chambers, 'Second Thoughts on Continuously Contemporary Accounting', Abacus, Vol. 6 No. 1, September 1970, pp. 39-55.

some are opposed on conceptual grounds, but most opposition is based on the feasibility question, i.e., whether suitable measures of current value can actually be made... adoption of the current value proposals is unlikely until the proposals have been demonstrated to be feasible".<sup>4</sup>

Many writers have recognised the importance of this question of feasibility, and have expressed their opinion accordingly. The following examples will illustrate the diversity of opinions among the accounting profession regarding the general availability of contemporary market prices.<sup>5</sup>

"It is my opinion that realistic market prices are not nearly so widespread as would be necessary if your theory were to be adopted."<sup>6</sup>

"It appears to me, therefore, that either there are no markets for most of these goods (accounts receivable, raw materials, work in progress, finished goods, and plant and equipment) or the firm is active on the business side

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<sup>4</sup> Daniel L. McDonald, 'A Test Application of the Feasibility of Market Based Measures in Accounting', Journal of Accounting Research, Spring 1968, pp. 38 and 39.

<sup>5</sup> Cited in J.C. McKeown, 'An Empirical Test of a Model Proposed by Chambers', The Accounting Review, January 1971, pp. 12 and 13.

<sup>6</sup> Comments of William W. Werntz, on R.T. Sprouse and M. Moonitz, 'A Tentative Set of Broad Accounting Principles for Business Enterprises', Accounting Research Study No. 3, A.I.C.P.A., 1962, p. 81.

of the market and really has no contact with the selling side."<sup>7</sup>

"This must be a very limited per cent of the total assets we are talking about (that have readily determinable market values). It must be a fraction of one per cent."<sup>8</sup>

"I like market value. I disagree with that one per cent. If industry would look around, they would discover a surprising number of things for which an accurate market value could be determined."<sup>9</sup>

"The problem areas (in determining current values for assets) cover a very minor part of the field."<sup>10</sup>

"If Ross could be convincing on this point (that the problem areas are minor) it would go a long way towards persuading those of us who can see the merit of current

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<sup>7</sup> Discussion by C.L. Nelson, on R.J. Chambers, 'The Foundations of Financial Accounting', Berkeley Symposium on the Foundations of Financial Accounting (School of Business Administration, University of California, Berkeley, 1967) pp. 51 and 52.

<sup>8</sup> The Measurement of Property, Plant and Equipment in Financial Statements (Graduate School of Business Administration, Harvard University, 1964) p. 51, as cited in J.C. McKeown, 'An Empirical Test of a Model Proposed by Chambers', op. cit., pp. 12 and 13.

<sup>9</sup> Ibid.

<sup>10</sup> H.I. Ross, 'The Pursuit of Usefulness', Berkeley Symposium on the Foundations of Financial Accounting, op. cit. p. 86.

value statements, but doubt whether they can be achieved as easily as he (Ross) suggests."<sup>11</sup>

"My preference for current cost of replacements over sales prices is based in large measure in the belief that the former is more readily determinable and more objective."<sup>12</sup>

Chambers himself recognizes the possibility of this problem. However, he recognizes that the non availability of market resale prices indicates that the asset does not contribute to a firm's capacity to adapt; the asset would, therefore, be measured at zero.<sup>13</sup>

There is clearly a very strong case for empirical research concerning the availability of evidence of contemporary market prices, as it is only through research that answers to these questions can be satisfactorily advanced.

## 1.2 OTHER STUDIES

There have been two studies conducted into the feasibility of the proposed system of accounting. In the

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<sup>11</sup> Discussion by Paul Kircher, on H.I. Ross, op. cit. p. 97.

<sup>12</sup> Discussion by C.T. Zlatkovich, on R.J. Chambers, op. cit. p. 49..

<sup>13</sup> R.J. Chambers, Accounting, Evaluation and Economic Behavior, Prentice Hall Inc., Englewood Cliffs, New Jersey, 1966, p. 230.

first study, Foster examined the "feasibility of the current price accounting system proposed by Professor Chambers by reference to the inventories of mining companies."<sup>14</sup>

Foster shows that in the mining industry, resale prices are available for a wide range of basic mineral products, in partly and fully processed states. He found that many mining companies were already using market selling prices as the appropriate measure of inventory values.

In the second study, McKeown shows the feasibility of the application of Chambers' model to road construction companies. Chambers reports McKeown's observation of the availability of extensive catalogues of used equipment prices in the earth moving and road construction industry in the U.S.A.<sup>15</sup> McKeown further demonstrates the feasibility of application of this accounting model to a medium sized road construction company, by reference to market resale prices in all categories of assets and liabilities within the firm.<sup>16</sup> However, the technique adopted for measuring the value of plant was different from that used for all

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<sup>14</sup> G.J. Foster, 'Mining Inventories in a Current Price Accounting System', Abacus Vol. 5 No. 2., December 1969, p. 99.

<sup>15</sup> R.J. Chambers, 'Second Thoughts on Continuously Contemporary Accounting', op. cit., p. 52.

<sup>16</sup> James C. McKeown, 'An Empirical Test of a Model Proposed by Chambers', op. cit., pp. 12-29.

other items. In this case, resort was made to linear regression analysis, without consideration of whether market resale prices actually existed for similar assets. However, as noted by Chambers, McKeown had already established the general availability of the market resale prices for assets possessing similar properties as those held by the firm.

O'Connor has demonstrated the feasibility of programming the continuously contemporary accounting model for computer application.<sup>17</sup> Whilst his study was not designed to obtain evidence of the market resale price data required by the model for its implementation, it did show the feasibility of adapting the model to a commercial application as far as the processing of the necessary transactions is concerned.

It is acknowledged that the Foster and McKeown studies have not demonstrated the general applicability of the model, but they have given support to the feasibility of its general adoption. Had the studies in fact failed to establish the existence of the evidential data required for the implementation of the model, the attempts would have provided strong evidence of the general impracticability of the model. It is within this context that this study is undertaken.

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<sup>17</sup> M.O'Connor, unpublished B.Com.(Hons.) thesis, the University of New South Wales, 1974.

### 1.3 THE AIM AND PLAN OF THIS STUDY

The aim of this study is to examine the feasibility of the continuously contemporary accounting system proposed by Chambers, by reference to the inventories represented in the financial statements of companies engaged in primary industry.<sup>18</sup> Three important aspects of this question are considered:

- (a) the recommendations of the various accounting bodies in the U.S.A., U.K. and Australia are examined to determine the validity of suggestions that the use of market selling prices represents a radical departure from accepted methods of valuing primary production inventories;
- (b) the financial statements of a number of companies engaged in primary production are examined to determine the inventory valuation methods currently in use; and
- (c) the publications of several statutory and other bodies engaged in primary industry are examined to determine the availability of evidence required by Chambers' style of accounting for its implementation in respect of primary producers' inventories.

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<sup>18</sup> R.J. Chambers, Accounting Evaluation and Economic Behavior, op. cit., and 'Second Thoughts on Continuously Contemporary Accounting', Abacus, Vol. 6 No. 1, September 1970, pp. 39-55.

The companies selected for the purposes of this study are:

- (a) all the eighteen public companies classified as 'Pastoral Companies' by the Sydney Stock Exchange in October 1974;
- (b) the fifteen non-listed and/or proprietary companies classified as 'Station Owners' in Jobson's Year Book 1974-1975; and
- (c) the fourteen non-listed and/or proprietary companies classified as 'Woolbrokers and Primary Production Agents' in Jobson's Year Book 1974-1975.<sup>19</sup>

The inventories represented in the balance sheets of these companies can only be classified into two main groups for the purpose of ascertaining which valuation methods are currently being used by primary producers; namely, livestock and other stocks on hand. It is not possible to ascertain the valuation methods adopted for valuing wool and individual crop types, since the financial statements do not disclose such detailed information. However, in most cases, livestock inventories have been disclosed separately, and it is possible therefore, to determine the valuation methods adopted in respect of them. Sundry crops, wool, and other commodity stocks are all included in the classification 'stock on hand'. In

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<sup>19</sup> See Appendix A



ascertaining whether the required evidential data is available, in respect of the inventories of primary producers, for the implementation of Chambers' system of accounting, the different types of inventories are examined individually.

Under the proposed system, "an asset is defined as any severable means in the possession of an entity.... By severable means is intended any means which, at any time of action, may be converted to other means by exchange or the processes of production, or which may be alienated by way of gift.... By possession is intended the legal right to hold and use, whether or not the holding and use is subject to contractual or other constraints, in respect of the role for which a specific entity is defined"<sup>20</sup>. The scope of this essay is limited to an examination of one class of assets; the inventories of primary producers. Chambers refers to two types of inventories, "short term inventories (commodities to be sold or processed) and durables inventories (plant equipment)".<sup>21</sup> This essay deals only with short term inventories. This class of inventories includes inventories of raw materials, work in progress, and finished goods. For the primary producer, it includes the produce of land, trees, or vines. For example, it includes the

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<sup>20</sup> R.J. Chambers, Accounting, Evaluation and Economic Behavior, op. cit. pp. 103-104.

<sup>21</sup> Ibid., p.221.

harvested grapes and not the vines, it includes the fruit from the trees and not the orchard; and it includes the harvested wheat and not the land. For a grazier the wool when shorn is a severable means, an item of inventory, whereas prior to shearing the market price of the sheep reflects any benefit from the growth of the wool.<sup>22</sup>

The Chambers' system requires the establishment of the current money equivalent of assets. "In relation to accounting, and to financial position in particular, measurement of assets are the current cash equivalents of assets, as these are established in current markets."<sup>23</sup> The purpose of this essay is to indicate the general availability of market resale price data for the inventories in question.

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<sup>22</sup> Other examples will be considered throughout the essay.

<sup>23</sup> R.J. Chambers, Accounting, Evaluation and Economic Behavior, op. cit. pp. 103 and 104.

SECTION 2

INVENTORY VALUATION METHODS CURRENTLY USED

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2.4 A critical appraisal of inventory valuation methods adopted in conventional accounting practice.	35

Inventory valuation provides an example of the variety of valuation methods permitted in conventional accounting practice.<sup>24</sup> The purpose of this section is to examine the various inventory valuation methods permitted by the rules and recommendations issued by professional accounting bodies, and to illustrate which of the valuation methods are being adopted by selected companies engaged in primary industry in Australia and New Zealand.

## 2.1 PROFESSIONAL RULES AND RECOMMENDATIONS

### Australia and the United Kingdom

The Institute of Chartered Accountants in Australia issued its first recommendation on inventory valuation in 1947 as the Statement of Accounting Practice D2; 'Treatment of Stock-in-Trade and Work in Progress in Financial Accounts'. Recommendation D2 is essentially the same in content as the Recommendation N.22 which was issued by the Institute of Chartered Accountants in England and Wales. Both recommendations are very comprehensive,

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<sup>24</sup> For an examination of the multiplicity of valuation methods see:  
R.J. Chambers, 'The Spice of Accounting', 'Information and the Securities Market', and 'A Matter of Principle', Accounting Finance and Management, Butterworths, Australia, 1969, pp. 161-166, 174-204, 242-260.  
R.J. Chambers, Securities and Obscurities, Gower Press, Australia, 1972, pp. 100-103

and specify that there are three broad bases of inventory valuation; cost, net realizable value, and replacement price. Cost is deemed to be the primary basis of valuation, and five principal methods of cost determination are specified; unit cost, first-in-first-out cost, average cost, standard cost, and adjusted selling price.

Recommendation D2 states that cost (however calculated), is not the only consideration in determining the appropriate value for inventory, because "when the cost of the stock has been determined it is then necessary to establish whether any portion of the outlay on cost is irrecoverable; to that extent a provision for the loss needs to be made".<sup>25</sup> Such an irrecoverable portion of the cost of the inventory is deemed to be the excess of the cost over the current net realizable value. Not only does D2 require a consideration of the current net realizable value of the inventory, in addition to its cost, but it also requires that consideration be given to its current replacement cost. "In many businesses it is important to have regard to the price at which stock can be replaced if such a price is less than cost."<sup>26</sup>

In choosing between these three bases of valuation

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<sup>25</sup> Institute of Chartered Accountants in Australia, Accounting and Auditing Statements and Recommendations, Statement on Accounting Practice, D2, para. (12).

<sup>26</sup> Ibid., para. (16)

(viz. cost, net realizable value, and replacement price). the total inventory may be considered as single items, as categories, or as an aggregate. This further compounds the multiplicity of valuation methods which may be adopted in respect of a firm's total inventory. Recommendation D2 further provides that under special circumstances inventories may be valued in excess of cost: "In certain sections of primary industry and in some mining companies it is a recognized practice to bring stocks of products ready for sale into account at the prices realized subsequent to the balance sheet date, less only selling costs."<sup>27</sup> Similarly, "in manufacturing businesses which carry stocks of by-products the separate cost of which is not ascertainable, these stocks are normally included at current selling price... less any expenses to be incurred before disposal...."<sup>28</sup>

In research study M1A, the use of market selling prices for certain inventory items has been taken one step further, where it is recommended that because of the factors of natural growth and natural increase associated with livestock, "it is considered that all livestock should

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<sup>27</sup> Ibid., para. (20).

<sup>28</sup> Ibid., para. (21).

be valued on the basis of the current net selling value appropriate to each class thereof".<sup>29</sup>

That the Australian and English recommendations permit a multitude of different methods for determining an inventory valuation figure, and hence for computing periodic income and deriving financial position is clear. There is little wonder that Chambers writes, "where there are so many possible rules there are in effect no rules, and where there are no rules there can be no correspondence, no general comprehensibility, no language...."<sup>30</sup>

#### The United States of America

The A.I.C.P.A.'s first statement on inventory valuation was published in 1947 as Accounting Research Bulletin No. 29 and later reproduced as Chapter 4 of the Accounting Research and Terminology Bulletin, Final Edition, 1961. In describing the Bulletin as "a classic example of trying to please everyone", Storey was, perhaps, referring to its similarity to the English and Australian statements;

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<sup>29</sup> Institute of Chartered Accountants in Australia, Accounting and Auditing Statements and Recommendations, research study M1A issued 1971, revised 1973, para. (33).

<sup>30</sup> R.J. Chambers, 'Information and the Securities Market', in Accounting Finance and Management, op. cit. p. 188.

each of the statements allows numerous inventory valuation methods.<sup>31</sup> Again, in the American Bulletin, the primary method of inventory valuation is cost, where cost means "the sum of all the applicable expenditures and charges directly or indirectly incurred in bringing an article to its existing condition and location".<sup>32</sup> Applied to inventories this definition of cost means acquisition and production costs and, as Chambers points out, "... this interpretation of cost is not simple".<sup>33</sup> Unlike its English and Australian counterparts, the A.I.C.P.A. Bulletin does not specify the acceptable methods of cost determination.

Cost however, is not the only basis for inventory valuation, for as the Bulletin states, "a departure from the cost basis of pricing the inventory is required when the utility of the goods is no longer as great as its cost... the difference should be recognized as a loss of the current period".<sup>34</sup>

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<sup>31</sup> R.K. Storey, The Search for Accounting Principles, A.I.C.P.A., New York, 1964, p. 31.

<sup>32</sup> Paul Grady, Inventory of Generally Accepted Accounting Principles for Business Enterprises; Accounting Research Study No. 7, A.I.C.P.A., New York, 1965, p. 245.

<sup>33</sup> R.J. Chambers, 'Information and the Securities Market', op. cit., p. 186.

<sup>34</sup> Paul Grady, Inventory of Generally Accepted Accounting Principles for Business Enterprises, op. cit., p. 247.



This is generally accomplished by the adoption of the lower of cost or market rule, where the term market is interpreted as "current replacement cost (by purchase or reproduction...)" except that:

(1) market should not exceed the net realizable value...  
and

(2) market should not be less than net realizable value reduced by an allowance for an approximately normal profit margin".<sup>35</sup>

As with the English and Australian pronouncements, the total inventory may be considered as single items, as categories, or as an aggregate.

The American Bulletin states that in "exceptional cases" inventories may be stated above cost.<sup>36</sup> Such exceptional cases are not defined, but the example provided of such a case is that of precious metals having a fixed monetary value with no substantial cost of marketing. Any other exceptional cases "must be justifiable by the inability to determine appropriate approximate costs, immediate marketability at quoted market price, and the characteristic of unit interchangeability".<sup>37</sup> In such exceptional cases

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<sup>35</sup> Ibid., p. 247.

<sup>36</sup> Ibid., p. 250.

<sup>37</sup> Ibid., p. 250.

inventories may be stated at market selling prices if these exceed cost, and Grady suggests that such a treatment is not uncommon for inventories representing agricultural and mineral products, since these types of goods possess the attributes mentioned in the stated qualification.<sup>38</sup>

That the statements issued in the U.S.A., U.K., and Australia are very similar in content is apparent. A salient feature of all these statements is their permitted use of market selling prices in inventory valuation. In fact, the determination of an inventory value necessitates the establishment of current market selling prices. Therefore, Chambers' notion of current cash equivalents (as evidenced by current market selling prices), as being the appropriate measure of inventory values, is not a radical departure from conventional accounting practice; it is "already" an acceptable method of valuing primary production inventories.

## 2.2 EMPIRICAL EVIDENCE

The companies selected for the purpose of ascertaining which inventory valuation methods are being adopted by primary producers are chosen so as to include:

- (a) all pastoral companies listed on the Sydney Stock Exchange in October 1974, and

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<sup>38</sup> Ibid., p. 250.

(b) as many non-listed and/or proprietary pastoral companies from which it was feasible to obtain financial reports.

Jobson's Year Book 1974-1975 categorizes all non-listed and/or proprietary companies registered in Australia and New Zealand at the time of its publication. This Year Book provides a comprehensive sub-classification under the general classification of 'pastoral companies'; namely, 'animal by-products', 'grain and produce merchants', 'station owners', 'vegetable oils', and 'woolbrokers and primary production agents'. The two sub-classifications 'station owners' and 'woolbrokers and primary production agents' are selected because they have the largest representative number of companies, and several companies so classified are also included under one or more of the other sub-classifications.

The inventories represented in the balance sheets of these companies include livestock, wool, sundry crops, and other commodity stocks. It is not possible however, to ascertain which inventory valuation methods are adopted in respect of each type of inventory, since none of the financial reports examined disclosed such detailed information. The only distinction made in the financial reports examined was between livestock and other stocks on hand, and this distinction is shown in the following tables. Wool, sundry crops, and commodity stocks, are all included

in the category 'other stock on hand'.

The method used for ascertaining which inventory valuation methods are being adopted, was to examine the financial reports of each company over the period 1969-73, for as many of these reports as were obtainable.<sup>39</sup> It is hoped that by looking at the sample over a five year period any changes in valuation methods adopted are identified.

The period 1969-1973 was chosen because it was for this period that the largest number of annual financial reports for the selected companies were obtainable. In the case of most companies, the financial reports for 1974 were not available at the time the research was undertaken. In the case of proprietary and non-listed companies, the financial reports were only obtainable as a result of a written request.<sup>40</sup> Unfortunately not all of these companies

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<sup>39</sup> The financial reports for 1974 were also examined if these were available.

Details of the companies included in the sample, together with the valuation methods disclosed in respect of livestock and other stock on hand over a five year period, are provided in Appendix A.

<sup>40</sup> Four of the twenty-nine non-listed and/or proprietary companies selected denied access to their financial reports. For details see Appendix A.

had copies of financial reports dating back a full five years, and this contributed to an incomplete representation of the forty-three companies over the full five year period. The other contributing factor to this situation, is simply that some of the companies included in the sample, have not yet been in existence for five years.

Stock On Hand Other Than Livestock

The data contained in Table 1 indicates the wide adoption of the lower of cost and market rule in respect of 'stock on hand other than livestock'. The following figures illustrate this general adoption:

	<u>Percentage use of the lower of cost and market rule</u>
1969	80%
1970	82%
1971	70%
1972	68%
1973	71%

It is evident, however, that whilst the lower of cost and market rule is widely used, its rate of adoption has substantially decreased over the period 1969-1973; declining from 80% in 1969 to 71% in 1973. The decline in the adoption of this rule is largely explained by the increased use of cost based valuation methods.

TABLE 1

FREQUENCY OF THE USE OF VALUATION METHODS FOR STOCK ON HAND OTHER THAN LIVESTOCK

VALUATION METHODS	1974		1973		1972		1971		1970		1969		1968		TOTAL FREQUENCY OF USE
	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	
COST	2	22%	5	12%	6	15%	4	10%	1	3%	1	4%	-	-	19
LOWER OF COST AND NET REALIZABLE VALUE	5	56%	24	59%	22	55%	24	58%	22	67%	16	64%	1	100%	114
LOWER OF COST, NET REALIZABLE VALUE, AND REPLACEMENT PRICE	2	22%	5	12%	5	13%	5	12%	5	15%	4	16%	-	-	26
SELLING PRICES	-	-	3	7%	3	7%	4	10%	2	6%	1	4%	-	-	13
NO METHOD DISCLOSED	-	-	4	10%	4	10%	4	10%	3	9%	3	12%	-	-	18
TOTAL A <sup>(i)</sup>	9	100%	41	100%	40	100%	41	100%	33	100%	25	100%	1	100%	190
TOTAL B <sup>(ii)</sup>	9		38		35		36		30		22		1		

(i) Total A indicates the total frequency of use of all valuation methods each year.

(ii) Total B indicates the total number of financial reports of the selected companies available each year containing the item 'Stock on Hand'.

The following figures illustrate this increased use:

	<u>Percentage use of cost based valuation methods</u>
1969	4%
1970	3%
1971	10%
1972	15%
1973	12%

Table 1 also indicates that some companies are adopting market selling prices as appropriate measures of inventory values. Whilst the number of companies using market selling prices is rather small, with an average of only 7% of the companies adopting this method of valuation over the period 1969-1973, there has been a marginal increase in the use of market selling prices. The following figures illustrate this increased usage:

	<u>Percentage use of market selling prices</u>
1969	4%
1970	6%
1971	10%
1972	7%
1973	7%

The data in Table 1 certainly reflects the diversity of the valuation methods permitted by the conventional accounting system, and more importantly the non-interpretability and non-comparability of financial statements prepared under

the present rules. Over the period 1969-1973, there are no marked changes in the attitude of primary producers towards the valuation of 'stock on hand other than livestock' there has been a decline in the use of the lower of cost and market rule, which is explainable in terms of an increased usage of cost-based valuation methods and market selling prices.



Livestock

The data contained in Table 2 shows that a very different trend is established in the case of livestock inventories, as compared with other stock on hand. The cost based methods now account for a large percentage of all methods disclosed. The following figures illustrate this:

	<u>Percentage use of cost based valuation methods</u>
1969	72%
1970	80%
1971	74%
1972	64%
1973	57%

However, a substantial decrease in the use of cost based methods has occurred over the period 1970-1973; with a drop from 80% in 1970 to 57% in 1973 - a percentage decrease of 28.75% in four years.

The lower of cost and market rule has been adopted only by a small number of companies, accounting for an average use of only 5.2% over the five year period 1969-1973.

The salient feature of the data presented in Table 2 is the substantial increase in the use of market selling prices as the appropriate measure of livestock values. The increase has occurred since 1971, coinciding with the issuance of Research Study M1A by the

TABLE 2

FREQUENCY OF THE USE OF VALUATION METHODS FOR LIVESTOCK

VALUATION METHODS	1974		1973		1972		1971		1970		1969		1968		TOTAL FREQUENCY OF USE
	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	FREQUENCY OF USE	%AGE USE	
COST	-	-	1	3%	3	10%	4	15%	3	16%	2	13%	-	-	13
AVERAGE COST BASED ON COST OF PURCHASES AND STANDARD VALUE FOR NATURAL INCREASE	4	67%	15	48%	14	47%	14	52%	9	48%	7	46%	-	-	63
STANDARD VALUATION	-	-	2	6%	2	7%	2	7%	3	16%	2	13%	-	-	11
LOWER OF COST AND NET REALIZABLE VALUE	-	-	2	7%	1	3%	1	4%	1	5%	1	7%	1	100%	7
SELLING PRICES	1	17%	7	23%	3	10%	1	4%	-	-	-	-	-	-	12
OFFICERS' VALUATION	1	16%	4	13%	6	20%	4	15%	2	10%	2	13%	-	-	19
NO METHOD DISCLOSED	-	-	-	-	1	3%	1	3%	1	5%	1	8%	-	-	4
TOTAL A <sup>(i)</sup>	6	100%	31	100%	30	100%	27	100%	19	100%	15	100%	1	100%	129
TOTAL B <sup>(ii)</sup>	4		20		21		21		12		9		1		

(i) Total A indicates the total frequency of use of all valuation methods each year.

(ii) Total B indicates the total number of financial reports of the selected companies available each year containing the item 'livestock'.

Institute of Chartered Accountants in Australia. Market selling prices were adopted by only 4% of the selected companies in 1971, but by 1973 23% of these companies were adopting this method of valuation; a percentage increase of 475%. If this trend continues, it appears that market selling prices may become the more accepted basis of live-stock valuation, as compared with the cost based methods.

That only 23% of companies adopted market selling prices as a measure of livestock values in 1973 is interesting, in the light of Research Study M1A. However, this may be explained by the fact that M1A was issued as a Research Study and not as a Statement of Accounting Practice. Compliance with M1A is therefore not mandatory under Statement K1, 'Conformity with Institute Technical Statements'.

An average of 17.4% of the selected companies disclosed 'officers' valuation' as the adopted valuation method. In no case was an explanation provided as to how this valuation was made, or what criteria were used in assessing livestock values.

2.3 VALUATION METHODS USED FOR LIVESTOCK IN AUSTRALIA AND OVERSEAS

The accepted use of market selling prices for inventory valuation in several countries is illustrated briefly in this section. In the U.S.A., Canada, and U.K., market selling prices are generally adopted as the appropriate measures of livestock values. In Australia and New Zealand market selling prices have become increasingly used in the valuation of livestock since 1971; the use of cost based methods have declined since that date.

Australia

The evidence of inventory valuation methods adopted in respect of livestock in Australia presented in Table 2, suggests that over recent years there has been a change in the methods used. In the period 1969-1973 an average of 48% of the selected companies adopted the procedure of averaging purchase cost with a nominal standard value for natural increase, in order to determine the average cost per head of livestock. The standard values adopted for natural increase were those laid down for taxation purposes.<sup>41</sup>

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<sup>41</sup> The minimum values prescribed by the Income Tax Assessment Act (sec. 34 (1) (b)) for natural increase are:

sheep	\$0.40	per head
cattle	\$2.00	per head
horses	\$2.00	per head
pigs	\$0.50	per head

The only other basis for computing a value for livestock for taxation purposes is market selling value. Market selling value for taxation purposes does not mean the amount realizable as the result of a forced sale or break-up, but contemplates a sale in the ordinary course of business (Australasian Jam Co. Pty. Ltd. v.F.C. of T.). Market selling value then, is the current selling value in the particular taxpayer's own selling market. Such a concept is entirely consistent with Chambers' notion of current cash equivalent. That this particular method of valuation is becoming more widely adopted in Australia has already been shown.

United Kingdom

The Committee on Principles of Valuation of Livestock established by the Institute of Chartered Accountants in Australia in 1964, found that practice in the United Kingdom generally followed one of the bases available for taxation purposes.<sup>42</sup> The most commonly adopted basis of valuation was that known as the 'trading stock

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<sup>42</sup> Cited in G.W. Beck, The Accounting Valuation of Beef Cattle and Sheep for Queensland Primary Production Business, University of Queensland Press, St. Lucia, 1970, p. 267.

basis', which is, in effect, a valuation at the lower of cost and net realizable value. However, because of the recognized difficulty of determining a useful cost of production number, resort is made to contemporary market selling prices as an approximation of cost. In particular, cost is deemed to approximate 75% of the market value of livestock. It does appear curious that in applying the lower of cost and net realizable value rule, that an arbitrary estimate of cost needs to be made by reference to current market selling prices. The use of market selling prices as measures of livestock values is, therefore, widespread.

United States of America

The Committee on Principles of Valuation of livestock found that the general method of livestock valuation advocated in the U.S.A. is the 'farm price' method.<sup>43</sup> Adoption of this valuation method means that livestock is valued at net realizable value; that is, market selling price. Hopkins and Heady describe how this method is applied; "saleable products are grains, marketable forage crops, and livestock.... For these, market quotations are generally obtained without much trouble. The rates used should be

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<sup>43</sup> Ibid., p. 267.

conservative ones and should be adjusted to farm variation by subtracting the probable cost of delivery to market".<sup>44</sup> Efferson comments similarly, "the selling price minus the cost of marketing or the market value is generally the best method for establishing values for livestock".<sup>45</sup>

The adoption of farm price as the approximate measure of livestock values is consistent with the A.I.C.P.A.'s recommendations.

### Canada

The Committee on Principles of Valuation of Livestock found that farm price was generally adopted as the appropriate measure of livestock values.<sup>46</sup>

### New Zealand

The data presented in Table 2 indicates that the livestock valuation procedures in New Zealand do not differ from those adopted in Australia. There is a general adoption of standard values for natural increase averaged with the costs of purchases. The Farm Research Committee

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<sup>44</sup> J.A. Hopkins and E.O. Heady, Farm Records and Accounting, Iowa State University Press, Iowa, 1962, p. 69.

<sup>45</sup> J.N. Efferson, Farm Records and Accounting, Wiley and Sons Inc., New York, 1949, p. 49.

<sup>46</sup> Cited in G.W. Beck, The Accounting Valuation of Beef Cattle and Sheep for Queensland Primary Production Businesses, op. cit., p. 268.

of the New Zealand Society of Accountants did not recommend abandonment of standard values in livestock valuation for financial reporting purposes, but they did note that "to obtain the picture of the results for the year required by the economist, increases in numbers are valued at their estimated market values".<sup>47</sup>

#### 2.4 A CRITICAL APPRAISAL OF INVENTORY VALUATION METHODS ADOPTED IN CONVENTIONAL ACCOUNTING PRACTICE

It has been established that cost based valuation methods are heavily supported by the statements and recommendations of the professional accounting bodies in the U.S.A., U.K., and Australia. There is strong evidence of this in the empirical data presented in Tables 1 and 2. In challenging the appropriateness and accuracy of the many cost based methods permitted in conventional accounting, it is argued that not only are such methods inappropriate for valuing livestock, but also for all other forms of inventory.

Several writers have distinguished inventories of mining companies and primary producers as exceptions to the

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<sup>47</sup> The Farm Research Committee of the New Zealand Society of Accountants, Farm Accounting in New Zealand, New Zealand Society of Accountants, Wellington, 1966, p. 8.



original cost rule. In the case of primary producers, the usual argument is that because of the factors of natural growth and increase, the production of joint products, and the length of biological production cycles, the use of cost measures in respect of inventories possessing these qualities is inappropriate.

An example of the first argument is Research Study M1A, which rejects the use of cost as a measure of livestock values because of the problems of natural growth and natural increase.<sup>48</sup> Mallyon argues that because the growth and later decline <sup>of</sup> in growth in livestock does not occur in direct proportion to the costs expended or the amount of labour, land, materials, or services used in the production process, any attempt to assign variable costs to products will result in a completely meaningless measurement of inventory values.<sup>49</sup> That such an argument is valid is not denied, but it is suggested that this is a general problem, and not one peculiar to the inventories of primary producers. In particular, the problem applies equally to

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<sup>48</sup> Institute of Chartered Accountants in Australia, Accounting and Auditing Statements and Recommendations, Research Study M1A, op. cit.

<sup>49</sup> C.A. Mallyon, The Principles and Practice of Farm Management Accounting, The Law Book Company Ltd., Australia, 1966, p. 4.

manufacturing concerns producing several products where variable indirect costs are allocated to products. In such manufacturing concerns several variable indirect costs are identifiable; for example, repairs and maintenance of plant and equipment, electricity and other power costs, laboratory testing costs and managerial salaries. Any attempt to assign such variable indirect costs to products will also result in a completely meaningless measurement of inventory values. Perhaps there is a distinction between primary production and manufacturing to the extent that more of the variable costs may be indirect in the case of the former as compared with the latter, however this becomes a question of the significance of different degrees of indirect variable costs in the total cost structure.

Wells argues that the allocation of costs to products is an unnecessary operation.<sup>50</sup> He suggests that if current market selling prices are adopted as the appropriate measure of assets for the purpose of determining present financial position and periodic income, then there is no need to allocate costs to products. Furthermore, such necessarily arbitrary allocations of costs to products are irrelevant for managerial decision making and control, since

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<sup>50</sup> M.C. Wells, 'Is the Allocation of Overhead Costs Necessary?', The Australian Accountant, November 1970, pp. 479-486.

the numbers so determined (termed 'product costs') are neither costs nor prices. Such numbers are capable neither of general comprehension nor of interpretation. While the inventories of primary producers highlight the deficiencies of product cost calculations, it is not true to suggest that such deficiencies exist only in respect of these specific inventories.

A second argument in the literature for distinguishing primary production as an exception to the original cost rule, is the characteristic production of joint products in biological processes. For example, the Joint Committee on Standardization of Farm Management Accounting argues that to attempt useful divisions of costs between the carcasses and other produce of animals is to attempt the impossible.<sup>51</sup> An example of this problem is how to determine the cost of producing the carcass of a sheep as opposed to that of producing its wool; or similarly, the cost of producing the carcass of a cow as opposed to that of its milk. It is argued that the production of joint or by-products is not a unique feature of primary production,

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<sup>51</sup> Report of a Joint Committee on Standardization of Farm Management Accounting, Accounting and Planning for Farm Management, Queensland Department of Primary Industry, 1966, p. 32.

but a characteristic of many manufacturing processes. Oil refining is an example where the production of several joint products (all grades of petroleum and oil) is a feature of the manufacturing process. In that case crude oil is the basic material input to the production process, from which several joint products emerge. Use of cost based methods in the valuation of the joint products of manufacturing processes, is therefore equally as meaningless as in the case of primary production. To attempt any useful allocation of indirect costs to products is equally impossible.

The third argument presented for distinguishing inventories of primary producers as exceptions to the original cost rule, is that most biological production cycles are typically long, and hence there is usually a long and clearly defined gap between the commencement and completion of the production process. For example, Beck writes "it is a feature of primary production that there is usually a clearly defined gap between the commencement of the production process and the availability of the entire production for marketing... in primary industry... [the] trading stock usually comes into being en masse and is marketed en masse and there is no guarantee that every accounting period will encompass one such marketing".<sup>52</sup>

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<sup>52</sup> G.W. Beck, The Accounting Valuation of Beef Cattle and Sheep for Queensland Primary Production Businesses, op. cit., p. 265.

If there was no marketing during a particular accounting period within which costs of production were incurred, the accounting period within which the marketing takes place would, under a cost based system, report a profit which relates to the entire production process. Not only that, but deferred costs or expenses would be carried forward as asset values. While this is a valid criticism of adopting cost based valuation methods in primary production businesses, the criticism is equally valid in respect of manufacturing concerns producing specialized products over a long period of time; for example, long term contracts.

Despite these most obvious weaknesses, there is still considerable support for cost based methods of valuation in the literature. For example, the Joint Committee on Standardization of Farm Management Accounting writes, "It was generally agreed that... the present procedure of averaging the cost of purchases with natural increase at a standard amount be continued and that the determination of the standard value adopted in the accounts be left to the discretion of the individual responsible for the preparation of the accounts."<sup>53</sup> One Farm Research Committee of the New Zealand Society of Accountants

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<sup>53</sup> Report of a Joint Committee on Standardization of Farm Management Accounting, Accounting and Planning for Farm Management, op. cit., p. 32.

recommended the adoption of standard values for livestock in the determination of financial position and periodic income, because this treatment was consistent with the New Zealand taxation laws.<sup>54</sup> However, the same committee recommended that in a "what you are worth statement", livestock should be valued at current market selling prices.<sup>55</sup> Clearly the Committee failed to appreciate that a statement of financial position should in fact be a 'what you are worth statement', suffice to say, a discussion of the notion of financial position was not included in their report, and hence no definition of financial position was advanced.

There are two alternative bases to cost for inventory valuation: market buying price (current replacement cost), and market selling price (net realizable value). Beck observes that "primary production is an unusual activity from the point of view of the relationship between realization price and replacement price of trading stock... the difference between gross replacement value and net realizable value is the cartage to the saleyards, the cartage home, plus commission and other selling costs... cash outflow to acquire livestock will always exceed the cash inflow

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<sup>54</sup> The Farm Research Committee of the New Zealand Society of Accountants, Farm Accounting in New Zealand, op. cit.

<sup>55</sup> Ibid.

resulting from the disposal of equivalent stock".<sup>56</sup> This however, is not unique to primary production businesses, since the replacement price of any asset will typically be greater than the realizable price because of the associated costs of selling; for example, commission and cartage. Use of replacement costs in asset valuation will necessarily result in an overstatement of financial position (because of an overstatement of asset position), compared with that derived by using realizable prices. A major defect of the replacement cost method of valuation is that replacement costs, by definition, represent the prices of goods which an entity does not now own. Although these prices are contemporary in nature, they are not necessarily indicative of the prices reflecting the description of the assets now held. Such prices cannot enter into the determination of present financial position.

Under Chambers' style of accounting, the appropriate asset measure is the current cash equivalent of the asset as evidenced by the current market selling price of the asset in the ordinary course of business.<sup>57</sup>

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<sup>56</sup> G.W. Beck, The Accounting Valuation of Beef Cattle and Sheep for Queensland Primary Production Businesses, op. cit., p. 268.

<sup>57</sup> R.J. Chambers, Accounting, Evaluation and Economic Behavior, op. cit., pp. 103 and 104.

In respect of inventories, it is appropriate therefore, to consider net realizable value. Support for the use of net realizable value is already widespread, for example:

Mallyon uses the term 'farm price' to denote the current market selling price less estimated selling expenses.<sup>58</sup> He suggests that this method of valuation is superior in that it "provides an objective valuation not otherwise obtainable; it allows for a true matching of income and costs in the period in which they occur; it recognizes the appreciation of value up to a certain point due to growth of livestock; it also admits the realistic view that such appreciation due to natural growth is not in direct proportion to the costs of care and cultivation incurred; [and] it provides the farmer or grazier with valuable managerial data not provided by any other method".<sup>59</sup>

Willoughby argues that farm price "overcomes the disadvantages of average cost, giving an objective valuation, and will certainly provide more realistic profit figures if one acknowledges that profit is the difference between net

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<sup>58</sup> C.A. Mallyon, The Principles and Practice of Farm Management Accounting, op. cit., p. 34.

<sup>59</sup> Ibid., p. 34.



worth at the beginning and end of a period".<sup>60</sup>

Those members of the Joint Committee on Standardization of Farm Management Accounting who favoured the current net realizable value basis for livestock valuation, "considered that realistic annual profit measurement could not be achieved for livestock producers unless alterations in the value of livestock due to biological growth and changed market conditions were reflected in the livestock inventory".<sup>61</sup>

Beck writes, "the change in command over potential cash inflow can realistically be considered to reflect the change in economic position of any business. Changes in livestock values due to both market forces and biological growth will be reflected in the profit measurement when trading stock is valued at net realizable value and this basis of valuation will also most satisfactorily reflect the state of the circulating assets of the business at any point in time".<sup>62</sup>

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<sup>60</sup> R.J. Willoughby, 'The Valuation of Livestock and the Verification thereof by the Auditor', The Chartered Accountant in Australia, May 1963, p. 671.

<sup>61</sup> Report of a Joint Committee on Standardization of Farm Management Accounting, Accounting and Planning for Farm Management, op. cit., p. 31.

<sup>62</sup> G.W. Beck, The Accounting Valuation of Beef Cattle and Sheep for Queensland Primary Production Businesses, op. cit., pp. 265 and 266.

Hopkins and Heady in discussing net selling prices as a basis for livestock valuation, state that this method "conforms most closely to present worth... if the [farm] inventory [current assets, equipment, buildings, and land] is to be used in showing the true net worth of the business, all assets and liabilities should be based on market price or value".<sup>63</sup>

That the lower of cost and market rule has wide acceptance is indicated by the empirical data presented in Table 1. Parker suggests that the environment in which the English accounting profession was born helps to explain the early adoption of this rule.<sup>64</sup> George O. May ascribed the rule to "natural conservatism and a long period of falling prices".<sup>65</sup> But as Parker suggests, such conservatism on the part of the accountants may well be explained in terms of long periods of falling prices, together with the

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<sup>63</sup> J.A. Hopkins and E.O. Heady, Farm Periods and Accounting, op. cit., pp. 65 and 73.

<sup>64</sup> R.H. Parker, 'Lower of Cost and Market in Britain and the United States: An Historical Survey', Abacus Vol. 1 No. 2, December 1965, pp. 156-172.

<sup>65</sup> George O. May, 'Concepts of Business Income and their Implementation', Quarterly Journal of Economics, Vol. 68, 1954, p. 16.

business environment itself.<sup>66</sup> In particular, as Robinson points out, the accounting profession in England "was born through bankruptcies, fed on failures and frauds, grew on liquidations, and graduated through audits".<sup>67</sup> However, despite the passing of time, and a complete reversal in the economic climate, the lower of cost and market rule is still widely accepted and used in inventory valuation. Such a situation seems at best most illogical.

The rule, however, has by no means been free from attack. Serious questioning has come from both sides; those against the notion of market prices in accounting, and those who were not convinced of the alleged superior objectivity of the original cost doctrine. Perhaps the foremost exponent of the school of thought which argued against any notion of market values in accounting was A.C. Littleton. Littleton wrote in 1929 that "... value is a vague sort of thing, subject to all the whims of mankind and turned by the least wind of altered circumstances... whereas value is an estimate of what price ought to be, price itself is an established fact... when accounting is loosed from this anchor of fact it is afloat upon a sea of psychological estimates which,

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<sup>66</sup> R.H. Parker, 'Lower of Cost and Market in Britain and the United States: An Historical Survey', op. cit., p. 158-162:

<sup>67</sup> H.W. Robinson, A History of Accountants in Ireland, Institute of Chartered Accountants in Ireland, Dublin, 1964, p. 30.

however important they may be to business management, are beyond the power of accounting, as such, to express".<sup>68</sup>

With respect to the valuation of inventories, Littleton recommended that cost be the consistently and uniformly applied basis.<sup>69</sup>

However, as has been shown, not all writers are convinced of the superiority of cost, and that the proposed system of valuing assets at their current market selling prices is not a new notion in inventory valuation. It can be shown that this was so even at the time of Littleton's writings, for example:

Canning, in discussing the question of inventory valuation methods, and in particular the cost based methods, states, "The essence of the situation is this: goods have been acquired and are now on hand; nothing can be done now about the costs incurred to acquire them; costs are history.... But primary valuations on going selling prices... may be more reliable valuations than are found by other methods. The lead in valuing inventories at selling prices, less expenses of conducting a volume of business operations corresponding to the amount of the inventory has been taken

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<sup>68</sup> A.C. Littleton, 'Value and Price in Accounting', The Accounting Review, Vol. 4, 1929, pp. 149-150.

<sup>69</sup> A.C. Littleton, 'Value or Cost', The Accounting Review, Vol. 10, 1935.

by the meat packers... and concerns dealing in cotton and grain". He then states that "... it is no longer matter for surprise to find an unqualified certificate attached to a balance sheet in which the inventory has been valued at selling price less estimated expenses allocable to the volume of sales represented by the inventory".<sup>70</sup>

Gilman states that, "In farming it is clearly impossible to determine actual costs because of the phenomena sometimes referred to as cost absorption and accretion. The impossibility of determining true costs coupled with the ready market for farm products seems to justify the market prices method of inventory valuation".<sup>71</sup> He also states that selling prices are the best basis for the valuation of certain types of by products.<sup>72</sup>

The above quotations indicate that the notion of using current market selling prices for the purpose of valuing the inventories of primary producers is not new. Evidence of market selling prices in the recent literature has been shown in the form of 'farm price'. However, all these quotations refer to market selling prices only as an

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<sup>70</sup> J.B. Canning, The Economics of Accountancy, The Ronald Company Press, New York, 1929, pp. 220 and 221.

<sup>71</sup> S. Gilman, Accounting Concepts of Profit, The Ronald Company Press, New York, 1939, p. 411.

<sup>72</sup> Ibid., p. 120.

exception to the cost based methods or lower of cost and market rule, for the valuation of the particular inventories under consideration. It was not until recent times that a complete theory of accounting was developed which used the notion of current market selling prices as the appropriate measure for all assets.<sup>73</sup> It is within the context of this comprehensive theory that this particular study is undertaken.

The main arguments levelled against the use of market selling prices for the purpose of inventory valuation, appearing the literature surveyed, centre around the accounting concept of 'realization'. Invariably the criticisms suggest that the adoption of such a practice would result in 'anticipated' or 'paper' profits, as opposed to those which are 'true' or 'realized'. In conventional accounting it is generally agreed that income be recognized only at the time of sale and that gains may not be anticipated by measuring assets at their current selling prices. Losses may, however, be recognized even though they are unrealized. In accordance with this view point, income is determined by the matching of revenues and expenditures according to a complex set of rules. The following examples illustrate the arguments levelled against the use of market selling prices for inventory valuation:

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<sup>73</sup> By R.J. Chambers, Accounting, Evaluation and Economic Behavior, op. cit.

Sturrock states that, "... when valuations are made for book-keeping purposes, cost of production is generally the more satisfactory basis.... The market value method [results in] an anticipated profit".<sup>74</sup>

The Farm Research Committee of the New Zealand Society of Accountants in recommending the use of average cost for livestock valuation, state that this method is desirable "in order to overcome the 'book or paper' profit" which arises from the use of market selling prices.<sup>75</sup>

Those members of the Joint Committee on Standardization of Farm Management Accounting who were opposed to the use of selling prices as the appropriate basis of valuation for livestock, did so because they "considered that profit could not be brought to account until it was realized".<sup>76</sup>

Staunton suggests that this notion of the realization principle is consistent with the 'paper' profit idea, but he argues "that the use of 'realized' in connection with income is a misapplication of the realization idea... As

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<sup>74</sup> F. Sturrock, Farm Accounting and Management, Pitman, London, 1967, pp. 74 and 75.

<sup>75</sup> The Farm Research Committee of the New Zealand Society of Accountants, Farm Accounting In New Zealand, op. cit., p. 7.

<sup>76</sup> Report of a Joint Committee on Standardization of Farm Management Accounting, Accounting and Planning for Farm Management, op. cit., p. 31.

the press comment on Industrial Equity hints, it is the value of an asset that is realized".<sup>77</sup>

In order to appreciate this argument, however, a brief consideration of the natures of revenue, expenditure, and income is required. Chambers suggests that the term 'revenue' is used "to represent receipts of money or claims to money" by an entity.<sup>78</sup> The term 'expenditure' is used to represent payments of money, or the giving to others of a right to claim money from the entity. "Revenues and expenditures are recognized by entry in accounts at the point of time at which legal rights, measurable in money, are established by or against a firm by performance, on the one part at least, of any bargain.... The significance of this point of time is that it is the point at which the risks of holding money and the risks of holding goods are exchanged. This is said... to be the point of realization."<sup>79</sup>

The realization principle may, therefore, only be applied in respect of revenues and expenditures. Now, since income is really an inference drawn from the product of calculations involving revenues and expenditures, it

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<sup>77</sup> J.J. Staunton, 'Realization: A Misapplied Concept in Accounting', Abacus, Vol. 9, No. 2, December 1973, p. 193.

<sup>78</sup> R.J. Chambers, Accounting Evaluation and Economic Behavior, op. cit., p. 257.

<sup>79</sup> Ibid., p. 257.



seems improper to use the term 'realization' in respect of it. More particularly, it would seem even more improper to use realization as the criterion by which to judge the propriety of bringing into account changes in the monetary worth (or value in exchange) of assets. This argument is consistent with a conclusion of Chambers; "The increase in assets corresponding to realized gains is not retained as cash and accumulated for the purpose of making cash divisions among constituents. Cash balances are not income producing assets. They will be accumulated only in amount and about the time that cash distributions are expected to be made. The possibility of making distributions, thus, does not rest on the amount of realized gains, but upon decisions, as to the appropriate uses of cash balances through time. There is, consequently, no reason why the whole amount of income as derived above should not be considered as potentially divisible among constituents".<sup>80</sup>

Hopkins and Heady make this point by stating that "Business profits may arise from two sources. They may arise from operating the business that is from... the normal processes of production.... But profits may also be forthcoming simply by holding fixed capital such as land

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<sup>80</sup> Ibid., p. 258.

while market prices are swinging upward".<sup>81</sup> Whether such profits arising from the latter mentioned source are actually exchanged for cash appears to be of little consequence to the question of whether or not such gains should be recognized in the accounts as increments to income.

Sweeney, noting that merchandise may increase in value during a period, makes the same point by suggesting that "that period [within which the increase in value occurred] should receive credit for such enhancement in economic power as income, even though sale at the enhanced value is deferred until the next period... the income is earned but not realized in the earlier period, and realized but not earned in the later one".<sup>82</sup>

A somewhat similar observation was made by Hatfield when he states that, "An argument in favour of inventorying merchandise at its market value is that only by so doing can the operations each year be properly judged".<sup>83</sup>

Reference has been made to the problem of the biological growth associated with certain classes of

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<sup>81</sup> J.A. Hopkins and E.O. Heady, Farm Records and Accounting, op. cit., p. 73.

<sup>82</sup> H.W. Sweeney, Stabilized Accounting, Harper Bros., New York, 1936, p. 21.

<sup>83</sup> H.R. Hatfield, Accounting, Appleton-Century Company Inc., New York, 1927, p. 102.

primary production inventories; cows produce calves, sheep produce lambs and wool. If there has been a change in wealth because of this biological growth it will be reflected in the change in the market price of the products. For example, the selling price of a cow that has been joined, or a cow in calf, will reflect this "added value". The price of sheep will vary where the sheep is off shears, full wool or, perhaps, half wool.

Because the market selling price reflects this biological change, the increment to net wealth is brought to account as it occurs. Potentially, sheep and cattle are continually marketable. There are, however, no such markets for grain products still in the ground. Thus there can be no change in wealth associated with growing crops unless the crops cause the price of the land to vary. That being the case, the changes will be accounted for as with any price change of a durable asset. But those matters are beyond the scope of this essay.

If inventories are measured at their current cash equivalents, then all gains made during the period, whether converted into cash or not, are brought into account and matched with all the losses incurred during the period. Gains resulting from dealing in inventories are brought to account as a component in the measuring of income or loss. Sales revenues simply represent the conversion of inventories into cash or claims to cash, and do not represent an increase

in the net assets of the entity. The conversion or exchange does, however, constitute a change in the composition of the entity's wealth, in that a non liquid asset (inventory) has been converted into a liquid asset (cash).

SECTION 3

THE AVAILABILITY OF EVIDENCE OF  
CURRENT CASH EQUIVALENTS FOR  
PRIMARY PRODUCTION INVENTORIES

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### 3.1 THE NATURE OF EVIDENCE

The most obvious method of determining the current cash equivalent for any item of inventory, is to ascertain the price that someone in the market will offer for that item of inventory; that is its value in exchange. There are two types of evidence which may be available to establish a current cash equivalent for any item of inventory. In law there is a distinction between direct evidence and circumstantial evidence.<sup>84</sup> An example of direct evidence, is the evidence of a fact in issue; it is testimony which relates to the immediate experience of the fact of the eye witness.<sup>85</sup> The essence of circumstantial evidence, however, is logical inference. Phipson states that "by circumstantial or presumptive evidence is meant the testimony of witnesses to other facts from which the fact in question may be inferred."<sup>86</sup> The existence of the principal fact is, therefore, inferred from one or more circumstances which have been directly established.

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<sup>84</sup> R. Cross, Evidence, Butterworths, London, 1958.

<sup>85</sup> Ibid., p. 6.

<sup>86</sup> S.L. Phipson, The Law of Evidence, 2nd Ed., Stevens and Haynes, London, 1898, p.2.

The fact in issue for the accountant is the current cash equivalent of an item of inventory legally in the possession of a primary producer at balance date. Direct evidence of the current cash equivalent "occurs when there exists at balance date, a bona fide offer to buy unlimited quantities of a [primary production inventory] at a stated price".<sup>87</sup> The bona fide offer price is direct evidence of the price at which the primary producer could have exchanged his inventory for cash at balance date. Circumstantial evidence of the current cash equivalent "occurs where there exist reports of the prices at which assets similar to those in possession of the [primary producer] were being exchanged at the balance date".<sup>88</sup> The prices can be observed as a result of specific transactions which have already occurred. There is no assurance, however, that a primary producer could have exchanged his inventories for those specific prices at balance date. Thus, there can be no direct evidence. There is no evidence, however, that the primary producer could not have exchanged his inventories at prices which closely approximate the prices ruling at balance date. If evidence of current market selling prices is required, reliance must be made upon circumstantial evidence.

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<sup>87</sup> G.J. Foster, 'Mining Inventories in a Current Price Accounting System', op. cit., p. 109.

<sup>88</sup> Ibid., p. 109.

3.2 PRICE DETERMINATION IN PRIMARY INDUSTRY, AND THE  
AVAILABILITY OF EVIDENCE OF THE CURRENT CASH EQUIVALENTS  
FOR THE INVENTORIES OF PRIMARY PRODUCERS

Information about selling prices has been collected from a variety of publicly available statements and reports.<sup>89</sup>

Grant, Hagger, and Hocking suggest that for the purpose of determining how the prices of primary products are set, such products can be conveniently divided into two broad groups. "The first group comprises products whose prices are determined by the free interplay of demand and supply on world markets... we refer to these products as products whose prices are market determined. The main products in this group are wool, fresh meat, and fresh fruit. In the second group are products whose producers are protected from the world markets, at least partially, by the intervention of some Commonwealth or State marketing authority. In these cases the price which the producer receives is determined in accordance with some official marketing scheme... we shall describe [these products] as products whose prices are officially determined. The main products in this group... are wheat, dairy products, sugar,

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<sup>89</sup> Details of the publications referred to are provided in Appendix B.



eggs, and dried fruits."<sup>90</sup> Since the market selling prices for wheat, dairy products, sugar, eggs, and dried fruits, are 'officially determined', evidence of the current cash equivalents of these products is established. It is necessary, therefore, to ascertain the availability of market selling price data for wool, fresh meat, and fresh fruit, if evidence of current cash equivalents for all major primary production inventories is to be established. The following analysis, however, includes a brief review of the marketing arrangements for all major primary products.

### Wool

Over 90% of the wool marketed in Australia is sold at public auction; the remainder being sold by private treaty. Because of certain deficiencies in the auction system, the Australian Wool Commission was established under Commonwealth legislation in 1970 to perform a number of functions aimed at improving the marketing of Australian wool.<sup>91</sup> The main objective in establishing the Australian Wool Commission was to provide a measure of protection to woolgrowers against unduly low wool prices resulting from temporary irregularities of demand at auctions. It is through its flexible reserve price scheme that the Australian Wool Corporation attempts to moderate the instability of wool prices at auction.

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<sup>90</sup> J. McB. Grant, A.J. Hagger, A. Hocking, Economic Institutions and Policy: an Australian Introduction, F.W. Cheshire, Australia, 1968, p. 25.

<sup>91</sup> The Australian Wool Corporation took over the functions of the Australian Wool Commission and Wool Board in 1973.

The Corporation publishes Wool Market News on a weekly basis, which is a weekly market summary providing details of sales prices at various centres around Australia. The copy for the week ending 17th January, 1975, gives details at the sales for the week held at Sydney, Freemantle, Geelong, Canberra, and Ballarat. The sales to be documented in the following week's market summary are those conducted at Melbourne, Goulburn, Newcastle, and Albany. The weekly marketing summary gives details of the closing quotations on a clean-on-the-floor basis, in cents per kilogram, which represent closing prices for raw wool on the final day of trading for the week, at Australian auctions. For combing wools, each quotation covers a range of types of the mean raw wool micron indicated - (Yield Basis, Schlumberger, Dry). The weekly marketing summary also gives similar details of the closing quotation on a greasy basis. Details of prices are provided for twelve months ago (week ending 18/1/74), the opening date of the current season (19/7/74) the last sale day reported (week ending 20/12/74), the current sale (week ending 17/1/75), and the Australian Wool Corporation Minimum Floor Reserve Price.

In addition to the publication of the Australian Wool Corporation, the Commonwealth Bureau of Agricultural Economics produces a biannual publication entitled The Wool Outlook. This publication includes details of the average prices received for wool; the December 1974 issue presented

this data for the period 1962/63 to 1973/74. There is therefore, readily available evidence, on an up-to-date basis, of the current cash equivalents for a comprehensive classification of fleece types.

Wool must be "a severable means in the possession of the [primary producer]" if it is to be included in the asset 'inventory'.<sup>92</sup> To satisfy the criterion of 'severability', the wool must be clipped and ready for sale; the available market selling price data is for raw wool, on a clean-on-the-floor or greasy basis, at the point of sale. For wool which is clipped and ready for sale, but stored at a location other than the point of sale, approximate selling prices can be calculated by deducting cartage and other selling costs from the quoted prices for similar grades of wool. Wool on the sheep's back would not be included in the inventory, because at that stage it has no established sales market; it is not 'severable'.

To determine a value for wool inventories, the primary producer must first estimate the quantities of the various fleece types held, and whether these are in a 'clean' or 'greasy' state. The current cash equivalent of the total inventory can then be approximated by applying recently

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<sup>92</sup> R.J. Chambers, Accounting, Evaluation and Economic Behavior, op. cit., p. 103.

quoted market selling prices for the fleece types held to the estimated quantities of those stocks on hand.

### Livestock

Most of the livestock marketed in Australia, is sold at public auction; the remainder being sold by private negotiation. The Australian Meat Board is responsible for the external marketing of Australian beef, veal, mutton, lamb, offals, and processed meats.

The Australian Meat Board collates market selling price data from all auctions held in every capital city in Australia, and produces comprehensive details of livestock market prices in its annual report.<sup>93</sup> The market prices used in the annual report are estimated by the various state representatives of the Board after studying market reports and conferring with the trade. The prices are estimated per kilogram dressed carcass weight based on auction value. Details of price data presented are as follows:

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<sup>93</sup> Thirty-ninth Annual Report of the Australian Meat Board for the year ended 30th June 1974.

Average monthly prices at principal livestock markets including -

Beef prices (Ox 301-320 kilogram) 1st & 2nd export quality

Yearling prices - domestic market quality

Lamb prices (13-16 kilogram) 1st & 2nd export quality

Mutton prices - wether and/or maiden ewe (18.5-22 kilogram)

- export quality

Pig prices (65-70 kilogram) 1st & 2nd export quality.

The markets covered are Sydney, Melbourne, Brisbane, Adelaide, Perth, and Hobart for the period January to December 1970-1974. The annual report also provides details of average retail prices of selected meats at capital cities for 1973 and 1974. Prices for several classes and cuts of meat are provided for beef, mutton, lamb and pork.

The Board produces a monthly price-list giving details of the average livestock prices for the month for Yearling, Ox (301-323 kg), Cow (200-230 kg), Lambs (13-16 kg), Sheep (wether and/or maiden ewe 18.5-22 kg), and Pigs (65-70 kg), realized at all capital cities. This monthly price list is sent by the Board to all producers three days after the close of each month.

The Board also publishes a monthly journal, The Meat Producer and Exporter, which provides detailed information of weekly market prices of livestock. The

information provided includes the following details:

Weekly market prices realized in every capital city for -

- Cattle - yearling
- light bullocks
- medium/heavy bullocks
- heifers
- cows
- Lambs - light
- heavy
- Sheep - light wethers
- heavy wethers
- light ewes
- heavy ewes
- Pigs - porkers
- baconers.

In New South Wales, the Department of Agriculture produces a weekly publication entitled Weekly Marketing Notes. This publication includes very detailed information on the market selling prices realized for livestock at the Homebush Saleyards. A brief outline of the price data for the week ending 8/1/75 presented follows.

Cattle

- (i) selling prices in terms of \$'s per head and per kg for:
- Prime Shorthorn Bullocks
  - Prime Angus Steers
  - Prime Hereford Yearlings
  - Prime Hereford Vealers
  - Good Trade Shorthorn Cows
  - Prime Hereford Heifers.
- (ii) estimated prices for good to prime quality per head, per kg, and sales liveweight per kg for:
- Bullocks - heavy (350 kg and over)
  - medium (310/350 kg)
  - light (260/310 kg)
  - Steers - (200/260 kg)
  - Yearlings - (160/200 kg)
  - Cows - heavy (260 kg and over)
  - light (200/260 kg)
  - Heifers - (180 kg and over)
  - Vealers - (110/160 kg)

Sheep

- (i) selling prices in terms of \$'s per head and per kg for:
- Good Light Grade Merino Wethers
  - Prime Border Cross Hoggets
  - Prime Dorset Cross Lambs
  - Prime Heavy Dorset Cross Suckers
  - Prime Polled Dorset Cross Suckers

Extra Prime Light Dorset Cross Suckers

Medium to Good Wethers

Medium to Good Ewes

Hoggets

Prime Lambs

Medium to Good Lambs

Prime Suckers

Medium to Good Suckers.

(ii) estimated prices per kg for good to prime quality:

Wethers - heavy

- light

Ewes - heavy

- light

Hoggets

Lambs - heavy

- light

Suckers - heavy

- light

Pigs

(i) selling prices per head for good to prime quality:

Porkers - extra light

- light

- medium

- heavy

- extra heavy



Baconers

Backfatters

(ii) estimated dressed carcass prices per kg for good to prime quality:

Porkers - extra light (16-23 kg)

- light (23-27 kg)

- medium (27-36 kg)

- heavy (36-41 kg)

Intermediates - (41-45 kg)

Baconers - light (45-55 kg)

- medium (55-60 kg)

- heavy (60-73 kg)

- extra heavy (73-82 kg)

Backfatters - (82-90 kg)

- (90-110 kg)

- (110-160 kg)

- (160 kg and over).

The Weekly Marketing Notes also provides details of the wholesale prices of meat delivered at Retail Butchers Shops from the Metropolitan Meat Industry Boards Meat Markets at Homebush. The first issue of this publication each month provides details of the average prices for the previous month of cattle, sheep and pigs.

In addition to producing the Weekly Marketing Notes, the New South Wales Department of Agriculture produces, on an

annual basis, an individual Production and Marketing Report for beef, sheep and pigs. These reports provide, among other things, full details of all average monthly prices for all classifications of livestock over a three year period.

Officials at the New South Wales Department of Agriculture advised that similar price data was published by all State Departments of Agriculture, and hence the availability of such data was Australia wide. Further, officials of the Australian Meat Board advised that in each state, country newspapers are published and are readily available, which contain detailed market selling price information for all country livestock auction centres.

In addition to all of the foregoing readily available sources of selling price data, the Commonwealth Bureau of Agricultural Economics produces a regular publication entitled Situation and Outlook: Meat. This publication also contains details of livestock prices realized at the Homebush saleyards, as well as retail prices. The data presented in this publication is based on statistics provided by the Australian Meat Board.

It has been established that there is extensive readily available and up-to-date evidence of the current cash equivalents for several classes of livestock. However, the market selling price data is arranged such that ranges of prices are provided for each type of livestock, by class

and weight. There are several problems facing a primary producer in assessing the value of total livestock inventories in terms of the market selling price data available.

For example:

- (a) The quantity of each type of livestock has to be estimated; that is, the number of cattle, sheep, and pigs. The maintenance of perpetual stock records may assist in determining these estimates, but, to physically check the estimates may be very difficult, as the herd or flock may be grazed over a very large area. This problem, however, is common in the application of all valuation methods, since all methods necessitate the estimation of the total number of livestock.
- (b) An assessment of the quality of each class of beast must be made. An estimation of the number of beasts per class within each livestock type is required before this assessment can be made; for example, the number of bullocks, steers, heifers, and vealers in the cattle herd. An assessment of the quality of the beasts necessitates the estimation of the numbers of prime, good and medium beasts within each class.
- (c) An assessment of the live or dressed weight of the beasts must be made.

A current cash equivalent for the livestock inventories may only be approximated, by applying recent market selling prices to the estimates of the quantity,

quality, and weight of each livestock type.

### Fresh Fruit and Vegetables

In most States fresh fruit and vegetables (apart from apples and pears) are generally free from any control over marketing. The Australian Apple and Pear Board largely controls the export of Australian apples and pears. There are some cases where cooperatives or State boards control part or all of a crop, e.g. lemons in New South Wales and citrus fruit generally in South Australia.

There is, however, very detailed selling price information which is readily available. The New South Wales Department of Agriculture publishes in its Weekly Marketing Notes comprehensive price data for most fresh fruit and vegetables which are marketed in the Sydney Wholesale Markets. The price data represents the returns to the growers. Details of the price quotations for the week ended 8/1/1975 include the following fresh vegetables: several grades and types of potatoes, peas, beans, cabbages, celery, lettuce, tomatoes, cucumbers, carrots, sweet potatoes, onions, pumpkins, parsley, spring onions, eschalots, spinach, radishes, mint, rhubarb, leeks, beetroot, zucchini, garlic, mushrooms, eggfruit, and capsicums. Similarly, the price data for fresh fruit included various types of apples and pears, bananas, oranges, lemons, cherries, peaches, plums, apricots, passionfruit, nectarines, pineapples, grapefruit, strawberries,

watermelons, papaws, rockmellons, and grapes. In addition to the weekly quotations, average monthly prices for December were presented for some 45 vegetable types, and 60 fruit types. These figures include the different varieties of various fruit and vegetables.

The New South Wales Department of Agriculture also publishes two annual Production and Marketing Reports; one for fruit, the other for vegetables. These reports include detailed information of the average monthly prices realized at the Sydney Wholesale Markets for most fresh fruit and vegetables. The data presented in the 1974 reports, is, in the case of fresh fruit, for the period 1967-1973; and, in the case of fresh vegetables, for the period 1971-1973. In addition to the wholesale prices, average monthly retail prices are also presented for most fruits and vegetables.

Officials of the New South Wales Department of Agriculture advised that similar price data are collected in each State by the appropriate Agricultural Authority. There is, therefore, extensive readily available and up-to-date evidence of the current cash equivalents of the various types of fresh fruit and vegetables. The inventory of fresh fruit and vegetables will consist of the fruit and vegetables which are in a marketable condition; that is, those which have been picked. Some items are marketed only when packed; for example, tomatoes, apples, pears, and oranges. Fruit and vegetables which have not been picked are not included in the inventory, because until they are fully grown

and picked they do not constitute a 'severable means'.

The current cash equivalent of the inventory can be approximated by applying recent market selling prices of the different kinds and grades of fruit and vegetables, to the estimated quantities of those items on hand. Quantities of each item may be estimated by weight, packing case, and bag.

### Wheat

Complementary State and Commonwealth legislation requires that all wheat produced in Australia (except for small quantities retained on farms) be marketed through a statutory authority, the Australian Wheat Board. Growers usually deliver to the State bulk handling authorities, who act as authorized receivers for the Board. The wheat is weighed and the growers are given receipts for the quantities delivered. The Board makes an advance payment soon after the delivery, the credit being provided by the Reserve Bank on the basis of a Commonwealth Government guarantee. Wheat is sold on the home or export market, and the proceeds are pooled. The Reserve Bank loan is repaid and growers receive additional payments as funds become available from the sales. The pools may take a few years to finalize, but eventually each grower receives a return based on the quantity of wheat he delivered and the average price realized, subject to any variations based on the quality of his crop.

The Chairman of the Australian Wheat Board sends a letter to each grower in April and November each year, providing details of the amount of the first advance; and, the date of payment and estimated amount, of the outstanding pools. The growers have, therefore, detailed price information of the estimated realizable amounts for each season's crop. The annual report of the Australian Wheat Board also contains comprehensive information concerning the guaranteed price per tonne (since the 1948-1949 season), and payments to growers, in terms of dollars per tonne for both bulk and bagged wheat, for the entire number of pools (from pool number 1 up to the 1972-1973 crop).<sup>94</sup>

The Weekly Marketing Notes produced by the New South Wales Department of Agriculture also contains details of the selling prices for wheat in both the wholesale and retail markets. In addition to this data, the Commonwealth Bureau of Agricultural Economics produces a regular publication entitled Situation and Outlook: Wheat. This publication includes details of the guaranteed price and the average returns to growers; the 1974 issue presented data for the crop years 1960/61 to 1973/74. The data contained in this publication is based on statistics provided by the Australian Wheat Board.

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<sup>94</sup> Australian Wheat Board Annual Report Season 1972-1973. The Annual Report for the 1973-1974 season had not been printed at the time this research was undertaken.

The wheat is not marketable until harvested; it could not, therefore, be recognized as inventory until this point in time. The harvested wheat is delivered bulk to the wheat silos where it is subjected to a quality inspection before it is accepted. The quality of the wheat is determined by ascertaining the following:

(a) Size and weight of grain

If the weight of the grain exceeds 59 lb. per bushel of harvested wheat, the wheat is graded first quality. Below that weight, the wheat is graded as light weight wheat, and the price paid for the crop is determined on a set scale dependent upon weight.

(b) Foreign matter content

If the percentage of foreign matter (for example, weed seeds) in the wheat sample, is higher than a set level, the quality of the wheat is down graded, and the price paid for the crop is determined on a set scale dependent upon the actual foreign matter content.

(c) Moisture content

The maximum moisture content for first quality wheat is  $12\frac{1}{2}\%$ . If the moisture content exceeds this percentage, the wheat crop is down-graded, and the price paid for the crop is determined on a set scale dependent upon the actual moisture content.

After the quality of the crop is tested, the crop is weighed in bulk, and the primary producer advised of the



approximate price he can expect to receive. There is readily available and up-to-date evidence of the current cash equivalent for inventories of wheat.

While growers are advised twice per year of the approximate price per bushel and tonne for outstanding pools, they have had to wait up to three or four years before receiving full payment for the crop. Officials of the Australian Wheat Board advised that the Board hopes to establish a 'Discounting of Pool Equity Scheme'. The scheme would enable the Board, through borrowed funds, to pay the growers the full price for their crop much sooner than at present. The grower would, however, receive a lower price per tonne, thereby enabling the Board to repay the interest on the loan, but would receive full payment for the crop much sooner. At any point in time, the primary producer is most unlikely to have an inventory of wheat on hand. He will, however, be carrying debtors in respect of the wheat crop.

#### Dairy Products

There are several aspects of the marketing arrangements for Australian dairy products: domestic sales of liquid milk; a statutory authority for export marketing; a voluntary price equalization scheme for butter, cheese, casein, and skim milk powder; and, a government guaranteed stabilization plan.

The prices of wholemilk for dairymen, receiptal

factories, milk treatment companies, and wholesale and retail agents, are determined by the State Milk Boards; and, in New South Wales, by the Dairy Industry Prices Tribunal. Notification of the minimum prices to dairymen, wholesale prices, and maximum retail prices, is in the form of a government gazette, which is issued in New South Wales by the Dairy Industry Authority of New South Wales. Surplus milk (milk which is produced in excess of the quotas determined by the Dairy Industry Authority of New South Wales) is sold to local butter factories. The producers and factories reach an informal agreement as to the price to be paid at the factory door for the surplus milk. The price is determined on a butter-fat content basis.

There is, therefore, readily available and up-to-date evidence of the current cash equivalent of milk. It is unlikely, however, that primary producers would hold an inventory of milk, since deliveries to dairies and butter factories are made daily.

A voluntary equalization scheme operates for butter, cheese, casein, and skim milk powder. To receive the production bounty, butter and cheese factories must participate in the scheme, as must casein manufacturers in order to export casein. The scheme is administered by the Commonwealth Dairy Produce Equalization Committee Ltd. The main purpose of the

scheme is to ensure that, by annual pooling of local and export sales, producers receive equal rates of return, irrespective of the markets on which the product is sold. Through the administration of the scheme, each factory receives an interim rate for its butter and cheese, to which is added the Commonwealth bounty. The factory then deducts its manufacturing cost, the balance being the amount available as a basis of producers' returns at the factory door. As the products are subsequently sold and payments received, step ups in the equalization value are determined and paid retrospectively to the beginning of the relevant financial year to the factories and thence to the producer. When the produce for the whole of the particular year has been finally disposed of, the Equalization Committee determines the final equalization payment, including the final bounty payment which is paid to the factories and onto the producers for the whole of that year's produce.

The Commonwealth Dairy Produce Equalization Committee Ltd. advises all producers of the equalization value for individual products, and publishes statistics of annual overall returns to manufacturers for butter and cheese in its annual report. In the annual report full details of returns to manufacturers are provided for the years 1943-1974.<sup>95</sup>

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<sup>95</sup> Commonwealth Dairy Produce Equalization Committee Limited, Fortieth Annual Report of Directors and Balance Sheet as at 30th June, 1974.

Returns to producers are obtained by deducting a standard manufacturing cost from the returns to the manufacturers. Details of estimated returns to producers for butter and cheese may be obtained from the annual reports of the Equalization Committee.

Evidence of the current cash equivalents for butter, cheese, casein and skim milk powder, is therefore readily available. However, as with wheat, primary producers are unlikely to have stocks of these products on hand at any time. They are, however, likely to be carrying debtors in respect of those inventories.

### Sugar

There is no Commonwealth Statutory body concerned with sugar marketing. The Queensland Government, through its agent the Sugar Board, acquires all the raw sugar produced in Queensland, and the remaining percentage of the total Australian production, which is produced in New South Wales. Prices are fixed by annual proclamation under the Queensland Sugar Acquisition Act and by related agreements with the New South Wales millers.

Sugar production is controlled through a system of quotes or mill peaks which are determined by the Central Sugar Cane Prices Board on the basis of the output required to meet both domestic demand and export quotas under international trade arrangements. Sugar produced within the

mill peak is referred to as No.1 Pool sugar and has a composite price related to world prices. Sugar in excess of the mill peak is paid for at world market prices.

For sugar cane to be marketable, it must be harvested; it is at this point in time that the inventory is recognized. Sugar cane in the field, therefore, cannot be considered as inventory. On delivery to the mill, the sugar cane is quality tested on the basis on its sugar content. The price to growers may vary on the basis of the quality test and growers are advised on the prices set. Evidence of the current cash equivalents for inventories of sugar are readily available.

### Eggs

The marketing of eggs is controlled by statutory authorities. State Egg Boards are responsible for domestic sales, and the Australian Egg Board is responsible for exports.

Egg Boards have been established by all State Governments. Although their powers vary between States, the broad objective of each Board is to arrange for equalized basic prices to be paid to each producer. Most producers are compelled to consign their output to the Boards; some producers are licensed as agents, by the Boards, to make direct sales to retail outlets. Each State Board determines the wholesale price at which eggs are sold within its own State.

The Egg Marketing Board of New South Wales publishes The Poultry Farmer on a weekly basis, and this publication includes the following selling price information:

(i) Australian Egg Prices

The prices listed are the basic wholesale prices set by all State Egg Boards for -

- Hen 60g. eggs
- Hen 55g. eggs
- Hen 50g. eggs
- Hen 45g. eggs
- Duck eggs

(ii) Prices to be charged by producer agents in New South Wales for 30 dozen case lots, in respect of hen 60g., hen 55g., hen 50g., and hen 45g. eggs -

- advance to consignors (basic wholesale price),
- wholesale price ex farmers,
- delivered to retailer,
- retail price.

In addition to the prices announced by the Egg Marketing Board of New South Wales in The Poultry Farmer, the Weekly Marketing Notes published by the New South Wales Department of Agriculture also contains details of the wholesale and retail prices which are fixed by the Board.

The Australian Egg Board purchases surplus eggs for export from the State Boards. It pays the Boards advance

prices at the time of purchase at rates approved by the Minister for Primary Industry. Finance for these payments is made by the Reserve Bank under Commonwealth Government guarantee. With returns from the sales, the Board repays the Reserve Bank advances, and pays the balance to the State Boards so that unit returns for each category of egg and egg product in the pool are the same.

There is readily available evidence of the current cash equivalent of eggs, in the form of the wholesale prices set by the State Egg Boards. Primary producers, however, are unlikely to hold inventories of eggs, since deliveries to the State Egg Boards are made frequently.

#### Dried Vine Fruits

The Australian Dried Fruits Association estimates the quantity of fruit to be reserved each year for the domestic market, and sets wholesale prices and conditions for the sale of its members' produce. As the Association membership includes nearly all growers and packers, the Association can obtain Australian wide adherence to the wholesale prices set.

A comprehensive price list is published annually by the Association and distributed to members. There is therefore, readily available and up-to-date evidence of the current cash equivalents for dried vine fruits.

Fruit on the vine cannot be included in inventories, since the fruit must be picked before being marketable.

## Coarse Grains

Included in this category are barley, oats, maize, and grain sorghum. Generally speaking, these grains are marketed through various marketing boards. However, there are no set prices to producers or fixed wholesale prices. The New South Wales Department of Agriculture does publish weekly quotations for each one of these grains in its Weekly Marketing Notes. The price data includes the Alexandria price per tonne, and the average return per tonne to the grower at the country rail sidings. The grains for which these weekly prices are presented are: feed oats, milling oats, feed barley, maize, rye corn, and grain sorghum.

In addition to the above mentioned source of price data, the Commonwealth Bureau of Agricultural Economics produces a regular publication entitled Situation and Outlook: Coarse Grains. This publication for 1974, included average monthly quotation prices for bulk grain at Alexandria for the following grains: barley, oats, maize, and grain sorghum. The period for which the price data is presented covers each month for the years 1970-73.

Officials of the New South Wales Department of Agriculture advised that the respective Agricultural Authorities in each State collate similar price information.

A market is established only in respect of harvested coarse grains. Crops in the field, therefore, cannot be



recognized as inventories, since at this time they are not 'severable means'. For harvested crops, there is considerable readily available and up-to-date evidence of their current cash equivalents.

### 3.3 GENERAL OBSERVATIONS

It can be concluded, on the basis of the data presented in this section, that there is extensive up-to-date and readily available evidence of the current cash equivalents of all classes of wool, livestock, fresh fruit, fresh vegetables, wheat, dairy products, sugar, eggs, dried vine fruits, and coarse grain in Australia. The data presented constitutes the circumstantial evidence of the current cash equivalents of these primary products. The market selling price data is readily obtainable on application to the respective publishers; there are, therefore, no time delays in availability. Further, all publishers will mail the information, without cost, to the applicant. The cost, therefore, of ascertaining prices which closely approximate the current cash equivalent of the inventories currently held, is negligible.

That the evidence required for the implementation of Chambers' system of continuously contemporary accounting is readily available at little or no cost, has been clearly

established in the case of the inventories of primary producers. The feasibility of adapting the continuously contemporary accounting model to the inventories of primary producers is beyond question.

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APPENDIX A

It was not possible to ascertain which inventory valuation methods are being adopted by four of the non listed and/or proprietary companies listed in Jobson's Year Book 1974-1975, as these companies denied access to their financial reports. The companies thereby excluded from this study are as follows:

Australian Land and Cattle Coy. Ltd.,  
First Northern Territory Cattle Coy. Ltd.,  
Farmers and Graziers Cooperative Coy. Ltd., and  
G.H. Mitchell and Sons (Australia) Pty. Ltd.

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Australian Agricultural Co.Ltd. (listed A.A.S.E.)	31.10.'73	lower of cost and N.R.V.	average value for tax purposes
	31.10.'72	lower of cost and N.R.V.	no method disclosed
	31.10.'71	lower of cost and N.R.V.	no method disclosed
	31.10.'70	lower of cost and N.R.V.	no method disclosed
	31.10.'69	lower of cost and N.R.V.	no method disclosed
The Beef Machine Ltd. formerly Astor Hotel Motels Ltd. prior to 3.11.'72 (listed A.A.S.E.)	30.6.'73	lower of cost and N.R.V.	cattle - market value horses - average cost sheep - average cost
	30.6.'72	-	average cost
	30.6.'71	-	average cost
	30.6.'70	-	average cost
	30.6.'69	-	average cost
Bennett and Fisher Ltd. (listed A.A.S.E.)	30.6.'73	lower of cost and N.R.V.	market value
	30.6.'72	lower of cost and N.R.V.	market value
	30.6.'71	lower of cost and N.R.V.	market value
	30.6.'70	lower of cost and N.R.V.	-
	30.6.'69	lower of cost and N.R.V.	-



NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
W.R. Carpenter Holdings Ltd. (listed on A.A.S.E.)	30.6.'73	lower of cost and N.R.V.	lower of cost and N.R.V.
	30.6.'72	lower of cost and N.R.V.	cost
	30.6.'71	lower of cost and N.R.V.	cost
	30.6.'70	lower of cost and N.R.V.	cost
	30.6.'69	lower of cost and N.R.V.	-
Dalgety Ltd. (listed A.A.S.E.)	30.6.'72	lower of cost and N.R.V.	lower of cost and N.R.V.
	30.6.'71	lower of cost and N.R.V.	lower of cost and N.R.V.
	30.6.'70	lower of cost and N.R.V.	lower of cost and N.R.V., and standard prices for tax purposes
	30.6.'69	lower of cost and N.R.V.	lower of cost and N.R.V.
	30.6.'68	lower of cost and N.R.V.	lower of cost and N.R.V.
Dennys Lascelles Ltd. (listed A.A.S.E.)	30.6.'74	lower of cost and N.R.V.	"
	30.6.'73	lower of cost and N.R.V.	"
	30.6.'72	lower of cost and N.R.V.	"
	30.6.'71	lower of cost and N.R.V.	"
	30.6.'70	lower of cost and N.R.V.	"

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Elder Smith Goldsborough Mort Ltd. (listed A.A.S.E.)	30.6.'74	lowest of cost, N.R.V., and R.P.	average value
	30.6.'73	lowest of cost, N.R.V., and R.P.	average value
	30.6.'72	lowest of cost, N.R.V., and R.P.	average value
	30.6.'71	lowest of cost, N.R.V., and R.P.	average value
	30.6.'70	lowest of cost, N.R.V., and R.P.	-
Eyre Peninsula Farms Ltd. (listed A.A.S.E.)	31.12.'73	lower of cost and N.R.V.	sheep - standard value others - market value
	31.12.'72	lowest of cost, N.R.V., and R.P.	standard value
	31.12.'71	lowest of cost, N.R.V., and R.P.	standard value
	31.12.'70	lowest of cost, N.R.V., and R.P.	standard value
	31.12.'69	lowest of cost, N.R.V., and R.P.	standard value
Wm. Haugton and Co. Ltd. (listed A.A.S.E.)	30.6.'73	lowest of cost, N.R.V., and R.P.	-
	30.6.'72	lowest of cost, N.R.V., and R.P.	-
	30.6.'71	lowest of cost, N.R.V., and R.P.	-
	30.6.'70	lowest of cost, N.R.V., and R.P.	-
	30.6.'69	lowest of cost, N.R.V., and R.P.	-

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Scottish Australian Holdings Ltd.	30.6.'73	lower of cost and N.R.V.	average cost
Following a takeover by Marra Developments Ltd., the 1974 report will be in the name of Marra	30.6.'72 30.6.'71 30.6.'70	lower of cost and N.R.V. lower of cost and N.R.V. lower of cost and N.R.V.	average cost average cost average cost
Scottish Australian Ltd. (listed A.A.S.E.)	30.6.'69	lower of cost and N.R.V.	average cost
Northern Agricultural Development Corporation Ltd. company formed 30.7.'70 (listed A.A.S.E.)	30.9.'73 30.9.'72 30.9.'71	lower of cost and N.R.V. grain sorghum - N.R.V. lower of cost and N.R.V. grain sorghum - N.R.V. lower of cost and N.R.V.	N.R.V. breeding herd - average cost trading herd - N.R.V. -
Pioneer Sugar Mills Ltd. (listed A.A.S.E.)	31.3.'74 31.3.'73 31.3.'72 31.3.'71 31.3.'70	lower of cost and N.R.V. lower of cost and N.R.V. lower of cost and N.R.V. lower of cost and N.R.V. lower of cost and N.R.V.	breeding stock - average cost trading stock - average market value (for 3 yrs.) breeding stock - average cost trading stock - average market value (for 3 yrs.) average cost average cost average cost

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Southern Farmers Cooperative Ltd. (listed A.A.S.E.)	30.6.'73	lowest of cost, N.R.V. and R.P.	-
	30.6.'72	lowest of cost, N.R.V. and R.P.	-
	30.6.'71	lowest of cost, N.R.V. and R.P.	-
	30.6.'70	lowest of cost, N.R.V. and R.P.	-
	30.6.'69	lowest of cost, N.R.V. and R.P.	-
Strachan and Co. Ltd. (listed A.A.S.E.)	30.6.'74	lower of cost and N.R.V.	-
	30.6.'73	lower of cost and N.R.V.	-
	30.6.'72	lower of cost and N.R.V.	-
	30.6.'71	lower of cost and N.R.V.	-
	30.6.'70	lower of cost and N.R.V.	-
A.G. Webster and Woolgrowers Ltd. (listed A.A.S.E.)	30.6.'74	lower of cost and N.R.V.	-
	30.6.'73	lower of cost and N.R.V.	-
	30.6.'72	lower of cost and N.R.V.	-
	30.6.'71	lower of cost and N.R.V.	-
	30.6.'70	lower of cost and N.R.V.	-
Western Livestock Ltd. (listed A.A.S.E.)	30.6.'73	lower of cost and N.R.V.	-
	30.6.'72	lower of cost and N.R.V.	-
	30.6.'71	lower of cost and N.R.V.	-
	30.6.'70	lower of cost and N.R.V.	-
	30.6.'69	lower of cost and N.R.V.	-

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Wilcox Mofflin Ltd. (listed A.A.S.E.)	30.6.'73	lower of cost and N.R.V.	-
	30.6.'72	lower of cost and N.R.V.	-
	30.6.'71	lower of cost and N.R.V.	-
	30.6.'70	lower of cost and N.R.V.	-
	30.6.'69	lower of cost and N.R.V.	-
Winchcombe Carson Ltd. (listed A.A.S.E.)	30.6.'73	lower of cost and N.R.V.	-
	30.6.'72	lower of cost and N.R.V.	-
	30.6.'71	lower of cost and N.R.V.	-
	30.6.'70	lower of cost and N.R.V.	-
	30.6.'69	lower of cost and N.R.V.	-
Allied Manufacturing and Trading Industries Ltd. (classified 'Station Owner')	31.10.'73	lower of cost and market value	-
	31.10.'72	lower of cost and market value	-
	31.10.'71	lower of cost and market value; and market value	-
	31.10.'70	lower of cost and market value; and market value	-
Australian Continental Resources Ltd. (classified 'Station Owner')	31.12.'73	-	average cost
	31.12.'72	-	average cost
	31.12.'71	-	average cost
	31. 6.'71	-	average cost

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
The Australian Estates Co. Ltd. (classified 'Station Owner')	31.12.'73	lower of cost and N.R.V.	not held for resale: standard value
	31.12.'72	lower of cost and N.R.V.	held for fattening : cost
	31.12.'71	lower of cost and N.R.V.	not held for resale: standard value
	31.12.'70	lower of cost and N.R.V.	held for fattening : cost
	31.12.'69	lower of cost and N.R.V.	not held for resale: standard value held for fattening : cost
			not held for resale: standard value held for fattening : cost

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Bundaberg Sugar Co. Ltd. (classified 'Station Owner')	30. 4. '74	cost	commercial and stud cattle: average cost
	31.12. '72	cost	Charolais stud cattle: officers' valuation
	31.12. '71	lower of cost and N.R.V.	commercial and stud cattle: average cost
	31.12. '70	lower of cost and N.R.V.	Charolais stud cattle: officers' valuation
	31.12. '69	lower of cost and N.R.V.	commercial and stud cattle: average cost
			Charolais stud cattle: officers' valuation
			commercial and stud cattle: average cost
			Charolais stud cattle: officers' valuation
			commercial and stud cattle: average cost
			Charolais stud cattle: officers' valuation

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NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Cleckheaton Ltd. (classified 'Station Owner')	30. 6. '74	lower of cost, N.R.V., and R.P.	-
	30. 6. '73	lower of cost, N.R.V., and R.P.	-
Comfin Australia Ltd. (classified 'Station Owner')	30. 6. '73	lower of cost and N.R.V.	-
Esperence Bay Co. Ltd. (classified 'Station Owner')	30. 6. '73	-	cattle - market value horses - average cost sheep - average cost
	30. 6. '72	-	average cost
Hooker Corporation Ltd. (classified 'Station Owner')	30. 6. '73	cost	average cost
	30. 6. '72	cost	average cost
	30. 6. '71	cost	average cost
	30. 6. '70	lower of cost and N.R.V. wool - N.R.V.	average cost
	30. 6. '69	lower of cost and N.R.V. wool - N.R.V.	average cost



NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
New Zealand Pastoral Holdings Ltd. (classified 'Station Owner')	30. 6. '73	no method disclosed	average cost and officers' valuation
	30. 6. '72	no method disclosed	average cost and officers' valuation
	30. 6. '71	no method disclosed	average cost and officers' valuation
Project Development Corporation Ltd. (classified 'Station Owner')	31.12.'73	cost; meat stocks - N.R.V.	average cost; Brahman stud herd - officers' valuation
	31.12.'72	cost; meat stocks - N.R.V.	average cost
	30. 6.'71	cost; meat stocks - N.R.V.	average cost
	30. 6.'70	lower of cost and N.R.V.	average cost; Brahman stud herd - 1970 valuation
Stanbroke Pastoral Co. Pty. Ltd. (classified 'Station Owner')	31.12.'73	cost	N.R.V.
	31.12.'72	cost	N.R.V.
	31.12.'71	cost	average cost
	31.12.'70	cost	average cost
	31.12.'69	cost	average cost

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Talga Ltd. (classified 'Station Owner')	30. 6. '73	-	lower of cost and N.R.V.
Tangible Securities Ltd. (classified 'Station Owner')	31.12.'73	cost; meat stocks - N.R.V.	average cost; Brahman stud herd - officers' valuation
	31.12.'72	cost; meat stocks - N.R.V.	average cost; Brahman stud herd - officers' valuation
	31.12.'71	cost; meat stocks - N.R.V.	average cost; Brahman stud herd - officers' valuation
Allied Farmers Cooperative Ltd. formerly North Auckland Farmers' Cooperative Ltd. (classified 'Woolbroker and Primary Production Agent	30. 6.'73 30. 6.'72 30. 6.'71 30. 6.'70 30. 6.'69	no method disclosed no method disclosed no method disclosed no method disclosed no method disclosed	- - - - -

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Australian Mercantile Land and Finance Co. Ltd.	30. 6. '74	cost; and officers' valuation	average cost
(classified 'Woolbroker and Primary Production Agent')	30. 6. '73	cost; and officers' valuation	average cost; and officers' valuation
	30. 6. '72	cost; and the lower of cost N.R.V.	average cost
	30. 6. '71	lower of cost and market	average cost
The Canterbury Farmers' Cooperative Association Ltd.	31. 7. '73	no method disclosed	-
(classified 'Woolbroker and Primary Production Agent')	31. 7. '72	no method disclosed	-
	31. 7. '71	no method disclosed	-
	31. 7. '70	no method disclosed	-
	31. 7. '69	no method disclosed	-
Challenge Corporation Ltd. formerly N.M.A. Wright Stephenson Holdings Ltd. (classified 'Woolbroker and Primary Production Agent')	1973	lower of cost and N.R.V.	-

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
E. Lichtenstein and Co. Ltd. (classified 'Woolbroker and Primary Production Agent')	30. 6. '73	no method disclosed	-
	30. 6. '72	no method disclosed	-
	30. 6. '71	no method disclosed	-
	30. 6. '70	no method disclosed	-
	30. 6. '69	no method disclosed	-
Mactaggarts Primary Producers' Cooperative Association Ltd. (classified 'Woolbroker and Primary Production Agent')	30. 6. '73	lower of cost and N.R.V.	-
	30. 6. '72	lower of cost and N.R.V.	-
	30. 6. '71	lower of cost and N.R.V.	-
	30. 6. '70	lower of cost and N.R.V.	-
	30. 6. '69	lower of cost and N.R.V.	-
Newton King Ltd. (classified 'Woolbroker and Primary Production Agent')	30. 6. '73	lower of cost and N.R.V.	-
	30. 6. '72	lower of cost and N.R.V.	-
	30. 6. '71	lower of cost and N.R.V.	-
	30. 6. '70	lower of cost and N.R.V.	-
	30. 6. '69	lower of cost and N.R.V.	-
Queensland Primary Producers' Cooperative Association Ltd. (classified 'Woolbroker and Primary Production Agent')	30. 6. '74	lower of cost and N.R.V.	-
	30. 6. '73	lower of cost and N.R.V.	-
	30. 6. '72	lower of cost and N.R.V.	-
	30. 6. '71	lower of cost and N.R.V.	-
	30. 6. '70	lower of cost and N.R.V.	-

NAME OF COMPANY	BALANCE SHEET DATE	VALUATION METHOD DISCLOSED FOR STOCK ON HAND	VALUATION METHOD DISCLOSED FOR LIVESTOCK
Roberts Stewart and Co. Ltd. (classified 'Woolbroker and Primary Production Agent')	31. 8. '73	lower of cost and N.R.V.	-
	31. 8. '72	lower of cost and N.R.V.	-
	31. 8. '71	lower of cost and N.R.V.	-
	31. 8. '70	lower of cost and N.R.V.	-
	31. 8. '69	lower of cost and N.R.V.	-
Vavasseur Pacific Ltd. (classified 'Woolbroker and Primary Production Agent')	31.12. '73	lower of cost and N.R.V.	average cost
	31.12. '72	-	officers' valuation
	31.12. '71	-	cost
Victorian Producers Cooperative Co. Ltd. (classified 'Woolbroker and Primary Production Agent')	30. 6. '73	lower of cost and N.R.V.	-
	30. 6. '72	lower of cost and N.R.V.	-
	30. 6. '71	lower of cost and N.R.V.	-
Westralian Farmers Cooperative Ltd. (classified 'Woolbroker and Primary Production Agent')	31. 7. '73	lowest of cost, N.R.V., and R.P.	-
	31. 7. '72	lowest of cost, N.R.V., and R.P.	-
	31. 7. '71	lowest of cost, N.R.V., and R.P.	-
	31. 7. '70	lowest of cost, N.R.V., and R.P.	-
	31. 7. '69	lowest of cost, N.R.V., and R.P.	-

APPENDIX B

PUBLICATIONS BY THE AUSTRALIAN DAIRY PRODUCE BOARD

Australian Dairy Produce Board, Annual Report 1973

The Australian Dairy Industry in Brief

PUBLICATIONS BY THE AUSTRALIAN MEAT BOARD

Australian Meat Board Statistical Review of Livestock and Meat Industries for the year ended 30th June, 1974

The Australian Meat and Livestock Industries

The Meat Producer and Exporter

Thirty-ninth Annual Report of the Australian Meat Board for the year ended 30th June, 1974

PUBLICATION BY THE AUSTRALIAN WHEAT BOARD

Australian Wheat Board Annual Report Season 1972-73

PUBLICATION BY THE AUSTRALIAN WOOL CORPORATION

Wool Market News - Weekly Market Summary

PUBLICATIONS BY THE COMMONWEALTH BUREAU OF AGRICULTURAL ECONOMICS

National Agricultural Outlook Conference, Documents and Discussions 1974, Volumes, 1 - 3

Occasional Paper No. 13: Price Foundation, Price Projections  
and Commodity Marketing Research

Quarterly Review of Agricultural Economics

Rural Industry in Australia

Situation and Outlook: Coarse Grains and Oilseeds

Situation and Outlook: Dairy Products

Situation and Outlook: Eggs

Situation and Outlook: Meat

Situation and Outlook: Wheat

The Fibre Review

The Wool Outlook

PUBLICATION BY THE COMMONWEALTH DAIRY PRODUCE EQUALIZATION  
COMMITTEE LIMITED

Commonwealth Dairy Produce Equalization Committee Limited,  
Fortieth Annual Report of Directors and Balance Sheet  
as at 30th June, 1974

PUBLICATIONS BY THE DAIRY INDUSTRY AUTHORITY OF NEW SOUTH WALES

New South Wales Dairyman, January 1975

Notification of Order, under the Dairy Industry Authority  
Act, 1970, as amended - Minimum prices to Dairymen, Wholesale  
Prices and Maximum Retail Prices (Published in Government  
Gazette No 149 of 13th December, 1974)

PUBLICATION BY THE EGG MARKETING BOARD OF NEW SOUTH WALES

The Poultry Farmer

PUBLICATIONS BY THE NEW SOUTH WALES DEPARTMENT OF AGRICULTURE

Weekly Marketing Notes

New South Wales Production and Marketing Report 1974: Beef

New South Wales Production and Marketing Report 1974: Fruit

New South Wales Production and Marketing Report 1974: Pigs

New South Wales Production and Marketing Report 1974: Sheep

New South Wales Production and Marketing Report 1974: Vegetables