Cleveland Comptroller's

Martin-Senour, Chicago Aug. 31, 1939

W. H. Stuart Goods in Transit

We have had under discussion with Ernst & Ernst the disposition of goods in transit at August 31 - that is, the raw materials which are purchased on contract F.O.B. vendor's plant and not yet received at our plant at August 31, the inventory date.

Legally we are responsible for the raw material shipped F.O.B. vendor's plant when it is loaded in the car and delivered to the railroad. In past years we have sometimes followed the procedure of having the vendor delay invoicing until Sept. 1 and thus not including the raw material in our inventory. We have a contingent liability and any raw material that has been shipped F.O.B. vendor's plant should be inventoried by us as in transit and taken into our balance sheet.

Will you please have your Purchasing Department, at August 31 - that is, as of today - check over all of the raw material that is in transit, shipped F.O.B. vendor's plant, and give us a complete statement of the value?

Freight on the inbound raw material will not be inventoried, inasmuch as freight does not become a liability until the goods are delivered and on our property.

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