



## Allowance for Loss on Stores Inventory

Lawrence Berkeley  
National Laboratory

Financial Policies and Procedures

Part I

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### Summary

This policy and procedure prescribes financial processes to be followed in estimating, recording, and charging the Allowance for Loss on Stores Inventory.

### Policy

The Allowance for Loss on Stores account is for recording reasonably anticipated financial losses in inventory and materials. Losses that may occur include reduction in value as a result of shrinkage, deterioration, damage, obsolescence, or loss of utility.

Adjustments to the Allowance for Loss account must be documented. Actual losses from stores inventory will be charged to the Allowance for Loss account.

### Procedures

- At the beginning of the fiscal year, General Accounting will set the amount of the Stores Loss account to equal a five year rolling average of inventory losses expressed as a percentage of total inventory value (not including excess inventory).
- Documentation regarding how the estimate was prepared is to be maintained by General Accounting. Any subsequent changes to the Stores Loss Allowance are also to be documented and maintained by General Accounting.
- Adjustments to the Allowance for Loss account are charged or credited to 356602 (In-Use Inventory Loss Allowance – the offset to this entry is to account number 151911 – Allowance for Loss on Stores).

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- The Allowance for Loss on Stores Inventory account is charged when items are to be disposed, etc. The General Accounting Department reconciles the Allowance for Loss on Stores account in the Financial Management System against related transactions from the Stores Maximo System every month to assure that the balance is accurate and consistent with known facts.
- Any variations in balances between the two systems must be researched and corrected. If the balance appears unreasonable then General Accounting, in consultation with the Facilities Division, will make the appropriate adjustment.

### Authority

*DOE Accounting Handbook, Chapter 9, Accounting for Inventory and Related Property*

### Contacts

- Manager, General Accounting
- Manager, Financial Policy and Training

### Glossary

- **Stores Inventory:** Materials, supplies, and parts on hand that are normally used or consumed in operations, maintenance, and general use.
- **Allowance for Loss on Stores:** A contra stores inventory account normally carrying a credit balance. The Allowance for Loss on Stores is a reserve for inventory losses from shrinkage, deterioration, damage, obsolescence, or loss of utility.
- **Actual Stores Losses:** Unplanned inventory decreases, in either units or value, caused by shrinkage, deterioration, damage, obsolescence, or loss of utility.