

DAMAGES
Accounting for Distressed Merchandise

There are many ways of handling distressed merchandise. A clear understanding by each party as to how the product is to be handled and accounted for will prevent many problems before they occur.

The following are examples of figuring damages when the parties cannot agree on specific terms when:

1. Market News, InfoHort, etc. Reports are not available.
2. Market News, InfoHort, etc. Reports are available.

DAMAGES (For breach of contract when parties cannot agree on terms of handling.)

EXAMPLE 1: When Market News, InfoHort, etc. Reports are not available.

Invoice price (1,000 sacks @ \$6.20)	\$6,200.00
Freight	<u>1,800.00</u>
Value of produce delivered	\$8,000.00
Less gross proceeds realized:	

SALES

	<u>Quantity</u>	<u>Price/Unit</u>	<u>Total</u>	<u>Date of Sale</u>	<u>Invoice #</u>
	250	\$5.00	\$1,250.00	January 1, 2003	A - 1234
	90	\$4.75	\$427.50	January 2, 2003	A - 3456
	80	\$4.50	\$360.00	January 3, 2003	A - 2345
	500	\$4.25	\$2,125.00	January 3, 2003	A - 4567
	50	\$4.00	\$200.00	January 4, 2003	A - 5678
	20	\$2.00	\$40.00	January 5, 2003	A - 6789
	<u>10</u>	<u>\$0.00</u>	<u>\$00.00</u>	Shortage	
Total	1,000		\$4,402.50		

Damages: \$8,000.00 - \$4,402.50 = \$3,597.50 (Laid-in cost less gross proceeds.)

DUE SHIPPER: \$6,200.00 - \$3,597.50 = \$2,602.50 (Invoice price less damages.)

EXAMPLE 2: Market News, InfoHort, etc. Reports are available.

Invoice price (1,000 sacks @ \$6.20)	\$6,200.00
Market News reports this type of potato, mostly \$8.50/sac	
Value of potatoes if received as represented by shipper: (\$8.50/sac * 1,000 sac)	\$8,500.00

Gross proceeds of sale:

SALES

	<u>Quantity</u>	<u>Price/Unit</u>	<u>Total</u>	<u>Date of Sale</u>	<u>Invoice #</u>
	250	\$5.00	\$1,250.00	January 1, 2003	A - 1234
	90	\$4.75	\$427.50	January 2, 2003	A - 3456
	80	\$4.50	\$360.00	January 3, 2003	A - 2345
	500	\$4.25	\$2,125.00	January 3, 2003	A - 4567
	50	\$4.00	\$200.00	January 4, 2003	A - 5678
	20	\$2.00	\$40.00	January 5, 2003	A - 6789
	<u>10</u>	<u>\$0.00</u>	<u>\$00.00</u>	Shortage	
Total	1,000		\$4,402.50		

Damages: \$8,500.00 - \$4,402.50 = \$4,097.50 (Market News less gross proceeds.)

DUE SHIPPER: \$6,200.00 - \$4,097.50 = \$2,102.50 (Invoice price less damages.)