

	Policy: Accounting for Inventory	Page 1 of 4
	Monitor: Director, Finance	No.: P-3
	Approval Date: May 31, 1989 Revised: June 1, 2001	Effective Date: May 31, 1989 Effective Date: June 26, 2001

Policy: The Corporation will manage its inventory with a view to optimizing the balance between its investment in inventory and the carrying out of effective business operations with a minimum of disruption.

Definitions:

**"Inventory"** - those materials necessary to maintain the efficient and effective operation of Corporation plants, with the characteristics of (a) high unit value and low usage rate; or (b) low unit value, but critical to avoid disruption of operations.

**"Direct Charge Materials"** - those items for which the cost of inventory administration is expected to be greater than the benefits. Direct charge items have the characteristics of (a) very low value and high usage rate (e.g., cleaning rags); or (b) difficult to count due to volume (e.g. nails).

**"Project Construction Material"** refers to materials purchased for the construction of a capital project.

Directives:

1. The Corporation shall maintain inventory at those locations where it is cost effective to do so.
2. Inventory shall be accounted for as an asset, valued by the average cost method.
3. Direct charge materials shall not be included in inventory.
4. Project construction material remaining at the conclusion of a project shall be:
  - a) put into inventory if it falls under the definition of inventory;
  - b) returned for credit to the supplier if feasible; or
  - c) documented and kept separate and away from inventory items if none of the above.
5. A complete physical count of inventory shall be carried out at least once per year.
6. The Corporation shall account for and document:
  - a) inventory issues to a plant
  - b) inter company inventory transfers (ie. from one plant to another plant)
  - c) materials shipped out for repair. (eg. turbos, motors, transformers etc)
7. The Corporation shall measure (dip) the fuel contained in each of its fuel tanks on the last day of each calendar month to determine the total fuel in storage, and the total fuel consumption during the month. The Corporate standard is to use Celsius conversion.

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See accompanying appendices for temperature conversion charts.

**POLICY P-3 ACCOUNTING FOR INVENTORY**

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**APPENDIX A**

**FAHRENHEIT TEMPERATURE CONVERSION CHART**

**Group 2 Gravity Range 35.0 – 50.9 API**

Oil Temp F	Correction Factor												
-50	1.0546	-24	1.0417	2	1.0288	28	1.0159	54	1.0030	80	0.9901		
-49	1.0541	-23	1.0412	3	1.0283	29	1.0154	55	1.0025	81	0.9896		
-48	1.0536	-22	1.0407	4	1.0278	30	1.0149	56	1.0020	82	0.9891		
-47	1.0531	-21	1.0402	5	1.0273	31	1.0144	57	1.0015	83	0.9886		
-46	1.0526	-20	1.0397	6	1.0268	32	1.0139	58	1.0010	84	0.9881		
-45	1.0521	-19	1.0392	7	1.0263	33	1.0134	59	1.0005	85	0.9876		
-44	1.0517	-18	1.0387	8	1.0258	34	1.0129	60	1.0000	86	0.9871		
-43	1.0512	-17	1.0382	9	1.0253	35	1.0124	61	0.9995	87	0.9866		
-42	1.0507	-16	1.0378	10	1.0248	36	1.0119	62	0.9990	88	0.9861		
-41	1.0502	-15	1.0373	11	1.0243	37	1.0114	63	0.9985	89	0.9856		
-40	1.0497	-14	1.0368	12	1.0238	38	1.0109	64	0.9980	90	0.9851		
-39	1.0492	-13	1.0363	13	1.0233	39	1.0104	65	0.9975	91	0.9846		
-38	1.0487	-12	1.0358	14	1.0228	40	1.0099	66	0.9970	92	0.9841		
-37	1.0482	-11	1.0353	15	1.0223	41	1.0094	67	0.9965	93	0.9836		
-36	1.0477	-10	1.0348	16	1.0218	42	1.0089	68	0.9960	94	0.9831		
-35	1.0472	-9	1.0343	17	1.0214	43	1.0084	69	0.9955	95	0.9826		
-34	1.0467	-8	1.0338	18	1.0209	44	1.0079	70	0.9950	96	0.9821		
-33	1.0462	-7	1.0333	19	1.0204	45	1.0075	71	0.9945	97	0.9816		
-32	1.0457	-6	1.0328	20	1.0199	46	1.0070	72	0.9940	98	0.9811		
-31	1.0452	-5	1.0323	21	1.0194	47	1.0065	73	0.9935	99	0.9806		
-30	1.0447	-4	1.0318	22	1.0189	48	1.0060	74	0.9930	100	0.9801		
-29	1.0442	-3	1.0313	23	1.0184	49	1.0055	75	0.9925	101	0.9796		
-28	1.0437	-2	1.0308	24	1.0179	50	1.0050	76	0.9920	102	0.9791		
-27	1.0432	-1	1.0300	25	1.0174	51	1.0045	77	0.9916	103	0.9786		
-26	1.0427	0	1.0298	26	1.0169	52	1.0040	78	0.9911	104	0.9781		
-25	1.0422	1	1.0293	27	1.0164	53	1.0035	79	0.9906	105	0.9776		

**POLICY P-3 ACCOUNTING FOR INVENTORY**  
**APPENDIX B**  
**CELCIUS TEMPERATURE CONVERSION CHART**  
**Group 2 Gravity Range 35.0 – 50.9 API**

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Oil Temp C	Correction Factor						
-50	1.0586	-26	1.0371	-2	1.0157	22	0.9942
-49	1.0577	-25	1.0362	-1	1.0148	23	0.9933
-48	1.0568	-24	1.0353	0	1.0139	24	0.9925
-47	1.0559	-23	1.0344	1	1.0130	25	0.9916
-46	1.0550	-22	1.0336	2	1.0121	26	0.9907
-45	1.0541	-21	1.0333	3	1.0112	27	0.9898
-44	1.0532	-20	1.0318	4	1.0103	28	0.9889
-43	1.0523	-19	1.0309	5	1.0090	29	0.9880
-42	1.0514	-18	1.0300	6	1.0085	30	0.9871
-41	1.0505	-17	1.0291	7	1.0076	31	0.9862
-40	1.0496	-16	1.0282	8	1.0068	32	0.9853
-39	1.0487	-15	1.0273	9	1.0059	33	0.9844
-38	1.0479	-14	1.0264	10	1.0050	34	0.9835
-37	1.0470	-13	1.0255	11	1.0040	35	0.9826
-36	1.0461	-12	1.0246	12	1.0032	36	0.9817
-35	1.0452	-11	1.0237	13	1.0022	37	0.9808
-34	1.0443	-10	1.0228	14	1.0014	38	0.9799
-33	1.0434	-9	1.0219	15	1.0005	39	0.9791
-32	1.0423	-8	1.0210	16	0.9996	40	0.9782
-31	1.0416	-7	1.0202	17	0.9987	41	0.9773
-30	1.0407	-6	1.0193	18	0.9978	42	0.9764
-29	1.0398	-5	1.0184	19	0.9969	43	0.9755
-28	1.0389	-4	1.0175	20	0.9960	44	0.9746
-27	1.0380	-3	1.0166	21	0.9951	45	0.9737