BIBITOR, LLC DATASET SUPPORTING MATERIAL

Identifying Inventory Writedowns: Valuation Testing of the Bibitor, LLC. September 2016
Ending Inventory Incorporating ACL or IDEA.

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EXERCISE

You are assigned as the Associate on the audit engagement of Bibitor, LLC. The audit team is using Business Intelligence Tools to examine the population of transactions, such as Sales, Purchases, and Inventory.

Read the Background Information provided and complete the requirements and document your audit testwork.

Background Information:

Bibitor, LLC is a retail liquor company with 79 locations throughout the state of Lincoln. They sell spirits and wine products. Bibitor, LLC has been serving the area for over 50 years. Their wine and spirits selection is hand-picked and focused on value. Their employees are trained as personal beverage concierges and provide unmatched service to all customers. There are over 11,000 brands throughout the organization.

Task:

The in-charge on the engagement obtained 6 data files from the Controller and the Chief Information Officer for beginning and ending inventory, purchases, sales, purchases by invoice, and purchase prices for each inventory item.

The in-charge did a review of Bibitor’s overall gross margin percentage, and it appears reasonable based on the typical retail mark-ups for wine (50%) and spirits (30% - 35%).

The in-charge is interested in screening for gross margins that are negative or zero. Both of these conditions suggest any remaining inventory may not be at Lower of Cost or Market (LCM).

Required:

Use a Business Intelligence Tool to screen for gross margins by brand that may require a write-down in ending inventory. Document your test work using the standard workpaper documentation format.