

Inventory: Estimating Lost or Missing Amounts

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(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)	\$ _____	EST
<i>Minus</i> : Actual ending inventory at cost from physical inventory	\$ _____	ACT
Estimated cost of missing inventory	<u><u>\$ _____</u></u>	MISS (EST - ACT)

See **Filled-In Form G10** for an illustration.

Learn more about inventory at www.AccountingCoach.com.