Unit IV: Ending book inventory at cost and shortages/overages

3 steps to get ending book inventory at cost:
1. Get Ending book inventory at retail
2. Get cost ratio using TMH for cost and retail
3. Take Ending book inventory at retail (#1) and multiply by cost ratio (#2) of TMH

To get ending book inventory at retail:
+ Beginning inventory at retail
+ Purchases
= TMH, or net ins

- Net sales (gross sales less customer returns)
- Markdowns
- RTV’s
- Transfers out
- Employee discounts
= net outs

Net ins - net outs = ending book inventory at retail

Shortages/overages
Percentage is always calculated over Net Sales
Difference between ending inventory book and physical count is shortage/overage