

CONSIDERATIONS REGARDING PERISHABLE ITEMS

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Abstract: *By perishable items we understand the losses which occur during transport, handling, storage and sale of merchandise as a result of natural transformation of merchandise, which lead to loss of weight or their depreciation, including by fermentation processes.*

Perishable items do not represent the losses included in technological consumption quotas and those produced by negligence, stealing and those produced by other causes imputable to guilty persons or those determined by force majeure events.

Perishable items can be written off only after a factual checking of quantities of products that exist in management, established after weighing, counting, measuring and other such procedures and after making compensations according to the legal provisions.

The perishable items produced in the legal conditions are approved by the manager or director of the legal person, as applicable, at the level of the quantities noticed as natural losses at the reception of transported merchandise, inventory taking or handover of management.

The difference established in minus following the compensation and application of all loss quotas representing prejudice for the entity is recovered from the guilty persons according to the legal provisions.

Keywords: *patrimony inventory, procedure of writing off perishable items, conditions of writing off perishable items, rules of writing off perishable items, registration of inventory differences.*

1. Procedure of writing-off perishable items

By perishable items¹, we understand the losses which occur during the transport, handling, storage and sale of merchandise, determined by natural processes such as: drying, evaporation, volatilization, spraying, hydrolysis, cooling, freezing, melting, oxidation, adhesion to the walls of waggons or vessels in which they are transported, decomposition, drainage, imbibition, thickening, scattering,

¹ Government Decision 831 of 2004 regarding the allowed limits of perishability in merchandise in the sale process.

crumbling, breaking, including fermentation processes or other biophysical processes, in the sales process in the distribution network (wholesale warehouses, retail commercial units and public nutrition units) in normal limits, legally approved.

By perishable items we understand the losses which occur during transport, handling, storage and sale of merchandise as a result of natural transformation of merchandise, which lead to the loss of weight or their depreciation, including by fermentation processes.

Because such phenomena cannot be avoided, it is natural that these objective losses are allowed up to certain limits without being attributed to negligence or poor administration.

These normal quantitative losses are not the fault of the warehouse manager or other persons and therefore, they must be deducted from managements as non-imputable losses.

The competence of approval of loss quotas belongs in all cases to the management of the company.

Therefore, the management will have to estimate from case to case according to concrete conditions, how much of the established quota is approved for each management.

The perishable items are approved only on occasion of inventory taking, only in the condition of effective inventory minuses and only in their limit.

The following are not considered normal losses and therefore, no perishable items are written off for:

- losses owing to negligence, bad administration, bad intention, deterioration etc., whether they are lower or higher than the normal limits;
- losses caused to the materials subjected to processing which are included in the specific consumption quotas, respectively in the category of technological losses;
- products obtained from own production, except for the cases when they were handed over to another management different from the management of shopfloors or laboratories which produced them;

The maximum perishability limits allowed for storage and sale are established at the level of the whole activity of the legal person who pays profit tax, by the application of the coefficient established for the group of merchandise, to the registration price of incoming merchandise or to the delivery price for the merchandise sold in the period between two inventories. The same maximum perishability limits are written off for merchandise in stock.

The perishability coefficients are established by the management of each entity, depending on the actual losses from the previous period and the new conditions created in the activity of transport, handling, and storage of those goods.

The losses or reductions in quantity, which exceed the established perishability quotas are not fiscally deductible.

From fiscal point of view, the perishable items given for merchandise are deductible expenses in the calculation of profit tax in the limit of perishability quotas approved by Government decisions.

The losses or reductions in quantity which exceed the perishability quotas established are not fiscally deductible.

The traders can establish different perishability quotas by assortments, by warehouses, stores, managements, in order to be allowed as deductible expenses from taxable profit, with the obligation of observing the maximum perishability limits provided for the respective group of merchandise.

The management of the entities can approve perishability quotas above the limits approved by the Government or for other assortments of merchandise. These perishable items reduce the patrimonial liability of warehouse managers. The perishable items whether they are established by the Government or by the management of the entity are not given in advance, but only after the acknowledgement of an actual minus in inventory or in the reception of supplied goods.

a. Perishable items during storage

The perishable items during storage can be determined by many computation methods such as:

- Calculation of perishable items depending on the average loss by time unit (by hour, by month etc.);
- Calculation of perishable items depending on the average stock;
- Calculation of perishable items depending on the average storage time;
- Calculation of perishable items depending on the rollover recorded between two successive inventories, the most common computation method etc.

b. Perishable items during transport

They refer to the losses which occur in the quantity volume and sometimes quality volume of goods and are usually calculated by the application of loss quotas to the quantity or value of transported goods.

The maximum perishability limits during transport are applied only once for the incoming quantities of merchandise or as applicable delivered quantities of merchandise, depending on the delivery condition established between the supplier and beneficiary.

For the mass materials which are usually transported in bulk and are taken over in the management of entities based on accompanying documents (weighing of waggons is carried out in the dispatch station), the perishable items are given only at the inventory of respective warehouses and the calculations are made depending on the volume in value or quantity of entries between two successive inventories.

If the takeover of goods in management is done by weighing, measuring etc., the perishable items are calculated and written off based on the documents which acknowledge the differences in reception, drawn up for each transported batch, in the limit of perishability quotas and the actual differences noted, less the losses caused by the fault of the supplier, carriers or other force majeure events. For the losses caused by break-ins during the transport, it is necessary to draw up a report for acknowledgement and destruction or revaluation of samples, apart from reception acts which prove the non-imputable minus.

For certain categories of goods, the quotas can be different depending on the distances of transport, the duration of transport or the season in which the transport takes place and the means of transport used.

c. Perishable items during sale (handling) are usually calculated by the application of loss quotas to the quantity sold between two successive inventories.

2. Case studies regarding the writing-off of perishable items

a. Case study no. 1

Following the performance of inventory it was noted:

- in assortment X, a minus of 5 kg flour, purchase cost 3 lei/kg.
- the perishable items allowed during storage were 5kg. Establish the situation in inventory.

1. registration of minus in amount of 15 lei, fully covered by perishable items:

$$607 = 371 \quad 15 \text{ lei}$$

b. Case study no. 2

Following the performance of inventory it was noted:

- in assortment X, a minus of 50 kg of flour, purchase cost 2 lei/kg.
 - the perishable items allowed during storage were 2 kg.
- Establish the situation in inventory.

Solution:

1. registration of minus in amount of 100 lei:

$$607 = 371 \quad 100 \text{ lei}$$

2. imputation to warehouse manager 48 kg (50-2):

$$\begin{array}{r} 4282 = \% \quad 119 \text{ lei} \\ \quad 7588 \quad 96 \\ \quad 4427 \quad 23 \end{array}$$

3. retention of this prejudice from the guarantee initially deposited by the warehouse manager:

$$4281 = 4282 \quad 119 \text{ lei}$$

c. Case study no. 3

Following the performance of inventory it was noted that:

- in assortment X, a minus of 200 kg flour with 4 lei/kg.
 - the perishable items allowed during storage were 10kg.
 - the perishable items allowed during transport were 5kg.
 - the perishable items allowed during sale were 2kg.
- Establish the situation in inventory.

Solution:

1. registration of minus in amount of 800 lei:

$$607 = 371 \quad 800 \text{ lei}$$

2. imputation to warehouse manager 183 kg (200 – 17):

$$\begin{array}{r} 4282 = \% \quad \underline{908 \text{ lei}} \\ \quad 7588 \quad 732 \\ \quad 4427 \quad 176 \end{array}$$

3. retention of this prejudice from the guarantee initially deposited by the warehouse manager:

$$4281 = 4282 \quad 908 \text{ lei}$$

d. Case study no. 4

Following the performance of inventory it was noted that:

- in assortment X, a minus of 10 kg flour with 2,5 lei/kg.
 - the perishable items allowed during storage were 10,5 kg.
- Establish the situation in inventory.

Solution:

1. registration of minus in amount of 25 lei fully covered by perishable items:

$$607 = 371 \quad 25 \text{ lei}$$

e. Case study no. 5

An entity picked up 10.000 kg of peppers which were stored in crates. At the sale it is noted that they weigh 9.980 kg as a result of their natural degradation. The perishable items allowed during storage were 0,07 %, and the production cost was 2 lei/kg. Establish the situation of management.

Solution:

- at sale it is noted a minus of 20 kg (10.000 - 9.980) peppers;
- The perishable items allowed during storage were $10.000\text{kg} * 0,07 \% = 7 \text{ kg}$.
- non-imputable minus at sale (natural degradation) 13 kg.

1. registration of non-imputable minus in amount of 20 kg * 2 lei (natural degradation):

$$711 = 345 \quad 40 \text{ lei}$$

2. for the non-imputable minus of 13 kg (degradation) after the writing-off of perishable items the VAT is adjusted:

$$635 = 4426 \quad 6 \text{ lei}$$

3. Conclusions

In relation to the writing-off of perishable items, we can draw the following conclusions:

- the establishment of inventory results is done by comparing the quantities and values noted in inventory lists with the quantities and values recorded in accounting system. From the comparison mentioned above it may result pluses or minuses of inventory for

- which the inventory commission will demand written explanations from the warehouse manager;
- the maximum perishability limits allowed at storage and sale are established by the application of coefficient established for the group of merchandise to the registration price of incoming merchandise or to delivery price for the merchandise sold in the period between two inventories. The same maximum perishability limits are written off for merchandise in stock;
 - the perishable items can be written off only after a factual checking of the quantities of products that exist in management, established after weighing, counting, measuring and by other such procedures and after the making of compensations according to the legal provisions in force;
 - the perishability coefficients are established by the management of each entity, depending on the actual losses from the previous period and the new conditions created in the activity of transport, handling and storage of the goods;
 - from fiscal point of view, the losses noted in merchandise are deductible expenses in the calculation of profit tax, in the limit of perishability quotas approved by Government decisions;
 - the losses or reductions in quantity which exceed the perishability quotas established are not fiscally deductible;
 - the traders can establish different perishability quotas by assortments, by warehouses, stores, managements, in order to be allowed as deductible expenses from taxable profit, with the obligation of observing the maximum perishability limits provided for the respective group of merchandise;
 - for all the pluses, minuses and depreciations noticed in goods, the inventory commission requires written explanations from the persons who have the responsibility of managing the goods. Based on the explanations received and the analysed documents, the inventory commission establishes the nature of minuses, losses, damages and depreciations acknowledged and the nature of pluses and proposes according to the legal provisions in force, the manner of settlement of differences between the accounting data and the factual data resulted from inventory;
 - in case presumptions of legal losses are fulfilled, the inventory commission will propose the writing-off of perishable items;
 - in relation to the case studies presented, we can assume as follows: in the first case, following the writing-off of perishable items it resulted a minus in value of 15 lei, covered by perishable

items, in the second case, an imputable minus of 96lei after the writing-off of perishable items, in the third case study, an imputable minus of 732 lei after the writing-off of perishable items, in the fourth case it resulted a minus of 25 lei fully covered by perishable items and in the last case it resulted a non-imputable minus of 40 lei;

- the proposals regarding the writing-off of perishable items will be included in the report of the inventory commission, report which is presented within seven days as of the conclusion date of inventory operations, to the director of the patrimonial entity. The director of patrimonial entity with the approval of the head of finance accounting department decides on the method of settlement of proposals made (compensation of inventory differences), with the observance of the legal provisions in force;
- optimization of storage conditions will lead to the reduction of quantitative losses and implicitly, the perishable items which will be written off;
- these perishable items given in legal limits reduce the patrimonial liability of warehouse managers.

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