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# Manual of accounts prepared for New Orleans Bank for Cooperatives

R. J. LeGardeur & Co.

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MANUAL OF ACCOUNTS

PART I BALANCE SHEET - Page 4

PART II OPERATIONS - Page 15

Prepared for

NEW ORLEANS BANK FOR COOPERATIVES

For use by

GLENWOOD COOPERATIVE, INC.,

WATERFORD SUGAR COOPERATIVE, INC.,

HELVETIA SUGAR COOPERATIVE, INC.,

MAGNOLIA SUGAR COOPERATIVE, INC.,

EVAN HALL SUGAR COOPERATIVE, INC.,

R. J. LeGARDEUR & COMPANY,

CERTIFIED PUBLIC ACCOUNTANTS.

NEW ORLEANS, LOUISIANA.

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MANUAL OF ACCOUNTS

PART I

BALANCE SHEET

and

GENERAL BOOKS

SECTION

BALANCE SHEETA S S E T SCurrent Assets:Cash:

Cash in Bank

Cash on Hand

Receivables:

Notes Receivable

Customers Receivable

Growers Members

Growers Non-members

Payroll Advances

Miscellaneous

Inventories:

Sugar on Hand

Syrup on Hand

Molasses on Hand

Third Products on Hand

Prepaid Expenses:

Prepaid Insurance

Prepaid Taxes and Licenses

Prepaid Interest

Deferred Charges:

Bags

Barrels

Lubricants

Waste

Chemicals

Fuel Oil

Coal

Lime

Sulphur

Supplies

Total Current Assets:Other Assets:

Stock N. O. Bank for Cooperatives

Total Other Assets:

Fixed Assets:

Land

Buildings (Described)

Machinery (Described)

Less: Accrued Depreciation

Total Fixed Assets:Total Assets:Operating Control:Total Assets:L I A B I L I T I E S

Trade Payable

Accrued Payrolls

Accrued Interest

Miscellaneous Notes Payable

Member Growers Deposit Account

Accrued Taxes

Mortgage Notes Payable:

Due to N. O. Bank for Cooperatives:

Facility Loan

Merchandise Loan

Interest Accrued

Temporary Retains from Members:

Total Liabilities:

C A P I T A L

Preferred Stock

Common Stock

Earned Surplus

Paid in Surplus

Profit and Loss

Total Capital:

Grand Total:



COMMENTS ON BALANCE SHEET

Few explanatory comments are required for the Balance Sheet, as the listed items of assets and liabilities are clear and self-explanatory.

The Inventory Section takes care only of the manufactured products and products under process.

The various Supplies left on hand at the end of the fiscal period, will be carried under the Section of Prepaid Supplies, instead of under the Inventory Section.

The purchase of all supplies should be charged to one or several Stock or Supplies Accounts, which accounts should be periodically credited with the withdrawal and consumption of these supplies.

Machinery and Equipment:

An intelligent distribution should be made in the ledger, of the many kinds and classes of machinery and equipment, so that the varying rates of depreciation may be properly applied.

Distribution of Yearly Profits:

Yearly the net operating profits must be classified under two sections; one, representing profits earned on Members Growers Cane, the other, representing profits earned on Non-members Growers Cane.

Presently it is assumed, that if the profits are all distributed before the close of the fiscal period, the Cooperatives will avoid all Surtaxes on undistributed profits, and will pay normal tax only on those profits earned out of Non-members Growers Cane.

The entry setting forth this dual distribution must show first that all distributable profits have been distributed, second, that if it is necessary to hold back a certain temporarily retained amount from each vendor, that this amount has been collected; and third, that if the Member Growers must contribute a certain amount of their profits to a fund to meet the indebtedness of the Cooperative, that this certain amount has also been collected.

General Books of Accounts:

In the event that the present book-keeping system is not satisfactory, or that it is not elastic

enough to permit the installation of the uniform operating system, then the following books of accounts are recommended:

A Cash-Journal and a General Ledger, supported by as many subsidiary books and records as may herein be indicated, or subsequently found necessary.

The General Ledger will be of the loose leaf pattern and may be kept in the binder holding the subsidiary operating ledger.

The General Ledger will be divided into three sections, each properly tabbed.

ASSETS,

LIABILITIES,

CAPITAL,

and the accounts kept therein under these sections are, in the main, indicated on the form of Balance Sheet hereinabove submitted.

Cash-Journal:

General Cash Journal will be columnar in form, and will have the following columns:

Date	1 Space
Explanation	1 Space
Voucher Reference	1 Space
Check Number	1 Space
Bank Cash	2 Columns

Bank Cash	2 Columns
Operating Control	2 Columns
Member Growers	2 Columns
Non-member Growers	2 Columns
Receivables	2 Columns
Payables	2 Columns
Stock Supplies	2 Columns
Payroll	2 Columns
General Sundries	2 Columns

The Cash Journal should be of the double page form with twenty-four columns to the right, to provide necessary columns for additional distributions if found necessary; this book is of a regular standard stock size.

Subsidiary Operating Ledger:

This ledger is described in the operating section of this Manual; it may well follow the general ledger under the same binder.

Subsidiary ledgers will also be required for the Receivables, the Payables, the Member Growers, and the Non-member Growers; each of these ledgers to contain alphabetical tabs, and possibly one binder will do for the four of them.

Disbursements:

An imprest cash fund no greater than required, will be established, and will be balanced and replaced once a

week, by check, charging the proper accounts.

Other than this, all disbursements must be made by check and check number inserted on the voucher or invoice, representing the authority for payment, and check number shown in Cash-Journal.

All transactions other than cash entered in the Cash-Journal will be initiated and supported by a voucher, simple in form, - the form of which will be submitted if required; these vouchers to be filed in a binder in numerical sequence.

Payrolls:

Withdrawals for payrolls will be charged to Payroll Account, and the amount Journalized out of the payroll account and charged to the proper accounts, invoiced through a regular voucher.

The system above suggested for the General Cash-Journal and the Journal vouchers, is merely suggestive and not sacramental. It is the system which, in our opinion, is best suited for the purpose herein contemplated.

However, if the cooperatives respectively, have bookkeeping systems which are intelligently prepared, and from which the information herein listed can be accurately and effectively determined, then no objection whatever can be made to their continuing the satisfactory system they now operate.

It is, however, imperative whatever system of books may be used, that the entire operating costs be kept exactly as outlined in this Manual, and that each major operating section begins where indicated and ends where indicated. Unless this is faithfully followed, no comparative results could be determined, and the only purpose of the uniform system would be destroyed.

As regards the books, registers, or records necessary to reflect details of daily cane purchases, daily production records, and daily shipping records, this can best be left for discussion when personal visits will be made to the office of each Cooperative, as, until final marketing agreements are made, no one can guess the final requirements.

The Bank for Cooperatives, will receive these daily, or weekly, or monthly reports, and at some such central point, some one should prepare a consolidated report, comparing in columnar form, and in percentages, the results of the Cooperatives.

MANUAL OF ACCOUNTS

PART II

OPERATING SECTIONS

CHART OF OPERATING ACCOUNTS100    MANAGEMENT

101	Manager	Salary & Allowances
102	Assistant	Salary & Allowances
103	Superintendent	Salary & Allowances
104	Assistant	Salary & Allowances
105	Chief Engineer	Salary & Allowances
106	Chief Assistant	Salary & Allowances
107	Secretaries	Salary & Allowances
108	Traveling Expense	



150    OFFICE

151	Bookkeepers	Salary & Allowances
152	Time Keepers	Salary & Allowances
153	Clerical Help	Salary & Allowances
154	Postage	
155	Telephone and Telegrams	
156	Stationery and Printing	
157	Office Supplies	
158	Office Expense	

200    GENERAL EXPENSE

- 201    Insurance - Fire and Tornado
- 202    Insurance - Boilers
- 203    Workmen's Compensation
- 204    Insurance Liability
- 205    Fire Prevention
- 206    Medical and Sanitation
- 207    Legal and Auditing
- 208    Interest
- 209    Upkeep Factory Grounds
- 210    Upkeep Factory Roads

250    TAXES

- 251    State and Parish Real Estate
- 252    State and Parish Personal
- 253    State and Parish Licenses
- 254    State Franchise
- 255    State Unemployment
- 256    State Income
- 257    Federal Capital Stock
- 258    Federal Income
- 259    Federal Unemployment
- 260    Federal Old Age Benefit

300 POWER, LIGHT AND WATER

- 301 Water Supply
- 302 Water Tenders
- 303 Helpers
- 304 Oil Burners
- 305 Coal Burners
- 306 Bagasse Burners
- 307 Bagasse Hoppers
- 308 Fuel Oil
- 309 Coal
- 310 Bagasse
- 311 Electric Plant
- 312 Poles and Wiring
- 313 Globes, Lamps and Parts

350    CANE SHED

- 351    Cane Grapple
- 352    Carrier Feeder
- 353    Cane Slings
- 354    Feeding and Leveling Carrier
- 356    Replacing Slats
- 357    Cane Shed Grounds and Yard
- 358    Yard Locomotive
- 359    Yard Crew

400    MILL ROOM

401    Engineer and Oiler

422    Crusher Men

423    Mill Men

424    Sweepers

450    CLARIFICATION

- 451    Raw Juice Pump
- 452    Lime and Sulphur Tanks
- 453    Superheaters
- 454    Clarifiers
- 455    Defecators
- 456    Filter Presses
- 457    Filter Press Cloths & Bags
- 458    Filter Press Cakes
- 459    Settling Tanks
- 460    Clear Juice Tanks
- 461    Chemicals
- 462    Lime and Sulphur

500 DIRECT MANUFACTURING

- 501 Effects
- 502 Syrup Tanks and Pumps
- 503 Pans
- 504 Mixer
- 505 Centrifugals
- 506 Crystallizers
- 507 Granulators
- 508 Sugar Room
- 509 Magma Tank Room
- 510 Barrels
- 511 Bags
- 512 Sacking Sugar
- 513 Barrelling Sugar
- 514 Sugar Weighers
- 515 Storing Sugar
- 516 Shipping Sugar
- 517 Shipping Syrup
- 518 Shipping Molasses
- 519 Shipping Blackstraps
- 520 Drying Thirds
- 521 Sacking Thirds
- 522 Storing Thirds
- 523 Shipping Thirds



550    INDIRECT MANUFACTURING

- 551    Foreman
- 552    Assistant Engineers
- 553    Mechanics
- 554    Oilers
- 555    Lubricants and Waste
- 556    General Supplies
- 557    Watchmen
- 558    Blacksmith Shop
- 559    Carpenter Shop
- 560    Machine Shop
- 561    Boarding House Expense
- 562    Unclassified Expense

600    LABORATORY

- 601    Chemist
- 602    Assistants
- 603    Helpers
- 604    Juice Samplers
- 605    Laboratory Expense
- 606    Laboratory Supplies

650    GENERAL REPAIRS

651    General Machinery Repairs

652    Mill Repairs

653    Boiler Repairs

654    Scale Repairs

655    Electric Plant Repairs

656    Electric System Repairs

657    Pipe Line Repairs

658    Cane Shed Repairs

659    Buildings Repairs

660    Water Supply Line

700 CANE PURCHASED EXPENSE

- 701 Cost of Cane from Non-members
- 702 Cost of Cane from Members
- 703 Round House Mechanic
- 704 Round House Expense
- 705 Lubricants and Waste
- 706 Coal
- 707 Engineers and Firemen
- 708 Switchmen
- 709 Wrecking Crews
- 710 Track Repairs - Labor
- 711 Track Repairs - Supplies
- 712 Cross Ties
- 713 Trucks Operations
- 714 Trucks Repairs
- 715 Trucks Parts and Tires
- 716 Gasoline and Oil
- 717 Truck Contract Hauling
- 718 R. R. Freight
- 719 Hoists and Derricks

As far as it is practicable, all of the above expenses must be segregated between Members and Non-members.

750 INCOME

- 751 Sales of Thirds
  - 752 Sales of 96°
  - 753 Sales of Clarified
  - 754 Sales of Crystallized
  - 755 Sales of Granulated
  - 756 Sales of Syrup
  - 757 Sales of Molasses
  - 758 Sales of Blackstraps
  - 759 Miscellaneous Sales
- 
- 770 Commissions on Sales
  - 771 Weighing Charges
  - 772 Gauging Charges
  - 773 Storage Charges
  - 774 Freight and Drayage
  - 775 Allowances

A careful reading of the chart of accounts above listed, indicates the basic principle of the Cost System submitted. Its entire purpose is to secure uniformity of operating expense under as few major sections as possible.

The entire operations are divided into fourteen (14) Major Sections, as follows:

<u>No. 100</u>	<u>MANAGEMENT</u>	-	Self-explanatory.
<u>No. 150</u>	<u>OFFICE</u>	-	Self-explanatory.
<u>No. 200</u>	<u>GENERAL EXPENSE</u>	-	Self-explanatory.
<u>No. 250</u>	<u>TAXES</u>	-	Self-explanatory.

These four sections really constitute the Administrative Expense. Any expense that may arise and may not be designated in the distribution, and yet appertains to Administrative, must be charged to the proper one of these four sections.

No. 300    POWER, LIGHT AND WATER

To this major section must be charged all expenses that are incurred for the purpose of furnishing power, light and water to the entire plant.

No. 350    CANE SHED

To this major section must be charged all expense incurred from the time the cane is delivered to the cane shed, until the cane reaches the crusher.

No. 400    MILL ROOM

To this Major Section must be charged all expenses incurred from the time the cane reaches the crusher men, to the time the bagasse reaches the bagasse drag, and the Juice, the juice pit.

No. 450    CLARIFICATION

To this Major Section must be charged all expenses incurred from the time the raw juice reaches the juice pit, to the time the clear juice reaches the effects.

This to include every step in the clarification and purification of the juice regardless of the process used.

No. 500    DIRECT MANUFACTURING

It is conceded that were the Cooperatives financially able to afford the required accounting and statistical assistance, this Major Section and the Clarification Section, would have been divided into many more Major Sections. Presently, however, this refinement will be dispensed with as it is believed these fourteen Sections will work out satisfactorily.

To this Major Section must be charged those expenses incurred in any operating activity from the time the clear juice has reached the effects to the time the manufacturing is completed, which expenses are not specifically provided for in any other Major Section.

No. 550    INDIRECT MANUFACTURING

To this Major Section must be charged those manufacturing expenses which are general in character, and which cannot be directly allocated to specific Major Sections, the class and character of the expense chargeable to this Section are plainly indicated by the subdivisions submitted.

No. 600    LABORATORY

No explanatory comments are required for this Section.

No. 650    GENERAL REPAIRS

This Section appears to be self-explanatory.

No. 700    CANE PURCHASED EXPENSE

This Major Section is really divided into two parts; the first item, No. 701, covers the Cost Price paid for cane to Non-member growers; the second item, No. 702, covers the Cost Price paid for cane to Member Growers.

The second part of this section consists of the several items of expense incurred in delivering to the Cane Shed, all cane purchased.

Whenever it is possible to do so directly, these delivery items should be charged to the Cost of the Non-members or Members cane; whenever this direct charge is not possible, then this delivery charge should be allocated on the basis of average cost per ton. The reason for this separation appears when we discuss the income tax liability of the Co-operatives.



No. 750    INCOME ALL SOURCES

This Section is self-explanatory; under this section must appear gross proceeds of all sales, and all charges against sales.

Under this section must also appear under proper captions, all other income from any and all sources whatsoever.

DEPRECIATION:

It will be noted that under these major operating sections no provision whatever has been made for the burden of depreciation.

This was done deliberately and it is suggested that the depreciation charge be made to appear as the final deduction from the net profits, or be charged directly to Surplus.

The sole purpose of this Manual of Accounts, is to secure uniformity in accounting methods so that clear and effective comparison between Cooperatives becomes possible. For many reasons, depreciation is neither controllable nor comparable, and consequently has been left out of the purely operating sections.

INCOME TAX LIABILITY:

While the Cooperatives are not considered Exempt Corporations under the Income Tax Laws, the fact that all their remaining net income available for that purpose, is distributed in patronage dividends, leaves them with no taxable income whatever.

This is true however, only to the extent that this net income was earned from Members Cane, and it is quite certain that the Government will rule that net profits earned on cane purchased from Non-members are directly taxable, hence the necessity of keeping accurately the entire cost of cane purchased from Non-members, separately from the cost of Members cane.

SUBSIDIARY OPERATING LEDGER:

There shall be a debit and credit column in the Cash-Journal, or Cash Book and Journal, captioned "Operating Control". This column is to control the subsidiary operating ledger, and to it must be charged or credited every item of an operating nature that is chargeable or credited to any of the fourteen operating sections.

The Subsidiary Operating Ledger will be divided into fourteen sections, each tabbed with its proper identification tab, and under each section will be inserted enough ledger sheets to record the subcharges or credits, against each division of the major sections.

A form of weekly report will be furnished and this weekly report must be promptly mailed to the Bank for Cooperatives so that comparative reports may be prepared.

TIME AND PAYROLL BOOKS:

The pocket weekly time books, will be divided into the major sections and under each major section, the

necessary sub-sections should be shown, and the weekly cost report should be prepared from this pocket time book. The payroll book should be arranged alphabetically and posted daily from the pocket time books. The weekly report submitted, should agree exactly as to labor costs with the payroll for that week.

Due to the necessity of keeping clear payroll records to meet the requirements of the Social Security Laws, it is urged that everyone drawing a salary or a wage from the Cooperative, from the Manager down, be carried on the payroll, both as to wages, salaries and allowances.

A daily record of expense should be prepared from the pocket time book, and posted in a daily record book. The weekly report should be prepared from this daily record book.

#### DAILY AND WEEKLY VERIFICATION:

Daily or weekly, the local cost keeper will secure from the report of the Superintendent, such information as tons of cane ground, products manufactured, products shipped, products on hand, and supplies and material consumed, so that the weekly cost report will contain this statistical information.

It should be the duty of the Manager, or of some one designated by him, to make a thorough check and verification of the weekly or daily report of the Superintendent, so that he may verify that, given certain definite factors, certain net obtainable results have been obtained.

It is expected that someone at, or designated by, the New Orleans Bank for Cooperatives, will prepare a weekly

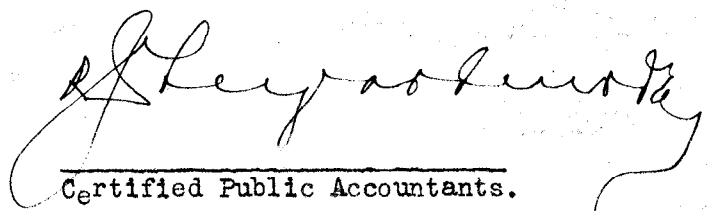
comparative report, from the weekly reports of the various Cooperatives; a copy of said comparative report to be sent to each Cooperative.

It is understood that the ledger sheets in the subsidiary operating ledger will have no less than three columns on the debit side, so that charges made against each account will be divided between Labor, Supplies and Materials, and total.

It is very necessary that in recording all expenses, Payroll Expenses be kept separate from all other class of expenses.

Forms of weekly reports and whatever other forms may be required will be furnished in ample time, and after this system has been finally submitted, understood and approved.

Respectfully submitted,

  
\_\_\_\_\_  
Certified Public Accountants.