



# Newsletter

## INTRODUCTION

This issue's topic is an overview of the types of records and documents available to measure a business interruption loss based on a short period of restoration and a long period of restoration. **Our past newsletters include the steps and procedures necessary to calculate the Loss of Income (Business Interruption) and can be downloaded from our website at [www.sanderfordcpa.com](http://www.sanderfordcpa.com)**

## OUR FIRM

**Sanderford & Associates, P.A.** is celebrating thirteen years of doing business in the Tampa Bay area. Our practice is limited to providing forensic accounting services for the insurance industry including but not limited to the verification of insurance claims, alternative loss measurement calculations and expert testimony. Additional information is available at [www.sanderfordcpa.com](http://www.sanderfordcpa.com)

## BUSINESS INTERRUPTION OVERVIEW

The records and documents necessary to measure a business interruption loss when the period of restoration is less than 30 days, such as a business interruption loss related to civil authority, are generally less extensive than the records required for a longer period of restoration. However, some of the records for the short time period vs. the longer time period will be the same. There are four main areas in the business interruption loss that have to be measured. Sales / Revenues, Cost of Sales & Gross Profit, Operating Expenses (including payroll) & Net Income or (Loss) and Continuing Expenses. Sales less Cost of Sales equals the Gross Profit. Gross Profit less Operating Expenses equal the Net Income or (Loss). The Net Income or (Loss) plus Continuing Expenses equal the Loss of Income. However, if the insured has ongoing operations then the Gross Profit earned during the Period of Restoration has to be subtracted from the Net Income or (Loss) and Continuing Expenses to arrive the Loss of Income / Business Interruption Loss.

PROJECTED SALES / REVENUES  
 LESS: COST OF SALES  
 GROSS PROFIT  
 LESS: OPERATING EXPENSES  
 NET INCOME OR (LOSS)  
 PLUS: CONTINUING EXPENSES  
 NET INCOME OR (LOSS) & CONTINUING EXPENSES  
 LESS: ACTUAL GROSS PROFIT EARNED  
 LOSS OF INCOME / BUSINESS INTERRUPTION



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## RECORDS FOR BUSINESS INTERRUPTION LOSSES

The information reported to an outside third party is generally more reliable than insured's internal books and records. Outside third parties include but are not limited to Banks, State Agencies such as the Department of Revenue and Federal Agencies such as the Internal Revenue Service. There are usually more than one type or source of records available for the category that is being analyzed. The list of records, shown below by category, are generally listed in order of the most reliable source to the least reliable source. However, any of the information listed below can be utilized for analyzing the category. Keep in mind that the reliability of the loss calculation is dependent on the reliability of the records available. **The records shown below in bold are generally utilized to measure the business interruption loss when the period of restoration is less than 30-days.**

### Sales / Revenues

1. Sales & Use Tax Returns
2. **Daily Sales Reports**
3. **Bank Statements (Deposits)**
4. Income Statements (Profit or Loss Statements)

### Cost of Sales & Gross Profit

1. **Federal Income Tax Return**
2. Year Ended Income Statement (Profit or Loss)
3. **Year to Date Income Statement (Profit or Loss)**
4. General Ledger

### Operating Expenses & Net Income or (Loss)

1. Federal Income Tax Return
2. Year Ended Income Statement (Profit or Loss)
3. **Year to Date Income Statement (Profit or Loss)**
4. **Payroll Journals**
5. General Ledger

### Continuing Expenses & Actual Gross Profit Earned

1. **Monthly Income Statements (Profit or Loss)**
2. General Ledger
3. **Payroll Journals**
4. **Canceled Checks and Bank Statements**
5. **Receipts & Invoices**

### SUMMARY

**The records listed above are not intended to be all-inclusive. The insured may not maintain some of these types of records. Furthermore, additional types of records may be available and the insured may call them by a difference name. The business interruption loss is only as accurate of the records relied upon in the loss calculation. The above information is not intended to be all-inclusive. Furthermore, the above information is presented as a learning tool and is general in nature.**

## OUR SERVICES

### Business Income Loss

- Net Income or (Loss) & Continuing Expenses
- Gross Earnings less Noncontinuing Expenses
- Loss of Rental Income
- Extra Expenses Verification
- Coinsurance Analysis

### Property Damage

- Business Personal Property
- Coinsurance Analysis

### Inventory / Stock Loss

- Out of Sight Inventory Measurements
- Price Testing Verification & Obsolescence Analysis
- Physical Inventory Counts
- Automatic Seasonal Increase Analysis

### Employee Dishonesty

### Computer Data Recovery

### Litigation Expert Services & Consulting

### Third Party Liability

- Personal Injury
- Wrongful Death
- Loss of Income / Earnings Verification

### Environmental Claims

- Measurement & Verification

### Arson & Fraud

- Financial Conditional Analysis (Motive)
- Concealment Analysis