

# How LIFO Works & LIFOPro's Offerings

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**LIFOPro**  
Software & Turnkey Outsourcing Solutions



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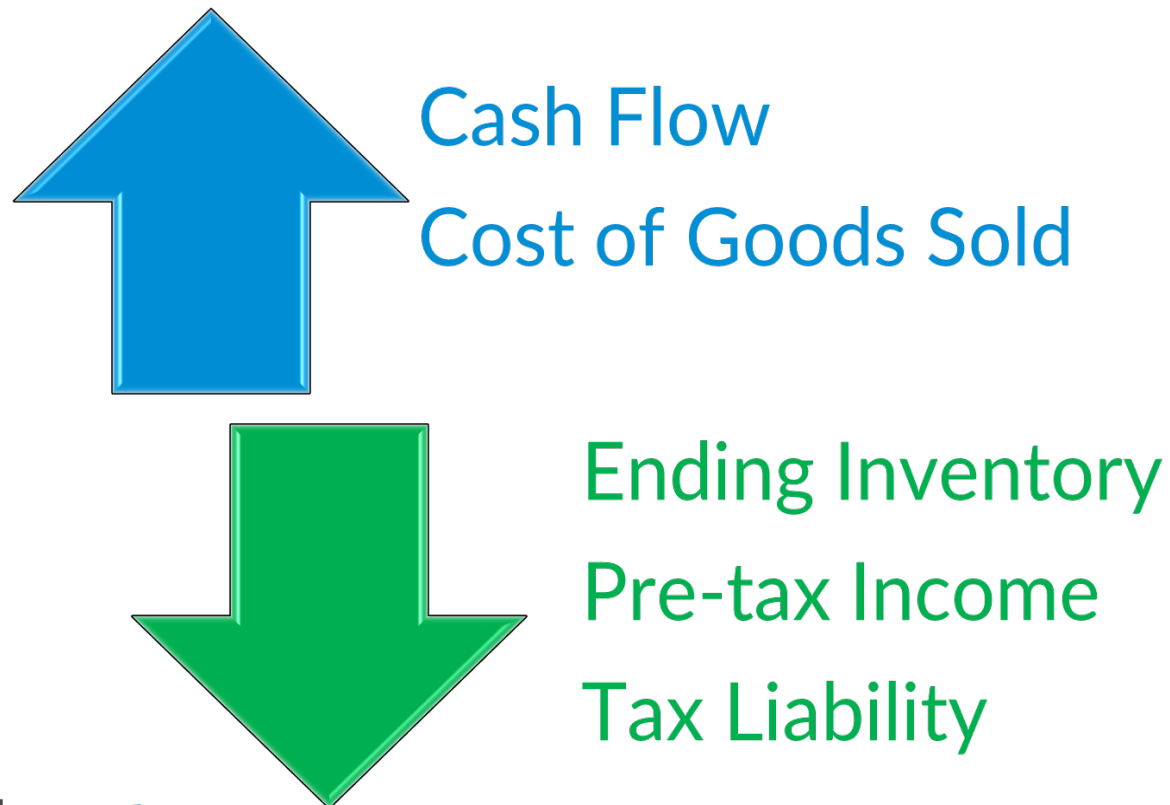
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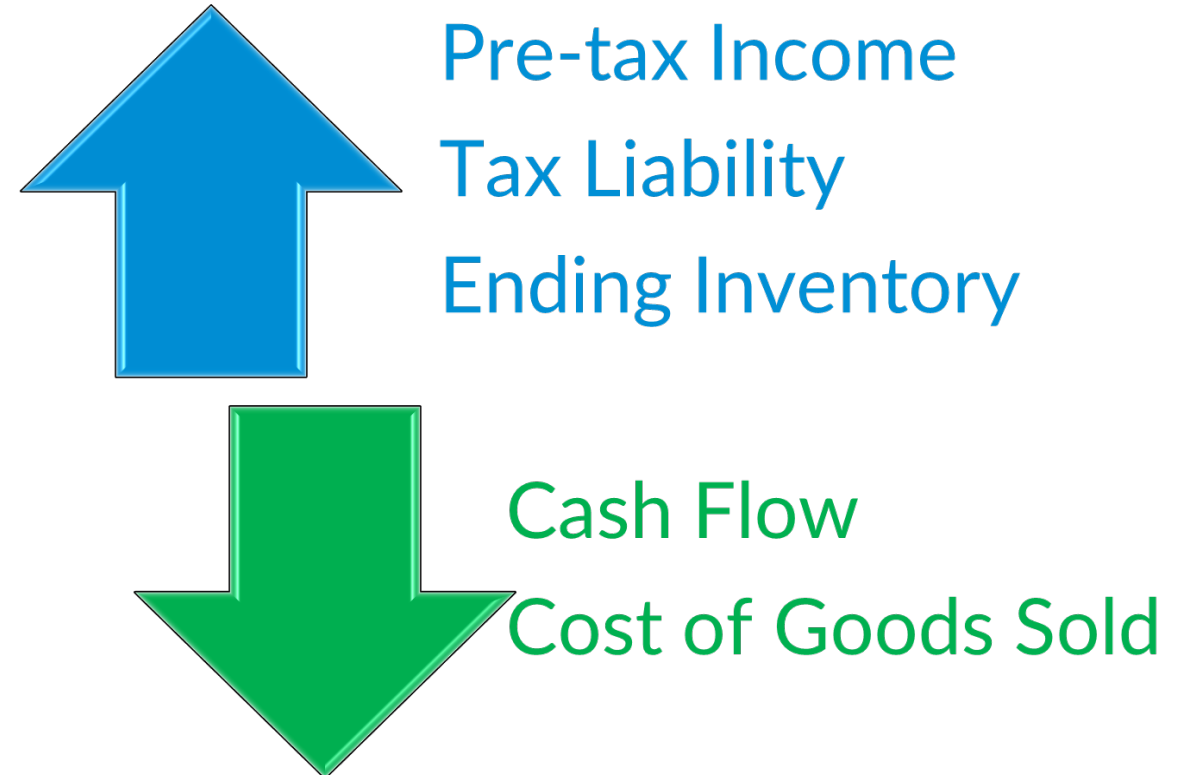
# How LIFO Works

## Effect of Inflation on Financial Statements & Tax Return

### With LIFO



### Without LIFO



# Why Use LIFO?

## • Tax Benefits

- **LIFO often creates material long-term tax deferral/savings:** Not just a one-time tax benefit or timing difference between book & tax such as straight-line vs. accelerated depreciation
- **During periods of rising costs, LIFO:**
  - Provides more after-tax free cash flow than non-LIFO methods when there's inflation
  - Ensures taxes aren't paid on goods that have been purchased, but have yet to be sold
  - Improves ability to replenish & maintain an adequate level of inventory
- Some consider LIFO to act as a tax deferral tool that can be thought of as an interest-free loan
- Others believe that LIFO essentially acts as a permanent form of tax savings if a company is profitable, satisfies the going concern assumption & intends to stay on LIFO in perpetuity
- **Tax Court opinion regarding LIFO (see Amity Leather vs. Commissioner):**

*The theory behind LIFO is that income may be more accurately determined by matching current costs against current revenues, thereby eliminating from earnings any artificial profits resulting from inflationary increases in inventory costs. At the heart of the LIFO method is the principle that income is more clearly reflected by matching current costs with current revenues.*

## • Preferable accounting method

- LIFO is an accounting method permissible under GAAP, not just a tax incentive
- During periods of rising costs, income is most clearly reflected by matching current costs with current revenues
- Provides a more conservative measure of income compared to non-LIFO methods during periods of rising costs.

## • Acts as a mechanism that's similar in nature to nominal to real GDP adjustment

- When there's inflation, portion of ending inventory balance is transferred to COGS to normalize reported income & tax liability
- Isn't a tax loophole that always provides a benefit since deflation causes LIFO recapture or additional income to be recognized



# Common LIFO Misconceptions

- **Misconception #1: The following burdens & costs outweigh the benefits of LIFO:**
  - Management, cost accounting & purchasing/sales functions & responsibilities will be complicated by using LIFO
  - Wholesale changes must be made to accounting system since item costs & the physical flow of goods must be tracked on a LIFO basis
  - **Clarifications**
    - Under the dollar-value method, the LIFO value of inventory is determined outside of the accounting system & a top-side accounting entry is recorded to adjust ending inventory from cost to LIFO & accrue the change in the LIFO reserve
    - Under dollar-value LIFO, item costs remain being tracked the same way they did prior to electing LIFO & requires no changes to the accounting system other than adding a contra-inventory subledger account called the LIFO reserve
- **Misconception #2**
  - Employee compensation & bonuses will be complicated from using LIFO
  - **Clarification:** Internal management reports can be presented on a non-LIFO basis as long as they're not shared externally with third parties
- **Misconception #3: Tax savings from LIFO will be minimal because:**
  - **High inventory turnover or new item rates**
  - **Just in time inventory or lean accounting practices**
  - **Clarifications**
    - Under the dollar-value method, the inflation rate used to calculate the LIFO reserve change is based on a 12 month comparison of current vs. prior year's item/unit costs extended by quantities on hand in ending inventory regardless of the turnover ratio
    - External indexes reconstruct inflation on new items, which ensures the same amount of inflation is applied to new & preexisting items
    - Manufacturers will always have raw materials & WIP; wholesalers/distributors & retailers still must maintain adequate base stock
- **Misconception #4: Internal costs must be used to measure LIFO inflation**
  - **Clarification:** External indexes such as the BLS CPI/PPI can be used to measure inflation, thereby minimizing reliance on accounting information systems



# Common LIFO Misconceptions

- **Common LIFO reserve change misconceptions**
  - This year's LIFO reserve can't grow unless this year's ending inventory balance is as much or higher than last year's ending inventory balance
  - This year's LIFO reserve will decrease if this vs. last year's inventory balance decreases
  - Material LIFO recapture will occur if there's a significant decrease in inventory
- **LIFO reserve change overview**
  - **The LIFO reserve change consists of the following two components**
    - **Inflation effect LIFO expense/income (expense when there's inflation & income when there's deflation)**
      - Equals last year's inventory balance at cost \* this year's inflation rate
    - **Layer erosion effect income/expense (typically will create LIFO income, but can create LIFO expense in certain cases)**
      - Equals the current year decrease at base year cost \* (current year cumulative index - index of layer(s) being eroded/liquidated)
  - The inflation effect LIFO expense component of the LIFO reserve change is usually the heavier weighting factor because last year's inventory balance at cost is always greater than this year's decrease at base year cost
- **Clarifications**
  - When there's inflation, LIFO reserve can increase even when current vs. prior year inventory balances decrease
  - In most cases, material LIFO recapture only occurs when there is either substantial deflation and/or substantial inventory liquidations
  - Any LIFO recapture (LIFO income) caused by inventory decreases can be partially or fully offset by the LIFO expense created from inflation
- **Learn more at LIFOPro's blog: <https://www.lifopro.com/clarifying-how-lifo-reserve-changes-are-calculated>**

# Dollar-value LIFO Overview

## Inflation Calculation

If using internal index, current quantities & current/prior period item/unit costs double extended to calculate current year & cumulative inflation index

If using external index BLS CPI/PPI categories assigned to all goods & inventory balances by BLS category used to calculate current year & cumulative inflation index

## Base Year & LIFO Layers Calculation

Current year inventory at base year cost & base year increment (decrement(s)) calculated using cumulative index(es)

Current year LIFO increment (decrement(s)) & LIFO inventory balance calculated using cumulative index(es)

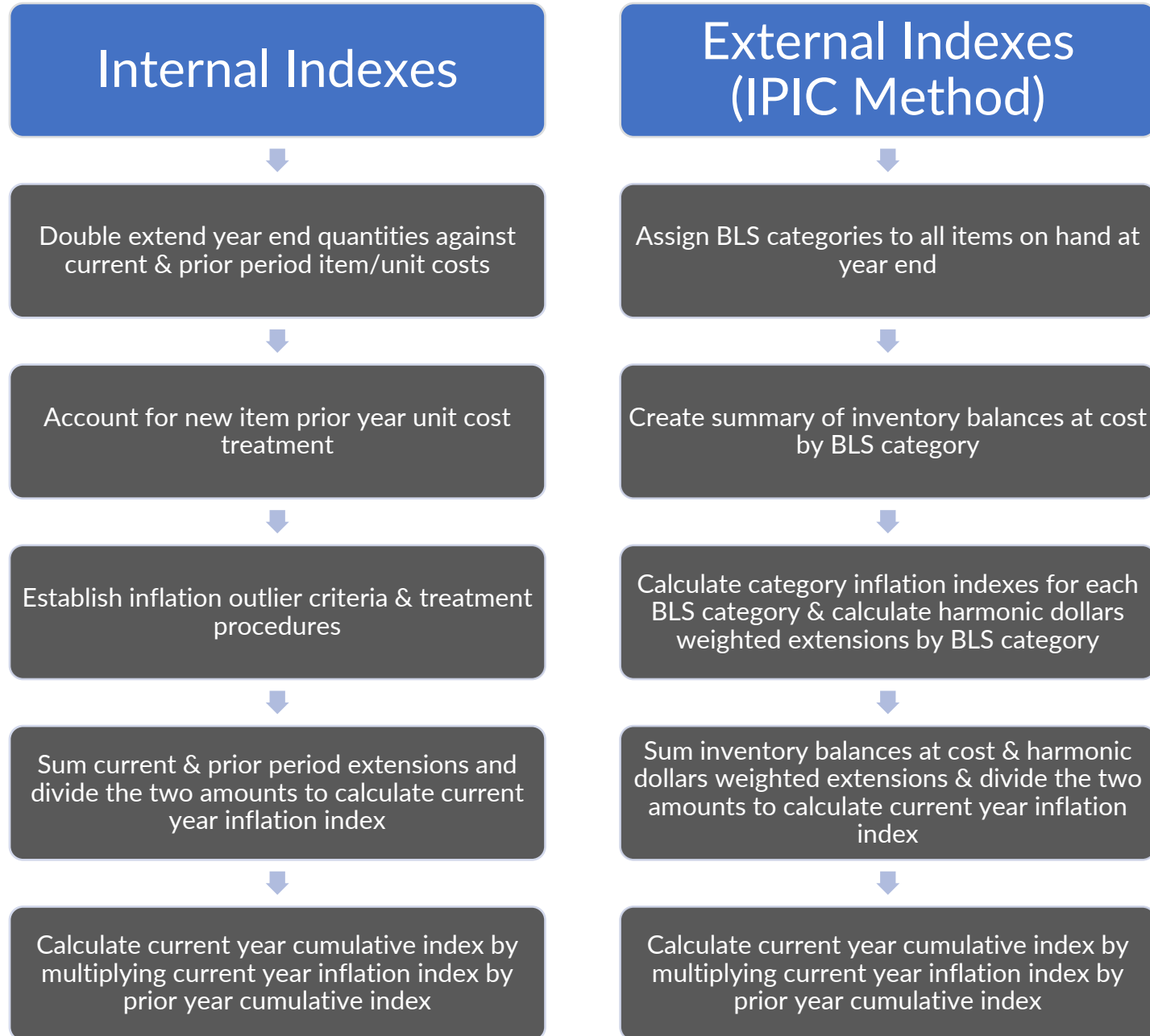
## LIFO Reserve & Expense (Income) Calculation

LIFO reserve calculated by taking the difference between inventory balance at cost & LIFO; LIFO expense (income) calculated by taking difference in current vs. prior year LIFO reserve

Journal entry recorded to debit/credit COGS & LIFO reserve



# Dollar-value LIFO: Inflation Calculation





# Dollar-value LIFO: Layer Calculations

## Base Year Layers

- **Calculate current year inventory at base year cost:** Current year inventory at cost ÷ Current year cumulative index
- **Calculate current year increase (decrease) at base year cost:** Current year inventory at base year cost – Prior year inventory at base year cost
- **Determine whether base year increment has been created, or if decrement(s) occurred:** Increment created if Current year inventory at base year cost > Prior year inventory at base year cost; decrement(s) occurred if not
- **If base year decrement created - Calculate the new inventory at base year costs:**
  - **If current year decrease at base year cost is less than the most recent period's layer at base year cost:** Reduce the most recent base year layer by the amount of the current year decrease at base year cost.
  - **If the current year decrease at base year cost is greater than the most recent layer at base year cost:** Proceed to reducing remaining base year layers in reverse chronological order until the sum of the prior period(s) base year layer decreases equals the current year base year cost decrease.

## LIFO Layers

- **If base year increment created - Calculate current period's LIFO layer/increment:** Current year base year layer \* Current year cumulative index
- **If base year decrement(s) created - Calculate the new inventory value at LIFO:**
  - **If current year decrease at base year cost is less than the most recent period's layer at base year cost:**
    - Multiply the most recent base year layer by the most recent base year layer's cumulative index
  - **If the current year decrease at base year cost is greater than the most recent layer at base year cost:** Proceed to reducing remaining LIFO layers in reverse chronological order by multiplying each preceding base year layer by the cumulative index that was calculated & corresponds with the LIFO layer being eroded until the sum of the prior period(s) base layer decreases equals the current year base year cost decrease.
- **Calculate LIFO inventory balance by taking the sum of all LIFO layers**



# Dollar-value LIFO: LIFO Reserve/Expense (Income) Calculations

- **LIFO Reserve:** Equals the difference between inventory at cost (FIFO or average cost) & inventory at LIFO
- **LIFO Expense (Income):**
  - Equals the current vs. prior year LIFO reserve change
  - Increase in current vs. prior year LIFO reserve change = LIFO expense (reduction to income & increase to COGS)
  - Decrease in current vs. prior year LIFO reserve change = LIFO income (increase to income & decrease to COGS)
- **LIFO Reserve Change Components**
  - LIFO reserve change will consist of 1 or both of the following two components:
    - **Inflation effect LIFO expense (income):** Current year inflation rate \* prior year inventory balance at cost
    - **Layer erosion effect LIFO income:**
      - Current year decrease at base year costs \* (Current year cumulative index – the average cumulative index of the layers eroded)
      - In most cases, the layer erosion effect LIFO income will create LIFO recapture, but if there was deflation in the prior year & also in the current year, layer erosions can create LIFO expense (LIFO reserve increase)
  - Determining factor on whether one or both of the above will components will be used is dependent on whether an increment or decrement was created. If an increment was created, the LIFO reserve change will only consist of the inflation effect LIFO expense (income). If decrement(s) created, the LIFO reserve change will be the sum of the inflation effect LIFO expense (income) & layer erosion LIFO income. In other words, the layer erosion LIFO income only occurs when a decrement was created.
  - You can project in advance if there will be an increment or decrement for the upcoming year end by taking the product of the current year's expected inflation rate & last year's inventory balance at cost (LIFOPro calls this amount the "zero layer erosion Current Year Cost") and comparing that amount to the projected year end inventory balance at cost. If the projected year end inventory balance at cost is higher than the zero layer erosion Current Year Cost, there will be an increment, but if it's lower, there will be a decrement.
  - In the absence of a complete LIFO calculation becoming available, an easy way to perform a quick LIFO estimate or apply reasonableness testing to the results of your LIFO calculation would be to use the inflation effect LIFO expense (income) formula listed above



# Accounting for LIFO

Year 1 on LIFO Inventory Physical Cost Flow Activity: 2021 Year End						
Description	Using FIFO			Using Average Cost		
	Units on Hand	Unit Cost	Balance	Units on Hand	Unit Cost	Balance
Beginning Inventory at Cost	5,000,000 units	\$5.50/unit	\$27,500,000	5,000,000 units	\$5.00/unit	\$25,000,000
Purchase 8,000,000 units at \$6/unit	Account Name	Dr.	Cr.	Account Name	Dr.	Cr.
	Inventory	48,000,000		Inventory	48,000,000	
	Accounts payable		48,000,000	Accounts payable		48,000,000
Sell 7,000,000 units at \$12/unit	Accounts receivable	84,000,000		Accounts receivable	84,000,000	
	Cost of goods sold	39,500,000		Cost of goods sold	39,307,692	
	Sales		84,000,000	Sales		84,000,000
	Inventory		39,500,000	Inventory		39,307,692
Ending Inventory at Cost	6,000,000 units	\$6.00/unit	\$36,000,000	6,000,000 units	\$5.62/unit	\$33,692,308

Year 1 Balances Before LIFO Calculation: 2021 Year End			
FIFO		Average Cost	
Inventory		Inventory	
27,500,000		25,000,000	
48,000,000		48,000,000	
	39,500,000		39,307,692
36,000,000		33,692,308	
Cost of Goods Sold		Cost of Goods Sold	
-		-	
39,500,000		39,307,692	
39,500,000		39,307,692	



# Accounting for LIFO

Year 1 LIFO Calculation Summary: 2021 Year End		
Description	FIFO	Average Cost
Current Period Inventory Balance at Cost	\$ 36,000,000	\$ 33,692,308
Prior Period Inventory Balance at Cost	27,500,000	25,000,000
Current Period Inflation Index	1.091	1.123
Current Period LIFO Inventory Balance	33,525,000	30,692,308
Current Period LIFO Expense/Reserve	2,475,000	3,000,000

Year 1 Post LIFO Calculation Journal Entry: 2021 Year End						
Description	Using FIFO			Using Average Cost		
	Account Name	Dr.	Cr.	Account Name	Dr.	Cr.
Adjust ending inventory balance from FIFO or average cost to LIFO	Cost of Goods Sold	2,475,000		Cost of Goods Sold	3,000,000	
	LIFO Reserve		2,475,000	LIFO Reserve		3,000,000

Year 1 Balances After LIFO Calculation: 2021 Year End					
FIFO			Average Cost		
Inventory			Inventory		
	27,500,000			25,000,000	
	48,000,000			48,000,000	
		39,500,000			39,307,692
@ FIFO	36,000,000		@ Average Cost	33,692,308	
Less: LIFO Reserve		2,475,000	Less: LIFO Reserve		3,000,000
@ LIFO	33,525,000		@ LIFO	30,692,308	
<b>Cost of Goods Sold</b>			<b>Cost of Goods Sold</b>		
	39,500,000			39,307,692	
	2,475,000			3,000,000	
	41,975,000			42,307,692	
<b>LIFO Reserve</b>			<b>LIFO Reserve</b>		
		-			-
		2,475,000			3,000,000
		2,475,000			3,000,000



# What Makes a Good LIFO Candidate?

- **Good LIFO Candidate:** LIFOPro has developed a proprietary scoring system to identify good candidates, which requires for the following criteria to be met -
  - **High inflation frequency:** Must have inflation in more than half of the last 20 years (11 or more). Best LIFO candidates have high inflation frequency because the more often inflation is expected to occur, the higher the likelihood that LIFO acts as annuity & the lower the likelihood of deflation/LIFO recapture
  - **Historical average annual inflation rate of 1% or greater:** Ensures an adequate amount of long-term inflation exists for the benefits of LIFO to far outweigh the cost. Most predominant users of LIFO such as auto dealers & supermarkets have a 1% - 2% long-term average inflation rate.
  - **At least \$2M - \$5M of inventory:** Appropriate range dependent on historical inflation rate, tax rate & company's perceived value of LIFO tax benefits
- **Good 2023 LIFO Election Candidate:** Must meet the good LIFO candidate criteria listed above & have an election year inflation rate that's greater than or equal to the historical average annual inflation rate
- **Top 2023 LIFO Election Candidates**
  - Learn more at LIFOPro's blog: [2023 LIFO Election Locks](#)
  - Download our top LIFO election candidates list & client identification tool - [LIFOPro's 2023 Good LIFO Election Candidates & Client ID Tool](#)
- **Election Year LIFO Tax Savings Formula & Example**
  - **Formulas**
    - **Election year taxable income reduction from LIFO (LIFO expense):** Prior year inventory balance at cost \* Current year inflation rate
    - **Election year LIFO tax benefit:** Current year LIFO expense \* Combined federal & state tax rate
  - **Example:**
    - **Assumptions:** \$5M prior year end inventory balance, 10% current year inflation & 40% tax rate
    - **Results:**
      - **Election year LIFO expense:**  $\$5M * 10\% = \$500K$
      - **Election year LIFO tax benefit:**  $\$500K * 40\% = \$200K$



# Past vs. Present Inflation

PPI Code	05	11	13	15	SS45011	SS45021
BLS PPI Category Description	Fuels and related products and power	Machinery and equipment	Nonmetallic mineral products	Miscellaneous products	New cars	New trucks
Inflation Measurement Period						
9 Months Ended Sep. '23 (YTD)	5.1%	3.1%	4.9%	4.0%	1.3%	2.0%
12 Months Ended Sep. '23	-11.9%	4.4%	5.9%	5.4%	1.7%	2.8%
12 Months Ended Dec. '22	12.1%	9.1%	13.2%	8.9%	6.2%	6.0%
12 Months Ended Dec. '21	38.3%	7.1%	7.8%	6.3%	12.0%	11.6%
12 Months Ended Dec. '20	-6.3%	1.0%	2.1%	2.8%	2.1%	1.9%
12 Months Ended Dec.'19	-6.2%	1.6%	1.5%	4.0%	0.1%	0.3%
12 Months Ended Dec.'18	4.2%	2.5%	4.1%	2.3%	0.2%	-0.7%
12 Months Ended Dec.'17	10.4%	0.9%	2.3%	2.4%	-1.1%	-0.1%
12 Months Ended Dec.'16	8.3%	0.0%	2.0%	1.8%	-0.2%	0.6%
12 Months Ended Dec.'15	-19.8%	0.3%	1.5%	1.9%	-0.4%	0.7%
12 Months Ended Dec.'14	-13.6%	0.7%	3.8%	1.4%	-0.1%	1.3%
12 Months Ended Dec.'13	0.6%	1.0%	2.7%	1.5%	-0.6%	1.4%
12 Months Ended Dec.'12	-3.0%	0.6%	2.5%	2.5%	1.1%	2.1%
12 Months Ended Dec.'11	8.7%	1.9%	2.4%	3.6%	4.0%	2.3%
12 Months Ended Dec.'10	12.3%	-0.3%	0.6%	2.9%	-1.1%	1.0%
12 Months Ended Dec.'09	18.5%	0.3%	-1.6%	0.1%	3.6%	6.6%
12 Months Ended Dec.'08	-24.0%	2.7%	9.5%	2.6%	-1.1%	-5.3%
12 Months Ended Dec.'07	18.2%	-0.1%	2.0%	2.6%	-0.4%	-0.2%
12 Months Ended Dec.'06	-5.8%	3.2%	7.7%	2.4%	0.2%	-2.0%
12 Months Ended Dec.'05	30.6%	0.8%	8.1%	8.4%	0.8%	-1.9%
12 Months Ended Dec.'04	19.8%	0.9%	5.4%	3.2%	0.5%	0.5%
<b>3 Year Annual Average</b>	<b>20.2%</b>	<b>6.4%</b>	<b>8.7%</b>	<b>6.6%</b>	<b>6.7%</b>	<b>7.0%</b>
<b>5 Year Annual Average</b>	<b>6.0%</b>	<b>4.5%</b>	<b>6.0%</b>	<b>5.3%</b>	<b>4.3%</b>	<b>4.3%</b>
<b>10 Year Annual Average</b>	<b>1.6%</b>	<b>2.6%</b>	<b>4.2%</b>	<b>3.6%</b>	<b>2.0%</b>	<b>2.4%</b>
<b>20 Year Annual Average</b>	<b>4.1%</b>	<b>1.8%</b>	<b>4.1%</b>	<b>3.3%</b>	<b>1.4%</b>	<b>1.4%</b>
Years with Inflation: '04 - '23	12 of 20	17 of 20	19 of 20	20 of 20	12 of 20	14 of 20
YTD vs. 20Y Avg. Inflation Multiplier	1.2	1.7	1.2	1.2	1.0	1.4

Source: Bureau of Labor Statistics – Consumer/Producer Price Indexes (BLS CPI/PPI)



# Is There a "Right" Time to Elect LIFO?

- The timing of the LIFO election is key, making it important to understand the best & worst time to elect LIFO
- The tax benefits from LIFO **are primarily driven by the amount of inflation** measured in any given year
- One of the best possible times to elect LIFO is in a year where the inflation will be at least at or above the historical average because:
  - Ensures the benefits of LIFO outweigh the administrative burden and related costs in the year of election
  - In cases where the election year inflation is higher than the historical average:
    - Tax benefit from LIFO will represent multiple years worth of inflation in the election year alone when compared to a normal period of inflation
    - Can reduce or largely minimize the chance of material or complete LIFO reserve recapture occurring in the future (see below)

## 10-year LIFO Reserve Comparison: Differential Between Electing in an Average vs. High Inflation Period

### High Inflation Period - 10% election year inflation (2022)

Period	Inventory at Cost	Current Year Inflation Rate	Cumulative Inflation Rate	Inventory at LIFO	LIFO Reserve	LIFO Expense (Income)
12/31/2021	20,000,000	-	-	20,000,000	-	-
12/31/2022	25,000,000	10.0%	10.0%	23,000,000	2,000,000	2,000,000
12/31/2023	26,500,000	2.0%	12.2%	24,000,000	2,500,000	500,000
12/31/2024	25,000,000	1.0%	13.3%	22,267,133	2,732,867	232,867
12/31/2025	24,000,000	-3.0%	9.9%	22,016,956	1,983,044	-749,823
12/31/2026	25,000,000	-1.0%	8.8%	23,256,958	1,743,042	-240,002
12/31/2027	26,000,000	1.5%	10.5%	23,881,958	2,118,042	375,000
12/31/2028	28,000,000	-1.5%	8.8%	26,271,958	1,728,042	-390,000
12/31/2029	30,000,000	3.0%	12.1%	27,431,958	2,568,042	840,000
12/31/2030	30,500,000	2.5%	14.9%	27,188,056	3,311,944	743,902
12/31/2031	31,000,000	4.0%	19.5%	26,512,634	4,487,366	1,175,422

### Average Inflation Period - 2% election year inflation (2023)

Period	Inventory at Cost	Current Year Inflation Rate	Cumulative Inflation Rate	Inventory at LIFO	LIFO Reserve	LIFO Expense (Income)
12/31/2022	25,000,000	-	-	25,000,000	-	-
12/31/2023	26,500,000	2.0%	2.0%	26,000,000	500,000	500,000
12/31/2024	25,000,000	1.0%	3.0%	24,267,133	732,867	232,867
12/31/2025	24,000,000	-3.0%	-0.1%	24,016,956	-16,956	-749,823
12/31/2026	25,000,000	-1.0%	-1.1%	25,256,958	-256,958	-240,002
12/31/2027	26,000,000	1.5%	0.4%	25,881,958	118,042	375,000
12/31/2028	28,000,000	-1.5%	-1.1%	28,271,958	-271,958	-390,000
12/31/2029	30,000,000	3.0%	1.9%	29,431,958	568,042	840,000
12/31/2030	30,500,000	2.5%	4.4%	29,188,056	1,311,944	743,902
12/31/2031	31,000,000	4.0%	8.6%	28,512,634	2,487,366	1,175,422
12/31/2032	31,500,000	0.5%	9.1%	28,857,634	2,642,366	155,000



# LIFO Election & Disclosure Requirements

## • LIFO Conformity

- Face of the annual or year end income statement must present income, profit or loss using the LIFO method beginning no later than the year that LIFO is adopted for tax purposes
- Once LIFO has been elected for tax purposes, income, profit or loss must be computed using LIFO on the face of all subsequent annual financial statements (unless LIFO is terminated for tax purposes)

## • Financial Report Non-LIFO Disclosures

- The following non-LIFO disclosures and information are allowed to be made within the financial reports while maintaining LIFO conformity compliance (see IRS Regs. §1.472-2(e)):
  - Supplemental and explanatory information using a non-LIFO method - Includes anything other than the primary presentation of the income statement, which includes the following:
    - Notes to the income statement
    - Appendices & supplements to the income statement
  - Other reports included in the financial reports, such as:
    - Management's discussion and analysis
    - Statement of changes in financial position
    - Letters to shareholders, partners or other stakeholders
    - Summary of key figures
  - Inventory asset value disclosures

## • Internal Management & Interim Reports

- **Internal Management Reports** - The use of a non-LIFO method is allowed on all portions of internal management reports as long as the reports will not be issued or released to parties outside of the organization. Examples include earnings projections, budgets, sales and sales forecasts.
- **Interim reports** - If issued in accordance with GAAP, same LIFO disclosure rules described above apply. If not issued in accordance with GAAP, then interim reports are not required to be presented on a LIFO basis (exception is a series of interim reports that can be used to ascertain income, profit & loss by combining those reports)





# Why Perform Analysis?

- Thorough LIFO Due diligence should be considered essential
- Failing to perform thorough LIFO due diligence can lead to the following:
  - Materially lower tax benefits being obtained in the long-term as a result of selecting suboptimal methods
  - Impermissible methods unknowingly being used & audit risk being created
  - Utilizing methods that are more error-prone or burdensome than simpler, less time-intensive alternatives
  - Higher likelihood of eventually terminating LIFO election due to lack of benefits and/or excessive administrative costs/resources
- Performing thorough LIFO due diligence ensures the following:
  - Historical inflation studied to predict & understand potential long-term benefits & risks
  - Expectations can be developed & best vs. worst case scenarios are understood upfront
  - All method alternatives are explored & best practices are considered/employed
  - Best possible tax answer is achieved while ensuring compliance
  - Election year and ongoing responsibilities & requirements are clearly defined

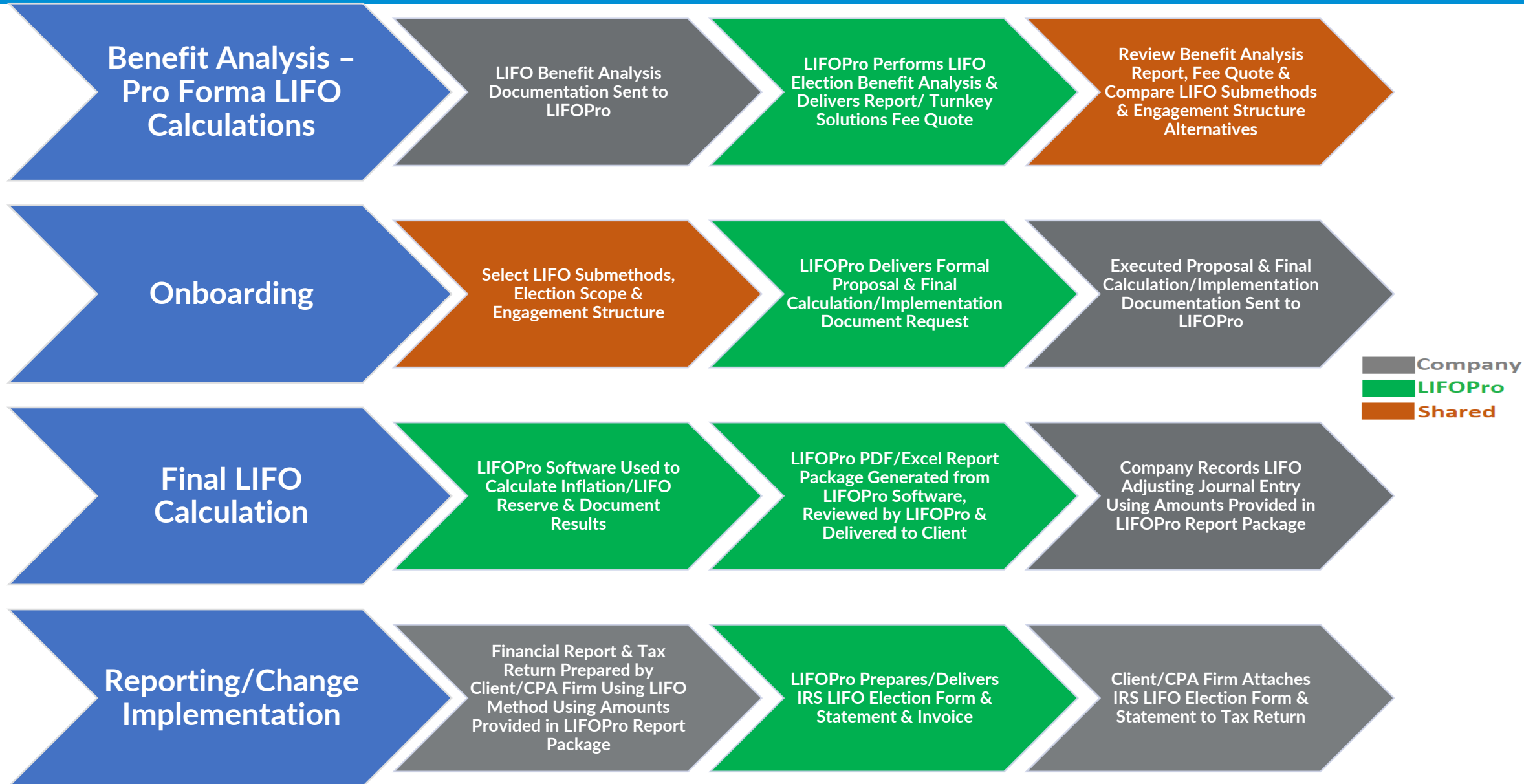


# Why Outsource LIFO or License LIFO Software?

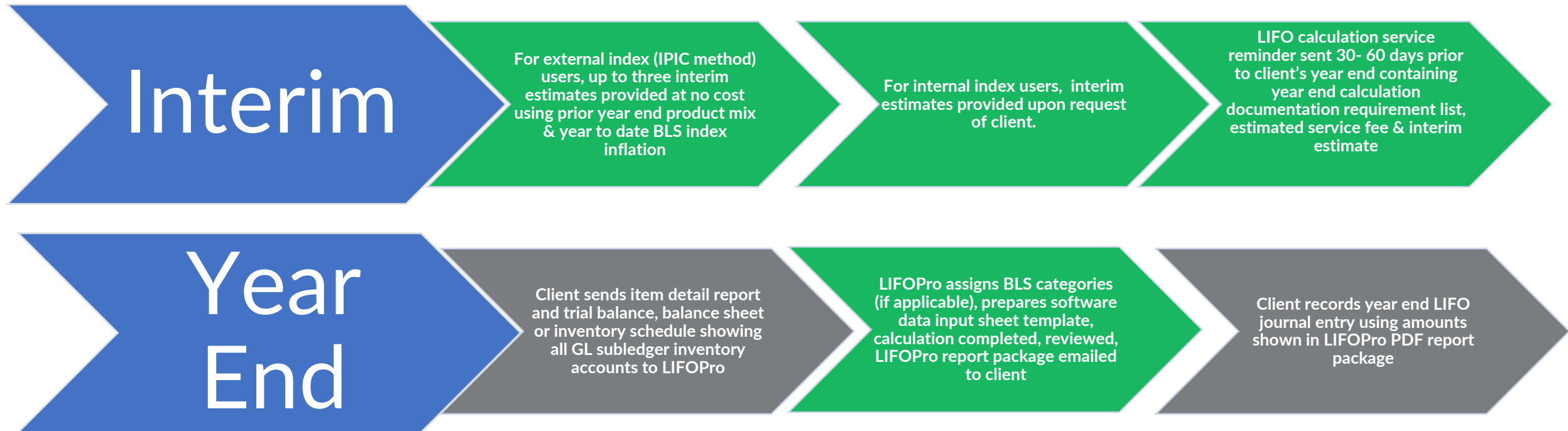
- **In-house calculations made WITHOUT software**
  - Inflation calculation can be very complex when performed in spreadsheets
  - Important steps may be overlooked or left out altogether when manually performed in-house, such as:
    - Including new items in calculation ensure compliance or reconstructing new item cost to avoid inflation dilution that'd otherwise occur
    - Performing inflation calculation reasonableness testing, setting criteria for identifying inflation outliers & establishing standard procedures for handling outliers
    - Uniform BLS category assignment to new items to ensure the same BLS indexes are applied to similar new vs. preexisting items
  - Calculating layers & decrements can be complex because it's unknown whether there'll be an increment or decrement in any given year & different math steps are required to calculate an increment vs. decrement(s)
  - Calculation errors become more inevitable the longer you've been on LIFO as decades worth of LIFO layers accumulate
- **Outsourced calculations or those made in-house WITH software**
  - Make being on LIFO as simple as possible with outsourcing & minimize time spent on LIFO in-house with software
  - Simplifies audit procedures for companies & auditors by providing them with comprehensive, standardized documentation
  - CPA firms & companies can rely on LIFOPro to act as their LIFO subject matter expert rather than having to develop & maintain in-house expertise
  - Guarantee calculation accuracy & eliminate IRS audit risk
  - Easily obtain interim estimates to focus on forecasting & planning
  - Avoid getting bogged down with compliance work & getting hit with big LIFO surprises at year end
- **All of LIFOPro's offerings come with the assurance of a SOC 1 Type II Report**



# LIFO Benefit Analysis & Turnkey Solutions Process Flow: First Year



# Turnkey Outsourcing Solutions Process Flow: Recurring



# How to Get Started

- Get a complimentary LIFO Election Benefit Analysis & fee quote
- **Report includes the following:**
  - Current year LIFO inventory/reserve balance & estimated tax savings from LIFO – can be used to incorporate estimated LIFO figure in financial statement to ensure LIFO conformity compliance
  - 20 year pro forma LIFO calculation using Bureau of Labor Statistics Consumer/Producer Price Indexes to determine the historical inflation trends, whether a company is a good LIFO candidate & what inflation measurement source should be used
  - How LIFO Works appendix covering all the must-knows about LIFO
- See sample LIFO Election Benefit Analysis report here: **[Sample LIFO Election Benefit Analysis Report](#)**
- **How to get started**
  - Send LIFOPro documentation required to receive complimentary LIFO Election Benefit Analysis
    - Required LIFO election benefit analysis documentation:
      - **Companies other than dealerships:**
        - Completed questionnaire – **[LIFO Benefit Analysis Document Request List](#)**
        - Current & prior period's **item detail reports** (see document request list & sample templates contained in above file)
      - **Dealerships**
        - Completed questionnaire OR current & prior year trial balance or balance sheet schedules
        - **[Auto dealer questionnaire](#)**
        - **[All other dealers questionnaire](#)** (RV, ag/farm, construction, powersports, etc.)
    - Email applicable documents to [lifopro@lifopro.com](mailto:lifopro@lifopro.com) or upload here: <https://spaces.hightail.com/uplink/LIFO-PRO>
  - LIFOPro will email you analysis report & fee quote within one week of receiving above documents (expedited delivery available)
  - LIFOPro will also offer a free discovery call/online meeting to discuss report findings, recommendations & fee quote
  - For outsourcing clients, LIFOPro will turn around final calculation & deliver PDF report package as quickly as needed

