Inventory: Estimating Lost or Missing Amounts

(by using the gross profit method)

The amount of missing inventory can be estimated by using the gross profit method or the retail method. The missing amounts of inventory could be due to shoplifting, theft by employees, fire loss, or other causes.

The gross profit method uses an assumed gross profit percentage or gross margin ratio (gross profit dollars divided by the sales dollars).

The difference between the estimated inventory under the gross profit method and the actual inventory on hand is the estimated *cost* of missing inventory.

Calculation of the **estimated cost of missing inventory**:

Estimated ending inventory at cost (calculated on **Form G9**)	*$*	*46,000*	**EST**	
Minus: Actual ending inventory at cost from physical inventory	*$*	*44,800*	**ACT**	
Estimated cost of missing inventory	***$***	***1,200***	**MISS**	(EST - ACT)

For a blank form see **Form G10**.

Learn more about inventory at www.AccountingCoach.com.