



# Washington State Liquor and Cannabis Board

Marijuana Producers, Processors and Retailers  
**Bulletin No 18-01**

**Date:** December 13, 2018  
**To:** Industry Members  
**From:** Steve Johnson, Deputy Chief  
**Subject:** Retail sales above acquisition cost

We have received inquiries about WAC 314-55-079 (7) acquisition cost and whether the First-In First-Out (FIFO) asset management practice is an acceptable practice for retailers who have made two separate purchases of the same product at different times and at different prices. The issue emerges when the retailer still has items from the first purchase in their inventory after taking possession of the second order.

WAC 314-55-079 (7), Marijuana retailers may not sell marijuana products below the current acquisition cost. Let us first define what acquisition cost is. For the purpose of this section, acquisition cost is the final price you paid for the individual product from a processor, which does not include taxes.

### **What does this mean for the retailers?**

If a retailer buys 100 items from a producer/processor for \$15 each, those items cannot be sold for less than \$15. If a second order is placed and the cost is now \$10 each, those items cannot be sold for less than \$10.

### **What is First-In First-Out (FIFO)?**

FIFO is a commonly used retail practice to manage assets (inventory). FIFO assumes that the assets that remain in inventory are matched to the assets that are most recently purchased or produced. This method assumes that inventory purchased or manufactured first is sold first and newer inventory remains unsold. Thus cost of older inventory is assigned to cost of goods sold and that of newer inventory is assigned to ending inventory. Using this method would meet the requirements of the aforementioned WAC.

Using the previous example and applying FIFO, if the retailer still has 10 items of the \$15 products in inventory when they receive their second purchase of the same product for \$10, the next 10 items sold can be sold for the \$15 price regardless of which shipment they came from. Once 10 items are sold, the price for the remaining inventory, regardless of which shipment they came from, would need to be adjusted to meet the new price point.

*Note: The WSLCB is not recommending licensees adopt FIFO, there are other practices that mitigate this issue. However, due to the volume of questions on the topic we are clarifying for licensees that FIFO is an acceptable method under the current administrative rules.*