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An evaluation of the Associated Students' Store of the University of Montana

William Mack Clapp
The University of Montana

AN EVALUATION OF THE ASSOCIATED STUDENTS'

STORE OF THE UNIVERSITY OF MONTANA

By

Mack Clapp

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Approved by:

Richard K. Smith

Chairman, Board of Examiners

John M. Stewart

Dean, Graduate School

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CHAPTER I

A University Bookstore at the University of Montana was first established in 1919, in a small building behind Main Hall, and it was incorporated on November 16, 1920.[1] In 1923, the store was moved to the Forestry Building and Mr. Morris H. McCollum was named manager, a position he held until retirement in 1969. In 1927, the store made its first move toward diversification when it opened up a soda fountain. On February 13, 1930, the Store Board established the first Trust Fund Committee to allocate store profits. In 1935, the store moved into the first floor of the then Student Union Building, which is now the Fine Arts Building.

In 1956, a continuing problem with income taxes resulted in a move to disincorporate and transfer the title and assets of the bookstore to the University. This was done in 1957, making the bookstore tax-exempt. Through this action, the store became a branch of the University of Montana. In the same year, the store moved from the Student Union Building to the second floor of the Lodge.

The store remained in this limbo state without any separate corporate identity until April 17, 1961, when it was reincorporated as the Associated Students' Store, a non-profit corporation with two types of members -- regularly enrolled students and faculty. Each membership class has equal representation on the ten member Board of Directors,

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1 The facts in this Introduction are based on the minutes of the Board of Directors of the Associated Students' Store on file with the Treasurer of the University of Montana, Missoula, Montana, 59801.

which controls the corporation. The corporation has three officers: a President and a Vice-President, both elected from the board, and a Secretary-Treasurer, who is also the Chief Financial Officer of the University.

The next major development for the store was its move into its present home in the University Center in January, 1969. This move presented both benefits and drawbacks. Some of the benefits include a spacious and beautiful physical facility in a marvelous location, plus an opportunity to expand more fully into lines other than textbooks. The major drawback is the rent the bookstore pays to the University Center. At times, this appears to outweigh the numerous benefits. During 1970-1971, the bookstore paid $62,735 in rent to the University Center compared with only $6,703 paid the last year in the Lodge, an increase of over 800 per cent.

The last three years have been difficult for the bookstore. Despite a steady increase in sales, profits have fallen. The purpose of this paper is to analyze this problem and make recommendations for a future course of action the Storeboard might take.

CHAPTER II

RATIO ANALYSIS

In studying a firm, its strengths must be understood and weaknesses recognized if proper action is to be taken. Ratio analysis is one way to get some indications of a firm's current position and its operating efficiency. There are four basic types of financial ratios: liquidity, leverage, activity, and profitability.

The use of financial ratios involves two types of comparisons. In the first, the present ratios of the firm can be compared with past or expected future ratios. In the second, the present ratios can be compared with ratios of the industry and/or other firms in the industry. In this paper, the University of Montana Associated Students' Store will be compared with the University of Oregon Co-operative Store (a similar store) with over-all industry figures when they are available.

Leverage ratios are not used in this paper because the Associated Students' Store uses no debt in its financing except for a nominal amount of accounts payable. Liquidity ratios measure the firm's ability to meet its maturing short-term obligations. One of the most commonly used is the current ratio (Table I), which is the ratio of current assets to current liabilities. It provides some indication of the ability of a firm to pay its bills, but its usefulness is somewhat limited because it does not take into account the differential liquidity of the components of the current assets. For example, cash and receivables are generally thought of as more liquid than inventories.

The University of Oregon Co-operative Store has a lower current ratio than the Associated Students' Store. Both stores, however, have high ratios compared to most retail stores. On June 30, 1971, the Associated Students' Store had current assets of $331,438 and current liabilities of only $39,948. The Co-operative Store had $842,579 in current assets and only $164,151 in current liabilities. What we then have are two stores with most of their assets current while most of their financing is other than current.

TABLE I

CURRENT RATIOS BY INSTITUTION[1]

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	8.3-1	5.1-1
1969-1970	6.6-1	3.6-1
1968-1969	12.5-1	2.8-1
1967-1968	19.2-1	2.7-1
1966-1967	26.0-1	5.0-1

Sources: The audited Balance Sheets for the Associated Students' Store and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971.

Another measure of liquidity is the acid test or quick ratio (Table II), which is like the current ratio except inventories are left out because they are considered the least liquid of current assets.

1 See Appendix A for the audited Balance Sheets of the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971, and Appendix B for the audited Balance Sheets of the University of Montana Associated Students' Store for the fiscal years 1966-1967 to 1970-1971.

The quick ratio tells us two things about the Associated Students' Store. First, it is now and has been in the past, in a better current position than the Co-operative Store. Secondly, it can pay its bills without having to sell any of its inventory.

TABLE II

QUICK OR ACID TEST RATIOS BY INSTITUTION

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	2.8-1	2.4-1
1969-1970	1.2-1	1.1-1
1968-1969	2.3-1	1.0-1
1967-1968	6.4-1	0.9-1
1966-1967	4.9-1	1.1-1

Sources: The Audited Balance Sheets for the Associated Students' Store and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971.

A look at the balance sheet gives some insight into why the Associated Students' Store is in a better current position. The current ratio and the quick ratio both reflect two factors the Co-operative Store must concern itself with, which the Associated Students' Store does not; namely, income taxes and patronage refunds. As a result of these two factors, it is not appropriate to compare the ratios of the two stores and say with certainty one is better than the other. What can be said, however, is that both stores are in a good current position.

Activity ratios (or turnover ratios) can be used to measure how effectively the firm is using its assets. One of the most important for bookstores is the turnover of inventories (Table III).

It can generally be said that the higher the inventory turnover, the more efficient the inventory management of the firm. However, too high a turnover ratio could mean that the firm has stockouts which can be very costly. On the other hand, a low ratio could mean that the firm's inventory contains a large amount of obsolete merchandise among other things.

TABLE III

INVENTORY TURNOVER RATIOS BY INSTITUTION

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	3.63	3.27
1969-1970	3.44	3.32
1968-1969	3.42	3.50
1967-1968	2.92	3.68
1966-1967	2.62	3.93
Five Year Average	3.2	3.5
Industry Average	3.4	

Sources: The Inventory Turnover Ratios were calculated by using Cost of Goods Sold and Average Inventory figures from the audited Income Statements for the Associated Students' Store and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971. Industry figure from Operations Survey of College Stores with Annual Sales of 120,000 to 500,000. By the National Association of College Stores, Inc. Oberlin, Ohio. January, 1971, page II-7.

The Associated Students' Store is in good shape as far as inventory management is concerned. Its five year average annual turnover is 3.2, which compares well with the industry average of 3.4 and the Co-operative Store average of 3.5. If just the last three years are considered, the Co-operative Store average slips to 3.4 while the Associated Students' Store average rises to 3.5 with a strong 3.6 in the last year. Further, the turnover ratio has increased each year while the Co-operative's has declined. Since accounts receivable and fixed assets for the Associated Students' Store are both small, the only other activity remaining is total asset turnover (Table IV).

TABLE IV

TOTAL ASSET TURNOVER RATIOS BY INSTITUTION

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	2.65	1.44
1969-1970	2.49	1.58
1968-1969	2.44	1.50
1967-1968	2.12	1.43
1966-1969	2.29	1.51

Sources: The Total Assets Turnover Ratios were calculated by using Total Assets and Sales figures from the Audited Balance Sheets and Income Statements of the Associated Students' Store of the University of Montana and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971.

The Associated Students' Store has a better total asset turnover ratio than the Co-operative Store, principally because the latter operates in a building which it owns while the Associated Students' Store is in rented quarters. In comparing the Associated Students' Store's ratios from year to year, we can observe that in every year except 1967-1968, the total asset turnover ratio has improved.

Three commonly used measures of profitability are: (1) profit margin on sales; (2) return on total assets; (3) return on net worth.

The return on net worth is a measure of the rate of return on the stockholders' investment. In this regard, the two bookstores are very unusual because the stockholders of the stores did not provide capital and do not hold or own stock.[2] The net worth of the two stores consists entirely of retained earnings, which make up a substantial part of the stores' total financing (Table V). It is useful to know how this financing is being used even though the stores have no stockholders in the normal sense of the word.

TABLE V

RETAINED EARNINGS AS A PER CENT OF TOTAL FINANCING BY INSTITUTION

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	84.81 per cent	60.00 per cent
1969-1970	82.88 per cent	52.78 per cent
1968-1969	88.08 per cent	48.37 per cent
1967-1968	85.48 per cent	46.27 per cent
1966-1967	84.91 per cent	49.51 per cent

Sources: Calculated from the audited Balance Sheets of the Associated Students' Store of the University of Montana and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971.

Table VI shows that the Co-operative Store has a better return on net worth than the Associated Students' Store. The Associated Students' Store's five year average is 9.16 compared to the Co-operative Store's average of 10.48. The difference is even greater if the average

[2] There is a fifty cent a year charge to join the University of Oregon Co-operative Store.

for just the last three years is taken. The Associated Students' Store average dropped to 6.55, a decline of about 30 per cent, while the Co-operative Store average dropped less than 10 per cent to 9.48. This occurred because net profit and net worth both continued to rise at the Co-operative Store while, at the Associated Students' Store, net worth rose but profit stayed the same. At both stores, however, the trend of return on net worth is down.

TABLE VI

RETURN ON NET WORTH BY INSTITUTION

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	6.49 per cent	6.97 per cent
1969-1970	6.22 per cent	7.85 per cent
1968-1969	6.95 per cent	13.59 per cent
1967-1968	11.53 per cent	14.77 per cent
1966-1967	15.12 per cent	9.20 per cent

Sources: The Return on Net Worth Ratios were calculated by using Net Profit after Taxes and Net Worth from the Audited Income Statements and Balance Sheets of the Associated Students' Store of the University of Montana and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971.

A second profitability ratio is return on total assets, which is the ratio of net income to total assets (Table VII). The Associated Students' Store has a better return than the Co-operative Store but again, the trend has been down.

The five year average of 7.90 for the Associated Students' Store is 30 per cent greater than for the fiscal years 1970-1971. The Co-operative Store's five year average of 5.36 is 18 per cent greater than for the fiscal years 1970-1971. Table VIII points out that turnover has been rising but not fast enough to keep up with the falling profit margin. This has led to the decline of return on investment or total assets.

TABLE VII

RETURN ON TOTAL ASSETS BY INSTITUTION

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	5.50 per cent	4.18 per cent
1969-1970	5.16 per cent	4.14 per cent
1968-1969	6.12 per cent	6.57 per cent
1967-1968	9.86 per cent	7.34 per cent
1966-1967	12.84 per cent	4.56 per cent
Average	7.90 per cent	5.36 per cent

Sources: The Return on Total Assets per cent was calculated by using Net Profit and Total Assets figures from the Audited Income Statements and Balance Sheets of the Associated Students' Store and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971.

TABLE VIII

RETURN ON INVESTMENT RELATED TO RETURN ON SALES AND ASSET TURNOVER

Associated Students' Store

	Return on Sales	Turnover	Return on Investment
1970-1971	2.08 per cent	2.65	5.51 per cent
1969-1970	2.07 per cent	2.49	5.14 per cent
1968-1969	2.51 per cent	2.44	6.32 per cent
1967-1968	4.59 per cent	2.12	9.73 per cent
1966-1967	5.61 per cent	2.29	12.85 per cent

University of Oregon Co-operative Store

	Return on Sales	Turnover	Return on Investment
1970-1971	2.90 per cent	1.44	4.18 per cent
1969-1970	2.60 per cent	1.58	4.11 per cent
1968-1969	4.16 per cent	1.50	6.24 per cent
1967-1968	4.79 per cent	1.43	6.45 per cent
1966-1967	2.83 per cent	1.51	4.27 per cent

Sources: Return on Sales figure from Table IX and Turnover figure from Table IV.

With respect to profit margin on sales (Table IX), the Montana store's five year average compares very well with both the Oregon store's average and the industry average. However, a look at the average for the last three years does not show the same good results for the Associated Students' Store. This low figure for the past three years means that either selling prices are too low, or costs are too high, or a combination of the two. This also points out that while return on net worth and return on assets fell for both stores, the Co-operative Store was able to hold its profit margin better than the Associated Students' Store.

TABLE IX

RETURN ON SALES BY INSTITUTION

	Associated Students' Store	University of Oregon Co-operative Store
1970-1971	2.08 per cent	2.90 per cent
1969-1970	2.07 per cent	2.60 per cent
1968-1969	2.51 per cent	4.16 per cent
1967-1968	4.59 per cent	4.79 per cent
1966-1967	5.61 per cent	2.83 per cent
Five Year Average	3.37 per cent	3.46 per cent
Three Year Average	2.22 per cent	3.37 per cent
Industry Average	2.5	

Sources: The Return on Sales per cent were calculated by using Net Profit after Taxes and Sales figures from the Audited Income Statements of the Associated Students' Store of the University of Montana and the University of Oregon Co-operative Store for the fiscal years 1966-1967 to 1970-1971. Industry figure from Operations Survey of College Stores with Annual Sales of 120,000 to 500,000. By the National Association of College Stores, Inc. Oberlin, Ohio. January, 1971, page II-7.

CHAPTER III

INCOME ANALYSIS

It has been determined in Chapter II of this study that the Associated Students' Store is in a profit squeeze. In fiscal year 1970-1971, sales of $1,092,286 netted only $22,735 profit, or a return of only 2.08 per cent. This was the sixth straight year that the profit margin had fallen. In attempting to find a solution to this problem we must, if possible, identify the area or areas in the Associated Students' Store that are not performing well. Chances of identifying these areas and finding workable solutions would be greatly increased if several years' operations of the bookstore could be appropriately compared and studied. There are, however, two factors which make such a comparison invalid. These factors are: (1) the January 1969 move of the Associated Students' Store from the Lodge into the University Center giving the bookstore more space for expansion into areas other than just textbooks, and (2) the greatly increased cost of this additional space. Therefore, only fiscal years 1969-1970 and 1970-1971 can be used.

The Associated Students' Store is divided into seven operating departments: (1) Athletics, (2) Tobacco, (3) Candy, (4) Supplies, (5) Novelties, (6) Drugs, and (7) Books. Each department must be analyzed separately to determine which is doing well and which is not.

The first consideration is to determine the contribution of individual departments towards total sales (Table X).

Table X shows that 1970-1971 sales of Books and Supplies made up 87 per cent of total sales. Thus, even though the store has seven operating departments, only two account for the majority of sales. Should anything happen to affect the sales of these two departments without an increase in the other departments, the bookstore would be in serious trouble unless expenses could be reduced sufficiently.

TABLE X

RANKING OF THE SEVEN OPERATING DEPARTMENTS BY SALES FOR THE FISCAL YEARS 1970-1971 AND 1969-1970

	1970-1971		1969-1970	
	Dollars	Per Cent	Dollars	Per Cent
Books	$ 772,103.92	70.68	$687,112.95	69.28
Supplies	182,529.74	16.72	170,700.39	17.23
Athletic	52,039.41	4.76	51,028.35	5.15
Tobacco	37,997.25	3.48	27,851.77	2.82
Drugs	22,643.34	2.08	22,611.18	2.28
Candy	15,936.62	1.45	17,718.55	1.78
Novelties	9,036.25	0.83	13,478.36	1.36
Total	$1,092,286.53	100.00	$990,501.55	100.00

Source: Comparison of Gross Profit Ratios to Expected Gross Profit Ratios from unaudited financial statements of the Associated Students' Store, University of Montana, Missoula, Montana, for the year ending June 30, 1971.

In analyzing each department, the second consideration must be to determine the gross profit of each for the two years in question. Gross profit is sales less cost of goods sold (Tables XI-XII).

TABLE XI

GROSS PROFIT FOR THE SEVEN OPERATING DEPARTMENTS
FOR THE FISCAL YEAR 1970-1971

	Sales	Cost of Goods Sold	Gross Profit	Gross profit as a per cent of sales
Books	$772,103.92	$614,863.77	$157,240.15	20.37
Supplies	182,529.74	120,214.94	62,314.80	34.14
Athletic	52,039.41	39,076.76	12,962.65	24.91
Tobacco	37,997.25	34,152.35	3,844.90	11.26
Drugs	22,643.34	17,626.33	5,017.01	22.16
Candy	15,936.62	12,230.82	3,705.80	23.25
Novelties	9,036.25	1,145.58	7,890.67	87.32
Total	$1,092,286.53	$839,310.55	$223,411.40	23.16

Source: Comparison of Gross Profit Ratios to Expected Gross Profit Ratios from unaudited financial statements of the Associated Students' Store, University of Montana, Missoula, Montana, for the year ending June 30, 1971.

TABLE XII

GROSS PROFIT FOR THE SEVEN OPERATING DEPARTMENTS
FOR THE FISCAL YEAR 1969-1970

	Sales	Cost of Goods Sold	Gross Profit	Gross profit as a per cent of sales
Books	$687,112.95	$561,464.20	$125,648.75	18.29
Supplies	170,700.39	114,866.44	55,833.95	32.71
Athletic	51,028.35	39,335.16	11,693.10	22.92
Tobacco	27,851.77	24,435.71	3,416.08	12.27
Drugs	22,611.18	15,839.20	6,771.98	29.95
Candy	13,478.36	10,284.17	3,194.19	23.70
Novelties	17,718.55	8,855.01	8,863.54	50.03
Total	$990,501.55	$775,079.89	$215,421.66	21.75

Source: Comparison of Gross Profit Ratios to Expected Gross Profit Ratios from unaudited financial statements of the Associated Students' Store, University of Montana, Missoula, Montana, for the period July 1, 1969, to June 30, 1970.

A look at the gross profit tables shows that gross profit rose from 21.75 per cent in fiscal year 1969-1970 to 23.16 per cent in fiscal year 1970-1971. In both years, there were only two departments in which the gross profit percentage was lower than the bookstore as a whole. One department was Tobacco, which is not a cause for alarm, the other department, however, was Books. The fact that Books, with its large volume of sales, turns in the lowest percentage gross profit of the seven departments can have significant ramifications on the profits of the bookstore. The effect of this low gross profit on bookstore income becomes even more apparent when store expenses or overhead are distributed by department.

In fiscal year 1970-1971, the Associated Students' Store had overhead of $213,630 and $193,147 in fiscal year 1969-1970. In order to determine how each department is doing, this overhead must be distributed among the seven departments. This was done in three ways: (1) sales volume, (2) square feet of floor space, and (3) actual usage.

An examination of Table XIII shows that there are 23 expense catagories. However, not all of these are useful for this study and some can be combined. Bad debts are the result of bad checks cashed in the bookstore at the check cashing window. All of these funds are considered collectible since future registration and/or transcripts will be held until the check is made good. Therefore, this expense account was not distributed and not counted in the analysis of the seven operating departments. Cash over and short (over in 1970-1971, short in 1969-1970) was not distributed because it was considered of no value to do so. Also, no attempt was made to deal with Sundry

TABLE XIII

STATEMENT OF EXPENSES FOR THE FISCAL YEARS 1970-1971 AND 1969-1970

Expenses	1970-1971	1969-1970
Administrative Officers	$18,000.99	$15,724.77
Administrative Assistants	23,406.09	10,473.20
Secretaries and Clerks	23,475.18	26,944.24
Store and Stockroom Clerks	51,196.25	51,803.19
Telephone and Telegraph	2,817.67	1,453.20
Association Dues	235.00	-0-
Advertising	419.75	961.59
Travel	1,607.68	-0-
Postage	2,451.13	1,622.91
Rent	62,735.85	60,538.79
Repairs and Maintenance	1,275.37	929.48
Office Supplies and Expense	3,951.62	2,681.13
Bookkeeping	2,500.00	2,500.00
Licenses	52.00	47.00
Insurance	1,665.20	1,392.09
Depreciation	13,707.48	12,873.19
Audit and Legal Expense	1,812.45	1,854.50
Donations	25.00	10.00
Shoplift Protection	632.50	-0-
Armored Car Service	795.00	585.00
Miscellaneous	111.24	216.48
Bad Debts	785.36	571.78
Cash Short (Over)	(28.49)	65.01

Source: Compiled from The Report On Examination of the Associated Students' Store for the fiscal year ending June 30, 1971.

Income and Ring Commissions because there is little or no expense involved in generating this income and there is little or no connection between this income and the seven operating departments. For example, under Sundry Income is the income from the magazine rack. This is run on a jobber agreement and results in no expense to the bookstore other than space and record-keeping. There are two other expense items that must be distributed. One is loss on obsolete merchandise. In both years, this entire loss ($17,993.44 in 1970-1971, and $1,914.12 in 1969-1970) was in textbooks. This entire amount, therefore, was charged to Books. Second, employee benefits are a result of salaries and wages; therefore, these expenses were proportionately distributed back to salaries and wages. These adjustments result in a total of 21 expense categories to be distributed among the seven operating departments.

Nine categories of expenses, including the four adjusted salary and wage categories, telephone and telegraph, association dues, advertising, travel, and postage were all distributed by actual use as much as was possible. That is, the amount of these expenses used by each of the seven operating departments is determinable. For example, in 1970-1971, there was a travel expense of $1,607.68. This expense was incurred in trips to buy books for the store. This entire expense was, therefore, charged to Books. The same procedure was used for salaries. An attempt was made to find the areas where an employee was spending his or her time. Each department was then charged that portion of salary which applied.

Two items, rent, and repairs and maintenances, are distributed by square feet. In this way, each department is charged rent in proportion to the space it uses. There were no specific items under repairs and maintenance. It was assumed that this was more or less general work and, therefore, also distributed by square feet.

The other ten overhead items were distributed by sales.[1] That is, each department was charged the amount equal to its per cent of sales. For example, office supplies and expense had $3,951.22 in costs in fiscal year 1970-1971. In fiscal year 1970-1971, Books accounted for 70.68 per cent of total sales. Books, therefore, must absorb 70.68 per cent or $2,793 of the cost for office supplies. The Supplies department generated 16.72 per cent of total sales and must absorb $660.72 of the office supply expense. Tables XIV and XV show total distribution of expenses by department.

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[1] Justification for using this method was obtained in conversation with Chairman Jack J. Kempner, Ph.D., C.P.A. of the Accounting and Finance Department School of Business Administration, University of Montana, Missoula, Montana, 59801.

TABLE XIV

TOTAL DISTRIBUTION OF EXPENSES BY DEPARTMENT
FOR FISCAL YEAR 1970-1971

	Athletic	Tobacco	Candy	Supplies	Novelties	Drugs	Books
Office Supplies and Expenses	$ 188.10	$ 137.52	$ 57.30	$ 660.70	$ 32.80	$ 82.20	$ 2,793.00
Bookkeeping	119.00	87.00	36.25	418.00	20.75	52.00	1,767.00
Licenses	2.49	1.81	.75	8.69	.43	1.08	36.75
Insurance	79.26	57.95	24.14	278.43	13.83	34.63	1,176.96
Depreciation	652.48	477.02	198.76	2,291.89	113.77	285.11	9,688.45
Audit and Legal Expense	86.27	63.07	26.28	303.04	15.05	37.70	1,281.04
Donations	1.19	.87	.36	4.18	.21	.52	17.67
Shoplift Protection	30.11	22.01	9.17	105.75	5.25	13.16	447.05
Armored Car Service	37.84	27.67	11.56	132.90	6.60	16.52	561.91
Miscellaneous	5.30	3.87	1.61	18.60	.93	2.31	78.62
Administrative Officers	856.85	626.43	261.01	3,009.76	149.41	374.43	12,723.10
Administrative Assistants	-0-	-0-	-0-	7,841.04	-0-	-0-	15,565.05
Secretary and Clerks	1,117.42	816.93	340.38	3,925.05	194.84	488.28	16,592.28
Store and Stockroom Clerks	2,436.94	1,781.63	742.35	8,560.01	424.93	1,064.88	36,185.51
Telephone and Telegraph	-0-	-0-	-0-	-0-	-0-	-0-	2,817.67
Association Dues	-0-	-0-	-0-	50.00	-0-	-0-	185.00
Advertising	-0-	-0-	-0-	-0-	-0-	-0-	419.75
Travel	-0-	-0-	-0-	-0-	-0-	-0-	1,607.68
Postage	40.84	40.84	40.84	40.84	40.84	40.84	2,206.09
Rent	4,863.25	71.14	267.85	13,767.99	14,289.55	2,440.38	27,035.69
Repairs and Maintenance	98.84	1.40	5.48	279.82	290.66	49.61	549.56

TABLE XV

TOTAL DISTRIBUTION OF EXPENSES BY DEPARTMENT
FOR FISCAL YEAR 1969-1970

	Athletic	Tobacco	Candy	Supplies	Novelties	Drugs	Books
Office Supplies and Expenses	$ 138.08	$ 75.61	$ 36.46	$ 461.96	$ 47.72	$ 61.13	$ 1,860.17
Bookkeeping	128.75	70.50	34.00	430.75	44.50	57.00	1,734.50
Licenses	2.42	1.33	.64	8.10	.84	1.07	32.60
Insurance	71.70	39.26	18.93	239.86	24.77	31.74	965.83
Depreciation	662.97	363.02	175.08	2,218.05	229.14	293.51	8,931.42
Audit and Legal Expense	95.51	52.30	25.22	319.53	33.01	42.28	1,286.65
Donations	.52	.28	.14	1.71	.18	.23	6.94
Shoplift Protection	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Armored Car Service	30.13	16.50	7.96	100.80	10.41	13.34	405.86
Miscellaneous	11.15	6.10	2.94	37.31	3.85	4.94	150.19
Administrative Officers	809.83	443.44	213.86	2,709.38	279.90	358.52	10,909.84
Administrative Assistants	-0-	-0-	-0-	3,508.52	-0-	-0-	6,964.68
Secretary and Clerks	1,387.63	759.83	366.44	4,642.50	479.60	614.33	18,693.91
Store and Stockroom Clerks	2,667.86	1,460.85	704.53	8,925.69	922.10	1,181.11	35,941.05
Telephone and Telegraph	-0-	-0-	-0-	-0-	-0-	-0-	1,453.20
Association Dues	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Advertising	-0-	-0-	-0-	-0-	-0-	-0-	961.59
Travel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Postage	27.05	27.05	27.05	27.05	27.05	27.05	1,460.61
Rent	4,691.76	66.60	260.32	13,282.21	13,796.78	2,354.96	26,086.16
Repairs and Maintenance	64.28	.91	3.57	181.99	189.04	32.27	357.42

After overhead has been distributed, as explained above, we are able to construct income statements for each department. This is done in Tables XVI and XVII.

TABLE XVI

INCOME STATEMENT BY DEPARTMENT
FOR THE FISCAL YEAR 1970-1971

	Athletic	Tobacco	Candy	Supplies
Sales	$52,039.41	$37,997.25	$15,936.62	$182,529.74
Cost of Goods Sold	39,076.76	34,152.35	12,230.82	120,214.94
Gross Profit	12,962.65	3,844.90	3,705.80	62,314.80
Overhead	10,616.18	4,217.16	2,024.09	41,696.69
Net Profit	2,346.47	(372.26)	1,681.71	20,618.11

	Novelties	Drugs	Books	
Sales	$ 9,036.25	$22,643.34	$772,103.92	
Cost of Goods Sold	1,145.58	17,626.33	614,863.77	
Gross Profit	7,890.67	5,017.01	157,240.15	
Overhead	15,599.85	4,983.65	151,729.27	
Net Profit	(7,709.18)	33.36	5,510.88	

Source: Compiled from The Report on Examination of the Associated Students' Store for the fiscal year ending June 30, 1971.

TABLE XVII

INCOME STATEMENT BY DEPARTMENT
FOR THE FISCAL YEAR 1969-1970

	Athletic	Tobacco	Candy	Supplies
Sales	$51,028.35	$27,851.77	$13,478.36	$170,700.39
Cost of Goods Sold	39,335.16	24,435.17	10,284.17	114,866.44
Gross Profit	11,693.19	3,416.08	3,194.19	55,833.95
Overhead	10,789.64	3,383.58	1,877.14	37,095.41
Net Profit	903.55	32.48	1,317.05	18,738.54
	Novelties	**Drugs**	**Books**	
Sales	$17,718.55	$22,611.18	$687,112.95	
Cost of Goods Sold	8,855.01	15,839.20	561,464,20	
Gross Profit	8,863.54	6,771.98	125,648.75	
Overhead	16,088.89	5,073.48	120,117.24	
Net Profit	(7,225.54)	1,698.60	5,531.51	

Source: Compiled from The Report on Examination of the Associated Students' Store for the fiscal year ending June 30, 1970.

In both years, Supplies was the leading income producer for the bookstore, and Novelties the biggest loser.

Table XVIII shows the rate of return on sales by department.

TABLE XVIII

RATE OF RETURN ON SALES BY DEPARTMENT

	Fiscal Year 1970-1971	Fiscal Year 1969-1970
Athletic	4.5 per cent	1.8 per cent
Tobacco	1.0 per cent	0.1 per cent
Candy	10.55 per cent	9.8 per cent
Supplies	11.29 per cent	10.9 per cent
Novelties	(85.3) per cent	(43.8) per cent
Drugs	0.1 per cent	7.5 per cent
Books	0.7 per cent	0.8 per cent

Source: Calculated from Tables XVI and XVII.

It is not easy to say what a satisfactory rate of return for each department should be. Obviously, Novelties in both years and Tobacco in fiscal year 1970-1971, were not earning a satisfactory return since both show a negative return. Usually, in determining whether or not a satisfactory rate of return is being attained, the rate can be compared with a firm's cost of capital or to some external standard. That is, if a department is returning more than the cost of capital (theoretically, the cost of using the assets necessary to generate the income), it is a good project. If it does not earn a rate of return equal to the cost of capital, an unsatisfactory return is being attained.

A firm's cost of capital is usually made up of a combination of the firm's cost of debt, retained earnings, and equity. As stated earlier, the Associated Students' Store has no debt or paid in capital, only retained earnings. Contrary to what some people think, retained earnings are not free; there is a very definite cost involved. This cost of retained earnings is the opportunity cost of the dividends foregone by the stockholders. This creates a major problem in attempting to establish the cost of retained earnings (in this case also the cost of capital) for the Associated Students' Store, since the stockholders of the Associated Students' Store do not receive a dividend in the usual sense of the word. This does not mean, however, that there are no benefits to the stockholders; in fact, there are two.

The first benefit is the expansion of the store into areas other than textbooks. This expansion, which has occurred most dramatically since moving into the University Center, was financed wholly by retained earnings. This expansion can be seen as beneficial, and as a service, and thus a dividend, to the students.

Other excess funds which are not needed for normal growth or expansion of the bookstore, which would normally be paid out in dividends by other firms, are put into the Bookstore Reserve Fund. The monies in this fund are used for projects considered beneficial for the student body as a whole. The last major use of monies from this fund was to help build the tennis courts to the north of the University Center.

There is still another problem in attempting to assign a cost to the retained earnings of the Associated Students' Store. This problem is the special nature of the stockholders of the bookstore. The stockholders of the Associated Students' Store do not own or possess any stock. They are stockholders by their status as students or faculty of the University of Montana. When a student or faculty member leaves the University, he ceases to be a stockholder. While a stockholder, however, his share of the earnings are retained in the reserve fund until a worthwhile project arises or until enough money is collected in the fund to finance a project that is scheduled. In most cases, this means that benefits received by present students and faculty were in effect paid for by their predecessors. For example, monies for the tennis courts, which were put into use in 1970, came from the retained earnings of the previous years. However, the stockholders whose earnings paid for the tennis courts were in return receiving benefits from earlier retained earnings.

The conclusion is that there is no real way to measure the cost of retained earnings (which in this case is also the cost of capital) for the Associated Students' Store. The result is that the store's cost of capital cannot be used to measure what is and what is not a satisfactory rate of return for the Associated Students' Store.

The National Association of College Stores recommends a 2.5 per cent return on sales.[2] The Association feels that a bookstore needs this return to continue to provide good service to students and to give management flexibility in operations. If this standard is used to measure the acceptability of rate of return, not only the bookstore as

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[2] Operations Survey of College Stores by the National Association of College Stores, Oberlin, Ohio, Exhibit A-1.

a whole, but four of its operating departments fail to measure up. In both years, only Supplies and Candy had satisfactory returns. In 1969-1970, Drugs had a satisfactory return and Athletics, in 1970-1971.

It is a bad sign when only three out of seven operating departments are able to meet the return on sales target. An even worse sign is that the three operating departments that met the standard generated only 22.93 per cent of total sales in fiscal year 1970-1971, and only 20.87 per cent of total sales in fiscal year 1969-1970.

Of the three departments that earned a positive return, but less than 2.5 per cent in fiscal year 1969-1970, Athletics alone, which accounted for only 5.15 per cent of total sales, made over one per cent. Books, which generated 69.38 per cent of total sales, yielded only eight-tenths of one per cent. This could be detrimental since any business operating this close to the profit line could easily collapse with just a small mistake.

In fiscal year 1970-1971, only three departments, generating 22.93 per cent of total sales, met the 2.5 per cent return on sales criterion. Two others had a negative return, and the two remaining departments had a return of less than one per cent. This means that 77.07 per cent of sales is yielding little or nothing. Again, the alarming point is that an operation this close to the profit line could falter with only the smallest misstep.

Tables XVI and XVII show that Supplies have been the major source of income for the Associated Students' Store for the two years under study. In fiscal year 1969-1970, the bookstore had a net income of $20,538.99, while Supplies had an income of $18,738.54. In fiscal year 1970-1971, the bookstore had an income of $22,735.84, while Supplies alone had an income of $20,618.11. Tables XVI and XVII show beyond a doubt that the Book department is not the income producer it is assumed to be.

CHAPTER IV

"A WAY TO GO"

The second part of this paper established that the bookstore's profits are low and therefore should be improved. There are two ways for the bookstore to go, one of which is to cut costs. If this is to be successful, it must be done in such a way as to not affect adversely present sales, or much of the advantage of the cost cutting could be lost. The second way is for the bookstore to expand.

Undoubtedly there are some costs that could be cut and the profit picture improved somewhat in this way. However, this is not a good long-term solution. The Associated Students' Store could be of a greater service to the students if it were to earn larger profits through expanding its operations.

There are some areas where the bookstore has a comparative advantage and could do very well in expansion. One is tradebooks. Margaret Shannon, a student member of Storeboard, said that she hopes that the bookstore will move into tradebooks rapidly and become the best bookstore in the State of Montana. However, before any action is taken, one vital question must be answered: is this a service and/or a benefit to the majority of the students of the University of Montana? Miss Shannon has failed to ask that simple question. There are grave doubts that expansion of the tradebook section of the store is the best way to improve the quality of the service offered by the bookstore to the students.

The bookstore should move further into areas other than books.

Today there is no evidence that the store is ready to do this. It will not be easy to achieve profitability in these new areas since they involve much more direct competition with downtown merchants, which is a very touchy matter. Moving into these new markets also will require a whole new attitude concerning advertising. There has been a great reluctance to promote the offerings of the store outside the store. And most importantly, the attitude of the students toward the store must be changed. A survey in which 100 students were chosen at random showed that only 22 per cent of them considered trading at the store when making a purchase other than books. Also, only 28 per cent thought that the store was doing a good job serving the needs of the students.

The recent history of the store shows a great outcry from local merchants whenever the bookstore moves into new areas. The most recent example was the store's meager attempt to sell records. This move was met with a very hostile response by local merchants. The thrust of the local merchants' arguments are two pronged: first, that it is unfair to use state facilities to compete with private enterprise and second, it is unfair to compete because of the favored tax-exempt status the store enjoys.

These arguments hold little water when put to the test. While it is true that the home of the Associated Students' Store is the University Center which is owned by the state, the state incurred no cost in building the Center and does not pay for its upkeep. The monies to build the building and pay for its upkeep come from student fees and the rentals the food service and the bookstore pay. The Associated Students' Store is tax-exempt, but this is incidental to its being on state property. It is exempt from income taxes because of the way it is incorporated. It could move off campus onto private property and still maintain its tax-exempt status. As stated earlier, it has not always been tax-exempt, even though it has always been on state property.

The first consideration in expanding the operating of the store is space. At the present time the store uses 7,017 square feet of operational area, the biggest user of which is the Book department with 3,024 square feet or almost half. The first step in the plan for a total service student store at the University of Montana is to rent from the University Center a room directly below the present store which is now used for storage by the Center itself. This room could provide a space as large as 4,000 square feet, and the University Center is eager to rent it.

If the basement is to be used, some remodeling will be required. A stairwell would have to be made from the present store down to the basement, some pipes would have to be raised, a false ceiling put in, and new shelves installed. An estimate of the cost of making these changes was not available. Depending on how elaborate the new space would be, the cost could run to several thousand dollars. Whenever we are talking about expenditures for the bookstore on items of this nature, we have something to consider which is analogous to a tax benefit, because of the rent agreement between the bookstore and the University Center. This agreement, which was entered into on July 1, 1971, calls for a base rent of $50,000.00 a year plus a growth factor of 50 per cent of the store's net profit per year.[1] This means that

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[1]Intra-Campus Memorandum, University of Montana, from Ray E. Chapman, Director, University Center to Bookstore Board, March 6, 1972.

the move into the new area would cost the store only half of the contracted price, since half of all profits go for rent.

Besides providing more space for merchandise, the move has other advantages. One is from the standpoint of control. Having all the books together in one place will help alleviate the very large problem of shoplifting. It will also make it easier to arrange the books in an attractive and beneficial way for the customer.

The space presently used by the Book department can be used to good advantage for other purposes. The primary purpose of the bookstore should be to provide a service to the faculty and students. It is, after all, they who own the store, and it is their money that has financed the store until now. The second premise is that there is a potential for a large increase in profits in areas other than books. The bookstore should attempt to capture some of this profit because it can be used for the benefit of the faculty and students.

It appears that in the next several years the bookstore will be faced with a growth rate of the student population considerably less than that of the past ten years.[2] In addition, there is some evidence that textbook sales will grow more slowly than enrollment because of the fact that more students seem to be sharing textbooks. Even at the present time students are attempting to establish a book bank on campus for the borrowing and lending of textbooks. The three departments that appear to have the greatest potential for growth then are Drugs,

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[2] During the 1960's, the University grew at about 10 per cent per year. It is now estimated that the growth rate for the 1970's will be at 2 or 3 per cent.

Novelties, and Athletics, because of their low volume of sales per student now. The key to any success in expanding sales and profits in these three departments depends on promotion.

In connection with this paper, a survey was made in which 100 students were asked if they knew whether or not the bookstore sells records. Only 57 per cent answered in the affirmative. Another 100 students were asked whether or not the bookstore sells posters. Only 43 per cent gave an affirmative reply. The bookstore sells both of these items.

This of course shows up the promotion problem the store has today. There is another problem that both surveys pointed out. Not only are a lot of students unaware of what products the store is selling, but even those who knew felt that they did not meet the needs or desires of the students. Of the 57 students who knew that the bookstore sells records, only 14 thought that the selection was adequate, and only 4 of 43 thought the poster selection was good enough.

There is a potential market of about 8,000 students on campus. If the faculty, staff, and their families and student families are added in, the market swells to over 10,000. If the bookstore is to expand, it must let the people know what it has to sell; today this is not being done.

There are three ways for the bookstore to promote its merchandise. First, there is the Montana Kaimin with a circulation of about 6,000 four times a week during the school year. It is not safe to go so far as to say that 6,000 people read the Kaimin, but it is safe to say that probably 6,000 people do look at it and this could be an excellent place for the bookstore to advertise. Second, is the use of posters and flyers to promote specials and/or just the store in general. Third, is the use of the store's windows facing the mall of the University Center as display cases.

In running its promotional campaigns, there is a vast resource of student talent that could be utilized. The marketing students in the Management Department of the School of Business Administration are always looking for a place for some training and experience. The same is true of students in the art department's commercial art courses.

Earlier, it was said that three sales departments -Athletics, Drugs, and Novelties- could expand to provide greater sales and profit to the store and better service to the students. There are some recommendations for each department. There are no doubt other things the management of the store will want to do.

There are two recommendations for the Athletic department. First of all, the store does a very good business in T-shirts, sweat shirts and similar items. The store does this without any promotion effort on its part. It cannot help but be felt that with a little promotion, sales could be greatly increased. When people visit the campus they are very often looking for a souvenir to bring home. This is where the display cases can be very useful. Things like T-shirts, mugs and items of this sort can be promoted very effectively from these cases.

The bookstore now sells many sporting goods items, however, a very popular addition would be bikes. There can be no question that the market is substantial. In addition, the mark-up is good. For example, a Mundo Cycle that retails for $99.95 sells wholesale for

$67.00. The $199.95 retail model wholesales for $133.00. In the selling of bikes, there are two problems: putting them together when they come in and keeping them together after they are sold. The first problem is not really a significant one since the Mundo, for example, can easily be assembled in less than an hour by anybody who can read and use a few simple tools. The second problem is a little more complicated but still easily solved. There are at least two very good bike repair shops in Missoula which could handle repairs on a jobber agreement. This type of agreement with a bike repair shop could be a benefit to the students. It is more likely that when a foul-up occurs, a repair shop will listen better to someone who sends him a large volume of business than to a single individual.

The Drug department has the fifth largest sales volume of the seven departments. Yet it has a potential far greater than this. It was calculated that during the nine month school year the average student spends $18.60 on drug items.[3] If the bookstore were capturing all of these sales, its Drug department sales would be $143,950,[4] instead of the present $22,643 or $2.90 per student. It is apparent that the reason for the low drug sales of the bookstore is that its prices are much higher than those of its competitors in town and thus the students buy elsewhere.

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[3] The figure of $18.60 was calculated from data in The Study of Consumer Expenditures by Alfred Politz Research, Inc., Rockefeller Plaza, New York 20, New York, 1960, and adjusted for price increases.

[4] Based on 1970-1971 average number of students of 7793.

It is not feasible for the store to go into price competition with stores like Gibson's and Skaggs. If the store were to sell at the same price as Gibson's and Skaggs, its gross profit would be only 5 per cent and its net profit would be no more than it is today even if it were to capture all the student market.[5] This does not mean, however, that Drug department sales cannot be increased. They can be and should be. Selective items can be put on sale at reduced prices to get people into the store and buying from the store. If this is done right and promoted right, it could be very successful.

In Chapter III, it was found out that the Novelty department is the big loser in the bookstore. Records are a part of Novelties and as shown earlier, do not at the present time help the profit picture very much, and this is an area the store could move into immediately.

Students spend a great deal of money on records and tapes. The largest record store in Missoula today is the Mercantile. The manager estimates that students make up 80 per cent of his sales.[6] The markups on records and tapes are not large. The most popular record albums sell for $3.98 and cost $2.98. Tapes sell for $5.88 and cost $4.41. Therefore, volume is the key to success. The key to volume is selection. The larger the number of titles available for sale, the more people that

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5 A price survey of 14 items was conducted in which it was found that by marking bookstore items at a 5 per cent mark-up, the bookstore items were priced about the same as in Skaggs or Gibson's.

6 Conversation with Mr. Bob Gorden on May 3, 1972, Manager, Record Department, Missoula Mercantile Company, Missoula, Montana. 59801

could be drawn to the store.

In dealing in records and tapes, there is a special consideration. The Mercantile and the bookstore both get the records they sell from A.B.C. Distributors, who sell on a take-back agreement. That is, any records or tapes that are not sold can be turned back for a full refund. This also means that the store has a professional record organization which maintains a vital interest in keeping the inventory current and popular.

The last new product suggestion is sound equipment. Sound equipment ranges from a simple record player retailing for $141.95, to a Perfectionist system retailing for $1212.45. I feel that the key to success in selling sound equipment is two-fold. One is price and the other is availability. To sell sound equipment, the store must be price competitive. In Missoula, sound equipment sells at about suggested retail price. The record player that retails for $141.95 wholesales for $839.00. This means that the bookstore should be able to at least match any price in Missoula. This will bring in sales.

The second feature to produce sales of sound equipment is availability. That is, if people know that they can meet their sound equipment needs at the bookstore at a price at least as good as other merchants, there is a good chance that a sale can be made. This is very important in selling sound equipment since the serious sound equipment buyer knows what he wants and usually has to order it from the local merchant. If he has to order it, he may as well order it from the bookstore. Since much of the equipment is special ordered, a person with just fair knowledge of sound equipment can sell it. A part-time student could fill in nicely here.

There are five general recommendations for the store. The first one has to do with shoplifting, which has always been a serious problem for the store. Some estimates place losses as high as $40,000.00 a year. This is almost twice the net profit of the store. Today a shoplifter is sent to the Dean of Students' Office and that is about all that happens.[7] This lenient treatment of shoplifters is part of the problem. What is needed is strong action. First, for anyone caught shoplifting, a fine of about $100.00 and if caught a third time, the student should be expelled from school. Second, all persons caught shoplifting should be subject to public embarrassment. People shoplifting in the store are in effect stealing from every other student on campus. A list of all people caught shoplifting in the store should be published in the Kaimin. And lastly, this new policy of the store should be well publicized.

The second recommendation is that the name of the store be changed to The Student Store. The main reason for this is to try to get the students to think of the store as a total store and not just a bookstore.

The third recommendation is that for purposes of accounting control, trade and textbooks should be separated. Today no distinction is made, and for this reason there is no way to tell where the profit of the Book department is coming from. The easiest way to do this would be with a system of color codes, under which, for example, all

[7] Conversation with Mr. Larry Hansen on April 6, 1972, Manager, Associated Students' Store.

textbooks would be labled with a red tag so that the checker will know which department to credit.

The fourth recommendation is for an assistant manager, who is needed for two reasons: first to help the store move into new areas and second, to provide a trained successor to the manager.

The last recommendation is to institute a bonus plan for the managers. The main reason for this is to provide a positive incentive for management to perform well.

The funds to finance the recommendations made in this study can come from three different sources: retained earnings, borrowing, and reductions in excess textbook inventories. Figures show, for example, in the Spring Quarter of 1971, that the History, Political Science, and Economics Departments alone had excess inventories of $10,515.69. The manager of the store, Larry Hansen, is working very hard to cut this excess down. Every dollar freed from book inventories could be used to build inventory in other areas.

In conclusion, it can be said that the store is well managed and in general, is doing an adequate job of serving the faculty and students. Mr. Hansen, the store manager, seems very enthusiastic about moving into new areas. At this time, however, it appears that the Storeboard does not show the same enthusiasm and this is very regretable. The potential is there for turning the Associated Students' Store into an excellent student store and not just an adequate bookstore. It is now up to the Storeboard to find the way to go.

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A P P E N D I X

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UNIVERSITY OF OREGON CO-OPERATIVE STORE

COMPARATIVE STATEMENT OF INCOME

YEARS ENDED JUNE 30, 1971 AND 1970

	Year - June 30, 1971		Year - June 30, 1970*	
	Amount	Per Cent	Amount	Per Cent
SALES	2,087,794		2,125,331	
Less - Patronage refund to members	51,155		73,163	
Net sales -	2,036,639	100.0%	2,052,168	100.0%
COST OF SALES:				
Beginning inventory	491,258		471,253	
Merchandise purchases	1,508,209		1,616,955	
	1,999,467		2,088,208	
Ending inventory	453,755		491,258	
Cost of sales -	1,545,712	75.9	1,596,950	77.8
GROSS PROFIT	490,927	24.1	455,218	22.2
SELLING AND ADMINISTRATIVE EXPENSE	418,591	20.6	384,903	18.8
NET OPERATING PROFIT	72,336	3.5	70,315	3.4
OTHER INCOME	17,846	.9	15,077	.7
	90,182	4.4	85,392	4.1
OTHER EXPENSES:				
Interest	24,420	1.1	25,433	1.3
Donations	1,298	.1	991	
	25,718	1.2	26,424	1.3
NET INCOME BEFORE EXCISE TAX	64,464	3.2	58,968	2.8
STATE EXCISE TAX	3,870	.2	3,497	.1
NET INCOME FOR THE YEAR	$ 60,594	3.0%	$ 55,471	2.7%

UNIVERSITY OF OREGON CO-OPERATIVE STORE

COMPARATIVE STATEMENT OF INCOME

YEARS ENDED JUNE 30, 1969, AND 1968

	Year - June 30, 1969		Year - June 30, 1968	
	Amount	Per Cent	Amount	Per Cent
SALES	2,196,763		2,073,639	
Less - Patronage refund to members	117,942		131,474	
Net sales -	2,078,821	100.0%	1,942,165	100.0%
COST OF SALES:				
Beginning inventory	449,355		366,927	
Merchandise purchases	1,634,560		1,582,885	
	2,083,915		1,949,812	
Ending inventory	471,253		449,355	
Cost of sales -	1,612,662	77.6	1,500,457	77.3
GROSS PROFIT	436,159	22.4	441,708	22.7
SELLING AND ADMINISTRATIVE EXPENSE - Schedule, page 8	336,077	17.6	327,809	16.9
NET OPERATING PROFIT	100,082	4.8	113,899	5.8
OTHER INCOME - Schedule, page 8	19,012	.9	14,091	.8
	119,094	5.7	127,990	6.6
OTHER EXPENSES:				
Interest	26,437	1.3	27,314	1.4
Donations	1,189		1,308	.1
	27,626	1.3	28,622	1.5
NET INCOME BEFORE INCOME TAXES	91,468	4.4	99,368	5.1
STATE AND FEDERAL INCOME TAXES	45,365	2.2	46,128	2.4
NET INCOME FOR THE YEAR	$ 46,103	2.2%	$ 53,240	2.7%

UNIVERSITY OF OREGON CO-OPERATIVE STORE

COMPARATIVE STATEMENT OF INCOME AND RETAINED EARNINGS

YEARS ENDED JUNE 30, 1967, AND 1966

	Year - June 30, 1967		Year - June 30, 1966	
	Amount	Per Cent	Amount	Per Cent
SALES	1,862,417		1,579,433	
Less - Patronage refund to members	111,711		85,501	
Net sales -	1,750,706	100.0%	1,493,932	100.0%
COST OF SALES:				
Beginning inventory	334,454		272,751	
Merchandise purchases	1,411,414		1,225,049	
	1,745,868		1,497,800	
Ending inventory	366,927		334,454	
Cost of sales -	1,378,941	78.8	1,163,346	77.9
GROSS PROFIT	371,765	21.2	330,586	22.1
SELLING AND ADMINISTRATIVE EXPENSE - Schedule, page 4	302,588	17.2	245,022	16.4
NET OPERATING PROFIT	69,177	4.0	85,564	5.7
OTHER INCOME - Schedule, page 4	12,792	.7	11,511	.8
	81,969	4.7	97,075	6.5
OTHER EXPENSES:				
Interest	28,181	1.6	16,432	1.1
Donations	999	.1	960	.1
	29,180	1.7	17,392	1.2
NET INCOME BEFORE INCOME TAXES	52,789	3.0	79,683	5.3
STATE AND FEDERAL INCOME TAXES (Net after investment credit - 1967 $675; 1966 $6,300)	23,071	1.3	26,411	1.8
NET INCOME FOR THE YEAR	29,718	1.7%	53,272	3.5%
RETAINED EARNINGS - Beginning	543,501		490,229	
RETAINED EARNINGS - Ending	$ 573,219		$ 543,501	

UNIVERSITY OF OREGON CO-OPERATIVE STORE

BALANCE SHEET

JUNE 30, 1971

A S S E T S

CURRENT ASSETS:		
Cash on hand and in bank (including $125,000 time certificates of deposit)	212,729	
Accounts receivable	12,344	
Accounts payable - Debit balances	42,966	
Federal tax refunds receivable (Note 1)	111,288	
Merchandise inventory, at lower of cost or market	453,755	
Prepaid expenses	9,497	842,579
FIXED ASSETS, at cost:		
Land	21,222	
Store building	597,013	
Furniture and fixtures	173,632	
	791,867	
Less - Accumulated depreciation	185,586	606,281
Total -		$1,448,860

L I A B I L I T I E S

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	89,206	
Accrued state excise tax	3,870	
Long-term debt - Current portion	19,920	
Patronage refunds payable	51,155	164,151
LONG-TERM DEBT:		
Mortgage note - Northwestern Mutual Life Insurance Company	435,290	
Less - Amount included in current liabilities	19,920	415,370
Total liabilities -		579,521
NET ASSETS (Note 4)		869,339
Total -		$1,448,860

UNIVERSITY OF OREGON CO-OPERATIVE STORE

BALANCE SHEET

JUNE 30, 1970

ASSETS

CURRENT ASSETS:		
Cash on hand and in bank	174,517	
Accounts receivable	15,682	
Accounts payable - Debit balances	33,381	
Inventory, at lower of cost or market -		
Merchandise	491,258	
Store supplies	4,500	
Unexpired insurance premiums and other prepayments	3,666	723,004
FIXED ASSETS, at cost:		
Land	21,222	
Store building	591,389	
Furniture and fixtures	161,779	
	774,390	
Less - Accumulated depreciation	159,920	
	614,470	
Construction in progress	241	614,711
Total -		$1,337,715

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	72,727	
Accrued personal property taxes	17,200	
Accrued State and Federal income taxes	14,405	
Long-term debt - Current portion	19,800	
Patronage refunds payable	73,168	197,300
LONG-TERM DEBT:		
Mortgage note - Northwestern Mutual Life Insurance Company	454,152	
Less - Amount included in current liabilities	19,800	434,352
Total liabilities -		631,652
NET ASSETS		706,063
Total -		$1,337,715

UNIVERSITY OF OREGON CO-OPERATIVE STORE

BALANCE SHEET

JUNE 30, 1969

ASSETS

CURRENT ASSETS:		
Cash on hand and in bank	228,645	
Accounts receivable	21,265	
Accounts payable - Debit balances	25,552	
Inventory, at lower of cost or market -		
Merchandise	471,253	
Store supplies	4,919	
Unexpired insurance premiums and other prepayments	2,668	754,302
FIXED ASSETS, at cost:		
Land	21,222	
Store building	591,389	
Furniture and fixtures	159,012	
	771,623	
Less - Accumulated depreciation	135,757	635,866
Total -		$1,390,168

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	74,170	
Accrued personal property taxes	15,600	
Accrued State and Federal income taxes	37,965	
Long-term debt - Current portion	17,400	
Patronage refunds payable	117,867	263,002
LONG-TERM DEBT:		
Mortgage note - Northwestern Mutual Life Insurance Company	472,004	
Less - Amount included in current liabilities	17,400	454,604
Total liabilities -		717,606
NET ASSETS		672,562
Total -		$1,390,168

UNIVERSITY OF OREGON CO-OPERATIVE STORE

BALANCE SHEET

JUNE 30, 1968

A S S E T S

CURRENT ASSETS:		
Cash on hand and in bank	189,362	
Accounts receivable	25,159	
Accounts payable - Debit balances	27,302	
Inventory -		
Merchandise	449,355	
Store supplies	4,005	
United States Treasury bond	1,000	
Unexpired insurance premiums and other prepayments	2,847	699,030

FIXED ASSETS:

	Cost	Accumulated Depreciation	Net Book Value	
Land	21.222		21,222	
Store building	591,389	52,018	539,371	
Store furniture and fixtures	154.939	60,854	94,085	
	$767,550	$112,872		654,678
Total assets -				$1,353,708

L I A B I L I T I E S   A N D   N E T   W O R T H

CURRENT LIABILITIES:		
Accounts payable	47,843	
Accrued personal property taxes	12,900	
Accrued State and Federal income taxes	46,128	
Long-term debt - Current portion	16,800	
Patronage refunds payable (Note 1)	131,474	255,145
LONG-TERM DEBT:		
Mortgage note (Note 2) - Northwestern Mutual Life Insurance Company	488,904	
Less - Amount included in current liabilities	16,800	472,104
Total liabilities -		727,249
NET WORTH:		
Retained earnings (not distributable)		626,459
Total liabilities and net worth -		$1,353,708

UNIVERSITY OF OREGON CO-OPERATIVE STORE

BALANCE SHEET

JUNE 30, 1967

A S S E T S

CURRENT ASSETS:				
Cash on hand and in bank			77,104	
Accounts receivable			27,087	
Inventory -				
Merchandise			366,927	
Store supplies			3,061	
United States Treasury bond			1,000	
Unexpired insurance premiums and other prepayments			2,797	477,976
FIXED ASSETS:				
	Cost	Accumulated Depreciation	Net Book Value	
Land	21,222		21,222	
Store building	591,389	40,762	550,627	
Store furniture and fixtures	162,165	54,407	107,758	
	$774,776	$95,169		679,607
Total assets -				$1,157,583

L I A B I L I T I E S   A N D   N E T   W O R T H

CURRENT LIABILITIES:		
Accounts payable	45,891	
Accrued personal property taxes	10,500	
Accrued State and Federal income taxes	23,071	
Long-term debt - Current portion	15,360	94,822
LONG-TERM DEBT:		
Mortgage note (land and building) - Northwestern Mutual Life Insurance Company	504,902	
Less - Amount included in current liabilities	15,360	489,542
Total liabilities -		584,364
NET WORTH:		
Retained earnings (not distributable)		573,219
Total liabilities and net worth -		$1,157,583

APPENDIX B

ASSOCIATED STUDENTS' STORE
UNIVERSITY OF MONTANA

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

	For the Year Ended June 30, 1971		For the Year Ended June 30, 1970	
Sales		$1,092,286.53		$990,501.55
Cost of Sales:				
Beginning inventory	$ 244,345.23		$ 206,397.43	
Less: Obsolete merchandise	17,381.12		-0-	
	$ 226,964.11		$ 206,397.43	
Purchases	829,629.75		813,027.69	
	$1,056,593.86		$1,019,425.12	
Ending inventory	217,283.31	839,310.55	244,345.23	775,079.89
Gross margin		$ 252,975.98		$215,421.66
Loss on obsolete merchandise		17,993.44		1,914.62
		$ 234,982.54		$213,507.04
Cap and gown rentals		-0-		170.00
Ring commissions		693.00		-0-
Sundry income		690.62		-0-
		$ 236,366.16		$213,677.04
Expenses:				
Salaries and wages:				
Administrative officers	$ 16,749.99		$ 14,883.34	
Administrative assts.	21,777.36		9,912.62	
Secretary and clerks	21,843.22		25,501.80	
Store and stockroom clerks	47,636.94	$ 108,007.51	49,030.64	$ 99,328.40
Employee benefits:				
Social Security	$ 4,782.36		$ 3,746.56	
Industrial accident	451.13		286.83	
Group insurance	756.60		508.80	
Retirement and disability	2,080.91	8,071.00	1,074.81	5,617.00
General:				
Postage	$ 2,451.13		$ 1,622.91	
Telephone and telegraph	2,817.67		1,453.20	
Office supplies & expense	3,951.62		2,681.13	
Association dues	235.00		-0-	
Rent	62,735.85		60,538.79	
Bookkeeping	2,500.00		2,500.00	
Advertising	419.75		961.59	
Licenses	52.00		47.00	
Insurance	1,665.20		1,392.09	
Travel	1,607.68		-0-	
Depreciation	13,707.48		12,873.19	
Repairs and maintenance	1,275.37		829.48	
Audit and legal expense	1,812.45		1,854.50	
Bad debts	785.36		571.78	
Cash short (over)	(28.49)		65.01	
Donations	25.00		10.00	
Shoplift protection	632.50		-0-	
Armored car service	795.00		585.00	
Miscellaneous	111.24	97,551.81	216.48	88,202.15
Total expenses		$ 213,630.32		$193,147.55
Net income from operations		$ 22,735.84		$ 20,529.49
Other Income and Costs		-0-		9.30
Net income		$ 22,735.84		$ 20,538.79

ASSOCIATED STUDENTS' STORE
UNIVERSITY OF MONTANA

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

	For the Year Ended June 30, 1969		For the Year Ended June 30, 1968	
Sales		$853,211.31		$694,190.04
Cost of Sales:				
Inventory - beginning	$187,614.62		$190,448.42	
Purchases	693,136.32		549,926.32	
	$880,750.94		$740,374.74	
Inventory - ending	206,397.43	674,353.51	187,051.02	553,323.72
Gross profit		$178,857.80		$140,866.32
Obsolete Merchandise:		1,838.88		-0-
		$177,018.92		$140,866.32
Expenses:				
Salaries and wages:				
Manager	$ 12,500.04		$ 12,500.00	
Assistant managers	15,055.09		11,783.50	
Office	20,152.63		14,279.74	
Store	52,706.48		49,809.37	
Janitor	136.40	$100,550.64	850.20	$ 89,222.81
Employee benefits:				
Social security	$ 3,677.04		$ 3,166.77	
Industrial accident	470.04		305.00	
Group insurance	420.60	4,567.68		3,471.77
General:				
Postage	$ 2,455.72		$ 2,044.60	
Telephone and telegraph	1,479.71		1,140.52	
Office supplies and expense	1,895.21		1,835.49	
Garbage collection	30.00		135.00	
Rent	28,601.19		6,703.44	
Bookkeeping	2,496.00		1,200.00	
Advertising	534.71		493.60	
Licenses	42.00		42.00	
Insurance	1,397.67		1.213.15	
Travel			235.15	
Depreciation	7,018.71		1,514.17	
Repairs and maintenance	1,291.41		631.28	
Audit and legal expense	1,497.50		1,385.00	
Bad debts	291.28		89.44	
Cash short	264.83		100.46	
Donations	10.00		60.00	
Miscellaneous	511.90	49,817.84	160.70	18,984.00
Total expenses		$154,936.16		$111,678.58
Net profit from operations		$ 22,082.76		$ 29,187.74
Other Income and Costs (See schedule)		(654.65)		2,693.43
Net profit		$ 21,428.11		$ 31,881.17

ASSOCIATED STUDENTS' STORE
UNIVERSITY OF MONTANA

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

	For the Year Ended June 30, 1966		For the Year Ended June 30, 1967	
Sales		$627,545.95		$646,195.50
Cost of Sales:				
Inventory - beginning	$149,954.11		$193,975.53	
Purchases	549,501.26		501,803.08	
	$699,455.37		$695,778.61	
Inventory - ending	193,975.53	505,479.84	190,448.42	505,330.19
Gross profit		$123,066.11		$140,865.31
Expenses:				
Salaries and wages:				
Manager	$ 10,500.00		$ 11,500.00	
Assistant manager	5,738.54		6,590.13	
Office	10,043.37		15,552.49	
Store	48,562.30		47,856.20	
Janitor	803.00	$ 75,647.21	881.50	$ 82,380.32
Employee benefits:				
Social security	$ 1,990.62		$ 2,621.67	
Industrial accident	127.79	2,118.41	122.55	2,744.22
General:				
Postage	$ 1,687.12		$ 1,939.72	
Telephone and telegraph	846.52		908.85	
Office supplies and expense	1,708.66		1,214.30	
Garbage collection	178.05		190.00	
Rent	6,241.31		6,739.54	
Bookkeeping	1,200.00		1,200.00	
Advertising	376.90		447.65	
Licenses	42.00		42.00	
Insurance	1,330.32		1,680.66	
Depreciation	1,810.43		2,297.06	
Repairs and maintenance	557.09		1,295.83	
Audit and legal expense	1,921.10		1,485.00	
Bad debts	192.98		191.90	
Cash short (over)	152.06		94.44	
Donations	100.00		100.00	
Miscellaneous	337.95	18,682.49	105.03	19,931.98
Total expenses		$ 96,448.11		$105,056.52
Net profit from operation		$ 26,618.00		$ 35,808.79
Other Income:				
Interest income				331.38
Collection of account written off				13.40
Net profit				$ 36,153.57

ASSOCIATED STUDENTS' STORE
UNIVERSITY OF MONTANA

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

ASSETS

	June 30, 1971		June 30, 1970	
Current Assets:				
Office cash	$ 20,229.33	$	$ 16,475.74	$
Cash deposited with the University of Montana	38,095.79	58,325.12	280.05	16,755.79
Accounts receivable-Trade		17,052.69		17,697.74
Accounts receivable-NSF checks		605.23		733.04
Due from suppliers		37,689.54		21,407.04
Inventory:				
Merchandise on hand	$217,283.31		$244,345.23	
Less: Allowance for obsolescence	4,130.07		-0-	
Net inventory on hand	$213,153.24		$244,345.23	
Add: Inventory in transit	2,943.19	216,096.43	10,368.31	254,713.54
Paper bag inventory		1,096.05		1,126.99
Prepaid insurance		573.12		608.45
Total current assets		$331,438.18		$313,042.59
Fixed Assets:				
Furniture, fixtures & equip.	$127,851.83	$	$117,406.88	$
Less: Accumulated depr.	46,372.23	81,479.60	32,664.75	84,742.13
		$412,917.78		$397,784.72

LIABILITIES AND CORPORATE EQUITY IN ASSETS

	June 30, 1971		June 30, 1970	
Current Liabilities:				
Accounts payable	$ 14,755.79		$ 24,596.60	
Accrued salaries and wages	1,856.01		1,966.96	
Accrued payroll taxes	96.73		94.41	
Accrued rent	22,735.85		20,538.79	
Due to customers	504.32		289.72	
Cap and gown deposits	-0-		65.00	
Total current liabilities		$ 39,948.70		$ 47,551.48
Corporate Equity in Assets:				
Balance, beginning of year	$350,233.24		$329,694.45	
Net income	22,735.84	372,969.08	20,538.79	350,233.24
		$412,917.78		$397,784.72

ASSOCIATED STUDENTS' STORE
UNIVERSITY OF MONTANA

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

ASSETS

	June 30, 1969		June 30, 1968	
Current Assets:				
Office cash	$ 9,311.46		$ 6,235.91	
Cash deposited with the University of Montana	6,427.10	$ 15,738.56	24,292.91	$ 30,528.82
Investments in certificates of deposit				30,000.00
Accounts receivable - Trade		14,571.92		14,595.43
Accounts receivable - NSF checks		606.37		466.48
Accrued interest receivable				525.00
Due from suppliers		15,145.94		20,026.02
Inventory:				
Merchandise on hand	$206,397.43		$187,614.62	
Less: Allowance for obsolescence	2,402.48		563.60	
Net inventory on hand	$203,994.95		$187,051.02	
Add: Inventory in transit	3,421.48	207,416.43	5,143.24	192,194.26
Prepaid insurance		564.37		729.08
Total current assets		$254,043.59		$289,065.09
Fixed Assets:				
Deferred cost-New store planning				931.69
Furniture, fixtures & equipment	115,717.79		$ 48,779.72	
Less: Accumulated depreciation	19,791.56	95,926.23	15,461.50	33,318.22
		$349,969.82		$323,315.00

LIABILITIES AND RETAINED EARNINGS

	June 30, 1969		June 30, 1968	
Current Liabilities:				
Accounts payable	$ 12,914.66		$ 9,733.58	
Accrued salaries and wages	1,912.40		5,091.07	
Accrued payroll taxes	91.80		224.01	
Accrued rent	5,309.51			
Cap and gown deposits	47.00			
Total current liabilities		$ 20,275.37		$ 15,048.66
Retained Earnings:				
Balance, beginning of year	$308,266.34		$276,385.17	
Net profit	21,428.11	329,694.45	31,881.17	308,266.34
		$349,969.82		$323,315.00

ASSOCIATED STUDENTS' STORE
UNIVERSITY OF MONTANA

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

ASSETS

	June 30, 1966		June 30, 1967	
Current Assets:				
Office cash	$ 11,028.55		$ 5,867.88	
Cash deposited with University of Montana	-0-	$ 11,028.55	29,187.85	$ 35,055.73
Investment in certificates of deposit		10,000.00		20,000.00
Accounts receivable - Trade		12,509.01		10,550.81
Accounts receivable - NSF checks		512.75		600.00
Due from suppliers		11,326.52		14,901.04
Inventory:				
Merchandise on hand	196,157.85		191,061.24	
Less: Allow. for obsolescence	(2,182.32)		(612.82)	
Net inventory on hand	$193,975.53		$190,448.42	
Add: Merchandise in transit	1,366.71	195,342.24	2,167.10	192,615.52
Prepaid insurance		760.19		551.23
Total current assets		$241,479.26		$274,274.33
Fixed Assets:				
Deferred cost-New store planning		291.22		291.22
Furniture, fixtures & equipment	$ 21,575.87		$ 24,021.51	
Less: Accumulated depreciation	13,839.01	7,736.86	15,884.77	8,136.74
		$249,507.34		$282,702.29

LIABILITIES AND NET WORTH

	June 30, 1966		June 30, 1967	
Current Liabilities:				
Accounts payable	$ 4,452.14		$ 4,946.04	
Accrued salaries and wages	1,754.20		1,371.08	
Overdraft of cash on deposit with the University of Montana	3,231.55			
Total current liabilities		$ 9,437.89		$ 6,317.12
Retained Earnings:				
Balance, beginning of year	$209,764.22		$240,069.45	
Add: Correction of prior years' profits: Unemployment Compensation Commission refunds for prior years: State	3,622.34		-0-	
Federal	-0-		121.65	
N.S.F. checks	-0-		40.50	
Other	64.89		-0-	
Net profit	26,618.00	240,069.45	36,153.35	276,385.17
		$249,507.34		$282,702.29