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Complete uniform accounting system for retail coal merchants

National Retail Coal Merchants Association

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**COMPLETE UNIFORM
ACCOUNTING SYSTEM**

FOR

**RETAIL
COAL MERCHANTS**



Published by

National Retail Coal Merchants Association
1414 South Penn Square
Philadelphia
1922

A Declaration of Principles

(Excerpts from the Platform adopted by the National Retail Coal Merchants Association, assembled in National Convention in 1920).

The retail coal merchant is an economic necessity. He performs a public service, obtaining for his community fuel required for local domestic and industrial consumption, maintaining storage and delivery facilities commensurate with the community's needs. He is prepared, at any time, to meet the average expected peak of demand and to furnish to the best of his ability the kind and quantity of fuel needed. He is prepared to advise and serve consumers, to their mutual interest and advantage.

Toward the realization of the highest ideals in the conduct of our coal business, we hereby pledge our united efforts, and full cooperation with the producers and wholesalers of coal, the transportation companies, our government, and the public.

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An Appreciation

It is a pleasure to record in this permanent form a slight testimonial to the exhaustive research work, covering several years, of the Committee on Statistics in behalf of the membership of the National Retail Coal Merchants' Association.

The results attained on the part of this committee is a contribution not alone to the membership of the National Association, but to all the retail coal merchants of the United States and Canada, and such being the case THE RETAIL COALMAN considers it a special privilege to be permitted to co-operate to the extent of printing and giving this work of the Committee distribution to all retail coal merchants.

THE RETAIL COALMAN.

1535 Monadnock Block,
Chicago, Ill.

FOREWORD.

In seeking to bring about uniformity of accounting among the members of the National Retail Coal Merchants' Association so that statistics with a real meaning may be available the Association's Statistical Committee has been impressed with the necessity for restricting its requirements to the least number of principles of good accounting, at the same time sacrificing no essential to meet the demands of expediency or incompetence. The Committee thinks that the plan submitted herewith is as simple as one can be and still be complete.

For those who cannot devote enough attention to their accounts to carry out this system a Simplified System has been prepared, outlining a few simple records which, if kept accurately from day to day, will furnish all essential information and enable any one fairly well skilled in accounts to prepare the data called for by the form of balance sheet and operating statements on pages 18 and 19 of this bulletin.

For purposes of uniformity the retailer's margin, referred to in the form of operating statement on page 19 as "Working Margin on Sales," should be understood to be the difference between the cost of coal alongside or on track at destination (but not unloaded) and the retail sales price delivered at curb. Carrying or labor charge, when needed, is to be treated as an extra.

The accompanying text is based on the assumption that it is desired to determine costs and profits monthly, but if it is preferred to do this quarterly, or even less frequently, it will be necessary only to interpret references to "each month" as applying to whatever accounting period may be adopted. It is also based on the assumption that actual inventories will be taken at each closing date and the accounts closed in accordance with such inventories. If book inventories are relied on for monthly closings, they should be verified by actual physical inventories at least once a year, or at such times as such inventories can be most easily taken.

The practice of including among operating costs a charge for the rental of owned properties should not be followed. If a rental is

actually paid, it is to be included among the expenses. If the property is owned, the expenses will include taxes, depreciation, repairs, insurance, etc.; any excess of a fair rental over these charges constitutes gain or interest on the amount invested therein. Interest on the investment in real estate is no more to be included among the expenses than is interest on the investment in machinery, trucks, customers' accounts, etc.

Coal merchants already keeping accounts will undoubtedly find points of difference between their methods and those outlined herein. If these be differences in methods only they are of as little consequence as the color of the paper on which their records are kept. If accounts are so kept as to reflect accurately the character and extent of a merchant's investment in his business and to classify the various elements of revenue and expense substantially as they are classified herein, they will supply all the data desired for statistical purposes if and when requested.

Those who are not now keeping accounts or whose methods do not furnish the data just described, will find in the plan submitted a workable scheme which will be easily understood by any one with a working knowledge of bookkeeping.

Any variations which may be desired to meet personal or technical preferences or local conditions are entirely in order. The Association is, however, keenly desirous of having all retail coal merchants "speak the same language" in stating their accounts, consequently the Executive Secretary would be glad to receive descriptions of variations proposed or already in effect to be transmitted to the Association's Statistical Committee for its information.

**NATIONAL RETAIL COAL MERCHANTS ASSOCIATION'S
COMPLETE UNIFORM ACCOUNTING SYSTEM.**

Classification of Accounts.

A-110	Plant and Equipment.
A-120	Reserve for Depreciation.
A-210	Mortgages.
B-110	Cash.
B-120	Accounts Receivable.
B-125	Cash Sales Receivable.
B-130	Reserve for Bad Debt Losses.
B-140	Inventories.
B-150	Accrued Items Receivable.
B-210	Accounts Payable.
B-220	Accrued Items Payable.
C-110	Deferred Charges.
C-210	Deferred Credits.
D-210	Capital.
D-220	Profit and Loss.
E-100	Sales.
F-100	Cost of Sales.
G-100	Shortage and Degradation.
G-200	Yard Expense.
G-300	Delivery Expense.
G-400	Selling Expense.
G-500	Administrative Expense.
G-600	Carry-in and Trim.
H-100	Non-operating Revenues.
K-100	Non-operating Expenses.

A-110. Plant and Equipment.

Charge this account with the cost of land, buildings and other improvements of land; machinery; trucks, horses and wagons, and other delivery equipment; automobiles used for selling or general purposes; and office equipment; in each case these charges should represent property, the useful life of which will extend well beyond the period in which it is acquired.

Credit this account with the amount received from the sale of any assets such as described above; if this amount is less than the cost of such asset as originally charged to this account the difference should be credited hereto and charged to Reserve for Depreciation (A-120); if it is greater than such cost, the difference should be charged to this account and credited to Reserve for Depreciation. Credit

this account with the amount originally charged thereto in respect of any property destroyed or for any other reason removed from service; the charge offsetting this credit should go to Reserve for Depreciation. Any damage sustained and not repaired constitutes a partial removal from service, and the entry just outlined should be made for the amount of such damage.

The balance in this account should be equal to the *cost* (regardless of present value) of the plant and equipment as it stands.

A-120. Reserve for Depreciation.

Credit this account at the close of each month with the amount of depreciation estimated as having accrued during that month on the assets represented by Plant and Equipment account (A-110). The amounts so treated should be such that at the end of the useful life of the properties to which they apply their sum will equal the difference between the salvage value of such properties and their cost. Depreciation in the sense here used means loss of value due to wear, decay, obsolescence, or inadequacy, and does not include any idea of loss due to market fluctuations or accidents.

Charge this account with the cost of repairs which are of such character as to offset depreciation and prolong the life of the properties.

When any property is sold, destroyed, or for any other reason wholly or partly removed from service, all credits and charges to this account relating to that property, including the adjusting charges and credits described under A-110, should be segregated; if the sum of the credits exceeds the sum of the charges, then charge this account and credit Non-Operating Revenues (H-100) with the amount of the excess; if the debits are in excess, credit this account and charge Non-Operating Expenses (K-100) with the amount of the excess.

The balance in this account represents that portion of the cost of the properties represented by A-110 which has been absorbed as an operating cost. It does not necessarily represent the difference between cost and present value.

A-210. Mortgages.

Credit this account with the amount of any liabilities which constitute liens against any of the assets represented by A-110.

Charge this account with the amount of all payments or adjustments in reduction of principal of such liabilities.

The balance in this account should be equal to the sum of all such liabilities outstanding.

B-110. Cash.

Charge this account with the sum of all items of cash received; credit with the sum of all items of cash paid out.

The balance in this account should be equal to the amount of cash on hand and in bank.

B-120. Accounts Receivable.

Charge this account with the sum of all sales other than cash or c. o. d. sales, as well as with the amount of payment to be received in future for any other value delivered. The term "accounts receivable" may well enough be held to include such accounts as are evidenced by notes, although more commonly the latter are kept in a separate account; if this is preferred, substitute for B-120 the following:

B-121. Notes Receivable.

B-122. Accounts Receivable.

Credit this account with collections received on debts already charged or to be charged thereto.

The balance in this account should be equal to the sum of all amounts owing to the business; in this text references to account B-120 will assume that that account represents all receivables, whether evidenced by notes or not.

B-125. Cash Sales Receivable.

Charge this account with the sum of all cash and c. o. d. sales.

Credit this account with cash received on account of such sales.

These amounts should be equal and this account should not show a balance at any time.

B-130. Reserve for Bad Debt Losses.

Credit this account with amounts equal to one-half of one per cent of the sum of *all charge sales*; this rate will be found sufficient in most cases, but if local conditions so require it may be increased or reduced. Credit with collections on accounts *previously charged off* as uncollectible.

Charge this account with all losses sustained on uncollectible accounts or notes receivable.

The balance in this account represents the amount of loss anticipated as probably to be sustained in the collection of debts represented by B-120.

B-140. Inventories.

Charge this account with the value of the merchandise on hand at the date when the accounts are opened; charge this account and credit Cost of Sales account (F-100) at the close of each month with the cost or market value, whichever is lower, of the merchandise on hand at that date.

Credit this account and charge Cost of Sales account (F-100) at the close of each month with the amount set up at the close of the previous month in accordance with the paragraph next above.

B-150. Accrued Items Receivable.

Charge this account at the close of each month with any amounts (interest, rent, or the like) earned prior to that date but not due to be received until subsequently; the character of the items will determine which accounts are to be credited.

Credit this account at the close of each month with amounts charged thereto at the close of the preceding month, charging the accounts credited at that time.

See comment on page 17.

B-210. Accounts Payable.

Credit this account at the close of each month with the total of all amounts owing at that date which have not already been credited thereto, except such liabilities as are represented by accounts A-210 or B-220.

Charge this account with such amounts when they are paid or otherwise settled.

The balance in this account should be equal to the sum of all liabilities except those represented by accounts A-210 and B-220.

B-220. Accrued Items Payable.

Credit this account at the close of each month with any amounts (taxes, interest, rent, or the like) accrued prior to that date but not due to be paid until subsequently; the character of the items will determine which accounts are to be charged.

Charge this account at the close of each month with amounts credited thereto at the close of the preceding month, crediting the accounts charged at that time.

See comment on page 17.

C-110. Deferred Charges.

Charge this account at the close of each month with that proportion of expense payments previously made which applies to the period subsequent to that month; this refers to such items as interest, rent, insurance premiums, etc., which are commonly paid in advance. Charge this account also with the value of small tools, shovels, wheelbarrows, chutes, canvas bags, or other supplies to be carried over to the next month. The character of the items will determine which accounts are to be credited.

Credit this account at the close of each month with the amount of

the balance carried forward from the preceding month, reversing the entry or entries whereby that balance was set up.

See comment on page 17.

C-210. Deferred Credits.

Credit this account at the close of each month with that proportion of revenue collections previously received which applies to the period subsequent to that month; this refers to such items as interest or rent which may be collected in advance. The character of the items will determine which accounts are to be charged.

Charge this account at the close of each month with the amount of the balance carried forward from the preceding month, reversing the entry or entries whereby that balance was set up.

See comment on page 17.

D-210. Capital.

Credit this account with the amount invested in the business, and charge with amounts withdrawn therefrom. The initial credit will be equal to the excess of assets over liabilities at the time the books are opened.

This account will require modification to fit individual requirements in most cases. A proprietor may wish to carry a drawing account separate from his capital account—if so, such account should be numbered D-215. If the business is conducted by a partnership, numbers D-210 to D-214 may be used for separate capital accounts and numbers D-215 to D-219 for separate drawing accounts for the different partners; if by a corporation, this account (D-210) should be called Capital Stock and account D-215 should be called Surplus.

D-220. Profit and Loss.

Transfer to this account at the close of an accounting period the balances in all E, F, G, H, and K accounts, after which transfer the balance in this account to D-215; in the case of a partnership this account will be apportioned to accounts D-215 to D-219. The balances in accounts D-215 to D-219 will then be transferred to accounts D-210 to D-214, except in the case of a corporation, where the balance in D-215 will be allowed to accumulate.

E-100. Sales.

Credit this account with the amount of all sales.

Charge this account with the amount of all returned sales and of allowances to customers the effect of which is to reduce the amounts of such sales.

The balance in this account represents the net amount charged customers for merchandise.

COMPLETE UNIFORM ACCOUNTING FOR RETAIL COAL MERCHANTS

If other commodities are carried besides coal, coke, and wood, the sales should be apportioned to departmental sales accounts as follows:

- E-110. Coal, Coke, and Wood,
- E-120. Hay, Feed, and Grain,
- E-130. Building Materials,
- E-140. Ice,

and so on.

F-100. Cost of Sales.

Charge this account with the cost (including freight and switching) of all merchandise purchased for resale.

Credit this account with the amount originally charged thereto in respect of any merchandise returned or rejected or for any reason not received, and with the amount of any allowances received, the effect of which is to reduce the amounts paid for merchandise.

Credit this account at the close of each month and charge Inventories (B-140) with the cost or market value (whichever is lower) of the merchandise on hand as determined by actual inventory.

Charge this account at the close of each month and credit Inventories (B-140) with the amount set up at the close of the previous month in accordance with the paragraph next above.

Credit this account and charge G-100 with amounts computed as representing the loss sustained through shortage and degradation, as outlined in the text under G-100.

The balance in this account represents the *net cost* of merchandise sold.

If other commodities are carried beside coal, coke, and wood, the cost of sales should be apportioned to departmental accounts as follows:

- F-110. Coal, Coke, and Wood,
- F-120. Hay, Feed, and Grain,
- F-130. Building Materials,
- F-140. Ice,

and so on.

G-100. Shortage and Degradation.

Charge this account and credit F-100 with amounts computed as equal to the losses in weight sustained through shortage, theft, etc., and the losses in value due to degradation or breakage. The computation of these amounts must in all cases be based on the judgment of the proprietor or manager and his knowledge of his commodity and local conditions.

If other commodities are carried beside coal, coke, and wood, and it is advisable to make provision in the accounts for loss therein by

shortage, this expense should be apportioned to departmental accounts as follows:

- G-110. Coal, Coke, and Wood,
- G-120. Hay, Feed and Grain,
- G-130. Building Materials,
- G-140. Ice,

and so on.

G-200. Yard Expense.

Charge this account with all items of expense incident to the operation of the yard and the handling of merchandise up to the time when it is ready for delivery. The following are some of the expenses which will be found properly chargeable to this account:

- Yard wages and bonuses,
- Yard supplies,
- Repairs to yard buildings and equipment,
- Rent of yard,
- Fire insurance on yard buildings and equipment, and on merchandise stored in yard,
- Liability and accident insurance on yard employees,
- Yard telephones,
- Yard office expenses,
- Real estate and personal property taxes applicable to yard and yard buildings and equipment,
- Depreciation applicable to yard buildings and equipment,
- Demurrage.

If other commodities are carried beside coal, coke, and wood, the total yard expense should be apportioned at the close of each month to departmental accounts as follows:

- G-210. Coal, Coke and Wood,
- G-220. Hay, Feed, and Grain,
- G-230. Building Materials,
- G-240. Ice,

and so on. The apportionment will necessarily be based on the judgment of the proprietor or manager.

G-300. Delivery Expense.

Charge this account with all items of expense (except carrying in or housing) incident to delivery of merchandise from yard to point of consumption. The following are among the items of expense which will be found applicable to this account:

For delivery by teams:

- Drivers' and barnmen's wages and bonuses,
- Feed and bedding,
- Horse-shoeing and veterinary services,

Repairs to barns, wagons, and other delivery equipment,
Rent of barns, etc.,
Fire insurance on barns, wagons, and other delivery equipment,
Liability and accident insurance on drivers and barnmen,
Real estate and personal property taxes applicable to barns and
delivery equipment,
Depreciation applicable to barns and delivery equipment.

For delivery by trucks:

Drivers' and mechanics' wages and bonuses,
Gasoline and oil,
Tires and repairs,
Supplies,
Fire, theft, and public liability insurance on trucks, garages, etc.,
Employers' liability insurance on drivers and mechanics,
Depreciation on trucks, garages, etc.,
Garage expense.

Cost of delivery by hired trucks and hired teams should also be charged to this account, but it will generally be found worth while to keep separate records of the tonnage delivered by company teams and trucks and by hired teams and trucks.

If other commodities are carried beside coal, coke, and wood, the total delivery expense should be apportioned at the close of each month to departmental accounts as follows:

- G-310. Coal, Coke, and Wood,
- G-320. Hay, Feed, and Grain,
- G-330. Building Materials,
- G-340. Ice,

and so on. The apportionment will necessarily be based on the judgment of the proprietor or manager.

G-400. Selling Expense.

Charge this account with all expenses incident to the securing of sales; this will include collection costs and provision for credit losses, for the reason that they are incident to the inducement of extending credit which is used for the purpose of increasing sales. The following are among the items which will be applicable to this account:

Salesmen's salaries, bonuses, commissions, and expenses,
Advertising,
Cost of operating salesmen's automobiles,
Insurance on salesmen's automobiles,
Depreciation on salesmen's automobiles,
Provisions for bad debt losses,
Collection costs.

If other commodities are carried beside coal, coke, and wood, the

total selling expense should be apportioned at the close of each month to departmental accounts as follows:

- G-410. Coal, Coke, and Wood,
- G-420. Hay, Feed, and Grain,
- G-430. Building Materials,
- G-440. Ice,

and so on. The apportionment will necessarily be based on the judgment of the proprietor or manager.

G-500. Administrative Expense.

Charge this account with all expenses incident to the general administration of the business. The following are among the items which will be applicable to this account:

Proprietor's, partners' or manager's salaries (if the proprietor, partners, or manager devote their attention to yard work, delivery work, or selling to any considerable extent, their salaries should be apportioned to G-200, G-300, G-400, and G-500 in about the same ratio as their time).

- Office salaries,
- Telephone and telegraph,
- Printing and stationery,
- Rent and light,
- Towel supply, water service, etc.,
- Repairs to office equipment,
- Fire insurance on office buildings and equipment,
- Liability and accident insurance on office employes,
- Cost of operating office automobile,
- Depreciation on office automobile,
- Depreciation on office building and office equipment,
- Real estate and personal property taxes applicable to office buildings and equipment,
- Postage,
- Legal expense (other than collection),
- Auditing,
- Miscellaneous general expenses.

If other commodities are carried beside coal, coke, and wood, the total administrative expense should be apportioned at the close of each month to departmental accounts as follows:

- G-510. Coal, Coke, and Wood,
- G-520. Hay, Feed, and Grain,
- G-530. Building Materials,
- G-540. Ice,

and so on. The apportionment will necessarily be based on the judgment of the proprietor or manager.

G-600. Carry-in and Trim.

Charge this account with the cost of carry-in and trim labor and canvas bags, wheelbarrows, shovels, etc., used for carrying in or housing. Where this labor is performed by men also assigned to other work, ascertain or estimate the proportion of their wages chargeable to this account and so treat it.

Credit this account with amounts charged customers for carrying in or housing merchandise delivered.

If other commodities are carried beside coal, coke, and wood, the total carry-in and trim expense should be apportioned at the close of each month to departmental accounts as follows:

G-610. Coal, Coke, and Wood,

G-620. Hay, Feed, and Grain,

G-630. Building Materials,

G-640. Ice,

and so on. The apportionment will necessarily be based on the judgment of the proprietor or manager.

H-100. Non-Operating Revenues.

Credit this account with all items of revenue derived from sources other than ordinary trading, such as interest, rent (except as rents collected may in reality be offsets to rents paid, charged elsewhere), cash discounts taken, etc.

If other commodities are carried beside coal, coke, and wood, the total non-operating revenues should be apportioned at the close of each month to departmental accounts as follows:

H-110. Coal, Coke, and Wood,

H-120. Hay, Feed, and Grain,

H-130. Building Materials,

H-140. Ice,

and so on. The apportionment will necessarily be based on the judgment of the proprietor or manager.

K-100. Non-Operating Expenses.

Charge this account with all items of expense not applicable to ordinary trading operations, such as interest, cash discounts allowed, Federal income taxes, etc.

If other commodities are carried beside coal, coke, and wood, the total non-operating expenses should be apportioned at the close of each month to departmental accounts as follows:

K-110. Coal, Coke, and Wood,

K-120. Hay, Feed, and Grain,

K-130. Building Materials,

K-140. Ice,

and so on. The apportionment will necessarily be based on the judgment of the proprietor or manager.

Regular Monthly Journal Entries.

(See Comment on Page 17.)

1.		
Charge	YARD EXPENSE (G-200)	\$.....
Charge	DELIVERY EXPENSE (G-300)	\$.....
Charge	SELLING EXPENSE (G-400)	\$.....
Charge	ADMINISTRATIVE EXPENSE (G-500)	\$.....
Credit	To RESERVE FOR DEPRECIATION (A-120)	\$.....
	For amount of depreciation estimated as having accrued during month of, 192.., on fixed assets, as shown by Plant and Depreciation Record.	
2.		
Charge	SELLING EXPENSE (G-400)	\$.....
Credit	To RESERVE FOR BAD DEBT LOSSES (B-130)	\$.....
	For amount equal to ..% of charge sales for month of, 192.., set aside to provide for loss in collection of accounts receivable.	
3.		
Charge	INVENTORIES (B-140)	\$.....
Credit	To COST OF SALES (F-100).....	\$.....
	For value of merchandise on hand at, 192.., as shown by actual inventory. (See comment on page 17.)	
4.		
Charge	COST OF SALES (F-100)	\$.....
Credit	To INVENTORIES (B-140)	\$.....
	To reverse entry setting up merchandising inventory values at close of last month. (See comment on page 17.)	
5.		
Charge	ACCRUED ITEMS RECEIVABLE (B-150).....	\$.....
Credit	To SUNDRIES (List accounts to be credited)..	\$.....
	For amounts earned but not due to be received prior to this date, as follows: (List details.) (See comment on page 17.)	
6.		
Charge	SUNDRIES (Lists accounts to be charged).....	\$.....
Credit	To ACCRUED ITEMS RECEIVABLE (B-150)	\$.....
	To reverse entry setting up accrued items receivable at close of last month. (See comment on page 17.)	
7.		
Charge	SUNDRIES (Lists accounts to be charged).....	\$.....
Credit	To ACCRUED ITEMS PAYABLE (B-220).....	\$.....
	For expenses accrued but not due to be paid prior to this date, as follows: (List details.) (See comment on page 17.)	

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8.

Charge	ACCRUED ITEMS PAYABLE (B-220).....	\$.....	
Credit	To SUNDRIES (List accounts to be credited)..		\$.....
	To reverse entry setting up accrued items payable at close of last month. (See comment on page 17.)		

9.

Charge	DEFERRED CHARGES (C-110)	\$.....	
Credit	To SUNDRIES (List accounts to be credited)..		\$.....
	For expenses paid prior to this date but applicable to subsequent period, and for supplies on hand, as follows: (List details.) (See comment on page 17.)		

10.

Charge	SUNDRIES (List accounts to be charged).....	\$.....	
Credit	To DEFERRED CHARGES (C-110).....		\$.....
	To reverse entry setting up deferred charges at close of last month. (See comment on page 17.)		

11.

Charge	SUNDRIES (List accounts to be charged).....	\$.....	
Credit	To DEFERRED CREDITS (C-210).....		\$.....
	For revenues received prior to this date but applicable to subsequent periods, as follows: (List details.) (See comment on page 17.)		

12.

Charge	DEFERRED CREDITS (C-210)	\$.....	
Credit	To SUNDRIES (List accounts to be credited)..		\$.....
	To reverse entry setting up deferred credits at close of last month. (See comment on page 17.)		

13.

Charge	ACCOUNTS RECEIVABLE (B-120)	\$.....	
Charge	CASH SALES RECEIVABLE (B-125).....	\$.....	
Credit	To SALES (E-100)		\$.....
Credit	CARRY-IN AND TRIM (G-600).....		\$.....
	For total amount of sales for the month of, 192., as shown by Sales Record.		

14.

Charge	SHORTAGE AND DEGRADATION (G-100)....	\$.....	
Credit	To COST OF SALES (F-100).....		\$.....
	For inventory shrinkage during month of, 192., due to shortage, breakage, etc., estimated as follows: (List details of computation.)		

15.

Charge	SUNDRIES (List accounts to be charged).....	\$.....	
Credit	To ACCOUNTS PAYABLE (B-210).....		\$.....
	For accounts unpaid at this date not previously set up as liabilities, as follows: (List details.)		

Comment Relating to Journal Entries.

The method herein proposed for taking care of inventories, of deferred charges and credits, and of accrued items receivable and payable is that of charging or crediting all operating expenditures or collections when made to the accounts which will ultimately be affected by them, and of adjusting those accounts at each closing date by setting up the proper amounts in accounts B-140, B-150, B-220, C-210, and C-220; it is then necessary, in order to avoid duplication, to restore the amounts which had been similarly taken out of the operating accounts at the previous closing date—hence the “reversing” process in entries 4, 6, 8, 10, and 12.

Another method in general use is to charge the cost of all purchases to B-140 as payment is made, and to transfer from that account to F-100 each month only that portion which is applicable to sales made; to charge all insurance premiums, etc., to C-110, and to transfer from that account to the proper expense accounts each month only the portion of such prepaid expenses expiring during that month; and to add to the balances in B-150 and B-220 each month only the amounts accruing during that month, charging payments or crediting collections to those accounts when made.

Re-read the last three paragraphs of the foreword. The Association does not wish the methods outlined herein to displace any other methods now satisfactorily producing the same results, but offers them as workable and easily adopted where no such results are at present being secured.

Form of Balance Sheet.

ASSETS.		
PLANT AND EQUIPMENT	\$
Less—Reserve for Depreciation	\$
		<u> </u>
		\$
CURRENT ASSETS:		
Cash	\$
Accounts Receivable	\$
Less—Reserve for Bad Debt Losses	\$
		<u> </u>
		\$
Inventories	\$
Accrued Items Receivable	\$
		<u> </u>
		\$
DEFERRED CHARGES		\$
		<u> </u>
TOTAL		\$
		<u> </u>
		<u> </u>
LIABILITIES.		
MORTGAGES		\$
CURRENT LIABILITIES:		
Accounts Payable	\$
Accrued Items Payable	\$
		<u> </u>
		\$
DEFERRED CREDITS		\$
CAPITAL		\$
		<u> </u>
TOTAL		\$
		<u> </u>
		<u> </u>

Form of Operating Statement.

	Amount	Average Per Ton
SALES (..... TONS)	\$.....	\$.....
COST OF SALES.....	\$.....	\$.....
WORKING MARGIN ON SALES.....	<u>\$.....</u>	<u>\$.....</u>
OPERATING EXPENSES:		
Degradation and Shortage	\$.....	\$.....
Yard Expense	\$.....	\$.....
Delivery Expense	\$.....	\$.....
Selling Expense	\$.....	\$.....
Administrative Expense	\$.....	\$.....
Carry-In and Trim	\$.....	\$.....
Total	<u>\$.....</u>	<u>\$.....</u>
NET PROFIT ON SALES.....	<u>\$.....</u>	<u>\$.....</u>
ADD—NON-OPERATING REVENUES.....	<u>\$.....</u>	
Total	\$.....	
DEDUCT—NON-OPERATING EXPENSES	<u>\$.....</u>	
NET INCOME	<u><u>\$.....</u></u>	

Note—Show details of non-operating revenues and non-operating expenses.

Indicate whether or not the operating expenses as stated include charges for:

- Depreciation?.....
- Interest on Investment?.....
- Proprietor's Salary?.....
- Rental on Owned Property?.....

Records Necessary to Be Maintained.

The records necessary for the proper operation of the accounting system contemplated herein are as follows:

Delivery Tickets (Carbon copies retained).

Books of Original Entry:

Journal.

Sales Record.

Cash Book.

Ledgers:

General Ledger.

Accounts Receivable Ledger.

Accounts Payable Ledger.

In addition to the above the following subsidiary records will be found helpful:

Purchase Record.

Plant and Depreciation Record.

Insurance Record.

Accrual and Prepayment Record.

Operating Expense Detail Record.

Journal.

Except for the fifteen regular monthly entries appearing in skeleton form on pages 15 and 16, there will be few queries in the accounts which do not involve transfers either of merchandise or of cash, and therefore are not to be recorded either in the sales record, in the purchase record, or in the cash book. Unusual circumstances, however, will from time to time require special attention through the medium of the journal. Books ruled for this purpose may be found in stock at almost any stationery store.

Sales Record.

Columnar loose sheets and a binder to contain them, such as may be found in stock in almost any stationery store, will be easily adaptable for this record. Columns should be available in which to record the following data:

Sales ticket number or name of customer (or both).

Quantity (tons or pounds) of coal sold.

Total of charge sale (total amount to be charged to customer's account).

Total of cash or c. o. d. sale (total amount of cash to be collected).

Amount of coal sale (amount charged for coal).

Amount of carry-in and trim charge.

Use separate sheets for each day, and keep a monthly summary sheet to which daily totals are transferred in order to accumulate monthly totals.

The extent to which the coal sales may be classified, if it is desired to know more than the total tonnage and total sales price, is un-

limited. In order to compile any statistics relating to shortage and degradation it will be necessary to maintain columns in which to record the tonnage of the different kinds and sizes of coal sold.

The individual charges to customers will be posted to their accounts in the accounts receivable ledger from the sales record, if the names appear therein, or from the sales tickets.

The monthly totals will be treated as shown in Journal Entry No. 13 on page 16.

Cash Book.

Columnar loose sheets and a binder to contain them, such as may be found in stock in almost any stationery store, will be easily adaptable for this record; procure a binder of different color from that used for the sales record, so the books may be easily distinguished from each other. Columns could be available in which to record the following data:

- . Date.
- . Name of person from whom cash is received.
Name of person to whom cash is paid.
- . Amounts of cash received.
Amounts of cash paid.
- . Amounts to be credited to Accounts Receivable (B-120).
- . Amounts to be credited to Cash Sales Receivable (B-125).
- . Amounts deducted by customers in remitting (Discount, etc.).
Amounts to be charged to Cost of Sales (F-100).
- . Amounts to be charged to Accounts Payable (B-210).
- . Amounts deducted in remitting on accounts payable (Discounts, etc.).
- . Amounts to be charged to Yard Expense (G-200).
- . Amounts to be charged to Delivery Expense (G-300).
- . Amounts to be charged to Selling Expense (G-400).
- . Amounts to be charged to Administrative Expense (G-500).
- . Amounts to be charged to Carry-In and Trim (G-600).
- . Amounts to be charged to sundry general ledger accounts.
Names of general ledger accounts to be charged or credited.
Amounts to be credited to sundry general ledger accounts.

There should also be a few extra columns to be used as occasions arise from time to time.

Postings of both columnar totals and the individual items in the accounts receivable, accounts payable, and sundries columns will be made direct to the ledgers from the cash book; they need not pass through the journal.

Ledgers.

The use of the general ledger, the accounts receivable (or sales, or customers) ledger, and the accounts payable (or purchase) ledger requires little, if any, comment.

The accounts receivable and accounts payable ledgers contain the details of general ledger accounts B-120 and B-210, respectively, and every item entering into those accounts either individually or as part of a total, must also be entered in the ledgers. The sum of all balances in the accounts receivable ledger must be equal to the balance in the Accounts Receivable (B-120) account; similarly the sum of all balances in the accounts payable ledger must be equal to the balance in the Accounts Payable (B-210) account.

Purchase Record.

The maintenance of this record will serve many useful purposes. Ordinary columnar loose sheets and a binder to contain them may easily be adapted for this record; columns should be available to record the following data:

- Car number and initials,
- Name of shipper,
- Date car is placed in yard,
- Date car is released,
- Date of payment of demurrage charge, if any (or number of check),
- Amount of invoice cost of coal purchased,
- Date of payment of same (or check number),
- Amount of freight cost of coal purchased,
- Date of payment of same (or check number),
- Amount of total (invoice and freight) cost of coal purchased,
- Quantity (tons or pounds) of coal purchased.

The extent to which the coal purchases may be classified, if it is desired to know more than the total tonnage and total cost, is unlimited. In order to compile any statistics relating to shortage and degradation it will be necessary to maintain columns in which to record the tonnage and cost of the different kinds and sizes of coal purchased.

If properly used, this record will serve to prevent duplicate payments of either coal invoices or freight bills, to verify the accuracy of demurrage charges, and to support the total amount charged to Cost of Sales (F-100) within the month. The sum of such charges must be equal to the total invoice and freight cost as shown by the purchase record. Reconsigning and extra switching charges should be treated the same as freight costs.

Plant and Depreciation Record.

The maintenance of this record will avoid the confusion which is otherwise likely to arise in connection with accounts A-110 and A-120. Ordinary columnar loose sheets should be used, a separate set of sheets to be made up each year; columns should be available to record the following data for each item of property or equipment charged to Plant and Equipment (A-110) account:

- Character of property,

Date acquired,

Cost,

Name of account to be charged with accruing depreciation.

Amount of depreciation accrued to beginning of year,

Amount of depreciation accruing during each month of the year (twelve columns),

Amount of depreciation accrued to end of year (sum of amounts entered in thirteen columns just mentioned; this amount to be carried forward to next year's sheet).

Each new item of property should be entered as soon as acquired, regardless of whether or not it is paid for at that time, and the accrual of depreciation begun at once.

When any item of property is removed from service, make a new entry in red in each column, in amounts exactly equal to the amounts previously entered in the same columns in respect of that item; the entry in red means that in arriving at columnar totals these items are to be deducted instead of added.

The total of the cost column should at all times equal the balance in the Plant and Equipment (A-110) account; the sum of the totals in the depreciation columns should be equal to the balance in the Reserve for Depreciation (A-120) account at different dates throughout the year, proper consideration being given to the number of such columns applicable at any given date.

Insurance Record.

To facilitate the monthly computations of insurance premiums, unexpired or accrued, a columnar record should be maintained, with columns for recording the following data:

Number of policy and name of company,

Character of risk and coverage,

Amount of policy,

Term and date of expiration,

Amount of premium paid,

Name of account to be charged with expiring portions of premiums,

Portions of premiums unexpired at beginning of year,

Portions of premiums expiring during each month of the year (twelve columns),

Portions of premiums to remain unexpired at end of year.

Enter in the "Unexpired Portion" column the amounts unexpired at the beginning of the year in respect of each policy then in force, and the amount of premiums paid on each new policy thereafter. Do not "bunch" these items; make separate entries all the way across the page for each policy.

Enter in the twelve monthly columns the proportion of each premium expiring in each month; if the premium will not expire within the year, the balance should be entered in the last column, to be carried

forward to the next year's sheet. At the end of each month find the total in that month's column and deduct it from the total of the "Un-expired Portion" column; the remainder in that column will represent the total amount of unexpired premiums at that date and should be included in Journal Entry Number 9.

Liability insurance policies and others, the premiums on which expire on some basis other than the lapse of time, should be listed on separate sheets. For the first few months of the policy year, the premiums paid will exceed the amount of the premiums earned, and the excess should be included in Journal Entry Number 9; as soon as the amount of the premiums earned exceeds the payment, the excess should be included in Journal Entry Number 7.

Accrual and Prepayment Record.

To facilitate the monthly computations of amounts accrued (both receivable and payable) and prepaid, and to avoid overlooking some items, columnar records should be maintained, with separate sheets for accruals receivable, accruals payable, and prepayments; collections in advance are rare in this business, but if there are any a sheet should be maintained therefor. Columns should be available for recording:

Description of the item occasioning the accrual or prepayment.

Basis for computation of accrual or prepayment.

Name and code number of account to be charged or credited to offset amount of accrual or prepayment.

Amount of such accrual or prepayment at close of each month during the year.

Entries in the first column will be such as "Loan at Bank for \$....., dated, due, " "Taxes on real estate for year, " etc.

Entries in the second column will be such as "Interest at%, \$....., or \$..... per day," "Estimated on basis of last year, \$....., or \$..... per day," etc.

Entries in the twelve monthly columns will show the number of days effective and the amount computed as accrued or prepaid. _____

Operating Expense Record.

When it is desired to know the character of the items making up the total in accounts G-200, G-300, G-400, G-500, and G-600, maintain a columnar record for each account with columns available for each class of expense entering into the total—see text, pages 11, 12, and 13. Enter on this record, in the proper columns, the details of all amounts charged or credited to the ledger account; enter credits in red and treat them as deductions in finding totals. This detailed information will very often be found helpful in explaining variations in operating expenses, either as between different years or as compared with other dealers, and also in finding out how an effort for economy may be most effectively applied.

