CONSIDERATIONS REGARDING
THE SIMULTANEOUS WRITING-OFF
OF COMPENSATIONS AND PERISHABLE ITEMS

Radu Dorin Lenghel

Abstract: For the goods for which losses are accepted, in case of compensating minuses with pluses established in inventory, the losses are calculated only if the missing quantities are higher than the quantities noticed in excess.

In each category, the order of writing-off perishable items is used in the compensation of goods (starting with the assortment which has the highest unit price). The losses are given first of all for the assortments in which minuses were noted and if there still remain quantitative differences in minus, they can be given also for other assortments in which pluses were recorded.

If following the application of losses there still remain quantitative differences in minus, the loss quotas can be applied to the other goods allowed in compensation, to the goods in which pluses were noted or where no differences resulted.

The difference established in minus following the compensation and application of all the loss quotas, which represents prejudice for the entity is recovered from the guilty persons, in accordance with the legal provisions in force.

The competence of approval of compensations and perishable items belongs in all the cases to the leaders of patrimonial entities.

Keywords: patrimony inventory, inventory procedure, conditions of writing-off compensations and perishable items, rules of compensation and writing-off of perishable items, procedure of simultaneous writing-off of compensations and perishable items, registration of inventory differences.

1. Procedure of simultaneous writing-off of compensations and perishable items

For the goods in which losses are accepted\(^1\), in case of compensation of minuses with pluses established in inventory, losses

\(^1\) OMFP no. 2861/2009 regarding patrimony inventory.
are calculated only if the missing quantities are higher than the quantities noticed in excess. In case of material goods mistakeable between them, the quantitative perishable items (Pq) are given only if the sum of missing quantities is higher than the sum of quantities in excess and only in the limit of these differences (Pq ≤ Σbi – Σai). If the quantities in excess are higher than the quantities in minus, no perishable items are given and neither when after the compensation of equal quantities a negative difference in value results. The losses are given first of all for the assortments in which a minus was noted and if there still remain quantitative differences in minus, they can be given also for the other assortments in which pluses were recorded or there are no differences. In each category the order of writing-off perishable items is used in the compensation of goods (starting from the assortment which has the highest unit price). The minuses in value (Lv), which can be covered by the perishable items are composed of the value of missing quantities, which exceed the quantities noted in excess, to which are added the negative differences in value resulted from the compensations of equal quantities. The difference established in minus after the compensation and the application of all loss quotas, which represents a prejudice for the entity, is recovered from the guilty persons, in accordance with the legal provisions in force. In the combined writing-off of perishable items and compensations for assortments of material values mistakeable between them, the following situations can appear:

1. The quantitative perishable items (Pq) calculated are smaller than the minuses in quantity (Lq) but as a value, perishable items (Pv) cover the minuses in value (Lv), therefore: \( Pv > Lv \) and \( Pq < Lq \). In this situation, although perishable items in value (Pv) cover the minus in value (Lv), the guilty persons are imputed the minus in quantity (Lq), which exceeds the quantitative perishable items (Pq). The imputation is done in the order in which the goods were eliminated from the calculation of compensations (starting from the lowest unit price).

2. The quantitative perishable items (Pq) calculated cover the minus in quantity (Lq) noted, but as value, perishable items (Pv) are lower than the minuses in value (Lv) noted: \( Pq > Lq \) and \( Pv < Lv \). In this situation, quantitative perishable items are written off (Pq) only in the limit of the minuses in quantity (Lq), and as value the guilty persons are imputed the difference between the higher minuses in value (Lv), and the lower perishable items in value (Pv).
3. The perishable items in quantity and in value (Pq and Pv) are lower than the minuses in quantity and value (Lq and Lv) noted in inventory: \( Pq < Lq \) and \( Pv < Lv \). In this case, the calculated perishable items in quantity and value are written off in full and the minus in quantity and value which exceeds these perishable items is imputed.

4. The perishable items in quantity and value (Pq and Pv) cover the minuses noted both in quantity (Lq), and in value (Lv): \( Pq > Lq \) and \( Pv > Lv \). In this situation, perishable items are written off only in the limit of minuses noted in quantity and value and it is not necessary to establish patrimonial liability by imputation.

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

a. Case study no. 1

Following the inventory of a warehouse with mistakable assortments, inventory differences were noted according to the table below:

Table no. 1

<table>
<thead>
<tr>
<th>Assortment</th>
<th>Acquisition cost ~ lei ~</th>
<th>Quantitative differences (Kg)</th>
<th>Rollovers of entries (Kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>S 1</td>
<td>1</td>
<td>10</td>
<td>1.000</td>
</tr>
<tr>
<td>S 2</td>
<td>2</td>
<td>10</td>
<td>2.000</td>
</tr>
<tr>
<td>S 3</td>
<td>3</td>
<td>10</td>
<td>3.000</td>
</tr>
<tr>
<td>S 4</td>
<td>4</td>
<td>10</td>
<td>4.000</td>
</tr>
<tr>
<td>S 5</td>
<td>5</td>
<td>5</td>
<td>5.000</td>
</tr>
</tbody>
</table>

Establish the situation in inventory knowing that the perishable items allowed during storage represent 0.05% of rollover, and S represents different mistakable assortments.

The compensation and writing-off of perishable items are carried out according to the table below:
Because there is a minus of 5 kg eliminated from compensation, we will accept perishable items starting from assortments in minus, which have the highest prices.

Calculation of perishable items during storage:
\[
Pd S1 = 1.000 \times 0.05\% = 0.5 \text{ kg} \\
Pd S2 = 2.000 \times 0.05\% = 1 \text{ kg} \\
Pd S3 = 3.000 \times 0.05\% = 1.5 \text{ kg} \\
Pd S4 = 4.000 \times 0.05\% = 2 \text{ kg} \\
Pd S5 = 5.000 \times 0.05\% = 2.5 \text{ kg}
\]

Even if from the calculation the allowed losses are higher than the actual minuses (7.5 > 5), we will only give perishable items in amount of 5 kg.

The analysis of compensation procedure and writing-off of perishable items is:
1. non-compensated minus: 5 lei;
2. minus after compensation: 0 lei;
3. total minus: 5 lei;
4. perishable items written off during storage: 19,5 lei;
5. imputable minus: 0 lei;
6. registration in accounting system of the total minus of 5 lei, which is fully covered by perishable items:
\[
607 = 371 + 5 \text{ lei}
\]
b. Case study no. 2

Following the inventory of a warehouse with mistakable assortments, inventory differences were noted according to the table below.

Table no. 3

<table>
<thead>
<tr>
<th>Assortment</th>
<th>Acquisition cost ~ lei ~</th>
<th>Differences in quantity (Kg)</th>
<th>Rollovers of entries (Kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>5</td>
<td>10</td>
<td>10,000</td>
</tr>
<tr>
<td>S2</td>
<td>4</td>
<td>10</td>
<td>1,000</td>
</tr>
<tr>
<td>S3</td>
<td>3</td>
<td>10</td>
<td>1,000</td>
</tr>
<tr>
<td>S4</td>
<td>2</td>
<td>10</td>
<td>1,000</td>
</tr>
<tr>
<td>S5</td>
<td>1</td>
<td>5</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Establish the situation in inventory, knowing that the perishable items allowed during storage represent 0,05% of rollover, and S represents different mistakable assortments.

The compensation and writing-off of perishable items are carried out according to the table below:

Table no. 4

<table>
<thead>
<tr>
<th>Assortment</th>
<th>Acquisition cost</th>
<th>Differences in quantity</th>
<th>Differences in value</th>
<th>Perishable items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>S1</td>
<td>5</td>
<td>10</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>S2</td>
<td>4</td>
<td>10</td>
<td>40</td>
<td>0,5</td>
</tr>
<tr>
<td>S3</td>
<td>3</td>
<td>10</td>
<td>30</td>
<td>0,5</td>
</tr>
<tr>
<td>S4</td>
<td>2</td>
<td>10</td>
<td>20</td>
<td>0,5</td>
</tr>
<tr>
<td>S5</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>0,5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>20</td>
<td>60</td>
<td>85</td>
</tr>
</tbody>
</table>

Eliminations from compensation -S5 5 | 5
Compensation 20 | 20 | 60 | 80
Compensation result - | - | - | 20

Source: own projection
Because there is a minus of 5kg eliminated from compensation, we will accept perishable items starting from the assortments in minus, which have the highest prices.

Calculation of perishable items during storage:

\[
\begin{align*}
Pd S1 &= 10.000 \times 0.05\% = 5 \text{ kg} \\
Pd S2 &= 1.000 \times 0.05\% = 0.5 \text{ kg} \\
Pd S3 &= 1.000 \times 0.05\% = 0.5 \text{ kg} \\
Pd S4 &= 1.000 \times 0.05\% = 0.5 \text{ kg} \\
Pd S5 &= 1.000 \times 0.05\% = 0.5 \text{ kg}
\end{align*}
\]

Even if from the calculation the allowed losses are higher than the actual minuses (7 > 5), we will only accept perishable items in amount of 5 kg.

The analysis of compensation and writing-off of perishable items is:

1. non-compensated minus: 5 lei;
2. minus after compensation: 20 lei;
3. total minus: 25 lei;
4. perishable items written off during storage: 5 lei;
5. imputable minus: 20 lei.
6. registration in accounting system of total minus of 25 lei, which is only partially covered by perishable items:

\[
607 = 371 \quad 25 \text{ lei}
\]

7. imputation of minus not covered by perishable items (25-5):

\[
4282 = 24.8 \text{ lei}
\]

8. retention of this prejudice from the guarantee initially submitted by the warehouse manager:

\[
4281 = 4282 \quad 24.8 \text{ lei}
\]

**c. Case study no. 3**

Following the inventory of a warehouse with mistaken assortments, inventory differences were noted according to the table below.
Establish the situation in inventory knowing that the perishable items allowed during storage represent 0.05% of rollover, and S represents different mistakable assortments.

The compensation and writing-off of perishable items are carried out according to the table below:

Table no. 6

<table>
<thead>
<tr>
<th>Assortment</th>
<th>Acquisition cost ~ lei ~</th>
<th>Differences in quantity (Kg)</th>
<th>Differences in value</th>
<th>Perishable items</th>
<th>Calculated</th>
<th>Written off</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>S 1</td>
<td>1</td>
<td>10</td>
<td>10</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S 2</td>
<td>2</td>
<td>10</td>
<td>20</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S 3</td>
<td>3</td>
<td>10</td>
<td>30</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S 4</td>
<td>4</td>
<td>10</td>
<td>40</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S 5</td>
<td>5</td>
<td>5</td>
<td>25</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>20</td>
<td>65</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eliminations from compensation -S1</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>20</td>
<td>20</td>
<td>60</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation result</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: own projection

Because there is a plus of 5kg eliminated from compensation, no perishable items will be written off.

The analysis of compensation procedure is:
1. non-compensated plus: 5 lei;
2. minus after compensation: 0 lei;
3. total minus: 0 lei;
4. perishable items written off during storage: 0 lei;
5. total plus : 0 lei.
6. registration in accounting system of total plus of 5 lei:

\[
371 = 607 \quad 5 \text{ lei}
\]
3. Conclusions

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

- the inventory results are established by comparing the quantities and values noted in inventory lists with the quantities and values recorded in accounting, and from this comparison pluses or minuses of inventory may result, for which the inventory commission will demand written explanations from the warehouse manager;

- for all the pluses, minuses and depreciations of goods, the inventory commission requests written explanations from the persons who have the responsibility of goods management. Based on the explanations received and the analysed documents, the inventory commission establishes the nature of minuses, losses, damages and depreciations noted as well as the nature of pluses, and will propose the settlement according to the legal provisions of differences between the accounting data and the factual data resulted from inventory-taking;

- in case imputable minuses are noted in management, the directors have to impute the missing goods to guilty persons at their replacement value. In case of goods noted in minus, which will be imputed, which cannot be bought from the market, the imputation value is established by a commission made of specialists in the field;

- the lists with assortments of products, merchandise, packaging and other material values which fulfil the compensation conditions because of risk of confusion are approved every year by directors, main credit release authorities or the person who has the obligation of managing the patrimony and serve for internal use in the respective entities;

- perishable items can be written off only after a factual checking of quantities of products that exist in management, which are established after weighing, counting, measuring and such other procedures and after the making of compensations, in accordance with the legal provisions in force;

- if the presumptions of confusions and legal losses are fulfilled, the inventory commission will propose the simultaneous writing off of compensations and perishable items;

- in relation to the case studies presented after the simultaneous writing off of compensations and perishable items, we can draw
the following conclusions: in the first case, it resulted a minus in value of 5 lei, covered by perishable items, in the second case it resulted an imputable minus of 20 lei, and in the third case it resulted a plus in value in amount of 5 lei;

– the proposals regarding the compensation of inventory differences 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, will decide on the method of settlement of the proposals made (simultaneous writing off of compensations and perishable items), with the observance of the legal provisions in force; considering that the danger of confusion is determined by the similarity between products, danger which may appear as a result of careless handling, when labels disappear from packaging, when bar codes are missing, and because of negligence of warehouse managers, we propose a better coding of the products and a better training of warehouse managers;

– also the optimization of storage conditions will lead to the reduction of quantitative losses and implicitly the perishable items which will be written off.

Bibliography
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2. Lenghel Radu Dorin, Control și audit intern (Internal Control and Audit), Risoprint Publishing House, Cluj-Napoca, 2011;
3. OMFP no. 2861/2009 regarding the inventory of patrimony.

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