



## Points to Consider for Gains and Losses in the Petroleum Industry (2014)

Any loss in the handling of the petroleum products translates into a loss of income. Petroleum products expand and contract with changes in temperature and as such their Gross volumes can change significantly. The inability to easily measure petroleum product volumes at retail sites can result in fluctuations in storage tank volumes. “Gain/Loss” is a measure of how Receipts, Disbursements (Sales or Shipments), and Inventories compare over a period of time. Gain/loss can be an indicator of the quality of the inventory system. Excessive gain/loss or consistent losses or consistent gains from month to month can signal the need for an investigation to identify causes and possible corrective actions.

Consistent losses may result from:

- Theft
- Leakage
- Unreported sales or shipments
- Incorrect meter calibration
- Terminal operator or station accounting and reporting errors

Consistent gains may result from:

- Hot fuel purchases (only at retail where temperature correction is unavailable)
- Unreported purchases or receipts
- Incorrect meter calibration
- Terminal operator or station accounting and reporting errors

Consistent gains at a terminal due to metering issues could cause related losses at retail locations that purchase product from the terminal. Consistent gains at a retail location due to metering issues could cause potential “consumer protection” issues at the retailer level.

The formula for calculating Gain/Loss is: Beginning Inventory + Receipts – Disbursements- Ending Inventory = (Gain)/Loss). Another way to state this formula is: Beginning Inventory + Receipts – Ending Inventory = Total Gallons to Account For, and then Total Gallons to Account For – Disbursements = (Gain)/Loss. When using these formulas, it is important to remember that a negative result indicates a gain, and a positive result indicates a loss. When calculating Gains and Losses at a terminal, you must use net gallons in order to correctly calculate this amount.

Most governmental agencies require a terminal operator to pay taxes on excessive or “unaccounted for motor fuel losses”. These “unaccounted for motor fuel losses” are generally defined as losses that exceed one half of one percent of the number of net gallons removed from the terminal during a year. The intent behind this is to stop potential fraudulent movements out of a terminal from taking place without being taxed.