

REPORT  
of  
Committee on Thesis

The undersigned, acting as a Committee of  
the Graduate School, have read the accompanying  
thesis submitted by Harry Door Harper  
for the degree of Master of Arts  
They approve it as a thesis meeting the require-  
ments of the Graduate School of the University of  
Minnesota, and recommend that it be accepted in  
partial fulfillment of the requirements for the  
degree of Master of Arts

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May 26 1916

AN ACCOUNTING SYSTEM FOR THE RETAIL GENERAL STORE

BY

HARRY D. HARPER

A THESIS SUBMITTED TO THE  
FACULTY OF THE GRADUATE SCHOOL OF THE  
UNIVERSITY OF MINNESOTA  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
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## PREFACE

This Thesis "An Accounting System for the Retail General Store" is an attempt to accomplish three things:

First--To determine what information is the most advantageous for the manager of the Retail General Store.

Second--To devise forms, a system of accounts, and a routine which will be used in collecting and summarizing the information.

Third--To show how to interpret the information that has been collected.

University of Minnesota,  
Minneapolis, Minn.  
May 18, 1916.

Harry D. Harper

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WHAT INFORMATION WILL BE OF THE GREATEST ADVANTAGE  
TO THE MANAGER OF THE RETAIL GENERAL STORE

"It is the curse of the retail merchant in this country," says E. St. Elmo Lewis, "that he hasn't a definite conception of the kind or amount of work he must do with a given environment of neighborhood, prospective customers, equipment of employees, stock, capital, etc., in order to get a certain result. Therefore, he does not keep any record of what he does. Every time a retailer fails we find the same condition, - he didn't know what he was doing and did not know how badly he was doing it.

A careful analysis of the working methods of over six thousand retailers, showed that but ten per cent of them maintained any records that could tell them:

First-- What they have in stock

Second--What profit they are actually getting on any line of goods

Third--What the expenditures for salesmen, advertising, or special sales are actually producing in profit or loss

Fourth--What the percentage of expense is upon any distinct body or class of sales or merchandise." (1)

(1) I - p. 207.



The following information is the most advantageous for the manager of the Retail General Store:

First--What the inventory is monthly by departments.

If the manager cannot tell how much stock he has in the Grocery Department or in the Clothing Department, how can he find out whether the department is overstocked or understocked? If he does not know what the inventory is, how can he make a monthly Balance Sheet and thereby ascertain the true financial condition of the business?

Second--What the monthly net merchandise purchases are by departments.

If he cannot tell what the net merchandise purchases are by departments, how can he tell if he is over-buying? How can he tell what to buy for the coming month if he does not have any record of what he purchased the past month? In case of fire how can he prove that he had a certain amount of merchandise in stock in any one of the departments? How can he watch the rate of turnover in any one of the departments, in order that he may increase it and thereby secure more working capital to be used in other parts of the business?

Third--What the net sales are monthly by departments.

If he cannot tell the net sales by departments, how can he tell whether the Grocery department is making money, or the clothing department, or the Hardware department; how can he tell

Third--cont'd.

if one department is a burden for the other departments, and that it would be more money for him if that department were eliminated?

Fourth--What is the monthly Cost of Goods Sold by departments?

If he has no way of finding out what the cost of goods sold is by departments, how can he find out what the Gross Profit is by departments, and thereby have a basis for determining if the department is PROFITABLE or NOT?

Fifth--What the sales are by individual clerks?

If he cannot tell what each clerk is doing and the amount of money each clerk is making for the business, how can he determine the value of the clerk to the business? How many clerks is he over-paying in the Clothing department; how many in the Grocery Department?

Sixth--What is the monthly acquisition and marketing expenses by departments?

If he does not know the cost of buying and receiving the goods, and how much it costs to sell the goods to the customers, how can he tell what department is the most PROFITABLE, therefore should be given more attention.

Seventh--What is the amount of Accounts Receivable and has it been verified?

If the manager does not know the amount that is to be collected and the amount of Bad debts, how can he tell what accounts to press for collection, which results in loss of working capital due to poor collections. Are the individual customer's accounts verified with the controlling accounts (Accounts Receivable) before the monthly statements are sent out, if not, how does the manager know that he is not overcharging some customers and losing them, and undercharging others.

Eighth--What is the monthly financial condition of the business?

If he does not know his financial condition how can he prove to the bank, in case he wishes to make a loan, that it will be satisfactory?

The information secured from one hundred and fifty merchants at the Merchant's Short Courses held at the University of Minnesota in February, 1915 and in February, 1916, shows that only ten percent of the Retail General Merchants are keeping Purchases and Sales by Departments; in other words ninety percent of the one hundred and fifty merchants interviewed could not answer the first eight questions given in the preceding paragraphs.

Eight--cont'd.

Only two percent attempted to distribute the acquisition and marketing expenses to the departments.

In the following pages the writer has attempted to describe "An Accounting System for the Retail General Merchant" which will give the information asked in the eight questions and at the same time be simple and inexpensive.

CHAPTER II  
BUYING AND BUYING RECORDS OF MERCHANDISE.

ORDERING.

The object of every business enterprise is profit making. Good buying determines to a large extent the amount of profit made in any business. The manager should not over stock a department, because carrying of merchandise entails certain extra expenses, such as rent, insurance, and wages of handling; it also means tying up capital in the excess stock that could be used in some other part of the business. On the other hand, enough merchandise should be carried in stock to supply the demands of the customers.

Orders are given in two ways, verbally and in writing. If possible all orders should be written and the duplicate left in the order book or filed for comparison with the invoice when it is received. The following is a sample order blank.

BURNS BROWN

Date Jan. 3, 1916

To The G. Grocery Co., 225- E 5th St., Minneapolis, Minn.

Ship via. (How to ship) ORDER NO. 125

Date to Ship: Jan. 14 Terms: 2 1/2 10 Days DEPT. NO. 1

Place these numbers  
on each invoice

All orders to be valid must be countersigned by the manager.

Please render separate invoices for the goods of each dept.

Body of the Order

B. Brown

Countersigned by the Manager.

The distinguishing features of this Order Blank are: the Order No. 125, which is the number of the order blank, the blanks being numbered consecutively; the Dept. No. 1; and the statement to render separate invoices for the goods of each department. The advantage of having a separate invoice for each department is that it is not necessary to divide the invoice in distributing on the "Invoice Register by Departments" Form 1. However, in case an invoice covers goods belonging to more than one department the distribution can easily be made by placing, say, in the Dry Goods column the amount of dry goods and in the Clothing column the amount of clothing, the total being placed in the Total column. ( See page 11 for distribution of freight).

#### RECEIVING AND NUMBERING INVOICES.

Every invoice when received should be given a number so that it can be easily traced if lost. If an invoice is from the G. Grocery Co., dated Jan. 3, and it is given the No. 981, the next invoice would be numbered 982. Every invoice number therefore must appear in the Daily Purchase Invoice Register by Departments, Form 1. If any number were missing it would lead to immediate inquiry as to what had become of it. It would either be found or a duplicate requested from the creditor.

## STAMPING INVOICES.

Some firms stamp each invoice as it comes in with rubber stamp having the following information on it.

No. 980 Due 1/13  
 Date Received Jan. 8  
 Order checked K. K.  
 Extensions O.K'd K. K.  
 Received O. K. H. Lawrence  
 Retain Selling price \$116.50  
 Freight \$4.35 4.00  
 Deductions Defective goods  
 To be returned \$4.00

## CHECKING INVOICES.

After the invoice has been stamped, numbered, the date due, and date received marked on it, it should be checked with the order and the initials of the one doing the checking placed in the space marked "Order Checked". In the illustration given the bookkeeper did the checking. He also O.K'd the Extensions.

The invoice is then given to the buyer or one of the clerks to check the goods received with the invoice. The clerk checking the goods places his initials or name in the space marked "Received O.K.". In the illustration given

the Dry Goods clerk, H. Lawrence, did the checking of the goods. It was found that some of the goods were defective; the cost being \$4.00. A notation to that effect would be placed in the space marked "Deductions".

#### PURCHASE ALLOWANCES.

Purchase allowances in the case of shortage need not be recorded in any book, but deducted from the invoice, the balance being recorded in the Invoice Register, Form 1. Allowances made for other than shortage should be made on a claim sheet, (See page 21), and the total of the invoice recorded thereon. The amount of the claim sheet must be recorded in Daily Purchase Returns and Allowance Record by Departments. Form 3 or 3A.

#### PURCHASE RETURNS.

The return of merchandise purchased means that the number of units originally purchased has been decreased. An allowance, however, means that the unit cost has been decreased. In the illustration given the defective Dry Goods would be returned and a record made in the Daily Purchase Returns and Allowance Record by Departments. Form 3 or 3A (See page 20).

#### FIGURING RETAIL VALUE OF INVOICES.

The object of figuring the retail value of invoices is to find the average monthly Mark-up by departments. The purpose in finding the average Mark-up is to have a basis for computing the gross Profit and Cost of goods sold monthly by departments.



The buyer generally places the Retail price on the invoice in the space marked "Retail Selling Price". The retail price is largely fixed by what the customers will pay for any given article. Referring to page 8, it will be noticed that the Retail price of Invoice No. 980 is \$116.50 which is a mark-up of little more than 33%. The Retail price in all cases should be given to cover the invoice cost less returns and allowances.

RECORDING MARK-UP OF INVOICES.

After the invoice has been recorded in the Invoice Register, the retail price should be recorded in the Mark-up Record of Invoices by Departments, Form 28. The totals of the column for the months will give the Retail marked price of goods received during the month. The total net Purchases of Dry Goods for the month consists of the total from Form 1. \$1500.50, less the Returns and allowances Form 3. \$4.00 or \$1,496.50 (See Trading Statement by Departments Form 26). The retail price as taken from the Mark-up Record is \$2,233.58. The average mark-up for the month is \$1,496.50 divided by \$2,233.58 or the cost of goods is 67% of the selling price; a mark-up of 33%. The net cost of grocery purchases during the month is \$1,340.62; the retail price from Form 28 is \$1,946.62 or an average mark-up of 26%. The mark-up of Hardware computed in the same manner is 35%; of Furniture is 40%; of Shoes 36%; and of Clothing is 40%.

MARK UP RECORD OF INVOICES BY DEPARTMENTS

Form 29

Date	Invoice Number	Groceries	Hardware	Furniture	Shoes	Dry Goods	Clothing
Jan 8	980 00					116 50	
Jan 8	981 00	92 40					
	982 00				383 50		
Total for the month		1 946 62	1 525 50	1 176 60	1 118 75	2 233 58	2 818 35
Percentage of Mark up		26 00	35 00	40 00	36 00	33 00	40 00

## AVERAGE MARK-UP PERCENTAGES

	<u>Selling Percentage</u>	<u>Cost Percentage</u>
Groceries	26	33.6
Hardware	35	53.6
Furniture	40	66.6
Shoes	36	56.25
Dry Goods	33	49.2
Clothing	40	68.6

## DAILY PURCHASE INVOICE REGISTER

FORM NO. 1

After the invoice has been returned from the buyer and all corrections have been made, it is recorded in the Daily Invoice Register by Departments Form 1. Its date, date due, and number are recorded; the amount to be credited to the Creditor is placed in the Accounts Payable column. This same amount is carried into the total column and from there into the column representing the department for which the merchandise was purchased.

This Invoice Register serves two purposes: First, as a check on the invoices to see that they are properly accounted for and distributed to departments; second, to establish the amount to be carried to the controlling account "Accounts Payable" in the General Ledger.

## DISTRIBUTION OF INWARD FREIGHT.

Inward Freight is as much a cost of merchandise as the merchandise itself. If the correct amount is to be charged to

each department for purchases of merchandise, the freight ~~must~~ also be charged to the departments. Most firms get their freight bills at the time of getting the goods, or at least they can very easily. The cost of the Dry Goods from A.B. Dry Goods Co. invoice 980, is invoice cost \$74.00 plus the freight \$4.25. In case the freight bill is not at hand when the invoice is recorded a line may be left for the item of Freight.

Dry Goods is debited for the freight, \$4.25, and Freight or Freight Payable credited. When the Freight bill is paid Cash is credited and Freight debited. The result of the transaction is, that the Dry Goods is charged for the amount of cash paid for freight.

<u>Dry Goods</u>		<u>Freight</u>	
(a)	\$74.00	⋮	
		⋮	
(a)	4.25	⋮	
		⋮	
	<u>A.B. Dry Goods Co.</u>		<u>Cash</u>
	⋮		⋮
	⋮ \$74.00 (a)		⋮ \$4.25 (b)
	⋮		⋮

In all cases the balance, if there is one, of the freight account will be a credit showing the amount of freight distributed but not paid.

#### FILING OF INVOICE.

After the invoice has been registered it is ready for

filing, prior to payment. There are different methods of filing, but the method that the writer suggests is to file "according to due date". A chronological file can be made covering the days of two months. Invoice number 980 due Jan. 13th, would be filed in the Jan. 15th folder; number 982 in the Jan. 14th folder and so on. When Jan. 13th arrives the Jan. 13th folder can be opened and the invoices in it paid. When an invoice has been paid a check could be placed on the line just preceding the Date due, in the Invoice Register, Form 1. It is good practice, however, to inspect the Invoice Register to be sure that all invoices that are due have been paid. When an invoice is paid it should be removed from the unpaid file or "due date file" and refiled as a paid invoice. "In establishments where the purchase invoices do not run into volume, these papers can be filed alphabetically in a regular correspondence file, using a colored folder for the invoices (paid) of each vendor, and filing this folder directly behind the correspondence folder of the letter or name. If the correspondence of a certain vendor was required, only the manila folder would be removed; if invoices, only the colored folder would be removed; thus keeping all papers pertaining to a vendor in one location in the file, but separated, as described above, so that either class of papers can be obtained as desired."

The paid invoice may be filed separately from the correspondence; it is advisable to use a colored folder in order to prevent the filing of invoice folders in the correspondence files.

## POSTING FROM DAILY PURCHASE INVOICE REGISTER.

The amounts posted from Form 1 are: first, the amounts appearing in the Accounts Payable column which are posted to the credit of the individual creditor's accounts in the Creditor's Ledger; second, the total of the Freight column is credited to the Freight Payable account. The footing of the Total column is posted to the debit of the Merchandise account in the General Ledger. The amount

posted to the creditors accounts should be checked (See Form 1 & 1A) and the amounts posted to the General Ledger should be "paged", that is, the page to which the amount is posted should be placed near the amount on Form 1 & 1A. The footing of the Total column would be posted as follows:

Page 33.

Date	MERCHANDISE			
Jan. 1	Inventory	I	20,404.50	
Jan. 31		I	6,845.00	

The footing of the Total column should be marked (33) with a ring around it to indicate that it had been posted to page 33 in the General Ledger. For the remainder of the control of merchandise in the General Ledger refer to page 16.

## CASH DISCOUNTS OFFERED ON PURCHASES.

The question of Cash Discounts seems to be one that accountants have not agreed upon. Some argue that the real cost of merchandise is the price at which you can buy for cash and that the additional amounts in excess of the cash cost covers "interest on borrowed capital, and credit insurance".

If the merchant desires to debit the departments with the cash cost, plus freight, this system will be adequate.

Cash Discounts Offered on Purchases will be debited for the discount offered on Purchases, merchandise and other purchases, and credited for discount taken and the discount on goods returned and allowances. The balance of this account at any given time will always be a debit balance consisting of discounts offered which are still open and can be taken, and discounts offered and expired. The discounts offered and unexpired are an offset against accounts Payable. The discount offered but expired, represents the amount being paid for capital invested in the form of merchandise by your creditor.

To interpret the balance at any given time determine the amount of discount still capable of being taken, subtracting that from the balance of Cash Discounts Offered on Purchases gives the amount expired which should be closed into Deductions from Income. After this closing entry the balance of the account would be a "contingent asset" and an offset against Accounts Payable. In the Balance Sheet this amount should be deducted to show the net amount of accounts Payable, as follows.

Accounts Payable	\$1,200.00	
Less Unexpired Discounts	<u>20.00</u>	\$1,180.00

#### CASH DISCOUNTS TAKEN ON PURCHASES.

Discounts taken, where merchandise is debited at invoice price plus freight, represents the amount of money saved because the bills were paid at cash cost, not invoice cost. The general practice is to treat cash Discounts as Additions to Income. If the practice is followed of only recording cash discounts taken, the footing of the Discount column on the check Register, Form 13, will be posted to the credit of this account.

#### POSTING FOR DAILY PURCHASE IN REGISTER FOR 1-A.

The method of posting from Form 1-A differs from Form 1 only in the matter of "Discount Offered" given on Form 1-A as discount. The total of this column \$127.21 would be posted to the debit of "Cash Discounts" meaning cash discounts offered.

The footing of the total column is posted to the debit of the Merchandise account.

#### THE CONTROL OF MERCHANDISE PURCHASES IN THE GENERAL LEDGER.

As has been stated on page 14 it is not necessary to have an account in the General Ledger with each class of goods or for each department. The account in the ledger called Merchandise is a controlling account for all the merchandise purchased. This account is debited for the inventory at the beginning of the period, at the end of each month for the total amount of merchandise purchased during the month from Form 1. It is really an inventory adjustment account.



In making up a monthly Trading Statement reference would be made to the Monthly Purchase Invoice register by Departments for the detail; however, if the merchant wishes to keep the purchases in the General Ledger by Departments it can very easily be accomplished by treating them in the manner explained on page\_\_\_\_\_.

(See page 24 for Controlling Merchandise Purchase Returns)

#### MONTHLY PURCHASE INVOICE REGISTER BY DEPARTMENTS FORM 2.

This form is used merely to collect the totals from the Daily Purchase Invoice Register, Form 1. It will be noticed in referring to Form 1, that the footing of the Total column is \$6,845.00 which means that the total merchandise purchases for the month of January were that amount. The footings of the Grocery, Hardware, Furniture, Shoes, Dry-Goods, and Clothing columns indicate that the purchases during the month were distributed over the six departments, the distribution being made at the time each invoice was recorded.

Referring to Form 2, it will be noticed that the first set of figures represents the inventory at the beginning of the period. A heavy line or double line should be drawn under these totals so as to separate them from the following figures. The figures on the second line are the totals from the Daily Invoice Register Form 1, which have been transferred in order to summarize the purchases on one sheet for the year.

The figure on the third line is the total of the Produce purchases during the month, which has been transferred from the Produce Check Register, Form 10. Adding together the figures on the second line and those on the third line, will give the Total Monthly Purchases by Departments. In order to find the total Grocery purchases for the month the \$1,171.50 and \$176.50 would have to be added together. The other totals by departments represent the monthly purchases.

The figures on the fourth line represent the totals from the February, Daily Purchase Invoice Register, Form 1. The fifth line represents figures from the February Produce Check Register, Form 10. It will thus be seen that this Form 2, summarizes all of the monthly merchandise purchases. If the totals from the Daily Invoice Register by Departments, Form 1, are posted to a columnar ledger (see Form 16) or if it is not desired to have the totals for each month on one sheet so they can be easily compared, then this Form 2 would not be used. When the total purchases for the year of any one of the departments is desired the monthly totals from the Daily Invoice Register sheets could be added.

The totals in the middle of Form 2 represent the merchandise purchases during the year by Departments. It must be remembered in this connection that the Inventory figures at the top of the page are not added in arriving at these totals. The only purpose of putting the inventory at the top of this page was to show the distribution of the inventory by departments.

#### MONTHLY PURCHASE INVOICE REGISTER BY DEPARTMENT FORM 2-A

This form is the same as Form 3, but the totals are different, because of the fact that the discount allowed was taken off before the amounts were distributed to the departments. The same explanation that applies to Form 2 applies to this one.

#### RECORDING MONTHLY PRODUCE PURCHASES.

The totals from the Daily Produce Check Register, Form 10, are transferred to Form 1. Referring to Form 10 it will be noticed that the footing of the total column is \$176.50 which is the total produce purchases for the month. This total is transferred to the third line on Form 2, being placed in the Accounts Payable column which is only a totals column. It is also placed in the Grocery column. If Produce is treated as a separate department the amount is not placed in the Grocery column, but in a separate column on the short sheet. As has been stated before, the only object of recording the amounts on the Monthly Invoice Register is to summarize the merchandise purchases by months. (See page 17)

DAILY PURCHASE RETURNS AND ALLOWANCES RECORD BY DEPARTMENTS  
FORM 3.

As stated on page (42) allowance for shortage can be deducted from the invoice and the balance of the invoice debited to the department. Some goods, however, may not be found defective until a week or more after their arrival. In such cases a claim would be made against the creditors, (see page 21) and the claim recorded in Form 3.

In case a firm ships goods not ordered and the freight has been paid or will have to be paid, the invoice would be entered on Form 1, in the usual manner and the freight debited to the department. For example, the X. Y. Hardware Co. shipped \$120.00 worth of Furniture, \$44.00 of which was not ordered; the freight in all being \$12.00. The amount estimated to be on the \$44.00 worth of furniture not ordered is \$4.00. On Form 1, the X. Y. Hardware Company would be credited for \$120.00 and furniture debited for \$120.00 plus freight \$12.00; freight payable being credited for \$12.00 (see page 12-Distribution of Inward Freight).

The entry on Form 3, would be to debit the X. Y. Hardware Co. for \$48.00 and credit furniture. The result of the two entries would be as follows:

Furniture	X.Y. Hardware
(1) (a) \$120.00 : \$48.00 (2)	(2) \$48.00 : \$120.00 (a)(1)
(1) (b) 12.00 : 84.00 Bal.	Bal. 72.00 :
132.00      132.00	Freight Payable
	: \$12.00 (b)(1)

The cost of the furniture is invoice cost \$76.00 plus \$8.00 for freight or total of \$84.00. B. Brown owes X. Y. Hardware Co. \$72.00 and the Freight Company \$12.00 or a total of \$84.00.

PURCHASE RETURNS & ALLOWANCE CLAIM SHEET

The following Claim Sheet would be made out and mailed to the creditor in case goods were returned or an allowance demanded. A duplicate sheet is left in the book or filed for ready reference.

CLAIM SHEET

Burns Brown General Merchandise No. 25

DEPT. 3

Our Inv. No. 986

Town, State, Jan 16, 1916

M-X. Y. Hardware Co.,

16 -- St. Minneapolis, Minn.

Your Invoice No. 5862

" " Date, Jan. 12

Amount of Invoice \$120.00 shipped Freight

Body of Sheet

Furniture itemized \$44.00

Freight 4.00

\$44.00

\*Printed on Sheet

\*This is a charge against you. Any goods sent or returned must be accompanied by a new invoice.

B. Brown, Manager.

## DAILY PURCHASE RETURNS &amp; ALLOWANCE RECORD BY DEPARTMENTS FORM 3-A

This form differs from Form 3, only in the matter of discounts. If the discount offered to the merchant has been taken off in debiting the merchandise account, it is correct to credit the merchandise account for the cash cost of the merchandise returned. The balance of the merchandise account after taking into consideration the returns at cash cost would be the cash cost of the goods purchased.

Referring to Form 3-A it will be noticed that the amount returned to the A. B. Dry-Goods Company is \$4.00. The discount on this amount at two per cent is \$.08. The amount to be credited to the merchandise account then is \$4.00 less \$.08 or \$3.92. The following accounts will show why the discount should be deducted when goods are returned, if the discount has been taken off in the first instance.

<u>Merchandise</u>		<u>A. B. Dry Goods Co.</u>	
(a) 72.52	: \$3.92 (b)	(b) 4.00	: 74.00 (a)
	: 68.60 Balance	Bal. 70.00	:
<u>72.52</u>	<u>72.52</u>	<u>74.00</u>	<u>74.00</u>
<u>Discount Offered</u>			
(a) 1.48	: .08 (b)		
	: 1.40 Bal.		
<u>1.48</u>	<u>1.48</u>		

The balance of the A.B.Dry Goods Co. account is \$70.00 or the amount that would have to be paid to them if they had not shipped the goods that were returned. They would have been credited for this amount from the Daily Purchase Invoice Register, Form 1. The merchandise account would have been debited for \$70.00 less 2% discount or for \$68.60. The Discount Offered account would have been debited for \$1.40.

It will be noticed that the results obtained by taking off the discount when the goods are returned, are the same as if only \$70.00 worth of merchandise had been purchased in the first case, which as a matter of fact is all that is purchased and retained.

POSTING FROM DAILY PURCHASE RETURNS & ALLOWANCES RECORD BY DEPARTMENT FORM 3.

The individual creditor's account in the Creditor's Ledger must be debited daily for the invoice cost of the merchandise returned. In some cases debited for the invoice cost of the merchandise returned plus an amount for the freight, as in the case of X.Y.Hardware Company explained on page 20.

The footing of the Accounts Payable column is posted to the debit of the Accounts Payable account in the General Ledger and serves as a control for the amounts posted to the individual accounts in the Creditor's Ledger. This same amount (\$90.00 for January) is posted either to the credit of Purchase Returns and Allowances Account in the General Ledger or to credit of the Merchandise Account. (See page 24 for further explanation).

POSTING FROM DAILY PURCHASE RETURNS & ALLOWANCES RECORD BY  
DEPARTMENTS FORM 3-A

The same procedure is followed in posting from this form as from Form 3. The only difference is that the footing of the Discount column is posted to the credit of the Discount Offered Account. The balance of the Discount Offered Account would then show the amount of discount that could be taken or had expired.

CONTROLLING MERCHANDISE PURCHASE RETURNS & ALLOWANCES IN THE  
GENERAL LEDGER.

It is not necessary to have a Purchase Returns and Allowances Account in the General Ledger. The total of the Purchase Returns and Allowances for the month can be posted to the credit of the Merchandise account. The balance of the Merchandise Account would then be the Net Purchases for the month, if the inventory is not taken into consideration.

At the end of the month when it is desired to make a Trading Statement the Returns and Allowances by departments can be secured either from the Daily Purchase Returns and Allowances Record, Form 3, or from the Monthly Purchase Returns and Allowances Record, Form 4. If, however, it is desired to have all the information in the Ledger, a columnar account can be used and the same method followed as is followed in keeping a record of Supplies.

MONTHLY PURCHASE RETURNS & ALLOWANCES RECORD, FORM 4.

The purpose of this form is merely to summarize all of the monthly totals of Returns & Allowances by Departments on one sheet.



It will be noticed by referring to Form 4, that the figures on the first line are the totals taken from the January, Daily Purchase Returns and Allowance Record, Form 3. The same explanation applies to the figures on the second line and so on through the year.

The footing of the Accounts Payable column, or Total column, is the total Returns and Allowances for the year. The footings of the different department columns are the totals returns and allowances for that particular department. In making a Yearly Trading Statement these totals are used. (see Form 25).

#### MONTHLY PURCHASE RETURNS & ALLOWANCE RECORD 4-A

The same explanation applies for this form as for Form 4, the difference being that the totals transferred from Form 3-A are the cash cost of the goods returned (see page 22 ). In transferring Form 3-A it is not necessary to transfer the footings of the Accounts Payable and Discount columns, The column on Form 4-A headed Accounts Payable has no reference to Accounts Payable but is merely the total. It is headed Accounts Payable because the same form is used as for Daily Purchase Returns and Allowances by Departments, the heading in all cases being printed in.

CHAPTER III

SELLING AND SELLING RECORDS OF MERCHANDISE.

THE STANDARD SALES SLIP.

The following are the standard sales slips. Such slips are used in most General Stores where there is an attempt to keep the sales by departments.

**16 WOLF & HABEIN**  
**1114** WASECA, MINN.  
 Salesman \_\_\_\_\_ Date \_\_\_\_\_

**16 WOLF & HABEIN**  
**1114** WASECA, MINN.  
 Salesman \_\_\_\_\_ Date \_\_\_\_\_

Mr. \_\_\_\_\_  
 AM'T CASH | AM'T CHIPS

Mr. \_\_\_\_\_  
 AM'T CASH | AM'T CHIPS

1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

Duplicate

Original

In many stores the slips are not numbered and in case a slip is lost it is not missed or accounted for. Where this slip is used in stores that distribute sales by departments, a separate slip is made out for merchandise sold in each department. If H. K. Davis wishes to buy on account \$.85 worth of groceries; \$.75 worth of hardware; and \$1.50 worth of furniture, three slips would be made out. The result is that the sales clerk must take the time to write the customers name threetimes, and use three sales slips. In the office it means handling three slips instead of one. It is obvious that there seems to be a waste of time and more expense than necessary, but the question is how can this time be saved and the expense decreased, while still securing the desired results? This question is answered in the following paragraph.

#### SPECIALLY DESIGNED SALES SLIP FOR THE RETAIL GENERAL STORE.

Let us use the same illustration as given in the preceding paragraph. Clerk number 1 sells to H. K. Davis groceries amounting to \$.85. These items are listed on this sales slip in the ordinary manner. It is found that the grocery items just fill the first section separated by the black lines. The result is that all the items in the first section represent an \$.85 grocery sale. The clerk then places the grocery department letter or number to the right, indicating that the items in the first section belong to the grocery department.

The clerk then sells three items of hardware which are placed in the second section. The department letter (H) is placed to the right indicating that the items in the second section belong to the Hardware department. The third article sold is in the furniture department so the clerk records it, not in the second section, but in the third and places the department letter (F) to the right. (See the following slip).

Specially Designed Sales Slip. Form 19.

This space for binding in book.

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BURNS BROWN.  
GENERAL MERCHANDISE.  
723 City, State - Jan 3, 1916.

NAME H. K. DAVIS.  
ADDRESS 211 West Lake St.

Clerk's No.	1	Cash	Change	Posted	✓
1	# Cheese			18	
1	Can Corn			15	G
2	Bread			10	
1	# Butter			32	
1	# Crackers			10	85
2	# Nails			10	
1	Pad Lock			40	H
1	Can Paint			25	
					75
1	Kitchen Chair		1 50		F
					1 50
			3 10		3 10

In Case of Error or Exchange, Return This Bill.

The clerk adds the first column, in this case the total is \$3.10. The figures to the right are placed there by the bookkeeper. If it is a charge sale the name of the customer is placed at the top and if necessary the address. The space marked charge is checked, and the clerk's number, in this case number 1, is placed in the space marked Clerk's No. If the charge is O.K.'d, the customer either takes the merchandise or it is delivered, and the charge slip then goes to the office for distribution, charging, and filing. This slip may be used for items belonging to only one department, but not for more than three departments. For example, if the grocery items were enough to fill the whole slip the clerk would use the whole slip and place to the right only the letter G indicating that all of the items were for the grocery department. If merchandise is sold in more than three departments a second slip will have to be used. Items pertaining to one department may be placed in one or more sections, but one section should not include items from more than one department. The holes at the top of the sales slip are for filing (see filing ). The number 723 is the number of the book, and the number at the bottom (1) is the number of the slip.

#### DISTRIBUTION OF CASH AND CHARGE SALES WITHOUT THE AID OF AN ADDING MACHINE

The sales slips as they come into the office during the day should be separated as Cash slips and Charge slips

If we assume that the days work is completed and that there are two piles of slips, cash and charge, it then becomes necessary to distribute the items on these slips in order to find out the daily sales by departments and clerks. It is to the retail merchant's advantage to get this information in the shortest time possible and with the minimum expense. The following is the suggested procedure:

First, Distribute or sort all cash sale slips by clerks

Second, Sort all charge sale slips by clerks, keeping the piles separately

Third, Arrange cash slips numerically

Fourth, Arrange charge slips numerically

Fifth, Determine whether or not all sales slips have been turned in.

Take the cash slips and charge slips of clerk number one, and determine by turning the first slip issued, then the second and so on,--keeping the cash and charge slips separate, whether all the slips issued have been turned in. Refer to the sales clerk's book to get the number in the book. If the number in the book was 27 and at the beginning of the day the clerk started with a new book having the first two slips gone the number of slips issued by the clerk would be 24. After determining whether or not all the slips issued by clerk number one have been turned in, the same procedure is followed for all clerk's slips. In case slips are missing they must be located or information concerning them secured.

If reference is made to the Departmental Sales Slip Form 19, page 28, it will be noticed that in checking the extensions and footings the bookkeeper placed the total of the grocery items in the first section, the total of the hardware items in the second section, and the total of the furniture items in the third section. The reason for doing this was to have the amounts to distribute to the departmental sales columns in distributing the sales. After making these extensions the bookkeeper adds the three amounts; the total should be the same as the clerk's total if the work in both cases has been correct.

The distribution of this sales slip is given in the second section of Form 20. The total is placed in the Total Charge column, the grocery items \$.85 in the Grocery Charge column; the hardware items in the Hardware Charge column, and the furniture items in the Furniture Charge column.

The following is a list of sales slips issued by clerk number one, in the order in which they were issued.

## SALES SLIPS OF CLERK NO. 1

#1 C	#2 Chg	#2 Chg	#4 C	#5 C
G 50	G 35	G 90	G 25	
H 2 00	H 50		H 70	H 1 25
F <u>1 50</u>				F <u>3 75</u>
<u>4 00</u>	<u>85</u>		<u>95</u>	<u>5 00</u>
#6 Chg	#7 Chg	#8 C	#9 Chg	#10 C
G 15	G 27		G 60	
H 35	H 18	H 75	H 1 65	H 80
<u>50</u>	F <u>75</u>		<u>2 25</u>	
	<u>1 17</u>			
#11 C	#12 Chg	#13 Chg	#14 Chg	#15 C
	G 12	G 48	G 15	
H 50	H <u>70</u>		H <u>45</u>	H 25
	<u>82</u>		<u>60</u>	
#16 C	#17 Chg	#18 Chg	#19 C	#20 C
	G 23			
H 1 20	H 85	H 1 15	H 25	H 90
	<u>1 08</u>		F <u>2 75</u>	
			<u>3 00</u>	
#21 Chg	#22 Chg	#23 Chg	#24 C	#25 C
G 1 10				
H 20	H 1 15	H 1 05	H 25	H 40
<u>1 30</u>	F <u>75</u>		F <u>3 20</u>	F <u>2 67</u>
	<u>1 90</u>		<u>3 45</u>	<u>3 07</u>
#26				
H 1 88				



A great many General Stores, especially the small ones, do not have an adding machine. In such cases the following method of procedure is suggested. Any kind of ordinary columnar paper can be used for getting the sales by clerks and departments. The method used on Form 20-A could be used for distributing the sales of clerk number one. There is a certain disadvantage in distributing first a cash sale and then a charge sale, for there is too much chance of getting the amounts in the wrong column.

If the pile of charge slips belonging to clerk number one are taken and sheet of columnar paper used, the headings of the columns would be, Total, G. H. and F. Each slip would then be listed on this paper and the columns totaled; the result is that the charge sales of clerk number one have been distributed by departments. The same procedure would be followed with the cash sale slips. It is understood that any cheap pencil columnar paper can be used for this work, because the only reason that it is being done this way is that there is no adding machine to be used. The following shows how such a distribution would be made:

## CHARGE.

Clerk	Total	Grocery	Hardware	Furniture
1	85	35	50	
	90	90		
	50	15	35	
	1 17	27	15	75
	2 25	60	1 65	
	82	12	70	
	48	48		
	60	15	45	
	1 08	23	85	
	1 15		1 15	
	1 30	1 10	20	
	1 90		1 15	75
	13 00	4 35	7 15	1 50

After the totals by departments of charge sales are found they are recorded on a permanent record, the Daily Sales Record by Clerks and Departments, Form 5. The same procedure is followed with the cash sales on the following page.

CASH

<u>Clerk</u>	<u>Total</u>	<u>Grocery</u>	<u>Hardware</u>	<u>Furniture</u>
1	4 00	50	2 00	1 50
	95	25	70	
	5 00		1 25	3 75
	75		75	
	80		80	
	50		50	
	25		25	
	1 20		1 20	
	3 00		25	2 75
	90		90	
	1 05		1 05	
	3 45		25	3 20
	3 07		40	2 67
	1 88		1 88	
	26 80	75	12 18	13 87

DISTRIBUTION OF CASH AND CHARGE SALES  
WITH THE AID OF AN ADDING MACHINE

After the cash and charge slips have been sorted by clerks they are then ready for distribution by departments. Let us start with the charge slips of clerk number one. The bookkeeper determines in what department clerk number one sells most. Clerk number one sells more Hardware, ordinarily, than any other class of goods, therefore, there will be more slips having items from the hardware department than from any one other department.

The bookkeeper adds the total of the hardware items on each slip. Referring to page 32 it will be noticed that the bookkeeper would add \$.50 from slip 2, \$.35 from 6, \$.15 from 7, and so on through the pile of charge slips of clerk number one. See page 34. The total is \$7.15 which is placed on the first line or Clerk number one line of the Daily Sales Record by Clerks and Departments, Form 5, in the Hardware Charge column. The Grocery items would then be added and the total (\$4.35) would be placed in the G. Charge column, on the first line. The total of the furniture items would be placed in the F. Charge column, on the first line. The total of all the charge slips would then be added to find out if any of the amounts had been left out. The total in this case should be \$13.00 which is placed on the first line in the Total, Charge column. The result is that the charge slips of clerk number one have been distributed to the departments.

Exactly the same procedure is followed with the cash sale slips. The same method should be followed with the charge and cash sales of each clerk. It is obvious that a great deal of time and energy can be saved in using an adding machine.

#### DAILY SALES RECORD BY CLERKS AND DEPARTMENTS. FORM 5.

This record serves two purposes; first, the distribution of sales by departments; second, a record of the sales of each clerk. It has been explained in the preceding section that the charge and cash sales for each clerk are distributed and recorded on this form. Adding together the amounts in the Grocery Charge column will give the total amount of Grocery charge sales for that day by all clerks. Adding together the amount appearing in each column will give the total cash and charge sales by departments for the day. The total cash sales were \$236.96. To check this amount add together the footings of the different cash columns and the result should be the same. The total charge sales for the day were \$145.00. This amount can be checked in the same manner.

After the totals for the day have been ascertained on Form 5, they are transferred to Form 6. If it is not desired to find out how much is being sold by each clerk, then instead of adding only the Grocery items from the sales slips <sup>of</sup> each clerk and recording them separately on Form 5, all of the grocery items on all of the slips would be added at one time and the total placed on Form 6. (see the following section)..

**KEEPING RECORD OF SERIES NO. AND NUMBER OF SALES SLIP FOR EACH CLERK.**

When the Daily Sales Record by Clerks and Departments is made it is a simple matter to place on the same line to the left of the clerk's number (see Form 5) the series number of the book to be used the following day and the number of the first slip in the book. In the illustration given on page 30 the number of the sales slip remaining in the book was 27. This number would then be placed to the left of number 1 on Form 5, and the series number which was 723. The following day it would be easy to find out the number of the slip that clerk number one started the day with. This information is of value in checking the slips turned into the office (see page 30).

**DAILY SALES RECORD BY DEPARTMENTS FORM 6.**

It has been explained in the preceding section that the totals from Form 5 are transferred to this form. This form serves one purpose, to distribute daily cash and charge sales to departments. It will be noticed that the totals on the first line on this form are the footings of the columns on Form 5 (Daily Sales Record by Clerks and Departments).

At the end of the month the columns are added and the totals represent cash and charge sales for the month by departments.

## POSTING FROM THE DAILY SALES RECORD BY DEPARTMENTS FORM 6

Adding together the total cash sales and charge sales for the month will give the total sales. In this case the sales were \$9,565.55. This total is posted to the credit of Sales Account in the General Ledger. It is not necessary to have a sales account with each department, for the detail is on Form 6 and can be found there when it is desired for making a monthly trading statement.

The footing of the Total Charge column, \$3,310.90, is posted to the debit of the customer's controlling account, Accounts Receivable, in the General Ledger. The footing of the total Cash column is not posted from this book because it is recorded in the Cash Receipts Book, Form 12.

The following accounts show the result of posting from Form 6 and of posting the cash sales from the Cash Receipts Book.

<u>ACCOUNTS RECEIVABLE</u>	:
3,310.90	:
	:

<u>SALES</u>	:
	:
9,565.55	:
	:

<u>CASH</u>	:
6,254.65	:
	:

## MONTHLY SALES RECORD BY DEPARTMENTS FORM 7

The Sales Account given in the preceding section is a controlling account for the departmental sales amounts on Form 6, and if the detail is desired it may be found on Form 6 or Form 7.

Form 7 is used for the purpose of collecting together on one sheet the Monthly Departmental Sales. The totals given on the Daily Sales Record by Departments, Form 6, are the sales by departments for the month of January only. These totals are transferred monthly to this Monthly Sales Record by Departments. It will be noticed that the totals on the first line of the monthly Sales Record are the footings of the columns the Daily Sales Record by Departments, Form 6.

Adding together the footings of the Grocery Cash and Charge columns on Form 7 will give the total Grocery Sales for the year; the same applies to the other departments.

#### FILING AND POSTING OF THE CHARGE SALES SLIPS.

After the charge sales slips have been used for distributing to departments they are ready to be filed and posted to the debit of the customer's accounts. In case a "Short Account System" is used this explanation and procedure need not be used. All of the charge slips for the day are sorted alphabetically in order to bring all the charges to one customer together, and also to aid in posting to the customer's accounts for they are arranged alphabetically in the customer's ledger.

When the amounts are posted to the customer's account the charge slips are checked. (See Sales Slip Form 19, p.28). After posting they are filed alphabetically on a permanent file made for the purpose. A division is made between the slips of one day and those of the next by placing in a piece of different



colored paper or something of the kind. The only information posted to the Customer's Account is the date and the amount of the purchase. In case of a detailed statement the slips on file would have to be referred to.

### CASH SALES SLIPS AS A CHECK AGAINST CASH RECEIPTS.

The total of the cash sales for any one day should give the amount of cash received from sales for that day, unless there has been an error. After the cash slips have been used in distributing the sales by departments and as a check against the cash, they are of no real value and can be destroyed. (See Record of Cash Received).

The following is a Produce check (See the following page).

This space for binding in book.

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15. PRODUCE CHECK  
BURNS BROWN  
GENERAL MERCHANDISE

Town, State, Jan. 3, 1916.  
Pay to  
Mr. John Adams

Pay in { Merchandise   
Cash.

Four and ----- No. Dollars.  
This check was issued  
in payment of produce.

B. Brown.  
Manager.

No. 1.

## BUYING PRODUCE.

The general practice among merchants is to buy produce with merchandise. Where there is no attempt to keep sales and purchases by departments, the customer exchanges the produce that he brings into the store for merchandise from the different departments, or receives cash. In some cases he may receive part merchandise and the remainder in cash.

Referring to the Produce Check, on the preceding page, it will be noticed that there is a place for the date, name of the customer, what the produce is to be paid for with, the amount, and the signature of the person issuing the check. These produce checks may be made up in books of fifty, original and duplicate. The duplicate being given to the customer and the original for filing in the office. The 15 at the top is the series number of the book, and the number 1 at the bottom is the number of the check.

It is noticed that there is no space on this check for the amount of the produce received and the price paid for it. If this information is desired on the check it could be made longer and at the top a place for the number of eggs received @ the amount; the number of pounds of butter received and the amount. The perforations, however, should be the same as on this check so that the top part need not be filed with the check.

#### BUYING PRODUCE WITH CASH.

If John Adams sells produce to the store and is to receive cash, the space marked Pay in Cash would be checked. Mr. Adams would then take this check to the cashier and receive cash in exchange for it. The transaction as far as John Adams is concerned is completed. A further discussion of this point will be given in the following pages.

#### BUYING PRODUCE WITH MERCHANDISE.

Let us take the case where John Adams brings in \$4.80 worth of produce. He desires to be given credit for it as he expects to buy merchandise. The manager or some other one in authority would issue to him a produce credit check for the amount \$4.80. Referring to this check, Form 18, it will be noticed that it has a place for checking, Pay in-Merchandise or Pay in-Cash, In this case the space marked Pay in-Merchandise would be checked by the manager in making it out. The duplicate would be given to Mr. Adams.

If this customer now wishes to buy \$12.00 worth of merchandise distributed over three departments, the clerk making the sale would make out a charge sale against John Adams in the same manner as any ordinary charge sale.

If the customer desired to pay the balance in cash, he would pay \$7.20 because the amount of the produce check was \$4.80. The result of the above transaction is that John Adams would be charged by means of a charge slip for the merchandise sold to him, and credited for the amount of the produce from the original produce check filed in the office. (See filing and posting produce checks). The balance paid in cash would be credited thru the Cash Receipts Book as if it were received on account.

The following accounts will show the results given above.

<u>John Adams</u>		<u>Sales</u>	
(b) 12.00	4.80 (a)	12.00	(b)
<u>Cash</u>		<u>Produce Purchases</u>	
(b) 7.20		(a) 4.80	

The final result is that in place of the \$12.00 merchandise sold, there has been substituted Cash \$7.20 and Produce \$4.80.

#### PRODUCE CHECK.

The original produce checks are taken from the book each day and distributed into two piles, cash and merchandise.

The following represents the produce checks that were issued Jan. 3.

NO.		MERCHANDISE	CASH
1	John Adams	4.80	
2	B.N. Casey	1.20	
3.	H.B. Gilman		2.40
4	H.K. Davis	1.40	
5	E.H. Barber	1.90	
6	Charles Mann		3.10
		<u>9.30</u>	<u>4.50</u>

The merchandise checks are added and the total, in this case \$9.30 is placed in the Accounts Receivable column on the Daily Produce Check Register, Form 10. (See Form 10). The Cash checks are then added and the total (\$4.50) is placed in the Cash checks column of Form 10. The total of both the merchandise and cash checks is placed in the first column and represents the total cost of produce purchased for that day.

After the totals have been recorded on the Daily Produce Check Register the original cash checks are compared with the duplicate cash checks received during the day. The original checks for which duplicates have been received during the day are filed until the duplicate checks are received. It often happens that the customer does not present the cash produce check for payment until the following day.

The duplicate cash produce checks paid during the day represent a check against the cash which has been paid out during the day. Buying produce with cash is explained on page 57.

#### PRODUCE CHECK REGISTER FORM 10.

As has been explained in the preceding section, the total produce purchases for each day is recorded on this form. At the end of the month the columns are added. The footing of the Total column represents the total amount of produce purchases made during the month. The footing of the Accounts Receivable represents the total amount of produce purchases during the month for which credit was given to the individual customers in the Customer's Ledger. The footing of the Cash Checks column represents the total amount of produce purchases during the month for which cash was paid, or will have to be paid.

This Produce Check Register and Produce Check serve three purposes:

First--It enables the manager to know the daily and monthly produce purchases

Second--Although produce is exchanged for merchandise in more than one department, sales may be accurately kept by departments

Third--The cash produce checks serve as a record for all cash paid out for produce.

## POSTING FROM DAILY PRODUCE CHECK REGISTER FORM 10

The footing of the Total column (\$176.50) represents the total amount of produce purchases during the month. If only the Merchandise account is kept in the General Ledger and the detail is kept on the Monthly Purchase Record, Form 2, the amount \$176.50 would be posted to the debit of the Merchandise account and also transferred to the Monthly Purchase Record, Form 2. (see Form 2) (See page 48 for further explanation)

The footing of the Accounts Receivable column is the total of the amounts posted to the individual customer's account in the Customer's Ledger and should be posted to the debit of the controlling account, Accounts Receivable, in the General Ledger.

The following accounts will show the result of posting from the Daily Produce Check Register.

<u>Merchandise</u>	<u>Accounts Receivable</u>
176.50	149.70
:	:
:	:
	<u>Cash</u>
	26.80
	:
	:

The amount posted to the credit of the cash account, however, does not come from the Daily Produce Check Register but from the Petty Cash Disbursements Book or the Cash Receipts Book.

#### FILING AND POSTING PRODUCE CHECKS.

The merchandise produce checks are arranged alphabetically before posting and filing. The amount on each check is posted to the credit of the customer's account in the Customer's Ledger. The produce checks for that day are then filed in a file made for the purpose. Produce checks as well as charge slips are filed by days, and in case of any dispute it is very easy to turn to that particular day and find the slip or check. Those that use the "short account system", however, can file the checks and charge slips in the same manner they are following.

After the cash checks have been added and the total recorded on the Daily Produce Check Register, Form 10, they are used as a check against the cash paid out. (See Petty Cash Disbursements and Record of Cash Received)

#### RECORDING MONTHLY PRODUCE PURCHASES.

It has been stated on page 47 that the recording of monthly purchases depends upon the control of the purchases in the General Ledger. If only the one Merchandise control account is used, the footing of the total column is posted to the debit of Merchandise. The total is also transferred to the Monthly Purchase Record, Form 2. If produce purchases are to be treated as grocery purchases then the distribution on Form 2 is as given, but if produce is to be treated as a separate department then a column would be headed Produce and the \$176.50 would be placed in that column rather than in the Grocery column.



## SALES RETURNS AND ALLOWANCES.

All returns and allowances given to customers should be recorded. If the return or the allowance is made on the same day as the sale then the deduction may be made on the sales slip that was originally made out. The balance of the sales slip would be distributed as if only the net amount was sold to the customer.

Sales Returns represent deductions from Gross Sales because an article which is returned is really not sold. An allowance, however, represents the amount that the article or articles were marked down and should be treated as a mark-down on the Mark Down Record.

All returns or allowances made after the sales slips have been recorded are entered on the Daily Sales and Allowance Record, Form 8. If the sale was originally a charge sale, then the amount of the return is placed in the Accounts Receivable column and in the total column; from there distributed to the department. If the sale was a cash sale and credit is to be given to the customer then it is treated in like manner.

If cash is to be paid to the customer for the return or the allowance, then the amount is recorded in the Cash Paid column. It is also placed in the total column and distributed to the departments.

**CASH DISCOUNT ON SALES.**

In the average general store no cash discount is given on sales. However, it may be necessary to "Discount" a Customer's Account in order to collect it. In such cases the record of the discount is made in the Cash Receipts Book.--See Form 12.

**DAILY SALES RETURNS AND ALLOWANCE RECORD, FORM 8.**

It has been stated on the preceding page how this form is to be used. The footing of the Accounts Receivable column is posted to the credit of the customer's controlling account in the General Ledger, Accounts Receivable. The footing of the Total column is posted to the debit of either the Sales Returns and Allowances Account in the General Ledger or to the debit of the Sales Account. It is not necessary as it has been stated in the preceding sections to keep the detail in the Ledger.

When it is desired to make up the Monthly Trading Statement a reference may be made to this form for the detail or to Form 9.

The amounts posted from this form are: the amounts to be credited to the customer's accounts in the Customer's Ledger, and the footings of the Accounts Receivable Total columns.

**SALES RETURNS AND ALLOWANCES BY CLERKS.**

If a record of the sales made by each clerk is being kept, all returns and allowances of merchandise sold by each clerk should be recorded as an offset against the sales originally recorded for that clerk. The balance therefore of the clerk's record would represent the net sales for any given period.

MONTHLY SALES RETURNS AND ALLOWANCE RECORD FORM 9. 51

The purpose of this form is to summarize the monthly returns and allowances on one sheet. It may be used or may not, depending upon how the ledger is kept and what information is desired. -- (See pages 16 and 40).

MONTHLY SALES RECORD FOR CLERK NO. I.

The following represents the record of clerk No. I.

Date	Sales		Returns	Allowance
	Cash	Charge		
Jan.	(a) 670.25	300.50	3.00	1.50
Dec.				

Totals

The cash and charge sales are found by adding all of the daily cash and charge sales of clerk No. I. See Form 5. The returns were explained on the preceding page.

### DAILY RECORD OF MARK DOWNS.

The purpose of keeping the record of the mark-downs is to compute at the end of the month the retail price of the goods sold. It has been explained on pages ten and eleven how to record the mark-up of invoices. From the Mark-Up Invoice Record by Departments the average percentage of the mark-up for each department is computed. Given the retail price of goods sold and knowing the mark-up percentage the Cost of the Goods sold can be computed by subtracting from the retail price the amount that the goods sold were marked up.

If a record is kept of the marked-downs for the different departments of the goods sold, then, in order to find the retail price of the goods sold, the amount of the mark-downs on the goods sold should be added to the selling price. Therefore, if a record of the mark-downs is kept the retail selling price can be computed.

When the clerk makes a sale to the customer he can record on the sales slip the amount of the mark-down on the goods sold for each department. The bookkeeper in the office at the end of the day can find the total mark-downs for each department by adding together the mark-downs on each slip for that department. These mark-downs should be recorded on the Daily Mark-Down Record by Department, Form 25. The total for each department at the end of the month represents the difference between the actual selling price and the retail marked price of the Goods Sold.

Therefore if the total of the mark-downs for each department for any month is added to the sales of that department the sum would be the retail price of goods sold. The remainder of this explanation is given in the section: Determining the Retail Marked Price of Merchandise Sold by Departments.

#### MARKED DOWNS AUTHORIZED.

In a large store where there is much chance of the clerks underselling the goods, a record of all the marked-downs authorized should be kept in the office for reference. The bookkeeper in referring to this record has a basis for determining whether or not the clerk is underselling. If there is any question in his mind regarding any of the sales he should refer to this record.

#### MONTHLY RECORD OF MARK DOWNS.

The totals from the Daily Record of Mark-Downs may be transferred to a monthly sheet in order to summarize the Mark-Downs for each month. At the end of the year when the Yearly Trading Statement is to be made the totals on this monthly sheet would be the mark-downs on all goods sold during the year. In this connection it must be remembered that only a record of the mark-downs on goods sold is made. The mark-downs on goods in the department at inventory time are taken into consideration when inventory is taken. This is explained in the section headed, "How To Take Inventory!"

## CHARTING DEPARTMENT SALES

The successful manager of today watches the sales and purchases as carefully as he does the expenses. The question that the manager would like to have answered is--How have the sales varied during the year? Probably the best method of showing the increase or decrease of sales by months is by means of a chart. "Before I began to chart my sales", Mr. Darrell says, "I did not realize how regular and great was my slump during the vacation months when my customers went away to the mountains and sea shore. Now that I know it I am working on a plan to even things up and use my organization more profitably."<sup>(1)</sup>

The sales by departments can be secured from the Daily Sales Record by Departments, Form 6, or from the Monthly Sales Record by Departments, Form 7.

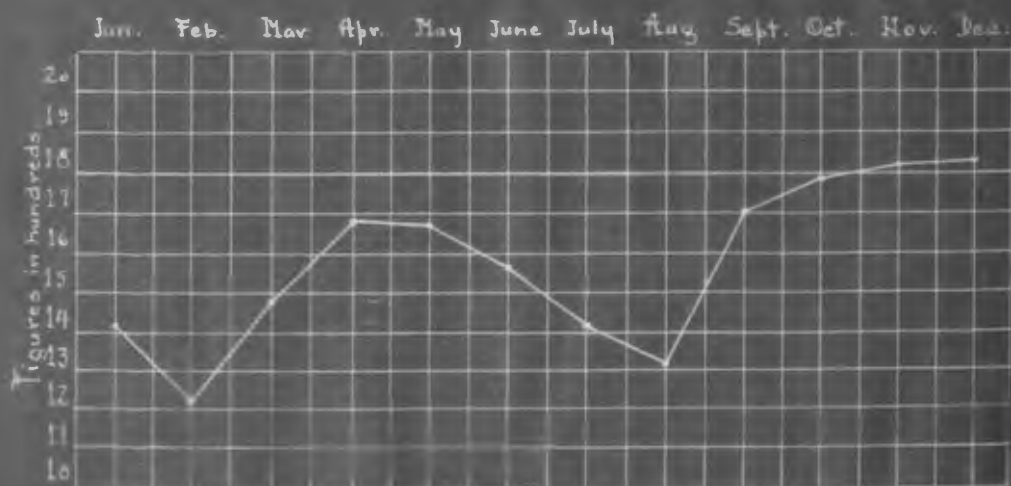
If reference is made to Form 7, it will be noticed that the Grocery cash and charge sales for the year were \$18,932.40. The sales for the year by months are as follows:

Jan.	1,402.40
Feb.	1,210.60
Mar.	1,482.20
April	1,697.30
May	1,681.45
June	1,573.22
July	1,428.44
Aug.	1,314.84
Sept.	1,710.25
Oct.	1,791.74
Nov.	1,806.26
Dec.	1,833.70
Total	<u>18,932.40</u>

The Chart No. 2 on the following page shows how the sales varied during the year. It will be noticed that they decreased during February and increased during March and April. In the summer months the sales decreased, but rapidly increased during September and October.

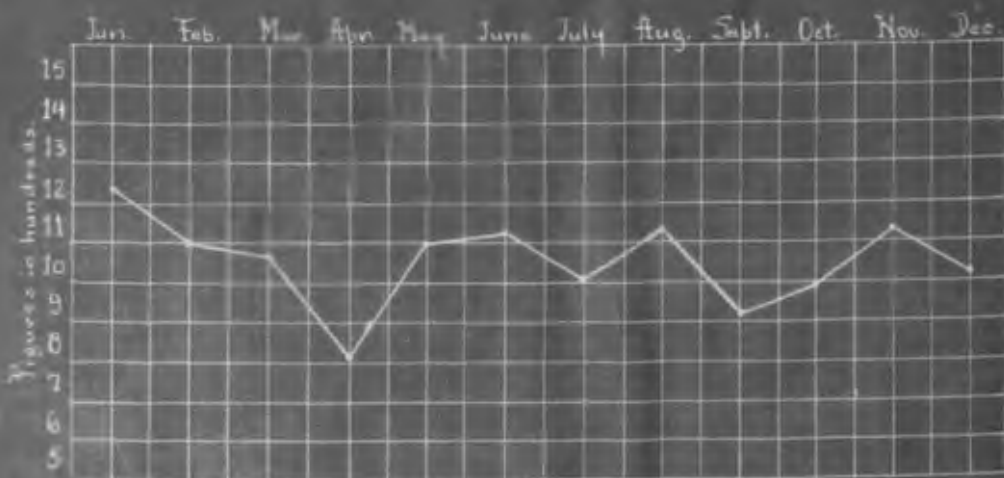
GROCERY SALES - 1916 -

Chart No. 2.



GROCERY PURCHASES - 1916 -

Chart No. 3.



If the manager assumes that the sales for the coming month will be about the same as they were for the same month last year, then in referring to the chart he has a basis for determining how much merchandise he should buy. If, as in the case of the summer months, the Grocery sales were low he would not buy heavily during the two preceding months, otherwise he would have his grocery department overstocked during July and August.

#### CHARTING DEPARTMENT PURCHASES.

The same principle applies to charting department purchases as charting department sales. The manager finds it to his advantage to know how the purchases during year have varied. The purpose for not overstocking a department is to get as rapid a turnover of capital invested in merchandise as possible. It will be noticed in referring to Chart No. 3, that the groceries purchased during May and June were greater than during March and April. This is poor buying because in referring to Chart No. 2, it will be noticed that the sales during July and August were low. The result is that the grocery department was overstocked during the summer months.

The result, therefore, of charting the monthly purchases is that the manager can compare the department purchases with the corresponding department sales more advantageously than comparing mere figures.



RECORD OF CASH RECEIVED, FORM 12

This form is a record of all cash received daily, and of all cash payments made from the daily cash receipts. All receipts from customers are entered in the first column, Accounts Receivable. Miscellaneous receipts, such as B. Brown's advance to the business or the sale of equipment, are entered in the second column. The amount of cash sales during the day as ascertained from the total of the cash sale slips is placed in the third column. The discount on sales, or the discount of an account receivable is placed in the sixth column; all cash refunds out of cash receipts are placed in the seventh column and the expenses in the eighth column.

After deducting the amount of the change fund, the balance is made up of the following:

Cash Receipts,			
Accounts Receivable	161.00		
General Ledger	1000.00		
Cash Sales	<u>236.96</u>	1,397.96	
Cash Disbursements			
Discount	1.50		
Refunds	9.50		
Expenses	<u>          </u>	11.00	
Total Net Receipts.		<u>1,386.96</u>	

But it is found that there is \$1,387.21 on hand after deducting the change fund or an excess of \$.25. This amount is placed in the Cash Overs column. In case there had been a shortage of \$.25 it would have been placed in the Cash Shorts column. The \$1,387.21 would be deposited in the bank. The illustration given on Form 12, is to show the deposits twice in the same day.

### CASHIER CHANGE FUND

This is the amount of money kept in the store for making change. The account in the ledger has the same name and is debited for the amount of the fund. At the end of each day the amount of this fund is withdrawn from the cash drawer and retained; the balance is deposited daily. Reference should be made to the preceding section, Record of Cash Received.

### DAILY DEPOSITS.

The reasons for depositing daily the excess of receipts over disbursements are: First, so as to not carry a large sum of money in the store, and second, in order to start daily with only the amount of the cashier's change fund in the cash drawer. If any errors have been made in making change and in paying expenses they can be corrected daily and not left until the end of the month. The amount of the deposit is placed in the Deposit Column. It is also placed on the Check Register.--See Form 13.

## POSTING FROM RECORD OF CASH RECEIVED FORM 12.

The amounts that have been placed in the Accounts Receivable column are posted to credit of the individual customer's accounts in the Customer's Ledger. The footing of this column is posted to the credit of the Account Receivable account in the General Ledger. The amounts placed in the General Ledger Column are posted individually to the credit of accounts in the General Ledger. The footing of the cash sales column is not posted but should be compared with the footing of the Cash Sales column on the Daily Sales Record by Departments. The footing of the Cash Overs Column is either subtracted from the footing of the Cash Shorts Column or vice versa. The balance is posted to the debit or credit of an adjustment account in the ledger, for it represents a deduction or addition to cash. The footing of the Net Cash column is posted to the debit of the Cash account in the General Ledger. The footing of the Discount Column is posted to the debit of Discount On Sales or to Deductions from Income. The footing of the Refund column is not posted because the amounts in this column have been posted from the Daily Sales Returns and Allowances Record, Form 8. The items in the expense column are posted individually or grouped to accounts in the General Ledger.

## PETTY CASH DISBURSEMENTS, FORM 11

In many general stores it will be found advantageous to have a cash fund for paying small bills or for buying small incidental articles. There is a certain objection in paying out cash from the Daily Cash Received, because it gives a chance for the cashier often times to appropriate money. However, in the general store where the Cashier and the Bookkeeper are the same person a Petty Cash Fund or Petty Cash Disbursements Book need not be used.

If the Petty Cash Fund is not to be used then all cash paid out from the cash drawer would be recorded on the Record of Cash Received, Form 12. This has been explained in the section RECORD OF CASH RECEIVED, Form 12, page 56. It will be noticed on Form 12 that there is only one column for expenses and it would mean a great deal of posting to post every amount to the different accounts in the General Ledger. In order to eliminate this detail posting the distribution could be made on a form similar to the Petty Cash Disbursements Book and posted from that book.

In case the Petty Cash Disbursements Book is to be used a certain amount of money is set aside for the purpose of paying small bills. When a bill is paid or supplies for the office are purchased, a record is made on this form. The amount that is paid is recorded in the Total column and distributed to the expense columns. Articles that are purchased or bills that are not frequently paid are recorded in the miscellaneous column and the account to which the amount is to be debited is placed in the

section headed Accounts Debited and posted from there.

When the amount of the Petty Cash Fund is reduced to such an extent that there may not be enough money to pay the incidental expenses for the coming day, then a check is made out to Petty Cash for the amount that the fund has been decreased. This check is then cashed and the amount placed in the Petty Cash drawer. In referring to Form 11, it will be noticed that the amount which was paid out for Jan. 3rd and 4th was \$35.55. The check which was issued to reimburse the Petty Cash Fund is recorded to the right; in this case number 689. At the end of the month the expense columns are added and the totals posted to the debit of the expense accounts in the General Ledger.

#### BUYING PRODUCE WITH CASH.

If the practice is followed of having a Petty Cash Disbursements Book then the writer suggests that the Produce purchased be recorded in this book.

#### REFUNDS TO CUSTOMERS.

If the Petty Cash Disbursements Book is used then all cash refunds to customers could be recorded in Petty Cash Disbursements Book. The footing of the Refund column would be posted to the debit of the Accounts Receivable account in the General Ledger

## POSTING FROM PETTY CASH DISBURSEMENTS FORM 11.

The amounts that would be posted from this form are the footings of the expense columns, of the Refund column and the amounts placed in the miscellaneous columns. It will be noticed that the footing of the Produce column is \$26.80. This represents the amount of cash that was paid out for produce during the month. On the Daily Record of Produce, Form 10, it will be noticed that the footing of the Cash Slips column is the same.

It will be noticed in posting from some of these forms that the debits will be more or less than the credits, but that the credits will be equal to the debits when the amounts are posted from some other forms. The following accounts will illustrate this.

<u>General Expense</u>	<u>Cash</u>
(a) 2.80 :	35.55 (b)
:	:
:	
<u>Office Expense</u>	<u>Produce</u>
(a) 6.50 :	(c) 6.65:
:	:
:	
<u>Postage</u>	<u>Accounts Receivable</u>
(a) 12.00 :	(a) 4.50:
:	:
:	
<u>Telephone and Telegram</u>	
(a) 1.10 :	
:	
:	
<u>Light Expense</u>	
(a) 2.00 :	
:	
:	

(a) amounts posted from Petty Cash Disbursements Book. (b) amount posted from the Check Register. (c) the total posted from the Daily Produce Check Register includes this amount.--See page 47.

## CHECK REGISTER FORM 13.

Each check as it is issued is recorded on this Form. The Date, the Name of the Creditor, the Check Number and the amount, are recorded. The net amount of the check is placed in the Amount Column. If there is any discount it is placed in the Discount Column. The amount to be debited to the Creditor's Account is placed in the Accounts Payable Column. If the name to which the amount is to be debited is different from that of the name on the check, then the name of the account is placed in Accounts Debited section and posted from there. If the account is in the General Ledger the page should be placed in the Folio column when the amount is posted.

The amounts in the expense column are posted to the debit of the individual accounts in the General Ledger; the name being placed in the Accounts Debited section. In referring to this form it will be noticed that the amount paid to the Northwestern Telephone Company is \$8.00. This amount is placed in the Expense column and is debited to the Telegram and Telephone account in the General Ledger.

## DISCOUNT COLUMN ON CHECK REGISTER

If the cash discount offered is not taken off of the invoice at the time it is recorded, then the total of the Discount column is posted to the credit of Cash Discounts on Purchases account in the General Ledger.--See Form 1-A and Page 16. If the discount offered, however, is taken off at the time the invoice is recorded, then the

total of the Discount column is the amount of Discount Offered and Recorded which has been taken. This total is posted to the credit of Cash Discounts Offered account in the General Ledger; the balance of this account represents discounts offered which have expired and which may still be taken.--See page 15.

#### POSTING FROM CHECK REGISTER

Post the amounts appearing in the Accounts Payable column to the debit of the creditor's accounts in the Creditor's Ledger; the total of this column to be posted to the debit of the Accounts Payable account in the General Ledger. The amounts in the Miscellaneous column are to be posted to the debit of accounts in the General Ledger. The amounts in the Expense column are to be posted to the expense accounts in the General Ledger. Where it would be necessary to post a number of times to one account, the amounts may be grouped together and the total posted to the account. The total of the Amount column should be posted to the credit of the Cash account as it represents the total amount of checks issued during the month.

The Daily Deposits are recorded in the Deposit column for the purpose of keeping record of the daily bank balance. The bank balance and also the real balance at the beginning of the month is \$3,810.20. Add to this the amount deposited and then subtract the amount of the checks issued will give the real balance. In case the balance of cash is rather small this can be done daily in order to find out the exact daily balance.



## THE JOURNAL, FORM 17

All amounts placed in the first two columns are to be posted to accounts in the General Ledger. If a 30-day, 6% note is received from F. Thomas the amount of the note would be placed in the General Ledger debit column, and also in the Accounts Receivable column. The amount of the note - \$43.50 - would be posted to the debit of Notes Receivable in the General Ledger and the page of the account placed in the Ledger Folio, in this case it was page 4. The amount placed in the Accounts Receivable column would be posted to the credit of F. Thomas' account in the Customer's Ledger -- See Abstract of Customer's Ledger, Form 22.

If B. Brown gave the G. Grocery Co. a 60-day, 6% note the G. Grocery Co., would be debited for the amount by placing the amount in the Accounts Payable column, and crediting the Notes Payable account by placing the amount in the General Ledger credit column. The \$420.00 would be posted to the debit of the G. Grocery Co. account in the Creditor's Ledger.--See Abstract of Creditor's Ledger, Form 23. The amount placed in the General Ledger credit column would be posted to the credit of Notes Payable in the General Ledger.

At the end of the month the Accounts Payable column is added and the total is posted to the debit of the Accounts Payable account in the General Ledger. This account is a controlling account for amounts posted to the individual creditor's accounts in the Creditor's Ledger. The Accounts Receivable column is added

and the total is posted to the credit of Accounts Receivable in the General Ledger . It is also a controlling account for amounts posted to the individual customer's accounts in the Customer's Ledger.

The Journal today in business is a book used only to record information for which there is no special book. It has been explained that the original record of all notes would be made in the Journal. All adjustments or transfers from one account to another should be made in the Journal and the entry well described. The principle of this is, that if an auditor or the manager looks at the Journal it will not be necessary to ask the bookkeeper just what a certain entry means. The writer, in practice, finds that the average bookkeeper is very careless in this respect and that in many cases it has been necessary to have the bookkeeper explain as many as one-half of the adjustments. The bookkeeper may not be at hand at the time the books are examined and therefore would not be able to give the desired information, but if the description is given at the time the entry is made the difficulty will be overcome.

In closing the books all closing entries should be made in the Journal. When it is desired to close the Net Sales into the Trading account the following entry would be made:

Sales	9,475.25	
Trading		9,475.25
To transfer the Net Sales to the		
latter account in order to ascertain the		
Gross Profit.		

(See Closing the Books.)

## CHAPTER V

## A SYSTEM OF ACCOUNTS

The purpose of having a system of accounts is to collect and summarize the information that has been recorded on the different forms, so that **it** can be interpreted.

There are three classes of accounts: first, accounts that show values owned or controlled by the business,--assets,--and accounts that show the ownership or interest in the values controlled by the business,--liabilities and capital. These accounts are often called Real accounts; second, explanation accounts which show where and why the business is making or losing money; these accounts are often called Nominal accounts; and third, accounts which part of the time come within both of the first two classes. Such an account as advertising which shows the cost of advertising and also the value or cost of the unexpired advertising.

Assets are divided into three broad classes: Current, Fixed, and Deferred Charges to Cost and Income. Liabilities are divided into two classes; Current, and Fixed. Capital is divided into the different kinds of capital accounts depending upon the kind of the business and its organization.

## CURRENT ASSETS

"Current assets" says John R. Wildman, "are those assets which are immediately available or which will become available shortly for the purpose of meeting current liabilities"<sup>(1)</sup>

(1)--4-p., 126.

### CASH IN BANK

This account should be debited at the beginning of the period with the amount of money in the bank, and with the amount of money deposited during the month from the Record of Cash Received, Form 13.

Credit at the end of the month with the total amount of the checks issued or in other words credit with the total of the amount column on the Check Register, Form 13. This account should be closed and the balance brought forward monthly.

### CASHIER'S CHANGE FUND

This account should be debited at the beginning of the period with the amount of money used daily for making change. Ordinarily there will be no change in this fund. If it is increased it should be debited for the increase, or credited for a decrease. This amount of cash should be withdrawn each day from the cash drawer and held for making change on the following day. The balance left in the cash drawer, or the excess of receipts or disbursements should be deposited daily.

### PETTY CASH FUND

This account should be debited for the amount of the cash in the Petty Cash fund at the beginning of the period and for all checks from the Check Register issued to reimburse this fund.

It should be credited from the Petty Cash Disbursements Book, Form 11, for the total amount paid out during the month. Of course, in case this book is not used, there would be no Petty Cash Fund.

## NOTES RECEIVABLE

This account is often called "Bills Receivable" but as here used refers to promissory notes received.

It should be debited at the beginning of the period with the face value of all promissory notes on hand, and during the period with all the notes received.

It should be credited with the payments received on notes and with the face value of all notes sold or discounted.

The balance of this account should show the face value of all notes on hand, unless a Notes Receivable Discounted account is kept, in which case the credit balance of the Notes Receivable Discounted account must be subtracted to find the face value of notes on hand.

## NOTES RECEIVABLE DISCOUNTED

If many notes are received and discounted at the bank, the better practice is to have an account called Notes Receivable Discounted and to credit this account when the note is discounted, rather than crediting the Notes Receivable account. The reason for this is that notes discounted represent a "contingent liability" and may be returned to the business in case the bank fails to collect them.

When the notes that have been discounted have been paid or renewed without the consent of the business, this account should be debited and Notes Receivable account credited for the amount of all the notes. This adjustment can be made in the journal. In the Balance Sheet the credit balance of this account should be deducted from the Notes Receivable debit balance in order to show the net amount of notes on hand. In case there are very few notes handled this account would not be used.

## ACCRUED INTEREST RECEIVABLE

This account is a current asset account and is used only when the books are closed. At the end of the month when it is desired to make up a monthly statement and a balance sheet it is not necessary to debit this account and credit Cost and Income for the amount of the interest that has accrued, but the adjustment may be made on the working sheet.--See Working Sheet.

At the end of the year or when the books are to be closed this account should be debited for the Accrued Interest on all notes held by the business, on securities owned, and accounts receivable. This account should be debited for all accrued commissions and dividends receivable unless separate accounts are kept for these items.

At the beginning of the next period this account should be credited for the items debited at the end of the last period and the Additions to Income or the subdivisions of the account debited. The reason for doing this is, that when the accrued interest is paid the Additions to Income account can be credited directly from the Cash Receipts book and thus save dividing the entry. The balance of the Additions to Income Account would then show the net amount of interest earned this period. If the account is credited with the interest which is received and which applies to last period as well as this period, but the account is also debited with the interest that applies to the last period, as transferred from the Accrued Interest Receivable account, the balance is the net amount of interest that applies to this period.

**ACCRUED INTEREST RECEIVABLE.**

If it is found advantageous to keep separate accounts with accrued interest on notes receivable, accrued interest on securities owned, accrued interest on accounts receivable, accrued commissions and dividends, then the Accrued Interest Receivable account would include only the items not kept in these other accounts.

As this account is used practically only once or twice each year it is not necessary to have a separate account for each class of items. All the items given in the preceding paragraph can be satisfactorily kept in one account.

**ACCOUNTS RECEIVABLE**

This account is debited at the beginning of the period for the sum of all the individual accounts receivable kept in the Customer's Ledger. It is debited at the end of the month for the total charge sales from the Daily Sales Record by Departments, Form 6. It is debited for the total refunds either from the Petty Cash Disbursements book, Form 11, or from the Record of Cash Received, Form 12.

It is credited for the total of the Accounts Receivable column on the Produce Check Register, Form 10; for the total of the Accounts Receivable column on the Record of Cash Received, Form 12; for the total of the accounts Receivable column on the Daily Sales Returns and Allowance Record, Form 8, and for the total of the Accounts Receivable column in the Journal, Form 17.--See Abstract of Customer's Ledger, Form 22.

### Subscribers to Capital Stock. 6 (a)

In a corporation where subscriptions to capital stock have been received but not paid, the amount subscribed should be debited to this account. When the subscriptions are paid this account should be closed out. This account is really an Accounts Receivable account and is a current asset.

### RESERVE FOR BAD DEBTS

At the end of each month the amount of bad debts should be determined and the amount credited to this account at the same time debiting Provision for Bad Debts. This account represents the amount of bad Accounts Receivable. It is an offset account and in preparing a Balance Sheet should be deducted from the Accounts Receivable on the Balance Sheet. If the estimated amount of Bad Debts at the end of January was \$23.21 then in preparing a Balance Sheet it would be treated as follows: --See Form 22.

Accounts Receivable	\$4,641.50	
Less-Res. for Bad Debts	<u>23.21</u>	4,618.29

### MERCHANDISE

It has already been explained on pages 14, 16, and 24 how this account can be handled. If it is desired to keep a separate account for Purchase Returns and Allowances then this account would not be credited for the Returns and Allowances from Form 3.



The following account shows how the Merchandise account would appear after the Purchases and Purchase Returns and Allowances have been posted..

		Merchandise			
Jan.1	: Inventory	: 20,404.50	Jan.31	: Form 3	: 90.00
	: Form 1	: 6,845.00		: :	: :
Jan.31	: Form 10	: 176.50		: :	: :

The balance or \$27,336.00 represents the cost of goods handled.--See Form 26. It is not necessary to close this account until the end of the year or until the inventory is taken.

However, this account could be credited each month with the Estimated Cost of Goods Sold--see Form 26--and the balance which would be the estimated inventory carried forward.

The merchandise account as given here is not the same as the merchandise account generally used. This account is an inventory adjustment account. It is debited for the increase of inventory--purchases--and credited for the decrease of inventory--merchandise returned, allowances, and the cost of the goods sold. The balance of this account, therefore, shows the cost or value of the inventory at the end of the period.

## FIXED ASSETS

"Fixed assets are those which are permanent in nature, and with which the business is carried on, such as land, buildings, machinery, patterns, horses and wagons, office equipment, store fixtures, patent rights, lease-hold, good will, and so forth."<sup>(1)</sup>

## LAND

This account should include only the land on which the buildings are located. Land owned which is not in any way connected with the business should be carried as a separate account under the heading Investments Outside of the Business.

DEBIT: at the time of opening the books with the cost of land owned used by the business; with land subsequently purchased including all expenses incidental to acquiring the title, such as legal expenses, recording fees, and so forth; with the cost of all permanent improvements such as walks, fences, sewers, underground piping, and so forth.

CREDIT: with the book value of land sold. In case the book value is greater than the amount realized the difference should be debited to surplus or to capital. If the book value is less than the amount realized surplus or capital should be credited for the difference.

The balance of this account is to be the cost of the land owned and is a fixed asset.

(1)-7-p., 22.

## STORE BUILDINGS

This account should show the cost of the building used for the store including electric wiring, fixtures, plumbing, heating apparatus, permanent shelving, and so forth.

At the beginning of the period the buildings should be valued or cost price used and distributed to the different departments. The reason for this is to enable the manager to distribute the depreciation of the buildings more easily than in any other way. The following account will show how this could be treated.

## STORE BUILDINGS

Total	Grocery	Hardware	Furniture	Shoes	Dry-Goods	Clothing
52,500.00	Distributed to the departments according to the					

amount of the store used by each department. At the end of the month or the year when the depreciation is computed it is very easy to determine the amount of depreciation to be charged to the Grocery department and to other departments. During the year if any permanent repairs are made in any one of the departments the amount can be placed in the total column and distributed to the department immediately, thus keeping the cost of the building distributed to the departments at all times.

## RESERVE FOR DEPRECIATION OF STORE BUILDINGS

The purpose of this account is to show what part of the cost of the store buildings has been distributed to the expense account, Depreciation of Store Buildings. As ordinarily kept the Reserve for Depreciation Account when deducted from the cost of Store Buildings would give the present estimated value of the buildings. This, however, is not correct, be-

cause the buildings depreciate in value although the net value of the building may be higher now than when purchased. The increase in the value of the buildings in most cases is not due to conditions within the business but to the fact that property as a whole has been increasing in value. The increase in value then is not a trading profit but an increase of capital due to good investment. This increase should not be recorded until the buildings are sold.

At the end of the month when it is desired to make up a Trading Statement and show the Marketing expenses, the Building Expense account should be debited and Reserve for Depreciation of Store Buildings credited. This account should also be kept by departments placing in the Grocery ~~department~~ column the Reserve on the part of the buildings occupied by the Grocery Department.

#### RESERVE FOR DEPRECIATION OF STORE BUILDINGS.

Total	Grocery	Hardware	Furniture	Shoes	Dry-Goods	Cloth
\$1,050.00						

This is the estimated reserve at the beginning of the period which is distributed to the departments on the basis of the cost of the buildings used by each department. If the estimated depreciation of the Store Buildings was 4% per year or .3333% per month, then at the end of the month this account would be credited for .3333% of the cost of the buildings used by each department.

At the end of the year the total of the Grocery column would be the estimated depreciation of the Store Buildings used by the Grocery department and the same explanation for the other departments.

## WAREHOUSE

The same explanation applies to this account and how to keep it as to Store Buildings. If the warehouse is used for more than one department the cost of warehouse should be distributed to the different departments,

## RESERVE FOR DEPRECIATION OF WAREHOUSE

The same explanation applies to this account as to Reserve for Depreciation of Store Buildings.

## STORE EQUIPMENT

This account is also kept by departments so that the depreciation can accurately distributed to the departments. It should be debited for all movable show cases, counters, chairs, cash registers, cash systems, trucks, shelving, and all other equipment not treated as a cost of the building. All articles that last less than two years should not be debited to this account but to the Depreciation of Store Equipment account and at the end of the year the estimated value of the articles can be treated as Deferred Charges to Cost and Income.

Credit this account with the cost of all equipment replaced, discarded, or destroyed at the sale time debiting Reserve for Depreciation of Store Equipment. The distribution in both cases should be made by departments.

## RESERVE FOR DEPRECIATION OF STORE EQUIPMENT

The same explanation applies to this account as to Reserve for Depreciation of Store Buildings.

## OFFICE EQUIPMENT

In the average general store it would not be satisfactory to attempt to distribute General Expense by departments, therefore Office Equipment need not be distributed by departments because the depreciation is a general expense.

This account should be debited with the cost of desks, chairs, rugs, safes, filing cases, letter presses, and all equipment that does not have to be renewed within a period of two years.

It should be credited for the cost of all equipment renewed, destroyed, or sold, at the same time debiting the reserve account. In case the equipment is sold the reserve account should be debited for only the difference between the cost and the selling price.

## RESERVE FOR DEPRECIATION OF OFFICE EQUIPMENT

The same description applies to this account as to Reserve for Depreciation of Store Buildings, with the exception that this account is not kept by departments.

## AUTO AND TEAM EQUIPMENT

This account is to be debited for the cost of all equipment used for hauling in goods and for delivering. All expenses and repairs to this equipment should be debited to the Auto and Team Expense account. This account is treated in the same manner as the office equipment account.

## RESERVE FOR DEPRECIATION OF AUTO AND TEAM EQUIPMENT.

This account is treated in the same manner as the Reserve for Depreciation of Office Equipment.

### INVESTMENTS OUTSIDE OF THE BUSINESS

This is the heading of the balance sheet section which comes under Fixed Assets. However, it may be used as an account and the items debited to this account itemized. It is to cover Land and Buildings owned but not connected with the business; Stock of Other Companies, and Bonds of Other Companies, and all other investments that the business has outside of the capital invested in the business.

### DEFERRED COSTS AND CHARGES TO INCOME

"These consist of expense inventories or balances carried as assets at closing periods to be absorbed in subsequent periods of operation, such unexpired insurance premiums, interest paid in advance, advertising, stationery, printing and office supplies"<sup>(1)</sup>

It must be understood that this is not an account in the ledger but merely the heading of a balance sheet section. For example if at the end of the month or the year the balance of the advertising circulars that were still on hand, then in closing this account or determining the advertising expense for the month, the cost of the advertising circulars on hand would be deducted from the debit balance. The balance is a marketing expense and the inventory on hand is carried as a Deferred Costs and Charges to Income in the Balance Sheet.

(1) 6-p.10

## CURRENT LIABILITIES

These are liabilities resulting from the ordinary operations of the business. They are short time obligations, in most cases do not cover more than a period of six months.

### NOTES PAYABLE

This account is to be credited for the face of all promissory notes given by the business. This includes notes given to banks and to creditors. When the notes are paid this account should be debited.

### INTEREST ACCRUED PAYABLE

This account is to be used only at closing time. It is to be credited with the interest accrued on notes payable, and on mortgage bonds payable, unless separate accounts are kept with these items, in which case this account would be substituted by these accounts. At the time this account is credited Deductions from Income should be debited or the subdivision of that account.-- See Deductions from Income.

### ACCOUNTS PAYABLE

This account should be credited at the beginning of the period with the total of accounts payable kept in the Creditor's Ledger. It should also be credited for the total of the Accounts Payable on the Daily Invoice Register by Departments, Form 1.

It should be debited for the total of the Accounts Payable column on the Check Register, Form 13. Also for the total of the Accounts Payable column on the Journal, Form 17.



**PAYROLL ACCRUED**

This account should be credited for the total of the Payroll Accrued column on the Payroll Book, Form 21.

It should be debited for the amounts paid to the employees from the Check Register or Record of Cash Receipts as the case may be. The balance of this account if there is any will always be a credit balance and indicates the amount of salary expense charged but not paid.

**FREIGHT PAYABLE**

This account is credited for the total of the Freight column on the Daily Invoice Register by Departments, Form 1. This credit represents the amount of freight that will have to be paid and which has been charged to either merchandise or to equipment purchased.

Debit this account with all cash paid for freight either from the Check Register or the Record of Cash Received. The balance of this account will show the amount of freight that has been distributed as a cost of purchases but has not been paid.

**TAXES ACCRUED**

This account should be credited with the estimated amount of the accrued taxes, at the same time debiting the different expense accounts for the amount of taxes applicable to them. When the taxes are paid this account should be credited.

## CAPITAL

If there is only one proprietor then it is necessary to have only one capital account. This account should be credited for the amount invested in the business or the difference between the assets and the liabilities. If the business is a partnership then each partner's capital account should be credited with the amount of capital belonging to each partner. It is good practice in case the business is a partnership to have a Personal or Drawing account with each partner. The purpose of this Personal account would be to keep a record of all withdrawals and additions to the business.

If the business is a corporation then instead of capital accounts there will be Capital Stock. This account should be credited with the amount of capital stock outstanding. There would also be a Surplus account or an Undivided Profits account. These accounts should be credited for the amount of profits left in the business. Dividends Payable account would also be credited for dividends declared at the same time debiting Cost and Income, or Undivided Profits.

## TRADING ACCOUNTS

Trading accounts are those accounts used for recording the purchase and sale of merchandise. This information after taking into consideration the inventory at the beginning of the period and at the end is summarized in an account called the Trading account. The balance of this account shows the Gross Profit.

### MERCHANDISE

This account has been explained on pages 14, 16, 24, and 72.

### SALES

This account is credited monthly for the cash and charge sales from Form 6. It is debited for the total Returns and Allowances from Form 8. The balance of the account represents the net sales. At the end of the year or when the books are to be closed this account should be debited and the Trading Account credited.

The Trading account at the end of the year would appear as follows:

TRADING			
Cost of Goods		⋮	
Sold	74,918.75	⋮	112,950.34
		⋮	Income from Sales
Gross Profit	38,031.59	⋮	
	112,950.34	⋮	112,950.34

In referring to Form 27 it will be noticed that this form includes the same information that is in this account. The Gross Profit represents the excess of the Income from the Sales over the merchandise cost of the goods sold. This of course does not include the marketing expenses.

The Gross Profit should be transferred to the Cost and Income account by a Journal entry, debiting Trading and crediting Cost and Income.

## THE DIFFICULTY OF DEVISING A SYSTEM OF ACCOUNTS.

It is impossible to devise a system of accounts that will give the information accurately and at the same time be practical. The point at which a certain expense ceases to be an acquisition expense and is a marketing expense is difficult to determine. The Harvard System of Accounts for Retail Grocers is an attempt to devise a system of accounts which will give the cost of "Buying"; Receiving Cost is left out but this is as much a cost of merchandise as are the buying expenses. It is a simple matter to make a classification of accounts and define each account and not go any farther, but it is a very difficult task to make a classification of accounts, defining the accounts and show how the information that the accounts should give, can be recorded and summarized in the accounts. In other words a classification of Accounts which is correct in principle can not be used in practice because of poor conditions and methods that exist. It is a matter of compromise between the theoretically correct method of getting the information and the methods now used. The best that can be done is to make a classification that will enable the Retail Merchant to know how much Net Trading Profit <sup>he</sup> is making in each department.

The expense and income accounts are divided into four classes: (1) Acquisition and Marketing expenses, (2) General Expenses (3) Additions to Income, and (4) Deductions from Income.

## ADVERTISING

Debit this account with the cost of all advertising in newspapers and periodicals, with the cost of billboards and local program advertising, all advertising novelties, cost of window displays, operating and lighting electric signs, window rent if incurred, and merchandise given to customers to attract trade.

Postage used in sending out circulars should be charged to advertising. This can be handled by reimbursing the Postage Box (See postage) with cash from the Petty Cash Fund, or from the Cash Receipts, for the amount of Postage used in advertising. The debit to advertising for the Postage used would be posted from Petty Cash Disbursements or Cash Receipts. The cash placed in the Postage Box would be used to buy more postage thus bringing the amount of postage back to the original amount before any was taken for advertising.

Advertising expense is a marketing expense and can be distributed to the departments. A copy of all advertising in newspapers, periodicals, circulars and so forth should be kept for ready reference. When the bill is received for advertising it should be entered in the Daily Purchase Invoice Register in the miscellaneous column, the printer or publisher credited and Advertising debited in the total column for the total amount of the bill. From the copy of advertising the space used by each department should be computed and the distribution made immediately in the columnar ledger.--See Form No. 16 for an example of a columnar ledger.

The following illustration will show how the advertising costs by departments would be secured.

ADVERTISING (See Form 16)							
	Total	G	H	F	S	D	C
Jan. 3-Inventory	82.00	6.00	15.00	24.00	6.00	11.00	20.00
Jan. 30-Bills	192.15	11.50	16.20	33.50	16.50	34.80	69.65
	274.15	17.50	31.20	57.50	22.50	45.80	89.65
Jan. 31-Costs	178.25	13.00	19.20	30.50	14.90	35.60	65.05
Feb. 1-Inventory	95.90	4.50	12.00	27.00	7.60	10.20	24.60

The total advertising for the month was \$178.25. The basis for distribution was space used as stated before. At the end of the month a statement of expenses as desired. It is found that the value of advertising on hand and unexpired is \$95.90. The columns are added \$274.15 and so forth. The value of the advertising on hand is placed on the second line below the totals and the difference between the totals and value on hand represents the cost of advertising by departments for the month or a total of \$178.25 by departments. The Date, Folio No. and Total to the right are used for Transferring in case the books are to be closed.

In preparing the departmental expense account the \$178.25 would appear on it as a Marketing expense.

The procedure during the following month would be the same. The balance sheet prepared January 31, 1916, would include \$95.90 for unexpired advertising in the Total for Prepaid expenses.

### SALESMEN'S SALARIES.

Debit this account with all wages and salaries and other remunerations, such as commissions or bonuses, of sales clerks and all others engaged in selling. The posting to this account is from the Payroll Book, Form 21, where the distribution to departments was made.--See Payroll Book.

The balance of this account is closed at the end of the fiscal period into Cost and Income.

There is a criticism to offer to the method of keeping the wages paid the sales clerks only in one account, because part of the time of some of the sales clerks is spent in buying. To be correct in principle Salesmen's salaries should be debited for only the cost of selling wages and buying salaries debited for the balance (assuming the rest is for buying). This is almost impossible in the Retail General Store. The buying expense is small because the manager generally buys the merchandise,

It would be almost impossible under the methods followed to distribute the wages to a Buying account and then distribute that to the departments. Therefore, the method suggested and the one that can be used with a fair degree of accuracy, is to charge each department for the time spent in selling and buying (not separated) of each sales clerk (See Payroll Book). The result is that Buying salaries are not treated as a cost of the merchandise but as a cost of marketing.

## AUTO AND TEAM EXPENSE

This account should show the cost of all hauling and of delivering. It should be debited for the wages paid the drivers from the Payroll Book. It should be debited monthly for the amount of estimated depreciation of the Auto and Teams at the same time crediting the Reserve for Depreciation of Auto and Teams. All repairs directly chargeable to delivering or hauling should be debited to this account. At the end of the month the footing of the total column should be divided into two amounts which represent the cost of hauling and of delivering. The amount <sup>of</sup> time used in hauling in merchandise should be determined. Let us say that one-tenth of the time is for hauling in merchandise, then one-tenth of the total expense for the month would be the cost of hauling in merchandise. Let us assume that the expenses for the month were \$110.00, but supplies on hand amounted to \$10.00. Subtracting \$10.00 from the total would give the total expenses for the month, or \$100.00.

The question is--How to distribute the expense to the departments? The one-tenth of the monthly expenses or \$10.00 can be distributed on the basis of purchases during the month, with due consideration for the time spent in hauling goods for the different departments.

The cost of delivering or \$90.00 could be distributed on the basis of sales. However, the grocery department should be charged more for delivering than any other department.



The better method is to determine how much time is spent in delivery groceries in proportion to the grocery sales. For example, if one-third of the time was spent in delivering groceries one-third of the \$90 would be distributed to the grocery department, and the remaining \$60 distributed to the other five departments according to the sales.

The following is the account as it would appear:

AUTO AND TEAM EXPENSE	
	Total
Inventory	Departments.

Detail omitted.

110.00
10.00
100.00

\$10 is to be distributed to the departments on the basis of purchases, and after determining the amount that should be charged to the grocery department, the balance would be distributed to the departments on the basis of sales.

#### STORE SUPPLIES.

In referring to Form 16 it will be noticed that the Inventory at the beginning of the period is placed on the first line and distributed to the departments. When supplies are purchased the total amount is placed in the Total column and distributed to the departments immediately. All supplies should be kept separate so that the amount of supplies used in any one of the departments can be determined.

When supplies are returned the columns are added and the amount of the supplies subtracted from the totals, the balance is the cost of the supplies on hand at the beginning plus the real purchases. At the end of the month the columns should be added. These totals represent the cost of the supplies handled and in order to find the cost of the supplies used the present inventory by departments should be deducted. A convenient method of doing this is to place the value of the supplies on hand on the second line below the totals and on the first line below the totals write the difference between the cost of supplies handled and the cost of the supplies on hand, which is the cost of the supplies used. In this connection refer to page 85 and it will be noticed that the same method is followed.

#### HEAT COST

This account is to be debited with the cost of heating the store office and warehouse. A columnar account is to be used and the amount placed in the total column. At the end of the month the total column should be added. This total should then be distributed to the departments on a basis of floor space if the ceiling are the same in all the departments, otherwise on a basis of cubic contents.

#### LIGHT COST

This account should be debited for the cost of all lighting, whether gas or electric. The amount should be placed in the total column. At the end of the month the total column should be added and distributed to the departments on the basis of light used.

The light used can be determined by the number of lights in each department and the amount of gas or current they use. This can then be expressed in a percentage of the total amount of gas or current used in all of the departments. At the end of the month when the total for the month has been ascertained, the percentage of light used in the Grocery Department of the cost for the month will give the light cost for the Grocery Department. The same method of distribution can be followed in all of the departments.

#### FIRE INSURANCE AND TAX UPON MERCHANDISE

This account should be debited for the amount of the fire insurance and taxes on the merchandise. At the end of each month one twelfth of the total can be distributed to the departments on a basis of the estimated inventory in the departments. If reference is made to the Trading Statement for the month of January it will be noticed that the estimated inventory for all of the departments is \$21,085.26. The inventory for the Grocery department is \$1,654.72. In order to determine the amount of Fire Insurance and Taxes on the Grocery Stock for one month, the method would be to divide the yearly total by 12 which would give the amount to be distributed to the departments and then  $\frac{165}{2108}$  of that amount would be distributed to the Grocery department. The same procedure would be followed with each department. If the distribution has been correct the sum of the amounts distributed to the departments should equal one twelfth of the yearly total.

**BUILDING EXPENSE**

If rent is paid for the building then this account would be substituted with an account called Rent.

This account should be debited for (1) the yearly premium of Fire Insurance on Buildings; (2) the taxes on the land and buildings; (3) the depreciation of the store buildings and warehouse; and (4) the repairs to the buildings. At the end of each month one-twelfth of (1) and (2) should be distributed to the departments on the basis of the amount of the store and warehouse used by each department.--See Store Buildings. This account should be debited each month with the depreciation of the buildings and warehouse and distributed to the departments.--See Reserve for Depreciation of Store Buildings, of the Warehouse. The distribution of (1), (2) and (3) can be made at one time, that is, the amount to be distributed can be added together and distributed as one amount because the distribution is on the same basis.

It will be noticed that this account is different than rent in as much as interest is not allowed on the capital invested in the building. However,, the writer does not suggest that interest be charged as a cost of doing business because interest on capital is a part of the profits.

**STORE EQUIPMENT EXPENSE**

This account should be debited with the depreciation of the store equipment monthly at the same time crediting Reserve for Depreciation of Store Equipment. The distribution should be made to the department. See Store Equipment, page 76. It should also be

debited for one-twelfth of the annual taxes at the same time crediting Taxes Accrued. The distribution should be made to departments on the basis of the cost of the equipment in each department.

At the end of the year or when the books are closed this account should be closed into Cost and Income.

#### OFFICE AND GENERAL SALARIES

This account should be debited at the end of each month from the Payroll Book for the amount of wages or salaries paid to the office employees and to the manager. This is a General Expense and therefore is not to be distributed to the departments. The standard ledger account can be used.--Form 14.

#### GENERAL EXPENSES

In the average General Retail Business it is not necessary to keep separate accounts with the different classes of general expenses, therefore, one general expense account is sufficient. This account should be debited with the cost of all office stationery, supplies, and miscellaneous expenses; with the depreciation of the office equipment and taxes on the office equipment; and with the telephone and telegram expenses and all other miscellaneous general expenses.

Postage comes in the same class as office supplies and therefore should be treated as a general expense. The postage can be kept in a small box and the amount of postage that is taken out for advertising can be substituted with cash from either the Petty Cash Disbursements book or from the Cash Receipts book.

At the time the record is made in the Cash Book advertising should be charged. The money in the box can be used for buying postage to replace the postage used for advertising.--See Advertising, page 84. At the end of the month when it is desired to make up a monthly Trading, Cost and Income Statement the amount of general expense inventories should be deducted in order to find out the real cost of the general expenses.

#### PROVISION FOR LOSS ON BAD DEBTS.

This account should be debited monthly with the estimated loss on bad debts and the Reserve for Bad Debts credited.--See Reserve for Bad Debts, page 71. There are different methods of treating this account. Many treat it as a Deduction from Sales, as a General Administrative expense, or as a Deduction from Income. The writer suggests that it be treated as a General Expense or as a Deduction from Sales.

#### ADDITIONS TO INCOME.

In the average general store one account to show the additions to income will be sufficient. The account should be credited for Interest on Notes Receivable, Interest on Securities Owned, Interest on Accounts Receivable, Commissions Earned, Dividends Earned, Cash Discounts on Purchases, and all other additions to income.

#### DEDUCTIONS FROM INCOME

This account is to be debited with Interest on Notes Payable, Interest on Mortgage Bonds Payable and the amount of discount offered on purchases which has expired in case the discounts

are taken off at the time of recording the invoice. Also for all other amounts to be paid out which are not chargeable to marketing and general expenses.

#### COST AND INCOME

The account ordinarily found in business which summarizes the income and the cost of the income is the Profit and Loss account. The writer objects to the name Profit and Loss. In some cases certain losses are summarized in this account but the majority of the items on the debit side of this account are not losses but costs of income. Salaries, for example, represent the cost of labor service, but it is not a loss; it is the cost of the income that this service helps to secure. Therefore, the writer suggests that the name Cost and Income be substituted for the old name Profit and Loss or Loss and Gain.

The balance of the Trading account is closed into this account, by debiting the Trading account and crediting Cost and Income.

When the books are closed the Marketing, and General expense accounts should be credited and Cost and Income debited. Deductions from Income and Additions to Income are also closed into Cost and Income.

The books are not closed monthly but once or twice each year depending upon the number of times the inventory is taken. All closing entries should be made in the Journal.--See page 65.

## CLOSING THE BOOKS

It has been stated before that the books need not be closed every month. However, it would be good practice to close some accounts and bring down the balance every month. If reference is made to page 85 it will be noticed that the account is closed, but this does not mean that the costs were closed into the Cost and Income account. At the end of the period when the books are to be closed the advertising costs for the different months may be closed into Cost and Income account in the following manner:

Cost and Income	Debit
Advertising	
Salesmen's Salaries	Total cost for the year.
Auto and Team Expense	
So forth.	

To close the latter accounts into the summary account in order to ascertain the net profit.

The total cost for the year of advertising and the other accounts that are closed monthly is found by summarizing the monthly costs and adding them at the bottom of the account. To the right of the account --see Form 16--it will be noticed that there is a credit column. The total amount transferred should be placed in that column.

The Cost and Income account would appear as follows:

<u>COST AND INCOME</u>	
Marketing and	: Gross Profit-----From the
General expenses	:                    Trading account
Deductions from Income	: Additions to Income
	:
Net Income*	:
	:

\* The Net Income is closed into the Proprietor's Personal account, distributed to Partner's accounts, or into surplus of a corporation.



## CHAPTER VI

## THE PREPARATION AND INTERPRETATION OF FINANCIAL STATEMENTS

## TAKING A TRIAL BALANCE OF THE GENERAL LEDGER

At the end of each month a Trial Balance should be taken of the General Ledger to find out if the debits equal the credits. It is not conclusive proof that the ledger is correct if the Trial Balance is in balance. However, it is sufficient unless there is reason to believe that there has been errors. It is suggested that the Trial Balance be taken on the Working Sheet.--See Working Sheet.

## ARTICULATION STATEMENT

An articulation statement is a statement of ledger accounts on one sheet. It is not used ordinarily by the bookkeeper unless he fails to get his Trial Balance after rechecking. The Abstract of the Customer's Ledger is really an articulation statement. The ledger account names are placed at the left and the trial balance at the beginning of the period is placed in the first two columns. One column is used for each book of original entry--the debits are recorded in black and the credits in red. All the amounts posted from each book are placed in the column for each book. For example, the Accounts Receivable account would be placed to the left and the amount due at the beginning is placed in the debit of the first two columns.--See Form 22. All the amounts posted to that account from the different books would be recorded on the same line with the name. The amounts posted would be the amounts at the bottom of the columns of Form 22. It will thus be seen that this account has changed during the period.

If the debits are added to the original amount and the credits are subtracted, the remainder should be the amount of accounts receivable still due.--See Form 22. The Footings of all the debits from each column should equal the footing of all the credits from each column otherwise the work is incorrect.

#### VERIFYING THE INDIVIDUAL CUSTOMER'S ACCOUNTS IN THE CUSTOMER'S LEDGER.

Before sending out the monthly statements the individual customer's accounts should be verified in the customer's ledger. This is done by adding the balances of the customer's accounts and comparing this total with the balance of the Accounts Receivable account in the General Ledger. The amounts should be the same for the Accounts Receivable account in the General Ledger which is a controlling account for the individual accounts in the customer's ledger. If they are not the same the error must be found before sending out the statements otherwise some customer's may be overcharged and others undercharged. --See page 4.

#### AN ABSTRACT OF THE CUSTOMER'S LEDGER. FORM 22

This form has been explained on the preceding page. An ordinary abstract of the customer's ledger consists of adding together the balances of all the accounts.

#### VERIFYING THE CREDITOR'S LEDGER. Form 23.

The same explanation applies to this section as the section Verifying the Customer's Ledger.

#### ABSTRACT OF THE CREDITOR'S LEDGER.

This form is similar to Form 22. It is used only when the creditor's ledger cannot be verified with the controlling account, Accounts Payable in the General Ledger.

## LEDGERS FORM 14 AND 15.

If reference is made to the two types of ledgers it will be seen that Form 14 is the standard ledger. If John Adams, the customer, wanted to know what he owed on January 19, the bookkeeper would have to add the two columns and subtract the credit footing from the debit footing. This not only takes the bookkeeper's time but the customer's. Form 15 is an illustration of the Customer's Ledger sheet. It will be noticed that the balance is carried forward each day. It is true that it takes time to carry the balance forward each day, but time taken after the store has closed for the day or the time of the bookkeeper only and not the time of the customer really cost less than the time of both. On January 19 the balance was \$26.75. The bookkeeper could tell the customer immediately how much he owed provided that there had been no purchases which were not recorded.

Form 15 is also used for creditor's account and the same explanation applies to them. In a great many Retail General Stores they use the short account system, that is, accounts are not kept in the ledger with each customer, but a duplicate or triplicate slip is filed under each customer's name. At the end of the month in order to find out what John Adams owes, the total of the charges are added together and the total credits are subtracted, and the balance will be the amount he owes. However, if this plan is followed the customer's accounts should be verified before sending out statements.--See page 97.

## DETERMINING THE RETAIL MARKED PRICE OF MERCHANDISE SOLD

Reference should be made at this point to the section headed, Daily Record of Mark-Downs, page 52. On Form 25 the method of determining the Income From Sales is illustrated. The Income from Sales represents the net amount of money to be received from the sales after the Returns and Allowances have been deducted.

In order to compute the estimated Cost of Goods Sold and the estimated Gross Profit it is necessary at first to determine the Retail Selling price of the goods sold. This is determined by adding to the Income from Sales the total amount of Mark-Downs during the month.--See page 52.

## COMPUTING ESTIMATED GROSS PROFIT BY DEPARTMENTS

The method of determining the average Mark-Up for any one department is explained on pages ten and eleven. The Mark-Up percentage of the Retail Price of the Goods Sold will give the estimated Gross Profit. If reference is made to Form 26, it will be noticed that the Mark-Up percentage of the retail price for the Grocery Department is 26. Twenty-six percent of the Retail Marked-Price of the Goods Sold, \$1,399.70 equals \$363.92, which is the estimated Gross Profit for that department. The same procedure would be followed in determining the estimated Gross Profit for each department.

### FINDING THE ESTIMATED COST OF GOODS SOLD BY DEPARTMENTS

After the Gross Profit has been determined by departments the method of finding the cost of goods sold is to subtract the Gross Profit from the Retail Marked price of the goods sold. In referring to Form 26 it will be noticed that Gross Profit subtracted from the Grocery department retail marked price of goods sold gives \$1,035.78 or the estimated cost of the goods sold. The same procedure can be followed with the other departments.

### NET COST OF MERCHANDISE MONTHLY PURCHASES

The net cost of monthly purchases for the month is ascertained by subtracting from the gross purchases the monthly returns and allowances. The gross purchases are secured from the Daily Invoice Register or the Monthly Invoice Register. The returns and allowances are secured from the Daily Returns and Allowances Record or from the Monthly Returns and Allowance Record.

### DETERMINING THE ESTIMATED INVENTORY BY DEPARTMENTS

Add together the inventory at the beginning of the period and the net purchases, the sum will be the cost of goods handled.--See Form 26. Subtract from the cost of goods handled the estimated cost of goods sold, the remainder will be the estimated inventory at the end of the period.--See Form 26. In referring to Form 28 it will be noticed that the inventory at the beginning of February is the estimated inventory at the end of January from Form 26.

## COMPUTING THE TURNOVER OF MERCHANDISE

The object of computing the turnover of merchandise by departments is to find out whether or not the department is overstocked. The merchant who has a rapid turnover of merchandise in the grocery department can undersell his competitor and at the same time make money. If the grocery department is overstocked, it means that capital is tied up that should be used in other parts of the business.

The question is--How can the turnover of merchandise in the grocery department be computed? If the estimated inventory has been computed monthly, then adding together the estimated inventories for the year or period and divide by 12 or the number of months will give the average inventory for the period. The average inventory for the period divided into the cost of the goods sold for the period will give the number of times that the stock in the grocery department has been "turned".

The value of knowing the number of times that the stock in the grocery department is being turned is that by comparing the number of turnovers in your grocery department with the average number in grocery stores will show whether or not the stock is being turned as rapidly as possible. In the General store there should be a turnover of at least eight in the grocery department, in some cases it would be possible to get 12 turnovers a year.

The same explanation applies to the other departments. The following are the average rate of turnovers for the different departments.

Kind of Stores (1)	Number of Turnovers
Grocery	10
Variety Goods	7
Drugs	4.5
Dry-Goods	4.
Hardware	3.5
Furniture	3
Shoes	2.1
Clothing	2
Jewelry	1.5

#### INVENTORY--HOW TAKEN

The inventory in all of the departments should be taken at least once each year. The following is the form on which inventory should be taken:

Department	Date	Taken By		Number <u>112</u>	
Quant.:	Article	:Cost	: Sell	:Total	: Total
:	:	:	:	: Cost	: Sell
:	:	:	:	:	:
:	:	:	:	:	:

The quantity of the articles inventoried is placed in the first space, the name of the article in the second, the cost of the article in the first column, the selling price of the article in the second column, the total cost of all the articles in the third column, and the total selling price of the articles in the last column.

Each sheet used should be numbered so that all sheets can be found. The clerk who takes the inventory should write his name at the top of this sheet.

In case an article that originally cost \$.74 and marked to sell at \$1.00 had to be sold for \$.50 because it was shopworn, then in making the record on the inventory sheet the cost price would be reduced proportionally to the reduction in the selling price. In this case the cost would be placed at \$.37. The principle in taking inventory is to take it at cost if cost is less than market price, but to take it at market price if market price is less than the cost.

Add together the footings of the Total Cost columns on the different grocery sheets and this will give the cost of the merchandise in the grocery department. Add together the footings of the Total Selling columns on the different grocery sheets and this will give the marked selling price of the merchandise in the grocery department. The mark-up for the department can be easily computed. This mark-up should be compared with the average mark-up of invoices for the different months.--See pages 10 and 11. The mark-up should be almost the same if the computations have been correct.

After finding the cost of the inventory in the grocery department this amount should be compared with the estimated inventory at the end of the period. The estimated inventory and the physical inventory will not be the same but if sufficient care has been taken in making the computations there should not be more than two or three per cent difference.



TWELVE REASONS WHY THE PERCENTAGE OF PROFIT SHOULD BE FIGURED ON THE SELLING PRICE AND NOT ON THE COST

"First--Because the remuneration of salesmen is figured on a certain percentage of the Selling Price.

Second--Because the percentage of expense of conducting business is based on the Selling Price. If you talk per cent. of profit on cost and per cent. of expense on the selling price, where are you?

Third--Because the mercantile and other taxes are invariably based on a percentage of the Gross Sales.

Fourth--Because the Sales Totals are always given in books of record--Cost Totals are seldom, if ever, shown.

Fifth--Because a profit must be provided for two items of capital--one the capital invested in merchandise--the other the capital necessary for operating expenses and other expenditures not properly chargeable to merchandise account. This is only possible by figuring profit on the Selling Price.

Sixth--Because it indicates correctly the amount of gross or net profit when amount of Sales is stated. The percentage of profits on sales is indicative of character of result of year's business--percentage of profit on cost is not.

Seventh--Because allowances in percentage to customers are always from the Selling Price.

Eighth--Because no profit is made until Sale is actually effected.

Ninth--Because nine stores in ten which don't figure on the selling price get mixed somewhere in their figures, and don't know whether they are going forward or backward.

Tenth--Because the chain-store fellows and the big stores, which press the average retailer hardest, do figure on the selling price.

Eleventh--Because it puts you where a customer won't be so likely to call you a robber if he learns your percentage of profit--20% of the Selling Price is 35% on the Cost.

Twelfth--Because, if you figure on the selling price you can go to the cash drawer, and say '10% of that money is my profit,' instead of having to say that '10% of the cost of the goods which I sold for that money is my profit.' " (1)--5--p., 28

#### THE COMPLETED MONTHLY TRADING STATEMENT

Form 26 is the Trading Statement made at the end of January. The inventory is not the physical inventory so that the results are not absolutely correct, but are as near correct as can be found in the Retail General Store.

Form 27 and 27-A are statements made at the end of the year. The physical inventory is used and therefore the results are as near correct as possible. It will be noticed that mark-downs do not appear on this statement. The reason is that when the physical inventory is used the retail marked price of the goods sold is not necessary in order to find the Gross Profit and the Cost of the goods sold. Form 27-A shows the Trading statement when the discounts have been taken off of the invoices. Form 28 is the statement made at the end of February, and the inventory at February 1 and at the end of February are estimated inventories.

### REDUCING MARK-UP PERCENTAGE OF NET SALES TO COST BASIS

In referring to page 11 it will be noticed that the mark-up percentages are given for both the selling price and the cost price. The advantage of knowing what percentage of the cost of the goods is 35% of the selling price is that it is very easy to mark the goods correctly. For example, an article in the Hardware department that costs \$.65 is sold for \$1.00, or a mark-up on the selling price of 35%. \$.35 is 53.8% of the cost, therefore when an article is to be marked so that the mark-up on the selling price is 35% the clerk merely multiplies the cost by 53.8% and adds the amount to the cost to find the selling price. 53.8% of \$.65 is \$.35. \$.65 plus \$.35 equals \$1.00 or the selling price.

The same explanation applies to the other departments. In some cases, however, it is easier to compute the selling price on the selling percentage.

### ACQUISITION AND MARKETING EXPENSES

These expenses have been explained on pages 84 to 91. It has been stated before that in the Retail General Store it would be almost impossible to separate the acquisition expenses--buying and receiving--from the marketing expenses and then distribute them to the departments. For this reason these expenses are kept together. The distribution of any one expense is explained in the definition of the accounts--See pages 84 to 91. On the following page the form of the Cost and Income Statement is illustrated.

COST AND INCOME STATEMENT FOR THE MONTH OF JANUARY 1916

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	<u>Total</u>	<u>Grocery</u>	<u>Hardware</u>	<u>Furniture</u>	<u>Shoes</u>	<u>Dry-Goods</u>	<u>Clothing</u>
Gross Profit (Estimated* )							
Acquisition & Marketing Expenses							
Advertising							
Salesmen's Salaries							
Auto and Team Expense							
Store Supplies							
Heat Expense							
Light Expense							
Fire Ins. & Taxes on Merchandise							
Building Expense (Rent)							
Store Equipment Expense							
Total							
Net Trading Profit							
General Expenses							
Net Business Profit							
Additions to Income							
Deductions from Income							
Net Income							

The distribution of the Acquisition and Marketing expenses is secured from the ledger accounts. This distribution was explained on pages 84 to 91.

This total by departments would be subtracted from the Gross Profit by departments and the balance would be the Net Trading Profit

The General expenses are not distributed to the departments but the total is subtracted from the total Net Trading Profit giving the Total Net Business Profit. To this amount is added the total of the Additions to Income, and from the sum the total deductions from Income is subtracted, leaving the Net Income for the month.

--See Form 26 for the form to be used.

\* The estimated Gross Profit is taken from the Trading Statement, Form 26.

## GENERAL EXPENSES

The general expenses, as explained on page 92, need not be distributed to the departments. The total amount of the general expenses for the month is subtracted from the Net Trading Profit leaving the Net Business Profit.--See the preceding page.

## ADDITIONS TO INCOME

The total addition to income is added to the Net Business Profit. There is no attempt to distribute these additions to departments.

## DEDUCTIONS FROM INCOME

The total deductions from income is subtracted from the sum of the Net Business Profit and the Additions to Income; the balance is the Net Income for the period.--See the preceding page.

## THE WORKING SHEET.

The working sheet is a sheet used by accountants for the purpose of collecting and summarizing the information together. As it is used in the Retail Store it consists of merely a columnar sheet similar to Form 22. The names of the accounts appear in the first two columns or the number of the accounts, the trial balance amounts in the second pair of columns, the place for the adjustments in the third pair of columns, a Trading section in the fourth pair of columns, the cost and Income in the fifth, and the Assets and Liabilities in the Sixth.

All permanent adjustments such as debiting the depreciation account and crediting the reserve account should be made before the trial balance is copied on this sheet. The only adjustments that are made in the adjustment columns are the ones that are not perma-

ment, such as debiting the Accrued Interest Receivable account and at the same time crediting the additions to income account. The purpose of making these adjustments is to compute the Net Income correctly and to be able to prepare an accurate Balance Sheet.

It will be noticed that the Marketing expenses are <sup>not</sup> listed in order to save space. There will be adjustments to these accounts, that is, part of the balance of the account will go into the cost column and the remainder in the Asset column. In preparing a Balance Sheet the sum of these expenses, inventories, and so forth will come under the heading Cost and Income.--See page 94.

The a's on the Working Sheet represent the balances of Assets or offset to Assets to which there is no change. The balances are carried directly into the Asset column or into the Liability or Capital column. In the Balance Sheet all of the offset amounts to the Assets are subtracted from the Assets--See Balance Sheet.

The balance of the merchandise account represents the cost of goods handled.--See Form 26. The Estimated inventory is placed in the Asset column and the balance or the cost of goods sold is placed in the trading section. The balance of the sales account is placed in the credit column of the Trading section and the difference between the cost of the goods sold and the net income from sales represents the gross profit which is carried into the income column.

The trial balance must be equal, the adjustments must be equal and the difference between the asset column and the liabilities and capital column must be equal to the difference between the cost and income. If not, the work is incorrect and the errors must be found.

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BALANCE SHEET JANUARY 31, 1916

ASSETS

Current Assets		
Cash in Bank		000.00
Cashiers Change Fund		00.00
Notes Receivable	000.00	
Less Notes Rec Discounted	<u>00.00</u>	
	000.00	
Accrued Interest Receivable	00.00	
Accounts Receivable	0000.00	
Total	<u>0000.00</u>	
Less Reserve for Bad Debts	<u>00.00</u>	0000.00
Merchandise		00000.00(a)00,000.00
d / ss		
Fixed Assets		
Land		0000.00
Store Buildings	00000.00	
Less Res. for Depreciation	<u>000.00</u>	00000.00
Warehouse	0000.00	
Less Res for Depr.	<u>000.00</u>	0000.00
Store Equipment	0000.00	
Less Res. for Depr.	<u>000.00</u>	0000.00
Office Equipment	000.00	
Less Res. for Depr.	<u>00.00</u>	000.00
Auto and Team Equipment	000.00	
Less Res. for Depr.	<u>000.00</u>	000.00(c)00,000.00
Deferred Charges and Costs to Income		(d) 00.00
Total Assets		<u>00,000.00</u>

LIABILITIES AND CAPITAL

Current Liabilities		
Notes Payable		000.00
Interest Accrued on Notes Payable		000.00
Accounts Payable		0000.00
Payroll Accrued		000.00
Freight Payable		00.00
Taxes Accrued		<u>00.00(b) 0,000.00</u>
Capital		
Capital Jan. 1,		00000.00
Net Income	0000.00	
Less withdrawals	<u>000.00</u>	
Net Increase of Capital		<u>0000.00</u>
Capital Jan. 31.		(e)00,000.00
		<u>00,000.00</u>

SUMMARY OF BALANCE SHEET

Current Assets	(a)	00,000.00	
Less Current Liabilities	(b)	<u>0,000.00</u>	
Available Current Surplus			00,000.00
Fixed Assets	(c)	00,000.00	
Less Fixed Liabilities		<u>                    </u>	00,000.00
Deferred Charges and Cost to Income(d)			<u>00.00</u>
Present Capital	(e)		00,000.00

The purpose of summarizing the balance sheet is to find out what is the financial condition of the business. It will be noticed that merchandise has been included as a Current Asset. The reason for this is that the merchandise is held for the purpose of being converted into cash in the shortest time possible. The Current Assets should always be greater than the Current Liabilities otherwise the business is in poor financial condition.

It will also be noticed that the Reserve is deducted from the Fixed Assets and not merely the net amount placed in the balance sheet. The reason for this is that the person inspecting the balance sheet will be able to determine to a large extent whether or not the adequate depreciation is being considered. It would be well to place the percentage that the depreciation is computed on near the same place.



## FLEXIBILITY OF THIS SYSTEM

The question that the Retailer asks is: Do I have to entirely substitute the system which I am now using in order to get some of the desired results? The answer is, no.

In the small stores where they have only a few departments, and handle groceries, hardware, clothing, and so forth, they desire the following information:

1. How much is purchased for each department?
2. What are the net sales for each department?

Other questions as given in the first chapter. Forms used are:

Daily Purchase Invoice Register by Departments, Form 1.

Daily Purchase Returns and Allowance Record by Departments, Form 3.

Daily Sales Record by Departments, Form 6.

Daily Sales and Allowance Record by Departments, Form 8.

If the journal and cash books which are used are satisfactory, they can still be used. If a combination journal and cash book is used, which also serves as an invoice register and the distribution by departments can be satisfactorily made, then Form 8 need not be used. In other words this system can be used with any system that is now used. However, if all the information which is desired can be secured when this system is used then it would be well to install this system.

The criticism that is offered of most of the systems which are now being sold is that they have to be used as a whole or they are of no real value. This system is separated into parts. The forms dealing with sales are separate and can be used with any system now used.

The forms dealing with the purchases are separate and may be used or not as the case may be. The Petty Cash Book can be used. In case it is not used the Record of Cash Received Book will be sufficient to record the information. The same applies to all parts of this system.

#### DEPARTMENTALIZING A HARDWARE STORE

In many stores which handle only hardware or clothing the manager wants to know if any one line of merchandise is profitable. Let us say that it is a hardware store; the lines of merchandise they handle are tools, builders hardware, cutlery, and general hardware. Using this system and treating each line of merchandise in the same manner as the grocery, hardware, and the other departments were treated, the desired results can be secured. In other words instead of grocery, hardware, furniture, and clothing departments, there would be tools, builders hardware, cutlery, and general hardware departments.

Therefore, it is obvious that this system is made not only for the Retail General Store but for the store that desires to know whether or not the different lines of merchandise are profitable.

## COMPARATIVE GROSS PROFIT BY DEPARTMENTS. Chart No. 1.

The purpose of this chart is to show the relation between the income from sales and the cost of sales by departments. The amounts used are taken from the Trading Statement by Departments, Form 27. The Dry-Goods Sales are represented by the first line \$26,784.56; the cost of the sales is represented by the second line and the difference between the lines represents the amount of Gross Profit.

It will be noticed in following the two lines connecting the bars, that the gross profit varies in the different departments. It is to the advantage of the merchant to watch this variation and try to increase the gross profit in the different departments.

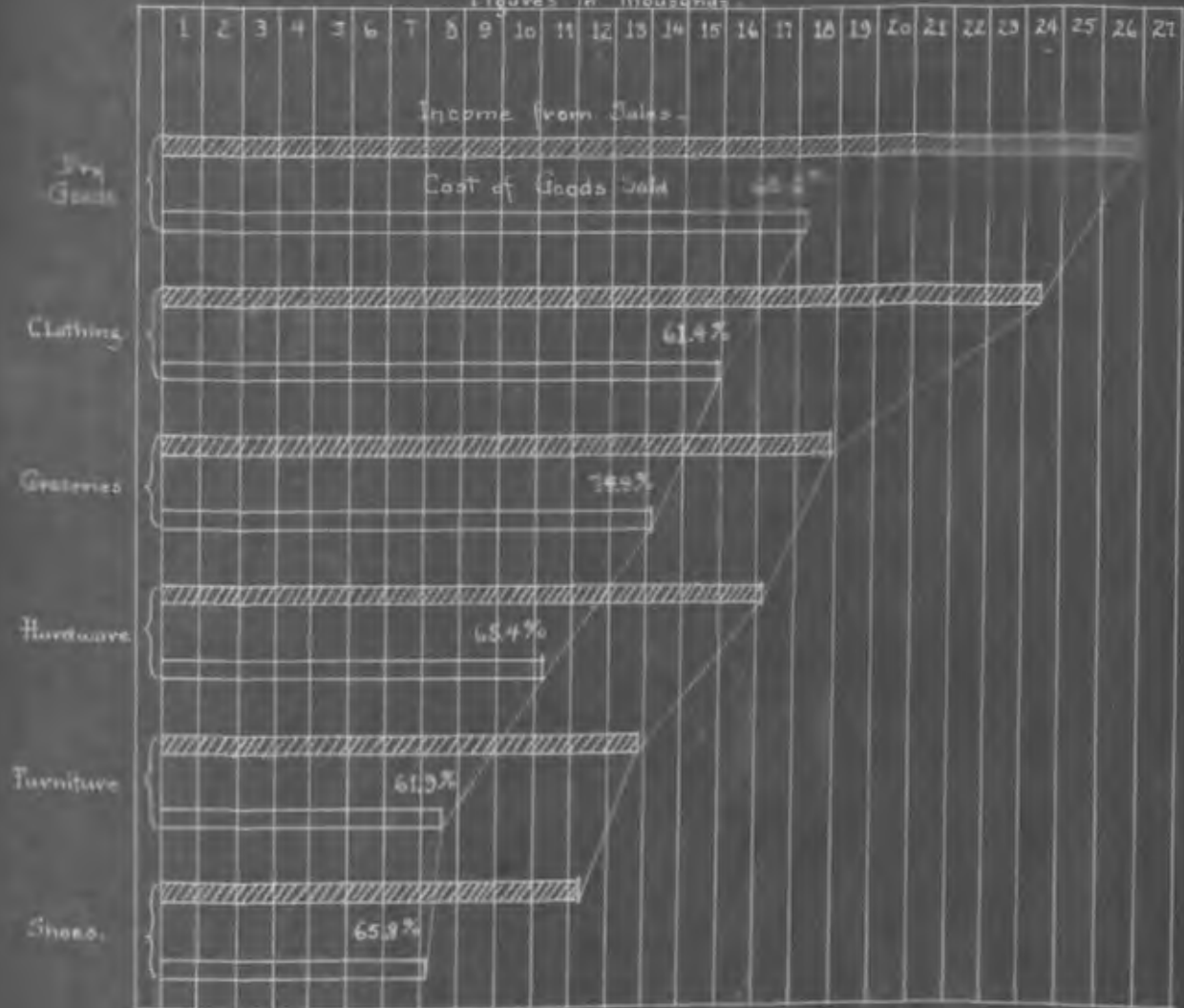
The gross profit by departments for the different months can also be charted in the manner explained for Chart No. 2. The amount of gross profit at the left, the months at the top. A different colored line can be used for each department, thus showing comparative monthly gross-profits by departments. By means of this chart the manager can understand his business better than in any other way.

Acquisition and Marketing expenses can also be charted monthly in like manner for the different departments.

# COMPARATIVE GROSS PROFIT BY DEPARTMENTS

From Jan. 1, 1916 - to Dec. 31, 1916.

Figures in Thousands



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## DAILY PURCHASE INVOICE REGISTER BY DEPARTMENTS.

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FORM No. 1.

INV DATE	ACCOUNTS CREDITED	DATE DUE	INV. NO.	L F	ACCOUNTS PAYABLE	FREIGHT	TOTAL	G	H	F	S	MISC'L	L F	ACC'TS DEBITED
Jan 3	H. D. Dry Goods Co.	1/13	980	✓	74 -		74 -							
8	Freight					4 25	4 25							
3	G. Grocery Co.	1/13	981	✓	65 -		65	65						
8	Freight					4 15	4 15	4 15						
4	H. S. Shoe Co.	1/14	982	✓	240 -		240				240 -			
10	Freight					5 25	5 25				5 25			
20	M. S. Shoe Co.	1/30	999		200 -							212 00	6	Shoe Equipment.
	Freight					12 -								
	Totals -				1045 00	314 50	6845 00	1171 50	902 00	154 00	725 00			



## DAILY PURCHASE INVOICE REGISTER BY DEPARTMENTS

FORM No. 1-A.

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INV. DATE	ACCOUNTS CREDITED	DATE DUE	INV NO.	L F	ACCOUNTS PAYABLE	DISCOUNT	FREIGHT	TOTAL	G	H	F	S	MISCL	L F	ACC'TS DEBITED
Jan 3	F. B. Dry Goods Co.	1/13	910	✓	74.00	1.48		72.52							
+ 8	Freight-						4.25	4.25							
+ 3	G. Grocery Co.	1/12	911	✓	65.00	.65		64.35	64.35						
+ 1	Freight-						4.15	4.15	4.15						
+ 4	H. A. Shoe Co.	1/14	912	✓	240.00	4.80		235.20				235.20			
+ 10	Freight-						5.25					5.25			
Jan 20	Minneapolis Snow Case Co.	1/30	999		200.00	4.00							208.00	12	Store Equipment.
	Freight-						12.00								
	Totals -				7045.00	127.21	314.50	7232.29	1154.93	979.00	740.40	113.46			



MONTHLY PURCHASE INVOICE REGISTER BY DEPARTMENTS.

FORM No. 2-A.

Copyrighted by H. D. Harbo - 1916.

INV DATE	ACCOUNTS CREDITED	DATE DUE	INV NO.	L F	ACCOUNTS PAYABLE				G	H	F	S		MISC'L	L F	ACC'TS DEBITED
Jan 1	Inventory-				20404.00				1350 -	3800 -	2800 -	4294 -				
31			P	1	7232.29				1154.93	973 -	740.40	713.46				
31			PCR	1	176.50				176.50							
Feb			P	2	6513.55				1051.78	133.49	708.24	739.49				
Feb			PCR	2	142.15				142.15							
Mar																
Apr																
May																
Jun																
Jul																
Aug																
Sep																
Oct																
Nov																
Dec																
					74083.16				13822.81	10030.55	9207.25	7200.26				



MONTHLY PURCHASE INVOICE REGISTER BY DEPARTMENTS

Copyrighted by - R. D. Harper 1916

Form No. 3.

D	C						
31	50	50	30	-			
17	50	17	02	-			
15	20	16	2	15			
<del>15 15 15 15 15 15 15 15</del>							
15	15	15	6	2	2	15	

MONTHLY PURCHASE INVOICE REGISTER BY DEPARTMENTS.

Subsidiary by H. D. Harber 1916

Form No 5-11.

D		C							
31	050	80	20	00					
14	12	16	70	00					
15	29	16	51	45					
15	02	15	03	75					

DAILY PURCHASE RETURNS AND ALLOWANCE RECORD BY DEPARTMENTS

Copyrighted by H. D. Hooper - 1936.

Form No. 3.

DATE	CREDITOR'S NAME	INV. DATE	INV. NO.	L F	ACCOUNTS PAYABLE	FRGT	DICT.	G	H	F	S	D	C	MISC'L	L F	ACCOUNT
Jan 8	A. B. Dry Goods Co.	1/3	980	✓	4.00								4.00			
" 8	G. Grocery Co.	1/3	981	✓	5.00			5.00								
" 12	A. B. Hardware Co.	1/8	983	✓	8.00				8.00							
" 16	X. Y. Hardware Co.	1/14	986	✓	4.00					4.00						
					25.00			3.00	2.50			9.00		11.00		
					30.00			8.00	10.50	4.00		9.00	4.00	11.00		
TOTAL FOR FEBRUARY:																
					60.45			14.20	4.15	15.00		6.00	12.15	1.25		

Page No. 2.

DAILY PURCHASE RETURNS AND ALLOWANCE RECORD BY DEPARTMENTS.

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FORM No. 3-A.

DATE	CREDITOR'S NAME	INV. DATE	INV. NO.	L F	ACCOUNTS PAYABLE	FRGT	DIC'T.	TOTAL	G	H	F	S	MISC'L	L F	ACCOUNT
Jan. 8	A. N. Dry Goods Co.	1/3	980	✓	4 -		01	3 92							
16	C. Grocery Co.	1/3	981	✓	5 -		05	4 85	4 85						
16	A. B. Hardware.	1/8	983	✓	8 -		16	7 84		7 84					
16	X. Y. Hardware Co.	1/14	986	✓	48 -		96	47 04			47 04				
					25 -		50	24 50	2 84	1 96		8 82			
					90 00		175	132 5	7 89	9 80	47 04	8 82			
PAGE No. 2															
TOTALS FOR FEBRUARY															
					60 45		221	57 23	12 78	3 88	14 70	5 85			

OFFICE PURCHASE RETURNS AND ALLOWANCE RECORD BY DEPARTMENTS

FORM NO. 3-A

DATE OF RETURN

D

C

3.90

1.078

3.90

1.078

11.01

8.00

MONTHLY PURCHASE RETURNS AND ALLOWANCE RECORD BY DEPARTMENTS.

Copyrighted by - H. D. Barber, 1916.

FORM No 4.

DATE	CREDITOR'S NAME	INV. DATE	INV. NO.	L F	ACCOUNTS PAYABLE	FRGT	DICT.	G	H	F	S	D	C	MISC'L	L F	ACCOUNT
Jan 31.					90 -			7 50	10 50	41 -	9 -	4 -	11 -			
Feb.					60 45			14 20	4 35	15 -	6 -	12 15	8 25			
Mar.																
April																
May																
June																
July																
August																
Sept.																
Oct.																
Nov.																
Dec.																
					572 15			132 20	76 80	122 40	65 00	13 25	92 50			

MONTHLY PURCHASE RETURNS AND ALLOWANCE RECORD BY DEPARTMENTS.

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Form No. 4-A

DATE	CREDITOR'S NAME	INV. DATE	INV. NO.	L F	ACCOUNTS PAYABLE	FRGT	DIC'T	G.	H.	F.	S.	D.	C.	MISC'L	L F	ACCOUNT
Jan 31					88 25			7 89	3 80	47 04	8 82	3 92	10 78			
Feb.					57 23			12 78	3 88	14 70	5 88	11 91	8 08			
Mar.																
April.																
May																
June																
July																
August																
Sept.																
Oct.																
Nov.																
Dec					562 02			130 88	75 26	119 95	43 70	81 58	30 65			





# DAILY SALES RECORD BY CLERKS AND DEPARTMENTS

Copyrighted by H.D. Harlow - 1916.

Form No. 5.

DATE	Clerks No.	TOTAL		G		H		F		S		D		C	
		CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE
Jan 3	1	26 80	13 -	75	4 35	12 18	7 15	10 87	1 50						
Monday	2	29 40	18 -	1 90	3 65	14 90	9 95	12 60	4 40						
	3	15 76	24 20	5 30	14 78	2 10	6 50	4 26	1 50			4 10	1 42		
	4	15 60	28 60	4 00	10 55	2 70	1 -	4 85				4 05	4 50		2 75
	5	18 40	14 -	1 75	25			3 42		2 50		6 95	6 50	2 75	7 25
	6	30 80	16 -	1 40		1 -		4 -		2 50		17 80	7 98	4 10	2 02
	7	31 20	14 20	2 60			2 40					9 40	1 60	19 20	10 20
	8	41 90	12 -	1 15						6 50	2 -	10 35	2 10	23 90	7 90
	9	27 10	15 -	1 65	2 -					19 00	10 -	3 92	3 -	2 53	
		<u>256 96</u>	<u>145 08</u>	<u>20 50</u>	<u>35 50</u>	<u>32 88</u>	<u>27 00</u>	<u>43 00</u>	<u>7 40</u>	<u>31 50</u>	<u>12 00</u>	<u>56 60</u>	<u>27 90</u>	<u>52 48</u>	<u>36 00</u>

Jan 4.	1	23 90	14 20	1 00	5 50	10 90	5 75	9 75	2 95			2 25			
Tuesday	2														
	3														
	4														
	5														
	6														
	7														
	8														
	9														
		<u>24 30</u>	<u>14 20</u>	<u>23 85</u>	<u>40 40</u>	<u>29 40</u>	<u>23 75</u>	<u>41 10</u>	<u>11 60</u>	<u>34 75</u>	<u>2 70</u>	<u>58 90</u>	<u>34 35</u>	<u>60 30</u>	<u>29 00</u>







# MONTHLY SALES RECORD BY DEPARTMENTS.

FORM No. 1.

Copyright by H. J. Harter 1915.

DATE	TOTAL		GROCERIES.		HARDWARE		FURNITURE.		SHOES.		DRY GOODS		CLOTHING	
	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE
Jan.	6254.43	3317.90	4674.00	935.00	962.50	524.50	914.10	346.10	849.50	239.50	1369.15	723.35	1692.00	532.45
Febr.	5878.10	3065.25	4150.00	705.60	795.50	387.00	910.00	300.20	824.60	233.40	1281.00	639.85	1652.00	650.20
March														
April														
May														
June														
July														
August														
Sept.														
Oct.														
Nov.														
Dec.														
	71657.26	41879.62	7822.00	1110.40	6105.50	241.00	9049.15	4811.10	256.00	3125.50	1764.44	2172.00	1755.64	5912.20
		71657.26		7822.00		10105.50		9049.15		2560.22		1764.44		1755.64
		113547.42		1932.40		17215.50		13860.25		12285.72		26784.56		24468.35

















RECORD OF CASH RECEIVED

MONTH OF JANUARY

1916.

Form No. 10. Copyrighted by J. D. Harker - 1916.

DATE	ACCOUNTS CREDITED	L F	Accounts Receivable	General Ledger	Cash Sales	CASH OVERS	Net Cash	Dis- count	Refund	Deposits
Jan 3	Frank Anderson-	✓	49 30				49 30			
3	B.M. Casey-	✓	50 -				50 00			
3	B. Brown - Capital-	✓		10 00 -			10 00 00			10 00 30
3	H. B. Gilman-	✓	40 -				40 00			
3	C. C. Olson-	✓	21 70				20 20	1 50		
3	Sales-	-			236 96		236 96			
3	Cash Overs-					25	25			
3	Refunds - (See Sales Returns Book)								9 50	217 50

Form No. 13.

Copyrighted by H.D. Harper - 1914

DATE	DRAWN TO THE ORDER OF	Check No	L F	DEPOSIT	BALANCE	AMOUNT	DIS COUNT	EXPENSES	MISC'L	ACCOUNTS PAYABLE	L F	ACCTS DEBITED
Jan 1	Balance				881.62							
3	A.B. Hardware Co.	860	✓	10.99	870.63	117.60	2.40			1.20		
3	G. Grocery Co.	861	✓	2.87	867.76	39.20	3.00			4.00		
3	N.W. Telephone Co.	862				8.00		8.00				Telegram & Telephone

JOHN - ADAMS

1916

DATE		ITEMS	Folio	V	DEBITS	DATE	ITEMS	Folio	V	CREDITS
Jun	3		5	✓	1 25	Jan		52	✓	6 00
-	4		3	✓	2 50	-		9	✓	10 50
-	5		3	✓	12 00	-		28	✓	3 25
-	6		5	✓	12 00	-		7	✓	10 00
-	18		3	✓	25 00					







## STORE - SUPPLIES -

TOWN No. 16.

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DATE		L P	TOTAL.	GROCERIES	FIXTURES	FURNITURE	SEWEN	DRY GOODS	CLOTHING	DATE	L P	TOTAL
Jan 1	Inventory	I	314-	65.00	40.00	39.00	61-	73.00	72.00			
Jan 21		P	130.40	20.50	15.50	30.50			55.90			
			504.90	85.50	55.50	77.50	61.00	73.00	147.90			
	Goods Returned		10.50	5.00	2-	3.50				Jan 29	I	10.50
			494.40	80.50	53.50	74.00						





# DAILY SALES RECORD BY CLERKS & DEPARTMENTS - (No Adding Machine Used)

Copyrighted by H. J. Harpe - 1916

FORM No. 20A

DATE	CLERK No	SLIP No.	TOTAL		G		H		F		S		D		C	
			CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE	CASH	CHARGE
Jan 1	L	1	4 00		50		2 00		1 50							
		2		15		35		50								
		3		90		90										
		4	95		25		70									
		5	5 00				1 25		3 75							
		6		50		15		35								
		7		1 17		27		15		25						
		8	75				75									
		9		2 25		60		1 65								
		10	80				80									
		11	50				50									
		12		12		12		70								
		13		48		48										
		14		60		15		45								
		15	25				25									
		16	1 20				1 20									
		17		1 08		25		85								
		18		1 15				1 15								
		19	3 00				25		2 75							
		20	30				90									
		21		1 30		1 10		20								
		22		1 90				1 15		75						
		23	1 05				1 05									
		24	5 95				25		3 20							
		25	3 07				40		2 67							
		26	1 88				1 66									
			26 00	13 00	75	4 35	12 15	7 15	13 97	1 50						

.PAYROLL BOOK.

FORM No. 21.

Copyright by W. J. Harbo, 1916.

DATE	CLERKS NAME	PER	NO	RATE	PAYROLL ACCRUED	OFFICE GENERAL	AUTO-TEAM EXPENSE	SALESMEN'S SALARIES	G	H	F	S	D	C
Jan 21	A. Brown	m		1.25	1.25 -	1.25 -								
	K. King				.60 -	.60 -								
	E. Smith				.50 -	.50 -								
	G. Beck		1		.80 -			.80 -			.80 -			
	J. Jones		2		.90 -			.90 -		.90 -				
	L. Wood		3		.85 -			.85 -	.85 -					
	C. Coates		4		.75 -			.75 -	.75 -					
	D. Young		5		.50 -			.50 -					.50 -	
	H. Lawrence		6		.75 -			.75 -					.75 -	
	I. Johnson		7		.80 -			.80 -						.80 -
	C. Dale		8		.90 -			.90 -						.90 -
	G. Gardner		9		.75 -			.75 -				.75 -		
	L. Hill				.60 -		.60 -							
					8.95 00	2.35 00	60 00	7.00 00	16.00 00	9.00 00	8.00 00	7.50 00	12.50 00	17.00 00

DAILY SALES RECORD BY CLERKS AND DEPARTMENTS  
(where no adding machine is used)

Form 20

g-indicates that a great many sales slips are grouped together to save space

Clerk No.	Total		G		H		F		E		D		C	
	Cost	Charge	C	Chg	C	Chg	C	Chg	C	Chg	C	Chg	C	Chg
1	4 00		.50		2 00			1 50						
	95		.25		70									
	5 00				1 25			3 75						
g	16 85				8 23			8 62						
	26 80		.75		12 18			13 87						
1		3 10		85						(a)				
		1 75							1 50					
g		8 15		3 50						(a) Totals are transferred to Daily Sales Record by Clerks and Departments - Form 5				
		13 00		4 35										
2	1 60		.50		1 80				1 50	(a)				
	80				80									
g	27 00		1.40		13 00			12 60						
	29 40													
2		1 20		25										
		4 30												
		80							4 00					
		11 70		3 40										
		18 00							40					
3	40		.40											
	50		.15		35									
g	14 86		4.75		1 75			4 36			4 10			
	15 76													
3		1 25		50										
		1 95		10										
g		21 00		14 18					1 50				1 00	
		24 20											42	
4	25		.25											
	2 80		.75											
g	12 55		3.00		2 70			4 85			2 05			
	15 60										2 00			
4		40		40										
		1 25		25					1 00					
g		16 95		9 90									4 50	2 55
		18 60												
5	1 30										1 00			
	2 25		.75								75			
g	15 14		1.00					3 42		3 50	5 23			75
	18 40													2 00
5		50											50	
		75		25									50	
g		12 75											5 50	7 25
		14 00												
6	60										60			
	1 75		.15		1 00						60			
g	28 45		1.25					4 00		2 50	16 60			4 10
	30 80													
6		45											45	
		90												90
g		14 65											7 53	7 12
		16 00												
7	75													
	40										40			75
g	30 05		2.60								9 00			18 45
	31 20													
7		1 25												1 25
		4 60												4 60
g		8 43											1 60	4 43
		14 28												
8	2 20													
	1 10										1 10			2 20
g	38 60		1.15							6 50	9 25			21 70
	41 90													
8		1 40												
		5 00												1 40
g		5 60									2 00			3 00
		12 00											2 10	3 50
9	2 50													
	4 00										2 50			
	20 60		1.65								1 00			
	27 10									13 50	2 92			2 53
9		4 00												
		25												
g		10 75		2 00									1 50	25
		15 00											1 25	
	236 96	148 08	20.50	35 58	32 68	27 00	43 00	7 40	31 50	12 00	56 60	27 10	52 48	36 00

ABSTRACT OF CUSTOMER'S LEDGER

Form 22

Names	Balance Jan 1, 1916	Cr. Produce Check Register	Dr. Petty Cash	Cr. Cash Receipts	Dr. Charge Sales	Cr. Returns Allowances	Cr. Journal	Balance Jan 31 --
1 Adams, John	22 80	1/8 4 80			7 20	42 00		52 80
2 Anderson, Frank	49 30				49 30	29 20	4 20	25 00
3 Barber, E. H.	11 15	1/8 1 90				27 00		36 25
4 Casey, B. M.	92 00	1/8 1 20		50 00	4 25	4 25		94 80
5 Davis, H. K.	10 00	1/8 1 40			54 00			36 70
6 Erickson, John	4 50				3 10	25 00		4 50
7 Gilman, H. B.	47 50		4 90	40 00	54 00	4 00		52 60
8 Hunter, George	11 20				42 50			31 30
9 Johnson, Elmer	29 40	5 10		68 80	39 40			5 10
10 Lawrence, Ivan	56 25		4 50	50 00				10 75
11 Mann, Charles	18 40							18 40
12 Olson, C. C.	21 70			21 70		1 20		1 20
13 Thomas, Frank	43 50						43 50	
14 Wallace, James	22 15			10 00				12 15
15 Sundry Accounts	115 40			75 00				40 40
Other Accounts not Itemized	4 317 15	130 40	10 30	2 481 40	2 990 45	54 95	419 00	4 232 15
	4 861 20	149 70	14 80	2 853 40	3 310 90	68 60	462 50	4 647 60
	11 20						6 30	6 30
See Controlling Acct	4 850 00	Form 10	Form 11	Form 12	Form 5	Form 8	Form 17 See Con. Acct	4 641 50

ABSTRACT OF CREDITOR'S LEDGER

Names	Balance Jan. 1, 1916	Cr.	Dr.	Dr.	Dr.	Balance Jan. 1, 1916	Form 33
		Invoice Register	Purchase Returns	Check Register	Journal		
A. B. Dry Goods Co.	425 00	74 00	4 00	400 00		95 00	
G. Grocery Co.	420 00	45 00	5 00	60 00	420 00		
M. A. Shoe Co.		240 00		240 00			
A. B. Hardware Co.		168 00	8 00	160 00			
D. Dry Goods Co.	40 00	340 00		380 00			
A. B. Clothing Co.		230 00		230 00			
X. Y. Hardware Co.		480 00	48 00			432 00	
C. D. Clothing Co.		200 00				200 00	
Minneapolis Show Case Co.		200 00		200 00			
Minneapolis Safe Mfg. Co.		290 00				290 00	
Other Accounts	2 935 00	4 758 00	25 00	3 920 00	790 00	2 938 00	
	3 820 00	7 045 00	90 00	5 590 00	1 210 00	3 973 00	
		Form 1 Form 1-4	Form 3 Form 3-1	Form 13	Form 17		



DAILY MARK-DOWN RECORD BY DEPARTMENTS

Date	Total	Groceries	Hardware	Furniture	Shoes	Dry Goods	Clothing
Jan 3	2 10						
Jan 4	4 00					2 10	
	5 00	1 20		2 40	1 50	1 50	1 00
<b>Totals for the Month</b>	<b>63 20</b>	<b>9 50</b>	<b>4 10</b>	<b>14 80</b>	<b>8 50</b>	<b>12 10</b>	<b>14 20</b>

TRADING STATEMENT BY DEPARTMENTS OF B. BROWN  
One month ended Jan. 31, 1916

	Total	Groceries	Hardware	Furniture	Shoes	Dry Goods	Clothing
Gross Sales	9 565 55	1 402 40	1 497 00	1 260 20	1 089 00	2 092 50	5 223 45
Less Returns & Allowances	90 30	12 20	14 00	28 00	5 50	7 60	10 80
Income from Sales	9 475 25	1 390 20	1 483 00	1 232 20	1 083 50	2 084 90	5 212 65
Add							
Mark-downs during month	173 20	3 50	4 10	14 80	8 50	12 10(a)	124 20
Retail marked Price of Goods Sold	9 648 45	1 399 70	1 487 10	1 247 00	1 089 00	2 097 00	2 328 65
Mark up percent of Retail Price		26 pc	35 pc	40 pc	36 pc	33 pc	40 pc
Gross Profit	3 397 71	363 92	519 48	498 80	392 04	692 01	407 85
Cost of Goods Sold	6 250 74	1 035 78	967 62	748 20	696 96	1 404 99	1 920 80
Inventory	20 404 50	1 350 00	3 800 00	2 900 00	4 294 00	3 140 50	5 020 00
Cost of Purchases	7 021 50	1 245 00	392 00	754 00	725 00	1 500 50	1 702 00
Less Returns & Allowances	50 00	7 50	10 50	48 00	9 00	4 00	11 00
Net Purchases	6 971 50	1 237 50	381 50	706 00	716 00	1 496 50	1 691 00
Cost of Goods Handled	27 330 50	2 270 50	4 761 50	8 506 00	5 010 00	4 637 00	6 711 00
Less-Cost of Goods Sold	6 250 74	1 035 78	967 62	748 20	696 96	1 404 99	1 920 80
Present Estimated Inventory	21 085 26	1 234 72	3 813 88	2 757 80	4 313 04	3 232 01	5 318 81
(a) Clothing sales during the month							

TRADING STATEMENT BY DEPARTMENTS OF B. BROWN

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For one year ended Dec. 31, 1916.

Form 27

	Total	Groceries	Hardware	Furniture	Shoes	Dry Goods	Clothing
Gross Sales	113 547 48	18 932 40	17 215 50	13 800 25	12 285 82	26 784 56	24 468 95
Less Returns & Allowances	597 14	122 14	93 15	87 60	62 00	111 10	121 15
Income from Sales 100 pc	112 950 34	18 810 26	17 122 35	12 712 65	12 223 82	26 673 46	24 347 80
Cost of Goods Sold							
Inventory Jan. 1, 1916	20 404 50	1 350 00	3 800 00	2 800 00	4 294 00	3 140 50	5 020 00
Cost of Purchases	75 452 50	13 972 54	10 235 25	9 395 10	7 347 28	18 860 15	15 622 18
Less Returns & Allowances	572 14	132 20	76 80	122 40	65 00	83 25	92 50
Net Purchases	74 880 36	13 840 34	10 158 45	9 272 70	7 282 28	18 776 90	15 529 68
Cost of Goods Handled	95 284 84	15 190 34	13 958 45	12 072 70	11 576 28	21 927 40	20 549 68
Less							
Inventory Dec. 31, 1916	20 366 10	1 129 65	2 801 09	3 577 52	3 533 01	3 756 10	5 568 73
Cost of Goods Sold	74 918 75	14 060 69	11 157 36	8 495 18	8 043 27	18 181 30	14 980 95
Percentage of Net Sales		74.9	65.4	61.9	65.8	68.2	61.4
Gross Turnover profit	38 031 59	4 749 57	5 964 99	5 277 47	4 180 55	8 492 16	9 366 85
Percentage of Net Sales		25.1	34.6	38.1	34.2	31.8	38.6

TRADING STATEMENT BY DEPARTMENTS OF B. BROWN  
For one year ended Dec. 31, 1916

Form 27A

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	Total	Groceries	Hardware	Furniture	Shoes	Dry Goods	Clothing
Gross Sales	113 547 40	18 932 40	17 215 50	13 860 25	12 285 82	26 784 56	24 468 95
Less>Returns & Allowances	597 14	122 14	93 15	87 60	62 00	111 10	121 15
Income from Sales 100 pc	112 950 34	18 810 26	17 122 35	13 772 65	12 223 82	26 673 46	24 347 80
Cost of Goods Sold							
Inventory Jan. 1, 1916	20 404 50	1 350 00	3 800 00	2 800 00	4 294 00	3 140 50	5 020 00
Cost of Purchases	74 083 16	138 281	10 030 55	9 207 25	7 200 26	18 502 55	15 309 74
Less>Returns & Allowances	562 02	130 88	75 26	119 95	63 70	81 58	90 65
Net Purchases	73 521 14	13 701 93	9 955 29	9 087 30	7 136 56	18 420 97	15 219 09
Cost of Goods Handled	93 925 64	15 051 93	13 755 29	11 887 30	11430 56	21 561 47	20 239 09
Less							
Inventory Dec. 31	19 970 09	1 118 35	2 785 07	3 505 98	3 462 35	3 680 98	5 457 36
Cost of Goods Sold	73 955 55	13 933 58	11 010 22	8 381 32	7 968 21	17 880 49	14 781 73
Percentage of Net Sales	65 48 pc	74 08	64 31	60 86	65 27	66 04	60 72
Gross Turnover Profit	38 994 79	4 876 68	6 112 13	5 391 33	4 255 61	8 792 97	9 566 07
Percentage of Net Sales	34 52	25 92	35 69	39 14	34 63	33 96	39 28

TRADING STATEMENT BY DEPARTMENTS OF B. BROWN

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One Month ended Feb. 29, 1916

Form 26

	Total	Groceries	Hardware	Furniture	Shoes	Dry Goods	Clothing
Gross Sales	8 943 35	1 210 60	1 182 50	1 110 20	1 208 00	1 920 85	2 311 20
Less-Returns & Allowances	69 85	13 50	13 20	5 00	12 60	9 30	17 25
Income from Sales	8 873 50	1 197 10	1 170 30	1 105 20	1 195 40	1 911 55	2 293 95
Add							
Mark-downs during month	129 25	12 15	5 10	18 45	19 50	60 25	13 80
Retail Marked Price of Goods Sold	9 002 75	1 209 25	1 175 40	1 123 65	1 214 90	1 971 80	2 307 75
Mark up percent of Retail Price		26	35	40	36	33	40
Gross Profit	3 186 31	314 31	411 39	449 46	437 36	650 69	923 10
Cost of Goods Sold	5 816 44	894 94	764 01	674 19	777 54	1 321 11	1 384 65
Inventory Feb. 1 (Form 26)	21 085 26	1 654 72	3 813 88	2 757 80	4 313 04	3 232 01	5 313 81
Cost of Purchases	6 778 80	1 204 55	850 50	722 80	755 60	1 560 20	1 685 15
Less-Returns & Allowances	60 45	14 20	4 85	15 00	6 00	12 15	8 25
Net Purchases	6 718 35	1 190 35	845 65	707 80	749 60	1 548 05	1 676 90
Cost of Goods Handled	27 803 61	2 845 07	4 659 53	3 465 60	5 062 64	4 780 06	6 990 71
Less-Cost of Goods Sold	5 816 44	894 94	764 01	674 19	777 54	1 321 11	1 384 65
Present Inventory	21 987 17	1 950 13	3 895 52	2 791 41	4 285 10	3 458 95	5 606 06

WORKING SHEET FOR ONE MONTH ENDED JANUARY 31, 1916.

Form 30

ACCOUNT NAMES	TRIAL	BALANCE	ADJUSTMENTS	TRADING SECTION	COSTS	INCOME	ASSETS	LIABILITIES CAPITAL
Cash in Bank	a							
Cashier's Change Fund	a						a	
Petty Cash	a						a	
Notes Receivable	a						a	
Notes Rec Discounted		a						a
Accrued Interest Receivable	a(a)		(b)					
Accounts Receivable	a						ab	
Reserve for Bad Debts		a					a	
Merchandise by Departments	27 336 00			6 250 74				a
Land	a						21 065 26	
Store Buildings	a						a	
Res for Depr of Store Bldgs		a					a	
Warehouse	a							a
Res for Depr of Warehouse		a					a	
Store Equipment	a						a	
Res for Depr of Store equip		a					a	
Office Equipment	a							a
Res for Depr of Off Equip		a					a	
Auto and Team Equipment	a							a
Res for Depr of A & T Equip		a					a	
B. Brown		c						a
B. Brown Drawing	c						c	c
Notes Payable		L						L
Interest Accrued Payable		L(L)	(a)					L(a)
Accounts Payable		L						L
Payroll Accrued		L						L
Freight Payable		L						L
Taxes Accrued		L						L
Deferred Charges & Costs		--	Not Used on Working Sheet					L
Sales		9 475 25				9 475 25		--
Marketing Expenses								
Accounts Listed	m	The balances are part costs and part assets				m	m	
General Expenses	f						e	
Additions to Income		A	(b)				A	E
Deductions from Income	D		(a)	3 397 71		D		
Gross profit						000 00		3 397 71
Net Income	equal		equal	equal		equal		000 00 equal