RECORD KEEPING
- Physicals must be taken
- Inventory shrinkage

WRITE-DOWNS
- GAAP Rule
- Tax Rule
WRITE-DOWNS

Abnormal Goods
- Goods that can’t be sold at normal prices
- Valued at bona fide selling price less cost of disposition
- Rule applies whether cost or lower of cost or market is used
- Inactivity does not equate to abnormality

WRITE-DOWNS

Three rules to determine market
- Market is current bid price
- Where no market, use whatever other evidence of FMV that is available
- If item offered at lower than bid price, it should be valued at the lower price less direct cost of disposition

MARKET FOR PURCHASED GOODS

Current bid price
- Bid price to buy, not to sell
- Price on the open market to purchase the inventory
MARKET FOR MANUFACTURED GOODS

- Replacement Cost
- Reproduction Cost

GOODS OFFERED FOR SALE

- Market value may be determined by selling price less cost of disposition
  - Applies where inventory has been offered for sale at prices lower than the reproduction or replacement costs
  - Only applies where there is an inactive market