1947

Simplified accounting for wholesale groceries

John Rundell Bromell

United States. Department of Commerce

Simplified Accounting FOR WHOLESALE GROCERIES

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UNITED STATES DEPARTMENT OF COMMERCE
W. AVERELL HARRIMAN, Secretary

SIMPLIFIED ACCOUNTING FOR WHOLESALE GROCERS

INDUSTRIAL SERIES No. 76

By
JOHN R. BROMELL
Marketing Division
Office of Domestic Commerce

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FOREWORD

This booklet is designed to give wholesale grocers (especially the small wholesalers) the simplest known system of accounting, record keeping, and controls and to establish for the industry a system of uniform accounting which will make possible the comparison of cost items and other factors among firms in like operating categories. It is based on findings obtained through visits to wholesale grocery establishments in which many accounting and record-keeping systems were examined in a search for short cuts which could be recommended for use by the industry as a whole.

The study was made at the specific request of the trade. It was sponsored by the National Wholesale Food Industry Advisory Committee of the United States Department of Commerce, the National-American Wholesale Grocers' Association, and the United States Wholesale Grocers' Association.

The field work was done and the report written by John R. Bromell, Chief Wholesale Specialist, under the general supervision of Nelson A. Miller, Chief, Marketing Division.

H. B. McCoy, *Director*,
Office of Domestic Commerce.

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INTRODUCTION

Accounting and record keeping constitute an expense burden which, if not controlled, may become the factor which keeps the wholesale grocer's operating cost excessively high. To aid in preventing this is the primary purpose of this study.

Contrary to popular belief, most wholesalers keep more records than they use properly, and many keep records that are not essential to efficient operation.

To avoid either overaccounting or underaccounting the wholesaler should follow the rule: "Make every record and keep every account the use of which justifies the cost, and make no record and keep no account the use of which does not justify the cost."

Recommendations

The recommendations contained in this booklet do not constitute a complete and watertight system of accounting. Rather, they should be regarded as a collection of short cuts or simple methods of performing specific accounting and record-keeping tasks.

It is believed that most of the practices outlined in the study can be adopted to advantage by the majority of wholesale grocers regardless of size or type of operation. However, it is realized that all suggestions cannot be used in all houses. Therefore, each wholesaler should study each suggested procedure with the view of determining which ones are suited for use in his establishment. And once the determination is made, he should not hesitate to adopt the helpful practices without delay.

Many accountants, bookkeepers, and clerical workers have a natural aversion to change. Therefore, the wholesaler should be prepared for a certain amount of opposition from some members of his office staff to efforts at improvement. The solution to this problem rests with an appropriate educational program.

A chart of accounts is offered as a means of instituting uniform accounting among wholesale grocers. If achieved, uniform accounting would enable individual wholesalers to compare their cost items with those of efficient colleagues with the view to knowing which cost items are excessive. When this information is at hand the wholesaler will know where cost reduction should begin.

To apply the chart to his own business the wholesaler should pick from each group the accounts which fit that particular business. This will result in uniform accounting by those who use the chart. It will enable each wholesaler to compare his asset, liability, and expense items with those of comparable operators, thereby helping him to spot items in his balance sheet and operating statement which are out of line.

This study does not include an analysis of the use of tabulating equipment. Such equipment is highly recommended for use with some types of operations where certain conditions prevail. Moreover, many of the procedures herein outlined can profitably be used to supplement the record-making functions of the tabulating machine system.

Controls

Endeavoring to operate a wholesale grocery house without controls to guide management's action is as perilous as trying to sail a ship without a rudder. The ship may do very well while the wind blows from exactly the right quarter, but it is likely to be in trouble when the wind shifts. Likewise, a wholesaler may prosper in a seller's market without controls. However, he can only thrash about futilely when the going gets tough unless he has some means of knowing wherein he is failing. Appropriate controls constitute this means.

The operating elements which need watching most closely are performance of individual salesmen, volume and order size of customers, relative profitability of territories, and the reasonableness of expenses.

The study endeavors to outline a control system for each of these elements which will enable the wholesaler to detect and correct operating weaknesses before they do irreparable damage. The wholesaler should therefore review the final section of the book with the view of deciding whether the suggestions contained therein can help him improve or simplify the controls he now uses.

Accounting for Purchases

A simplified system of record keeping may well start with accounting for purchases, as purchasing is an initial step in wholesaling.

No copy should be made of the order when it is placed with the supplier's salesman. The copy left by the supplier's salesman should be entered in the Stock Book and then filed, by suppliers, alphabetically in a Goods Ordered file. When the invoice is received it should be compared with the retained copy of the order and, if the two differ, the copy of the order should be corrected to conform to the invoice. The copy of the order should then be placed in a Goods in Transit file, and the invoice sent to the accounting department.[1]

When an order is mailed to the supplier it should be made out in duplicate on the wholesaler's Purchase Order form. The original should be mailed and the duplicate handled in the exact manner described above for the copy of the order received from the supplier's salesman.

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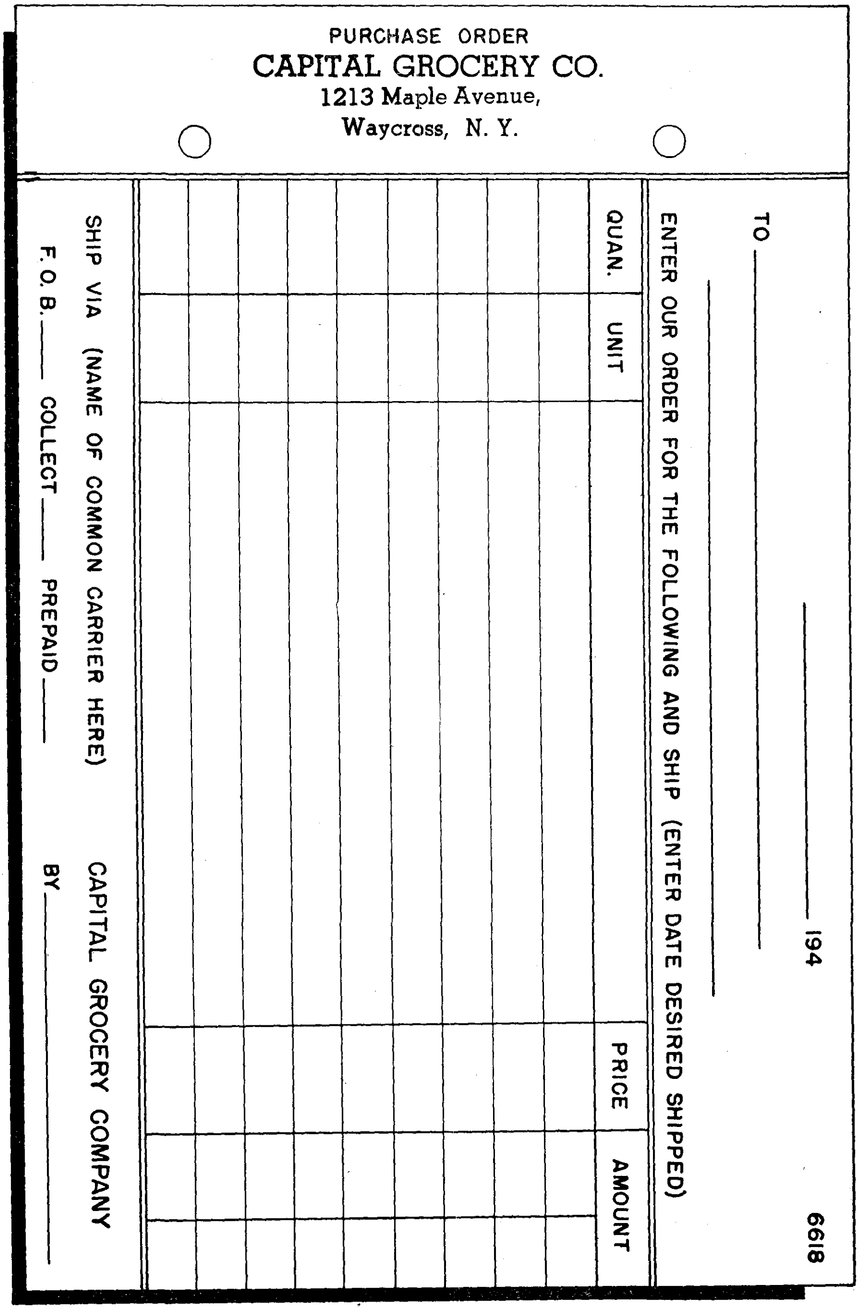
[1] "Accounting Department" in this study means the person, or persons, who keep the books of accounts, accounts for cash, and pays the bills. It is realized that many small wholesalers (the type for which this study was especially made) do not have accounting departments as such.

The Purchase Order form should be as simple as is consistent with operating requirements, and should contain only the number of lines which experience shows will be required by practically all purchase orders written. To the simple form shown below the wholesaler may add places for data which past operations indicate he should have.


PURCHASE ORDER

CAPITAL GROCERY CO.

1213 Maple Avenue,

Waycross, N. Y.

6618

TO ______ ______ 194__

ENTER OUR ORDER FOR THE FOLLOWING AND SHIP (ENTER DATE DESIRED SHIPPED) ______

QUAN.	UNIT		PRICE	AMOUNT

SHIP VIA (NAME OF COMMON CARRIER HERE)

F. O. B.____ COLLECT____ PREPAID____

CAPITAL GROCERY COMPANY

BY______

Purchase order form.

Receiving

The Goods in Transit file should be kept by the receiving clerk or made available to him. When the goods arrive the receiving clerk should check them against the order, mark Received on the order, and send it to the office, where the items thereon should be recorded in the Stock Book by drawing a circle around the entry made when the order was placed. When this is done the order may be destroyed as it can serve no further purpose.

However, if the goods received are not identical with those called for by the order, as corrected, the discrepancy should be noted on the order, which should then be passed on to the accounting department. The accounting department should take the steps necessary to effect a settlement with the supplier, as outlined in the section, Adjustments from Suppliers. The order should then be clipped to a copy of the correction letter or Debit Memo sent to the supplier, and retained in the Supplier Adjustments file until settlement is made.

If the goods are ordered to arrive in two or more shipments, the order should be kept in the Goods in Transit file until the final shipment is received. However, each shipment received should be posted in the Stock Book from the order before it is replaced in the Goods in Transit file to await other shipments.

Some wholesalers object to their receiving departments knowing exactly what merchandise is expected in a shipment on the grounds that (1) if the receiving clerk knows exactly what the invoice calls for he will not check the goods as carefully as he otherwise might, and (2) knowing what the order calls for may lead to collusion between the receiving clerk and the person delivering the goods.

On the other hand, many wholesalers challenge the validity of these arguments. They admit that if denied access to the order the receiving clerk will not know the exact merchandise which is to come in and, on that score, must take greater care in checking the goods, but they maintain that when the shipment arrives he will know from the papers he gets from the common carrier the exact number of pieces to be received. They say that the answer to the problem is to employ honest personnel and then supervise them closely. They also point out that knowing the quantity of goods on order enables the receiving department to see that space is always available for incoming goods.

It is believed that the best plan is to employ conscientious people in the receiving department, train them well, and let them have a copy of each order placed. However, if a particular wholesaler feels that the accuracy and honesty of his receiving personnel cannot be trusted, he may deny them a copy of each order placed and require them to enter in a Receiving Book, by items, all goods received. If this is done, the order (which has been made identical with the invoice) before being destroyed, should be compared with the entries in the Receiving Book. The Receiving Book should then be posted to the Stock Book by circling the entry made when the order was placed.

It should be remembered, however, that the use of the Receiving Book entails considerable extra work. All pertinent data regarding each item received must be entered therein and the entries compared with those shown on the copy of the order.

Paying for Merchandise

When the invoice and order are compared and the order made identical with the invoice, and the extensions and additions checked, the invoice should have marked thereon prominently the net amount to be paid, the discount taken, and the "paying day" on which a check must be mailed in order to get the discount. The invoice should then be placed in the To Be Paid file.

By special arrangements with suppliers, some houses pay practically all bills, regardless of when received, on the 1st and 15th of each month, and still get all cash discounts; others pay on a specified day of each week; others on two specified days of each week; and still others pay each bill on the last day that payment can be made and the discount taken. This means that they pay bills practically every day.

Where invoices are paid every day the wholesaler is faced with the problem of "tickling" each invoice to come up on the last day on which it can be paid and the discount taken. Some houses have endeavored to solve this problem by establishing a file of 31 folders, numbered from 1 to 31. When an invoice is received they record thereon the last day on which it can be paid and the discount taken. They then place the invoice in the folder bearing the number that corresponds to the payment date. For example, if the payment date is the 13th, the invoice will be placed in folder No. 13. Then every morning the folder with the number corresponding to the day of the month is drawn from the file and the invoices therein paid.

The 31 folder system has a great deal of merit, and is recommended. However, it also has one weakness which may be a serious source of annoyance to some wholesalers, namely, no way has yet been found by which to locate readily an invoice once it has been placed in one of the 31 folders.

For wholesalers who find the above system bothersome it appears advisable to have regular days on which suppliers' invoices are paid. And a study of the problem indicates that two paying days a week—say, Tuesday and Friday—is a good arrangement.

Where this system is used the following routine should be followed:

1. Place all invoices to be paid in a To Be Paid file. This file may consist of one or more folders, or just of a letter basket or other receptacle.

2. On each Tuesday morning have a clerk remove from the file all invoices to be paid before the following Friday, and on each Friday morning have him remove for payment all invoices to be paid before the following Tuesday.

While this system may occasionally lose the use of a few dollars for a few days the smoothness of operation which it promotes more than compensates for this slight disadvantage.

Regardless of the system used the invoice, when paid, should be stamped Paid and filed in the Suppliers file, which should be kept in alphabetical order.

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To aid the supplier in keeping his records straight, the wholesaler's checks should have printed on either the front or the back a form for recording the dates and numbers of the invoices covered by the remittance. However, if for any reason a wholesaler does not approve this procedure he may transmit his check with a simple Remittance form on which is recorded the dates and numbers of the invoices covered by the payment. Either procedure entails a great deal less work than does the usual letter of transmittal.

Accounting for Payments

If no Cash Disbursements Journal is kept, all checks drawn on the "paying" days as payment for merchandise should be added and the total posted as

CAPITAL GROCERY CO.
1213 Maple Avenue
Waycross, N. Y.

________________ 194

TO ________________________________

ENCLOSED FIND CHECK IN PAYMENT OF THE FOLLOWING INVOICES:

LESS DISCOUNT AT ________ PERCENT

LESS CREDIT MEMO ____________

LESS FREIGHT ____________

CHECK ENCLOSED FOR $ ____________

Remittance form.

a debit to the Purchases account in the General Ledger with the notation, Check Nos. ---- to ---- to suppliers. If a Cash Disbursements Journal is kept, the same procedure should be followed except that the total of the checks should be entered in the Purchases column of the Cash Disbursements Journal rather than posted direct to the Purchases account in the General Ledger. If a detailed break-down of this summary entry is desired it may be obtained by reference to the check stubs, and to the invoices in the several suppliers' folders, if necessary. However, if the wholesaler feels that he should have a journal entry covering each payment made, or each check written, he may enter each individual check in the Cash Disbursements Journal.

If a Cash Disbursements Journal is used, the Purchases column should be totaled at the end of each month and the total posted as a debit to the Purchases account in the General Ledger.

Under the system outlined for purchasing, receiving, and paying no subsidiary Accounts Payable Ledger is necessary. After being paid, all purchase invoices for each supplier are kept in a separate folder in the Suppliers file. This file will yield any information desired regarding the transactions with any particular supplier during any past period. If, however, precise, up-to-the-minute information is desired on dealings with a supplier, the Suppliers file, the To Be Paid file, and the Supplier Adjustments file should all be consulted to insure that the most recent transactions are included in the compilation.

Adjustments From Suppliers

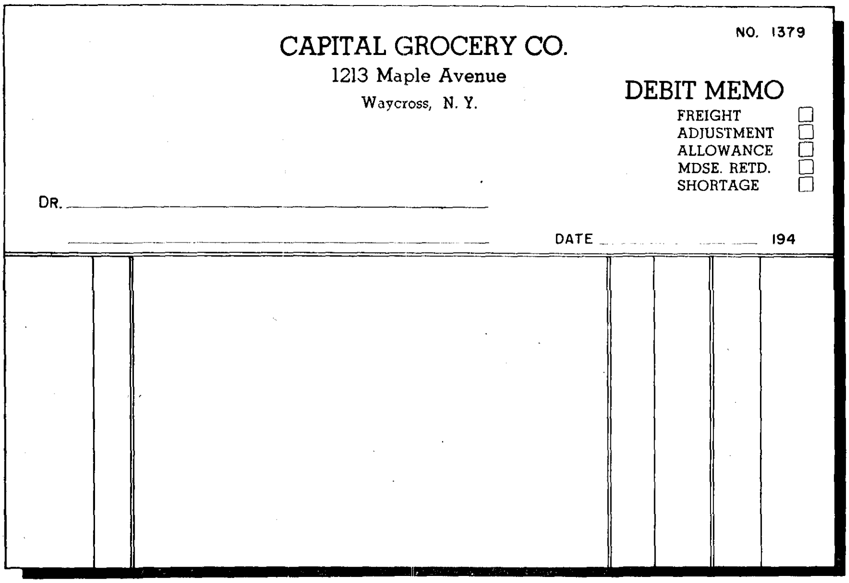
Adjustments are due from suppliers because of items not shipped, wrong items shipped, goods returned, damaged goods, errors in computing the invoice, and the like.

If the amount of the adjustment is definitely determined before the invoice covering the shipment from which it arose is paid, a deduction may, in the case of some suppliers, be made from the invoice. However, many suppliers prefer that all adjustments be approved by them or their salesmen before being taken.

Where the salesman approves the credit, and business is done regularly with the supplier, the Credit Memo given by the salesman should be placed in the To Be Paid file, attached to the supplier's next invoice, and deducted from the amount paid on that invoice. When payment is made on the invoice from which the deduction is made, the Credit Memo should be attached to the invoice and filed in the appropriate supplier's folder in the Suppliers file.

Where the adjustment is not made by the salesman, the charges against the supplier should be covered by either a letter or a Debit Memo, preferably the latter, as it involves less work.

Whichever document is used, it should be made out in duplicate. The original should go to the supplier, and the duplicate should be placed in a Supplier Adjustments file (one folder). If a check is received from the supplier it should be posted in the Cash Receipts Journal as a debit to Cash and a credit to Purchases. The duplicate Debit Memo should be removed from the Supplier Adjustments file, marked Paid by check, and placed in the supplier's folder in the Suppliers file. If a Credit Memo is received, no bookkeeping entries will be necessary. The duplicate of the Debit Memo sent to the supplier should be removed from the Supplier Adjustments file and attached to the Credit Memo received from the supplier. The transaction from this point should be handled in the exact manner described above for credit memos issued by the supplier's salesman.


CAPITAL GROCERY CO.
1213 Maple Avenue
Waycross, N. Y.

NO. 1379

DEBIT MEMO
FREIGHT ☐
ADJUSTMENT ☐
ALLOWANCE ☐
MDSE. RETD. ☐
SHORTAGE ☐

DR. ____________

DATE ________ 194

Debit memorandum.

It should be noted that the system outlined above for settling suppliers' accounts gives no record of cash discounts taken or of purchase returns and allowances. But this is regarded as not being important since purchases are handled on the basis of the net dollar cost of the net goods received and retained. Any other procedure increases the bookkeeping work and gives the management no information commensurate with the added cost involved.

Paying Expense Invoices and Statements

When an invoice or statement representing an item of operating cost is received for payment, it should be checked and then placed in the appropriate folder in the To Be Paid file along with the suppliers' invoices to be paid. After payment, such invoices or statements should be entered on the books in the manner described in the section, Books of Accounts, under Cash Disbursements Journal and filed as described in the section, Files, under Expense Statements file.

Petty Cash Payments

There should be a petty cash fund of a given sum from which should be paid minor expenses which cannot be paid with equal facility by check.

When an expenditure is made from Petty Cash a sales ticket—if one can be procured—should be placed in the fund. If no sales ticket can be obtained, a Petty Cash ticket should be made out and placed in the fund. Thus the cash plus the tickets on hand should at all times equal the sum at which the fund was established.

When the cash in the fund nears exhaustion, the tickets should be turned in and the fund reimbursed to the extent of the sum represented by the tickets.

When the tickets are turned in—and an equivalent amount of cash put back into the fund—they should be entered in the Cash Disbursements Journal in the same manner as are other payouts for operating expenses. This is the simplest and least expensive procedure. However, because, in the case of some firms, all entries in the Cash Disbursements Journal represent payments by check, such wholesalers may prefer to maintain a separate Petty Cash Journal in which all expenditures from the petty cash fund are entered.

Where a Petty Cash Journal is used it should have a column for each expense group (functional expense group), and each entry should be placed in the appropriate column.

At the end of each month the columns should be totaled and the totals posted to the appropriate expense accounts in the General Ledger. If any column has a number of diverse items for any group the entries may be summarized at the bottom of the page and the individual items posted to the appropriate accounts in the appropriate group.

The columns in the Petty Cash Journal need not be the same each month. They may be headed as expenditures are made. Thus, during some months fewer columns will be used than during others.

Stock Control

If a stock-control system is properly used, it will (1) lessen the work of the buyers; (2) decrease the amount of inventory carried, thereby (*a*) promoting a smoother handling operation by making more space available, (*b*) reducing the cost of accounting for stock, (*c*) decreasing insurance cost, and (*d*) reducing the amount of capital invested; (3) practically eliminate "outs"; and (4) reduce back orders by enabling the sales force to know what is in short supply. For these reasons every wholesale grocer should have a formal system of stock control.

But the system adopted should be both simple and inexpensive to operate.

The simplest serviceable system yet devised is one consisting of a stock book only. The pages of the book should have both horizontal and vertical lines (see next illustration). The horizontal lines appertain to individual items, while the vertical lines divide the pages into columns for periods of time corresponding to the inventory-taking interval.

ITEM - DESCRIPTION, PACK, ETC.	ORDERING GUIDE	1/1	1/8	1/15	1/22	1/29	2/5	2/12	2/19	2/26	3/5	3/12	3/19	3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18
Peas, John Doe, 2's	MIN. 20	98	80	61	43	25	6	88	70	51	30	11	90	70	51	33	14	94	76	58	36	14	98	80	60	42
24	MAX. 100					100					100					~~100~~	98				100					
Potatoes, Richard Roe, 2's	MIN. 10	48	40	30	21	11	1	42	31	22	10	1	40	31	20	11	2	42	30	19	10	1	38	29	20	11
24	MAX. 50					50					50					50					~~50~~	48				
Pumpkin, J. Brown, 2½'s	MIN. 5	25	20	15	10	5	0	0	0	0	25	20	15	10	5	0	0	0	25	20	15	10	5	0	0	0
24	MAX. 25									25								25								
Spinach, D. Jones, 2's	MIN. 5	24	12	0	23	10	0	24	11	0	25	10	0	24	12	0	23	11	0	25	12	1	12			
24	MAX. 25			25			25			25			25			25			25			25				
Squash, Harry Dix, 2's	MIN. 30	140	120	92	70	50	30	10	140	121	100	75	55	30	148	130	100	78	50	30	155	130	110			
24	MAX. 150						150							150						150						
	MIN.																									
	MAX.																									
	MIN.																									
	MAX.																									
	MIN.																									
	MAX.																									
	MIN.																									
	MAX.																									
	MIN.																									
	MAX.																									

Part of page from stock book.

To each item should be assigned two horizontal lines. One should carry the periodical inventory count, and the other goods ordered.

Each item should be marked for Minimum and Maximum quantities. When the inventory approaches the minimum an order should be placed for the maximum.

The minimum should be based on the length of time it takes to receive the goods after the order is placed. It should contain a slight margin of safety to avoid being out if an unforeseen delay occurs. The maximum should be based on the desired turn-over, available warehouse space, and available capital.

When an order is placed for an item, the quantity should be entered in the Stock Book from the copy of the order left by the supplier's salesman or from the duplicate of the order mailed to the supplier before either document is placed in the Goods Ordered file. The entry should be made on the second horizontal line assigned to the item and in the column in which the last inventory count was recorded. When the goods are received the entry should be circled. However, if the quantity received is not the same as the quantity ordered, a light line should be drawn through the purchase entry and the actual quantity received entered in the next space to the right and circled.

When each item is counted, the quantity should be entered on the upper horizontal line immediately to the right of the last entry, or in the first space if no previous count has been entered.

Each item should be counted as often as is essential to proper control. Extremely fast moving items, such as cigarettes, may have to be counted every day, moderate movers every week, slower movers biweekly, and sluggish items monthly.

Out-of-season items which do not sell at all need not be counted until the time approaches to restock for the new season. Likewise, if a 6-month supply of an item is bought at one time the inventory need not be counted for the first 4 or 5 months after the goods are received unless it is desired to establish the monthly rate at which the goods sell.

Where both an active and a reserve stock is maintained, each item will appear in two places in the Stock Book. This will necessitate cross-indexing and make it necessary for the buyers to look in two places for the information they require.

The Stock Book should be separated into several books, preferably one for each department. This will make the book wieldly and at the same time enable several persons to count stock simultaneously.

There are several techniques by which inventory may be counted. Some wholesalers assign to each warehouseman a section of the stock. The warehousemen do the counting when there are no orders to fill or incoming goods to store. This serves to straighten out the labor curve. Others have one or more employees whose primary employment is taking inventory. The former method is believed to be less expensive and is therefore recommended.

The illustration on page 10 shows a part of a page in a Stock Book. The records for peas, potatoes, and squash represent near-perfect buying. In those cases goods are ordered just in time to prevent "outs" and not so soon that excessive stock is carried. However, pumpkin represents very poor buying in that the item is out of stock too much of the time. The remedy in this case is to watch the book more closely and place the order immediately the stock approaches the minimum. The spinach record indicates that the buying is too close. The remedy is to raise the minimum to about 10.

Third Horizontal Line

Some wholesalers assign three horizontal lines on the pages of their Stock Books for each item. The first is used to record the inventory count, the second to show the goods ordered, and the third to show the goods received. However, investigation shows that the third horizontal line is seldom used and that those who record the goods received finally resort to the practice of merely circling the goods-ordered entry when the shipment is checked. Also, the extra line for each item enlarges the book substantially and lessens the convenience with which it can be handled.

Perpetual Inventory

Many wholesalers have at times inaugurated manually operated perpetual inventory systems; a few still have them. But the experience of the trade seems to indicate clearly that such systems are impractical. Their successful operation seems to depend on the peculiar ability, found in few people of the clerk type, to tally, count, and post, rapidly and accurately, the items appearing on all sales tickets. Manually operated perpetual inventory systems are not, therefore, recommended.

Sales Orders

Order Forms

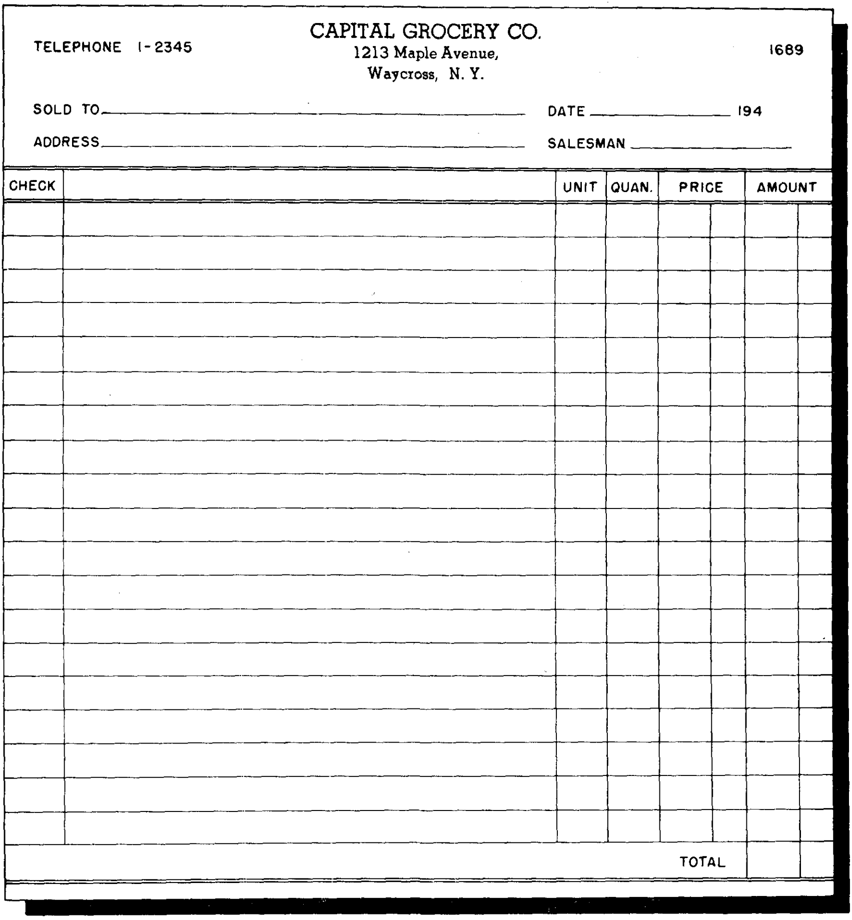
Wholesale grocers use many types of order forms. Some have forms in pads, which are perforated horizontally across the center so that they may be torn in two and used as two orders where few items are ordered; some have long forms, in pads, which have several perforated horizontal lines so that each form may be used for one or several orders, depending on the number of items sold to each customer; some have a long form for large orders and a short form for orders calling for only a few items; and some have one form for all orders regardless of size.

The one-form system eases the work of salesmen and telephone order takers and simplifies the procedure in the accounting department. Therefore, since paper is relatively cheap, it is believed advisable for the wholesaler to have one order form for all sales made, except cash-and-carry. A special form may be designed for cash-and-carry orders.

The illustration on page 13 shows a simple order form. The wholesaler may vary this suggested form to meet any special need which may arise. But it should be kept as simple as is consistent with smooth operation.

Number of Lines

The number of lines which the order form should contain will vary for different houses. But in every case it should provide enough lines to take care of at least 90 percent of the orders written. Therefore, the wholesaler


TELEPHONE 1-2345

CAPITAL GROCERY CO.
1213 Maple Avenue,
Waycross, N. Y.

1689

SOLD TO ______ DATE ______ 194

ADDRESS ______ SALESMAN ______

CHECK		UNIT	QUAN.	PRICE		AMOUNT	
				TOTAL			

Order form.

should determine the length of the order form to be adopted by analyzing his orders for a recent past period. If it is found that 22 lines, for example, will take care of 90 percent of the orders, and that 24 lines will take care of 95 percent, the 2 extra lines should be added.

Order Pads

In houses which had order forms made into pads, the number of sets per pad was found to range from 25 to 100.

It is believed that, where an original and 2 carbon copies are required, the pads should contain about 50 sets of order forms.

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Carbons

The houses studied had varying practices with respect to the use of carbon paper in order writing. Some had pads made with a set of carbons for each set of order forms, the carbons being thrown away after each order is written; some had 50 sets of order forms in the pads with 2 sets of carbons for each pad, the first set being discarded after 25 orders are written; and some had order pads containing 25 sets of order forms with only 1 set of carbons.

It is believed that, when all things are considered, the most advantageous practice is to have order pads containing 50 sets of order forms with 2 sets of carbons. The second set should follow the last set of orders. When 25 orders have been written, the second set of carbons should be removed and placed under the twenty-sixth set of order forms.

Where customers are required to sign for the goods, the copy of the order which serves as the delivery ticket need not show prices, extensions, and footings. This can be achieved, regardless of the carbon system used, by having one of the carbons in the set of a width sufficient to cover only items and quantities. Normally, where customers are not required to sign for the goods, one less copy of the order need be made.

Number of Copies

As many copies of the order as are necessary to smooth operation should be made by the salesman or other person writing the order in the first instance. But the number made should be at least three where charge customers are required to sign for the goods, and at least two if such customers are not required to sign. The original should go to the customer as the invoice, the duplicate should be the posting medium, and the triplicate should serve as the delivery ticket, or waybill, if a receipt for the goods is required.

It appears that having charge customers sign for goods received serves no valuable purpose since if a customer says there was a shortage the wholesaler is likely to make an adjustment regardless of the receipt he holds. Also, a customer cannot repeatedly make false claims without being spotted and called to account. More important, however, if the signature is to mean anything the driver must wait until the customer checks the goods before signing therefor. This is time-consuming and lessens the number of stops the driver can make in a day.

Order Numbers

All orders should be numbered. Some wholesalers write the numbers on with a pencil, others stamp them on, while many have the numbers printed on the order forms at the time they are made.

Writing or stamping the numbers on all copies of all orders is costly, delays delivery, and makes it possible for an order to be lost before it is numbered without the loss being discovered. It is therefore recommended that the numbers be printed on all order forms.

The numbers should run from 1 to a figure which will take care of at least a year's business. This will avoid the confusion which might arise if order numbers recurred within the same accounting period.

To each salesman should be assigned a large block of numbers, say, 1,000. They should then be required to account for each set of forms. If a set is spoiled or not used, it should be marked "Void" and turned in.

Registering Orders

The advantages of maintaining an Order Register have been found to be exaggerated. Proponents of the use of the Order Register claim that it helps to locate lost orders, but admit that very few are lost.

The absence of the Order Register does not mean that the loss of an order cannot be discovered. In the first place, when the goods do not arrive at the time the customer thinks they should the customer will complain, thereby setting the wholesaler on notice that the order of a given customer has not been delivered. The hunt should then begin.

The claim is often made that an order may be delivered but not posted to the customer's account unless an Order Register is kept. If this were to happen, the salesman who sells the customer, delivers the statement to him, and collects the money from him would certainly notice the absence of an item on the statement covering an order he had taken on a recent previous call. Furthermore, most of those who make the claim agree that it happens rarely and when it does it is usually the result of employee carelessness. The remedy would therefore seem to be better personnel training, rather than maintenance of a costly record.

In many establishments where the Order Register is kept it does not function. This is disclosed by the fact that few houses were found in which every number assigned to orders was checked off in the Order Register.

But if the wholesaler desires to keep an Order Register he should use it for no purpose other than to account for orders by numbers. It should contain no customer names or money entries—just order numbers.

Where the orders have the numbers printed on, each salesman should be assigned 1,000 numbers and one page in the Order Register. Then if on the first day a salesman whose order numbers begin with 1 writes 20 orders, the entry in the Order Register would be 1–20; if on the second day he writes 20 more orders, the entry would be 21–40; and so on. This method obviates the necessity of actually entering each order number.

The entries should be made in the Order Register from the duplicate orders after the goods have been shipped and the duplicates posted. This will (1) avoid delaying the time at which order filling can begin, and (2) insure that all orders are posted.

Copying the Order

Orders should not be copied or otherwise reproduced, as this increases operating costs and delays shipment of the goods. The neat invoice is not nearly as important to customers as are prompt service and low prices—and low prices are not possible if operating costs are high.

Pricing

The salesmen should be required to price all orders they write. This takes very little of their time and both reduces clerical cost and speeds up the internal operation.

While the orders are being filled from the duplicates and triplicates, the originals should be scanned by someone familiar with current prices to insure that the prices entered by the salesmen are correct. Done in this way the check will not delay order filling.

Extending and Footing

Only the original and the duplicate copies of the orders need to be extended. As stated before, the original should serve as the invoice and the duplicate as the posting medium.

The orders should be batched into load groups. When a load group is made up the originals should be removed, the prices checked, and the extensions made while the goods are being assembled from the other copies of the orders.

When the duplicates are returned to the shipping department with the goods they should be extended and added independently of the invoices. The items which have been scratched on the duplicates (because they were not in stock) should be scratched on the appropriate invoices and the invoices added. The totals on the invoices and the totals on the corresponding duplicates—which were calculated independently—should then be compared. This should afford an adequate check on the accuracy of extensions and additions.

Extenders and footers should be located in, or convenient to, the office of the shipping clerk so that the extension and addition of each order can be completed the moment it is filled.

Posting Orders

When charge orders are posted against the customers' accounts in the Accounts Receivable Ledger, the total of the batch posted should be entered in the General Ledger as a debit to Accounts Receivable and a credit to Sales.

When collections are made from charge customers they should be credited to the individual customer accounts and then entered in the Accounts Receivable column of the Cash Receipts Journal. This column should be totaled at the end of each month and the total posted as a credit to the Accounts Receivable control account in the General Ledger.

The methods of accounting for c. o. d. and cash-and-carry orders are treated under C. O. D. Collections and Cash-and-Carry, respectively.

Back Orders

The present tendency among wholesale grocers is to back-order as little as possible and to require the customer to reorder on the return call of the salesman. While this is regarded as a healthy trend, back-ordering is still practiced to an extent which justifies a discussion of an appropriate procedure.

There are three principal ways in which back orders may be handled. When an item is called for which is to be back-ordered, the wholesaler may (1) write out a new order and ship the goods as a separate order when they arrive, (2) write out a new order and make it the last page of the next order the customer sends in, or (3) record the data for the missing item on a special form and enter it as an item on the next order received from the customer.

The first procedure is not recommended as it involves processing an extra order through the warehouse plus an extra delivery. Either number 2 or number 3 may be used, but number 2 is favored as number 3 involves a transcription and entails the printing of a special form.

The back order should be written up from the duplicate of the original order immediately after the other goods are shipped. It should not be priced and extended before it is joined to the new order, as the final price may not be definitely known.

Pads of regular order forms covering a specific block of numbers should be set aside for use as back orders. When the back order joins the next regular order from the customer the two should be stapled together and the number on the back order should be crossed out and forgotten. The two orders should be treated as one.

To bring the back orders and the new orders together, a Back Orders file should be established. This file should be kept in the office of the shipping clerk and should consist of one folder for each delivery run. When orders are batched into delivery runs, the appropriate back-order folder should be withdrawn and the back orders calling for goods which are on hand should be removed and each copy of each such back order should be stapled to the corresponding copy of the appropriate new order. The two should then be filled as one order.

Delivery of Documents to Customers

Statements

As a general practice most wholesalers have their salesmen deliver the statements to their customers. However, a substantial number mail the statements to customers.

In every possible case statements should be delivered to the customers by the salesmen. This saves postage, envelopes, and considerable clerical effort.

Invoices

The majority of wholesalers send the invoices by their truck drivers to the customers to whom they deliver. However, some mail the invoices after the goods have been delivered.

Invoices going to customers to whom goods are delivered by company trucks—owned or hired—should be delivered by the truck driver along with the goods. This will save postage, envelopes, and clerical effort. It will also let the customer know that the goods he receives or signs for are identical with those which are listed on the invoice and which are going to be charged to his account.

The invoices covering a delivery run should be placed on a stiffback in the order of delivery—the first order to be delivered on top of the pile, etc.

If the wholesaler requires customers to sign for the goods, the delivery ticket (a copy of the order) and the invoice should be placed together on the stiffback. When a store is reached, the driver should remove the appropriate invoice and delivery ticket and leave the stiffback in the truck. This will prevent the customer from reviewing the details on other customers' orders. When the delivery tickets are signed they should be placed on a second stiffback. This will serve to keep the tickets by delivery runs.

Delivery Lists

Some wholesalers make a delivery list of all orders comprising a load. In such cases the orders are listed from top to bottom in the order in which the stops are to be made. Such lists are usually prepared in the shipping department.

The making of delivery lists is believed to be an unjustifiable cost. If the invoices and delivery tickets—where the latter are used—are arranged on a stiffback as suggested above, no list will be necessary to keep the driver straight. It is therefore recommended that no delivery list be made.

Customer Credits

Many wholesalers who require customers to sign for the goods reduce the number of Credit Memos issued and the number of postings made by permitting the driver to accept returns without prior authority and to adjust the delivery tickets and the invoices accordingly. In such cases, the accounting department does not post the duplicates until the delivery tickets are received with all changes made by the driver okeyed by the proper person in the shipping department. When these things are done the accounting department corrects the posting media to conform to the delivery tickets, and then posts.

The above procedure (1) gives the customer an invoice which shows the identical goods with which he is charged, (2) avoids the issuance of Credit Memos, and (3) saves considerable bookkeeping work. It is therefore recommended for every house which has highly intelligent and trustworthy drivers, and which requires the customers to sign for goods received.

However, where a customer is due a credit which was not made by the driver at the time the goods were delivered, a regular Credit Memo form should be issued. This form should be made in duplicate with the original going to the customer via the salesman, and the duplicate serving as the posting medium. When the duplicate is posted it should be filed in the customer's folder in the Customers file.

A simple Credit Memorandum form, such as shown on following page, may be used. If the wholesaler wishes to show the gross profit originally taken on returned goods he may enter the gross profit for each item on the appropriate line just left of the Price column. Or, if such recording is a regular practice, he may establish a Gross Profit column to the left of the Price column.

CAPITAL GROCERY CO.
1213 Maple Avenue,
Waycross, N. Y.

TELEPHONE 1-2345

__________ 194

SOLD TO ______________________________

____

QUAN.	UNIT	CREDIT MEMORANDUM	PRICE	AMOUNT	

WE ARE CREDITING YOUR ACCOUNT WITH THE ABOVE. IF NOT CORRECT PLEASE REPORT AT ONCE

Credit memorandum form.

Instead of using special Credit Memo forms some wholesalers use the regular order form. However, the use of the Credit Memo form obviates the possibility of posting the credit as a charge, and makes it possible to let all order forms used represent sales.

Corrected Invoice

When an error is found on a sales order which favors the wholesaler, and the goods and invoice have been delivered, a Corrected Invoice should be made in duplicate. The original should be delivered to the customer by the salesman and the duplicate should serve as the posting medium. If the customer's account has been charged with the erroneous amount, it should be credited with an equal amount and the duplicate of the Corrected Invoice posted. When this duplicate is posted it should be stapled to the duplicate of the erroneous invoice and filed in the customer's folder in the Customers file. The duplicate of the erroneous invoice should be marked "Void" before it is filed with the duplicate of the corrected invoice.

The Corrected Invoice form may be the same as the regular order form except that Corrected Invoice should be printed prominently thereon.

Salesmen's Collections

Some wholesalers have their salesmen issue a special ticket for each collection, some have them list their collections on a regular order form, while

CAPITAL GROCERY CO.

COLLECTIONS - SALESMEN

SALESMAN ______________________ DATE ______________________ 194

CUSTOMER	AMOUNT		CREDIT MEMOS		ALLOW-ANCES		DISCOUNT		NET	
TOTALS										

Salesmen's collection sheet form.

still others supply salesmen with pads of collection sheets on which each collection is to occupy one line.

The first method involves the use of too many tickets. The second method is simple but yields a collection sheet which might be confused with the orders. The third method is thought to be the best.

On page 20 is shown a suggested form for the Salesmen's Collection Sheet. This simple form may be varied to meet the special needs of the individual wholesaler.

The form should be made out in duplicate, the original serving as the posting medium and the duplicate remaining in the book for the salesman's information.

When the salesman enters a collection he should note, by use of symbols, whether the payment was made in cash or by check. This will aid the cashier and bookkeeper in keeping their records straight.

When the salesman turns in the collection sheet, the cash, and the checks, the total of the net column on the sheet should be compared with the combined totals of the cash and the checks. If these totals check, the total of the Net column should be entered in the Cash Receipts Journal opposite the salesman's name. The totals of the three middle columns should then be entered in the General Journal as a debit to Sales Returns-Allowances-Discounts and a credit to Accounts Receivable. The account of each customer whose name appears on the credit sheet should then be credited with the amount shown in the Amount column opposite the customer's name.

All collection sheets should be filed by salesmen in the Salesmen's Collections file.

C. O. D. Collections

Some Systems Used

The trade employs many methods of accounting for the c. o. d. collections made by the truck drivers. Briefly, some of these are:

1. The shipping clerk makes a regular delivery list with the amount of each charge order recorded in one column and the amount of each c. o. d. order recorded in another. A third column is used for entering returns on c. o. d. orders only—where returns are permitted—and the fourth column is the one in which the money received is recorded. Thus the money turned in by the driver plus returns must equal the total of the c. o. d. column.

2. The second method is exactly the same as the one described above except that no charge orders—only c. o. d. orders—are recorded on the list and therefore only three columns are used.

3. Under a third method, the shipping clerk runs a tape on an adding machine of all c. o. d. invoices in the load before the truck leaves. When the driver makes the turn-in, the money plus returns must equal the total on the tape. After checking the goods returned, the shipping clerk enters the returns on the tape and subtracts them from the total. He then initials the tape and sends the money, c. o. d. delivery tickets, and the tape to the main office.

765019—47——4

A variation of the third method sometimes employed is that the shipping clerk does nothing on c. o. d.'s until the deliveries are made and the driver returns. The tape is then run and the check is made.

Where Three Copies of the Order Are Made

If three or more copies of the order are made, the third method is recommended.

When the orders are finally arranged for the load the copies used as the posting media—usually the duplicates—should be clipped together and sent to the main office in load batches. The main office should remove and run a tape on the c. o. d. duplicates. They should then be clipped together, tape included, and held pending receipt from the shipping department of the money, the adding-machine tape run by the shipping clerk, and the delivery tickets—if customers are required to sign for the goods—including the c. o. d.'s.

If the money received plus goods returned equals the total shown on the tape run by the main office, Cash should be debited and Sales credited through the Cash Receipts Journal, and the c. o. d. duplicates filed in the appropriate customers' folders in the Customers file. However, where goods are returned, the items returned and the exact amount paid should be plainly marked on the duplicate before it is filed. This will enable the wholesaler to determine the quantity of goods being returned by any particular c. o. d. customer, if such information is desired.

When a truckdriver receives full payment on a c. o. d. order he should mark the copy he retains Paid. When some of the goods are rejected for any reason and the remainder paid for, the driver should note plainly on the back of the ticket retained the quantity of each item returned, the amount of money deducted, and the total amount of cash received from the customer. These notations should be okeyed by the shipping clerk before the money and tickets are sent to the main office.

To prevent the shipping clerk from exaggerating the amount of returns and pocketing the exaggeration, the record of returns made on the back of the delivery tickets by the driver should be checked against the deductions made on the tape turned in by the shipping clerk.

Where Only Two Copies of the Order Are Made

In houses where only an original and a duplicate of the order are made, and no delivery ticket is used, a third copy should not be made just to supply a delivery ticket to cover c. o. d. orders. However, the shipping clerk should follow the second method outlined above. He should make a list, in duplicate, on a prescribed form (see illustration on page 23) of all c. o. d. orders. He should give the driver a copy of this list and retain one in his office. When the driver makes a collection he should make a check opposite the appropriate figure on the list. If a customer rejects a part of the shipment, a detailed record should be made on the back of the list. When the driver turns in the list and the collections, the shipping clerk

CAPITAL GROCERY CO.

COLLECTIONS - C.O.D.

DRIVER ____________________ DATE ____________ 194

CUSTOMER	AMOUNT		RETURNS		NET	
TOTALS						

C. O. D. collection sheet form.

should enter the returns in the second column and the cash received in the third. If cash plus returns equals the total of the first column, the list should be initialed and sent, together with the cash, to the main office. The main office should see that the money turned in plus the returns equals the total on the tape made from the duplicates by the main office.

Here again, no deductions for returns should be accepted by the main office unless substantiated by a note in the driver's handwriting on the back of the c. o. d. list.

The above system requires a little more work than does the one described under the heading, Where Three Copies of the Order Are Made. But it gives a little tighter control of c. o. d. collections. It therefore may be employed by any wholesaler regardless of the number of copies of the order he makes.

Telephone Messages

Some wholesalers keep a record of all telephone messages for persons not present to answer the phone, and some do not. Many of those who keep such a record declare that it is indispensable.

If a record of such incoming calls serves no valuable purpose it should not be kept. However, for those who find the record useful, a form such as that shown on page 25 is recommended.

The form should be ordered in long pads which are stapled together. The pads should contain four, five, or six forms on each sheet, and be so perforated that the individual forms can be torn off as they are used. Between each sheet of forms should be a blank strip of thin paper, the exact size of the sheet of forms, on which a permanent record is made of each message by means of carbon paper. When each sheet of forms is exhausted the carbon should be removed and placed under the succeeding sheet of forms and the sheet of thin paper on which the permanent record is carboned should be turned back. When a book of forms has been used up the duplicate record is intact for retention as long as thought advisable.

Cash-and-Carry

In considering accounting and record-keeping systems covering cash-and-carry operations, it may be well to remember that no system yet devised will bring to light all dishonest acts of employees. The systems discussed here, however, are as watertight as any now employed.

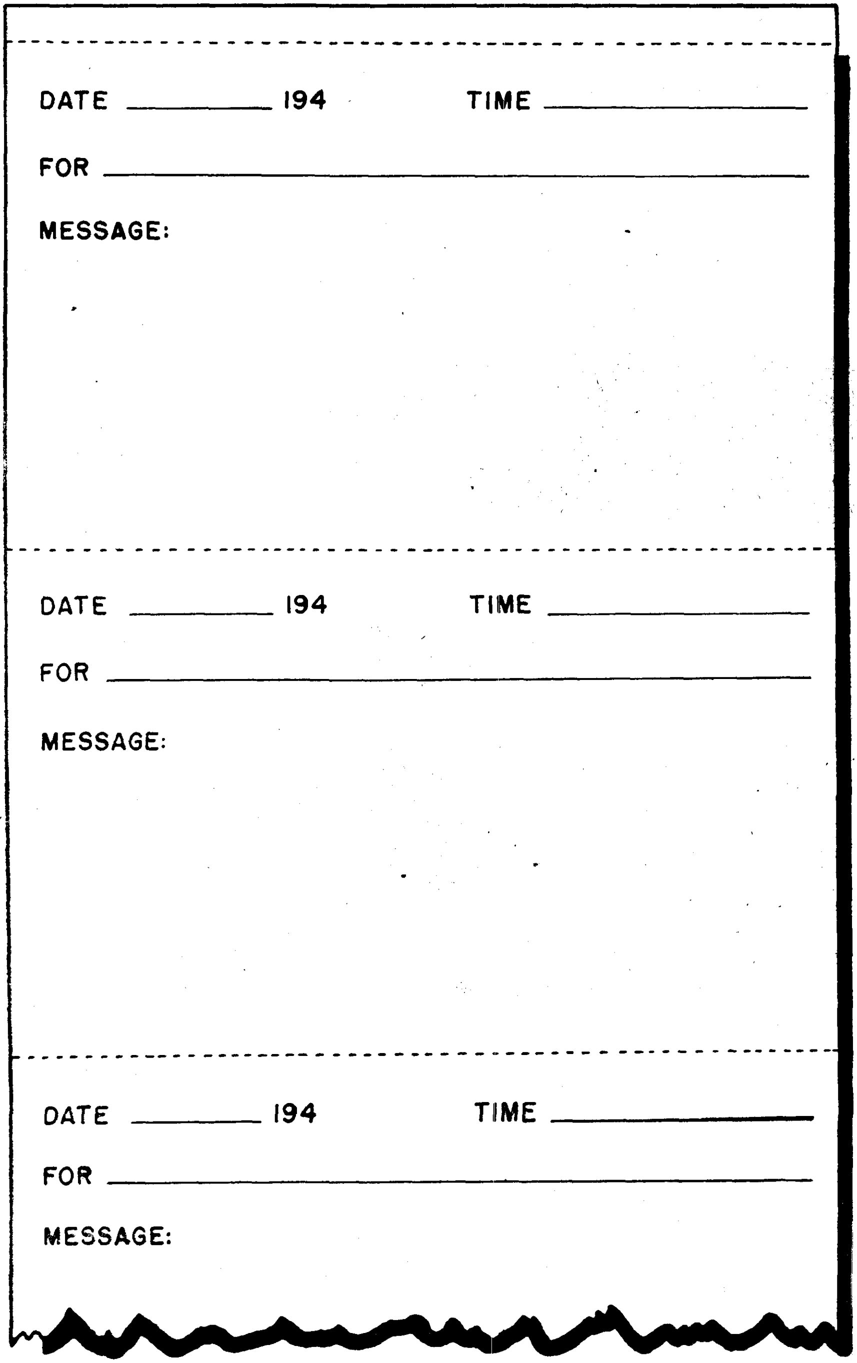
A ledger account should, in every case, be maintained which will indicate to the management the volume of cash-and-carry sales for any period.

Cash-and-Carry Order Forms

Where cash-and-carry orders are reduced to writing a special order form should be used to readily distinguish cash-and-carry orders from other orders. The form should be simple, and should have sufficient lines to care for 95 percent of all orders. All order forms should have numbers printed thereon, and each one, even though voided, should be accounted for.

Types of Cash-and-Carry Operations

Among small and medium-volume wholesalers there are three general types of cash-and-carry operations. The first is one in which goods are sold


DATE ________ 194   TIME ________

FOR ________

MESSAGE:

DATE ________ 194   TIME ________

FOR ________

MESSAGE:

DATE ________ 194   TIME ________

FOR ________

MESSAGE:

Telephone message form.

direct from the general stock and no goods are set aside for cash-and-carry trade alone. The second is one in which a stock of merchandise is set off in a separate room or section of the warehouse for cash-and-carry sales only. The third type of cash-and-carry operation is that which is conducted in a separate building not attached to the warehouse.

Sales From General Stock

Where goods are sold from the general stock, any one of three methods of accounting may be employed. These are outlined below.

System 1.—This system involves no sales tickets. The customer is required to submit a written list of his wants for order-picking purposes. The person in the warehouse who handles the cash-and-carry trade is equipped with a check-out machine (cash register). When the order is filled it is checked and itemized on the check-out machine in the same way that orders are handled in retail grocery super markets. The customer is given the tape and he pays the cash. At the close of the day the cash is turned in. The tape in the check-out machine is then read by someone from the main office. If the cash turned in agrees with the machine reading, it is entered in the Cash-and-Carry Sales column of the Cash Receipts Journal.

This method is the simplest of all. Its chief disadvantage is that it does not give the customer a list of the goods purchased. But this lack is considered to be of minor importance. However, the system cannot be employed in any jurisdiction which requires by law that the retailer be given an itemized list of his cash-and-carry purchases.

System 2.—Under this system the customer's order is written up in duplicate. When the order has been picked and checked the customer pays, and is given the original of the order. At the end of the day the money taken in is checked against the total of the cash-and-carry sales tickets, and then both money and tickets are turned in to the main office where the cash is again checked against the sales tickets. If the cash is "right" it is entered in the Cash-and-Carry Sales column of the Cash Receipts Journal. The ticket numbers are then checked to see that they run consecutively from the highest number turned in on the previous business day. If all numbers are accounted for, the tickets are fastened together and filed chronologically, by days, in the Cash-and-Carry Sales file.

System 3.—This system is similar to number 2. Under the third system, however, the customer calls at the general office, where his order is written up in duplicate and the money collected. The customer takes the original to the warehouse, where the order is filled and the goods loaded on his truck. The clerk in the office who writes the orders and receives payment takes exactly the same accounting steps as described under system 2.

The only advantage which this system has over the second one is that it shifts the accounting responsibility from the warehouse to the main office—if this can be styled an advantage. Its chief disadvantages are: (*a*) If the customer, while in the warehouse, sees or thinks of an additional item he wants he has to return to the office to get the order corrected, which he hesitates to do, (*b*) it handicaps "selling" to customers by warehouse personnel since the order is already written when the customer enters the warehouse, and (*c*) it tends to increase "outs," as the clerk in the office is less likely to know what items are out of stock than are the warehousemen.

Like the other systems discussed, this one gives an accurate check on cash received but does not check on losses through collusion between customer and warehouse employees.

Sales From Separate Stock

Where a special stock of merchandise is maintained—either in the main building or a separate building—for cash-and-carry sales only, such stock, and the replenishment thereto, may either be charged to the cash-and-carry department or furnished without being charged. If the goods are furnished without being charged, the manager can be required to account only for the cash resulting from sales; if the goods are charged to the department—as good management dictates—the manager should account, either in cash or in goods on hand, for all goods received.

Where goods are supplied to the cash-and-carry department without being charged thereto, the same accounting considerations obtain as do where sales are made from the general stock. Under such circumstances what was said about the three systems outlined under the heading, Sales from General Stock, applies with equal force. Therefore, either system 1 or system 2 may be employed.

Where Goods Are Charged to the Branch

Where goods are charged to the cash-and-carry branch, simplified accounting procedure will require the maintenance of the following accounts in the General Ledger: Branch Merchandise, Transfers, Branch Operation, Branch Fixed Assets, Depreciation on Branch Fixed Assets, and, in some cases, an account with a special bank in which the branch deposits cash received from sales. For purposes of this study the latter account will be styled Branch Bank. These accounts should be duplicated for each cash-and-carry branch maintained.

Where goods are charged to the cash-and-carry department located in the main warehouse, the above accounts, with the exception of Branch Bank, should be used.

The Branch Merchandise account takes the place of the Cash-and-Carry Sales account used where goods are not charged to the cash-and-carry branch. It should be debited, at sales prices, with (1) all goods received from any source, and (2) increases in the value of floor stocks because of increases in selling prices. It should be credited with (1) all money turned in from sales, (2) decreases in the value of floor stocks owing to decreases in selling prices, and (3) money expended out of cash received from sales to cover minor expenses. When the account is fully posted the debit balance should equal the cash-and-carry inventory at sales prices.

The above does not take into account opening and closing entries at the beginning and end of the accounting period.

When a change in the cash-and-carry price occurs on an item, the branch's floor stock of that item should be counted and an adjusting entry made through the General Journal. If the price change is downward, the entry should be a debit to Transfers and a credit to Branch Merchandise; if the change is upward, the debit and credit entries should be reversed.

The cash-and-carry branch may receive merchandise through transfer from the parent house, drop shipment, or direct purchases.

Regardless of the manner in which goods are acquired by the branch, they should first be charged to the Purchases account of the main house in the regular manner and then transferred to the cash-and-carry branch through a Transfers account.

When goods are transferred to the branch, Transfers should be credited and Branch Merchandise debited through the General Journal. Both the debit and credit should be at the cash-and-carry selling price of the goods.

When the Transfers account is adjusted at the end of the accounting period to remove the estimated gross profit on goods transferred, the balance should be closed out into Purchases. This will determine the goods for which the main house is accountable.

The Branch Operation account will reflect the cost of running the branch and the net profit on the operation. Aside from the opening and closing entries, it should be debited with (1) all expense items for the branch, paid by either the branch or the main office, and (2) the regular service charges made by the main office for administrative, warehousing, handling, and other services.[1] It should be credited with the estimated gross profit on goods transferred to the branch. When the account is fully posted and the closing entries made, the credit balance will show the net profit for the period on branch sales.

To clarify the accounting procedure a simple set of entries is offered.

If during the accounting period the main warehouse buys $100 worth of merchandise for cash and transfers it to the branch and the branch sells half of it, the entries for the period would be:

1. Purchases	$100	
Cash		$100
2. Branch Merchandise	106	
Transfers		106
3. Branch Bank	53	
Branch Merchandise		53
4. Transfers	6	
Branch Operation		6
5. Branch Operation	3	
Branch Merchandise		3
6. Transfers	100	
Purchases		100

[1] Many wholesalers charge their cash-and-carry branches for services. The charge is often 3 percent of the transfer price of the goods—1 percent for buying and administrative, 1 percent for warehousing and handling, and 1 percent for delivery. Where a definite charge is made by functions the amounts so charged should be deducted from the cost of the functions involved. For example, if during a given period, the branch is charged $100 for delivery, that amount should be credited to delivery cost for that period.

The first set of entries covers the acquisition of the merchandise by the parent house. The second set transfers the merchandise, at cash-and-carry sales price, to the branch. The third set accounts for sales and reduces the Branch Merchandise account by the amount of sales. The fourth set reduces the Transfers account to cost, and places the estimated gross profit on transfers in the Branch Operation account. But since only half of the merchandise was sold during the accounting period, only half the gross on the goods transferred to the branch was realized. The fifth set therefore reduces the gross to $3 and reduces the book value of the cash-and-carry inventory to a cost basis. The sixth set closes out the Transfers account and reduces the Purchases account by the amount of the goods transferred to the branch during the period.

It should be noted that the fifth set of entries reduces the stock on hand at the end of the accounting period by the amount of the estimated gross profit thereon, and also reduces the credit balance in the Branch Operation account by the same amount. This adjusts the accounts for the period and gives a true picture of operations for the period.

By reversing the fifth set of entries the books are again placed on an operating basis for the new accounting period.

Branch Fixed Assets

The Branch Fixed Assets account should carry all of the fixed assets of which the branch has custody.

Accounting for Cash

With respect to accounting for the money taken in, either system 1 or system 2, outlined under Sales from General Stock, will serve. System 1 is preferred, however, because it entails less work.

Where the cash-and-carry branch is located in the same town as the main establishment, a daily turn-in of cash may be required, with the cash turned in being posted in the Branch Merchandise column of the Cash Receipts Journal. But if the branch is located a great distance from the main office it may be desirable to permit the manager to bank the cash locally. If this is done the manager should be required to deposit the total of each day's receipts, minus minor expenditures, in a local bank on the following morning and send the deposit slip to the main office, where it should be entered through the General Journal as a debit to Branch Bank and a credit to Branch Merchandise.

The manager should not be permitted to write checks or otherwise draw money out of the bank. And the bank should be required to send all statements to the main office.

If it is necessary for the manager to pay for minor expense items he should do so out of cash and get, where possible, a sales ticket for each outlay, signed by the payee. Where sales tickets cannot be procured, the manager should make out an Expense Ticket (see next illustration) for each outlay and, if possible, have the payee sign it. All tickets representing expenditures should be sent to the main office and posted through the General Journal as a debit to Branch Operation and a credit to Branch Merchandise.

EXPENSE TICKET
HOPEVILLE BRANCH

DATE ____________ 194

PURCHASED FROM ____

ITEM	QUAN.	PRICE	AMOUNT
		TOTAL	

MANAGER ____________________ PAYEE ____________________

Expense ticket form for use by branches in reporting cash expenditures.

Substantial expense items, such as rent and pay roll, should be paid by the main office, preferably by check, and charged through the Cash Disbursements Journal to Branch Operation.

Where the manager is required to deposit locally the cash taken in, a daily deposit should be the invariable rule. Also, when the deposit slip and the expense tickets are sent to the main office, they should be accompanied by a Daily Report which shows the cash-register receipts for the day, or the total sales tickets for the day, depending on the system used in accounting for sales (see systems 1 and 2 under Sales from General Stock). A simple form, similar to the one shown on page 31, should be used in making this report.

Self-Service Cash-and-Carry

Where the operation is conducted on a self-service basis, the system of checking and collecting for sales should be identical with the system employed in retail super markets. In short, system No. 1 should be used, except that the customers would not be required to submit a written list of their wants.

Other accounting considerations are the same for self-service cash-and-carry houses as for the service type.

Taking Inventory

Inventory should be taken in the cash-and-carry branch at least once each month. And when it is counted it should be recorded by value, not items, and at selling prices. The Inventory Sheet shown on page 32 illustrates the type of inventory-taking form which can be advantageously used.

The inventory can best be taken by teams of two. One man counts the goods, and calls out the count and the selling price. The second man records the amount on the Inventory Sheet. For example, the count on an item may be 60 and the unit selling price, $2.81. The counter would call, "60 at 281."

The recorder enters 60 in the \$2, the 75¢, the 5¢, and the 1¢ columns and calls "60 at 281. Check."

When all items have been counted, each column should be totaled and the totals added across. By adding the totals of all sheets the value of the inventory, at resale prices, is determined. This should exactly equal the debit balance in the Branch Merchandise account before the account is adjusted at the end of the accounting period.

The cash-and-carry inventory, before being added to other inventory at the end of the year, should be reduced from sales value to cost value. This can be achieved by subtracting the average estimated cash-and-carry gross profit from the inventory. For example, if the inventory at sales prices is \$5,000, and the average gross profit for the year equals 6 percent of sales, the cost value of the inventory will be \$5,000 minus 6 percent, or \$4,700.

DAILY REPORT

HOPEVILLE BRANCH

OPERATIONS COVERING ____________ 194

CASH REGISTER	\$X,XXX.XX
EXPENSES PAID (TICKETS ATTACHED)	XX.XX
DEPOSITED (SLIP ATTACHED)	\$X,XXX.XX

REMARKS ____

____

____

MANAGER ____________________

Daily report form for use by branches.

The proper procedure for making the adjustment was illustrated with journal entries on page 28.

Files

Papers through which business transactions are effected should be filed systematically in homogeneous groups for ready reference. The files thus

INVENTORY SHEET NO. ______
HOPEWELL BRANCH

DATE ______________ 194

	¢ 1	¢ 2	¢ 3	¢ 5	¢ 7	¢ 10	¢ 15	¢ 25	¢ 40	¢ 50	¢ 75	$ 1.00	$ 1.50	$ 2.00	$ 3.00	$ 3.50
TALLY																
DOLLARS																

GRAND TOTAL $ __________

Cash-and-carry inventory sheet form.

established are of two general types—permanent and transitory. A permanent file is one which constitutes the final resting place of a document; a transitory file is one in which a document is temporarily placed pending the completion of the transaction.

The files specifically recommended for use by wholesale grocers are:

1. Permanent: (*a*) Suppliers, (*b*) Customers, (*c*) Salesmen's Collections, (*d*) Cash-and-Carry Sales, (*e*) Expense Statements, and (*f*) Pay Roll.

2. Transitory: (*a*) Back Orders, (*b*) Supplier Adjustments, (*c*) To Be Paid, (*d*) Goods Ordered, and (*e*) Goods in Transit.

Permanent Files

All permanent files should be removed and new ones inaugurated at the beginning of each accounting year. The old files should be stored, by years, and preserved for 1 year or as long as required by law.

Below is a brief discussion of some of the permanent files which should be maintained by wholesale grocers.

Suppliers file.—The Suppliers file should consist of a folder for each supplier from whom merchandise is bought. The folders should be arranged alphabetically, by suppliers, to facilitate finding a particular document pertaining to an individual supplier in a minimum of time.

In each folder should be filed all papers vital to an accurate record of all past transactions with the supplier. Examples of these papers are: (1) The supplier's invoice, after it has been paid and so stamped or marked, (2) a copy of any debit memorandum sent to the supplier which is finally settled by a cash payment, and (3) all credit memoranda received from the supplier.

The Suppliers file lessens the necessity for keeping an Accounts Payable Ledger because, if it is desired to know how much merchandise has been purchased from a given supplier during a given period, the information can be obtained by taking from the file, and adding, the supplier's invoices for the period. Other information, such as the amount of discount taken, can be determined for any supplier by the same process.

Customers file.—The Customers file should consist of a folder for each charge customer and each c. o. d. customer. The folders should be filed alphabetically under each salesman to facilitate the ready location of any document filed in customers' folders.

In each folder should be filed all papers necessary to a complete record of all transactions with the customer. Some of these are: (1) A copy of the order for a charge customer, filed after the order has been posted, (2) a copy of the c. o. d. order filed after it has been paid and posted, and (3) a copy of each credit memorandum to the customer.

A copy of an order representing a cash-and-carry sale should not be placed in a customer's folder, even though the sale is made to a charge customer. The retained copy of such an order should be filed in the Cash-and-Carry Sales file with the other cash-and-carry sales tickets for the day.

Salesmen's Collections file.—The Salesmen's Collections file should be arranged alphabetically by salesmen. It should contain all collection sheets, or collection tickets, turned in by salesmen. If collection sheets are used, there should be a folder in the file for each salesman. If collection tickets (one for each collection) are used, the file will soon become too voluminous for the use of folders; therefore, the space allotted to the several salesmen should be separated by dividers.

Cash-and-Carry Sales file.—If accounting system number 1, discussed under Sales from General Stock, is used, no cash-and-carry sales tickets will be made and no Cash-and-Carry Sales file will be needed. However, if a system is used involving sales tickets, such tickets for each day's sales should be fastened together and filed chronologically by days. The file should contain a sales ticket for each order filled.

Expense Statements file.—This file should consist of one folder for each month. In the folder should be placed all expense statements, with supporting tickets, and expense invoices paid during the calendar month.

Pay Roll file.—All pay rolls should be filed chronologically. At the end of the year, all pay rolls and all individual employee sheets for the year should be bundled together and stored away.

Transitory Files

Below is a brief discussion of the transitory files which should be kept by wholesale grocers.

Back Orders file.—The establishment, maintenance, and use of the Back Orders file are treated under the section, Back Orders.

Supplier Adjustments file.—The Supplier Adjustments file should consist of one folder. In it should be placed a copy of each Debit Memo or letter sent to a supplier regarding claims. If a claim is settled by check or cash, the appropriate document should be transferred to the supplier's folder in the Suppliers file; if the claim is settled by a Credit Memo from the supplier, the letter or Debit Memo may be removed from the file and destroyed, as the Credit Memo will ultimately be filed in the supplier's folder in the Suppliers file.

To Be Paid file.—The number of folders of which the To Be Paid file should consist will depend on the system used in paying suppliers and in settling expense statements. This subject is covered in detail under the section, Paying for Merchandise.

In the folders should be placed (1) all purchase invoices to be paid, (2) all Credit Memos from suppliers, and (3) all invoices or statements which represent items of operating expenses to be paid.

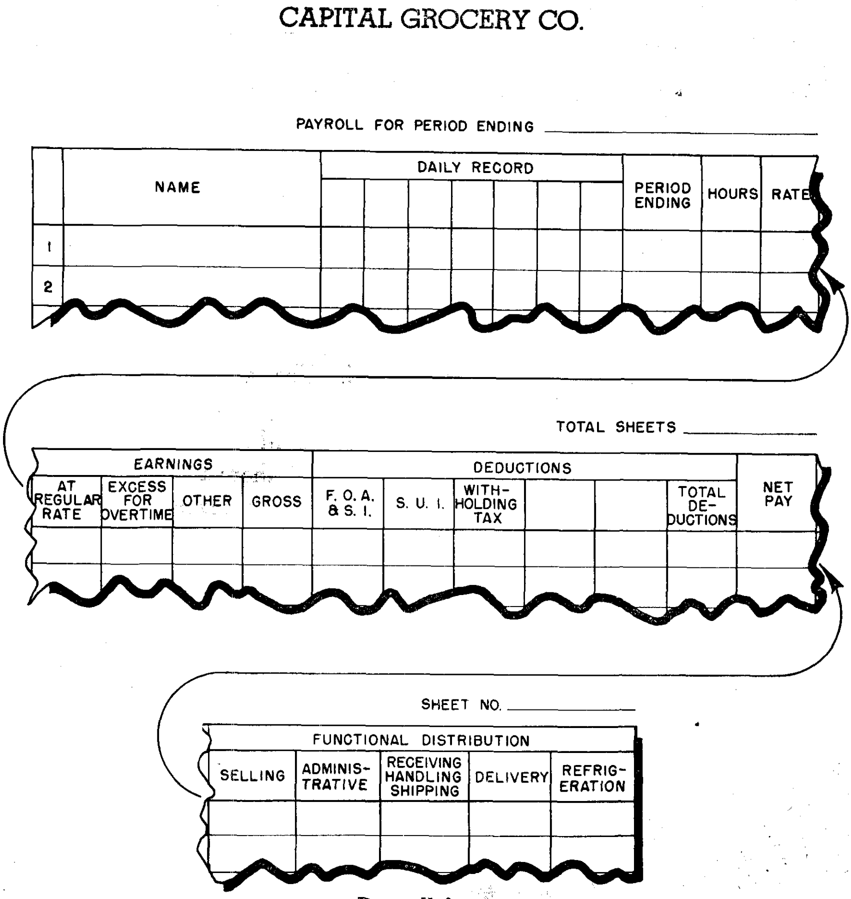
The use of this file is discussed under the sections, Paying for Merchandise, Adjustments from Suppliers, and Paying Expense Invoices and Statements.

Goods Ordered file.—After the retained copy of the purchase order has been entered in the Stock Book it should be placed in the Goods Ordered file, where it should remain until the supplier's invoice arrives. This file should be kept by the receiving clerk, or made available to him.

Goods in Transit file.—The retained copy of the purchase order should be transferred from the Goods Ordered file to the Goods in Transit file after it has been checked against the supplier's invoice. The file should be kept by the receiving clerk, or made available to him.

Pay Roll

The pay roll should be made out on a printed form which provides columns for all deductions. The form should also have a column at the right for each functional group into which the pay roll is to be broken down for posting



CAPITAL GROCERY CO.

PAYROLL FOR PERIOD ENDING ____________

	NAME	DAILY RECORD							PERIOD ENDING	HOURS	RATE
1											
2											

TOTAL SHEETS ____________

EARNINGS				DEDUCTIONS						
AT REGULAR RATE	EXCESS FOR OVERTIME	OTHER	GROSS	F. O. A. & S. I.	S. U. I.	WITH-HOLDING TAX			TOTAL DE-DUCTIONS	NET PAY

SHEET NO. ____________

FUNCTIONAL DISTRIBUTION				
SELLING	ADMINIS-TRATIVE	RECEIVING HANDLING SHIPPING	DELIVERY	REFRIG-ERATION

Pay roll form.

purposes. The accompanying illustration shows a type of form which may be used to advantage. It may, of course, be varied to fit the requirements of the individual business.

To facilitate the distribution of pay-roll cost to the several functions, the roll should be made out by departments and not alphabetically for the entire firm. Where an employee's time is spent on more than one function, a time study should be made and the allocation of his wages to functions based on the findings. If a time study is not practical, the division of his time between functions should be estimated as accurately as possible and his wages distributed to functions accordingly.

Because of periodical reports which have to be made to the Social Security Administration and the Bureau of Internal Revenue on the exact earnings and deductions for each employee, it is advised that each employee's pay record for the year be recorded on an individual employee's sheet. This sheet should be a printed form with an individual column for each payment and deduction. It should, of course, be varied to suit the needs of the particular wholesaler. To facilitate posting, the sheet should closely parallel the payroll form used, excluding the Functional Distribution section.

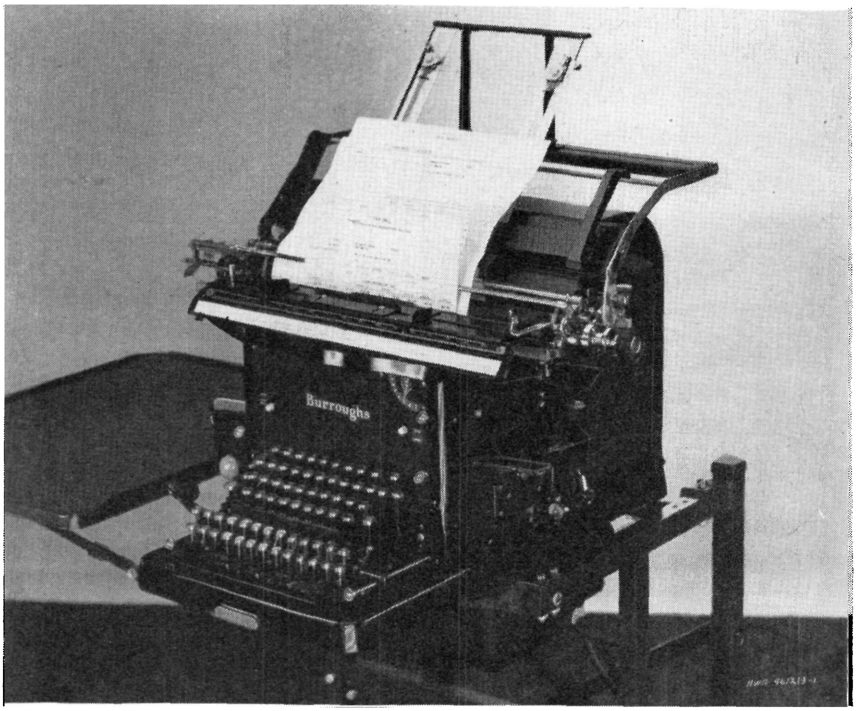
Since keeping individual employee pay records involves many bookkeeping entries, these records should be posted on the bookkeeping machine if the one owned is of the type which can do the job. However, if the mechanization of this task necessitates the purchase of a new and expensive machine, the wisdom of making the purchase may be questioned.

Bookkeeping Machines

Bookkeeping machines are classed as descriptive and nondescriptive.

Descriptive machines have a typewriter keyboard. The nondescriptive machines do not have a typewriter keyboard. The latter use symbols and, in some instances, numbers for description.

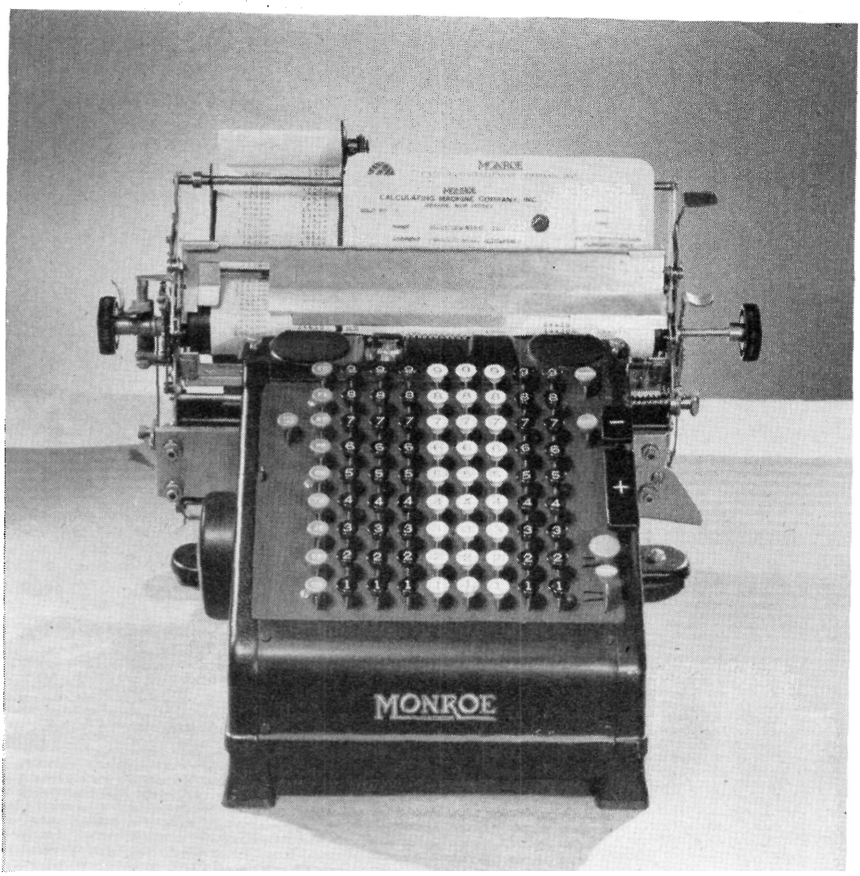
The pictures shown here are offered merely as illustrative of descriptive and nondescriptive bookkeeping machines, of which there are many types and sizes. Pictures of other makes could have been used as advantageously.



Descriptive bookkeeping machine. Photograph by courtesy of the Burroughs Adding Machine Co., Detroit, Mich.

The description, furnished by the manufacturer, of the machine shown above, states:

Posts any record or combination of related records complete in one operation. For example, Customer's Ledger and Statement, Sales Journal and Distribution are posted at one writing, with all adding, subtracting, and typing done by the same machine. Cash Received, Purchases and Payments, Payroll and General Ledger and other records also may be handled. Many exclusive features promote unusual speed and ease of operation.



Nondescriptive bookkeeping machine. Photograph by courtesy of the Monroe Calculating Machine Co., Inc., Orange, N. J.

The description, furnished by the manufacturer of the second machine shown, states:

Posts customer's ledger card and statement simultaneously with pick-up of old balances and debit or credit entries listing on tape journal. Listing capacity 999,999.99; totaling capacity 7,999,999.99 positive and 999,999.99 negative. Front insertion, 13-inch carriage with manual return. Carriage control nonadd. Automatic negative totals and subtotals. Standard equipment includes automatic dating device, one row of nine two-letter symbol keys. Changeable program allows machine to be applied to other accounting work; also operates as standard adding and listing machine * * *.

Each type of machine is produced by several companies, and some companies make both. For a list of bookkeeping-machine manufacturers and their representatives the wholesale grocer should consult the classified section of a telephone directory of a large city.

Before purchasing a machine the wholesaler should confer with representatives of a number of machine manufacturers in order to get the type which will best meet his needs and be reasonable in price.

Bookkeeping machines range in price from about $500 to approximately $3,500, depending on such factors as capacity, features, and equipment included. The price difference does not necessarily reflect what the machine can do but more the manner in which it achieves results.

Practically all wholesale grocers, regardless of size, own bookkeeping machines. It was found that all who own machines use them for posting accounts receivable, some use them for posting accounts payable, and a very few use them for posting pay-roll records; but none were found who use them for posting all expenses.

From the standpoint of time employed, no wholesaler was found who uses his bookkeeping machine to capacity; not many were found who use their machines beyond 60 percent of capacity.

Since work can usually be done more rapidly on a bookkeeping machine than by hand it is advisable that a maximum of office work be performed on such a machine. For example, the bookkeeping machine can be used advantageously to (1) post the Accounts Receivable Ledger, (2) make the customer's statement, (3) post the Accounts Payable Ledger—if one is used, (4) make any journal used in conjunction with receivables and payables, (5) post all expenses to the General Ledger accounts where no Cash Disbursements Journal is used, and (6) post the individual employee's record from the pay roll.

Where a Cash Disbursements Journal is used, expense items are usually posted to the General Ledger in summary form at the end of each month. Therefore, because of the few entries to be made, little would be saved by posting such summary figures on the bookkeeping machine.

Books of Accounts

The regular books of accounts often found in wholesale grocery establishments are: Cash Disbursements Journal, Cash Receipts Journal, General Journal, Accounts Payable Journal, Accounts Receivable Journal, Accounts Receivable Ledger, Accounts Payable Ledger, and a General Ledger.

Some of these books are indispensable, some can be used to advantage under certain circumstances, and some can easily be dispensed with.

Cash Disbursements Journal

Where no Cash Disbursements Journal is used.—A few progressive wholesale grocers have found that a Cash Disbursements Journal, as such, is not essential to a satisfactory record of their operations. They post all payments made by check direct to the appropriate General Ledger accounts from the check stubs, with the stubs serving as the Cash Disbursements Journal. Payments made in cash are posted from the sales tickets received from the payees or from tickets made by the wholesalers' disbursing officers in instances where no tickets are received from the payees.

This system has the following advantages: (1) It involves less work, (2) the expense items can be posted to the General Ledger accounts on the bookkeeping machines, whereas they cannot readily be so entered in the Cash Disbursements Journal, and (3) it gives a finer break-down of expenses than is practical through the use of a columar Cash Disbursements Journal. The system is therefore strongly recommended.

It is realized, however, that many wholesalers will want to go on using the Cash Disbursements Journal for the reason that they have always used it and find it difficult to visualize an operation without it. In view of the fact that its usage in the trade is likely to continue to some extent, the Cash Disbursements Journal is described briefly below.

Where a Cash Disbursements Journal is used.—The columns of the Cash Disbursements Journal should be divided into two sections. The first section should be used for nonexpense items, such as Cash, Bank, and Purchases. The second should be devoted entirely to expenses.

The expense section should be divided into expense groups, such as Administrative, Selling, and Delivery. To each expense group should be allotted sufficient columns to give the desired break-down of each group. For example, under Delivery should be columns for Gas and Oil, Truck Repairs, Drivers' Wages, etc.; under Selling should be columns for Sales Salaries and Commissions, Sales Traveling, Advertising, and the like.

Items of expense which are jointly borne by two or more expense groups should be properly distributed, when entered, to the appropriate columns under the several groups. For example, the pay roll should be so arranged and analyzed that it can be entered readily in the Wages column of each group. Taxes and insurance are other examples of joint costs which should be distributed properly to the appropriate columns under the several expense groups.

The expense section should have a Miscellaneous Expense column in which should be entered all items which do not fit into the columns established for specific types of expenses. When the book is posted to the General Ledger this column should be summarized and the details posted to the proper accounts.

At the end of the month each column should be totaled and the total posted to the appropriate account in the General Ledger.

Where the Cash Disbursements Journal is used in the manner described, the expense items can be handled in the General Ledger in either of two ways: (1) There can be a separate sheet in the General Ledger for each column in the Cash Disbursements Journal, or (2) there can be one ledger sheet for each group with a column on the sheet for each expense column under the group heading in the Cash Disbursements Journal. The latter involves fewer ledger sheets and therefore lessens the work in posting. For this reason it seems preferable.

As indicated before, the most serious disadvantage in use of the Cash Disbursements Journal is that the number of columns in such a book is limited, and therefore expenses cannot be broken down as finely as where they are posted direct to the General Ledger accounts from the check stubs or from the expense tickets which are either received from payees or made out by disbursing officers.

Where the Cash Disbursements Journal is used, only monthly summaries are posted to the Ledger accounts, and whether or not this is done on a bookkeeping machine is not too important.

Cash Receipts Journal

In the Cash Receipts Journal should be entered all money received from current operations. Cash received from nonoperating transactions, such as the sale of fixed assets, or securities, may be posted through the General Journal.

The Cash Receipts Journal should have a column for Cash and one for each money source. The usual money-source columns are C. O. D. Collections; Salesmen's Collections; Customer Payments; Branch Merchandise, where a cash-and-carry branch exists; and Cash-and-Carry Sales, where goods are sold on a cash-and-carry basis from the main warehouse without being charged to a cash-and-carry department.

At the end of each month the columns should be totaled and the totals posted to the appropriate accounts in the General Ledger.

The total of the Cash column should be posted as a debit to Cash. The total of the C. O. D. Collections column should be posted as a credit to Sales. The total of the Salesmen's Collections column and the total of the Customer Payments column should be posed as credits to Accounts Receivable. The total of the Cash-and-Carry Sales column should be posted as a credit to the Cash-and-Carry Sales account in the Ledger. The total of the Branch merchandise column should be posted as a credit to Branch Merchandise.

It is clear that the Salesmen's Collections and the Customer Payments columns should be under the master head of Accounts Receivable since both are to be posted as a credit to this account.

General Journal

The General Journal is a sort of catch-all book of original entry. Through it should pass only the items which will not fit easily into the scheme of the special journals. Among these will be:

1. All items not involving the receipt or disbursement of cash, such as journal entries made in closing the books at the end of the accounting period, charges for depreciation and bad debts, the transfer of merchandise to a branch, sales, sales returns-allowances-discounts, and the like.

2. All transactions involving the receipt or disbursement of cash from other than current operating sources, such as the sale of capital stock, the sale of an asset other than merchandise, and the collection of a bad debt written off.

It is well to note that if the recommended system is employed there would be no purchase returns and allowances to be journalized because of the method used in settling with suppliers on a net purchase basis (see Paying for Merchandise).

The General Journal will have both a debit and a credit column for some accounts. Examples of these are Accounts Receivable and Branch Merchandise. Sales to charge customers will be debited to Accounts Receivable, but returns and allowances for such customers will be credited to Accounts Receivable. Also, merchandise shipped to a cash-and-carry branch will be debited to Branch Merchandise, whereas the loss on the branch's floor stock resulting from a decline in price will be a credit to Branch Merchandise.

To avoid confusion in posting to identical debit and credit columns, the General Journal, if kept by hand, should have the remarks section in the center with the debit columns on the left and the credit columns on the right.

Accounts Payable Journal

Where all bills to be paid are kept in the To Be Paid file, and where no Accounts Payable Ledger is kept, an Accounts Payable Journal would serve no valuable purpose and therefore need not be maintained.

Accounts Receivable Journal

Where the Accounts Receivable Ledger is posted on a bookkeeping machine that accumulates totals which may be checked against the prelisting (the adding-machine tape), the Accounts Receivable Journal appears to serve no purpose which would justify the cost of maintenance. Therefore, under such circumstances, this journal should not be kept.

Accounts Receivable Ledger

To the Accounts Receivable Ledger should be posted everything which affects the amount due the firm by any and every charge customer. It seems to be an indispensable book and should be kept.

Some thought has been given to devising a substitute for the Accounts Receivable Ledger. However, no alternate system was found during the course of the study which would yield equally satisfactory results with less work.

Accounts Payable Ledger

Many wholesale grocers keep no Accounts Payable Ledger, and no such ledger seems necessary. If information on the goods bought from a particular supplier is desired, his folder in the Suppliers file, which should be kept alphabetically, will yield the data. If, for example, it is desired to know the quantity of goods purchased from a given supplier during a particular period, the information may be obtained by adding for the period the invoices in his folder. If a wholesaler wants to know what is owed to a supplier, he may determine the amount by consulting the To Be Paid file and the Suppliers' Adjustments file.

General Ledger

The General Ledger should contain all accounts which must necessarily be maintained and which are not carried in special ledgers. Among these will be Asset, Evaluation, Liability, Proprietorship, Expense, and Income accounts.

Expense accounts.—If a Petty Cash Journal is kept a few postings will be made from that journal to the ledger expense accounts. Also, closing entries and a few others may come from the General Journal. But the vast majority of postings to the expense accounts will come from the Cash Disbursements Journal, if one is kept. If a Cash Disbursements Journal is not kept the majority of postings will come from the check stubs.

The General Ledger may have a ledger sheet for each expense, such as Gas and Oil, Truck Repairs, and Drivers' Wages, or it may have one sheet for each functional expense group with a column on the sheet for each expense. For example, expenses incurred for the function of delivery may be posted on one ledger sheet headed "Delivery," with a column for each type of expense, such as Gas and Oil, Truck Repairs, and Drivers' Wages.

Sales account.—All sales, except cash-and-carry sales, should eventually be posted, either individually or in summary form, to the Sales account in the General Ledger. But there should be a separate ledger account for cash-and-carry sales.

If it is desired to break sales down into types, the Sales account should have a column for each type, such as Charge, C. O. D., and Employees. This would necessitate corresponding special columns in the journals from which postings to the Sales account come.

Postings to the Sales account for charge sales should come from the General Journal, and those for c. o. d. and employee sales from the Cash Receipts Journal.

Uniform Accounting

At the present time when wholesalers discuss their items of functional costs they are often not talking about identical cost groups. For example, if one wholesaler states that he has a delivery cost of 2.5 percent of sales and another reports a delivery cost of 2 percent of sales, the second wholesaler would appear to be performing the delivery function for 20 percent less than the first. But if the second wholesaler carries all of his tax and license costs in one account and does not distribute them to the appropriate functions when making his operating statement, and if he treats other similar joint-cost items in like manner, it may be that the first wholesaler actually has a smaller delivery cost than the second.

In order to enable any wholesaler to compare his items of functional costs with those of his colleagues who have similar operations, a system of uniform accounting is outlined here.

Chart of Accounts

No two service wholesalers have identical expense items. This is because of dissimilarities in circumstances, such as: (1) All jurisdictions do not have the same types of taxes, (2) some wholesalers own their buildings while others rent, (3) some perform delivery service with their own equipment while others hire outside agencies to perform this function, and (4) wholesalers employ many different bases for compensating salesmen.

Though expense items may differ radically, most service wholesale grocers perform almost identical functions and therefore have nearly identical functional cost groups. Therefore, the chart of accounts submitted here is designed to finally bring all expense items under appropriate functional headings, i. e., all expenses incurred in delivering goods will come under Delivery, all costs experienced in occupying the building will come under the single head of Occupancy, et cetera.

The chart of accounts purports to contain an account for every type of expense which any grocery wholesaler, regardless of location, is likely to incur. Each wholesaler should set up the suggested functional headings which are common to his business and then select under each heading the accounts which correspond to the expenses he incurs. For example, if he rents his building, he should set up under Occupancy an account with rent, and ignore accounts designed only for those who own their buildings, such as Taxes on Building and Lot and Insurance on Building.

Functional and group headings are not ledger accounts and technically have no place in a chart of accounts. They are included in the chart which follows merely as guides to aid the trade in establishing a uniform arrangement of accounts in the ledger.

To lessen the number of accounts maintained in the General Ledger, the wholesaler may pick under each functional head the substantial items which he wishes to watch closely and control, and set up a separate ledger account, or column, for each such expense. The minor expenses under each functional head may be lumped into a Miscellaneous account or column. For example, under the functional head of Receiving-Handling-Shipping, the wholesaler may set up separate accounts for Wages, Supplies, Demurrage, and Watchman, and lump the other expense items, which are small and which are not susceptible to material reduction, into a Miscellaneous account. This account can, of course, be analyzed if details are desired.

In setting up charts of accounts most authorities assign numbers to the several accounts for the purpose of aiding the bookkeeper in readily locating given accounts in the General Ledger. But, since from the great number of accounts presented in the following chart each wholesaler will select and employ comparatively few, it was felt that numbers would be both meaningless and misleading. Further, the wholesaler employs so few accounts that his bookkeeper, when he has been on the job for a while, should experience no difficulty in locating accounts in the Ledger. After the wholesaler has selected from the following chart the appropriate accounts under each major classification, it will, of course, do no harm to assign a number to each account, if he believes it will be helpful.

Balance Sheet Accounts

Assets

Current Assets:
- Cash on Deposit
- Cash on Hand
- Petty Cash
- Temporary Investments (Stocks and Bonds)
- Notes Receivable
- Accounts Receivable
  - Reserve for Bad Debts
- Dividends Declared on Investments
- Merchandise Inventory (including branch)
- Loans to Officers
- Deposits Made
- Others (Name)

Deferred Charges:
- Office Supplies
- Warehouse Supplies
- Insurance Paid in Advance
- Interest Paid in Advance
- Taxes Paid in Advance

Fixed Assets:
- Real Estate Used in Business
  - Depreciation Reserve
- Real Estate not Used in Business
  - Depreciation Reserve
- Delivery Equipment
  - Depreciation Reserve
- Sales Cars
  - Depreciation Reserve
- Officers' Cars
  - Depreciation Reserve
- Office Furniture, Fixtures, and Equipment
  - Depreciation Reserve
- Warehouse Furniture, Fixtures, and Equipment
  - Depreciation Reserve
- Cold Storage and Equipment
  - Depreciation Reserve
- Alarm System
- Trade-marks
- Cash Surrender Value of Life Insurance Policies
- Others (Name)

Liabilities

Current Liabilities:
- Notes Payable
- Accounts Payable
- Dividends Declared
- Accrued Expenses
- Deposits by Customers
- Estimated Taxes

Fixed Liabilities:
- Mortgages Payable
- Long-Term Notes Payable

Capital

Proprietorship:

- Capital Stock
- Surplus
- Reserve for Contingencies
- Partnership Accounts

Merchandising Accounts

Sales:

- Sales
- Cash-and-Carry Sales
- Sales Returns-Allowances-Discounts
- Sales Tax

Cost of Goods Sold:

- Purchases
- Labels and Labeling
- In Transportation (Freight, Cartage, Express, Parcel Post)
- Purchase Returns and Allowances
- Cash Discount on Purchases

Expense Accounts

Selling Expenses:

- Sales Management Salaries
- Order Takers' Salaries
- Salesmen's Compensation
- Sales Traveling Expense
- Samples
- Advertising
- Premiums
- Sales Postage, Printing, and Stationery
- Social Security

Administrative:

- Executive Salaries
- Directors' Fees
- Buyers' Salaries
- Office Salaries
- Telephone and Telegraph
- Light, Heat, Power
- Water
- P. O. Box Rent
- Depreciation, Office Furniture and Fixtures
- Repairs, Office Furniture and Fixtures
- Insurance, Office Furniture and Fixtures
- Postage
- Stationery and Printing (not sales)
- Credit and Collections
- Bad Debts
- Legal
- Auditing
- Banking (Exchange, Float, Check Taxes)
- Interest Paid
- Cash Over and Under
- Dues and Subscriptions
- Executive Travel
- Life Insurance—Executive

Donations
Pensions
Cleaning
Spoilage

Occupancy:
Rent
Outside Storage
Interest Paid on Building and Lot Debt
Taxes on Building and Lot
Insurance on Building
Repairs to Building
Others (Name)
Rent Received for Part of Property Rented

Refrigeration:
Wages
Ice
Electricity
Insurance—Equipment
Depreciation—Equipment
Taxes
Supplies
Outside Rent
Others (Name)

Receiving-Handling-Shipping
Warehouse Wages
Supplies
Repair—Warehouse Equipment
Depreciation—Warehouse Equipment
Insurance—Warehouse Equipment
Taxes—Warehouse Equipment
Demurrage
Watchman
Others (Name)

Delivery:
Salaries—Drivers and Helpers
Meals—Drivers and Helpers
Social Security—Drivers and Helpers
Gasoline and Oil
Greasing and Servicing Trucks
Truck Repairs, Supplies, and Parts
Depreciation—Trucks
Insurance—Trucks, Drivers, and Helpers
Licenses and Taxes—Trucks
Washing trucks
Garage Expense
Tolls
Fines
Truck Hire—Out
Cartage, Freight, Express, Parcel Post—Out
Others (Name)

Miscellaneous Accounts

Miscellaneous Income:
Cash Rebates Received
Bad Debts Collected

Interest Received on Customers' Accounts
Other Interest Received
Income on Outside Investments
Income from Voluntary or Cooperative Group
Profit on Sale of Assets
Delivery Charges to Customers

Miscellaneous Expense:
Loss on Outside Investments
Loss on Sale of Assets

Branch Accounts

Cash-and-Carry Branch:
Branch Merchandise
Transfers
Branch Operation
Branch Bank
Branch Fixed Assets
Depreciation on Branch Fixed Assets

EXPLANATION OF ACCOUNTS

To insure uniformity, a brief explanation is ventured of each account which might be differently construed by wholesalers.

Cash on Deposit	Cash in banks including Branch Bank. See Branch Bank under Cash-and-Carry.
Cash on Hand	Cash on hand not including that in the Petty Cash account.
Petty Cash	The balance in the Petty Cash account.
Temporary Investments (Stocks and Bonds).	Carry at actual cost. If market is below cost, provide for possible loss in Reserve for Contingencies.
Notes Receivable	Carry at face value.
Accounts Receivable	The sum of the balances of open accounts due from customers.
Merchandise Inventory	At the beginning of the accounting period it should be charged, at cost or market, whichever is lower, with the branch inventory, all goods on hand, and all goods not received but for which an obligation has been entered on the books. At the end of the accounting period it should be closed out to Purchases. No entries need be made except at the beginning and the end of the accounting period.
Deposits Made	Deposits with utility companies or other firms or persons.
Office Supplies Warehouse Supplies Insurance Paid in Advance Interest Paid in Advance Taxes Paid in Advance	In case of each deferred charge, enter the actual cost of that portion of the item which was unused at the end of the current accounting period and which will benefit the business in the future.
Fixed Assets	All fixed assets should be entered at purchase price plus all other costs of acquiring title, getting full possession, and getting installed. The Depreciation Reserve account for each asset should cover the depreciation on the asset from the time of acquisition.

Notes Payable	Enter the face value of all notes given which will mature in less than 1 year.
Accounts Payable	Enter the net amount of open accounts with suppliers. This account should not be used except to make up the Balance Sheet.
Dividends Declared	Enter dividends declared and unpaid on capital stock.
Accrued Expenses	Enter all expenses accrued and not paid at the close of the accounting period.
Deposits by Customers	Enter all deposits received from customers for which the firm is responsible.
Estimated Taxes	A fair estimate as a result of past operations of what taxes will have to be paid.
Mortgages Payable	Enter at face value.
Long-Term Notes Payable	Enter at face value.
Capital Stock	Par or stated value, if any, of all stock issued.
Surplus	Undivided net profits or losses accumulated to date.
Reserve for Contingencies	An estimate of unforeseen losses and expenses which make present evaluations of net worth excessive.
Partnership Accounts	The equity of each partner in the business.
Sales	The total of all sales except cash-and-carry sales.
Cash-and-Carry Sales	Cash-and-carry sales made from the general stock in the main warehouse and not charged to a branch.
Sales Returns - Allowances - Discounts.	All deductions and considerations granted customers which are deductions from sales and which were not deducted from a sales invoice.
Sales Tax	The total amount paid or to be paid as a tax on sales for the period. This item should be deducted from sales.
Purchases	The net amount of cash paid for merchandise.
Labels and Labeling	All costs of labeling, including labor.
In Transportation	All money paid for transporting goods inward.
Purchase Returns and Allowances.	This account should not be used. Returns and allowances should either be deducted from payments to suppliers or credited to Purchases at cost or market, whichever is lower.
Cash Discount on Purchases	This account should not be used. Purchases should be accounted for on the basis of the net amount paid for goods. A record of the cash discount taken means nothing as the wholesaler should take it all.
Sales Management Salaries	Salaries of sales manager, and that portion of other officers' salaries representing the time spent on sales work.
Order Takers' Salaries	Salaries of those who take orders over the phone, or otherwise, in the building.
Salesmen's Compensation	All compensation paid to salesmen for selling, including salaries, bonuses, and commissions.
Salesmen's Traveling Expenses	All traveling arising out of selling activities.
Advertising	All money paid to publications and radio, and the cost of advertising literature.
Sales Postage, Printing, and Stationery.	Includes all postage, printing, and stationery used in selling, including catalogs, lists of specials, and the like.
Executive Salaries	Salaries of executives except that portion which should go to some other function, such as selling.

Rent Received for Part of Property Rented.	This covers cases where a part of the building occupied by the firm is rented to another person or business. The rent received should be deducted from occupancy cost.
Warehouse Wages	The wages of all persons engaged in receiving, handling, shipping or the supervision thereof. If truck drivers, labelers, or the watchman aid in these activities, a proper proportion of their wages should be charged to this account.
Cash Rebates Received	This account should not be used. Cash rebates should be credited to Purchases.
Bad Debts Collected	Cash received from accounts written off and dropped during a past period.
Delivery Charges to Customers	All payments received from customers for delivery.
Branch Merchandise	Debit with all goods received at sales price, and increases in the value of floor stocks. Credit with all money turned in from sales, decreases in the value of floor stocks, and money expended out of cash to cover expenses.
Branch Operations	Debit with all expenses of the branch and all service charges made by the parent house.
Transfers	Credit, at cash-and-carry selling prices, with all goods transferred to the branch.
Branch Bank	Debit with the deposits made by the branch manager and credit with withdrawals made by the main office. The branch manager should make no withdrawals.

Controls

To keep his business steered in the right direction the wholesaler should periodically examine the component parts of his operations with the view of pointing toward par the elements which are weak. This can best be done through the establishment of proper controls.

The most important elements of a wholesale business which need periodical examination and over which controls should be established are salesmen, customers, territories, and expenses.

Salesmen

The points on which salesmen are most likely to slip are volume, gross profit, old customers, and new customers.

A regular ledger account should be maintained for each salesman.

To determine the pay of salesmen most wholesalers cost each order, thus determining the amount of gross profit thereon.

When a salesman's orders for the day have been costed, the total sales and the total gross profit for the batch should be entered on the individual salesman's ledger sheet, which may be posted on the bookkeeping machine. This ledger sheet should have columns for (1) the date, (2) sales, (3) gross profit, and (4) returns and allowances which were not deducted from an invoice.

The ledger sheet for each salesman should be summarized each month so as to yield a monthly total for each column. These monthly totals should be transferred to a control sheet so that trends for the activities of each salesman can easily be traced. For example, when this record shows that a salesman's volume is off or that his gross profit, either in dollars or as a percentage of sales, is not what it should be, the manager should have a conference with the salesman relative thereto.

To determine the net profit value of each salesman to the firm, all salesmen should be costed periodically.

In costing a salesman, the following formula should be followed:

The salesman's gross profit, minus average operating cost on his volume not including salesmen's compensation and travel cost, minus the salesman's actual compensation and travel cost, equals the dollar worth of the salesman to his company. To illustrate, if the salesman's net volume for the year is $200,000, his gross profit is 10 percent of sales, average operating cost for the firm without sales compensation and travel is 6 percent, and the salesman's compensation and traveling expenses equal 3 percent of his sales, the calculation would be:

Gross profit, 10 percent, or		$20,000
Operating cost as defined above, 6 percent, or	$12,000	
Salesman's compensation and travel, 3 percent, or	6,000	
		18,000
Net profit on salesman		2,000

The above procedure presumes that delivery and other nonselling costs are the same on each salesman's volume. Therefore, if the computation shows that a salesman is making no profit for the firm, a further analysis of his operations should be made before drastic action is taken. For example, if delivery cost, as a percentage of sales, is less on his business than on total volume, if his average order is substantially larger than for the business as a whole, and if his gross profit as a percentage of sales is greater than average, the operating cost charged against his volume may be excessive and he may be returning a profit to the company despite the result of the calculation.

It is not recommended that wholesalers who do not cost each order as a matter of operating routine do so for control purposes. It is suggested, however, that under such circumstances gross profit be established for each salesman by costing sample batches of orders periodically. This procedure, if the samples are adequate, should effect a satisfactory result.

Customers

To check whether the salesman gets as much trade as can reasonably be expected from his customers and territory, a thorough analysis should be made, at least once a year, of each salesman's customers and potential customers.

The analysis should show, for each customer, the sales volume; the gross profit, where gross profit is computed as a routine matter; and the average size of order.

The sales volume for the customer is, of course, obtained by totaling the amounts of the orders in his folder. The average size of order is determined

CUSTOMER ANALYSIS SHEET

SALESMAN: ______________________

NAME OF CUSTOMER	1945			1946			1947			1948		
	SALES	GROSS PROFIT	AVERAGE ORDER	SALES	GROSS PROFIT	AVERAGE ORDER	SALES	GROSS PROFIT	AVERAGE ORDER	SALES	GROSS PROFIT	AVERAGE ORDER

Customer analysis sheet form.

by dividing the sales volume by the number of orders in the folder. The gross profit is determined by adding the gross profits shown on the orders.

The data thus obtained should be entered on a ruled sheet with a place for the customer's name, and a column each for sales, gross profit, and the average order. (See illustration on p. 51.)

By using ruled sheets with 12 columns the records can be made comparative over a 4-year period. This will enable the management to check readily the record of each customer in each of the 4 years. The comparison can be made to cover the entire time during which such data have been compiled by getting from the files the sheets covering all past periods.

The sales manager should carefully study the Customer Analysis Sheet, customer by customer, with the view of correcting any adverse trends discovered. In each case where it is found that a customer is giving less volume, less gross profit, or smaller orders, the sales manager should require a satisfactory explanation from the salesman. And where a customer stops buying entirely sound reasons should be demanded. But full use of the data compiled requires that further steps be taken. The sales manager should try to win back the full patronage of the customers who have either stopped buying or whose volume has declined materially. He, together with the salesman, should call on them personally with the view of reselling them on his firm.

A card file should be set up covering all establishments in each salesman's territory to which the firm would like to sell but does not. Periodically, the file should be revised to include the names of any new firms and to eliminate those of firms that have become actual customers or have gone out of business. And at that time the salesman should be required to state what effort had been made to sell to the firms whose name cards are held over in the file and to give an acceptable explanation of his failure to get orders from them. The explanations should be entered on the card for future guidance.

A routine should be established for quickly determining when a new grocery store is opening in the trading area. The wholesaler's representative—preferably the sales manager—can then be among the first to call.

Territories

A wholesaler's market should embrace all territory in which he can do business at a profit and no territory in which he cannot ultimately at least break even.

The boundaries of the market may be closely approximated by comparing the cost of serving each questionable district with the gross profit to be obtained therefrom.

The facts indicate that it usually costs as much to prepare orders and keep records for customers in one territory as it does for customers in another. Therefore, all costs other than Selling and Delivery can be charged to outgoing merchandise on an equal basis, regardless of the destination. This burdens all merchandise assembled for shipment with what may be styled a constant cost.

To determine whether or not a given area in his market is profitable, the wholesaler need only add selling and delivery costs for the area in question to his constant cost and compare the result with the gross profit which the area yields. For example, if a wholesaler whose constant cost is 5 percent of sales is in doubt about the profitableness of territory A, which carries a selling cost of 3 percent of sales and a delivery cost of 2 percent of sales and yields a gross profit of 9 percent of sales, he may remove the doubt by the simple process of adding the three items of cost and deducting the sum thereof from the gross profit. In this case the wholesaler would find that he is sustaining in territory A a net loss of 1 percent of sales. This leads to the simple formula:

Gross Profit − Constant Cost − Selling Cost − Delivery Cost = Net Profit

or

Constant Cost + Selling Cost + Delivery Cost Subtracted from Gross Profit = Net Profit

Expenses

If the wholesaler's operating expenses are too high he cannot remain competitive and his firm will eventually cease to exist. Therefore, it is imperative that cost controls be established for keeping expenses at the lowest point consistent with the service rendered.

The most effective way to keep cost down is through a periodical examination of each expense item. Therefore, expense items should be so arranged that comparison by periods may be made.

To facilitate ready comparison with past periods, expenses should be arranged under functional heads, such as Selling, Administrative, Receiving-Handling-Shipping, and Delivery. Then each item under each functional head should be transformed into a percentage of sales and compared with the same item for previous periods. If the item compared is higher than in the period immediately preceding, the cause should be determined and, if possible, a remedy applied.

To insure that the base figures on which the comparisons are made represent efficient operation, the wholesaler should endeavor to obtain the itemized expenses of efficient wholesalers who operate along similar lines. He should then compare each of his expense items with the corresponding items of lowest expense found for any house with which the comparison is made. For example, if A is comparing his expenses with those of B, C, and D, and he finds that B has the lowest delivery wage cost for the group, he should compare his delivery methods with those of B to see if B's procedure can be advantageously adopted. But if he finds that C has the lowest receiving-handling-shipping wage cost, he should compare his receiving-handling-shipping methods with those of C, etc. In other words the lowest cost found for each item, if less than his own, should establish a goal at which to aim.

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Department of Commerce Field Service

(*November 14, 1947*)

Albuquerque, N. Mex., 203 W. Gold Ave.

Atlanta 1, Ga., 50 Whitehall St. SW.

Baltimore 2, Md., 103 S. Gay St.

Boston 9, Mass., 2 India St.

Buffalo 3, N. Y., 117 Ellicott St.

Butte, Mont., 14 W. Granite St.

Charleston 3, S. C., 18 Broad St.

Charleston, W. Va., 103 U. S. Court House.

Charlotte 2, N. C., 112½ E. Fourth St.

Cheyenne, Wyo., Twenty-first and Carey Ave.

Chicago 4, Ill., 332 S. Michigan Ave.

Cincinnati 2, Ohio, Fourth and Race Sts.

Cleveland 14, Ohio, Euclid Ave. at E. Ninth St.

Dallas 2, Tex., 1114 Commerce St.

Denver 2, Colo., 828 Seventeenth St.

Detroit 26, Mich., 230 W. Fort St.

El Paso 7, Tex., 12 Chamber of Commerce Bldg.

Fargo, N. Dak., 20½ Broadway

Hartford 1, Conn., 135 High St.

Houston 14, Tex., Fannin at Franklin St.

Jacksonville 1, Fla., 311 W. Monroe St.

Juneau, Alaska, Fourth and Seward Sts.

Kansas City 6, Mo., 911 Walnut St.

Los Angeles 12, Calif., 312 N. Spring St.

Louisville 1, Ky., Sixth and Broadway.

Memphis 3, Tenn., Madison at Front St.

Miami 32, Fla., 36 NE. First St.

Milwaukee 1, Wis., 517 E. Wisconsin Ave.

Minneapolis 1, Minn., Second Ave. S. and Third St.

Mobile, Ala., 308 Federal Bldg.

New Orleans 12, La., 333 St. Charles Ave.

New York 1, N. Y., 350 Fifth Ave.

Oklahoma City 2, Okla., 102 NW. Third

Omaha 2, Nebr., 405 S. Sixteenth St.

Philadelphia 2, Pa., 42 S. Fifteenth St.

Phoenix 8, Ariz., 234 N. Central Ave.

Pittsburgh 19, Pa., Seventh Ave. and Grant St.

Portland 4, Oreg., 520 SW. Morrison St.

Providence 3, R. I., 24 Weybossett St.

Reno, Nev., 50 Sierra St.

Richmond 19, Va., 801 E. Broad St.

St. Louis 1, Mo., 1114 Market St.

Salt Lake City 1, Utah, 508 Post Office Bldg.

San Francisco 11, Calif., Washington and Battery Sts.

Savannah, Ga., 218 U. S. Court House and Post Office Bldg.

Seattle 4, Wash., First and Marion Sts.