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RUCO DIVISION

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INTER-OFFICE MEMORANDUM

To: D. Massis

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M. Klein
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Subject: LIFO Related Inventories

File Ref.:

Date: July 28, 1975

From: R. Hagen

Div./Dep't: RUCO/Controller

Location: Burlington, New Jersey

Double extension of June 25, 1975 LIFO related inventories provided the following balances:

	Inventories		Reserve	Net Adjustment
G/L FIFO	4,205	12/31/74	1,316	
Actual	3,767	6/25/75	1,037	
Write-Down	438		279	159

The write-down of inventories is (438). This is a combination of 305 excess FIFO write-up on 12/31/74 over standard, which should have been set up and amortized over the current year, and 133 inventory write-down due to actual values at 6/25/75 being less than standard at that date.

Adjusting for the 305, the net LIFO effect for 1975 would be a pick up in earnings of 146. That is, LIFO adjustments 279 less the corrected inventory write-down; 438 - 305 = 133.

The attached observations track the many adjustments needed to properly state the inventory accounts.

R. F. Hagen

FORM NO. 99-056

RFH/fcw

OCC 016420

#1 Basic LIFO adjustments incorrectly stated and executed @ 12/31/74:

	Should Be	Was	Correction
Per G/L	3,559	3,559	-
+ FIFO	1,016	976	+ 40
Inventories @ FIFO	4,575	4,535	+ 40
Less LIFO Reserve	1,316	1,276	+ 40
Inventories @ LIFO	3,259	3,259	-

#2 1974 FIFO inventories were valued in excess of standard as follows:

	Standard	FIFO	Excess Value
Raw Material	500	481	- 19
Finished Goods	211	535	324
Total	711	1,016	305

Since Raw Material values at standard are closely matched to FIFO, we can safely assume that the excess is attributed to overheads capitalized in Finished Goods.

OCC 016421

#3 Inventory accounts at 6/25/75 must be restated for Fact #1:

	Are	Correction	Should Be
Polymers	2,681	(10)	2,671
Film & Sheeting	1,273	50	1,323
Total	3,954	40	3,994
LIFO Reserve	1,276	40	1,316
Net	2,678	-	2,678
Add Shrinkage Reserve	187	-	187
LIFO Inventory	2,865	-	2,865

#4 Comparison of 6/25/75 inventories @ standard with General Ledger:

	Quan X Standard	G/L	Diff.
RESIN			
Raw Material	122	102	+ 20
Finished Goods	907	907	-
PELLETS			
Raw Material	335	370	- 35
Finished Goods	819	819	-
DRY BLENDS			
Raw Material	370	319	+ 51
Finished Goods	104	110	- 6
FILM & SHEETING			
Raw Material	1,114	1,120	- 6
Finished Goods	126	126	-
TOTAL			
Raw Material	1,941	1,911	+ 30
Finished Goods	1,956	1,962	- 6
TOTAL	3,897	3,873	+ 24

#5 General Ledger balances must be adjusted for P/U in physical in Total Inventories*

(See comparison of 6/25 Act @ std to Ledger)	2,865
	+ 24*
	2,889
And Restated @ FIFO for comparison	1,316
FIFO Inventory @ 6/26/75	4,205

#6 In order to analyze change in inventories, we restate 6/25/75 FIFO inventories to standard per Fact #2:

FIFO Inventories @ 6/25/75	4,205
Less Excess Value Added Above Std.	- 305
6/25/75 Inventory @ Standard	3,900

#7 Profile of 6/25/75 inventories:

	@ FIFO	@ Std.	@ LIFO
G/L	4,205	3,900	2,730
Adjust LIFO to FIFO:			
Add LIFO Reserve			1,037
Inventories FIFO			3,767

#8 Difference between inventories:

	@ Actual	@ Std.	Difference
RESIN			
Raw Material	115	122	- 7
Finished Goods	910	907	+ 3
PELLETS			
Raw Material	322	335	- 13
Finished Goods	764	819	- 55
DRY BLENDS			
Raw Material	355	370	- 15
Finished Goods	159	104	+ 55
FILM & SHEETING			
Raw Materials	991	1,105	- 155
Finished Goods	129	123	+ 6
PRESS POLISH			
Raw Material	20	8	+ 12
Finished Goods	2	3	- 1
	3,767	3,897	- 130

RFH/fcw
7/25/75