

INVENTORY  
MEASUREMENT AND VALUATION OF  
OIL AND GAS PETROLEUM PRODUCTS  
(LIFO VS FIFO)

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by

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## ABSTRACT

Petroleum!!! Or, rather "black gold" .... the name becomes more appropriate with each passing year. We depend on it for our livelihood. On crude and refined oil. And on petrochemicals.

Such are the sort of products produced, purchased and manufactured by Petrogas, one of the giant companies whose nature of business would affect the economy of the country, if not the world's, in one way or another.

In the petroleum business (as in most other businesses), inventory is the lifeblood. Inventories affect the performance of business in terms of services and value as they ensure supply and their value will be reflected in the ascertainment of profit and working capital in the financial statements.

However, the nature of the petroleum products and the way they are stored requires a standard method of measurement that will provide accurate readings before their value could be ascertained.

The method of measurement, even though performed as meticulously as is humanly possible, absolute accuracy is virtually impossible to achieve. (It is very technical, indeed).

Ascertainment of value of such inventories is the next debatable issue. However, several methods have been described and proposed by recognised accounting bodies and