



TOWN POLICY

ADMINISTRATION POLICY:

Inventory Items – Sale to External Parties Policy

DEPARTMENT: Financial Administration

POLICY NUMBER: FA-025

APPROVED BY CAO

Jeff Shaw

APPROVAL:

EFFECTIVE DATE: July 27, 2004

SUPERSEDES: Policy #I-14

UP FOR REVIEW: October 4, 2022

Whereas, in the regular course of business, when performing custom work, or completing work requests for residents of the Town of Cardston, inventory items are often consumed. The inventory items used are carried on the books at their original purchase price (also called the Historical Cost). Often these items may not be replaced at their original purchase price, making the difference between the Historical Cost and replacement cost a loss to the Town. To regularly determine the current replacement price of inventory items during the course of performing work is not feasible. To streamline operations, and recover replacement costs (including a reasonable re-stocking and freight expense) inventory items should not be marked up when purchased by external parties.

Therefore, when items are sold to, or used in work chargeable to external parties, the following policy will be used:

- If the Historical Cost of the item is under \$100, charge the Historical Cost plus 15%.
- If the Historical Cost is more or equal to \$100, the Foreman pricing the job shall use their discretion in pricing by either charging the item's replacement cost plus a 2% administration fee, or the Historical Cost plus 15%.



