

# LIFO Consulting Services

## Inventory Tax Planning

Since 1939, thousands of companies across multiple industries have used LIFO as their method of inventory accounting. LIFO enables them to pay less tax.

All businesses need more cash. It's not easy to produce more working capital from a well-run business. However, by electing LIFO, you can reduce taxable income and pay less tax. The tax you save becomes cash in your pocket. With LIFO, you can benefit from inflation.

- Innovative approach simplifies the process and saves time
- Maximizes available tax benefits
- Have confidence that your calculation is reliable and explainable



Pay Less Tax.  
Save More Money.™

## We Make LIFO Simple:

Inventory is the largest single item on the balance sheet for many companies. During times of inflation, LIFO accounting can provide substantial benefits. Inflation and higher inventory values can diminish your profits by increasing your taxes. LIFO accounting uses them to build a fund of cash that you can use to grow your business.

Best of all, the LIFO process does not interfere with the ordinary course of business. LIFO is typically computed at year-end and only impacts accounting records. Nothing changes but the way you report income.

## LIFO Benefit:

LIFO subtracts inflation from inventory costs, which increases costs of goods sold and decreases taxable income. The LIFO benefit grows annually as inflation widens the gap between current year and past year inventory costs. This gap is called the LIFO reserve. The tax savings from the yearly deduction can be invested separately or re-invested in the business.

Example	W/Out LIFO	With LIFO
Revenue	\$35,000,000	\$35,000,000
Cost of Sales	\$30,000,000	\$30,000,000
LIFO Adjustment	\$ -	\$600,000
Gross Profit	\$5,000,000	\$4,400,000
Expenses	\$1,500,000	\$1,500,000
Other (Income) Expense, Net	\$ -	\$ -
Operating Profit	\$3,500,000	\$2,900,000
Interest Expense, Net	\$ -	\$ -
Income before income taxes	\$3,500,000	\$2,900,000
Income Taxes @ 35%	\$1,225,000	\$1,015,000
Extra Cash	\$0	\$210,000

In this example, because LIFO is a non-cash expense, the \$210,000 reduction in income taxes is the only effect on cash flow. Financial institutions and sophisticated investors understand the impact on net income.

## Industries That Can Benefit:

- Chemicals and allied products
- Rubber and plastic products
- Building materials
- Machinery and equipment
- Certain food items
- Various miscellaneous products
- And many others

## Benefits of SourceCorp LIFO Consulting Services:

- Providing LIFO consulting to clients since 1983
- A full-time Account Manager assigned to each client
- Dedicated national team of LIFO professionals
- Our process reduces the time required for your LIFO calculation
- Perform customized modeling and provide the final computation within days of receiving your data
- Extensive, in-depth tax and technology experience working with Fortune 100 companies
- Reduce labor-intensive calculations
- Reduce administrative burden and increase the potential to realize tax savings
- Maximize and quantify your benefit
- Complimentary analysis to determine your benefit

## LIFO Accounting - Free Initial Analysis

Using SourceCorp, the time needed to provide your company's LIFO calculation can be greatly reduced while improving your results and benefit. The SourceCorp LIFO Team can help you develop and implement a truly simple and reliable LIFO process. Contact us today for your complimentary analysis.



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