Monsanto

10/13 XC → [redacted] RAPOHL

OCT 1 [illegible]

FROM (NAME & LOCATION): D. L. Cissell/WGK

DATE: October 12, 1976

SUBJECT: WGK Incinerator Inventory

REFERENCE:

TO: Art Koenig - G.O. (B2SC)

CC: A. E. Leisy
D. T. Hughes
B. Faries
B. Ratliff - G.O. (B3SE)
J. T. Littich

In our conversation Friday, you indicated that it was your opinion that the cost of incineration for material on hand at year end should be expensed in 1976 and set up as an accrued liability. You also mentioned that this was done in 1975 at year end which would support your concern for this year.

Attached is a memo from J. T. Littich which describes the adjustment to income that was made in December. Note that the adjustment to income had nothing to do with ending inventories, but rather the adhering to the practice of the matching of revenue and expense. This practice is still being followed as outlined in the 12/1/75 incinerator accounting procedure which is also attached.

Normally, the incineration costs would be considered part of operating the Aroclor department and the incineration inventory would not be considered as a year-end adjustment. However, based on the announcement last week to cease Aroclor production next year, this should be considered. According to FASB #5, when a company decides to go out of a business, the loss to be incurred should be realized when the decision is made. The incineration costs that will be incurred after the expected shut down date should be included as part of this loss; the same as decommissioning, dismantling, etc. Therefore, when the division sets up the accrual, the incineration costs should be part of it. It would be inappropriate for the plant to establish any accruals associated with this shut down.

We will work with the divisions in developing any forecasts that are necessary to resolve this matter.

D. L. Cissell nm

/nm

Attach.

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