Monsanto

FROM (NAME & LOCATION): J. T. Littich/WGK

DATE : December 31, 1975

SUBJECT : INCINERATOR ACCOUNTING

REFERENCE :

cc: J. E. Hastings-GO, D. T. Hughes, W. R. Faries, A. G. Frerkin, A. J. Koenig-GO, G. Turner, A. Nagel, W. O. Jackson, J. Wriston, GO

TO : A. E. Leisy
R. A. Pohl-B2SB-GO
B. Ratliff-B3SF-GO

Many methods to account for incinerator activity have been employed during the past five plus years that the WGK incinerator has been operating. The basic cause for this constant changing of methodology has been the need to adjust to the ever changing business group policies and modes of operation of this department.

The pendulum has constantly swung from all customers paying an incineration fee to most customers being allowed to return all or most of their material free of charge and then back to most customers being charged eight cents per pound plus handling charges for every pound returned to WGK for burning. Also, much work was done in 1974 to allow for other plant residues to be disposed of.

As a result of the aforementioned, an Accounting oversight in regard to the practice of matching revenue and expense has occurred. An entry is being made charging the Aroclor Department and crediting deferred income for $93,728 in December business to correctly reflect 1975 activity through November.

A detailed summary of the current status and all procedures to be followed by plant personnel during the December closing and thereafter is attached.

If you have any questions, please call.

J. T. Littich

DSW 337875

jg
Attach.

ATTACHMENT I

I. STATUS AS OF NOVEMBER 30, 1975

As of November 30, 1975, department tank inventory is as follows:

Material	Date of Receipt	Quantity In Lbs.	Deferred Income Amt.	Remarks
PCBs - Dielectrics	Prior to Dec. 1974	533,392		Customers billed @.03/lb. for a total of $16.002. Decision made to include only 1975 material in December adjustment.
PCBs - Dielectrics	Dec. 1974 thru Aug. 1975	955,740	$57,459	Customers billed @.05/lb. plus $8/drum handling charge as of Dec. 1, 1974.
PCBs - Dielectrics	Sept. 1975 thru Nov. 1975	378,844	36,269	Customers billed @.08/lb. plus $8/drum handling charge as of Sept. 15, 1975.
PCBs - Dielectrics - Total		1,867,976	$93,728	
Dept. 246 Montars	Jan. thru Nov. 1975	20,545		In-plant material.
ONA Residue	Nov. 1975	3,464		In-plant material.
Total Material On Hand for Incineration - 11/30/75		1,891,985		

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ATTACHMENT II

INCINERATOR ACCOUNTING PROCEDURES
EFFECTIVE 12/1/75

1. Prepare December journal entry for deferred income adjustment as of November 30, 1975 (see Attachment I).

   Responsibility - G. Turner/B. Faries

2. Beginning with December activity:

   a. Notify A. Nagel-WGK and C. R. Field-GO that all dielectric billings to customers should now be credited to deferred income account 02-003-50316-000 not 02-003-10868-000. Change division code to 45 beginning with January billings.

      Responsibility - J. Wriston

   b. Reconcile 10868 account until all billings prior to December have cleared and reconcile 50316 account beginning with December activity.

      Responsibility - B. Faries

   c. Continue to distribute monthly cost to all users based on pounds burned. In respect to PCB material, first deplete the inventory of any material returned free of charge (if and when received). Secondly, deplete the inventory of the material for which customers have been billed per Attachment I using the FIFO method. Thus, no entries to deferred income nor the Aroclor Department will be made for the first 533,392 pounds of PCBs burned. Thereafter, debit deferred income and credit Aroclors according to Attachment I tiers considering all material returned after November 30, 1975 as an addition to the material received since September 1975 until billing rate changes occur.

      Responsibility - B. Faries

3. Adjust ending inventory of December monthly PCB status report to agree with physical by showing an inventory adjustment of +97,261 lbs.

   Responsibility - J. Wriston

4. Coordinate all future book and physical inventory adjustments as they occur.

   Responsibility - J. Wriston/A. Frerking

5. As of January 1, 1976, special manufacturing jobs 81487 and 81488 which were opened in 1972 to collect cost of burning "returned free material" will be closed.

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Incinerator Accounting Procedure - Effective 12/1/75

6. As a result of Item 5 above, collect freight billed back to customers will be charged by the Traffic Department as 597 expense to the incinerator (89990) instead of the 81487 account.

   Therefore, a) Traffic must be notified of this change, and b) account 89990 must be credited and deferred income debited for this freight when copy of invoice to customer is received.

   Responsibility - B. Faries

7. Instruct C. R. Field-GO to send copies of invoices to customers directly to B. Faries-WGK.

   Responsibility - B. Faries

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