

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA  
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)

May 27, 1971

Mr. L--- D. H---  
Vice President – Governmental Affairs  
C--- R--- A---  
XXXX XX<sup>th</sup> Street  
---, California XXXXX

Dear Mr. H---:

Your letter of May 13, 1971, which was accompanied with a letter from Mr. B--- L--- of M---'s raised questions about amounts classified as "cash register shortages". There are eight factors indicated which cause differences between sales recorded on the cash register and cash and valid charge sales checks received.

Our comments individually covering the eight items questioned follow:

1. Sales are rung on the cash register incorrectly, are then re-rung correctly, but the sales clerk fails to cancel (void) the first ring.

Erroneous duplicate over-rings would be allowable as a reduction of sales.

2. Sales are recorded on the register for more than the actual sales amount; for example, a \$1 item franked on the register as \$10. The reverse (under-rings) also occur. We are contending that the net over-ring should be treated as a reduction of sales.

We agree that the over-rings and under-rings should be treated as a reduction or addition to sales recorded on cash registers.

3. Charge sales checks have illegible or missing card imprints or handwritten customer names. (These are billed as an unidentifiable receivable and subsequently written off to cash register shortage.

Illegible charge sales checks would be considered as worthless or uncollectible accounts. Accordingly, such uncollectible sales would qualify as a bad debt deduction. However, any amounts which are subsequently collected should be reported.

4. Charge sales checks are lost prior to audit.

We assume you mean lost prior to billing. We would also consider lost charge sales checks as uncollectible accounts qualifying as a bad debt deduction.

5. Employee or other theft from register.

It is agreed that these amounts should not be allowable as a reduction of sales. When money is stolen, there is not a question as to whether or not consideration was received.

6. Charge sales checks indicated by sales person as cash and therefore never billed to the customer.

This would also be considered a worthless account, same as items 3 and 4.

7. Counterfeit money received.

Sales paid for by counterfeit money, fraudulent checks or unauthorized charge-plates are allowable reduction of sales. However, the reduction is limited to the original sales amount. Losses attributable to counterfeit money or fraudulent checks in excess of the original sale are not allowable.

8. Net change error.

We do not feel that change errors should be treated as an adjustment to recorded cash register sales. We believe such errors are similar to lost or stolen money. The change error occurs after consideration for the merchandise has been received. I would think that any recourse against a customer who has received excessive change would be based on the fact that he has money which belongs to the store, it would not be based on lack of consideration received for the merchandise purchased.

My comments are based on the assumption that the factors which are allowable as a reduction of cash register sales are supportable. By this I mean that at least an analysis of a representative test period can in fact substantiate that the various factors occur and the amount involved. I am sure you can appreciate that reduction of register sales must be substantiated.

Mr. L--- D. H---

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I hope this answers your questions. If you have any further questions, please write to me again.

Very truly yours,

Robert Nunes  
Principal Tax Auditor

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