Sales discounts and allowances are IGNORED because they DO NOT have physical transfer of goods. This helps preserve the Gross Profit ratio and Cost ratio.

If there is a Shortage due to Theft / Embezzlement

Estimated Ending Inventory

-Inventory Per Count

-Goods not in Possession

Inventory Shortage

Example: You have an estimated inventory of 100.

During the inventory count, you only have 90.

You purchased goods from a supplier with terms FOB shipping point worth 5.

Estimated Ending Inventory	100
-Inventory Per Count	90
-Goods not in Possession	5
Inventory Shortage	**5**

Note: Goods not in possession can either be Goods in transit or Goods in Consignment.

If there is a loss due to Catastrophe

Estimated Ending Inventory

-Undamaged goods @cost including in transit

- Partially damaged goods @LCNRV

Inventory Loss

on hand goods

goods in transit

goods on consignment