

1920

Co-operative accounting; Part I. Store records and accounts; Part II. Co-operative book keeping

Ernest C. Cheel

Henry F. Christensen

Follow this and additional works at: https://egrove.olemiss.edu/acct_corp

Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Cheel, Ernest C. and Christensen, Henry F., "Co-operative accounting; Part I. Store records and accounts; Part II. Co-operative book keeping" (1920). *Individual and Corporate Publications*. 56.

https://egrove.olemiss.edu/acct_corp/56

This Article is brought to you for free and open access by the Accounting Archive at eGrove. It has been accepted for inclusion in Individual and Corporate Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

CO-OPERATIVE ACCOUNTING

B y E R N E S T C. C H E E L

PUBLISHED BY
THE CO-OPERATIVE LEAGUE OF AMERICA
2 WEST 13th STREET, NEW YORK CITY
1920

CO-OPERATIVE ACCOUNTING

B y E R N E S T C. C H E E L

PUBLISHED BY
THE CO-OPERATIVE LEAGUE OF AMERICA
2 WEST 13th STREET, NEW YORK CITY
1920

CO-OPERATIVE ACCOUNTING

By ERNEST C. CHEEL

PART I

STORE RECORDS AND ACCOUNTS

As worked out by HENRY F. CHRISTENSEN

PART II

CO-OPERATIVE BOOK KEEPING



PUBLISHED BY

The Co-operative League of America

2 West 13th Street, New York City

1920

Copyright, 1920, by the Co-operative League of America.

CO-OPERATIVE ACCOUNTING

By ERNEST C. CHEEL

PART I

Co-operative Store Records and Accounts

As worked out by Henry F. Christensen

It is evident that to be able to have complete information and analysis of the business condition of your Co-operative, in all its phases at almost a moment's notice, is more advantageous than getting such information at the end of a period.

With the employment of the system hereinafter described, it is possible for the manager of the store and the Control Committee to keep their fingers on the business pulse of their society at all times.

It is worthy of note that by this system an efficient Control Committee can know as much or more about the business than the manager. By checking the records, certifying to the invoices, recording changes in prices, making up the Weekly Statement for the Board of Directors, taking stock, etc., they become thoroughly acquainted with the business procedure of the Co-operative. As the personnel of the committee changes from time to time, it happens that many members of the society develop this very valuable experience. A society with such a Control Committee is never at a loss when a change of manager occurs.

While the explanation of this system is given at length, the actual operation of keeping the records is simple, involving on the average about thirty minutes daily of the manager's time, and about two hours weekly by the Control Committee in checking the records once or twice a week.

This system provides for the recording by the manager of facts and figures in regular columnar form as the transactions occur, which should be done without delay,—as goods are ordered, as they are received, returned, as waste occurs, or changes in prices are decided upon. This is all done in such a way that as the figures pile up in the various records, they present complete and systematic information without revision.

For example, the totals of the figures at the end of every week inform the Control Committee of the amount of goods ordered, goods received, goods returned, damaged or destroyed, total sales, the amount of merchandise on hand, and other details. It excludes all guess work, *and shows the down grades and leaks* in proper time. A summary of this information makes up the weekly report by the Control Committee for the Board of Directors. At the end of the quarter, or other period, the sum total of these weekly reports makes up the final or complete report for the period. With these figures to hand, taking of

stock (inventory of merchandise) then becomes a matter of verifying the records.

The excellence of this system, therefore, is in that—

1. It gives information of the condition of the business day by day.
2. It furnishes a complete record of all business transactions and a full up-to-the-minute control.
3. It gives a *double control*: first by the manager, and second by the Control Committee or auditors. (This body is part of the Executive Business Management, elected by the membership.)

The manager is fully responsible for his *stock* as it is *charged to him at the retail price*.

Suggestion is made that bills be paid within ten days as a general rule. This not only gives the society the benefit of all discounts for cash, but establishes confidence among the wholesalers and jobbers. The business of such a Co-operative society is sought after, and better service rendered in consequence.

The manager's records should be in duplicate. The manager should always have his original records at hand for ready reference.

All records number from No. 1 to No. 12 as follows:

Records kept by Manager.

1. Order Record.
2. Receiving Record.
3. Change of Price Record.
4. Record of Stores Credits.
5. Sales Record.
- 5a. Disbursement Record.

Records kept by Control Committee.

6. Invoice Record.
7. Weekly Summary and Statement.
8. Weekly Stock Statement.
9. Stock Balance Sheet.
10. Inventory Sheets, or Stock Sheets.
11. Turnover Register.
12. Margin Classification.

It will now be shown step by step how this system operates by giving a simple explanation of each record in numerical order.

No. 1. ORDER RECORD.

The columnar headings are self-explanatory.

1. The prime importance of this record is that it keeps the manager posted on the quantities ordered, prices and terms quoted.
2. It also furnishes a check on over-buying inasmuch as the total weekly amount of goods ordered indicates his future liability.
3. Bills of goods are compared with the order record to see that prices and discounts, as quoted by the salesman when ordering, are lived up to. When a salesman notes that a proper record is kept, and a system is adhered to, he and his company will respect such a Co-operative in their treatment of it.

Note—Rules for Manager.

- (a) Enter goods ordered *immediately* at the time of ordering.
- (b) Note carefully the trade and cash discounts.
- (c) Figure unit price; it is essential not to omit the smallest fraction of a cent.
- (d) Add the total cost value column at the close of the week, and enter the sum total in your weekly report to the Control Committee.

Rules for Control Committee.

Compare prices on the invoices with the prices entered in the Order Record, keeping tab on all deductions, i. e. terms, discount, etc.

No. 2. RECEIVING RECORD.

This record deals with incoming merchandise. The columns are, in the main, self-explanatory.

The Registry Number is given in this record when the goods are received. It identifies the invoice in all posting throughout the records.

Cost Values.

The weekly total of the "Cost Value" columns shows the exact increase of obligations, or accounts payable, for the bookkeeper or Controller's attention.

Retail Values.

The total of this column shows the increase of retail value chargeable to Merchandise Account.

Retail values are cost plus "mark-up", margin, profit, or whatever term is used in price fixing, or arriving at the "market rate."

In making the manager responsible for the fixed retail values, the society insures itself against losses through carelessness and selling below fixed prices.

*Note—*The weekly totals of the Retail Value and Cost Value Column is entered in the "Weekly Stock Statement" report for the benefit of the Board of Directors.

Total Gross Profit Obtainable.

The sum of this column is a check on the average profits realizable, and when compared with the average expense rate per cent. indicates to what degree the society is conducting the business on a sound basis.

Rules for Manager.

- (a) Enter goods as soon as received.
- (b) Give Registry Number, date, name, description, grade and size.
- (c) Figure cost values per unit and total.
- (d) Figure retail values per unit and total.
- (e) Record the "mark-up" in the "Gross Profit Obtainable" Column.
- (f) Freight charges or drayage must be included as a factor of cost on the goods affected.

Rules for Control Committee.

- (a) Compare all invoices with this record.
 - (b) Test the correctness of figures and totals.
 - (e) Keep tab on the rate of profit on each single item.
 - (f) See that freight charges or drayage enter into cost value of goods.
- A column is provided for the checking initials.

No. 3. CHANGE IN PRICE RECORD.

This record provides for the recording and listing of goods on hand increased or decreased in value by market changes.

The quantities counted and the price extensions are checked by the Control Committee.

Increases are entered in "Charge to Stock"; decreases, "Credit to Stock."

The Control Committee should be consulted in the matter of changing of prices, and under no circumstances should prices be changed until the Control Committee has checked up the inventory of the merchandise affected.

Note—The weekly totals of this record are carried to the Weekly Statement No. 8.

No. 4. STORE CREDITS RECORD.

This record provides for goods destroyed, goods returned and shortage and error.

All goods destroyed must be checked up by the Control Committee. Returned merchandise must be certified to by proper vouchers, numbered for identification, so that the Board of Management is advised accordingly.

Note—The cost and retail value totals of both goods destroyed and goods returned are carried to the Weekly Statement No. 8 at the close of the week.

No. 5. SALES AND DISBURSEMENT RECORD.

1. The daily sales totals, whether for cash or including possible credit, are entered in their respective columns.
2. "Miscellaneous Sales" such as barrels, burlaps, boxes and other items, not strictly merchandise, must be kept separate from merchandise sales.
3. Income from possible outstanding bills are totalized at the end of the day and entered in the Accounts Receivable column.
4. "Receipts from all other Sources" provides for receipts from the sale of shares, membership fees, money transfers, etc.

The total of these four columns, or "Total Cash Income", must balance with the daily bank deposits.

Where a cash register is in use, the readings of the register totalizer are entered at the close of the day.

It is suggested that the totalizer control key should always be kept in the hands of the Control Committee, and not in the possession of the manager. The setting of the totalizer to "zero", and the shifting of the control number should always be a matter of record, and the resetting to zero should be done by the Control Committee or one of the Board of Directors. Otherwise the control value of the cash register is nil.

Disbursement Record: This records the disbursements of cash by the manager; these are classified as to wages, sundries and merchandise. Wherever possible they should be backed up by original cash vouchers and numbered for identification.

Merchandise bought for cash must not be confused with the expense items. The Control Committee will certify to the proper transfer to the receiving record with a check on all items entered.

Special note—The handling of disbursements may be done by the so-called "impressed fund method," i. e., by placing a certain sum at the disposal of the manager for such expenditures. This is recommended.

Or they may be handled by taking the funds out of the sales receipts, in which case the daily total of expenditures and the daily bank deposit must balance with the total sales.

No. 6. INVOICE RECORD.

The Invoice Record registers all incoming invoices and shows the gross and net amount of same with the deductions and allowances each invoice is subject to.

The importance to the Control Committee of this record is in keeping a check on credits due the society for goods returned to the wholesalers. Freight or drayage charges should be noted. Such cost must be included in the cost values of the goods in the Receiving Record.

The registry number is determined when making the original entry in the Receiving Record, and is the identification number in all entries relating to that particular invoice.

When the receipted invoice is returned, the noting of this fact in its proper column shows all transactions closed between the society and the supplier relating to it.

No. 7. WEEKLY STATEMENT AND SUMMARY.

The Weekly Statement is nothing but a summary of the weekly transactions as detailed in the different records.

No. 8. WEEKLY STOCK STATEMENT.

The Stock Statement groups the totals of the respective columns into debits and credits and shows the amount of merchandise stock on hand at the closing of the records.

Note particularly—The amount of stock on hand can be ascertained at any time merely by closing the records.

Verification of the records is obtained by taking a physical inventory, i. e., taking stock.

The Weekly Statement and Stock Statement is reported to the Board of Directors by the Control Committee.

No. 9. STOCK BALANCE SHEET.

The Stock Balance Sheet is a debit and credit Statement of the totals involved in ascertaining the true condition of recorded values.

The physical inventory, i. e., the actual count of the stock on hand, is the determining factor of the correctness of the records.

Note—If a discrepancy between the actual count and the recorded figures is more than \$12.50 over, or \$12.50 under, it should be brought to the attention of the Board of Directors who may decide that a new inventory be taken.

Debit Factors.

1. The total retail value of merchandise on hand at the beginning of a period is Debit Factor No. 1.
2. The total retail value of merchandise received during the period is Debit Factor No. 2.
3. Increases in value of merchandise on hand due to change in selling price is Debit Factor No. 3.

Credit Factors.

The Stock Credit Factors—

1. Sales of merchandise within the period.
2. Decrease in value due to change in price within the period.
3. Store credits for goods destroyed; goods returned; shortage and error during the period.
4. Goods on hand at the close of the period as ascertained by the physical inventory.

The difference between the debit factors and the stock credit factors determines the amount of merchandise that should be on hand.

The difference between this amount and the physical inventory shows the actual shortage or overage.

No. 10. INVENTORY SHEETS.

The Inventory Sheet is numerically arranged in columnar form for easy and quick stock taking.

Articles such as coffee, sugar, butter, eggs and flour are taken separately and listed by name.

It is suggested here that the stock be taken by the Control Committee as well as the manager, a double count being obviously an advantage.

Note—The variation margin should not exceed \$25.00.

No. 11. TURNOVER REGISTER SHEET.

In the case of a society with a turnover of less than \$1,000 weekly this record may be dispensed with.

This takes care of the actual turnover, both of volume and its quantity relationship to the total turnover, and the time rate, or speed of turnover.

It lists the quantities received, cost and retail values, gross profit, and quantity differentials of stock at the beginning and close of a stock period.

The important information furnished is found in ascertaining the correct volume of the articles sold; of the gross profit, and its influence on the average gross profit. *A voluminous turnover of an article with a low margin of profit may seriously impair the average gross profit, and even depress it below the point of operating expenses.*

It is suggested that in finding out the turnover of the single items that only the main "sellers" be considered, such as coffee, tea, sugar, eggs, butter, flour, soap, condensed milk, etc.

No. 12. MARGIN CLASSIFICATION.

In this record all articles are listed with regard to amount of gross profit obtainable on them.

The "mark-up" on an article is determined by the prevailing retail price in the neighborhood, or current market rate.

Margin classes differ according to neighborhoods.

As a rule the items of the greatest turnover, i. e., staples, are put into the lowest margin class. It is suggested here that sugar, soap and condensed milk be put in the lowest margin class, or Class 1; that butter, eggs, and flour be put in the next lowest, or Class 2; that canned fruits, vegetables, fish, meats, soups, preserves, dried fruits, dried legumes and fancy groceries be put in Class 3; and that coffee, teas and spices be listed in Class 4.

In Class No. 1 the average "mark-up" is from 5% to 10%

Class No. 2 the average "mark-up" is from 10% to 12½%

Class No. 3 the average "mark-up" is from 12½% to 20%

Class No. 4 the average "mark-up" is from 20% to 30%

Note—There can be no hard and fast rule about the classification of goods nor the rate of mark-up, and the above is tendered as a suggestive guide. For example, eggs might be a poor "seller" on account of local henneries, whereas, in the city eggs are always good "sellers."

In connection with this system of stock control the retail price marking method must be strictly adhered to; and the control committee must see that all goods are properly marked with the correct prices.

CONCLUSIONS.

This system of accounting, which was worked out by Mr. Christensen in the Workingmen's Consumers Association of Queens County, New York, is applicable to a business of any size—large or small.

The Manager should not be burdened with the other accounting. Administration expenses, including wages, rent, repairs, telephone, light, heat, delivery, and insurance, should be kept by other officers. They also, and not the Manager, should be responsible for the distributive accounting, such as for interest, reserve and educational funds.

It is appropriate, perhaps, to say a few words further regarding leakage and dividend, and to treat on the matter of delivery.

Leakage.

A quarter of one per cent. of the total sales should be allowed the manager for leakage. The wholesaler's weights are usually very close, and too frequently short, though not enough to make complaint except when they are flagrantly so. However careful the manager is in weighing out in small quantities, it is not an easy matter to come out even. Loss of weight by drying is a factor in leakage. Managers of Co-operatives are not over-paid and they should not be penalized for something practically beyond their control. Certainly no excuse should be given them to give short weight.

Savings>Returns (Dividends).

A useful method of keeping the record of purchases is by means of stamps issued at the time of purchase to the members in denominations of 10 cents. Books can be furnished the members in which these stamps are to be pasted,—each book when full represents purchases to the amount of \$100. (Young co-operators in the home can be made stamp clerks so that these are pasted in promptly.) These books cost \$40 per thousand; the stamps cost from \$40 to \$50 for 300,000.

If a member receives merchandise to the value of two dollars, then 20 stamps are given; if the purchase is \$1.99, then 19 stamps are given.

Another method is by entering purchases in a Member's Pass Book having on it the Member's number. Entries are made by the manager or clerk in this book at time of purchase of merchandise *with indelible pencil*. The cash register slip is numbered then and there with the Member's number and retained for compilation. In this way there is complete control over purchases. Such work of compilation could be done by some other member or members of the society. Where a society has more than one department, the Member's Purchase or Pass Book could have columns for such departments. This is an improvement upon the method used by some British societies.

The method in most common use in this country is by means of cash register slips.

The percentage of dividend should be based on the actual sales; not according to the books that are turned in by the members. For example, if the sales records show the sales to be \$40,000 for the period, these are the figures

on which to base the rate per cent. The books turned in by the members would undoubtedly show a lesser amount, for some of the members would be delinquent in turning in their books.

Books for different periods should be identified by different colors or the date of the period plainly marked on the books when issued, or whatever other way may suggest itself for the purpose.

Members should receive their dividends at the rate and on the purchases made in the period in which they were made, not on some other rate, and in some other period.

Delivery.

It has been thought unfair to penalize members because they happen to live a long distance from the store. Some Co-operatives deliver at any point within the territory, on proper route days, merchandise of any value when the weight is over 15 pounds.

On the other hand, it is right that members should pay for the extra service rendered. In the latter event, it is suggested that a different colored dividend stamp be used on which to base the cost of delivery, a distinction thus being made between the sales of merchandise delivered and sales of merchandise carried home by the purchaser. The average cost of such delivery is four to five per cent. An average cost can be determined over a few periods. The Controller, of course, would keep the records of the expense of the automobile, if one is used, wages of the chauffeur, depreciation of the car, insurance, and other incidental expense. The manager should not be burdened with such records. Where stamps are not employed, a certain colored cash-register slip could be used for sales by delivery and a different colored slip for sales of goods carried by the purchaser. This plan of using different colored slips or checks for this purpose was devised by Richard Henschke of the Utica, New York, Co-operative Society.

PART II

Co-operative Book Keeping

This system of bookkeeping is supplementary to the foregoing system of store records.

The work of the Control Committee is practically done when the records have been faithfully kept and certified to.

With the results to hand the work of the bookkeeper or controller is simplified. He deals mainly with totals. The records themselves comprise the details of the accounting.

The necessary books are—

1. Cash Book
2. Journal
3. Purchase Book
4. Ledger
5. Stock Capital Ledger.

CASH BOOK

This should be a *National* or *Standard* columnar book of several columns on each page, obtainable at any regular stationery store. Appropriate headings should be made to the columns for such items as Expense Account, Merchandise Account, Delivery Account, etc., on the credit side, so that they may be posted in one total to the ledger at the end of a period. It is not advisable to spread out the columns too much. For instance, under General Expense may be entered taxes, rent, light, heat, telephone, bonding, sundry repairs, etc.

Some stores always pay cash for their merchandise and do not keep running accounts with their suppliers. In this case a column can be provided for merchandise and these items debited in one total to Merchandise Account. The invoices for this merchandise will have been checked with the Receiving Record by the Control Committee and certified for payment so that the cash book total will agree with the total of the Receiving Record.

The debit side should have a column each for stock capital and loan capital receipts.

A "Miscellaneous" column should be provided on each side. It were better to analyze this column at the end of the period and post group totals rather than post each item separately. A separate column could be used if too much frequency of items carried to this column occurred.

The Sales and Disbursement Record will be submitted to the Controller or Bookkeeper every week.

The total of "Merchandise Sales" will be debited in the Cash Book and credited to "Merchandise Account."

"Miscellaneous sales" are debited to cash and credited to Merchandise A/c. It will be remembered that "Miscellaneous Sales" cover such items as barrels, boxes burlaps, tea—lead, etc.

JOURNAL

This is the clearing house for accounts and closing entries, and otherwise very little employed. The ordinary two-column journal can be used.

The disbursements by the manager from the Petty Cash provided him will be treated in the Journal. Expense A/c., Mdse A/c., and others are debited—Petty Cash A/c credited.

Transactions which do not go through either the Cash Book or Purchase Book should be journalized.

PURCHASE BOOK

Where running accounts are kept with Suppliers the bills approved by the Control Committee should be entered in a two or three-column purchase book from which the entries in total are debited to the Merchandise Account, and the suppliers are credited individually.

LEDGER

The ledger is the final book of account in which all postings are made. Loose leaf of standard form is suggested. This same form can also be used for the Stock Capital ledger.

For our purpose accounts should be divided into two parts:

- (1) General Accounts.
- (2) Accounts with Trade Creditors.

Postings of totals to the ledger should be made monthly in conjunction with the foregoing system of store records.

It is thought more serviceable to describe Ledger Accounts in detail rather than just state what they are. Brevity is therefore sacrificed to this purpose:

(1) *Stock Capital*

Credit Stock Capital A/c with actual paid-in capital stock, or paid by dividends account.

Debit returned stock capital through withdrawals, etc.

Balance at end of period is amount of stock capital of the society.

(2) *Loan Capital A/c*

Credit with all receipts for loan capital. Charge (debit) with all disbursements.

Balance to be carried forward.

(3) *Savings-Return (Dividend) A/c*

Credit this account with total amount of savings-returns (dividends) accrued to members.

Debit with savings-returns (dividends) paid out in cash, or for transfers to Stock Capital.

(4) *Reserve Fund*

The Co-operative incorporation law in many States requires that a reserve of 30% of the paid-up stock capital shall be set aside as a reserve fund. Not less

than 10% of the net earnings should be set aside until this amount is reached. This amount is transferred from the credit side of the Loss and Gain A/c to the credit side of the Reserve Fund A/c.

(5) *Co-operative Educational Fund A/c*

Five % of the surplus-savings is usually set aside for the Educational Fund. Credit this account with disbursements for education, such as subscription for Co-operative literature, lectures, entertainment of an educational kind, etc.

Any credit balance at the end of a period must be carried forward for disbursement in the next period.

(6) *Cash on Hand and in Bank*

Debit this account with the total receipts of the month and credit it with the total disbursements as shown by the cash book balance. The balance should agree with the cash book balance.

(7) *Merchandise A/c*

This account shows the inventory at opening on the debit side *at cost price*.

It is charged or debited with merchandise purchases and credited with sales.

The inventory at cost price at the close of the period is then credited. The balance will show the gross surplus-saving (profit) on trading. The gross surplus-saving is transferred to the credit of the Loss and Gain A/c, and the new inventory carried down on the debit side of the Merchandise Account as a new balance.

(8) *Wages A/c*

Debit this account with wages and other remunerations for services rendered,—such as manager, clerks, office force, etc. Credit at end of period to Loss and Gain A/c.

(9) *Insurance, Taxes, Licenses A/c*

Treat same as No. 8.

(10) *Furniture and Fixtures A/c*

The debit side of this account will show the value of the inventory at opening. Thereafter it is debited with purchases for this account, renewals and repairs. It is credited with possible sales. The inventory at the end of the period and 10% for depreciation, i. e. 10% per annum, are credited. The balance will show the net value which is transferred to the Loss and Gain A/c. The new inventory is then carried down to the debit side as the new balance.

(11) *Delivery A/c*

Debit this account with delivery equipment, and with all expenses for upkeep, renewal, driver's wages, garage, etc.

Credit with possible receipts for delivery, and with value of the equipment at close of the period.

The balance will be transferred to Loss and Gain A/c and the new value to be carried down on the debit side of the Delivery A/c.

(12) *Interest A/c*

Charge this account with all interest paid and credit it with all interest received, and close into Loss and Gain A/c.

(13) *General Expense A/c*

Charge this account with all miscellaneous expenses not otherwise treated, such as stationery, postage, etc.

(14) *Loss and Gain A/c*

Debit this account with the expenses of all the expense accounts, and credit it with the gross surplus-saving (profit) from trading. The difference will be the net gain or loss to be transferred to the Surplus A/c.

(15) *Real Estate A/c*

Debit value of property acquired or purchased; debit charges for additions, renewals, etc., which increase the value of the property.

Fixed depreciation charges are credited, and transferred to Surplus A/c. (The latter is done as it is not a trading account.) The balance of this account is carried down on the debit side.

(15-a) *Rent Income A/c*

This account is transferred to the credit side of Surplus A/c.

(15-b) *Repairs and Alteration A/c*

Repairs and alterations which do not increase the value of the property are debited and transferred to Surplus A/c at the closing of the period.

(16) *Surplus A/c*

This account is practically a balance sheet.

The assets are entered on the debit side at the opening of the books. Liabilities are entered on the credit side. At the close of the period, transfer the balance from the Loss and Gain A/c.

All changes in the balance of Stock Capital A/c, Loan Capital A/c, Reserve Fund, Dividend A/c, Real Estate A/c, Property, Rent Income, for Repairs and Alterations having to do with property, have to be adjusted to this account, so that the balance must prove with the balance sheet.

STOCK CAPITAL LEDGER

The Secretary should keep a Stock Capital Ledger, which shows all the stock capital paid in and accrued, and withdrawals. Accounts should be in alphabetical order.

Note: Savings returns (dividends) paid out are not entered in this book, only savings returns accruing to stock capital.

The total balance of this ledger must agree with the balance of the Stock Capital A/c in the General Ledger.

Many states require that incorporated societies keep a Book of Account, Transfer Ledger or Register in prescribed form by the State Comptroller.

Having all the factors to hand the following vital information can be obtained during the period when desired.

1. *Cost per cent of doing business:*

Divide Gross Sales into Total Expense
 Example ..\$10,000 1,000

 10%

2. *Gross Surplus-savings (Profits):*

Deduct Merchandise Cost from Gross Sales
 Gross Sales.....\$10,000.00
 Merchandise Cost.... 8,500.00

 Gross Profits..... \$1,500.00

3. *Margin per cent:*

Divide Gross Sales into Gross Surplus-savings (Profits)
 10,000 1,500

 Margin per cent.....15%

4. *Gain per cent:*

Deduct "Cost per cent" from "Margin per cent."
 Margin per cent..... 15%
 Cost per cent..... 10%

 Gain per cent..... 5%

5. *Estimated Surplus-savings (Profits):*

Multiply "Gain per cent" by "Gross Sales"
 Gross Sales.....\$10,000.00
 Gain per cent..... .05%

 Estimated surplus-savings (profits) \$500.00

At the end of a period when physical inventory has been taken and the records verified accordingly then the term "Estimated profits" would not be used.

Note—The physical inventory is not taken at cost. It is taken at retail values. However, the figures at cost must be credited to the Merchandise A/c at the end of the period, not retail values. The cost value of the inventory can be arrived at very simply, by percentage. For example, if the total of Merchandise received is \$8,500 and retail value according to the records is \$10,000 then the cost value of the physical inventory is 85%.

See pages 8 and 9 of "How to Start and Run a Co-operative Store" regarding operating expenses.

It is eminently necessary to apply common-sense principles to this work of Co-operative distribution, to arrive at the necessary facts to conduct the business safely and soundly without burdensome elaboration and unnecessary detail. Co-operative Stores are tools which Co-operators use to work out their economic freedom. It is necessary that these tools be efficient and reliable, but they are not ends in themselves. They are only means to an end which it is hoped Co-operators have the vision to foresee.



The blank forms used with the Accounting System may be purchased from the League at THREE CENTS EACH.

The following proportion is suggested for one month's supply:

25 each of #1, 2 and 6
5 each of #3,4,5
1 each of #7,8,9

The inventory sheets are in three sections, A,B,C. 5 of each should be sufficient for one inventory.

It is suggested that the Treasurer or Control Committee use the Greenwood Record Book for recording totals at the end of each month according to various accounts. This book is a simple record book taking the place of cash book, journal and ledger in an ordinary system of book-keeping. Every column is self-explanatory. It contains 52 pages, one for each week in the year. The cost is \$3.50, and it may be obtained through the League, or directly from the Greenwood Co., 712 Federal Street, Chicago, Ill.

The accounting sheets should be filed in a loose-leaf canvass binder, to be obtained at any stationer's for a small amount.

No. 5a. DISBURSEMENT RECORD

DATE	WAGES	AMOUNT	SUNDRIES	AMOUNT	Cash Voucher	MERCHANDISE	AMOUNT
	SIGNED NAMES						

No. 6. INVOICE RECORD

Date

Sheet No.

Register Number	Date	INVOICE	AMOUNT		DISCOUNT		ALLOWANCES				Date, Receipt Is Returned	Freight Charges or Drayage	REMARKS	
			GROSS	NET.	Rate	Amt.	Trade Disc.	Goods Returned	Voucher No.	Shortage & Error				

No. 7. WEEKLY STATEMENT AND SUMMARY

Period Week Ending	Merchandise Received		Change in Price		Goods Destroyed		Goods Returned		Shortage and Error	Merchandise Sales		CASH INCOME				BANK DEPOSITS	
	Cost Value	Retail Value	Increase in Value	Decrease in Value	Cost Value	Retail Value	Cost Value	Retail Value		On Account	Cash	Miscellaneous Sales	Accounts Receivable	Receipts from Other Sources	TOTAL		

No. 8. WEEKLY STOCK STATEMENT

STOCK DEBITS				STOCK CREDITS						Retail Value of Goods on Hand		
Retail Value — Merchandise Beginning of Period	Retail Value of Merchandise Received	Increase of Value	Total Debits	Decrease in Value	Goods Destroyed Retail Value	Goods Returned Retail Value	Shortage and Error	Merchandise Sales On Acc. For Cash			Total Credits	

No. 9. STOCK BALANCE SHEET

PERIOD	STOCK DEBIT	TOTALS	STOCK CREDIT	TOTALS	REMARKS
	(1) Merchandise on Hand at Beginning of Period. (2) Merchandise Received During the Period. (3) Increases in Value Due to Change of Price.		(1) Merchandise Sales Within Period. (2) Decrease in Values Within Period. (3) Store Credits: (a) Goods Destroyed. (b) Goods Returned. (c) Shortage and Error. Stock on Hand at Close of Period.		

No. 10. INVENTORY SHEET

Date of Inventory:

(The part of the Inventory form shown is merely suggestive of the whole)

By Whom Taken:

UNIT PRICES	1	2	3	4	5	5	5	5	6	6	7	8	9	10	10	10	10	11	12	12	13	14	14	15	15
UNIT TOTALS																									
\$ AMOUNT																									

No. 11. TURNOVER REGISTER

(Blank spaces to indicate article of Merchandise on which turnover is to be computed,—Butter, or Eggs, for example)

Stock Differentials

Stock Differentials

Stock Differentials

Quantities Received	Cost Value		Retail Value		Stock Differentials			Quantities Received	Cost Value		Retail Value		Stock Differentials			Quantities Received	Cost Value		Retail Value		Stock Differentials		
	\$	¢	\$	¢					\$	¢	\$	¢					\$	¢	\$	¢			