

YEAR-END INVENTORY

Business name _____

Ending inventory at cost \$ _____ As of (date) _____

The market value of the inventory on the above date is \$ _____

We use the following method to identify the cost of our inventory:

- Specific Identification Method
- FIFO (first-in first-out)
- _____

Attached is the detail of the physical count of our ending inventory (required).

Items included in inventory:

- Merchandise or stock in trade
- Raw materials
- Work in process
- Finished products
- Supplies that physically become a part of the item for sale

Include the following merchandise in inventory:

- Purchased inventory, if title has passed to you, even if it is in transit or if you do not have physical possession for another reason
- Goods under contract for sale that you have not yet segregated and applied to the contract
- Goods out on consignment
- Goods held for sale in display rooms, merchandise mart rooms, or booths away from your place of business

C.O.D. sales: If you sell merchandise where payment and delivery happen at the same time, title passes when payment is made. Include the merchandise in your inventory until the buyer pays for it.

Containers such as kegs, bottles, and cases, regardless of whether they are on hand or returnable, should be includable in inventory if title has not passed to the buyer of the contents. If title has passed to the buyer, exclude the containers from the inventory.

Do not include goods you have sold if title has passed to the buyer, goods consigned to you and goods ordered for future delivery if you do not have title. Do not include supplies that do not physically become part of the item intended for sale.

Goods that cannot be sold because they are damaged, broken, have imperfections or similar or secondhand goods taken in exchange should be valued at their bona fide selling price minus their direct cost of disposition no matter which method the rest of your inventory is valued at.

To value inventory at cost, you must include all direct and indirect costs associated with it. For merchandise on hand at the beginning of the tax year, cost means the ending inventory price of the goods. For merchandise purchased during the year, cost means the invoice price minus appropriate discounts plus transportation charges or other charges incurred in acquiring the goods. It also includes other costs that have to be capitalized under the uniform capitalization rules of section 263A. For merchandise produced during the year, cost means all direct and indirect costs that have to be capitalized under the uniform capitalization rules.

Signature _____ Date _____