MAINE STATE LEGISLATURE

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Finance & Administration

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Your memo of 8-8-68 re: Liquor Inventory; Maximum Allowable Inventory

SYLLABUS:

Inventory should include the amount of liquor on hand in both the warehouse and in the stores. Inventory should be valued at the actual cost to the State.

FACTS:

Prior to June 22, 1967 the applicable law limited maximum liquor inventory to the authorized working capital. This inventory was priced at less carload quotation f.o.b. warehouse, applicable law reading--

The Commission is authorized to keep and have on hand a stock of wines and spirits for sale, the value of which, computed on less carload price quotations f.o.b. warehouse filed by liquor and wine vendors, shall not exceed the amount of working capital.

In reality the State was paying a price substantially less than the less carload quotation. Added to this is the fact that the Liquor Commission had requested an increase in working capital from \$3,500,000 to \$4,000,000. The Legislature in an attempt to give the Commission more working capital without increasing the authorization, amended 28 M.R.S.A. Sec. 56. This amendment was incorporated in Ch. 413, P.L. 1967. The pertinent change was made by dividing the "old second sentence" into two sentences--the first sentence dealing with repricing and the second sentence reading as follows--

The inventory value shall be based upon actual cost for which payment may be due and shall not in any time exceed the amount of working capital authorized.

QUESTION:

Under 28 M.R.S.A. Sec. 56 what are the factors to be considered in determining the maximum allowable inventory?

ANSERR:

There are two factors in determining the maximum allowable inventory:

- (1) The amount of liquor on hand both in the warehouse and in the stores, and
 - (2) The actual cost of that liquor to the State.

OPINION:

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The purpose of Ch. 413, P.L. 1967 was to seek to increase the funds available for the purchase of liquor without increasing the working capital. To carry out the purpose the Legislature did not attempt to define inventory but merely change the basis of value from "less carload quotation" to "actual cost".

"Inventory" has been variously defined by courts and agencies as:

Written records of merchandise and its value --- CIR v. Dwyer C.A. 203 Fed. 522 --- "inventory" contemplates goods held for sale at a profit. Com. v. U.S. Tobacco Co., Pa. 71 Dauph. 154,158. The word "inventory" is an itemized list of enumeration of property, item by item --- it is to enable the parties to ascertain the different articles that go to make up the entire stock --- Shawnee Fire Inc. Co. v. Thompson & Rowell 119 P. 985
An inventory is an itemized list of the various articles constituting stock in trade with their estimated or actual value. Southern Fire Inc. Co., v. Knight 35 S.E. 821

There is no indication that the Legislature intended to insert any new concept into the traditional and common understanding of the word "inventory" as indicated above.

The Legislature obviously only intended to place the value of stock on hand on a realistic basis. The addition of the words "for which payment may be due" are confusing and do not appear to add anything to the apparent purpose of the Act. To reach a conclusion that these words were intended to remove any paid items from inventory chargeable to working capital would be a radical and absurd departure from common commercial practice. It can only be assumed that the Legislature intended by these words to be doubly sure that no price except that which the State had to pay for the product would be used in determining the value of the merchandise chargeable against working capital.

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