I. PURPOSE AND SCOPE

This document provides guidelines to accurately record the value of assets held by the University of Houston, specifically the value of goods held by the University for resale, manufacture, or repair. To minimize the risk of loss of those assets, an inventory of goods must be conducted annually.

II. POLICY STATEMENT

University departments with goods for resale are responsible for developing inventory procedures in accordance with this policy.

III. GENERAL PROVISIONS

A. Departments purchasing goods for the purpose of reselling those goods must record the value of goods held for resale in the University's accounting system at the time of purchase. The value of these goods is an asset and will be classified in the appropriate account.

B. Departments selling goods are responsible for preparing entries to accurately record cost of goods sold (COGS) with the approval of General Accounting. Inventory on hand at the end of the fiscal year will be valued using the first in/first out (FIFO) inventory method, unless the department has a valid business purpose for using the last in/first out (LIFO) or average inventory method.

C. Goods held in inventory, judged to be obsolete, should be returned to the supplier for credit or replacement, if possible. If goods are rendered obsolete by the issuance of superseding versions, departments may offer the obsolete goods at a discounted price.

D. Each University department that maintains a stock of goods for resale must complete an inventory of goods held on the last business day of the fiscal year and submit the inventory report to General Accounting by the declared deadline. Alternate inventory dates, resulting from business practices, must be reported to General Accounting with the annual inventory report. Any variance in the quantity of goods on hand and those shown on the department's inventory records must be reported as shrinkage and adjusted from the department's cost of goods sold.

E. Each inventory will be completed by two University employees, or an independent company with expertise in conducting physical inventories, whose duties do not constitute a conflict of interest with the conducting of the inventory.
F. A complete inventory report includes:

1. A transmittal memo, approved by the responsible manager and certifying signature. [http://www.uh.edu/finance/pages/Tr_Resale_Inventory_Recon.htm, Resale Inventory Forms (Word)]

2. A request for adjustment to inventory.

3. A summary sheet with valuation of the goods held for resale. [http://www.uh.edu/finance/pages/Tr_Resale_Inventory_Recon.htm, Resale Inventory Forms (Excel), Summary Sheet Tab]

4. The count sheets used in the conducting of the inventory, including the certification of those conducting the inventory. [http://www.uh.edu/finance/pages/Tr_Resale_Inventory_Recon.htm, Resale Inventory Forms (Excel), Count Sheets Tab]

5. A report of obsolete inventory items. [http://www.uh.edu/finance/pages/Tr_Resale_Inventory_Recon.htm, Resale Inventory Forms (Excel), Obsolete Inventory Tab]

6. A test for reasonableness of the inventory balance, comparing the inventory beginning balance, purchases, returns, and sales to the actual year-end balance. [http://www.uh.edu/finance/pages/Tr_Resale_Inventory_Recon.htm, Resale Inventory Forms (Excel), Reasonableness Sheet Tab and Reasonableness 2 Tab]

G. The conducting of inventories is subject to observation and/or review by the University's accounting offices and System Internal Auditing.

IV. REVIEW AND RESPONSIBILITY

Responsible Party: Senior Associate Vice President for Finance

Review: Every three years on or before September 1

V. APPROVAL

Jim McShan
Senior Vice President for Administration and Finance

Renu Khator
President

Date of President's Approval: May 31, 2018
## REVISION LOG

<table>
<thead>
<tr>
<th>Revision Number</th>
<th>Approved Date</th>
<th>Description of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>05/17/2000</td>
<td>Initial edition</td>
</tr>
<tr>
<td>2</td>
<td>12/12/2002</td>
<td>Applied revised MAPP template to meet current documentation standards. Changed Financial Accounting to General Accounting throughout procedure. Revised Section III.B process for Cost of Goods Sold to General Accounting; inventory on hand at end of Fiscal Year valued using First In First Out inventory. Updated Section III.D regarding variance in goods on hand being reported as shrinkage. Updated Addendum A, and removed original Addendum B Request for Adjustment to Inventory form</td>
</tr>
<tr>
<td>3</td>
<td>06/09/2009</td>
<td>Applied revised MAPP template. Section III.B was updated to include alternative methods. A statement was added to Section III.E allowing independent companies to conduct inventory of goods for resale at the University. Changed review period from every three years on or before August 31 to every three years on or before March 1. Removed Section VI, References and Index Terms. Updated Addendums A through F</td>
</tr>
<tr>
<td>4</td>
<td>12/01/2010</td>
<td>Applied revised MAPP template. Made minor documentation changes to Sections I and II. A statement was added to Section III.C to allow departments to sell obsolete goods at a discounted price. Changed review period from every three years on or before March 1 to every three years on or before September 1. Removed Addendums B through F</td>
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<tr>
<td>5</td>
<td>03/09/2015</td>
<td>Applied revised MAPP template and added new Revision Log. Removed Section III.F.6 regarding Addendum A. Removed Addendum A (Example of Location Diagram) from contents</td>
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<tr>
<td>6</td>
<td>05/31/2018</td>
<td>Updated titles as applicable. No additional changes were made by the Subject Matter Experts (SMEs)</td>
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