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*To all Mr. and Mrs. Clients  
Their offices*

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Reggio Emilia, Dec. 22, 2023

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## MEMORANDUM N. 66/2023

### Insight

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Avv. Francesca Palladi

#### **Subject: When should goods in transit be entered as inventories**

Accounting standard OIC 13 specifies that the time from which an asset can be included in inventory coincides with the time when the company assumes the risks and rewards associated with it. The transfer of risks and rewards usually takes place with the transfer of ownership in accordance with contractually agreed terms. If, by virtue of specific contractual clauses, there is no coincidence between the date on which the transfer of risks and benefits takes place and the date on which title is transferred, the date on which the transfer of risks and benefits takes place prevails.

**The time of the transfer of risks is unambiguously identified by the *Incoterms* (International Commercial Terms) rendering term where the same has been clearly and completely stated in the contract.** The Incoterms currently in effect were approved by the International Chamber of Commerce in 2019 and have been operational since 2020 (see attached table taken from the International Chamber of Commerce).

At the end of the fiscal year, there is the problem of inventorying goods already shipped by the seller but not yet received by the buyer (still on the way), with the need to identify, based on Incoterms, the party against whom the contractually stipulated risks and benefits exist.

Let us give some examples:

- 1) in 2023 A sells to B under the ex works (or Ex Works) clause goods made available to B by December 31, but which B receives at its plant in 2024; as of 12/31/2023 the risks have already passed to B and, therefore, the goods

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should not be inventoried by A but by B;

- 2) in 2023, A sells to B under the DAP (Delivered at Place) clause goods that B receives in 2024; as of 12/31/2023, the risks are still borne by A who therefore must inventory the goods in his own warehouse.

The Firm remains available for any clarifications.

Best regards.

***SGB & Partners - Commercialisti***

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