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Cemetery accounts

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CEMETERY
ACCOUNTS

—
MUCKLOW

CEMETERY ACCOUNTS

BY

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PREFACE

A CEMETERY is one of the things which almost all people must use—they may discard clothes and become nudists; they may go hungry and avoid buying food; they may be thirsty and drink nothing; they may be cold and escape the fuel dealer; but none—except the few who die at sea or are cremated—can escape the cemetery. Further than this, cemeteries have become the gardens of the flower-lovers, and alas! the idol of the promoting speculator who tries to induce the public to invest immediately in something which it is to be hoped will not be used for many a year.

Little has been written on the subject of accounting for these resting places, as I have found out in the course of active practice, and much of what has been written is misleading, for it has been the habit of all concerned in the matter to treat the sale of cemetery lots as the sale of real estate. This is a fallacy. While I intend to deal in these pages with the various matters incident to cemetery accounts, I hope also to correct this common and erroneous idea.

Accounting and records for cemeteries might almost be called microscopic. We deal, not with tracts of land, nor even with lots large enough to provide a house with a garden, but with areas often measured in feet and inches. Yet, as we shall see, there is probably no other business in existence in which the importance and value of mere records is so high.

While writing this book I have assumed that the reader has some knowledge of bookkeeping and also of the proper presentation of the results disclosed by his books; therefore I have touched lightly on many matters which are common to all accounts and have tried to confine myself to matters peculiar to the subject under discussion.

To the best of my knowledge no similar book has appeared. Like all pioneers, it fails to satisfy entirely the hopes I had for it, but I

trust that readers will call my attention to those things said which should not have been said and, still more, to those things which should have been said and have not been said.

WALTER MUCKLOW

Jacksonville, Florida
March, 1935.

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CEMETERY ACCOUNTS

CHAPTER I

Introductory

1-1. Characteristics.

Accounting for cemeteries presents some characteristics peculiar to itself; it applies to enterprises which differ widely in their organization and their needs. The requirements of a cemetery established a century ago, where no profit is desired, where the association is loosely bound together by ties of sentiment and where few records have been maintained, are entirely different from those of a modern cemetery, established for the benefit of its stockholders and maintaining complete records of all transactions.

Before entering upon the details, I desire to lay emphasis upon two points in all cemetery accounts and records.

1-2. Importance of Records.

First. The basic records are of more importance than in almost any other business. In most enterprises when property of any kind is finally sold no further reference to the transaction is necessary or, if required at all, the necessity exists for a comparatively short time or the reference is required as a matter of convenience. For example: if a machine of any kind be sold, it may be desired to keep trace of it for a certain time on account of services to be rendered or repairs to be made. It is often advisable to keep records of sales of any merchandise for convenience of reference, for purposes of comparison and so forth.

In the case of a cemetery, however, it is necessary that the records shall be not only correct and complete but permanent. Instead of interest ceasing when a lot is sold, it is only after a sale is made that the most important entries are required, for it is then that interments occur and the entries regarding them must be detailed and accurate.

They may extend over a period of years and reference to them may be made by future generations. Even after all interments have been made, the records must be preserved indefinitely for reasons based on the demands of law and of sentiment.

1-3. Exact Measurements Are Essential.

Second. As compared with ordinary real-estate transactions, even with those of subdivision properties, the areas involved in individual sales are so small that the scale of recording might be described as being almost microscopic. If a 60-foot residential lot be sold, usually one dwelling will be erected on it, and, if an error of a few inches be made, it can almost always be adjusted. In the case of a cemetery, if three interments are to be made in a ten-foot lot, every inch is of importance, for it may be found years later that carelessness has rendered the last interment impossible without moving a coffin already buried, and this may be a difficult or impossible proceeding, as all who have been associated with cemetery companies well know.

1-4. Two Sources of Error.

While the principles involved are those common to all sound accounting, there are many details which are peculiar to cemeteries, and among these are two to which especial attention is drawn in this book. The first is the nature of that which is sold: namely, an easement and not real estate. An easement is defined in the *Century Dictionary* as follows,—“A right of accommodation in another’s land; such a right in respect to lands as that of passage, or of having free access of light and air, which does not involve taking anything away from the land,” etc.

Secondly, the difficulties which are often encountered, and the responsibilities which are incurred in relation to perpetual-care funds.

Frequently both these matters are not fully understood, and it is this lack of understanding which has led to many quite unnecessary complications, to much litigation and to heavy losses.

1-5. Classification of Accounts.

As in other businesses, the accounts fall into two classes:

1. The treatment of capital invested.
2. The expenses of operations.

The first class is unusually active, for it includes, not only the cost of acquisition and of development, but also the care of trust funds which as a rule are constantly increasing.

Notwithstanding these wide differences, the underlying principles are those common to sound accountancy and the methods of applying them, as outlined in the following chapters, is sufficiently elastic to meet all cases.

1-6. The Site.

The selection of a site for a cemetery is governed by principles similar to those applicable to real-estate subdivisions. However, there are certain points which call for special attention, for not only must the physical character of the land, its suitability for burial purposes and its accessibility be considered, but thought must be given to the character of the population from which purchasers may be obtained. And again that population must be divided into classes. For instance, in the southern states it may be the white population only which is eligible; while in some places special burial grounds are provided for Roman Catholics, for Jews or for certain fraternal societies; all of which tend to reduce the possible sales to be made by a new cemetery. Consideration must also be given to competition and to the sentiment which attaches to an old cemetery where many members of leading families are buried and where the management is often provided gratuitously by outstanding members of the community.

1-7. Range of Prices.

Care should be taken to offer the greatest possible range of prices and to see that they are such as will appeal to all classes of purchasers whom it is expected to attract.

1-8. Considerations of Sentiment.

One other characteristic of all work associated with cemeteries should never be forgotten: that is the important part played by sentiment, for probably no other business is so affected by and dependent on sentiment. Some of my readers may be inclined to laugh at this idea, as some of my clients have done, but in that event they, like my

clients, are apt to find it a costly laugh. Old associations, old friendships, old memories, all conspire to place difficulties in the path of a new cemetery.

The suggestion that this idea is fanciful or that such conditions are imaginary falls to the ground when we realize that an appreciable percentage—sometimes as high as 20%—of all interments do not occur at the place of death, but bodies are transferred long distances to places of birth or of happy former residence—purely for reasons of sentiment.

These facts affect the original form of organization, the wording of all announcements and documents and the selection of the personnel.

CHAPTER II

Organization

2-1. Organization.

The owner of record of a cemetery is seldom a person or a partnership but is generally a corporation or some association of quasi-corporate form; therefore, it is assumed in this book that the "association" is a corporation.

This corporation may be of either one of two forms: it may be "not for profit", or it may be a corporation for profit. Both classes are subject to the local laws, and the requirements under these must be ascertained in each case. They may be based on state, county or city laws and regulations and are too varied to be discussed here.

2-2. Corporations Not for Profit.

Probably all old cemeteries were organized as institutions "not for profit", or they were owned by a municipality. Such organizations are based on public necessity, on sentiment and on the desire to furnish beautiful resting places for the dead. All sums received from the sale of lots or from other sources of income are used for maintenance, for beautification or for enlargement. The only disbursement in any way associated with "profits" are the salaries paid to the working staff.

There is no good reason why the accounts of such a corporation should not be kept on precisely the same principles as those of any other corporation, except that cemeteries may have been established for decades and their records of past transactions have often been kept in so fragmentary a manner that it is impossible to tell exactly what has happened. This is a plight which makes it difficult to show properly the present condition of trusts which may have been created many years ago. As a general rule, such corporations are exempt

from all taxes, although they may be required to make certain returns to state officers.

2-3. As to Exemption from the Federal Income Tax.

If a cemetery be not operated for profit it is exempt from the income tax, provided that no part of its net earnings inure to the profit of any private shareholder or person.

Under certain conditions a cemetery which issues preferred capital stock may be exempt, provided its dividends are limited as prescribed in the revenue act, and provided that the preferred stock is retired as soon as funds are available and that all funds not required for dividends are used for the care and improvement of the property. (Reg. 86, art. 101 (5)-1 and sec. 101-5 of the revenue act of 1934.)

2-4. Corporations Organized for Profit.

Cemetery associations organized for profit are commercial concerns, subject to the laws governing other corporations, and frequently to special provisions affecting cemeteries; to federal and state income taxes and, in some instances, to other taxes levied by a state.

2-5. Holding Companies.

The expression "holding companies" is used here to indicate companies which own the land on which cemeteries are situated or the capital stock of cemetery associations but do not operate the cemeteries. They are generally organized under one or more of the following conditions:

First. Where the owners of the land do not desire to enter the cemetery business and induce other persons to operate the cemetery under an agreement with the land-owners to pay them stipulated prices for areas as sold by the association, i.e. for the grave, the lot, the square foot or the acre. In such a case, the owner, whether incorporated or not, is, in effect, a holding company whose sole profits arise when sales are made.

Second. When the land-owners realize that, for reasons based on sentiment, many persons prefer to deal with a cemetery owned by a corporation organized "not for profit."

Third. Where a cemetery lies in a state the laws of which place all cemeteries under the control or supervision of a state officer, such as a comptroller. While the extent of such control may be indefinite and does vary in different states, it may give that officer certain powers, such as that of deciding whether or not all agreements are being properly kept and whether or not dividends may be paid. In such cases, it is a common practice for the cemetery association to take title to the land and operate the cemetery, but the holding company provides the funds, frequently holds the capital stock of the association, directs the policies, advises the management and generally controls affairs.

2-6. Management Agreements.

The terms of controlling agreements vary greatly: they may provide for a "management fee" to be paid to the holding company or for interest at rates which will absorb all the profits of the association. In such cases the only dividends declared are those of the holding company.

Such arrangements sometimes give rise to intricate legal questions and should never be entered into without the advice of competent attorneys. There must also be considered the requirements under the current revenue acts, especially in those cases where the same persons own the controlling interest in the holding company and in the association.

2-7. Effect of Holding Company on the Accounts.

The existence of a holding company does not affect the principles on which the accounts of a cemetery should be kept, but it may lead to a division of those accounts. For example, the cost of acquisition and of development may appear only on the books of the holding company, while the association's books show only the cost of the lots it has bought from the holding company and the results of operating the cemetery.

2-8. In that event, the unrealized profits of the association consist of the difference between the prices which the association pays to the holding company and the prices it obtains from purchasers. The

treatment of realized profits and of instalment sales and of matters concerned with perpetual care are not affected.

2-9. Cost of Property to the Transferrer.

In the case of cemeteries it frequently happens that one person owns the entire tract—which he may have bought in years past for a low price—and conveys it to a corporation in exchange for capital stock in a company of which he is in sole control and of which he holds over 90 per cent. of the outstanding capital stock. Such cases have sometimes led to confusion.

The land costs the cemetery the face value of the stock issued in payment for it, and this amount is the basis which must be used in calculating the basic price and the profits of the corporation—no other base can be right.

However, under the revenue act of 1924 (sec. 112-b (5)), when calculating the taxable income in such a case, the cost of the land to the transferrer, and not the amount paid by the corporation, must be used as the basis of profit from sales.

2-10. Internal Organization.

The organization of a cemetery association may include the following departments:

Construction	Auditing
General sales	Collecting
Funeral sales	Advertising
Interments	Maintenance and development.

In small cemeteries the various activities are combined and sometimes are all included in one department.

CHAPTER III

Accounting Principles

3-1. In general, accounting for cemeteries follows the same lines as that for subdivisions, but there are some matters peculiar to cemeteries which must be considered. Among the principal of these are the following:

3-2. Organization.

Many cemeteries are owned by corporations which are organized not for profit.

3-3. Land.

The treatment of land owned and developed is precisely the same as for subdivisions, except that several records in which to enter interments must be added.

3-4. Classification of Accounts.

Some few accounts are required on both the debit and credit side in addition to those used in commercial or land accounts.

3-5. Reserve for Perpetual Care.

A reserve for perpetual care must be considered and set up by the accounting department. Provision must be made for showing all amounts which are to be ear-marked for maintenance or for perpetual-care funds.

3-6. Funds.

The accounts must show the amounts which become due to any funds and also whether or not all such obligations have been satisfied.

3-7. Contracts and Deeds.

The circumstances of the funds call for special and appropriate wording, quite distinct from that usually found in deeds conveying real estate.

3-8. Calculation of Profits on Time Sales.

Theoretically the calculations necessary to determine profits which have been realized and are available for the payment of dividends are identical in the cases of cemeteries and real-estate subdivisions. However, in order to meet the exigencies of the federal income tax, it has been decreed in the regulations that the sale of each lot of real estate on an instalment plan shall be treated as a separate transaction, and gain or loss shall be computed accordingly. On the other hand the regulations permit profits from sales of personal property to be determined by ascertaining the percentage of profits on the total time-sales for any period, applying that percentage to the receipts on those sales—a far simpler proceeding. Here is a great difference between the treatment of sales of real estate and sales of cemetery lots.

3-9. In General.

While it is true that the cemetery association does not sell real estate, it is also true that the procedures for cemeteries and for subdivisions are so similar that similar methods may be followed when certain modifications have been made.

Subdivisions are frequently treated as departments in an office already well organized, while a cemetery is usually a unit by itself and is obliged to adopt and develop its own system. Therefore it is necessary to discuss cemetery accounts in sufficient detail to enable a superintendent or a bookkeeper, unfamiliar with the details involved, to open and maintain a complete set of records.

3-10. Cost of the Site.

In dealing with a new cemetery the first item is the cost of the site, which is determined in the same manner as in the case of any tract

of land. The cost of acquisition may contain any or all of the following factors:

1. Cash paid to the vendor.
2. Mortgages which are given or assumed by the purchaser.
3. Taxes and all other liens which are assumed or paid by the purchaser.
4. Attorneys' fees for opinions on the title or for services relative to its conveyance.
5. Title insurance.
6. Recording and court fees.

3-11. Requirements.

One should obtain a clear description of the land with an accurate map, the latter certified by the engineers who prepared it. This map, showing only the boundaries, should be placed on the public records, but probably, in the majority of cases, it is the only one which should be so recorded. It must be remembered that such recording indicates that the entire site included in the plat is dedicated to burial purposes. If only a portion is to be so dedicated this fact should be clearly stated in the certificate attached to the map. This is of great importance and may affect, among other things, the market value of the property and the taxes which may be levied on the land.

3-12. The Plat of the Cemetery.

The next step is the preparation of a plat showing the division of the property into lots, with all roads, parks, parking spaces and sites for special buildings, such as office, receiving vaults, chapel, etc.

This map is best prepared by cemetery engineers after making a careful topographical survey of the entire property, for there must be, not only a map of the surface, but information as to the water tables. Even in the flat countries of the south conditions vary so greatly that I have known one case where the water table was twenty-five feet below the surface and others where it was so close to the surface that, at one time, burial underground was impossible and interments could only be made in raised vaults built above the ground.

3-13. Cost of Construction and Development.

The cost of development may include the following items:

- Surveying
- Platting
- Cemetery architect
- Clearing
- Grading
- Plowing
- Harrowing
- Planting grass sod or seed
- Fertilizer
- Roads
- Walks
- Drainage
- Water supply and distribution
- Electric work
- Gates
- Fences
- Corner stones
- Office building
- Fountains and statuary
- Beautification and permanent planting
- Work-shop
- Garage or stables
- Greenhouse

It may also include carrying charges, overhead or management expenses, together with interest and taxes during construction, as in the case of real-estate subdivisions.

3-14. In a large cemetery, it is convenient to analyze these costs under the indicated headings by means of columnar sheets. In a small cemetery, many of the items may be grouped.

3-15. Special Buildings.

In addition, there may be other buildings which are expected to produce revenue, such as greenhouses, receiving vaults or a chapel; but the cost of each of these should be carried in a separate account in the ledger and should not be included in the cost of cemetery development.

The total cost of development proper is finally brought into one account such as "Cemetery site."

3-16. *Unit Costs.*

Frequently the entire tract is developed gradually—that is, unit by unit or section by section. In such cases the cost of acquisition is apportioned to the several units on the basis of acreage and location, while certain of the basic improvements must be apportioned in some other fair manner. For example, the cost of the main entrance may be allocated over the entire area, for most cemeteries have one such entrance, and in the same manner the cost of an office building, of fountains and statuary forming parts of the general plan may be apportioned, while the cost of fences may be applied to the areas enclosed by them.

A set of accounts, as indicated above, should be opened for each unit as it is developed and the cost of the lots therein should be calculated independently of the other units.

If only a portion of the entire tract be developed, a journal entry should be made, such as

Cost of lots (or unit #1, #2 etc.) \$.....	
To cemetery site	\$.....
To transfer the cost of the improved portion.	

3-17. *Equipment.*

If the concern do its own work of construction, it may require a considerable amount of equipment, and in that case a proper record should be maintained. However, this is necessary only in the case of a large development, and the record may be kept on one of the stock forms for the purpose, offered by stationers. These forms show all particulars, including a description of the equipment, cost, date of acquisition, depreciation charged, etc.; one page being devoted to each piece of equipment. In such cases it is often convenient to arrange the equipment ledger so that all the equipment of a certain kind, or used for special work, is grouped together, e.g., floating equipment, motor equipment, grading equipment, etc.

3-18. Reserve for Uncompleted Developments.

It frequently happens that the development is not finished when the property is first put on the market. In that event it is necessary to provide for the unexpended portion of the estimated total cost, in order to ascertain the cost of each lot when work is completed.

3-19. Carefully prepared detailed estimates of all unfinished work which it is proposed to do should be obtained from the engineers. These estimates should be checked very carefully by the accountants with the owner and the engineers, to satisfy themselves that they are as correct as possible, and they should, of course, include some item for contingencies.

3-20. The entry bringing these amounts on the books should give the total for each class of items included and should refer to the engineers' estimate, or other authority, which should be carefully preserved.

3-21. Such estimates always include an item for "incidentals", and it is a great convenience if the amount shown is such a sum as will bring the total cost to an exact percentage of the total basic sales price. For example, if the total estimated cost when completed is \$355,000 and the basic sales price is \$3,600,000 it would be wise to increase the "incidental" item by \$5,000, making the total cost come to \$360,000 or ten per cent. of the total basic sales price. If this can be done, much labor will be saved when calculating the cost of individual lots, and if some error result it will be so small a percentage of the profits that, in almost every case, it may be disregarded.

3-22. When construction is completed it may be found that the total cost differs somewhat from the estimates which entered into the reserve for improvements. If the difference be small, probably no one would criticize its inclusion in the profit-and-loss account. If it be of such size as materially to affect the cost, profits already shown on the books may be increased or decreased by a percentage ratio, depending on that which exists between the estimates and the costs. For example, let us suppose that the cost of acquisition was \$120,000 and the estimate for improvement was \$240,000, which we shall

call normal; and let us suppose two variations, (a) where the expenditures exceeded the estimates, and (b) where a balance was left in the reserve account. Sales were made amounting to \$100,000. Then the following results would be obtained:

	Normal	Over- expended	Under- expended
Cost of acquisition.....	\$ 120,000	\$ 120,000	\$ 120,000
Improvements cost.....	240,000	330,000	180,000
	<hr/>	<hr/>	<hr/>
	360,000	450,000	300,000
Total basic sale price.....	3,600,000	3,600,000	3,600,000
Ratio: cost to basic price	10%	12½%	8⅓%
Sales made.....	100,000	100,000	100,000
Cost	10,000	12,500	8,333.33
	<hr/>	<hr/>	<hr/>
Profit	\$ 90,000	87,500	91,666.67
Difference from normal.....	0	-2.78%	-1.85%

In case (a) the recorded gross profit should be reduced 2.78%, and in case (b) it should be increased by 1.85%. If the work were completed in the first year, no objection could be raised to showing the revised profits, but if the work extended over a number of years, objection might be raised to filing amended returns, especially if the taxable profits were reduced thereby.

3-23. An important matter in this reserve-for-development account is the obligation attached to it, for, frequently, it is not merely something in the nature of a provision for expected outlays but carries with it a liability, for the association has, probably, guaranteed to purchasers that the improvements involved shall be made, either in whole or in part.

3-24. *Tax Requirements Regarding Reserves for Improvements.*

Before setting up the reserve-for-improvements account on the books, the current regulations of the treasury department should be carefully studied. Until recently these regulations permitted an owner to include in the cost of the property the unexpended amount

necessary to bring the proposed development to completion, and no limit was placed on the time in which such development was to be completed.

3-25. *The Original Rule.*

The rule authorizing this procedure is found in O.D. No. 567 in C.B. 3, December, 1920, which reads as follows:

“Profit realized on the sale of lots, the selling price of which includes the cost of certain development work already made or to be made in accordance with the contract of sale, should be based on the cost of the land to the vendor or its fair market value as of March 1, 1913, if acquired prior to that date, plus the actual and estimated future expenditures for development. If the estimated future expenditures should be subsequently ascertained to be incorrect, amended returns should be filed as a basis of an adjustment of the tax for the years affected. The cost of such development having been taken into consideration in determining profit, expenditures for this purpose can not be deducted from gross income in subsequent returns.”

3-26. It was found that frequently, especially after the subsidence of a boom, such reserve items remained on the books and were continuously included in the cost, although the full amount had not been expended and it had become highly improbable that the complete development, as originally contemplated, would ever be made. In view of this a new ruling was promulgated by the treasury department on June 10, 1933, in mimeograph No. 4027, which imposes certain conditions to be observed by a taxpayer desiring to set up such a reserve for development. It describes the course to be followed and, more important still, provides that, if the amount of such reserve be not expended within five years from the opening of the account, the amount of that reserve account shall not be allowed as a part of the cost of the lots. Any prospective developer should make himself thoroughly conversant with the current rulings on this important point.

The reserve-for-development account should include all items which relate to the cemetery proper but should not include estimates for any special buildings from which it is expected to derive income.

3-27. *Method of Bringing the Cost on the Books.*
Form of Journal Entries.

When the total cost of construction is determined it is set up in the ledger by such an entry as

Cemetery site.....	\$.....
To sundries	
(For amounts expended as in pars. 3-13 et seq.).....	\$.....
Reserve for development.....	\$.....

For the entire cost of the cemetery when completed.
 If it be divided into units, the entry might read:

Cemetery lots, unit No. 1.....	\$.....
Cemetery lots, unit No. 2.....	\$.....
Cemetery lots, unit No. 3.....	\$.....
To cemetery site.....	\$.....

3-28. *In the Case of Several Units Developed Separately.*

To apportion the entire cost to the several units, a separate reserve-for-development account for each unit should be set up.

The "cost of lots" accounts show the cost to the association of the lots offered for sale in each unit.

3-29. *Basic Sales Price.*

The next step is to set selling prices on all the lots included in the plat, and this is best done by the method described in par. 3-32 et seq. The total selling price of all the lots is taken as the basis for allocating the cost to each lot, and it is convenient if the ratio between the cost and the basic sales price be in round figures, such as 10%. For example, if the total selling price amounts to \$1,560,000 and the actual cost of development is \$150,000, it is usual to add something for incidentals, and if this be placed at \$6,000, making a total cost of \$156,000, the cost of each lot will be ten per cent. of the basic sales price. Or, if the total cost came to \$189,000 the addition of \$7,200 for incidentals would give a total cost of \$187,000 or 12% of the basic sales price.

3-30. *Cost of Individual Lots.*

In the past various methods have been used for the purpose of determining the cost price of each lot—an important figure, for on it depend the profits which will be shown. Those most often employed are as follows:—

1. By the number of lots
2. By the areas of the respective lots
3. By the location of individual lots
4. By the ratio between the selling prices of all the lots and the total cost of those lots

3-31. Obviously the first method is unsatisfactory, for some lots in a cemetery may be worth ten or more times the value of lots of similar size in the same cemetery. Nor does the area form a trustworthy basis, for lots of equal size may be of widely different selling value. Location alone does not afford any more accurate foundation.

A further objection is found in the fact that, if areas alone be taken, no provision is made for drives, roads and parks, and it becomes necessary to reduce the cost of these each time a lot is sold.

3-32. *By the Sales Price of Lots.*

I believe that the sales price of lots is generally acknowledged to be the fairest and most reasonable basis of determining the cost of each lot.

The procedure is to take the total standard sales price mentioned above and to use the following formula:

Total standard sales	. Standard sales price	. . Total	. Cost of indi-
price of all lots	of individual lot	cost	vidual lot.

Owners, accountants and officers of the treasury department have agreed upon this plan.

It must be remembered that changes in the selling price actually obtained do not affect the above formula, for if the standard sales price be set at one time and be calculated fairly, any subsequent increase or decrease of price will not affect the proportions; and if a lot be sold for more than this standard sales price, it simply increases the profit on that lot.

This method, and this alone, gives due consideration to all the

factors entering into the value of a lot, such as size, location, frontage, elevation, depth, orientation and natural features, for each one of these is considered when the basic selling price is determined, and it is upon these factors, and not upon the number of dollars asked, that the basic cost rests.

3-33. *The Preferred Formula.*

As already shown, the best formula for determining the cost of a lot is:

$$\text{Selling price of the lot} \times \frac{\text{Total cost of unit or section}}{\text{Total basic sales price of all lots in the unit}}$$

If a unit cost \$160,000 and contain 2,000 lots with total basic sales price of \$1,000,000, the cost of a lot having a basic sales price of \$500 would be

$$500 \times \frac{160,000}{1,000,000} \text{ or } \$80.00$$

3-34. *Allowance for Wastage.*

Associations which have based their standard prices on the area of the lots may be interested in the decision regarding wastage allowance which was rendered by the United States board of tax appeals (6 B.T.A. 1003) in the case of *Oak Woods Cemetery Association* in which wastage was allowed on current sales, but this did not apply to sales prior to March 1, 1913.

3-35. *Size of Lots.*

Owing to the varying conditions, there can not be any standard size for a cemetery lot, and the selling price depends upon area and location. Further there is no accepted standard for the area required for a grave. In modern cemeteries the usual dimensions for a single grave are about 9 to 10 feet in length and from 2 ft. 6 inches to 3 ft. 6 inches in width, although the former width is safe only when no vault is used, as the average slate, steel or cement vault will measure externally about 3 feet, and in exceptional cases, it may be 3 feet 6 inches in width.

3-36. Number of Graves to the Acre.

An acre of land contains 43,560 square feet; if a single grave measure 10 feet x 3 feet, 4 inches, the area is $33 \frac{1}{3}$ square feet, and there should be about 1300 such graves in an acre. However, in practice this number is reduced by the space required for roads, paths, beautification, etc., and 900 graves to the acre is probably a fair average of the number of graves usually obtained.

3-37. Cost of Reserved Portions.

It is a not unusual practice for an association to withhold from sale certain parts of its developed land or of one unit, in the expectation that, as sales are made, the reserved portion will bring higher prices than those at first placed on the adjoining lots, or with the intention of holding the reserved portion as sites for mausoleums or as family lots. In such cases it is usually fair to take the cost of the reserved portion at the highest price per square foot which is set on adjacent lots.

3-38. Depreciation.

As in other accounts, all property is subject to depreciation. Cemetery associations generally allow for depreciation on their furniture, equipment and buildings, but they often overlook the important matter of depreciation on the cemetery itself; and this plays an important part when calculating the cost of maintenance.

Among the items entering into the cost, as shown in par. 3-13, are roads, walks, drainage, water supply, electric work, gates, fences, office building, fountains, garage and greenhouse, each of which is subject to depreciation. The rates at which this is to be charged vary so greatly that no discussion of them is possible, but that in no way lessens the importance of the subject. Each such item will require replacement at some time, and provision for that should be made at the very commencement of operations, and an adequate reserve should be maintained.

These remarks apply with particular force to such items as water-sprinkling equipment, pumps, electric conduits and transformers.

CHAPTER IV

Classification of Capital Accounts

4-1. In General.

Classification of Capital Accounts.

The wide variation in the size and in the managements of cemeteries makes it impossible to prepare a schedule of accounts which will be suitable to all cases. While the requirements may vary, in all cases the accounts fall into two classes:

First: the capital accounts, sometimes called the general-ledger accounts, which find their way, in some form, into the balance-sheet.

Second: the operating accounts, which are periodically closed into the profit-and-loss account.

4-2. The following classification is compiled from accounts used by a number of cemeteries and may be expanded or condensed as occasion may require. It may appear to be formidable in length, and, in the case of small cemeteries, many of the accounts may be consolidated and others omitted. However, it must never be forgotten that the accounts relating to a cemetery have a far more lasting character than, for example, have those of a real-estate subdivision; therefore the accounts should be stated so fully, so clearly and in such detail that they may be clearly understood by strangers in future years.

A great part of the difficulty encountered by accountants in dealing with cemetery accounts is the lack of sufficient basic information; therefore, this information should, at the beginning of business, receive the most careful consideration and treatment.

4-3. The term "general ledger accounts" is somewhat vague, but it is in common use and is here intended to include all those accounts which do not refer directly to or affect the operating accounts.

CEMETERY ACCOUNTS

CLASSIFICATION

GENERAL LEDGER ACCOUNTS

1. Advances to salesmen
2. Accounts receivable
3. Automobile equipment
 - (a) cars
 - (b) trucks
4. Automobile obligations
5. Capital stock
6. Cash
7. Cemetery lots
8. Cemetery site
9. Commissions, contingent
10. Contracts
11. Equipment
 - (a) mowers and tools
 - (b) lowering devices, tents, chairs, etc.
12. Furniture & fixtures
 - (a) office
 - (b) cemetery
13. Improvements
14. Investments (for perpetual or general care)
 - (a) bonds
 - (b) mortgages
 - (c) municipal, etc.
15. Lot sales (burial rights)
16. Mortgages payable
17. Mortgages receivable
18. Notes receivable
19. Options
20. Perpetual-care fund
21. Perpetual-care-fund reserve
22. Petty cash
23. Profit-&-loss account
24. Realized profits
25. Reserve for development
26. Reserve for perpetual care
27. Reserve for depreciation
28. Slate vaults

29. Surplus
30. Suspense
31. Trustee accounts
32. Trust funds—perpetual care, general maintenance.
33. Unrealized profits
34. Voucher account

4-4. *Automobile Obligations* account is credited with notes given in payment for any automobile equipment and is charged with payments made thereon.

4-5. *Capital Stock* account is credited with the par value of outstanding stock or for the consideration received for no-par-value stock. Where several classes of stock are issued, a separate account should be opened for each class.

4-6. *Cash* account need not be kept in the ledger, as the balances of cash on hand may be carried direct from the cashbook to the trial balance.

If the account be kept in the ledger, at the close of each month it is debited with the total receipts for the month and credited with the total disbursements.

4-7. The purpose of the cemetery-lot account is to show the total cost to the association of all developed lots offered for sale, when the contemplated developments shall have been completed, as described in chapter III. As a rule it contains only debit entries, as the sales of these lots are shown below in account No. 15. Usually a separate lot account should be opened for each unit.

4-8. *Cemetery-site* account is to show the cost of land owned, but not yet platted or offered for sale.

4-9. *Commissions, Contingent* are fully discussed in chapter VIII.

4-10. *Contracts* account is known by many names. It is to be debited with all sales, whether for cash or on time, and credited with all receipts, allowances, discounts and cancellations on account of those sales.

In some offices it is charged only with time sales, and cash sales are carried direct to some other account—such as “sales account”;

but my experience leads me to believe that the best and simplest plan is to treat all sales alike and charge them all to this account.

The balance of the account should at all times agree with the total balances in the sales sub-ledger.

4-11. Equipment.

To equipment account are charged all items relating to expenditures for field equipment, such as mowing machines, power rollers, tents, chairs, lowering devices, loose tools, etc.

Credit entries are made only when equipment is disposed of in any way, and the balance of the account always represents the original cost of the equipment on hand.

The account may be subdivided to care for as many classes of equipment as desired.

4-12. Furniture and Fixtures account is treated in the same manner as equipment accounts and should be divided as circumstances may suggest, e.g., "office", "cemetery house", etc.

4-13. Improvements account is used when improvements are made in addition to those included in the original plans and shown in the cemetery-site or cemetery-lots account.

4-14. Investments.

In a small association, one investment account may be sufficient, but a large concern may find it convenient to keep a separate account for each class of securities.

In some cases such division is mandatory under the terms of the trust deed. In other cases, it is desirable to show separately the investments made on behalf of different funds, such as general maintenance fund, special-care fund, etc.

The account is charged with the cost of each investment and credited with the proceeds of sales. In an inner column should also be shown the par value of each purchase and sale.

4-15. Lot Sales account goes under various names, such as "sale of burial rights", "sale of graves", etc., and is sometimes divided so as to keep distinct sales of various classes, such as single graves, etc.

In any event, it should be credited, not with the gross amount of the sale, but with the cost to the association of the lot sold, as explained in chapter III.

The account is debited only when lots are taken back through purchase, exchange or cancellation of sales. In that case the cost of the lot, as computed when the lot was sold, is debited to this account.

In this way the account is carried indefinitely and the difference between the balance of the account and that of the "cemetery lots" account shows the cost to the association of the unsold portion of the developed part of the cemetery.

4-16. No. 16 *Mortgages Payable*.

No. 17 *Mortgages Receivable*.

No. 18 *Notes Receivable* are self explanatory.

4-17. No. 19 *Options*.

The treatment of options is described in chapter VIII.

4-18. No. 20 *Perpetual-care Fund* and

No. 21 *Perpetual-care Fund Reserve* are fully considered in chapters XIII, XIV, XV.

4-19. No. 22 *Petty Cash*.

The method of treating petty cash is described in par. 10-13: the balance of the account remains unchanged unless the amount in the petty-cash fund is increased or decreased.

4-20. No. 23 *Profit-and-loss Account*.

Usually the best practice is to make entries in the profit-and-loss account only when the books are closed. The account is discussed in chapter XIX.

4-21. No. 24 *Realized Profits* account is credited with the profits realized monthly or at longer periods, as may be desired. There are two distinct methods of determining the realized profits, and these are discussed in chapter XII.

4-22. No. 25 *Reserve for Development* account is credited with the estimated cost of contemplated improvements. It is charged with the cost as the work progresses. It is described in chapter III.

4-23. No. 26 *Reserve for Perpetual Care* account is related to accounts Nos. 20 and 21, above, and is fully described in chapter XIV.

4-24. *Reserve for Depreciation* account is credited periodically with items representing the estimated depreciation of buildings, all other improvements, equipment and furniture as described in chapters III and XX.

4-25. *Slate Vaults.*

Such an account as "slate vaults" is charged with all amounts paid for slate, steel or cement vaults (including the freight, cartage and handling) which are kept on hand for sale to undertakers, and a credit account bearing a similar title is opened to receive entries of all payments received.

On closing the books, this account is credited with the cost of vaults then on hand and the balance is carried to the profit-and-loss account.

4-26. *Surplus.*

The surplus account consists of sums transferred from the profit-and-loss account by order of the directors.

Disposition of amounts in the surplus account may be made only by the directors and sometimes is subject to restrictions imposed by state laws or by the charter or bylaws of the association—a matter of importance which should not be disregarded.

4-27. No. 30 *Suspense Account.*

Occasionally matters occur which can not be finally disposed of at the time of entry. Such items should be carried to suspense account, but the use of that account should be kept to a minimum.

4-28. No. 31 *Trustee Account* and

No. 32 *Trust Funds* vary greatly, but should be kept in accordance with the directions given in chapter XVI.

4-29. No. 33 *Unrealized Profits* account should be credited with the total profit on each sale made as described in chapter VII. When the books are closed, it is debited with that portion which has been realized during the period since the last closing.

4-30. No. 34 *Voucher Account* is credited with the total of the expenditures for each month, as shown on the voucher record. It is debited with all vouchers paid during the month, as shown by the cashbook, and with vouchers cancelled as they appear in the journal. The balance of the account represents the vouchers remaining unpaid.

If the accounts be kept strictly on a cash basis, such an account is not required, but in a cemetery of large size, especially if it be operated for profit, all the expenses—not merely the cash paid out—during that month should appear on the books each month.

CHAPTER V

Operating Accounts

5-1. As in the case of capital accounts, the list given below is suggestive only, and in almost every case additions or deletions will be required. In the case of large cemeteries, it will be found wise further to subdivide some of the accounts shown.

5-2. *Operating Accounts.*

The term "operating accounts", as here used, includes all accounts representing revenues and expenses which are carried direct to the profit-and-loss account. They include:

- Advertising
- Auditing
- Automobile supplies and expenses
- Automobile expenses for each car
- Beautification
- Cancellation profits
- Care of lots, general: cost
- " income
- Care of lots, annual: cost
- " income
- Care, perpetual
- Cemetery expense
- Charity
- Care of monuments
- Commissions
- Decorations & devices
- Depreciation
- Discounts
- Endowments, income from
- Foundations, cost
- " income

OPERATING ACCOUNTS

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General expenses
 Greenhouse expense
 Insurance
 (a) fire
 (b) hurricane
 (c) liability
 (d) life
 Interest paid
 Interest received
 Interments cost
 " income
 Legal expenses
 Light & water
 Maintenance
 Management
 Miscellaneous income
 " expense
 Office payroll
 Office supplies & expense
 Postage
 Receiving vault: income
 " expenses
 Removals: cost
 " income
 Rent
 Repairs
 Salaries
 Selling expenses, automobile licences, etc.
 Subscriptions
 Teaming
 Telegraph & telephone
 Travel

In this list no provision is made for accounts relating to crematories, to chapels or to community mausoleums, as such items are better dealt with separately and do not enter into the accounts of the majority of cemeteries.

5-3 Cost accounts, if maintained in further detail than is suggested above, should be kept as supplementary records.

5-4. *Comments on Operating Accounts.*

In most cases the title of the account indicates its purpose, and no further comment is required; however, in a few cases some explanation seems desirable, and in others it is well to emphasize the remarks relative to subdivisions.

One general rule should be observed: that the income from any given source should be shown in an account by itself and should not be credited to the expense account related to the same matter. For example, "foundations" receipts should show the income from foundations and should be kept separate from the account showing the cost.

5-5 *Cancellation Profits* are fully dealt with in pars. 7-25 and 30-8, et seq.

5-6. *Maintenance.*

The accounts to be kept for "care" or for "maintenance" will depend entirely upon the rules of each cemetery and the extent to which it is desired to carry cost accounting. For a small cemetery, it will often be sufficient to carry only one account for "maintenance", to which are charged:

Salary of superintendent

Labor

Repairs to buildings, equipment and fences

Fertilizers

Cost of water supply

Depreciation on buildings, fences, equipment and all improvements, and, possibly

Beautification, which may include the cost of shrubs, bulbs, seeds, plants, etc.

If a number of motor cars be maintained, it is wise to open a separate account for each car.

5-7. *Distribution of Expenses.*

Obviously, the cash spent in any one month seldom represents exactly the expenses for that month. The latter figure, however, is

that which should appear in the monthly statements and, further, the total amount should be distributed to the various capital or expense accounts.

This can best be done by a voucher register such as is described below.

5-8. Numbering Ledger Accounts.

To facilitate reference and distributing, it is convenient to number all accounts in the ledger, but this numbering should not be consecutive. It is convenient to use only odd numbers, leaving the even numbers blank for additional accounts which may be required. (See par. 4-3.)

5-9. The adoption of a voucher-checke similar to that shown in par. 10-8 is strongly recommended and the following suggestions are based on that adoption.

All bills referring to any payment are attached to the voucher so that they may be easily inspected. When payment is made the "original" is detached and sent to the payee; while the duplicate, with all bills attached, remains in the office and forms a permanent file.

All vouchers or cheques should be numbered consecutively. In some offices they run continuously, while in others a fresh series is begun each month, the voucher number preceded by the number of the month—e.g., vouchers entered in November would be numbered 1101, 1102, etc., while those for December would be 1201, 1202, etc., or 12/1, 12/2, etc. When the voucher is made out the date of the cheque should be left blank and should be filled in when payment is made.

5-10. Voucher Register. (Disbursement Register)

The object of a voucher register is to distribute all expenditures to their proper accounts. It should be a columnar book containing twenty or more columns, each of which is headed with the name of the account to which it applies. The accounts should be arranged in numerical order (par. 5-8).

If the number of accounts maintained be large, it may not be practicable to have a column for every account, and it will then be found convenient to group the accounts, devoting a column to a

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group and "keying" the items. For example, if several accounts be kept for motor equipment, all items relating to them may be entered in one column, each with the number of its own account beside it. At the end of the month the column can easily be analyzed and items posted to their respective accounts. A similar proceeding may be followed for "maintenance" and other accounts.

In addition, a column should always be reserved for "miscellaneous" items.

A book of 28 or 30 columns will care for the business of a fairly large cemetery, and the extent of subdivision may be increased by the use of short leaves.

The form may be as follows:—

Date
 Name of payee
 Description of the account covered
 Voucher No.
 Amount of voucher credit
 Debits: No. 1 advances
 No. 2 automobile equipment
 No. 3 suspense
 Etc., etc.

FORM No. 1—Voucher register

5-11. *Analysis Books.*

Analysis books may be kept for:

Construction expenses
 Maintenance of cemetery
 Office expenses
 Salaries
 Etc., etc.

Each book is in columnar form. In the first column is entered the total amount, which is distributed in the columns appropriately headed.

There are now on the market special forms of analytical ledger sheets so ruled that a complete analysis can be maintained as entries are made and, in many instances, such a ledger is more convenient than is the use of a separate book.

CHAPTER VI

Character of Sales Made

WHAT IS SOLD?

6-1. The answer to the question "What is sold?" is important, and the practice followed, perhaps in the majority of cases, indicates that the correct answer has not always been found. The facts that deeds are given and that the property mentioned therein is described in the same manner as are lots in a real-estate subdivision has led many to think that a cemetery association deals in real estate. This is not the case.

6-2. The courts throughout the country, both those of original jurisdiction and the appellate courts, have decided that the document given by a cemetery association to the purchaser of one or more of its lots, however the document may be worded, and by whatever name it may be called, does not convey real estate, but only an easement—a right to use a certain space for certain purposes. This right is further limited in many cases by restrictions as to the color, religion or nationality of parties concerned and, usually, it is still further modified to an indefinite extent by a provision that the use of the lot is subject to any rules which the cemetery association may have made or may make in the future. Several courts have likened this easement to that which is obtained by one's leasing or buying a pew in a church.

6-3. As a result of this confusion it has been the common practice for associations and for accountants to regard these sales as conveying real estate. In former days the question had little more than academic interest, for whatever was sold the profits were identical, and most lots were sold for cash. However, the advent of the income tax changed these conditions, for it had become customary to buy

cemetery lots on the instalment plan, and, under the regulations of the treasury department, the prescribed method of calculating realized profits on instalment sales of real estate differed widely from that allowed in the case of similar sales of personal property.

6-4. *Real-estate Sales.*

In the case of real estate, all the regulations since those issued in 1917 have insisted that the "sale of each lot or parcel will be treated as a separate transaction and gain or loss computed accordingly" (reg. 86, art. 22(a)-11). In the case of personal property, however, the same revenue act itself provides that the "owner may return as income therefrom, in any taxable year, that proportion of the instalment payments actually received in that year which the gross profit realized, or to be realized when payment is completed, bears to the total contract price." (Reg. 86. art. 44-1)

6-5. In the former case, therefore, the vendor must calculate the profits from each individual sale, while in the case of personal property he may ascertain the percentage which the gross profits for the year bear to the total sales for that year, and he may report as realized profit that percentage of the receipts in the year. For example, if an association sell in one year 750 lots for \$100,000, on which the gross profit is \$80,000, and if it collect \$24,000 in the year, under the first rule it would be necessary to make 750 calculations; while under the second rule (for personal property) it would only be necessary to take 80% of \$24,000, that is \$19,200, which is the profit realized in that year.

In some instances bookkeepers thought it necessary to subdivide each collection, as it was made, and involved themselves in thousands of useless calculations.

6-6. While I can not find in the regulations any explicit statement to the effect that sales of cemetery lots are not sales of real estate, a careful search by me and by others interested, has failed to find any rule indicating that such sales are those of real estate; on the contrary, as shown below, the treasury department expressly exempts deeds to cemetery lots from the obligation to affix stamps to the documents conveying them.

6-7. The question of the titles to cemetery lots has been raised in a good many cases, but usually suit has been based on some act of trespass caused by the removal of a body. For the benefit of those who wish to follow the matter further, I give the following list of a few of the many important decisions on this point:

- Trefy vs. Younger* (114 Northeastern Reporter, 1033)
Roanoke Cemetery vs. Goodwin, 101 Va., 605, 44 SE 769
Hook vs. Joyce, 94 Ky., 450, 22 SW 651
Mc Whirter vs. Newell, 200 Ill., 583, 66 NE 345
Brown vs. Hill, 119 NE 977
State vs. Scoville, 61 Atlantic Reporter, 63
Gardner vs. Swan Point, 20 R. I., 646, 40 Atl. 871

The first was rendered by the Massachusetts supreme judicial court, and in it reference is made to many supporting decisions. In the course of the decision it is said: "The rights of owners in burial lots in cemeteries are well established; these rights ordinarily are in the nature of an easement; they do not convey an absolute right of property, but give the right of burial so long as the place continues to be used as a burial ground. It is a limited use for purposes of interment which gives no title to the land. A grant of a lot in a cemetery is said to be analagous to the grant of a pew in a church".

The above decision is typical of the many which have been rendered.

In the case of *Gardner vs. Swan Point*, the court said: "It has been held that, though a deed may run to a grantee, his heirs and assigns, he takes only an easement or right of burial rather than an absolute title."

Some courts have gone even further and have held that the rights of a lot holder in a cemetery have not even the dignity of an easement, but are merely something in the nature of a licence. See *Kincaid's Appeal*, 66 Pa. 411; *Page vs. Symonds* 63 N.H. 17, 56 Am. Rep. 481.

6-8. *Deeds to Cemetery Lots Are Not Subject to Stamp Tax.*

The only expression of opinion by the treasury department on this point which I have found is in regulations 71 prescribing the rules for administration of the stamp tax. Article 95 reads as follows:—

“Deeds to burial sites.” “Deeds to burial sites which do not convey title to land, but only a right of sepulture, to erect monuments, etc., are not subject to stamp tax.”

This language is rather vague, for the reader is left in doubt as to whether it is intended to state that all deeds conveying cemetery lots do not convey real estate or that no stamps are required on documents which convey easements only.

6-9. *The Selection of a Method of Making Instalment Sales.*

Such a decision does not in any way affect the treatment of such sales, but it does affect the method of calculating realized profits, as is shown below, for it relieves us of the necessity of calculating the profit on each individual sale, as is required for real-estate subdivisions.

6-10. *The Practical Result of Treating Sales as Being of Personal Property.*

While no one can with safety predict positively the action of the treasury department, it is difficult to believe that, if a cemetery honestly make its returns on the basis of personal property, the department will deny their propriety. In view of the facts that the choice would not violate any specific instructions; that so many courts have rendered decisions on the point; that no difference eventually results; that a revenue agent might have an enormous task in recalculating the profits realized in any year, and that the practice has been pursued by some cemeteries for many years, it seems incredible that the taxpayer's report would not be accepted.

The division of each sale and of each receipt into its component parts of cost, profit, etc., as is done by some dealers in real estate, is unnecessary if the sales be treated as personal property, and a great number of calculations is avoided, for the realized profits can be determined at any time by a simple analysis of the cash received.

CHAPTER VII

Treatment of Sales

7-1. Cash Sales and Time Sales.

Cemetery lots are usually sold for cash or on time under a contract of sale. The mortgage plan familiar in real-estate transactions is seldom used.

A cash sale calls for little comment. The total price is received, a deed is given and the requisite entries are made in the records.

7-2. Time Sales.

In a time sale, the initial payment is deducted from the purchase price and the remainder is represented by a number of periodic payments—annual, semi-annual, quarterly, monthly or even weekly.

The contract should state clearly when the instalments are payable, in such words as “the first payment being due on the day of and subsequent payments monthly (or quarterly, as the case may be) thereafter.”

If interest is to be charged, the method of calculation should be definitely stated by some such phrase as “together with interest at the rate of per cent. per annum to be charged on the amount remaining unpaid at the end of each period.”

Some contracts specify when each payment is to be made; but this is objectionable for it causes unnecessary labor and is fruitful of error.

7-3. Objections to Notes.

Some associations like to have their obligations represented by notes, but this plan multiplies papers and affords no additional protection to the vendor, for probably under the laws of all the states such notes would be held to be a part of the contract and subject to its provisions.

7-4. All Sales Centered in One Series.

It must be noted that all sales, whether for cash or on time, pass through the "contract" account, which is, in effect, a sales account.

7-5. Experience has shown that it is wise to demand a fixed percentage of the purchase price to be paid before a contract is given. The amount of this initial payment varies, but ten per cent. of the purchase price is probably the minimum usually accepted. If a purchaser can not pay the whole of this 10% at once, he may deposit a portion of it and receive an option.

7-6. Entries Required to Bring a Sale on the Books.

Each sale involves a number of transactions and entries which may be described as follows:

1. The salesman obtains the application to buy and a cash deposit.
2. If approved, the sale is given its serial number, by which it is thereafter known through all the records.
3. A receipt is made for the cash received.
4. A contract or deed is prepared and executed.
5. The cash received is entered in the cashbook.
6. The sale is entered in the sales journal.
7. An account with the purchaser is opened in the sales ledger.
8. The sale is entered on all the plats, wall maps and cards indexes.
9. The sale is entered in the commission register.
10. Instalment payments are entered on the collection tickler.
11. The sale is entered on the permanent lot register.
12. If a deed be issued, a copy is placed in the "deeds issued" file.
13. The sale is entered in the interment record.
14. The lot sold is marked off the current price list.
15. If insurance is to be carried on the life of the purchaser, entry is made in the life-insurance record and the insurance company is notified.
16. The superintendent must be notified of the sale for entry on his record.

This list may appear formidable, but every entry is necessary for a complete record, and it is hoped that the explanations given throughout this book will prove sufficient to convince any reader of that necessity.

7-7. *Accounts Affected by Sales.*

Whenever a sale is made, the following accounts may be affected:

1. "Contracts" account must be debited with the total sale.
2. "Lot sales" account must be credited with the cost of the lot.
3. "Reserve for perpetual care" must be credited with its share.
4. "Unrealized profits" must be credited with the profit.
5. "Commissions" account must be debited and, possibly, "commissions, contingent," credited with the commission on the sale.

If the association sell for \$600 a lot which cost it \$60 and if the perpetual-care portion of the sales price be 25 per cent, the journal entry will be:

Contracts	\$600.	
To lot sales.....		\$ 60.
Reserve for perpetual care.....		150.
Unrealized profits.....		390.

Instead of making a separate journal entry for each sale, there should be a columnar sales journal, of the form shown below. The monthly totals of the several columns are posted to their respective accounts in the general ledger and the customer's account is charged in the sales ledger.

7-8. *The Sales Journal.*

The entry in the sales journal is of the first importance, for on it all the others rest. While the general form is similar to that used for subdivisions, the necessity of providing for entries relative to perpetual care calls for some modifications and the following form is suggested.

If it be desired to compute the realized profit on each sale, as is required for real estate, a stock book with columnar ruling may be used with columns as follows:

1. Date
2. Name and address of purchaser
3. Number of sale
4. Description of lot sold
5. Amount of sale

6. Portion applicable to perpetual care
7. Available balance remaining (col. 4 less 5)
8. Cost of lot to the association
9. Unrealized profit (col. 6 less col. 7)

If commissions also are to be entered, the following columns may be added:

10. Total commission on the sale (dr.)
- 11-12. etc. A column for each salesman in which is credited the amount due to him.

FORM No. 2—Sales journal

7-9. At the close of each month the totals of columns 5, 6, 8 and 9 are posted to their respective accounts in the ledger as is shown in par. 7-7. Column 7 is not posted, as it is inserted merely to show how the figures in column 8 are obtained.

Under this plan all sales, whatever their size, whether for cash or on time, are entered in one series and an account is opened for each of them in the sales ledger. This seems to be the safest and most convenient method.

Modifications may be required in some cases—for instance, where many single graves are sold for cash or where the cost of the lots is not known when the sales are entered or when the association is “not for profit.”

7-10. The Method of Entering Sales on the Records.

All sales, whether for cash or on some instalment basis, should be numbered consecutively in one series, and entered in the sales journal described in par. 7-8. The monthly totals of the various columns are then posted to their appropriate accounts in the general ledger, the commissions being posted to two accounts—namely, the commissions-payable account and the contingent-commissions account.

It is well to post each month the realized profits on cash sales to a realized-profit-on-cash-sales account, as no further entries regarding them are required until the closing of the books, when the total of this account is credited to profit-and-loss account.

The total of the cost price is credited to lot sales and not to the cost account, "cemetery site" or "developed lots."

The final treatment of realized profits is considered in chapter XII.

7-11. Entry on Other Records.

Care must be taken to see that each of the necessary entries (as described in par. 7-7) be made.

Every sale, whether for cash or on time, should be entered in the purchasers' ledger or contract ledger.

7-12. If Deed Be Regarded as Conveying Personal Property.

If it be decided to regard the sale of burial rights as a transfer of personal property, instead of as real estate, the calculation of realized profits is greatly simplified, and a modified form of sales journal is suggested, such as form No. 3.

The total of column 11 may be posted at the end of each month to "realized profits" and no further calculations are necessary for the sales entered therein. The totals of column 12 are posted to "un-realized profits, 1935."

7-13. At the close of the year the totals of columns 7 and 12 are taken for the twelve months, and from them the average percentage of profits on the time sales for the entire year is obtained at once.

In the example (in par. 7-7) it is $\frac{390 \times 100}{600} = 65\%$. This percentage is applied to the total of the receipts shown in the cashbook in a column headed "sales of 1935." This column is added to the form shown in par. 12-11. In every succeeding year an additional column is added to the cashbook for each of the three or four years usually required to complete the purchase, and the realized profits for each year are determined as already explained.

7-14.

Columns 1 to 4

13

12

11

10

9

8

7

6

5

44

CEMETERY ACCOUNTS

In these columns show: Date Name of purchaser No. of sale Description of property	Amount of Sale			Perpetual care 25%	Available balance	Cost	Profits		
	Total	For cash	On time				Realized	Un-realized	
									Here may be added such columns as are desired for commission

TREATMENT OF SALES

PURCHASER.....PRICE OF LOT.....\$
 FOR PERPETUAL CARE.....\$
 ADDRESS.....TOTAL CONTRACT PRICE \$

LOT NO.....SECTION.....
 TERMS:
 CASH.....\$
 MONTHLY OR.....PAYMENTS OF.....COMMENCING.....\$
 MONTHLY OR.....PAYMENTS OF.....COMMENCING.....\$
 MONTHLY OR.....PAYMENTS OF.....COMMENCING.....\$
 MONTHLY OR.....PAYMENTS OF.....COMMENCING.....\$

RATE OF INT. %.....AFTER MATURITY.....
 REMARKS:.....
 \$

Date	Description	Folio	Principal		Balance	Interest	
			Debit	Credit		Amount	Total

7-15. Sales Ledger.

The sales ledger is generally in loose-leaf form. It contains the account with each purchaser. Stock forms are not satisfactory and a special ruling somewhat like that in form No. 4 is required for each case.

This ledger may also contain entries charging purchasers with amounts due on other accounts, such as foundations, markers, etc., mentioned in par. 12-7.

7-16. Commission Record.

Each sale should be entered in the commission record as soon as the papers are executed or, if settlements with salesmen be made monthly, at the end of each month. The details of this record are given in chapter VIII.

7-17. Collections and Collection Tickler.

The various details of collections are discussed in chapter X.

7-18. Interest on Instalment Sales.

Interest plays an important part in instalment sales, and as there are various methods of calculating the amount to be charged, care should be taken to select that plan which is best suited to any particular case, and, especially, to word all clauses relative to the matter in such a way that they are free from all ambiguity. For example, it is not sufficient to state that "interest shall be calculated quarterly at the rate of 6% per annum." The clause should state the amount on which interest is to be calculated, i.e., the amount due at the beginning of the quarter, at the end of the quarter or on an average balance or on balances remaining from time to time unpaid.

While there are many ways of computing interest in sales of real estate, it is not necessary to discuss them here, for the methods generally used in cemeteries fall into one of two classes: first, calculating the interest on unpaid balances at the end of each month, or some other period, and, second, the inclusion of interest in the amount which the purchaser agrees to pay.

7-19. A typical plan of the first class is one which calls for calculation each month of the interest on the unpaid balance. In some

offices this is charged on the books to the purchaser, while in others a memorandum is made of the amount on the face of the account and in the collection notice, but it is not credited or debited until it is paid. I have found that the latter plan is preferable, as it eliminates many cancellations and correcting entries, and, if a special column be provided in the cashbook, it is an easy matter to make the appropriate entries.

Whichever method be followed the customers' ledger should be ruled with special columns to receive all entries of interest, so that they shall be kept distinct from payments on account of principal, as shown in form No. 4.

7-20. Interest Calculated in Advance.

In order to avoid the necessity for making so many calculations I have for many years recommended calculating the interest in advance and dividing the sum into the desired number of equal payments. This may easily be done by the use of one of the many instalment tables which are now published and can be used for monthly, quarterly, semi-annual and annual payments.

The method is simple. The terms of a proposed sale being known, it is desired to ascertain the amount of a given number of instalments, made at stated intervals, which will extinguish the amount to be paid and yield interest at a given annual rate. For example, what monthly payment is required to extinguish a debt of \$1,000 in three years with interest on the unpaid balances at 6% per annum? The answer is found by finding from tables the present value of one dollar payable on the same terms and dividing the amount of the debt to be paid by that amount.

7-21. Example of Calculations.

In this example, the tables show that the present value of one dollar paid monthly for 36 months is 32.871 and if \$1,000 be divided by that amount, the quotient is \$30.40, which is the answer desired.

Usually the range of prices is moderate, and the terms do not vary greatly, so that a special table can easily be prepared as shown in form No. 5. This form shows the amounts required to repay \$100 under the various terms indicated in the headings.

CEMETERY ACCOUNTS

7-22.

INTEREST AT 6% PER ANNUM ON THE BALANCE REMAINING UNPAID
AT THE END OF EACH PERIOD.

Payments	Monthly instalments		Quarterly instalments		Semi-annual instalments		Annual instalments	
One year	100	\$8.61	100	\$25.94	100	\$52.26	100	\$106.00
	11.619		3.8544		1.9135		.94340	
Two years	100	\$4.43	100	\$13.36	100	\$26.90	100	\$54.54
	22.563		7.4860		3.7171		1.83339	
Three years	100	\$3.04	100	\$9.17	100	\$18.46	100	\$37.41
	32.871		10.9076		5.4172		2.67301	
Four years	100	\$2.35	100	\$7.08	100	\$14.25	100	\$28.86
	42.580		14.1313		7.0197		3.46511	
Five years	100	\$1.93	100	\$5.82	100	\$11.72	100	\$23.74
	51.726		17.1687		8.5302		4.21236	

FORM No. 5—Instalment table, monthly payments

NOTE: The fractional amounts shown above indicate the method of determining the periodic payments, but they do not appear in the tables distributed to the sales force.

7-23. Form for the Sales Force.

Each salesman may be furnished with a statement in the following form:

Memo. of payments required for each \$100 remaining unpaid after deducting the initial payment.

Payable in 6 months	—	\$16.95
" " 9 "	—	11.39
" " 12 "	—	8.61 — 1 year
" " 15 "	—	6.94
" " 18 "	—	5.82
" " 21 "	—	5.03
" " 24 "	—	4.43 — 2 years
" " 27 "	—	3.96
" " 36 "	—	3.04 — 3 years

e.g., If the selling price of a lot be	\$900.00
and 10% be paid,	
there remains (\$900 — \$90)	810.00
the monthly payment is $\$3.04 \times 8.1$	24.62
If the selling price be	\$1,000.00
and 10% be paid,	
the monthly instalment for 3 years	
is $\$3.04 \times 9$	27.36

FORM NO. 6—Form of instalments for sales force

This table was prepared for a cemetery association which had adopted three years as the standard period. If a purchaser paid in one year he was allowed a discount of 5%, and if in two years, a discount of 2½%. On the other hand, if he bought under a contract requiring four years for completion, 2½% was added, and if under a five-year contract, 5% was added to the basic price.

For example, if a lot were sold for \$60 and 10% were paid in cash, the remainder would be \$540.00
 To this there would be added, for a five-year contract, 5% premium or 27.00
 Making a total of \$567.00
 and \$1.93, (as shown in the form) multiplied by 5.67 is \$10.94.

7-24. *Simplification of Bookkeeping.*

Theoretically each instalment should be divided into two parts, namely, principal and interest, but this involves much detail, and the following plan has been adopted:

In the present example the customer is charged with the principal amount of his purchase, e.g., in a sale for \$600, the monthly payment is \$16.42, the total amount paid being \$591.12, or, including the cash payment, \$651.12. In such cases the original entry may read:

Contracts	\$600.		
To lot sales		(say)	\$ 60.
To unrealized profits		(say)	540.

This amount is charged in the customer's ledger, the account being credited with the monthly payments of \$16.42 each, as they are made.

When thirty-two payments have been made there will have been received \$585.44, all of which has been credited to principal. Therefore, \$14.56 out of the thirty-third payment will close the principal account, and the balance of that payment, with all the three remaining payments, may be credited to interest. This not only avoids complicated cross entries when contracts are cancelled, but it greatly simplifies the bookkeeping.

It is not in accordance with the letter of the requirements of the federal treasury department, but the plan has been discussed with many people, and the prevailing feeling is that the advantages it presents in the matter of simplification would be sufficient to warrant its acceptance by that department when calculating income tax.

7-25. Cancellation of Contracts.

Cancellations must be made with care and must be in accordance with the local laws, which differ in the various states. Many courts have held that when a purchaser has made payments his equity can be recovered only through mutual agreement or through some proceedings in the nature of foreclosure. This point calls for the advice of an attorney.

Further complications may arise if an interment has been made in a lot before payment has been completed. Many such cases have been brought to the courts; but here again we enter the province of the lawyer.

7-26. Book Entries Required.

We are concerned with the method of treating cancellations on the books. These call for journal entries exactly reversing the original entry which brought the contract on the books, such as

Lot sales.....	\$.....
Unrealized profits.....	\$.....
Unearned interest.....	\$.....
To contracts.....	\$.....

Care must be taken to see that the first item agrees with the cost price taken when the sale was entered on the books.

The second item will be the difference between the cost price and

the principal amount of the contract, unless the contract has been running through more than one fiscal period and some of the unearned profit has been carried to the profit-and-loss account. In that case the amount must be reduced to equal the amount of unrealized profits on the particular contract which remains in the account.

The third item is the difference between the sales price and the total amount of the initial payment and all instalments.

The first item may be subject to change only when the property has increased or decreased in value, but even in such cases the clearest statement is made by adhering to the original cost price, and, when necessary, making a second journal entry to care for the change in value, debiting contracts and crediting cancellation profits, or vice versa.

Each cancellation, or forfeiture, must be entered on:

- The lot registers
- The sales journal
- The customers' ledger
- The plat

and upon any other records on which the original sale appears.

7-27. Red Ink Entries.

Entries for cancellations or forfeitures may be made in the sales journal in red ink, all such items being added at the end of each month and posted to the general ledger. This is more satisfactory than deducting them from the black ink totals in the same record.

7-28. Exchange of Lots.

The same principles apply to exchanges as to cancellations. Entries do not merely show balances or differences of value, but the property which is conveyed should be entered as a regular sale, and the property which is acquired should be entered as a new acquisition. In a word, it is better to make a separate entry for each property acquired or re-acquired and one for each property sold. Composite entries are to be avoided.

CHAPTER VIII

Commissions and Discounts

8-1. Commissions Payable on Sales.

While the treatment of commissions on sales does not present any doubts as to theory, the number of entries and the spreading of these entries over varying periods leads to some mechanical difficulties. The number of persons participating is not so large as is often the case in sales of subdivisions, but it is common to find that commissions are paid to salesmen and, frequently, over-riding commissions to sales managers and other officers. All these may be treated in the same manner.

8-2. The Principal Items.

There are three important matters to be considered:

1. The selection of those who are to receive commissions.
2. The commissions which each class of employees is to receive.
3. The time when payments become due.
 1. In small offices commissions are usually paid only to the salesmen, but in larger organizations they are also paid to many officers and other employees.
 2. The rate of commission to be paid to various parties must be clearly stated and should be uniform. Frequently, in addition to the commission paid to the salesman there is a further sum paid to the sales manager or some other officer; often there is some over-riding commission.
 3. Frequently some commissions are current, some deferred or some contingent.

Some or all the salesmen may be interested in any one sale and

the amount payable to each differs, ranging from, say, $\frac{1}{2}\%$ to 15%. The terms of payment also differ.

The amounts paid for commissions vary greatly and may range from ten per cent. of the sales price, in the case of a well-established cemetery, to 35% or even higher, in other cases.

8-3. The Treatment of Commissions.

Usually commissions are payable as collections are made, in some cases all the early collections being applied to the payment of commissions, while in others a portion—e.g., 50% of the first collections—applies thereon. In all such cases the payment of commission is contingent upon the purchaser's making his payment to the concern.

In some instances the commissions are payable throughout the term of contract, as collections are made—e.g., 10% of each payment; and in some instances the commissions are not payable until the final collections are received by the vendor.

8-4. Commission on Collections Made through a Bank.

Still another complication may arise when contracts or mortgages are placed with a bank or trustee for collection. Then the concern collects from the customer only the first payment, and commissions remaining are met by the trustee.

8-5. If sales be few, if only one or two salesmen be interested and if commissions be paid quickly, it may be sufficient to charge the unpaid commission to commission account and to credit the several salesmen; but such cases are exceptional, and, if only four or five persons are interested in commissions, a more detailed method must be employed.

8-6. Advances to Salesmen.

It is a not uncommon practice to make advances to the members of the sales force, sometimes in the form of uniform periodic payments, such as \$50 a week, and sometimes by varying amounts paid at irregular intervals, all such advances being chargeable against future commissions earned by the respective recipients. Such advance accounts should be discouraged and kept to a minimum.

8-7. Accounts Affected.

It will be seen that there are always two and sometimes three accounts which are affected:

1. Commissions account, to which are charged all commissions on sales. This is an operating expense account, which is periodically closed into the profit-and-loss account. (The method and time for deducting commissions for income-tax purposes depend upon the current regulations of the treasury department, which should be consulted.)

8-8. 2. Contingent commissions account, which is credited through the sales journal with commissions on all sales and is charged through the commissions record with the commissions as they become payable and are earned. These, in turn, are credited to advances or to the salesmen individually. The balance of the account is a liability contingent upon collections on the sales shown as assets on the balance-sheet.

3. Advances account, to which are charged through the cashbook all payments made to salesmen.

8-9. Entering Commissions on the Books.

The method of bringing earned commissions on the books is dealt with later, but whether the transaction be a cash sale or a time sale, all the commissions should be treated alike, and they should be passed through the contingent-commission account for the sake of uniformity.

Likewise, when advances are made to salesmen, I have found that the simplest and clearest plan is to charge to advances account all sums paid for or on account of commissions, be they in advance or commission on cash or on time sales. If this be done, the difference between the advances account and the contingent-commissions account shows the amount of commissions remaining unearned and, therefore, contingent.

If no advance be made, all payments to salesmen are charged direct from the cashbook to the contingent-commissions account.

Whether the commissions be shown on the sales journal (par. 7-8) or through the general journal, the entry to be made is of the form:

Commissions	\$.....
To contingent commissions.....	\$.....

The advances are always charged direct from the cashbook.

8-10. Salesmen's Individual Accounts.

It is necessary to maintain an account with each person who shares in the commissions. This involves a large amount of detail in these salesmen's accounts, and there are two basic methods of keeping them, namely:

1. Under the names of the salesmen
2. Under the name or number of the sale

Both systems are subject to variations, but in all cases they should enable the bookkeeper to prepare individual periodic statements for each salesman. The selection of the method depends upon the personal preference of the accountant and upon the volume of business.

Where the number of salesmen is small, say six or eight, I prefer the first method which obviates the necessity of keeping a salesmen's ledger and is as follows:

8-11. Commission Register under Salesmen's Names.

The record is kept on a ring binder, taking sheets 11 or 14 inches long, and is headed as shown below. The names of the months vary, but the record begins with the month in which is made the first sale entered on any given page—in the example this is January.

Inserted after this page is a short leaf (indicated by the heavy line) for each person sharing in any commissions.

Every sale is entered in numerical order from the sales journal, as is indicated, and the total amount of commissions is shown under "total commissions". The sum of "total commissions" must equal the total of the commissions account and the sales journal (see par. 7-8). The amount due to each salesman is entered on his page.

8-12. *Commission Record.*

	Total comm.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
JANUARY									
142 Timson.....	\$ 100.				John Baker				
143 Adamson.....	320.								
149 Cuppedge....	75.								
150 Marz.....	60.								
151 Hoover.....	40.								
152 Miller.....	150.								
153 Lamb.....	80.								
154 Walker.....	✓								
170 Bright.....	55.								
171 Fisk.....	30.								
Total for Jan....	\$1,480.								

FORM No. 7—Commission record

8-13. *Method of Keeping the Commission Record.*

1. Let us suppose that our record commences with January. At the end of January all sales made in that month will be written on a typewriter, showing sale number, name and total commission, and the word "January" is written at the head of the list.

2. These commissions will be added, and the total must agree with the amount charged in January to contingent commissions, proving that all commissions are entered in the commission register.

3. If Baker is the first name on the list of salesmen when arranged alphabetically, his name is typed as shown.

4. Each of the columns is headed with the name of a month, as in the example.

5. Loose leaves are cut to the size indicated by the heavy black

line, and one such sheet is devoted to each salesman and each manager, his name being typed at the head of his page.

6. Each commission shown in column 1 is then entered on the sheet of the salesman to whom it is to be credited. In the example, four are credited, in whole or in part, to Baker.

In the case of sales Nos. 152 and 171 the commission is split, Baker being credited with a portion and the remainder divided among other salesmen. Their portions are entered on their short sheets.

7. It is assumed in the example that salesmen are to be paid their commissions as collections are made and that all collections are so credited until the entire commission is paid.

8. At the close of each month, the accountant takes the sales sub-ledger, showing the individual accounts with purchasers, and from it enters in this register the total payments made on each sale upon which commissions have not been fully paid, until the entire commission is credited, e.g., sale No. 143 yields \$10 in February, March, April and May. In May it is fully paid, and a heavy line is drawn. These entries are made on the page of the salesman who is credited with the commission, e.g., Baker's sheet shows all receipts on sales No. 143 and No. 151 and his share of the receipts on sales No. 152 and No. 171.

9. Each column headed "January" is added, and the totals are carried to a summary sheet, the total of which will show the total commissions earned in January.

10. At the close of February and each succeeding month similar entries are made.

11. Each sale must be examined each month until the commission is fully earned. It is inconvenient to place a \checkmark in the monthly column if no payment be made in any month; and when the commission is completed, a heavy line may be drawn, as indicated, and a \checkmark placed against the first column (as in No. 154) showing that no more commission is to be entered.

12. At the close of each month a statement is rendered to each salesman, showing the commissions earned in that month on all his sales which are still open and also the contingent commissions credited to him in that month, as follows:

CEMETERY ACCOUNTS

8-14.

STATEMENT OF COMMISSIONS

of

JOHN BAKER

FOR MAY

		Contingent Earned	
No. 143	Adamson (Jan. sales).....	\$ 10.	
151	Hoover.....	5.	
152	Miller.....	10.	
	Feb.....		
	March.....		
	April.....		
186	Brenner (May sales).....	\$ 20.	10.
190	Hall.....	80.	40.
191	Milner.....	60.	60.
		<u>\$160.</u>	<u>\$250.</u>
Balance brought forward (i.e. advances in excess of earned commissions).....		\$200.	
Advances in May.....		250.	
Total.....		<u>\$450.</u>	
Earned in May.....		250.	
Balance forward.....		\$200.	
Totals to date		Advances	Contingent Earned
Brought forward.....		\$1,100.	\$1,600. \$ 900.
Add May.....		250.	160. 250.
Carried forward to June.....		<u>\$1,350.</u>	<u>\$1,760. \$1,150.</u>
Contingent in excess of earned.....			610.
Advances in excess of earned.....			200.
Contingent in excess of advances.....			410.

FORM No. 8—Commissions—monthly statement

8-15. If the salesmen's monthly statements be carried to a summary sheet the total contingent commissions and the advances should agree with the totals of these accounts in the general ledger.

The advantages of preparing these monthly statements are obvious. Not only do they show the salesmen the condition of their accounts each month, but they bring out clearly the relations between

the contingent commissions, the advances and the earned commissions.

In some offices it is the practice to credit each month the advances account on the ledger with the commissions earned, the balance being an asset or a liability as the case may be; but I prefer not to make such entries until the books are closed, as it prevents checking the totals of these accounts as shown on the salesmen's accounts against the trial balances. The difference can be shown on the monthly statement of operations where such a deduction can be made clearly.

8-16. *Commission Ledger.*

There is on the market a commission ledger of the following form (No. 9), which may sometimes be used advantageously, especially in cases where each contingent commission is earned at one time. Unfortunately it often happens that the conversion of a contingent commission to an earned commission may require several months. In that case this form can be used if, say, five or ten lines be devoted to each such sale.

COMMISSION STATEMENT

Name..... Date.....
 Address..... Telephone.....
 Folio
 and Contingent commissions Commissions payable
 Date | Description | Cheque No. | Charges | Credits | Bal. | Charges | Credits | Bal.

FORM No. 9—Commission record by salesmen

8-17. *System Based on Each Sale.*

There are two ways of following the system based on each sale either of which may be used:

- (a) By keeping a card or, preferably, a loose-leaf ledger containing a sheet for each sale.
- (b) By maintaining a commission account on the customers' account in the sales ledger.

If the whole of each commission be payable to one person, or even to two, the latter plan may be used, but if there be many participants

CEMETERY ACCOUNTS

the former is preferable. In either case it is usually necessary to keep an account with each salesman.

8-18.

.....COMPANY
SALE NO. 143

LOT 142 SECTION F DATE OF SALE 2 JAN. 1931 AMOUNT OF SALE, \$1,600.
BUYER NO. 143 ADAMSON TOTAL COMMISSION \$320.

Name	%	Total com.	Commissions payable				Payments received		Balance of current comm.
			Jan. 2	Feb. 6	Mar. 3	Apr. 4	Date	Amt.	
Salesman Baker	5	80.	40.	10.	10.	10.	Jan. 2	\$160.	\$160.
Salesman Johns	5	80.	40.	10.	10.	10.	Feb. 6	40.	120.
Salesman	.....	.....	.....	.....	.....	.....	Mar. 3	40.	80.
Sales mgr.	5	80.	40.	10.	10.	10.	Apr. 4	40.	40.
Asst. "	.....	.....	.....	.....	.....	.....	.....	.....	.....
Solicitor	1	16.	8.	2.	2.	2.	.....	.....	.....
Closer	2	32.	16.	4.	4.	4.	.....	.....	.....
Treasurer	½	8.	4.	1.	1.	1.	.....	.....	.....
Crew mgr.	1 ½	24.	12.	3.	3.	3.	.....	.....	.....
Etc.									
Total	20	\$320.	\$160.	\$ 40.	\$ 40.	\$ 40.			

FORM NO. 10—Commission record (by lots)

In this example the sale is the same (No. 143) as in the former example. The division of the entire commission is shown, and, at the end of April, a total of \$40 remains unpaid.

A salesmen's ledger, in a form such as the following, is also maintained.

Sheet

No..... Name.....

Credit Credit
rating..... limit..... Address.....

Contingent commissions				Commissions payable					
Date	Folio	Charges	Credits	Balance	Date	Folio	Charges	Credits	Bal.

FORM NO. 11—Commission ledger

A sheet is devoted to each person sharing in the commission. In the left-hand column each commission earned by the salesman is entered from the total-commission column and commission register. As entries are made in the columns headed "commissions payable" corresponding entries are made on the right-hand side of the salesman's sheet to the credit of commissions payable. As cash is paid to the salesman the amount is posted to the debit of commissions payable.

Therefore, the difference between the total of contingent commissions and commissions payable shows the amount unearned, and the difference between the debit and credit columns of commissions payable shows the cash payable to the salesman.

8-19. Another method of recording under sales is shown in form No. 12 which is convenient when there is little splitting of commissions.

When using this form it is necessary to keep salesmen's ledger sheets in order to show the entire amount for any individual salesman.

8-20. *Cancelled Commissions.*

When sales are cancelled and contingent commissions are also wiped out, entries may be made in red ink and posted from the sales journal to the respective ledger accounts and to the other records, and no confusion should arise.

When the transactions affecting commissions are numerous, it becomes necessary to keep ledger accounts showing the condition of each such account. Form No. 26 may be used for this purpose.

8-21. *Over-riding Commissions.*

The commissions paid to the sales manager and to all other of the various officers, other than salesmen, are frequently referred to as "over-riding commissions". The original record of them usually appears in the sales journal, from which the items are posted to the account of the officer who is to be credited.

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Particulars of notes		Date of contract.....	Contract No.....
No.	Date due	Amount	Date Pd.
1		Total consideration..... \$	Purchaser
2		First payment..... \$	
		Agent	Lot..... Block.....
		Commission % , \$	Tract..... in S.....T.....R.....
		Sub-agent	Date planted.....
		Commission % , \$	Care period ends.....
COMMISSIONS			
Date	Dr.	Date | Dr. | Cr. | Bal. | Date pd. | to | Dr. | Cr.	

FORM No. 12—Commission contract ledger

8-22. Contingent Commissions (Sometimes Called Deferred Commissions).

All commissions which are not payable until customers have made stipulated payments are contingent commissions, for they are not direct liabilities until those payments are made. In view of this fact it is not necessary to show them among the direct liabilities on a balance-sheet. They may quite properly be shown as a deduction from the unpaid balances of the contracts, or other sales, through which they arise.

8-23. Discounts on Sales.

Where there is no perpetual-care fund, or any similar fund, to be considered, discounts on sales are a selling expense. The amounts are credited to the respective contracts and charged to discounts or some like account, which is periodically closed into the profit-and-loss account.

However, when perpetual-care funds or any similar funds are maintained, it may be advisable or necessary to change the procedure.

8-24. In theory, the method of treating discounts on the sales of cemetery lots, where such funds are involved, depends upon the wording of the deed of trust, the contracts and the deeds. This is a good illustration of the necessity for taking extreme care when drafting documents. These papers may provide (a) that there shall be paid into the perpetual-care fund a stated percentage of the cash received or (b) they may state that there shall be so paid in a percentage of the "sales price", "purchase price" or some other "price"; and this "price" may provide for a discount to be allowed if certain conditions be met. For example, it may be provided that the entire price shall be paid in cash or by a stated time or that a certain number of lots shall be bought.

In case (a) the amount payable into the fund is the nominal sales price. In case (b) it may be necessary to calculate the percentage on the sales price before deducting any discount—this is certainly true where the contract or other document definitely states the amount of the purchase price, as in form 41 (par. 20-6).

8-25. Let us take, for example, the sale of a lot for \$1,000, the cost of the lot being \$100 and the amount to be deposited in the perpetual-care fund 25% of the "price", a discount of \$150 to be allowed.

Such a sale, if there were no discount involved, would be brought on the books by such an entry as:

Contracts	\$1,000	
To lot sales		\$100
Reserve for perpetual care		250
Unrealized profits		650

If the amount of the discount be known when the sale is entered, the proper amount may be credited to perpetual-care fund in the original entry. In case (a) it would be \$212.50; in case (b) it would be \$250.

If the amount of discount be not known until after the sale has been entered, an adjusting journal entry will always be necessary. In case (a) this, theoretically, would be of the form:

Discount on sales	\$112.50	
Reserve for perpetual care	37.50	
To contracts		\$150.00
For discount allowed on		
contract No.....		

In case (b) the entry would be:

Discount on sales	\$150.00	
To contracts		\$150.00
For discount allowed on		
contract No.....		

8-26. In practice, if there be few such cases and if the amounts involved be small, it is more convenient to treat the entire discount as a selling expense and to adopt entries of the simpler form, charging the entire amount to discount. But if the instances be numerous and the amount involved become considerable, it may be advisable to follow the course indicated in par. 8-25.

8-27. In all cases, the method should be uniform and, when selecting the method to be followed, it must be remembered that usually

it is advisable to avoid cross entries in any of the accounts relating to trusts.

8-28. *Options and Reservations.*

For present purposes an option may be defined as the privilege to buy certain property for a certain price within a certain time—for which a cash payment is usually made.

Such transactions should not be regarded nor entered as sales, but should be kept in a separate account in the general ledger, with a sub-ledger to contain the particulars of each case. I have found one of the “visible” ledgers most convenient for this purpose.

As payments are received they are credited to options and, when the initial payment is completed, these receipts are debited to options and credited to contracts, or some similar account. If an option lapse the moneys received are usually forfeitable and may be carried to the profit-and-loss account as a separate item, “options forfeited”.

8-29. *Option Ledger.*

The option ledger is to receive entries of all options given and of moneys received thereon. Each account is comparatively short-lived.

A convenient form is found in one of the visible ledgers, which obviates the necessity of indexing and allows any account to be quickly found.

Usually a stock form of ledger sheet may be used, each account showing name and address of the purchaser, the property covered, the price and terms of sale and the name of the salesman.

The account is credited with all payments made, and, when the initial payment on the sale is completed, the sale is entered in the sales journal and the amounts of cash received are transferred to an account opened in the sales ledger.

8-30. *Index of Lots Sold or Reserved.*

When a cemetery is placed on the market certain lots may be reserved for some purpose or for some purchaser, and quick reference to such information is essential. A convenient form of record is a card index with cards 4" x 5". This is in charge of the bookkeeper

DEBIT, CREDIT, BALANCE LEDGER

ACCT. NO. _____
SHEET NO. _____

DATE	ITEMS	FOL.	V	DEBITS	CREDITS	BALANCE	RATING		CREDIT LIMIT	TERMS	INDIVIDUAL			BUSINESS		
							C.O.D	SLOW			NAME		NAME			
							GOOD	A1								

Form No. 13—Option ledger

but is kept on a counter available to all employees. The position is of importance.

A white card is prepared for each sale made or option granted, and these are filed in the numerical order of the lots.

A similar card is made out, with the name of the purchaser at the top, showing, below, the lot which is affected and any particulars desired. These cards are filed alphabetically like those used in form No. 14. The two files are kept in adjoining drawers, and together they afford means of instantly ascertaining the condition of any lot or the name of any purchaser.

8-31. *Reservations.*

It frequently happens that a salesman desires to reserve a lot for a customer. In that case he fills out two cards, showing particulars and the period for which the reservation is to be made. These cards are then filed in their proper positions among the white cards.

The result is a complete list of all lots which, for any reason, are not open for sale.

The form is as follows:

Lot 343		Sec. D	
North 1-2	Contract 561	Thorpe	
South 1-2	Reserved for	"	until Dec. 31, 1936

8-32. Recording of Documents Relative to Sales.

The recording of documents is governed by the laws of the state and the preference of those concerned. It is the universal custom to record all mortgages, for in many states the date of such record determines priority as to other liens. In the majority of cases contracts are not recorded. In many instances such documents are not formally acknowledged and, therefore, are not eligible for record. These matters must be decided by each owner in consultation with his attorney.

CHAPTER IX

The Records Required—General Records

9-1. The Importance of Cemetery Records.

Before discussing the various books of record required, I wish to emphasize the remarks made in chapter I and, especially, upon two points:

First, that the basic records are of more importance than they are in any other business.

Second, as compared with ordinary real-estate transactions, even with those of subdivision properties, the areas involved in individual sales are very small.

9-2. Some difficulties always present themselves when a list of records is drawn up, for such a list appears formidable and, probably, includes more items than are used by the great majority of readers.

The list which is now presented is offered tentatively, and contains only such records as I have used or those that have come to my attention.

9-3. Cemetery records fall into four classes:

- A—Corporate
- B—Financial
- C—Physical
- D—Statistical

9-4. A—Corporate Records.

The corporate records include:

- A-1 The minute book
- A-2 The stock certificate book
- A-3 The capital stock ledger
- A-4 The subscription ledger

9-5. *B—Financial Records.*

- B-1 General cashbook
- B-2 General journal
- B-3 General ledger
- B-4 Voucher register
- B-5 Sales journal
- B-6 Commission journal
- B-7 Sales ledger and transfer
- B-8 Option ledger
- B-9 Petty-cash book
- B-10 Basic price list
- B-11 Commission register
- B-12 Collection tickler
- B-13 Permanent-sales record
- B-14 Investment records
 - Investments
 - Real-estate
- B-15 Trial-balance book
- B-16 Bank-reconciliation book
- B-17 Life-insurance record
- B-18 Perpetual-care record
- B-19 Annual-care record
- B-20 Special-care record

9-6. *C—Physical Records.*

- C-1 Lot record
- C-2 Plat—showing lots and areas,
 - water system,
 - drainage system
- C-3 Current-price book
- C-4 Wall maps
- C-5 Card index, lots sold and reserved
- C-6 Interment record—office
- C-7 Interment record—cemetery
- C-8 Interment record—requests
 - a—Removal record
 - b—Cremation record
- C-9 Equipment record
- C-10 Monument record
- C-11 Improvement record

9-7. *D—Statistical Records.*

- D-1 Cost accounting
- D-2 Deeds issued
- D-3 List of purchasers
- D-4 Beautification

9-8. *Corporate Records.*

It is not necessary to dwell on the corporate records beyond calling attention to the necessity for properly maintaining them. The fact that they are referred to comparatively seldom has sometimes led officers to think that they are of little value. The imposition of federal and state stamp taxes makes it essential that the stock certificate books be properly maintained and that all required revenue stamps be affixed to the stubs.

9-9. *The Minute Book.*

Officers should see that the minute book is properly kept, for that contains the only record that they have authority to act. The necessity for and the form of the capital-stock ledger and the subscription ledger depend upon the circumstances surrounding each case.

9-10. *The Financial Records.*

The general cashbook, ledger, journal and voucher record may be of the usual form. Special rulings for the cashbook are discussed in par. 12-11. A four-column ledger—that is, one with two debit and two credit columns—is recommended and its advantages are considered in par. 9-18 under “trial balance.” The reports should be arranged in some such order as is shown in par. 9-19, et seq.

9-11. *The Sales Journal.*

The sales journal is one of the most important records, for the entries in it form the basis for the calculation of profits. Forms are given in pars. 7-8 and 7-14.

9-12. *The Option Ledger.*

The most convenient form of option ledger is one of the “visible” ledgers to be obtained of commercial stationers, and no special ruling is required.

For each option granted an account is opened under the name of the prospective purchaser, showing the lot involved and the price. This account is credited with payments as they are made, and when the required amount is paid, the account is debited by a journal entry, and the total sum is credited to the contract, which is to be issued in lieu of the option. The option account is closed.

9-13. *Petty-cash Book.*

The handling of petty cash is important and is discussed in par. 10-13, et seq.

9-14. *The Basic Price List.*

It is necessary to have a record of the basic prices established as described in par. 3-29. It is impossible to take too much care in the preparation of this book; not only should it be carefully checked, but it should be typewritten on heavy paper, for it will be constantly referred to as each sale is made.

In it every lot is listed and against each description are written the basic selling price and the cost price of each lot based thereon, as follows (it is assumed that the cost is 12% of the basic selling price):

Section A	Basic price	Cost price
Lot 1	\$600.00	\$72.00
Lot 2	760.00	91.20
Lot 3	700.00	84.00

FORM No. 15—Basic price book

The commission register is described in par. 8-12, et seq., the collection tickler in par. 10-22 and the permanent sales record in par. 11-4, et seq.

9-15. *Investment Records.*

It is in the larger cemeteries only that investment records are required, and no general form is necessary, as stock forms may be obtained at commercial stationers'. As a general rule, a sheet should be provided for each investment, and these should show:

The name of the investment
The par value

- The cost
- The date of acquisition
- Particulars as to payment of dividends or interest

It should provide space for recording all the income received from the investment.

9-16. *The Trial-balance Book.*

Trial balances take many forms, from a rough pencil memorandum on scratch paper to an elaborate document with typewritten headings for each month. As is often the case, the middle of the road offers the safest travelling and is illustrated in the forms given below.

The trial balance, being nothing more than a list of balances in the ledger, the first step is to arrange that ledger in the most convenient manner possible, as illustrated in par. 9-20.

9-17. *The Mechanical Form of the Trial Balance.*

The requisites are a ring binder to take paper 11 in. or 14 in. long, as may be preferred, and a supply of paper to fit it, with four money columns ruled on the left-hand side of the sheet.

On one or more of these sheets the numbers and the names of all the general ledger accounts are typed, while on other sheets the operating accounts are typed in a similar manner, as shown in form No. 16.

Similar sheets are taken and the right-hand margin is cut off, leaving only four money columns, as is indicated in the form by the heavy line.

The 2 columns at the extreme left-hand are headed "Transactions in 193....", one column being marked dr. and the other cr.

The remaining 2 columns are headed "Balances on 193...." and marked, respectively dr. and cr.

In the two left-hand columns appear the total debit and total credit entries made during the month to each account, while in the right-hand pair of columns the balances at the end of the month are shown.

The full page sheets are used throughout the year, thus saving the work of re-writing the account names each month, and each month the narrow sheets are inserted, allowing one of these to each of the full sized pages.

9-18. The Reasons for the Form.

The purpose of the left-hand pair of columns is to show the business for the month—for example, account No. 81 contracts; the \$6,000 in the dr. column shows that new sales have been made to that amount, while the cr. entry of \$4,621 shows the collections made and the credits allowed. This is far more instructive than merely showing the resulting balance of \$85,642.50, which is all that appears in the usual form of trial balance. This advantage applies particularly to such accounts as accounts receivable, notes and accounts payable, lot sales, reserve accounts and the voucher account.

9-19. Another advantage is gained by the classification of the accounts: the difference between the totals of the dr. and cr. columns of the operating accounts for each month forms an accurate basis from which to calculate the results of the month's business.

In chapters IV and V are given lists of accounts which may be required. In the following example the number has been reduced to those which appear in an actual trial balance of an active cemetery of medium size with a complete and well kept set of accounts.

The association whose statement forms the basis of the example is organized for profit; it sells lots on the instalment plan with instalments of equal amount including both principal and interest, and the books were last closed on June 30, 1934.

RECORDS REQUIRED—GENERAL

9-20.

TRIAL BALANCE—AUGUST 31, 1934

Transactions in August		Balances on August 31st		
Dr.	Cr.	Dr.	Cr.	
\$ 252 00	\$	\$ 520 00	\$	301 Advertising
121 00		214 00		321 Auto. supplies and exp.
62 10		150 00		322 Auto.—White truck
22 00		43 70		323 Auto.—Ford car
38 00		72 00		326 Auto.—spare car
54 00		120 00		327 Auto.—office car
118 00		230 00		329 Beautification
785 00	65 00	1,640 00	65 00	330 Cancellation profits
		12 50		331 Cemetery expense
1,200 00		2,200 00		347 Charity
30 00		60 00		351 Commissions
150 00		220 00		361 Depreciation
122 00		246 00		371 Discount
	140 00		366 00	375 Foundations, expense
27 00		60 00		376 Foundations, income
84 00		84 00		381 General expenses
	146 00		272 00	391 Insurance
50 00		50 00		401 Interest received
	390 00		685 00	411 Interest paid
20 00		42 00		421 Interments
118 40		225 13		431 Legal expense
72 00		156 00		433 Life insurance
500 00		1,000 00		441 Light and water
50 00		125 00		445 Management
	100 00		200 00	451 Markers, expense
210 00		420 00		453 Markers, income
10 00		20 00		461 Office payroll
160 00		320 00		465 Postage
25 00	40 00		35 00	471 Rent
52 60		107 10		475 Removals
22 18		41 82		481 Supplies, etc., office
55 00		255 00		495 Selling expenses
	260 00		460 00	497 Special care, expense
15 00		15 00		499 Special care, income
		.....		501 Subscriptions
45 20		92 80		505 Taxes and licences
		75 00		511 Telegraph and telephone
				521 Travel
\$4,470 48	\$1,141 00	\$8,817 05	\$2,083 00	... Carried forward

CEMETERY ACCOUNTS

Transactions in August		Balances on August 31st		
Dr.	Cr.	Dr.	Cr.	
\$ 1,250 00	\$	\$ 4,520 00	\$	2 Advances
50 00			272 00	3 Accounts payable
340 00	400 00	780 00	140,000 00	5 Accounts receivable
		215,840 00		41 Capital stock
		51,189 01		51 Cemetery lots
38 00	50 00	248 00	4,781 00	61 Cemetery site
	1,200 00			67 Salesmen—special
6,000 00	4,621 00	85,642 50		71 Commissions—contingent
245 00		1,251 20		81 Contracts
		530 45		115 Equipment
		3,656 00		121 First National bank
		514 50		131 Furniture and fixtures
50 00	600 00		65,718 00	133 Furniture cemetery
		3,025 70		141 Lot sales
525 00		1,832 60		145 Motor equipment
			5,000 00	149 New development
86 00	1,072 00	118 00		155 Notes payable
252 00	170 00		1,675 00	158 Notes receivable
		15,840 00		160 Options
	726 00		18,729 16	161 Perpetual-care fund
		50 00		162 Perpetual-care reserve
			17,033 15	165 Petty cash
			12,542 00	171 Profit-and-loss
851 00	1,500 00		58,713 00	191 Reserve for development
	30 00		1,876 00	201 Reserve for perpetual care
750 00	120 00	814 00		211 Reserve for depreciation
			57 00	215 Slate vaults
325 00	3,900 00		68,110 00	221 Suspense
4,157 17	4,447 10		862 90	231 Unrealized profits
				250 Voucher account
2,783 20	2,245 75	2,783 20		Bank
				Operating accounts
4,470 48	1,141 00	8,817 05	2,083 00	Brought forward
\$22,222 85	\$22,222 85	\$397,452 21	\$397,452 21	Totals

COMMENTS ON THE TRIAL BALANCE

9-21. Account No. 2 Advances.

In August, \$1,250 was advanced to the salesmen, making the total advances to date \$4,520. Against this may be set account No. 71, contingent commissions, \$4,781, showing that, when all commissions become payable, there will be due to the salesmen \$261. (See par. 8-6, et seq.)

Account No. 3 Accounts Payable. Occasionally there is some indebtedness of an unusual character which it is desired to keep distinct from the current bills included in the voucher account. For example, it may be arranged to buy back a lot from a customer, to resell it and to pay the original purchaser as collections are made. In the example \$50 has been paid in August and \$272 remains an open liability.

Account No. 5 Accounts Receivable. Accounts receivable arise in various ways, such as for interment charges, vaults, flowers, etc. In this case the example shows that new bills were rendered to the amount of \$34, while \$400 had been collected, leaving this account in a better condition than that in which it was at the beginning of the month.

Account No. 41 Capital Stock represents the amount outstanding.

9-22. Account No. 51 Cemetery Lots shows the total cost of all the developed lots, sold and unsold, as determined by the methods described in par. 3-30 et seq. It remains unchanged until some fresh cost is added, but when preparing a balance-sheet, there should be deducted from this \$215,840 the cost of the lots sold as shown in account No. 141, namely, \$65,718, leaving \$150,122 as the cost of the lots remaining unsold.

Account No. 61 Cemetery Site represents the cost of land owned by the association, but not yet developed—that is, the total cost of the site less the cost of the developed portion. (Chapter III.)

Account No. 67 Salesmen—Special represents temporary loans made to salesmen, distinct from the “advances”: \$38 was advanced and \$50 collected in August.

Account No. 71 Commissions, Contingent represents all commissions earned by the salesmen since the last settlement, when account No. 2 was debited to this account.

In August the contingent commissions were \$1,200, being 20 per cent. of the new contracts amounting to \$6,000. The amount is offset by account No. 1 above.

Account No. 81 Contracts. The total contracts outstanding amount to \$85,642.50, of which \$6,000 was made in August, while \$4,621 was collected. As shown in pars. 18-5 and 18-14, this should be analyzed, as it consists of cash, transfers from options, discounts, cancellations and allowances.

All sales pass through the contracts account, whether they be for cash or on time (pars. 4-10, 7-4) and it may clarify matters to give the entries for the cancellation in August.

When this cancelled sale was brought on the books, the entry was as follows:

Contracts	\$500.
To lot sales.....	\$ 50.
Reserve for per. care.....	125.
Unrealized profit.....	325.

When the sale was cancelled, \$65 had been paid by the purchaser, leaving a balance of \$435, and the following entry was made:

Lot sales	\$ 50.
Reserve for perpetual care	125.
Unrealized profits	325.
To contracts	\$435.
Cancellation profits	65.

Account No. 115 Equipment shows that the original cost of the equipment on hand was \$1,251, of which \$245 was bought in August. The cost is subject to the depreciation shown in account No. 211.

If desired, this account may be subdivided to show automobile equipment, tractors, etc.

Account No. 121 First National bank relates to a special account in a bank which is inactive and separate from the account appearing under "bank".

Account No. 131 Furniture & Fixtures and

Account No. 133 Furniture & Fixtures Cemetery show the original costs of the furniture and are treated like account No. 115.

9-23. *Account No. 141 Lot Sales* shows the cost to the association of all lots sold to date, the figures being based on cost as in account No. 61.

In August the sales of \$6,000, shown in No. 81, consisted of lots which cost \$600. The debit of \$50 is the cost of the lot covered by the cancelled contract shown in No. 81.

Account No. 145 Motor Equipment represents the cost of motor cars and trucks and is treated in the same manner as the other accounts relating to equipment.

Account No. 149 New Development shows amounts expended in the development of the land included in cemetery site, that is the undeveloped portion of the original purchase. They apply to new work on a fresh unit and, therefore, should not be charged to the reserve for development which relates only to the portion already developed.

Account No. 155 Notes Payable and

Account No. 158 Notes Receivable indicate their purpose. These accounts illustrate well the object of this form of trial balance, for it is shown that no change has taken place in the notes-payable account and that fresh notes receivable have been taken to the amount of \$86, while \$1,072 has been collected.

Account No. 160 Options. The method of dealing with the option account is given in par. 8-28. During August, \$170 was collected on this account, while options to the amount of \$272 were transferred to contracts or disposed of otherwise.

Account No. 161 Perpetual-care Fund shows the amount of cash actually transferred which is in the hands of a trustee as described in chapter XIV. (See also account No. 162.)

9-24. *Account No. 162 Perpetual-care-fund Reserve* shows the amount which should be in the trust fund, namely \$18,729.16, or \$2,889.16 more than has been transferred according to account No. 161.

The general ledger account usually consists of monthly credit

entries for that portion of the monthly collections which is payable to the fund, as described in chap. XIV. It is the subject of a journal entry of the following form:

Reserve for perpetual care	\$1,851.	
To perpetual-care-fund reserve		\$1,851.
For collections in August, 1934		

Theoretically, accounts Nos. 161 and 162 should balance each other—indeed it may be said that there should be no need for them—however, in practice it often happens that transfers are not made in the month in which they become due or a practice of transferring at longer intervals, such as each quarter, is established.

Account No. 165 Petty Cash is described in par. 10-13.

Account No. 171 Profit-&-loss is fully dealt with in par. 19-5, et seq.

Account No. 191 Reserve for Development is explained in par. 3-18, et seq., and par. 16-11.

9-25. *Account No. 201 Reserve for Perpetual Care.*

The balance of reserve for perpetual care (\$58,713) shows that portion of the total remaining unpaid on the outstanding contracts (No. 81 for \$85,642.50) which must be paid to the perpetual-care fund when all the contracts are fully paid.

The credit of \$1,500 in August is 25 per cent. of the new contracts made that month, as shown in account No. 81, while the debit of \$851 consists of \$125 on the contract cancelled and \$726, that portion of the cash collected in August which should be transferred to the fund.

9-26. *Account No. 211 Reserve for Depreciation* includes depreciation on equipment, motor equipment and furniture and improvements, each of which should be shown separately in the ledger account.

In the example, \$30 is charged off each month as suggested in par. 16-12. The treatment in the balance-sheet is shown in pars. 19-3 and 20-2.

9-27. *Account No. 215 Slate Vaults.*

It is a common custom for a cemetery to keep on hand a supply of vaults—cement, slate or steel—for sale to undertakers as required.

In August vaults costing \$750 were bought, while sales amounted to \$120, which was collected in cash or charged to account No. 5.

When the books are closed, an inventory of the vaults on hand is taken, the value being credited to this account and the resulting balance carried to the profit-&-loss account.

9-28. *Account No. 221 Suspense* is merely a temporary resting place for items of which the final distribution is undetermined.

9-29. *Account No. 231 Unrealized Profits.*

The profits on all sales, whether for cash or on time, are credited to unrealized profits, as shown in pars. 4-10 and 7-4.

The balance of \$68,110 includes the unrealized profit on the outstanding balance of the contract account, No. 81, with the profits which have been realized on collections in July and August, 1934, which will be transferred when the books are closed at the end of the year.

The account is credited each month with the profits on the sales for the month as shown in the sales journal and is debited with the unrealized profits on sales cancelled, as shown in par. 7-26.

When the books are closed, the realized profit is calculated, as suggested in par. 12-9, et seq., is debited to this account and credited to the profit-&-loss account.

9-30. *Account No. 250 Voucher Account* represents the current bills remaining unpaid on August 31, 1934. The statement shows that new debts were incurred to the amount of \$4,447.10, while bills amounting to \$4,157.17 were paid, resulting in an increase of liability of \$289.93.

Bank Account.

The amount appearing in the two dr. columns shows the balance in bank at the end of August, while the amount in the cr. column for August transactions shows the amount in bank on August 1st.

Usually, it is not necessary to keep a cash account in the ledger and the amounts here shown can be taken direct from the cash-book.

9-31. *Operating Accounts*

Account No. 301 *Advertising* may be included in No. 495, selling expense, if desired, but sometimes an intensive advertising campaign is conducted, the expense of which is distributed over several fiscal periods. (See par. 3-13.)

Account No. 321 *Auto. Supplies & Expenses* includes amounts paid to salesmen and others on account of the expense of operating cars owned by them.

Accounts Nos. 322 to 327 *Motor Cars* show the cost of operating cars owned by the association.

9-32. *Account* No. 329 *Beautification* in different mouths has different meanings. As used here, the term applies to the cost of growing flowers, including the cost of seeds, bulbs, plants, fertilizers, labor, insecticides, etc., for beautification of the grounds, as distinct from maintenance.

It does not include the cost of planting trees, which is a part of development, nor does it include the cost of elaborate fountains and similar ornaments, but it may include the cost of seats, trellises, pergolas and other similar structures of which the life is comparatively short.

As a rule, it does not include the expenses of a greenhouse, unless the plants grown there are used exclusively for ornament and are not for sale.

Account No. 330 *Cancellation Profits*. (See chapter VII.)

Account No. 331 *Cemetery Expense* represents the cost of maintaining the cemetery. (See chapter XVII.)

Account No. 347 *Charity*.

Corporations are subject, under the treasury regulations, to many limitations as to the deductions of charitable contributions from their taxable income.

Account No. 351 *Commissions* represents the total charges for commissions on all sales since June 30, 1934. (See chapter VIII.)

Account No. 361 *Depreciation*. See above under account No. 211.

Account No. 371 *Discounts*. See par. 8-23.

Accounts Nos. 375 and 376 *Foundations* show the cost of foundations laid and the income received therefrom. (See par. 12-17.)

Account No. 381 *General Expense* includes expenses other than those included in No. 481. A memorandum should be made showing the items charged.

Account No. 391 *Insurance* includes the expense of all insurance, except life insurance.

Account No. 401 *Interest Received* shows the amount of interest collected, nothing should be entered until received. As a general rule, there is no advantage in entering interest as it accrues, but there are serious disadvantages, for the amounts usually are small and subject to adjustment. (See pars. 7-19.)

Account No. 411 *Interest Paid* represents interest paid on notes payable or on bonds. If such interest be entered in the voucher record when it falls due, this account becomes what is generally known as interest payable.

9-33. *Account* No. 421 *Interments* shows the amount collected, or charged, for interments. In the example, there is no account of the cost of this work, as it is done by the regular cemetery force of gardeners, and is reported on the payrolls, from which information may readily be obtained.

In cases where the cost of the work is shown, a separate account should be opened as in the case of foundations.

Account No. 431 *Legal Expense*. The principal item is attorneys' fees.

Account No. 433 *Life Insurance* shows the cost of insuring the lives of lot purchasers. (See par. 20-7, et seq.)

Account No. 441 *Light & Water* forms a part of maintenance, but it is advisable to show it separately as the cost of electric current or of water sometimes greatly exceeds the amounts allowed for them.

Account No. 445 *Management* shows the salaries paid to executive officers.

Accounts Nos. 451 and 453 *Markers*. The cemetery sells to lot-owners bronze markers, which it buys at wholesale from manufacturers. The two accounts show the expenditures and receipts since June 30, 1934.

Account No. 461 *Office Payroll*. *Account* No. 465 *Postage*. *Account*

No. 471 *Rent*. These accounts, relating to office expenses, are self explanatory.

9-34. *Account* No. 475 *Removals* shows the expenses and receipts for removals. In some cases, a cemetery undertakes to remove, for lot purchasers, bodies buried elsewhere and makes no charge. The cost of such work is, in fact, a selling expense, as such work is undertaken solely for the purpose of stimulating sales.

Account No. 481 *Supplies & Expenses of Office* should be supplemented by a memorandum showing the items included, so that distribution may be uniform between this account and No. 381, general expense.

Account No. 495 *Selling Expenses* may include a number of items, such as motor-car licences, hire of extra motor cars, circulars and any other expense incurred directly to promote sales.

Accounts Nos. 497 and 498. *Special Care* represent the amounts expended on and received from special care since June 30, 1934. In this instance, the entire cemetery being under perpetual care, this special care is for decorating graves with flowers on stated anniversaries.

Account No. 501 *Subscriptions* includes subscriptions of all kinds to organizations and to periodicals.

Account No. 505 *Taxes & Licences*.

While the property of most cemetery associations is free from direct taxation, there are various licences and state taxes which should be recorded in an appropriate account.

There may also be cost of revenue stamps affixed to deeds or contracts, when state laws impose such charges.

Account No. 511 *Telegraph & Telephone* and *Account* No. 521 *Travel* are expense accounts and call for no comment.

9-35. *Bank Reconciliation Book*.

Some bookkeepers make bank reconciliations on the stubs of cheque books, some on loose papers, and some, alas! make none.

The most convenient and complete method is to make them in a small inexpensive journal or on loose leaves which are kept in a binder.

9-36. *Physical Records—The Lot Register.*

The most important of the physical records is the lot register, in which are entered all lots shown on the plats and the various particulars shown in form 17. This is the record which shows the final disposition of every lot, and it must be kept with the greatest care.

SECTION.

Lot No.	No. of graves	Area sq. ft.	List price	Graves sold	Sold to	Sales price	Sale No.	Deed No.	Remarks

FORM No. 17—Lot record

Reference to it is frequent and extends over many years. It should be printed on heavy paper of the best quality. A loose-leaf volume is convenient, and in the form shown the sheets are 11 by 12 inches. The particulars shown in the first four columns are all written

before the beginning of operations; the remaining columns are completed as sales are made.

It is convenient to type this record, and wide spaces should be left between the lines to admit entries of quarter-lots and half-lots.

In the sections set aside for single graves each grave should be allowed a separate line.

Particular attention is called to the column in the above form showing the number of graves in each lot; this is valuable information and should not be omitted.

9-37. Other Physical Records.

The names of the other records indicate their purpose; items C-5, C-6, C-7 and C-8 are described in chapter XI, and the other forms may be such as any individual manager prefers.

9-38. Plats.

The office must keep a copy of the official map of each unit, showing the subdivision into lots, which is usually placed on the public records.

This is of special importance in the case of cemeteries, as in many instances the plat of a cemetery is not recorded in the public records (as is the plat of a subdivision) but is kept only at the office of the association. There should be, in addition, plats showing the exact position of all water pipes, sewers, electric lines, etc.

CHAPTER X

Cash and Collections

10-1. The proper treatment of cash is important: the rules governing it are not many, yet how often do we find confusion instead of clarity and errors in place of accuracy.

Not only are the essential rules few and simple, but they are among the few rules from which there should be no deviation. All accountants regard them as essential and fixed.

10-2. These rules may be stated as follows:

Rule I. A receipt should be made for every penny received, no matter from whom it comes.

Rule II. All sums received should be deposited intact in the bank. No deductions should be made for any purpose.

Rule III. All disbursements (except items of petty cash) should be made by cheque or voucher cheque.

Rule IV. The cashbook should be reconciled with bank statements at the end of each month.

These are all the essential rules. It is well now to discuss the method of applying them and of keeping the records of cash.

10-3. *As to Receipts.*

There should be receipt books in some such form as the following:

10-4.

Oaklawn Cemetery Association

By.....

OAKLAWN CEMETERY ASSOCIATION

Lincoln, Nebraska

.....193...

No. 99999

Received of

the sum of \$

on account of contract No..... payment due..... \$

on account of principal \$..... interest \$..... \$

in payment for lot..... section..... \$

..... \$

..... \$

OAKLAWN CEMETERY ASSOCIATION

By.....

All payments made to the association must be acknowledged on this form, which is made in duplicate.

(563367)

FORM No. 18—Receipt

10-5. These forms should be printed in duplicate, for use with carbon paper. The original should be perforated to allow its removal, and the duplicate should be on a tinted paper and permanently bound, say, one hundred to a book.

10-6. All receipts should be numbered consecutively, and receipt books should be treated as carefully as cash. Blank books should be kept under lock and key, and a record should be kept of each book issued. Usually only one book should be in use at a time.

Each receipt should show clearly the nature of the payment: e.g., "On contract No. 141, December 12th payment". When all receipts in a book are issued, the duplicates should be kept with great care, as reference to them may be necessary should any dispute arise in future years.

10-7. The receipts are entered from the receipt book into the cash-book, which should be of columnar form. The number of columns and the headings depend upon the needs of each case. The only fixed rule is that in addition to the special columns there must always be a column for "miscellaneous", and one for each bank in which there is a current account subject to cheque.

Usually 8 columns are sufficient, and those on the debit side may bear such headings as the following:

Contracts
Interest received
Options
Interments
Foundations
Vaults and coffin boxes
Miscellaneous
Bank

This division is merely suggestive, but all receipts should be entered consecutively in the cashbook, and the total collections must be deposited frequently in the bank. The amount of each deposit must be entered in the column headed "bank", the total of which will always equal the sum of the totals of all the detail columns.

No deductions from the receipt should be made for any purpose.

10-8. *As to Cash Disbursements.*

All cash disbursements should be by cheque or voucher cheque, as the management may prefer.

I am strongly in favor of a duplicate voucher cheque of the following form:

CEMETERY ACCOUNTS

ORIGINAL
ACCOUNTS PAYABLE

----- ASSOCIATION No. -----
OSHKOSH WISCONSIN

To -----
ADDRESS -----

19	FOR THE FOLLOWING ITEMS: AS PLR BILLS FILED VIZ				

ENDORSEMENTS

----- ASSOCIATION No. -----
OSHKOSH, WISCONSIN ----- 19

PAY TO THE ORDER OF ----- \$ -----

IN FULL FOR ACCOUNT SHOWN WITHIN ----- DOLLARS

Oshkosh National Bank }
Oshkosh, Wisconsin }

3-4 BY ----- TREASURER

ACCOUNTS PAYABLE		
----- ASSOCIATION		
VOUCHER NO. _____		
BILL OF		
ENTERED MONTH OF _____		
PAID _____		
DISTRIBUTION OF ACCOUNTS		
	DOLLARS	CTS
NET AMOUNT		

10-9. All the bills included in the payment are attached to the voucher so that they may be inspected readily by the treasurer or other disbursing officer. When payment is made the original is detached and sent to the payee, while the duplicate, with bills attached, remains in the office, forming a convenient file for future reference.

All cheques or vouchers should be numbered consecutively. In some offices numbers are run continuously; in others a fresh series is begun each month, the voucher number being preceded by the number of the month: e.g., the vouchers entered in November would be numbered 11/1, 11/2, etc., and December vouchers would be 12/1, 12/2, etc.

10-10. As a rule it is not practicable to distribute the expenditures on the cashbook, and a distribution record, or voucher record, is

necessary (a matter to be considered later). Few columns are required on the credit side of the cashbook. If one column be headed "accounts payable" or "voucher accounts" as the case may be, all payments can be entered therein, although extra columns may be required in special instances.

10-11. As to Cash Statements.

In offices where disbursements are made by some one other than the bookkeeper, it is convenient for the latter to render to the disbursing officer a statement showing the condition of the bank account from day to day.

When there is a large number of time sales it is important to keep in constant and close touch with the volume of collections made on them, and this can easily be done by arranging the cash statement as follows:

	1	2		
	Collections on sales	Deposits	Withdrawals	Bank balance
Jan. 1				\$.....
3	\$.....	\$.....	\$.....	\$.....

From the collection tickler can easily be determined the total normal collections, with which the total of column 1 can be compared and reduced to a percentage.

10-12. A convenient way of comparing current collections with those of other months or with the nominal amount receivable is the "graph". If this be arranged so that the vertical lines represent the twelve months and the horizontal lines indicate dollars, the collections can be entered as each bank deposit is made, and by using pencils of different colors the record for a number of months may be kept on one sheet.

Periodic statements of receipts and disbursements will be considered later under the head of "monthly statements."

10-13. As to Petty Cash.

In all offices there are small expenditures for such items as freight and express charges, messenger service, taxi hire, etc., which, if en-

tered in the general cashbook would encumber it unduly. Therefore such items should be paid out of a petty-cash fund which is placed in the keeping of the bookkeeper or cashier.

To open it a round sum sufficient to meet such expenditures for, say, two weeks, is drawn from the bank and is charged on the ledger to petty cash, the money being kept apart from other funds.

10-14. A small voucher, such as is obtainable from any good business stationer, should be made for such expenditure. The amounts are entered in a columnar cashbook, in which there is a column for each of the principal classes of items, and all vouchers are entered therein, the amount being placed in the column bearing the appropriate heading.

10-15. When the fund approaches exhaustion, the columns are added, the vouchers are placed in an envelope, which is endorsed with the date and the total amount, and a cheque is drawn for that sum, thus restoring the fund to the original amount. This cheque is charged to the various accounts indicated by the totals of the several columns.

Inasmuch as the amount of the fund remains unchanged and is always represented by vouchers or currency, no debit side of a cashbook need be kept, but entries may be made continuously on the right-hand and left-hand sides.

10-16. As to Superintendent's Cash.

It is often desirable for the superintendent to have currency at his immediate disposal in order to care for current expenditures, and in such cases he should be given a round sum, which should be handled in the same way as the petty-cash fund.

10-17. Not infrequently the superintendent may receive money for services, for flowers, etc. These payments should be reported to and delivered to the treasurer's office and should never be mingled with the superintendent's disbursements. If such transactions are numerous, a special form of cash report may be used, on which the superintendent can enter such receipts, and it should be printed in duplicate, for use with carbon paper, so that the original may be delivered to the office and the duplicate remain with the superintendent.

10-18. Collections.

Treatment of collections is of the first importance. Too often does it prove more difficult to collect payments as they become due than it was to make the original sale.

Obviously the first essential is to have a record showing particulars of all the amounts to be collected. Such records are usually known as ticklers, several forms of which are given below.

10-19. Available Cash.

Almost every process of accountancy may be performed correctly in more than one way; but the great exception is the handling of cash. The only proper way in which cash can be treated is to deposit daily the exact amount collected. From this rule absolutely no deviation should, in any circumstances, be permitted.

The cashbook and the bank book will then always show the total collections. However, some of the collections may be ear-marked for some special purpose, such as releases from a mortgage, payments on contracts hypothecated, etc. In such cases some note should be made in reports of collections, the total of such items should be deducted from the total collections and the remainder reported as cash available for current purposes or, briefly, as available cash.

10-20. Collections by Banks.

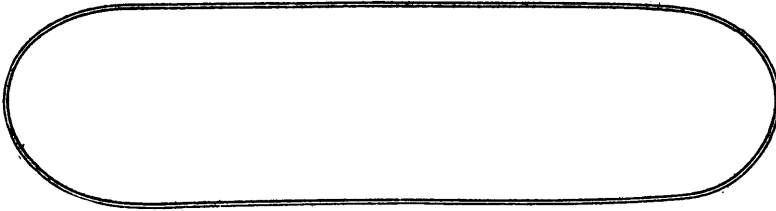
In some offices all time-sales documents are deposited with a bank or trust company for collection. This in no way affects the principles to be observed, but it may affect the method of entering collections. The details may be entered in a cashbook as suggested here, or the reports of collections may be permanently filed, and the totals only posted to the cashbook—a matter to be arranged in each office.

10-21. Having obtained a record of all notes payable, the next step is to notify the debtors. For this purpose a form such as that appearing on the following page will be found useful.

GREENHILL CEMETERY ASSOCIATION

Boise, Idaho

....., 19....



Contract No.....

Payments on the above contract are due as follows:

Instalment No.	Due	Principal \$.....
.....		\$.....
.....		\$.....
.....		\$.....
.....		\$.....

Please remit promptly to this office, returning this notice with your cheque.

FORM No. 20—Collection notice

These records are typewritten in duplicate on papers of two colors. The white copy is mailed a few days before the due date, and, if the payment be not made, the colored copy is stamped "second notice" and sent out about ten days after the due date.

It will be seen that these notices can be folded in half and mailed in a window envelope.

10-22. The Bound Book Tickler.

For smaller cemeteries an ordinary diary may be used as a tickler, having a page for each day in the year. At the beginning of a new year cash payments falling due may be entered under the due date, and extensions of the time of payment can be entered in the same way.

CEMETERY ACCOUNTS

This simple form is well adapted to the sales department tickler on which to enter delayed sales.

In cemeteries of any size a more elaborate form is required, such as No. 21. Two of the principal advantages of this form are its compactness and the fact that the additions of all columns for a month give the total nominal collections, against which to compare the collections actually made.

COLLECTION TICKLER

No.	Name	Date	Bal. fwd.	Feb.	Mar.	Apr.	May	June	July	Aug.
57	Adams, H. T. 343 Main St.	28	20.31	15	15	15	..	..	..	..
67	Ackerman, A. 54 First St.	15	....	18	..	..	18	..	..	18
112	Abernethy, W. 403 Forest St.	10	18.00	20	..	..	..	..	..	20

(A page may be devoted to each letter of the alphabet)

FORM NO. 21—Collection tickler

10-23. *Collection Ticklers.*

As soon as a time sale is entered on the records there are also entered in the tickler the amounts falling due in the coming year, at least one year being carried on a folio.

Prior to the end of each month the items falling due therein are checked against the sales ledger, to eliminate all cancellations and to show any changes which may have occurred since the original entry was made. The column for the month is added and the total carried to a summary page at the back of the book, the total on this summary page giving the total payments falling due in any month.

CHAPTER XI

Special Records Required

11-1. Beautification Records.

The term "beautification" is a broad one. It may include the cost of obtaining, setting out and caring for special trees and shrubs, or it may apply to the cost of raising flowers and maintaining parkways. Any such work should be done systematically, but records should be maintained showing varieties and treatment of any special objects, and, if any extensive horticulture be carried on, plans of the schemes pursued each year should be preserved.

11-2. Interment Records.

By far the most valuable additional records maintained by cemeteries are their interment records, the importance of which can not be exaggerated, for they, and they alone, show the ownership of every lot sold and the interments which have been made—matters of far greater importance than any records regarding the sale of subdivision property. They are quite distinct from the financial records previously described and must be complete in themselves. It is impossible to take too much care in their preparation and they should be checked periodically against the sales journal. No lot is entered in the interment record until it is sold, and no further entry is made until the sale is cancelled, the ownership changed or an interment is made.

11-3. The Main Records.

The main records consist of two separate parts:

1. The lot record, showing all lots sold.
2. The interment record, showing all interments made.

Many forms are now in use, some of which were prepared before the advent of loose-leaf books and may now be regarded as obsolete. Probably no one form could be prepared which would fully meet all the requirements of all cases, or the wishes of all officers, but two conclusions have been reached which I believe to be sound.

In the first place, both these records, that is, the official "lot record" and the "burial record", should be carefully designed and should be printed on the best paper obtainable, for they will probably be in use for many years.

11-4. The Lot Record.

Second, the "lot record" should be of loose-leaf form, but the "interment record" should be bound as substantially as possible.

Nothing approaching a standard appears to have been adopted. Some of the older forms require pages 18" x 15", and some are on cards 5" x 8", or even smaller. Obviously when any one method has been in use for a number of years, the labor of transcribing it, and the possibility of errors in so doing, usually render it advisable to continue without change. Again, the selection of forms is influenced very largely by personal preferences. All that one can do is to study the requirements, the systems which have been adopted and those which are available, and then give his opinion of them. It is impossible to emphasize too strongly the importance of selecting a good method suited to the individual requirements of the case, maintaining it with the greatest care and checking its accuracy frequently, for any mistakes concerning interments may lead to untold difficulties and trouble.

11-5. Record of Lots Sold.

The most convenient form for a complete record of lots sold is a loose-leaf book with pages of a standard size, say, 9 1/2" x 15", although, if less detail be desired, the width of the page may be reduced to 12 1/2" by the omission of some of the columns. When drafting this record it is well to remember that 9 1/2" is about the greatest width which can be used in an ordinary typewriter.

As a rule one page is required for each lot, but when necessary, as, for example, where a lot has been subdivided among several owners, as many more pages as are required may be used. Even in a small cemetery the number of lots may easily run into thousands and, if the requisite number of pages be permanently bound, several volumes are required. One volume would be of a size difficult to handle. Still further, a bound book does not permit the addition of leaves, which is sometimes desirable on account of divided ownership, and, especially in the early years of a cemetery's existence, the records of lots sold are scattered through many pages.

Therefore, it is recommended that only sheets for lots which have been sold be placed in the binders—that is to say, when a sale is made a sheet is prepared for it and placed in the binder. These sheets are arranged in numerical order under each section so that reference is facilitated, and there is in one place, and in as compact a form as possible, a record of every lot sold.

Form No. 22 is one which has been used with success and may safely be adopted.

11-6. Method of Keeping Record of Lots Sold.

For the sake of clarity or permanence and of appearance, it is advisable that entries be made on a typewriter, using a black record ribbon.

It is to be noted that this record does not contain any details of the sale and of the payments made. All these appear in the sales ledger. Information as to payments, discounts, etc., is of transient interest, which ceases when the transaction is completed; the interest in the interment is continuous and exists indefinitely. It is not well to combine the two features. The sales ledger receives much handling and sheets become marred; the interment record should be preserved from this as much as possible. To combine the transient and the permanent records involves two incompatible factors.

It is a common practice to have the blank space at the left-hand side of the form ruled in squares, say, ten to the inch, for the purpose of facilitating drawing a plan of the lot, but in many cases there are objections to this. Where all lots are of the same dimensions, such a plan may be convenient; but this condition applies in

100

CEMETERY ACCOUNTS

LOT NO. SECTION NO. SALE NO.

OWNER

TRANSFERRED TO

	Grave No.	Permit No.	Name	Relation to owner	Date			Age
					Yr.	Mo.	Day	

(Size of form, 9 1/2" x 15")

few instances with modern cemeteries, in most of which, while the lots are of standard sizes, such as for 2, 3, 4, 6, 8, 10 graves, there are numerous lots of irregular shape and size, owing to curving roads, parkways, etc. In such cases it is convenient to leave this space blank and to have a number of rubber stamps of the following form:

1	2	3
4	5	6

1	2	3	4
5	6	7	8

and to use the appropriate one on each sheet, always numbering the lots so that the bottom of the stamp represents the side of the lot facing the nearest roadway. For the irregular lots a sketch can be made from the official map with little trouble.

Usually the forms are printed on both sides of each sheet, as with most loose-leaf books, but it will be found more convenient if only one side be ruled and the back of the sheet can be used for memoranda.

11-7. *Interment Record.*

All interments are entered in the interment record in order of date and are numbered consecutively.

Probably it is not an exaggeration to say that this is the most important record which a cemetery association keeps, for its correctness can not be proved, as can that of accounts relating to money, and on it depends the location of future interments and removals. If any

question as to its accuracy arise, the association may be involved in disputes with relatives when they are in trouble, when their minds are disturbed and when they are in no condition to listen to reason or reasons.

11-8. A specially prepared bound book 9" x 15" ruled as follows is recommended:

Left-hand side:

Number of interment.....	1"
Number of burial permit	¾"
Name	2½"
Place of birth.....	1¾"
Last residence	1½"
Age {	
Years	½"
Months	⅜"
Days	⅜"
Color	½"
Occupation	1¼"
Sex	½"
Social state	¾"
Date of death {	
Year	½"
Month ..	⅜"
Day	⅜"
Cause of death	2"

15"

Right-hand side:

Date of interment	{	Year ..	½"
		Month	⅜"
		Day	⅜"
Grave	{	Number	¾"
		Section	½"
Location on lot.....			1"
Lot-book page			½"
Fee (or vault)			¾"
Name of undertaker			2"
Physician			1½"
Owner of lot			2⅜"
Name and address of nearest relative or friend			3"
Remarks			1⅜"
			15"

FORM No. 23—Interment record—burials

In the volume should be bound a finely divided index, such as are sold by all good commercial stationers. This should be of ample size to accommodate the thousands of names which it will ultimately contain.

The entries in the burial record are made from the "burial request" (a suggested form of which is given below) and are checked against the sales records in the association's office.

11-9. *Burial Request.*

The burial request may be of such form as the following. It is compiled by several persons.

SPECIAL RECORDS REQUIRED

Name Date
 Lot Section

Burial at o'clock M.	| Cause of death
Age	
Nativity	
Late residence	
Occupation	

Married, single, widow, widower
 Indicate by erasing all but correct word.

TO UNDERTAKERS—All blanks below must be carefully and completely filled. After “place of nativity,” name city or town, also county and state, etc. PLEASE give full given name.

These forms must not be detached.

New Orleans, Louisiana, 19.....
 BURIAL No. (Number inserted at cemetery office)
 Secretary or other authorized officer **Cemetery Association**
 will please issue permit for burial of

Name in full. Write plainly.
 in lot section

Space or location in lot, described on diagram on the reverse of this sheet. Follow the instructions on diagram, and use lead pencil only.

Burial at o'clock M.	| REMARKS: Under this head give any other information that may tend to perfect identification in after years. Please do not neglect this. If married woman, give her name, not her husband's. Give husband's name under remarks. Be careful to spell names correctly and write plainly.
Cause of death	
Day of death	
Age	
Married, single, widow, widower	
Late residence	
Occupation	
Attending physician	
Place of nativity	
Color	
Make deed to	
Must have full name.	

..... Undertaker
 Owner of lot

Cemetery Association

Secretary's office 19.....
 Superintendent RIVERVIEW CEMETERY ASSOCIATION—
 Please prepare grave in accordance with the above application and make report to this office.
 Secretary

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Cemetery Association

Superintendent's office.....19.....

Secretary CEMETERY ASSOCIATION—The burial of.....
 was made this day ato'clock.....M.,
 in accordance with the above application.

.....Superintendent

FORM No. 24—Burial request and report (front)

All below this line will be inserted by cemetery superintendent

REMARKS	BURIAL NO.	GRAVE NO.

Undertakers will make pencil marks only on this diagram. The superintendent will make the correct and permanent remarks with ink.

This is the _____ side of this lot.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1																										
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Each square is a square foot. Graves located as indicated. A cross mark thus, X, indicates head of grave. Draw a line toward the foot to indicate grave.

11-10. The forms are usually bound in pads or books, with stubs, and are supplied by the cemetery association to undertakers. For each interment the undertaker fills in all the particulars, showing the kind of casket (slate vault, cement vault, steel vault, etc.) which is to be used, and indicating any preference the owner may have as to the grave to be selected. He then obtains the signature of the lot owner and delivers the document to the secretary or office manager, who signs it and shows on the form the exact location of the grave, lot and section. The form is then returned to the undertaker, by whom it is delivered to the superintendent, who verifies all entries, shows on the back the grave used, certifies the fact and time of burial and returns the form to the office. These requests are filed in a ring binder, in numerical order and are kept in the association's safe.

The ruling on the back of the form should be in accordance with the prevailing size of lots, e.g., if the standard lot be 20' x 10' there should be 40 vertical lines and 20 horizontal lines.

11-11. Subsidiary Sales and Interment Records.

In cases where the office is distant from the cemetery, it is necessary to maintain, at the cemetery, records which will enable the superintendent to find quickly any owner or any one buried in the cemetery. For this purpose two records are desirable:

No. 1. A card index, form No. 14 (par. 8-31) in which a colored card is placed showing the name of each purchaser and the lot purchased and, on a card of a different color, the name of each person buried. All these are arranged together in alphabetical order so that if the name of an owner or of one who has been interred is known, the grave can be instantly found.

No. 2. There is also, in a ring binder or other loose-leaf binder, say 9 1/2" x 6", a record showing every lot sold, arranged in order of lot numbers and sections, on which is shown the name of the owner and the names of all who have been interred.

SPECIAL RECORDS REQUIRED

107

Lot 298, Sec. E

N-E-¼—#439—John Doe

CEMETERY ACCOUNTS

1	2	3
4	5	6

Lot 56 Section C

SOLD TO

Grave 1 }
 2 }
 3 }
 4 }
 5 }
 6 }

#481—Smith, Mildred

INTERMENTS

No.	Name	Date	Grave
432	Smith, Andrew	12/14/28	1
			2
			3
			4
			5
			6

FORM No. 26—Record of burials at cemetery

11-12. Information for the Superintendent.

The office keeps the superintendent informed of all sales, reservations, etc., and from these data the superintendent maintains his card indexes and ring binder, bringing them to the office for verification at suitable times.

I believe that the system described is as simple, complete and compact as is consistent with the requirements and that it will satisfy all demands made upon it.

11-13. To the owners of a small cemetery, the above list of records may appear formidable, but in such cases the list may be greatly reduced.

The principal factor in determining the number of records which must be maintained is the number of sales. Let us suppose that a cemetery has fifty sales a year and consider what records are essential for such a business.

11-14. The Minimum Records Required.

There must be cashbook, journal and ledger and also a sales ledger for the customers' accounts. There must be a lot register, to show the sales made and the unsold lots, and an interment record for all burials.

A basic record of prices must be established, and there must be a sales journal.

Commissions may be cared for by memoranda; bills may be paid by cheque and a voucher record can be dispensed with, if it be not desired to keep a record of the expenses, but only of the expenditures month by month. Collection notices can be sent out from the sales ledger.

The requisite statements of earned profits and perpetual-care fund can be compiled annually when the report is prepared. Copies of contracts and deeds issued will furnish a sufficient record of transactions completed.

CHAPTER XII

Profits in General

12-1. In General.

While it is a simple matter to determine the gross profit on any lot sold, the general practice of selling lots "on time" leads to some complications when computing profits realized in a specific period.

12-2. Several Records Required.

At first sight it may seem superfluous to write three records, parts of all of which are identical, and to record the same facts in

- (a) The sales journal
- (b) The perpetual-care record
- (c) The realized-profits record

but no alternative plan which meets all requirements presents itself.

(a) The sales journal is the basis of ledger accounts and perhaps contains also particulars relative to commissions. It could not be further expanded conveniently.

(b) The perpetual-care record is made for perpetuity and should be a self-contained record in the most permanent form practicable, for future owners may be interested in it.

(c) The realized profits form an item of immediate interest to stockholders and revenue agents. This item should be complete, clear and readily susceptible of proof.

Differences in the treatment of realized profits in subdivisions and in cemeteries are caused by the requirements for perpetual care. They are best illustrated by examples.

12-3. *Example.*

Let us suppose that the association sell a lot for \$1,000, the cost of which was 10%, or \$100, and that 25% of the selling price is to be placed in the perpetual-care fund.

If the sale be for cash, the journal entry will be in effect,

Contracts	\$1,000.	
To lot sales		\$100.
Perpetual-care reserve		250.
Unrealized profits		650.

“Cash” would be debited and “contracts” credited with \$1,000. These entries are based on the assumption that all sales are entered in the same manner, whether they are for cash or on instalments. (See pars. 4-10, 7-4.)

If the sale be for cash, the entire profit of \$650, i.e., 65%, is realized at once.

12-4. Suppose, however, that the terms are 10% (\$100) cash and 36 monthly payments of \$25 each—disregarding interest for the present.

If the perpetual-care portion is to be taken from each instalment as collections are made, each such instalment will consist of:

(a) Perpetual care	25% or	\$ 6.25
(b) Unrealized profits	65% or	16.25
(c) Cost	10%	2.50
	<u>100%</u> or	<u>\$25.00</u>

(a) would be credited to the perpetual-care-fund reserve.

(b) would be credited to unrealized profits.

However, if the perpetual-care portion were to be taken from the last payments collected, as recommended in par. 14-16, different conditions would exist, for the realized profit would be taken from the first \$750 collected, and \$650 is 86.66% of \$750. Therefore, 86.66% (not 65%) of each of the first collections would be credited to realized profits and the last \$250 would be credited to the perpetual-fund reserve.

If the periodic instalments include both principal and interest, the case can be treated as suggested in par. 7-24 et seq.

12-5. As an example, the following form of realized-profit record is taken almost verbatim from the manual of a cemetery association. The record is kept on columnar sheets in a ring binder.

RECORD OF REALIZED PROFITS

12-6. *Memorandum Regarding Maintenance of the Record.*

Every sale made or contract issued is to be entered herein.

Columns 1 and 8 are taken direct from the sales journal.

Column 9 shows the ratio of the profit to the "available," (that is, column 8 \div column 6).

Column 10 is taken at the end of the year from the contract ledger and shows the net reduction of principal during that year.

Column 11. The black figures show the profit realized on the collections, by applying the ratio in column 9 to the amount in column 10.

Column 12 shows all cancellations, taken from the sales journal or the journal, as the case may be.

Column 14 shows the amount of unrealized profit at the end of the year and shows column 8 less columns 11 and 12 (or column 13). In all years after the first, this column shows column 14 of the previous year less the amount in column 13 for the current year.

12-7. The totals of each page are carried to the recapitulation sheet and are there added. The total of column 14 is the amount which should appear on the balance-sheet as unrealized profits, and a journal entry should be made of the amount necessary to bring the balance of the ledger account "unrealized profits" to this amount.

Usually, when a contract is cancelled, the entire profit shown in column 8 is also cancelled. Any collections which have been made are credited to cancellation profits and are not shown on this record.

The figures in columns 11 and 12 must be watched closely to see that the amount in these columns against any contract does not exceed the corresponding amount in column 8.

For each year subsequent to the current year, a fresh short leaf must be inserted on each folio and the amount shown in column 11

as realized for the year must be deducted from column 14 of the previous year.

Column 1		Date
" 2		No. of sale
" 3		Name
" 4		Amount of sale
" 5		Perpetual care
" 6		"Available"
" 7		Basic cost
" 8		Unrealized profit
" 9		Ratio of profit to "available" (#8 ÷ #6)
" 10	} 1934 etc.	Reduction of principal during 1934
" 11		Realized profit during 1934
" 12		Cancelled during 1934
" 13		Total realized cancelled
" 14		Total unrealized profit

FORM No. 27—Record of sales and realized profits

The remarks above apply to sales when treated as if real estate were involved. If they be regarded as transfers of personal property a simpler plan may be adopted.

12-8. Calculating Realized Profits on Instalment Sales of Personal Property.

If the sale of cemetery lots be regarded as the sale of personal property, the accounts of the association may be much simplified and the number of calculations may be greatly reduced, while the results obtained may be verified with ease. The final results of the two methods are identical.

12-9. The Difference in the Requirements as to Sales of Personal Property and of Real Estate.

As has been stated in par. 6-4, the regulations of the treasury department require that, in the case of instalment sales of real estate, such as subdivision lots, the profit or loss must be shown on each individual sale. However, no such requirements exist in the sale of personal property, and the regulations permit an owner to determine

CEMETERY ACCOUNTS

the gross profit on the entire sales for a whole year, and, having ascertained the percentage of the gross profit on those sales, to apply this percentage to the cash collected during the year on the sales for that year. The result is his realized profit for the period.

12-10. The Practical Requirements.

The few figures necessary for these calculations may be readily obtained if the cash sales for each year be shown separately, and it was for this purpose that form No. 3 (par. 7-14) was designed, with special columns for the two classes of sales. A similar division should be followed in the cashbook, which may be of such form as the following:

12-11. Cashbook—Receipts.

Date			Total bank deposit	Collections on sales			Interest	Options etc.
				Cash sales	Sales of 1933	Sales of 1934		

FORM No. 28—Special cashbook

12-12. As shown in par. 7-12 the profits on all cash sales are posted direct from the sales journal to the realized-profits account. The receipts for sales of each year are credited to the ledger account for

sales of that year (pars. 7-12, 13) and the percentage of profit for the entire sales of that year is then calculated when the books are closed. It may be necessary to add one or more columns for subsequent years, but the period seldom extends beyond five years, and a stock ruled book suitable for the purpose can readily be procured.

12-13. Example of the Method.

At the end of the year all the realized profits on cash sales have been credited to realized profits (par. 7-14), and the total of time sales has been posted to the credit of time sales, 1934, and amounts to \$65,000. The unrealized profits on these time sales have been posted to unrealized profits, 1934, and amount to \$52,000, which is 80% of the total time sales. The totals of the cashbook receipts for 1934 sales have been credited to time sales, 1934, and amount to \$30,000. Then 80%, namely \$24,000, of this is realized profit for 1934.

12-14. Cancellations and Exchanges.

It is not unusual for a customer to exchange one lot for another. If the price and terms remain the same and the only change is in the description, the new contract should be entered in the sales journal, and the old contract should also be entered, in red ink, but in both cases entries are made only in the column for descriptions, all the money columns being left blank.

If the price or the terms be changed the old contract should be cancelled and the new one entered.

It must be remembered that the credit to perpetual-care reserve must also be cancelled. The typical cancellation entry in the journal is of this form:

Perpetual-care reserve	\$150.
Lot sales (cost of lot)	60.
Unrealized profits	390.
To contracts	\$600.
Or, if \$50. had been paid in:	
Perpetual-care reserve	150.
Lot sales (cost of lot)	60.
Unrealized profits	390.
To contracts (sales)	\$550.
Cancellation profits	50.

12-15. Proper Form of Entry for Exchanges.

When entering records of exchanges it is important to remember that the safest, clearest and best course to follow is to make two distinct entries. The first one reverses the original entry of the sale and may be made in the sales journal in red ink—thus saving confused entries in the general journal. The second entry, covering the lot which is disposed of, is then made in the usual way.

12-16. As to Cancellations.

When it is decided to cancel a sale the same principle should be observed, and the cancelling entry should reverse exactly the original entry of sale. Probably a balance will then be left in the purchaser's account which may be credited to profits from cancellations.

12-17. Profits from Operations.

In addition to profit from the sale of lots, sundry other profits arise directly from operations, among which the following are the most common:

- Annual and special care
- Interments
- Laying foundations for monuments
- Sale of flowers
- Sale of tablets or stones
- Sale of slate, cement or steel vaults or caskets
- Sundry sales, such as flower holders, foundations
for floral designs, etc.

Each of these is kept in a separate account.

12-18. The debits to these accounts are for services performed at the cemetery under direction of the superintendent. He should render to the general office particulars of all cases where such charges are to be made on such a form as the following, which may be printed in book form, in duplicate, in the same style as that for receipts, described in par. 10-4. From these records the office prepares bills against the customers, undertakers or monument dealers, as the case may be.

12-19.

..... CEMETERY ASSOCIATION

No. 302 19.....

To the managing director

.....
San Francisco, California.

The following charges should be made to:

Mr.

Address

For work performed:

..... \$

..... \$

..... \$

For materials supplied:

..... \$

..... \$

..... \$

TOTAL \$

(Signed).....

Superintendent

The superintendent should prepare and present one of these forms whenever he knows of any charge to be made for foundations, interments, articles sold or special services.

FORM No. 29—Superintendent's report of services rendered

CHAPTER XIII

Perpetual Care

13-1. No Generally Accepted Definition.

There is always difficulty in trying to discuss a subject of which no definition has been generally accepted, yet that is a condition underlying consideration of perpetual care. When given its full sense in a modern cemetery, it means planting every lot in grass, fertilizing, cutting and sweeping it, in addition to the general care of the cemetery, including maintenance of roads, fences, buildings and water system and allowance for depreciation. It means the complete upkeep of the entire cemetery on a scale comparable to that maintained on a well managed private estate and includes such work as the following:—

- Seeding lawn
- Weeding lawn
- Mowing and trimming lawn
- Trimming around monuments and markers
- Lawn renovation
- Sprinkling lawns
- Fertilizing lawns
- Flower beds
- Shrubs and trees
- Reforestation
- Raising graves
- Water works
- Care of decorative statuary
- Care of sarcophagi statuary
- Road repairs
- Sweeping roads
- Storm drains

Flower and rubbish disposal
 Raking leaves
 Sweeping grass
 Pumping machinery
 Painting and repairing fences and gates

It involves also the general maintenance of roads, fences and buildings and the mowing or cutting of the weeds and grass on the lots; but it does not include the planting or maintenance of a lawn.

13-2. In order to obtain definite information on the subject, *The American Cemetery* sent out a questionnaire, to which many replies were received from cemeteries in thirty-five different states, and these indicate the following basic facts:—

1. Practically all cemeteries have perpetual care in some form, the expression sometimes meaning merely the cutting of weeds and grass and sometimes the maintenance of a private park.

2. About two-thirds of those replying base their charges on a percentage of the purchase price, while the remaining one-third base their figures on the area.

Where the percentage plan is followed, 10% is used more often than any other percentage. The figure next in favor is 25%. The estimated cost per square foot runs from 10 cents to \$1.00. Cemeteries adopt 50 cents per square foot more frequently than any other one figure.

3. In addition to perpetual care, nearly one half of the cemeteries replying had some form of special care, which generally means the planting of flowers and shrubs.

4. In all cases a trust fund is set aside to maintain the work in perpetuity. The interest rates on such funds vary from 2½% to 7%.

The replies show conclusively that there is no uniformity as to the meaning of the term "perpetual care", as to the amount required, or as to the means of providing a suitable fund.

To reach an intelligent conclusion we must consider three factors, namely:—

13-3.

- X. The method of calculating the sum of money to be set aside as principal.
- Y. The rate of interest which it will yield.
- Z. The annual income required to carry out a "perpetual care" contract.

As no uniform standards exist, it is necessary to assume, for illustrative purposes, arbitrary quantities, rates and amounts, with which the figures relating to any individual case can be compared. Therefore, the following assumptions are made:—

A. The standard lot is taken as 20 ft. x 10 ft. or 200 sq. ft., having a capacity of 6 graves.

B. While an acre of land contains 43,560 sq. ft. which may be called the gross area, a considerable portion of this is required for roads, paths and for beautification, and instead of yielding $(43,560 \div 200)$ 217 lots or 1,302 graves, only 150 lots, or 900 graves, or 30,000 sq. ft., can be sold from each acre for burial purposes. This may be called the net area.

13-4. *The Method of Calculating the Principal Sum Required for "Perpetual Care."*

When the principal sum required for perpetual care is not simply a guess, one of the three following methods of computation is followed:—

1. A fixed amount per square foot of burial space is set aside. If this be \$1.00 the net area will yield \$30,000 per acre, which, if invested at 3%, will yield an annual income of \$900.

In practice the amount so set aside varies greatly. In some instances it is only 25 cents a square foot.

2. The annual cost of maintaining a square foot is determined or estimated, and a sufficient principal sum to yield this income is set aside.

Some authorities place this cost at 2 cents a square foot, which amounts to \$4.00 a lot, or \$600 an acre. The sum necessary to produce this, at 3%, is \$20,000.

3. A stated percentage of the sale price of the lots is taken. Here, no general result can be given. I know two cemeteries within ten miles of each other on opposite sides of the same city: in one case, the average selling price is \$1,000 a lot, and in the other, \$400.

However, comparisons are rendered still more difficult by the fact that the percentage set aside varies from 10 per cent. to 25 per cent. and in some instances even higher.

Therefore, we have results ranging from 25 per cent. on \$1,000, or \$250 a lot, or \$37,500 a net acre, down to 10 per cent. on \$400, or \$40 a lot, or \$6,000 an acre, yielding, respectively, at 3 per cent., \$1,125 and \$180 per annum per net acre.

13-5. The cost of perpetual care has been increasing, and most authorities believe that, with the higher standards adopted, this increase may continue. Therefore it is wise to study such figures as the following, in which it is assumed that an average lot contains 200 square feet and that the fund yields 5% interest.

Let us assume that it costs \$750 a year an acre fully to maintain the cemetery, and that each acre, after allowing for roads, etc., contains 150 lots, each 200 square feet and containing 6 graves.

Then the annual cost of maintaining a lot will be $\frac{750}{150}$ or \$5.00. If the fund yield 5% per annum it requires \$100 to produce this \$5.00, and, if 25% of the price be set aside, the lot must sell for \$400 in order to yield the required income, while, if only 10% be set aside, the sales price must be \$1,000.

These figures show the importance of determining in advance the selling prices and setting a proper percentage.

If the perpetual-care portion be based on area, 50 cents per square foot will yield \$100 a lot, on which the income is \$5.00, and \$1.00 a square foot will yield \$200 with an income of \$10.00, or twice as much as is called for under the conditions previously stated.

13-6. *The Rate of Interest the Principal Will Yield.*

There is wide diversity of opinion as to the proper rate to be taken to provide the required income. Some authorities recommend as little as 2 per cent.; many advocate 3 per cent., while in

some parts of the country as much as 6 per cent. may be obtained on sound first mortgages.

There is no doubt that interest rates have decreased, say in the last century, and it seems probable that they will continue to fall, but the decrease is less than many imagine. For example the Bank of England rate in 1836 was $4\frac{1}{2}$ per cent. to 5 per cent., or little higher than it has been in late years.

Each group of officers must reach its own conclusion, but the 3 per cent. rate used here seems to be a reasonable basis for calculations.

13-7. The Annual Income Required.

In consideration of annual income required, we have to face other uncertainties. Many of the smaller cemeteries have not definite records. Costs in the far north are not comparable with those in the extreme south. In one case, grass is not cut for several months each year; in the other, it is cut every month of the year and, perhaps, every week in summer. On the other hand, extreme variations in temperature tend to dislocate roads, fences and buildings to a greater extent than in lands where zero temperatures are unknown.

The figures given under (1) and (2) (par. 13-4), namely, \$900 and \$600 per net acre per annum, are based on experience. Probably they are not too high for full "perpetual care" where grass or shrubbery is planted and maintained.

I have before me a recent report of a fully developed, highly maintained cemetery of about 15 acres, showing a cost for maintenance of about \$13,000 which does not include any depreciation of roads, water system, fences and buildings, the cost of which was some \$60,000. Allowing a life of $33\frac{1}{3}$ years, this depreciation would amount to \$1,800 a year, bringing the total cost of perpetual care to about \$1,000 an acre a year, or \$6.66 per lot, or \$1.11 per grave per annum. In these examples I use this amount for illustrative purposes.

13-8. Labor Costs.

When considering labor costs in the future, we must not forget that in recent years the cost of labor has increased rapidly, that it may continue to do so and that cemetery work will always require

hard labor and can be reduced little by the introduction of machinery other than that already used.

The costs suggested are for "perpetual care" of an entire cemetery, or for an entire unit, where grass is planted and maintained and where the standard is similar to that required in a well-kept private park.

13-9. Lower Standards of Care.

Some cemeteries do not profess to maintain such a high standard and in their "perpetual-care" contracts they undertake to maintain the cemetery as a whole, including roads, fences and buildings, and to keep the weeds cut on all graves.

The result is a much lower cost per acre, one which is extremely variable, running, perhaps, to only one-quarter of the amount required for the more elaborate plan. The principles determining the proper amount to be set aside remain unchanged.

In many such cases individual lots may be placed under "special care", as described under "perpetual care (b)."

Let us now examine some of the results of using these basic figures.

13-10. In the examples 13-4 and 13-6, the results can be definitely stated and it should not be difficult for the management to determine whether or not the sums shown (viz, \$900 and \$600 per net acre per annum) are sufficient to meet their costs, including depreciation.

In par. 13-7 the case is different, for the result depends not upon an area which is fixed, but upon selling prices, which fluctuate, and on the percentages of those prices, which also vary in different cases.

If the managers decide on the percentage basis and desire to ascertain the amounts, they must make calculations similar to the following:

13-11. An annual income of \$1,000 requires the investment at 3 per cent. per annum of \$33,333.00 per net acre of 150 lots, or 900 graves; that is, about \$37.00 a grave. Therefore, if to secure this principal sum there is to be set aside for "perpetual care" 25 per cent. of the

sale price, the average price must be \$148 a grave, or \$888 a lot. If 15 per cent. of the sale price be set aside, the average price must be \$246 a grave, or \$1,476 a lot. With 10 per cent. of the sale price, the average price must be \$370 a grave, or \$2,220 a lot.

13-12. Possibly these results may astonish some readers, but there is no escape from the principles laid down, and it is evident that if the average price of lots is, say, \$600, it will call for nearly 30 per cent. of the sale price to provide a fund, which, at 3 per cent. per annum, will produce \$1,000 per acre per annum. In cemeteries conducted for profit, such a high percentage may be prohibitive.

13-13. There are only three methods of reducing the percentage:

- (1) To increase the price of lots, which the sales force may oppose.
- (2) To increase the estimated rate of interest, although this involves some risk when dealing with perpetuities.
- (3) To reduce the cost of maintenance, which may arouse objections from the superintendent.

These conditions lead to the consideration of the guaranty given by the cemetery. Probably in most cases there is an undertaking to keep the cemetery in good condition and there may be a description of the work to be done.

No one can foretell what rate of interest can be obtained a century hence, nor can he tell what labor will cost. During the past century interest rates have decreased slightly and labor rates have increased greatly. If these two changes continue in force, is it wise to undertake to do any specific work? Would it not be wiser to undertake only that specified amounts shall be placed in the "perpetual-care" fund, that the fund shall be properly, safely invested, and that the entire income therefrom shall be devoted to maintaining the cemetery?

If such a plan be adopted, appropriate figures can be prepared, showing that all the facts tend to prove the sufficiency of the amount suggested.

This is a serious question and worthy of careful thought and full discussion.

13-14. Whatever work may be included, the term "perpetual care" may apply—

- (a) To a cemetery as a whole;
- (b) To specific lots which have been sold; or
- (c) To certain units of a cemetery, set apart to be subject to "perpetual care."

(a) Perpetual Care Applied to an Entire Cemetery.

The simplest case is that of a cemetery where the entire property is kept under "perpetual care" and the expense of "maintenance" is synonymous with the cost of such care and constitutes the charge against which may be credited the income received from the "perpetual-care" fund. It includes the entire payroll of the cemetery, except payment for time spent on interments, foundations and new developments.

13-15. Depreciation.

To direct expense should be added periodically charges for depreciation of fences, roads, water systems, electric system and of all buildings for which no separate account is kept. In addition, some sum should be included for renewals of grass, shrubs and trees, none of which is everlasting.

13-16. Summary.

The "perpetual-care" fund is derived from the sale of lots and is calculated by one of the methods described. Inasmuch as each square foot receives equal care, regardless of price, the calculation based on area appears to be the most logical plan, but salesmen find that the percentage method affords a better selling argument and, probably, this is the reason for its adoption by many cemeteries.

The conditions of each case—such as the quality of care given, cost of labor and materials, the life of the roads and other improvements, the skill shown in management and cost of overhead—enter into the question and determine what amount is adequate.

In such circumstances it is clear that no general answer can possibly be given to the question, "What amount should be placed in

the 'perpetual-care' fund to care for one acre?" There are altogether too many "ifs."

13-17. (b) Perpetual Care Applied to Specific Lots.

Many of the older cemeteries were formed before "perpetual care" was generally adopted. In such cases it is customary to agree with any lot purchaser who desires it to place his lot under "perpetual care" upon his paying a fixed sum.

There is nearly as much difficulty in determining this amount accurately as there is in ascertaining the amount required for "general perpetual care," discussed under (a). The only difference is that in this case, no allowance is made for upkeep of the cemetery as a whole.

13-18. Sums received for perpetual care should be entered in a separate ledger account and, while it is not necessary to keep distinct the amount paid on each lot, the total of all amounts received for "perpetual care" of lots should form a separate trust by itself; it must not be mingled with any other funds and should appear as a distinct item in the financial statements.

The superintendent's reports will show the total cost of performing this service and the difference between this amount and the income derived from the fund will show whether a profit or a loss has resulted.

Even if there be a profit, this should be kept for future emergencies and not rashly in the general fund.

13-19. A Separate Account for Each Lot.

Some cemeteries keep a separate account for each lot under "special care", but it does not appear that this is necessary. The number of such lots may easily run into the thousands. Presumably, the charges for service are made on a uniform basis, and in that event the sums received may be regarded as one trust. All that is necessary is to maintain a list of the contributors to the fund, showing the names and the amount subscribed by each person. It is possible that in some states such trusts are subject to special statutory provisions, and this point should be considered by the attorneys of the association.

13-20. (c) *"Perpetual care" for Portions of a Cemetery.*

An old established cemetery may develop a new tract, all of which is placed under "perpetual care"; or, again, a new cemetery may place some portions of its land under "perpetual care", while some are free from it.

In such cases the accounts are treated as in (a) above, the funds and income derived from this source being kept separate and intact and the cost being obtained from the superintendent's reports.

13-21. *The Introduction of "Perpetual care" in Old Cemeteries.*

When an old cemetery introduces "perpetual care" as a new feature, while the fundamental considerations remain unchanged, some complications may arise.

Probably all such cases fall in one of the three following classes:

- (1) Providing "perpetual care" for specific lots.
- (2) Providing "perpetual care" for an entire cemetery, or an entire unit, in which some lots have been sold not under "perpetual care."
- (3) Providing "perpetual care" for a new unit to be developed.

13-22. Class (1) involves few difficulties. The requirements are to determine the cost per square foot per annum and the rate of interest to be allowed.

On our hypothetical figures (see par. 13-7) the sum required would be the amount necessary to yield \$1.11 a grave per annum, which, at 3 per cent per annum, is \$37.04 or \$222.24 a lot.

13-23. In class (2) local conditions play a large part. If only a few lots have been sold, the owners may be induced to pay for "perpetual care," and then it can be regarded as coming in class (3). On the other hand, if many lots were sold a long while ago, it is often impossible to find the present owners. In that case the cost of "perpetual care" for the entire tract would necessarily be apportioned among the owners willing to contribute and the lots remaining unsold or divided between them and the association under a joint agreement.

(3) In the case of a new section, the methods to be followed are those suggested for a new cemetery.

In all cases the "perpetual-care agreement" should be drawn with the greatest care, so that no doubt may arise hereafter as to the portions subject to "perpetual care", as to the amount required, or as to the work to be performed.

The rules governing "perpetual care" are usually included in the bylaws of the association and any change involves a change in the bylaws.

13-24. Form of Contract.

Discussion of the form of "perpetual care contracts" lies beyond the scope of this book. Many such forms have been published and are available. Whatever form be adopted, the following points should be clearly set forth:

The amount to be set aside, stating either a fixed sum or a stated percentage of the cash actually received, and referring to the bylaws for a definition of the words "perpetual care." Sometimes discounts are allowed from schedule prices. On the other hand, interest may be added for deferred payments. Allowance should be made for such contingencies. (See par. 7-23 and chapter VIII.)

When perpetual care is arranged for after delivery of the deed, a receipt can be given referring to the bylaws for a definition, but in that case it is advisable to state that the amount to be spent on any lot is limited to the amount of interest—or income—received by the association on the sum deposited by the owner.

13-25. Trust Deed.

Another important point is the preparation of the trust deed or agreement. Sometimes these funds are kept by the cemetery itself; in other cases they are placed with a trust company or some similar body, under an agreement describing the rights of the parties.

The nature of securities in which investments may be made are usually determined by the bylaws of the association and by the trust agreement, or by both, and these rules should be carefully drawn, for they govern a perpetuity.

All these matters should be referred to the attorney for the association, for the proper decision may depend upon local laws which vary greatly.

13-26. New Laws Are Probable.

During recent years much has been done to develop new cemeteries and there are those who believe that too much has been done. The "paper" profits usually are so high that the investor, who thinks little of either the expense or the time required to dispose of a cemetery, is tempted to invest beyond his means. The sale of cemetery lots suffers from the conditions of business, and many cemetery associations have found it difficult or impossible to comply with the terms of the trust funds. As a result of these circumstances, the number of local laws has been increased and undoubtedly will be still more increased, while the requirements of the treasury department are becoming more severe.

13-27. The California Law.

Every cemetery association should see that its own house is in order. It is impossible to quote here all the laws which now exist, but California may be quoted as an example. The state has given the real-estate commission power to prohibit the sale of cemetery lots where such a sale would constitute "misrepresentation to or deceit or fraud of" the purchasers; and, while the law sets no minimum amount which must be provided for perpetual care, the interment association of California has decided that the smallest amounts to be set aside to permit a cemetery association to tell the public that it is providing perpetual care are 25 cents per square foot for a cemetery, \$15.00 for a mausoleum crypt and \$5.00 for each niche. This means that, for a lot measuring 200 square feet and containing six graves, \$50.00 must be set aside annually. If money be invested at 4%, this means the deposit of \$1,250 in the trust fund—something which gives cause for serious thought.

In addition to local laws, cemeteries offering their lots outside their own states will have to consider the provisions of federal laws.

13-28. New Legislation.

The example of California has already been followed by other states. For example, Minnesota has enacted a very comprehensive law consisting of ninety-one sections, dealing with all phases of the

question and requiring all cemeteries organized after the passage of the act to deposit in a trust fund twenty per cent "of the gross proceeds received from the sale of cemetery lots".

13-29. In 1933 Pennsylvania passed a law requiring the deposit in a trust fund of at least one-tenth of the funds arising from the sale of lots. In Texas, the law of 1934 provides for the setting aside of twenty cents per square foot until the fund reaches \$100,000, after which the minimum shall be ten cents.

13-30. Prospective Legislation.

The passage of appropriate legislation is engaging the attention of cemetery managers and of the cemetery associations throughout the land and both the laws already passed and those under consideration indicate that among the requirements which will be enforced the following are some of the most important.

1. The establishment with a trust company of an irrevocable trust.
2. The payment to such trust fund of from ten cents to twenty cents per square foot, or from 10% to 25% of the price of all lots sold.
3. The rendering of annual reports to the state treasurer, showing the condition of the fund.
4. The prohibition of selling any lots for speculative purposes.
5. That land used for burial purposes shall be unencumbered.
6. That new cemetery associations shall be organized only when formed not for profit.
7. General provisions as to the proper survey of lots, the keeping of detailed burial records, the transfer and inheritance of cemetery lots, the classification of cemeteries according to their location—in cities, towns or villages—and regulations for each class.

13-31. Annual Care.

Payments for annual care are usually made in one sum. In that case the principal amount deposited with the association is used for current purposes and is not invested as are perpetual-care funds, the principal of which is inviolate and the interest alone available for expenditures.

Therefore, in the case of annual care, all that is necessary is to credit the sums received for that purpose to one account, such as

“annual-care receipts.” The cost of doing the work is charged to a debit account for “annual care”. Both these accounts are carried periodically into the profit-and-loss account, the difference between them indicating the profit or the loss, as the case may be. (See also par. 17-8.)

They may be charged at the beginning of each year, and in that case accounts-receivable account is debited when the charge is made and credited when the cash is collected.

13-32. Regarding Lot Owners and the Public.

Perpetual care, special care and annual care are matters affecting directly those who already own lots and prospective purchasers. This fact should be borne constantly in mind when determining the amounts to be charged for the various services, the costs of which depend so largely upon the definitions of the terms and on widely different climatic conditions.

In each class but particularly in the case of perpetual care, a sum sufficient to pay for the service undertaken in the particular locality should be provided. If the amount be insufficient, it will be necessary to provide additional funds or the work will suffer, leading to discontent on the part of owners and to dissatisfaction on the part of the public, conditions which affect directly both collections on existing sales and the making of new ones.

It must never be forgotten that, in law and in fact, a cemetery is a quasi-public enterprise. The courts are willing and able to support the public in obtaining its rights, and public goodwill is essential to success.

CHAPTER XIV

Accounts Required for Perpetual Care and Trust Funds

14-1. Accounts for Perpetual Care.

When considering perpetual-care and trust funds, we must, at all times, keep before us the great difference which exists between money given to and that which is entrusted to a cemetery. In the former case, it may be an asset for which no liability exists beyond the proper accounting, and it may be available for any purpose designated by the management. In the latter case, while the money is placed with the association, it may not be spent, but must be invested in a specified manner, and the income only is available for general purposes.

14-2. Treatment of Receipts for Perpetual Care.

When the association receives money for perpetual care, "cash" is charged with it; but at the same time there is created, and the association acknowledges, an obligation, a liability, to account for this particular sum, which must not be merged in the general funds. While deposit of the amount in the perpetual-care fund discharges the liability, there remains the accountability of the fund.

We have seen that, whenever a sale is made, a certain portion of the price is available for general purposes and a certain sum is set apart for perpetual care. When the latter sum is collected it should not be mixed with current funds but should be set aside in a fund—that is, cash should be actually transferred. Unfortunately in some instances this rule has not been observed, and the so-called fund has become nothing more than a bookkeeping entry.

14-3. Separate Bank Accounts.

The only proper course is to place the fund in a separate bank account, the total of which will always show the amount held for this purpose, and the "fund" is then charged with the amount.

14-4. *Accountability for the Fund.*

It is expedient to consider the best way in which to show at all times the condition of liability or accountability. First, let us consider an association which is well managed and promptly transfers to a trust fund, or to a trustee, all sums due to the fund as quickly as they become payable to it.

To do this, two accounts are set up in the general ledger:

Perpetual care
Perpetual-care-trust fund (or trustee)

The first of these will show all liabilities incurred on account of perpetual care and the means by which they are satisfied. The second account, trust fund, will show all amounts which have been deposited in the fund.

14-5. In cash sales, these amounts are immediately payable to the fund and should be transferred at once, or at the end of the month in which they are received. In time sales, the amounts due to the fund become payable as collections are made.

14-6. In pars. 7-7 and 7-8 is shown the method of making the original entry, bringing this liability on the books through the sales journal. At the end of each month the total of the column headed "perpetual care" (column No. 6 in form 2) is posted to the credit of general ledger account "perpetual care". No further entry of this liability is required.

14-7. At the end of each month a memorandum is prepared showing all sums due the fund out of the collections for that month. This statement may be prepared on form No. 31 (par. 14-26) and the following journal entry is made:

Perpetual care	\$.....	
To perpetual-care-trust fund.....		\$.....
For the amount payable to said		
fund out of collections for the		
month of		

On posting this entry the balance of the perpetual-care fund account will show the amount remaining uncollected and unpaid,

which is set aside for perpetual care. The "fund" account will show that the amount appearing in the entry is due to that fund. When a voucher is drawn to the trustee and posted to the fund account this account will be balanced, showing that the association has discharged the liability.

While the account will show no balance, the total debits therein will show at all times the total amount of cash paid into the fund.

14-8. An Alternative Plan of Dealing with Perpetual-care Liability.

The method of accounting described above is simple, clear and complete, and nothing further is necessary if all payments to the fund are made promptly. However, there are cases where it is impossible to make payments to the fund when they are due and, while that condition is unfortunate and undesirable—usually leading to confusion and, in extreme cases, to litigation—provision must be made for it. To do this, more elaborate entries are required, for such conditions should be shown clearly on the face of the accounts. It is true that, if the plan described in par. 14-4 be followed, and payments be not made to the fund when due, the balance of that account will show a credit—a liability—for the amount remaining unpaid: yet, to emphasize the state of affairs, I prefer to open a third account with such a name as "reserve for trust fund", to which all amounts becoming payable to the fund are credited by journal entries of the form shown in par. 14-4 and, when cash is actually transferred to the fund, such payments will be posted to the debit of the perpetual-care-trust fund.

14-9. Under this method the trust-fund account always appears on the trial balance and the difference between its balance and that of the reserve for trust fund shows among the liabilities the amount due, but unpaid, to the fund.

14-10. This leads directly to the question as to whether or not the perpetual-care-trust fund should appear on the balance-sheet. On this point opinions differ. The matter is mentioned in pars. 16-16 and 17, where I express preference for not showing this item on the face of the balance-sheet and explain the chief reasons for my opinion.

14-11. If the fund is irrevocable and has passed entirely out of the control of the association and into the hands of a trustee, the great majority of authorities would be in favor of not showing it on the face of the balance-sheet, but in a foot-note only. On the other hand, if the fund remains in the hands of the association, or of its directors as trustees, and if the association retains control of the fund—as is often the case, particularly in cemeteries organized “not for profit”—it may be proper to include the amount among the assets in a balance-sheet, but in such cases great care should be taken to show unmistakably that the item represents trust funds set aside for a definite purpose and not available for any other use.

14-12. It seems to me that the omission of the trust fund from a balance-sheet, accompanied by a proper explanation, affords salesmen a strong and legitimate argument, for it shows the public that the association has carried out its promises and has given the amount to a trustee for the benefit of lot owners.

14-13. If it be intended to show the trust fund on the balance-sheet, the second method (described in par. 14-8) should be followed, even if payments are transferred to the trust fund as soon as they are payable.

14-14. An alternative method of showing these transactions on the balance-sheet is to show on the credit side, as a liability, the total amount which has become payable to the fund (that is, the total of the credit entries to the reserve for trust fund) and to deduct therefrom an amount which may be described as

“Cash transferred to the trustee, being all sums which have fallen due to date under the trust agreement.”

The balance would then appear as a liability falling due in the future as collections are received.

14-15. To Recapitulate.

The reserve for perpetual care shows the amount which will be paid in when all collections are made.

The reserve for perpetual-care fund shows the amount which should be transferred to the fund.

The perpetual-care fund shows the amount actually in the fund. If it equal the reserve for perpetual-care fund, all sums due to the fund have been paid.

14-16. When Are Deposits to Be Made in the Perpetual Trust Fund?

The question when deposits to the perpetual-care fund should be made is important and, in my opinion, there is only one satisfactory answer: that is, out of the last portion of the principal collected from purchasers.

In some cases the trust deed provides that the percentage applicable to the fund is to be deducted from each payment of principal received from purchasers and be paid to the trustee. There are several objections to such an arrangement:

First. It reduces the amount of current collections available for current purposes.

Second. It leads to many cross entries or to many complications in the bookkeeping.

14-17. In the case of cancelled contracts on which the percentage has been paid to the trustee, there may be difficulty in inducing the trustee to refund such amounts, and, if they be not returned to the association, it involves keeping an account for each lot covered by the contracts, showing that the trustee already had received certain amounts on account of it. Such cases may apply to a single grave, and in a cemetery of any size the number of such entries may be great and involve much work.

14-18. These difficulties are avoided if it be stipulated that the deposits to the fund consist of the last 25%, or 10%, (or whatever the acceptable percentage may be) for, when 75% or 90% of the purchase price has been paid, the probabilities of cancellation are slight.

14-19. On the Ascertainment of Sums Due to Perpetual-care Trust.

It is a matter of the first importance that the accounts at all times should show fully and clearly all transactions related to perpetual care and should be so arranged and kept that the correctness of amounts due to and paid to the trust may be susceptible of proof without difficulty. This requires the use of some special forms, such

as those which are described in the paragraphs immediately following. As recommended in paragraph 7-4 all sales should be treated as one series and in the same manner, whether they be cash sales or time sales, but, as the latter entails more detail. I shall take as an example a sale of a lot for \$600, of which 10% is payable in cash and the remainder in 36 monthly payments of \$15 each.

The customer's account will be charged with \$600 and credited with the cash payment of \$60 and with subsequent monthly payments as made. The "perpetual care" charge is 25 per cent. of the price, i.e., \$150.

If the customer make regular periodic payments of principal and of interest as it accrues, when the instalment payments amount to \$390 (making, with the initial payment, \$450), the customer's ledger account should be stamped "perpetual care" and all principal receipts above \$450 must be credited to "perpetual care".

14-20. Example: Instalment Sale, with Equal Periodic Payments.

Where instalment payments are all of equal amount and each one consists of principal and interest, some such method as the following is advisable: (See par. 7-24.)

After the initial payment has been made, the total of instalment payments is $36 \times \$16.42$ (i.e., 3.04×5.4 —see par. 7-22)—\$591.12.

Cash payment		\$ 60.00	
Balance payable to and available to the association is			390.00
that is, \$450. less the cash payment of \$60.			
or 23 full payments (\$377.66)	377.66		
plus \$12.34 of the 24th payment	12.34		
			<hr/>
The perpetual-care charge will require the balance			
of the 24th payment	4.08		
8 full payments	131.36		
Part of the 33rd payment	14.56		150.00
			<hr/>
While interest is credited with			
the remainder of the 33rd payment	1.86		
Three full payments	49.26		51.12
			<hr/>
Total payments ($60 + 36 \times \$16.42$)			<u>\$651.12</u>

14-21. The Purchasers' Ledger Account.

These figures are easily shown on the customer's account in the purchasers' ledger, for, as stated in par. 7-5, the customer is charged with

	Dr.	Cr.	Balance
	\$600.00		\$600.00
and is credited with cash		\$ 60.00	540.00
and with 23 full payments		377.66	162.34
Part of 24th payment		16.42	145.92*

*Note. This balance is less than the perpetual-care amount of \$150 shown in the heading of the account form No. 89 (par. 7-15) showing that all the principal has been paid together with (\$150 less \$145.92) \$4.09 for perpetual care.

When this point is reached the ledger sheet is stamped "perpetual care", showing that the subsequent payments will belong to that fund until they amount to \$150, after which payments are to be credited to interest.

14-22. Perpetual-care Records.

It must never be forgotten that we are dealing with a perpetuity, the accounts of which may be under examination long after the present officers of the cemetery are buried. Within the past year I have had to answer many questions relating to trust accounts, and investigation revealed that some of them were established nearly a century ago.

Therefore, the records relating to these funds must be clear, accurate and in permanent form. The basic fact to be determined is the amount collected each month, which should be credited to the perpetual-care-trust fund or to reserve for trust fund. The choice will depend upon whether the plan described in 14-5 or that in 14-8 be adopted.

This amount should be verified by an examination of the contract ledger to ascertain that all payments on these accounts, stamped "perpetual care", are properly treated.

As every sale is subject to the perpetual-care charge, each sale should be entered in the perpetual-care record.

If all sales are for cash, this record is simple and of some such form as the following:

	Perpetual	
	Sale	care
January 1930		
Sale No. 140 Andrews	\$ 800.	\$ 200.
Sale No. 141 Johnson	1,000.	250.
Sale No. 142 Saunders	200.	50.
Etc., etc.	.....	.....
Totals for January	<u>\$7,000.</u>	<u>\$1,750.</u>

A journal entry is then made:
 "Perpetual care \$.....
 To perpetual-care-trust fund \$....."
 or, if the method given in par. 14-8 be preferred
 "Perpetual care \$.....
 To reserve for trust fund".

14-23. Perpetual-care Records for Instalment Sales.

The customer's account in the sales ledger shows all amounts which will be placed in this fund, and the monthly analysis of cash receipts (par. 18-5) shows the amounts which have been collected and should be transferred to the fund.

A record should be maintained to show these results in total. It will frequently be necessary to refer to this record to demonstrate that the reserve and the fund have been properly treated.

There should be a specially ruled book, substantially bound, to receive the entry of every sale made, as in form No. 30.

The right-hand half of the folio is ruled with columns in pairs, similar to columns 5 and 6, each set being for one year. With pages 11 inches wide each folio contains the record for six years, which is longer than is usually required.

Every sale is entered as made in columns 1, 2, 3 and 4, or at convenient times during the year, and at the close of the year the amounts which the individual accounts in the sales ledger show to have been received are entered in column 5.

CEMETERY ACCOUNTS

14-24.

RECORD OF PERPETUAL CARE

1	2	3	4	5		6
No.	Name	Total amt. of sale	For perpetual care	Year ended 1935		
				Perpetual care		
				Collected	Uncollected	

FORM NO. 30—Annual record perpetual-care fund

Column 6 is the difference between columns 4 and 5, and the grand total of column 6 should agree with the balance remaining in the reserve-for-perpetual-care account in the general ledger.

The totals of each page are carried forward to a summary page in the back of the volume.

PERPETUAL CARE—TRUST FUNDS

14-25. *Loose-leaf Perpetual-care Record.*

A loose-leaf perpetual-care record, designed for a client who wished to show in one place the monthly changes in the reserve for perpetual care, is of the following form:

1	2	3	4	5	6	7	8	9	10	Etc.
No. and name of sale	April sales	1931 Perp. care	Apr.	May	June	July	Aug.	Sept.		
204 Michael	\$950.00	\$237.50								
205 Bush	600.00	150.00	150.00							
206 Shaver	775.00	193.75				193.75				
207 Bangs	400.00	100.00								
Etc., etc.	.....	.....						
Total...	\$.....	\$.....								

FORM No. 31—Monthly record perpetual-care fund

This record is kept in a ring binder. Pages on the right-hand side are ruled in columns for the succeeding months in continuation of the left-hand side.

Columns 1, 2, 3 and 4 are entered monthly with a typewriter, and at the end of each month are entered all amounts which appear on the cash analysis (par. 18-5) as having been collected and to be transferred to the fund. Cancellations are shown in red ink.

This record requires more time to keep and is not in as permanent a form as No. 30, but it shows the manner in which the requirements for the fund have been met in each case.

14-26. Recapitulation of Fund and Reserve Accounts.

The establishment of "reserve" and "fund" accounts may appear to be complicated, but it affords the only means of bringing on the books all the features of such transactions. They may be summarized as follows:

When a lot is sold an accountability is created and is indicated by crediting the "perpetual-care" account; when any part of the amount so credited is collected a liability is incurred until it is deposited in the fund. This transfer is shown by debiting "perpetual care" and crediting "perpetual-care-trust fund" or "reserve for trust fund", as may be preferred. (See par. 14-4 and par. 14-5.)

When cash is paid into the trust fund it is debited to "perpetual-care-trust fund."

It must be remembered that the word "fund" indicates actual cash or its equivalent in investments; therefore, a "fund" is always an asset, appearing on the left-hand side of a balance-sheet, while the liability to account for money collected, or to be collected, is in the nature of a liability, which must appear on the right-hand side of a balance-sheet.

14-27. Mausoleums.

It will be noted that no mention has been made of the care of mausoleums, monuments and markers. The reason for this omission is that no general sum can be even suggested for the cost of such maintenance.

For mausoleums and monuments, the only practicable method is to estimate the cost of repairing, cleaning, scraping, repointing, etc., and to calculate the amount of principal required to produce the necessary income. Climatic conditions are so important a factor that it appears useless to suggest any figures, and the calculations for each cemetery must be based upon the experience of those who are familiar with local conditions.

14-28. Markers.

In the case of markers there is little work to be done, and the foundations, if properly laid by the cemetery staff, should last in-

definitely. Therefore, it may be proper to include this expense in the estimated cost for perpetual care.

In any event, it is important that the form of contract (mentioned below) should state clearly the work undertaken by the association and whether or not care of monuments is included. If markers are to be cared for, the term "marker" should be clearly defined.

Community mausoleums do not come under the head of "perpetual care" for the cemetery, but the calculations call for serious consideration, owing to the difficulty of seeing into the future and the lack of statistics as to the past.

CHAPTER XV

Perpetual-care Funds and the Federal Income Tax

15-1. The Dangers.

There are very few matters which require greater care than do the formation and maintenance of a perpetual-care fund. Therefore the matter is here considered in some detail. It is impossible to deal fully with the subject, but the following remarks indicate the chief sources of danger and refer to decisions which are readily accessible and can be studied by those who are interested. On account of the technicalities involved, a wise management will consult its attorneys and accountants who are familiar with the subject.

15-2. The Prevailing Idea May Be Erroneous.

Many associations have acted as if the mere deposit of funds in something which they called a perpetual-care trust fund caused those funds to become non-taxable income and free from income tax. This is far from being the case.

Generally speaking, the treasury department has held that when an association sets aside a fund and enters into a contract with each purchaser that such fund is to be used solely for the maintenance of the cemetery and is held in trust for that purpose, the fund is not taxable income. But where there is not a definite contract to this effect the sum is taxable, even if the association regard it as a trust fund. (S. M. 1591, C. B. June 1925, p. 219.)

15-3. Decisions.

The decisions of the United States board of tax appeals are in accord with this theory, and require that the fund shall have been so placed that it will be beyond the power of the association to reduce it or to use it for purposes other than those specified.

15-4. Requirements to Ensure Deductibility.

However, to secure the approval of the treasury department to such deductions, it is essential that certain rules be rigidly observed.

This matter has been the subject of numerous decisions by the department and by the courts. Variations in the conditions prevailing, which, on their face, appear to be slight, have led to widely different rulings. All authorities agree that if the following requirements are observed sums deposited in a perpetual-care fund are not taxable income:

1. That there be established an irrevocable trust into which is promptly paid a specified portion of the total amount received from each customer.
2. That such a trust fund be provided for and definitely described in the bylaws or charter of the association.
3. That it should be mentioned in all options, contracts and deeds executed by the association.
4. That the account kept with each customer show the amount payable into the fund.
5. That all money due to the fund be promptly deposited with the trustee.

15-5. Funds Must Be Properly Established.

On the other hand, where cemetery associations have merely assured customers that the graves would be cared for perpetually—even if money be set aside for that purpose—courts have held that sums so set aside are not deductible expenses and that the entire amount received from customers must be regarded as taxable income. (See *The Springdale Cemetery Association*, below.)

It is extremely difficult to draw the line between the two, and the only safe course to be followed is that which is laid in accordance with the requirements mentioned. It is not proposed to discuss all the legal aspects of the case, but the following decisions indicate the steps which should be taken.

15-6. The Importance of Stating Definitely the Sales Price.

It matters not whether the sum provided for perpetual care be based upon a percentage of the amount paid by the purchaser or

upon the area of the lot sold—in either case the total amount paid by the purchaser should always be shown in two separate sums—one the consideration for the lot and the other the amount to be set aside for perpetual care. This division should be shown in any option, contract or deed given to the purchaser (see forms 41, 42, 43, par. 13-30); it should be shown in the entry in the sales journal (see forms 2 and 3, pars. 7-8 and 7-14) and on the account with the purchaser (see form 4, par. 7-15).

These details are explained at some length because of their importance and because many cemeteries have suffered by not observing them.

15-7. The Original Rulings.

One must not overlook the decision of the treasury department (O. D. 529; C. B. June 1920, p. 216) which provides that

“Payments to trustees by a cemetery corporation during the taxable year of a certain percentage of the proceeds of sales of cemetery lots, set aside by a maintenance fund to be controlled solely by the trustees thereof, are not deductible from the gross income of the corporation, even though such payments are required by state law.”

However this decision was later modified (C. B. June 1925, p. 219) and it was decided that

“Amounts received by a cemetery association for upkeep of tombs or lots are not taxable to it when the contract provides that the funds are to be held in trust for the donors and the income used for the upkeep of the tomb or lots owned by the donors. When the contract contains no express provision that the amount received is to be held in trust, but merely recites that in consideration of the payment made the association agrees to maintain the lot or tomb therein described, the amounts received are taxable to the association in the year received, regardless of the action of the association in treating them as trust funds.”

The decision closes with the words “as the beneficial interest in these funds did not and could not vest in the association, they are taxable as income.”

15-8. Decisions.

The decision is followed by discussion on a particular instance submitted to the department. It established the general principle, but

several appeals were taken to the board of tax appeals and in *The Greenwood Cemetery Association* (B.T.A. 910) and *Evergreen Cemetery Association* (25 B.T.A. 544) the board reversed the ruling of the commissioner and declared trust funds to be non-taxable.

However, in the appeal of *The Springdale Cemetery Association* (3 B.T.A. 223), the board ruled against the association and approved the additional assessment proposed by the commissioner because evidence of an irrevocable trust was lacking.

In the appeal of *The Troost-avenue Cemetery Association* (4 B.T.A. 1169) the board said "the full amount received by the petitioner was gross income, and the percentage of the gross amount paid to the trustee was deductible as an ordinary and necessary expense."

15-9. *The Case of the Portland Cemetery Association.*

The case of the *Portland Cemetery Association* is important. (10 B.T.S. 65.) The stockholders and directors had passed resolutions providing for a fund, but the board decided that no definite trust was ever established, although money had been set aside from time to time in an account known as "investment reserve for maintenance." At one time \$20,000 was borrowed from this fund and used for the corporate purposes of the association.

The opinion of the board was divided on the question as to the establishment of a trust—one member did not vote and four members filed a dissenting opinion. This affords a good illustration of the fine line which may determine the rights of a cemetery.

The case was appealed to the United States circuit court of appeals, 9th circuit, (31 Fed. (2nd) 843) and the decision of the board was reversed. It was held that a fund had been created, the amount to be placed therein had been fixed, and the income had been used for maintenance, and that patrons had the right to protect themselves by a suit in equity.

Numerous decisions are quoted in this case to which an interested reader may refer.

Petitioners' claims that trust funds were not taxable income were allowed by the board of tax appeals in the case of *The Metairie Cemetery Association* (4 B.T.S. 908), *The Indlewood Cemetery*

Association (6 B.T.A. 65) and in the case of *The American Cemetery Company* (28 Fed. (2nd) 918).

15-10. In the case of *Woodlawn Cemetery Association* (28 B.T.A. 882) it was held that money paid into a perpetual-care trust fund in 1928 and 1929, representing a fund on lots sold prior to 1928 (when the fund was created) were not deductible as business expenses or losses.

15-11. The United States circuit court, 7th circuit, recently decided the case of *Acacia Park Cemetery Association, Inc., vs. Commissioner* (67 Fed. (2nd) 700), in which the board of tax appeals had rendered a decision in favor of the commissioner (27 B.T.A. 233), and the circuit court confirmed the decision of the board.

In this case, purchasers were told that 10% of the purchase price would be placed in a perpetual-care fund of \$100,000 which was being established, and in 1924 \$6,500 was deposited in such a fund. Later, a similar promise was made in regard to another section of the cemetery which was then offered for sale.

In 1924, \$6,500 was deposited in the fund, but no additions were made until 1929, when a further \$1,000 was deposited. These deposits, with the accumulated interest, amounted in all to \$10,317.66 on January 1, 1932.

In the computation of profits on the sales of the lots in each of the sections, the association added to the cost of the lots \$100,000 for a perpetual-care fund. The commissioner excluded, in each section, this \$100,000, and the circuit court of appeals confirmed his action. This decision states that:—

“The court is of the opinion that even though an enforceable trust may have been created in favor of each purchaser at the time he paid his money to the taxpayer, nevertheless a taxpayer who claims the benefit of the taxing statute with respect to trust funds held as accrued liabilities must truthfully disclose in his books of account that he is himself so treating those funds, and it is not a sufficient answer for the taxpayer to say that while it has ignored the trust by not establishing the trust fund, and has used the funds for other corporate purposes, yet it still acknowledges its ultimate trust liability if and when a lot owner chooses to enforce it.”

The above decision against the *Acacia Park Cemetery Association* was followed in *Cedar Park Cemetery Association, Inc.* (67 Fed. (2nd) 699)

15-12. The decision of the board in the case of *Fairmount Cemetery Association* (30 B.T.A. May 16, 1934) drew a clear distinction between cases in which sales contracts provide that a specific portion of the purchase payments shall constitute a trust fund and other cases in which an association merely agrees to perform certain services. The board referred to the decision in the *Acacia Cemetery Association* case and ruled that, in the latter case, there was no trust impressed on any part of the payments reserved and that such amounts were not deductible.

An appeal was taken from the decision of the board in the *Fairmount Cemetery Association* case (30 B.T.A. 740) and is still pending before the court of appeals, District of Columbia.

These citations are sufficient to show the lines on which decisions have run, and also the importance of keeping in touch with current decisions which may be rendered.

15-13. Attention is called to the complications which may arise when an individual owner conveys a cemetery site to a corporation which is in his sole control. (See par. 2-9.)

CHAPTER XVI

Trusts

16-1. Sources of Trust Funds.

The subject of trusts is a broad one, with so many complications of a legal character that it lies in the field of the attorney rather than that of an accountant. I shall mention here only some of the points with which the accountant is particularly concerned.

Nearly all cemeteries, be they large or small, old or new, have some trusts, and these may be divided roughly into three classes.

16-2. Special Trusts.

- (a) Special trusts created by a deed of gift or a will.
- (b) Trusts relative to perpetual care.
- (c) Voluntary trusts for general maintenance.

(a) Special trusts consist of sums of money given or bequeathed to an association for specific purposes. Occasionally the principal may be used for those purposes, but generally it is left in the hands of a trustee, or is placed in such hands by the association, and the income derived from it is used to maintain some specific asset. Some of the old cemeteries, such as those in New England, have many such trusts, for the maintenance of monuments and for other purposes, such as maintaining a flag pole, caring for old horses, etc. Only too often the funds of such trusts have become merged in the course of time with other funds and can not now be segregated.

The circumstances surrounding each case should lead to the decision whether each such trust must have its own account or a number of them can be merged in a common trust fund.

16-3. (b) Perpetual-care Trusts are voluntarily funds, but they are established, in the case of an association for profit, largely for the

purpose of attracting purchasers. The methods of contributing to them are discussed in chapter XIII.

Sometimes such funds are managed by the directors of the association acting as trustees under a declaration of trust, but it is the better practice to place the funds in the hands of a trust company, the directors retaining some rights as to the selection of investments, provided they be of the class known as "trustee investments".

16-4. Deeds of Trust.

The purpose and method of conducting such a trust are set forth in a deed of trust, which usually provides for an irrevocable trust (although provision may be made for a change of trustee), states what money is to be paid to the association and limits the liability of the trustee. The drawing of such a deed should be carefully considered by the attorney for the association.

In a few cases trusts which have been created for perpetual care or for maintenance provide that all lot owners form a committee which shall have a voice in the management of the cemetery or of the fund. Such a provision is dangerous and breeds trouble, for it may involve thousands of people, knowing nothing of the business, scattered over a wide area, and difficult to find and it may give to a few disgruntled lot owners the power seriously to handicap the management.

16-5. (c) General Maintenance Trusts.

In some cemeteries, especially those organized "not for profit", a portion of the proceeds of each lot is placed in a fund, which goes under various names, formed for the purpose of providing an income which shall be used solely for the maintenance of the cemetery as a whole, that is, for the upkeep of all the roads, paths, buildings, fences and grounds, and not for the care of any specific lots.

In some cases a percentage of receipts from other sources, such as interment charges, receipts for foundations, etc., is also taken. Naturally, in such circumstances, the percentages taken vary greatly but the funds are handled in the same manner as other funds and call for no special comment.

16-6. Sometimes special trusts (class (a) par. 16-1) are intended to last for a stated time only. For example, money may be left to care for certain lots for twenty years, etc. Such trusts are treated in a manner similar to that used for others, except that the principal is consumed during the life of the trust and the trustee is authorized to spend accordingly.

Trusts in classes (b) and (c) almost invariably are in perpetuity, although it may be provided that contributions to them shall cease after a certain time or when a specified amount has been accumulated.

16-7. Trustees' Accounts.

The trustee for any fund renders periodic statements showing all money received, all securities bought or sold and all disbursements. These should be transcribed by the association into a record, so that the financial history of any fund can be instantly found.

The keeping of trustees' accounts involves many technicalities, such as the proper allocation of principal and interest, the treatment of discounts and premiums, etc., which do fall within the scope of this book. They are cared for by the trustee and not by the association.

16-8. Reserve Accounts.

The object of a reserve account, sometimes known as a "provision account", is to segregate, for some specified purpose, a portion of assets shown on a balance-sheet or a portion of the surplus, thus indicating a liability or an accountability.

16-9. The "reserve for development" represents expenditures yet to be made in order to render possible the sale of lots. As explained in par. 3-23, it may or may not be a real liability and is subject to certain restrictions imposed by the treasury department.

16-10. For example, I have lately drawn elaborate reports on two cemeteries, each of which had a "reserve for development" account. In one case the amount was about \$15,000 and represented a fountain which was included in the original plans but had not been and probably never will be built. There was no promise to the public

to build such a fountain, and all other development is completed and paid for; therefore, this particular \$15,000 is not a liability. No one could claim unjust treatment through the non-erection of the fountain. In such cases it is certainly proper, when preparing a balance-sheet, to deduct the reserve from the asset account "cemetery site" in which it was originally included.

16-11. Uncompleted Developments.

In the case of the other cemetery this reserve was about \$150,000 and represented the cost of roads and other improvements yet to be made on some seventy or eighty acres. When the accounts were opened the cost of developing 110 acres as one unit was set up. Nearly half the area has been finished, thousands of interments have been made, but the remainder of the land is only partly developed.

Inasmuch as the cemetery association undertook to develop the entire 110 acres, it incurred an obligation to purchasers, and this reserve account is a liability and should be shown as such on the right-hand side of a balance-sheet, even though it may not be necessary to spend the total amount for years to come.

If it were deducted from the "cemetery site" account, while a balance would still be maintained, an important liability would be hidden.

This instance forms a good example of the wisdom of dividing the work of development into units, as suggested in par. 3-16.

The requirements of the treasury department mentioned in par. 3-25 must not be overlooked.

16-12. Reserve for Depreciation is discussed in par. 3-38. If monthly statements be rendered, the proper way to treat this item is to prepare a depreciation statement showing all assets to be covered, their cost, the rate at which it is intended to depreciate them and the annual total depreciation charge resulting. Each month a journal entry is set up:

Depreciation	\$
To reserve for depreciation.....	\$
Charges for the month of.....	.....

If no interim statements be prepared, the account should be written at the end of each fiscal period.

16-13. While it is a custom to charge depreciation on equipment and buildings, items included in the original cost of construction, such as roads, paths, fences, water system and electric current distribution are often overlooked. Each of these does deteriorate and each will require renewal at some time. Therefore, the safe plan is to include such items in the annual estimate of depreciation to be charged.

It is to be noted that charges for depreciation should not be written off the account depreciated, such as "equipment", but should be set up in a separate account. When a balance-sheet is prepared, the cost of the several assets should be shown and from this is to be deducted the amount which has been credited to the reserve for depreciation.

16-14. *Reserve for Perpetual Care* represents the portion of the unpaid balance on time sales, which, when collected, will be transferred to "perpetual-care fund."

Inasmuch as the contracts mentioned appear as an asset, this reserve account will become a liability as soon as the contracts are paid and it reduces the portion which is available for general purposes. On the other hand, if any contracts be cancelled, liability on this account is correspondingly reduced.

In such circumstances it is entirely proper to show on a balance-sheet:

Contracts	
Less reserve for perpetual care.....	\$
Net amount available for current needs.....	<u> </u> \$.....

16-15. A clear understanding of this fund is essential. When it is opened it is credited with all sums which will be payable to the perpetual-care fund when all the contracts shall have been paid in full. As collections on those contracts are made the account is debited with that portion of the collections which belongs to the fund. (See par. 14-4, et seq.) Therefore, the balance of the account always shows the amount of perpetual-care fund which is yet to be col-

lected but is not, yet, to be transferred to the perpetual-care fund itself.

When any collections are made which are payable into the fund, the reserve for perpetual care is debited with the amount, which is credited to the reserve-for-perpetual-care fund. (See par. 14-8, et seq.)

16-16. Position of Fund Accounts on the Balance-sheet.

There is some difference of opinion among accountants as to whether or not such funds as a perpetual-care fund should appear among the assets on the balance-sheet of an association.

A perpetual-care fund, properly organized and irrevocable, placed in the hands of trustees other than the directors of the association, clearly is not a current asset of the association, for that body can not touch it or control it. For this reason some authorities claim that such trust funds should not be shown at all on the balance-sheet.

16-17. This argument is answered by two statements: First, the fund on the asset side is offset by the reserve on the credit side, so that the net worth is not affected, the difference between assets and liabilities remaining unchanged if both entries be cancelled. Second, the fund constitutes a source of sure income to the association and its entire omission would lead to an imperfect or incomplete statement of the true financial condition.

Whichever argument be right, two important principles must be remembered:

First. Such funds should not be shown among the current assets available for current purposes.

Second. In order to present a correct statement of financial condition, there must be, somewhere on the balance-sheet, perhaps as a foot-note, a statement of all funds from which the association derives a certain income. (See par. 19-3.)

16-18. The Handling of Trust Funds.

The duties of trustees are numerous and often burdensome, and it is best that the responsibility be placed on an official trustee. Apart from matters of judgment and ability, many questions arise in trust accounts, such as the proper division or allocation of discounts

and premiums on securities bought and sold, expenses and so forth, which lie far outside the field of management and demand the services of experts. In my experience, the fees charged by trust companies for their services are not exorbitant, are well earned and afford the management the only protection which it can obtain and to which it is entitled.

CHAPTER XVII

Maintenance

17-1. Definition.

The term "maintenance" is used to describe the entire upkeep of a cemetery. It may include the following:

Superintendence

- (a) Salary of superintendent and his assistants
- (b) Incidental expenses

Care of grass

- (b) Labor: top dressing
seeding
weeding
sweeping and cleaning
fertilizing
watering
mowing

- (a) Materials: fertilizer
insecticides

Interments:

- (b) Labor: earth burials
brick burials

- (c) Materials

Monuments:

- (a) Labor: repairs
washing and cleaning

- (c) Materials

Foundations:

- (a) Labor

- (c) Materials

Roads, paths and

- (b) Labor

avenues

- (c) Materials

Repairs, fences

- (b) Labor

- (c) Materials

Repairs, buildings	(b) Labor
	(c) Materials
Water supply	(b) Labor
	(c) Materials
Shrubs, trees, plants	(b) Labor
	(c) Materials
Teaming	(b) Labor
	(c) Materials
Repairs, general	(b) Labor
	(c) Materials.

In this list, the letters enclosed in brackets indicate the channel through which the entries come on the books:

- (a) From the voucher record
- (b) From the payrolls
- (c) From the store-room account or the voucher record

The expense for "teaming" should be distributed to the appropriate accounts, such as interments, mowing, roads, etc. If motor equipment be used, the name of the account would be changed to "motors and tractors."

In addition, there may be expenses for maintaining and operating buildings for which special accounts are maintained, such as chapel, etc. These should be kept separately and should not be included in cost of maintenance.

Some superintendents keep separate accounts for "loose tools," but these tools wear out quickly and are usually maintained at a standard amount, so that new tools may properly be charged direct to the work for which they are used.

17-2. The list includes all the accounts which are in common use, but, except in the case of large institutions, some of the accounts may be omitted, while others may be consolidated, the number depending upon the size of the cemetery and the activity of its business. For example, a new cemetery, with comparatively few interments and no monuments to maintain, could well keep all the expenses of maintenance in one account in the general ledger and analyze them when periodic reports are made. On the other hand an old cemetery with many interments and many monuments to

care for would find it convenient to maintain current accounts for such items as "foundations", "interments", etc.

In any event the charges for any particular class of service should be kept in an account separate from the receipts for that service; e.g., the cost of interments should be charged to one account and the revenue received from them should be credited to another account.

17-3. In one cemetery of moderate size the cost of maintenance is kept in one account and is analyzed in the annual report as follows:

- Superintendence
- Labor
- Fertilizer
- Materials
- Repairs
- Water supply
- Insectides
- Miscellaneous

17-4. Records Required.

As the largest item included in the cost of maintenance is labor, the payrolls form the most important record. These should be analyzed each week by the superintendent and should show the number of hours spent on each class of service and the number of dollars which those hours have cost. This matter is explained in pars. 12-19 and 18-17.

The cost of materials comes from the voucher record.

17-5. Cost of Maintenance.

It is important to ascertain as accurately as possible the cost of each service rendered. The chief of these is the cost of maintaining the cemetery as a whole, for upon this is based the amount required for perpetual, annual, special or other care, as explained in chapter XIV.

The cost of interments is also important, especially when the usual routine is abandoned on account of such circumstances as extremes of weather, Sunday funerals, etc., for it sometimes happens that these conditions lead to an expense greater than the amount charged.

Any work performed in the nature of betterments, extensions or improvements should be charged to the appropriate capital account and should be excluded from the cost of maintenance, which is purely an operating account.

17-6. The Source of Maintenance Funds.

The source of the funds from which the cost of maintenance is paid depends upon circumstances. Where there is no perpetual-care fund, the cost is an operating expense which must be met from current revenue. At the other extreme are old cemeteries which have a perpetual-care fund so well established that the revenue from it is sufficient to pay for maintenance. In most instances an association finds itself in a position between these two limits, for only a portion of the cemetery has been sold and the income of the fund is not as yet sufficient to bear the entire expense. In that case the deficit must be met from other receipts.

17-7. Maintenance Trust Funds.

To provide the funds necessary to maintain a cemetery, many associations—some organized for profit and some “not for profit”—have created maintenance trusts, having some features in common with a perpetual-care trust.

Usually they are formed under resolutions of the directors, and provisions regarding them are embodied in the bylaws, but care must be taken to define clearly the items included in the term “maintenance”; e.g., Does it include management expenses? If so, to what extent? Contributions are based on a percentage of the price of each lot sold; on a fixed amount for each square foot sold; or, occasionally, on an arbitrary amount for each lot sold. The treatment of these contributions depends upon the terms of the trust, but, generally speaking, the fund is not invested but is held for operating expenses and the principal is used as required—therein differing radically from a perpetual-care fund.

17-8. Objects of Maintenance Fund.

The object of the fund is to assure purchasers that money will be provided for maintenance. In effect, the “fund” becomes little more

than a book account credited with the above-mentioned contributions and allowed to accumulate. Against it is set off the amount actually spent on maintenance of the cemetery, exclusive of the expenses of management and of selling, and the result is a running liability, if the contributions exceed the cost of maintenance. If those expenses equal or exceed the fund the liability of the association to the purchasers has been satisfied.

17-9. Method of Making Deductions.

Inasmuch as these funds are required for immediate use, the deductions for them should be made monthly and should not wait until the final payments have been made—as is recommended in the case of perpetual care.

The fund is entered on the books in the same manner as is the reserve for perpetual care, through an additional column in the sales journal, setting up the amount to be credited to the fund on each sale.

17-10. Position on the Balance-sheet.

Probably the best way of showing this item on a balance-sheet is to give the total amount allocated to the fund, deduct the amounts spent for maintenance—or vice versa—and carry out the difference as an asset or as a liability, as the case may be.

If desired, the balance, if a credit one, may be deducted from the total of contracts outstanding, as it reduces the portion of that sum which is available for operating expenses other than those for maintenance.

17-11. A Maintenance Fund Usually Is Not a Deductible Expense.

Usually, such a maintenance fund is not a deductible expense when computing income tax, for, under the regulations, only sums actually expended may be deducted. Herein it differs again from a properly established and maintained perpetual-care fund.

17-12. Annual Care.

Apart from perpetual care, which is considered separately in chapter XIII, there are two kinds of "care," namely annual care and special care.

The term "annual care" is usually applied to the work of maintaining a lot in some well defined condition which is described in the agreement. In cemeteries where there is no perpetual care, it implies the sodding and maintenance of a lot; in cemeteries where there is perpetual care it implies special attention above that given to other lots. In all cases the compensation consists of sums paid annually by lot owners.

The amount which should be charged for such service varies greatly. In the southern states perhaps \$20. a year for an eight grave lot is an average charge.

17-13. Special Care.

Special care generally means one of two things:

(a) In the case of a cemetery entirely under perpetual care, but where only the native grass and the weeds are cut, the term is used to imply the planting and maintenance of a good lawn or other beautification.

(b) The term is sometimes used to describe such services as decorating a grave on anniversaries, maintaining special varieties of plants, etc.

The accounting procedure is similar to that required for annual care.

For annual and special care, there is sometimes an initial charge—in addition to the annual charge—for putting a lot in good order and for the planting preparatory to the annual care. The cost of all such work should appear on the reports of the superintendent and the costs should be periodically checked.

17-14. It is to be noted that the annual care and special care here mentioned do not involve the establishment of any reserve or trust fund. They are annual accounts to which is charged the cost of the work performed, as reported by the superintendent, and similar accounts are credited with all amounts received for the work. (See also par. 18-17.)

It is seldom necessary to maintain an account for each lot under these forms of care, although there must be a list of all lots affected. Perhaps the simplest form is a card index made in duplicate, one

copy being furnished to the superintendent, who will then place a marker on each grave indicating that it is the subject of "care."

It is convenient to have all these care accounts run for the fiscal year, so that there may be no unexpended sums brought on the balance-sheet. If this plan be followed each new account which is opened after the beginning of a year is charged with a pro-rata amount for the unexpired portion of the current year.

17-15. Mausoleums.

The care of mausoleums falls to the lot of the superintendent, but no general rule or average cost has been determined. It is becoming generally recognized that, when a mausoleum is built, the owner should provide a fund sufficient to yield an income large enough to pay for the necessary upkeep. The cost of this is affected by the climate, by the materials used and very largely by the quality of the work performed. Sums varying from 10 per cent. to 25 per cent. of the cost of the mausoleum have been suggested. Each fund forms a separate trust and should be treated accordingly, as suggested in par. 16-19.

CHAPTER XVIII

Reports for Cemeteries

18-1. It is customary for the officers of an association of medium or large size to require periodic reports, but whether they do so or not the bookkeeper should take off a monthly trial balance from his general ledger and also adding-machine lists of balances in the subsidiary ledgers. If properly arranged, the trial balance of the general ledger gives on its face a fairly comprehensive picture of the business which has been transacted and forms the basis or the proof of all the financial statements which may be prepared.

18-2. Monthly Reports.

When attempting to write of monthly reports one can not dogmatize, but can only suggest, for one form of report will fit all cases no better than will a suit of clothes made for one man fit all his friends—occasionally it may do so, but in most cases slight alterations will be required.

The details to be shown in monthly reports depend upon the wishes of the management, the character of the cemetery, the volume of business, on local and climatic conditions and on the absence or presence of allied businesses, such as greenhouses, the manufacture of cement vaults, etc.

Therefore, it must be clearly understood that the following forms, although taken from actual practice, are merely indicative of what may be shown with advantage in a complete monthly report for an average cemetery.

In many instances, certain portions will be omitted or condensed, while in others additions will be made, or certain parts will be enlarged.

However, the one fact which must be emphasized is that, however much the forms may be changed in any particular case, or even if no such reports be rendered, the records should be in such form, and so kept, that all the information given below may be readily and accurately obtained whenever it is desired. This requirement is essential, and too much stress can not be laid upon it.

18-3. Variety of Reports.

Reports are of many kinds. Some consist merely of trial balances, which are little more than indexes telling one where to look for information. Some are cluttered up with long lists of receivables or payables. Some, again, are merely verbiage and fail to contain proof of the statements which they contain.

I believe that the following forms are so framed that all can understand them and that they contain all the details usually required by executives to illuminate each feature of the business and to facilitate the drawing of comparisons showing the growth, as well as the present condition, of the business.

18-4. Contents of the Report.

A monthly report may contain the following statements:

- I. Cash statement.
- II. Statistics for the month.
- III. Statement of operating expenses.
- IV. Distribution of vouchers for the month.
- V. Resources for the month and their disposition.
- VI. Analysis of "contract" account.
- VII. Sales—cancellations and deeds issued for the month.

18-5. Comments on the Following Statement.

The first item shows the nominal amount which should be collected from contracts. It is obtained from the collection tickler described in pars. 10-22, et seq. This amount forms a yardstick with which to measure the efficiency of the collection department. In the example the collections on old contracts were only \$2,534., or rather less than 69¾ per cent. of the total which fell due.

The next three lines show details of the cash collected on con-

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tracts, and from it we find the sum of \$2,534. collected on old contracts. This is ascertained by taking the total of the column headed "contracts" and deducting therefrom the "first payments" shown in the analysis.

18-6. Cash Statement.

August statement I

Nominal payments due on contracts.....			<u>\$3,640.00</u>
	Perpetual care	Available	Total
Cash received:			
On old contracts.....	\$576.00	\$1,958.00	\$2,534.00
On new contracts.....	150.00	1,100.00	1,250.00
Total	<u>\$726.00</u>	<u>\$3,058.00</u>	<u>\$3,784.00</u>
Interest collected			146.00
Options			170.00
Miscellaneous			389.62
Total cash collected.....			<u>\$4,489.62</u>
Cash on hand, August 1st.....			<u>2,245.75</u>
Total cash to be accounted for.....			<u>\$6,735.37</u>
Vouchers paid.....			<u>4,157.17</u>
Balance, cash in bank August 31st.....			<u>\$2,578.20</u>

FORM No. 32—Monthly report. Cash transactions

18-7. Available Collections.

Another important fact is shown in this analysis, one which is easily—perhaps, frequently—overlooked: that is the portion of the collections which must go into the perpetual-care fund and the portion available for general purposes. It should never be forgotten that, in such cases as we are considering, there is available for current uses only that portion of the collections remaining after the share of the perpetual-care fund is deducted.

The rest of statement I is self-explanatory and, if a voucher system be used, there is no necessity to analyze the disbursements—a matter provided for in statement IV.

18-8. *Statistics for August, 1935.*

August statement II

The sales were.....		\$6,000.00
Total sales for the 14 months to date.....	\$72,000	
This month.....	6,000	
	<u>\$78,000</u>	
Monthly average.....	5,200	

The August sales are:

Cash	\$ 600	10%
One year.....	2,800	46.6%
Two years.....	1,500	25.0%
Three years.....	1,100	18.4%
Total	<u>\$6,000</u>	<u>100%</u>

There has been cancelled one sale for.....	500.00
The advances to salesmen have been	1,250.00
The total contingent commissions have been	1,200.00
The net operating expenses, exclusive of all selling ex- penses, have been.....	2,846.30
Against a budget of.....	2,830.00
There have been issued contracts Nos. 351 to 358, both inclusive.	
There has been issued one deed, No. 143.	
There have been given two options, Nos. 70-72, aggregating \$1,200.00	
There have been thirty interments, Nos. 685 to 714, inclusive.	

Form No. 33—Monthly report—statistics

18-9. *Statement III, Operating Expenses.*

The following form shows the expenses for the month and for the period since the books were last closed. In addition it shows a comparison with the budget adopted for the current year.

While the adoption of a budget is not a cure for all evils, a properly prepared budget does form a measure of value. It enables one to test quickly the economy of management, to put a definite limit upon expenditures and, when carried through a series of months, it tends to equalize the results, and it forms a guide as to the amount

CEMETERY ACCOUNTS

18-10.

STATEMENT OF OPERATING

	For August			
	Budget		Expenses	
Advertising.....		\$ 250 00		\$ 252 00
Automobiles: Supplies and expenses...	\$100 00		\$ 121 00	
White truck.....	50 00		62 10	
Ford car.....	30 00		22 00	
Spare car.....	40 00		38 00	
Office car.....	40 00	260 00	54 00	297 10
Beautification.....		125 00		118 00
Cemetery expense.....	800 00		785 00	
Power and water.....	75 00	875 00	72 00	857 00
Charity.....		10 00		
Depreciation.....		30 00		30 00
General expense.....		30 00		27 00
Insurance.....		60 00		84 00
Interest paid.....		25 00		50 00
Legal expense.....		25 00		20 00
Life insurance.....		120 00		118 40
Management.....		500 00		500 00
Office payroll.....		220 00		210 00
Postage.....		10 00		10 00
Rent.....		160 00		160 00
Supplies, etc., office.....		50 00		52 60
Subscriptions.....		5 00		15 00
Telegrams and telephones.....		50 00		45 20
Travel.....		25 00		
Totals.....		\$2,830 00		\$2,846 30
Selling expenses:				
Commissions.....			\$1,200 00	
Discounts.....			150 00	
Selling expense.....			22 18	1,372 18
Total all expenses.....				\$4,218 48
Less: Cancellation profits.....			\$ 65 00	
Foundations, net.....			18 00	
Interest received.....			146 00	
Interments.....			390 00	
Markers, net.....			50 00	
Removals, net.....			15 00	
Special care, net.....			205 00	889 00
Total net expense.....				\$3,329 48
Realized profits, 80% of the "available" collections of \$3,058.00 per state- ment I.....				\$2,446 40
Estimated deficit for August..				\$ 883 08

REPORTS FOR CEMETERIES

August statement III

EXPENSES FOR AUGUST, 1931.

More than budget	Less than budget	For 2 months to 31 August, 1931				More than budget	Less than budget
\$ 2 00			\$ 500 00		\$ 520 00	\$ 20 00	
21 00		\$ 200 00		\$ 214 00		14 00	
12 10		100 00		150 00		50 00	
	\$ 8 00	60 00		43 70			\$ 16 30
	2 00	80 00		72 00			8 00
14 00		80 00	520 00	120 00	599 70	40 00	
	7 00		250 00		230 00		20 00
	15 00	1,600 00		1,640 00		40 00	
	3 00	150 00	1,750 00	156 00	1,796 00	6 00	
	10 00		20 00		12 50		7 50
			60 00		60 00		
	3 00		60 00		60 00		
24 00			120 00		84 00		36 00
25 00			50 00		50 00		
	5 00		50 00		42 00		8 00
	1 60		240 00		225 13		14 87
	10 00		1,000 00		1,000 00		
			440 00		420 00		20 00
			20 00		20 00		
			320 00		320 00		
2 60			100 00		107 10	7 10	
10 00			10 00		15 00	5 00	
	4 80		100 00		92 80		7 20
	25 00		50 00		75 00	25 00	
\$110 70	\$94 40		\$5,660 00		\$5,729 23	\$207 10	\$137 87
				2,200 00			
				220 00			
				41 82	2,461 82		
					\$8,191 05		
			\$ 65 00				
			120 00				
			272 00				
			685 00				
			75 00				
			35 00				
			205 00		1,457 00		
					\$6,734 05		

report of operations

of the probable profits to be divided or of the deficit for which provision must be made.

The business of an established cemetery usually is so uniform that it lends itself readily to the adoption of a trustworthy budget, but this can apply only to operating expenses, excluding selling expenses, which must fluctuate with the amount of business transacted.

At the foot of statement III is an estimate of the earnings based on a percentage of collections (see par. 12-13). At the end of the year, this estimate should approximate the final and exact statement of earned profits.

The arithmetical accuracy of the statement is easily proved, for the "total net expense \$3,329.48" is the difference between the dr. and cr. columns for the month, and \$4,470.48—\$1,141.00 is \$3,329.48.

18-11. Distribution of Vouchers for the Month is simply a list of the totals of the distribution columns in the voucher record. The total must agree with the credit item in the trial balance, account No. 250, \$4,447.10.

It would read:

August statement IV

No. 2 Advances.....	\$1,250
No. 3 Accounts payable	50
Etc., etc., etc.	

Naturally, the amounts will not always agree with the debit items on the trial balance, for the latter frequently include journal entries which do not pass through the voucher record.

REPORTS FOR CEMETERIES

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18-12. Resources and Their Disposition for August, 1931.

August statement V

Resources:

Assets reduced:

Cash collected on contracts.....	\$3,784.00	
Cash collected on options.....	170.00	
Accounts receivable.....	60.00	
Salesmen's special accounts.....	12.00	
Discounts on contracts.....	150.00	
Contracts cancelled.....	435.00	
Lots sold at cost.....	550.00	
Notes receivable.....	986.00	\$ 6,147.00

Liabilities increased:

Contingent commissions.....	\$1,200.00	
Voucher account.....	289.93	1,489.93

Reserves increased:

Perpetual care & fund.....	1,375.00	
Depreciation	30.00	1,405.00
Unrealized profits.....		3,575.00
Cash on hand August 1st.....		2,245.75
		<u>\$14,862.68</u>

Disposition of the foregoing:

Expenses, net per statement III.....	\$3,329.48	
Liabilities reduced:		
Accounts payable.....	50.00	
Assets increased:		
New development.....	525.00	
Equipment	245.00	
Slate vaults.....	630.00	
Advances to salesmen.....	1,250.00	
Contracts	6,000.00	8,650.00
Markers	50.00	
Special care.....	205.00	
Cash in bank, August 31st.....	2,578.20	
		<u>\$14,862.68</u>

18-13. Analysis of Contract Receipts.

Except in very small cemeteries, it is advisable to analyze the cash collections on account of contracts, with two purposes in view:

First. To ascertain what portion of the collections belongs to the perpetual-care fund.

Second. To ascertain the amount of initial payments which are included in the total.

The first figure is used in a journal entry transferring the total to the reserve for perpetual-care fund (see chapter XIV), such as

Reserve for perpetual care.....	\$.....
To reserve for perpetual-care fund.....	\$.....
To transfer from collections for the month of.....	

If the first and second amounts above mentioned be deducted from the total collections on contracts, there remains the amount of the regular or normal collections, which can be compared with the amount shown to be due by the collection tickler (par. 10-22). This indicates whether the collections have been above or below par.

This analysis is made by listing on 4-column paper all receipts from contracts for a month. Column 1 shows all the collections; each item is compared with the customer's account in the sales ledger and is then placed in the appropriate one of the remaining three columns, which are headed, respectively:

Regular instalments
First payments
Perpetual care

Some readers may consider the above statement too technical, but when one has become accustomed to it, it gives a clear view of the month's business.

It is prepared directly from the trial balance, eliminating one or two cross entries found in statement VI.

18-14. *Analysis of Contracts Account.*

August statement VI

Balance from last statement.....		\$84,263.50
Additions:		
Sales		6,000.00
		<u>\$90,263.50</u>
Deductions:		
Cash collected.....	\$3,784.00	
Discounts allowed.....	150.00	
Options transferred.....	252.00	
Cancellations	435.00	
		<u>4,621.00</u>
Balance carried forward.....		<u>\$85,642.50</u>

The main purpose of this statement is to show how the sales have been reduced, that is by cash, discounts, cancellations, etc.

A secondary purpose is to give the information required to eliminate cross entries, e.g. options transferred, where the debit entry of \$252 on the trial balance is cancelled by a credit entry of the same amount in this analysis.

18-15. *Sales Made—Cancellations—Options and Deeds Given.*

The record of sales made, cancellations, etc., consists of a list showing:

August statement VII

- No. of sale, option or deed
- Name of customer
- Description of lot
- Amount of sale

It is of particular use where duplicate records are kept at a place distant from the cemetery and provides some proof that all transactions have been duly entered on the books.

If desired a statement showing the results obtained by each salesman, taken from the form No. 8 (par. 8-14) may be included.

18-16. The Condensed Balance-sheet should be taken from the trial balance and condensed sufficiently to be shown on one page of the report.

18-17. The Superintendent's Reports.

Under the heading "superintendent's reports" fall the various reports of physical operations, of all work performed at the cemetery and of such financial transactions as occur there.

Usually the most important item is labor. The cost of this may easily be determined and distributed by using a payroll of appropriate form. Many such forms can be obtained at commercial stationers' or, as is preferable, a special form may be prepared such as form No. 36.

18-18. Equipment.

The superintendent should be furnished with a list of all equipment and supplies on hand when he takes charge, and such lists should be checked periodically.

Among the more important items commonly found are vaults, of which periodic inventories are necessary to prove that all proper charges have been made for vaults used.

18-19. Lots Sold.

Where the office is distant from the cemetery, the superintendent should be provided with a loose-leaf record showing every sale as it is made, such as form No. 25 (par. 11-11). This can be in loose-leaf form, with a page devoted to each lot, and accompanied by a card index which will show the name and particulars of each person interred.

Perhaps the most convenient way to maintain these records is to have them taken to the office weekly for the purpose of making the necessary additions.

REPORTS FOR CEMETERIES

Name _____ Week Ending Friday, _____ 193__

Rate _____ per hour

	G R A S S						Fondu- sions	Inter- ments	Flowers/Nursery	Water	Repairs	TOTAL HOURS	TOTAL WAGES
	CUTTING Hand Mach.	Sweep- ing	Fertiliz- ing	Plant- ing	Insect.								
Saturday													
Sunday													
Monday													
Tuesday													
Wednesday													
Thursday													
Friday													

CEMETERY ACCOUNTS

18-20. An alternative plan is to use a form similar to the following, a copy of which is made and sent to the superintendent for each sale made. One copy is retained in the office. The superintendent enters the particulars in his two indexes and keeps the notice on file.

.....Cemetery Association

.....193....

No. 204

To the superintendent:

Please enter the following sale on your records:

Sale No.....

To.....

Description:

Grave.....

Lot.....

Section.....

.....

Treasurer

CHAPTER XIX

The Annual Report

19-1 In General.

While the general form is similar to that used in real estate and other businesses, there appear in the balance-sheet certain items which are peculiar to cemeteries. These are shown in the accompanying form No. 38.

The total amount collectible on contracts is not available for the use of the concern—as it usually is in the case of a real-estate company—because a certain part of the amount to be collected must be paid into a perpetual-care fund or some maintenance fund. Therefore, it is proper to deduct the amount of the perpetual-care reserve from the total remaining unpaid on contracts.

The balance should show clearly whether or not all amounts which should have been deposited to any funds have been so deposited. In the example, account XVI shows that there is due to the fund \$889.16.

19-2. Perpetual-care Fund.

While some cemeteries show as an asset on their balance-sheets the amounts which have been deposited with the trustee or invested for the perpetual-care fund and offset this by a contra account such as “reserve-for-perpetual-care fund,” such a practice is not to be recommended. As a matter of fact and of law, as soon as money is deposited in the fund, which is usually controlled by an irrevocable trust, it ceases to be the property of the concern, which can neither use it nor control it; and it has no place among the assets. Of course, the association has the right, and is wise, to show the amount deposited in the fund as a matter of information and assurance to lot owners, but this should be shown in a foot-note, as indicated in the example.

CEMETERY ACCOUNTS

19-3.

OMEGA CEME
BALANCE-SHEET

ASSETS				
I	Cash in banks, Smith National bank.....	\$	1,037 70	
	First National bank.....		1,214 30	\$ 2,252 00
	Petty cash.....			50 00
				\$ 2,302 00
II	Contracts: Unpaid balances on lots sold on instalment plan.....		82,580 90	
	Less: Amount included in the above which will be payable to perpetual-care fund....		56,318 00	26,262 90
III	Notes receivable—in payment for lots.....			1,200 00
IV	Accounts receivable—for interments, etc.....		840 00	
	From salesmen for special advances.....		310 00	1,150 00
V	Equipment	Cost	Depreciation	Net
	Motor equipment.....	\$3,025 70	\$ 990 00	2,035 70
	Cemetery.....	1,006 20	260 00	746 20
	Furniture and fixtures....	3,656 00	515 00	3,141 00
	Furniture at cemetery....	514 50	51 00	463 50
		\$8,202 40	\$1,816 00	6,386 40
VI	Inventories:			
	Vaults on hand at cost.....			814 00
VII	Cemetery lots:			
	Cost of developed portion when completed....		215,840 00	
	Less: estimated expenditures still to be made....		12,542 00	
			203,298 00	
	Less: cost of lots sold to date.....		64,680 00	
			138,618 00	
	Cost of undeveloped area.....		51,189 01	189,807 01
VIII	New development: preliminary surveys of undeveloped portion....			630 00
IX	Prepaid expenses; unexpired insurance.....			215 00
				\$228,767.31

NOTE: In addition to the assets shown above there is held by the of which is to be devoted to the cost of maintaining the cemetery. This trust fund of each sale being set aside for this purpose.

FORM 38—Balance-

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TERY ASSOCIATION
30 JUNE, 1931

LIABILITIES

X	Accounts payable: for lots repurchased	\$	322	00	
XI	Voucher account: current bills		718	00	
XII	Notes payable: To Smith National bank		5,000	00	
XIII	Provision for income and other taxes		2,500	00	
	Total current liabilities		8,540	00	
XIV	Options: deposits received from prospective purchasers		1,750	00	
XV	Contingent commissions payable as the "contracts" are collected	\$	2,560	00	
	Less: advances already made to salesmen on account of above		2,320	00	240 00
XVI	Perpetual-care fund; amount due to the fund from collections made		889	16	
XVII	Unrealized profits on outstanding contracts, contra item II		62,815	00	
					74,234 16
XVIII	Net worth:				
	Capital stock outstanding (authorized 1500 shares of \$100.00 each)		140,000	00	
XIX	Surplus	\$	14,282	00	
	Balance at July 1, 1930		14,251	15	
	Profit for the year per schedule B.	\$	28,533	15	
	Less dividends paid		14,000	00	14,533 15

\$228,767 31

Trust Company, as trustee, the sum of \$15,840 in an irrevocable trust, the income is being constantly increased from collections on sales, the last twenty-five percent

sheet for cemeteries

19-4. *The Profit-and-loss Account* is prepared to show the result of transactions which have occurred during the period stated in the caption of the report, and if the suggestions contained here have been followed, there should be no difficulty in preparing the statement, which usually consists of five parts, namely:

I. All earnings,

from the total of which is deducted the sum of the following groups of expenses:

- | | |
|-----------------|------------------|
| II. Maintenance | IV. General |
| III. Selling | V. Extraordinary |

Usually the chief item of earnings is the realized profit on sales of lots, which is determined as described in chapter XII. The other earnings and the expenses are the balances of the respective accounts as shown on the trial balance after all necessary adjusting entries have been made.

When there are additional activities, such as a crematorium, greenhouse, receiving vault, etc., the accounts may be treated in the same manner as are those for foundations, special care, etc.

The statement of profit-and-loss related to the balance-sheet given above is as follows:

19-5.

..... Cemetery Association

Statement of Profit-and-loss for the Year Ended June 30, 1935

Income:

Realized profits on sales.....	\$51,744.00
Profits from cancellations.....	426.00
Interest collected.....	814.00
Interments.....	5,400.00
Foundations.....	2,600.00
Markers.....	350.00
Special care.....	675.00
Miscellaneous income.....	135.15
Total gross income.....	\$62,142.15

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Expenses:

Maintenance:

Cemetery expense.....	\$ 9,400.00
Electric current.....	546.00
Beautification.....	1,200.00
White truck.....	360.00
Depreciation.....	200.00
Total maintenance expense.....	<u>\$11,706.00</u>

Selling expenses:

Advertising.....	\$ 1,760.00
Automobile expense.....	800.00
Automobile depreciation	560.00
Ford car.....	480.00
Spare car.....	250.00
Commissions.....	12,200.00
Discounts.....	860.00
Life insurance.....	1,040.00
Removals.....	320.00
Selling expenses.....	<u>268.00</u>
Total selling expenses.....	\$18,538.00

General expenses:

Auditing.....	350.00
Automobile-office car.....	365.00
Charity.....	45.00
Depreciation.....	260.00
General expense.....	124.00
Insurance.....	86.00
Interest paid.....	210.00
Legal expense.....	500.00
Management.....	6,000.00
Office payroll.....	2,500.00
Office supplies, etc.....	212.00
Postage.....	150.00
Rent.....	1,800.00
Subscriptions.....	30.00
Taxes & licences.....	75.00
Telegrams & telephones....	540.00
Travel.....	180.00
Total general expenses.....	<u>\$13,427.00</u>

CEMETERY ACCOUNTS

Extraordinary expenses:

Advances written off... \$ 1,240.00	
Loss on equipment destroyed..... 480.00	
Total extraordinary expense....	<u>\$ 1,720.00</u>
Total expenses.....	<u>\$45,391.00</u>
Profit from operations.....	16,751.15
Less: provision for federal in- come tax.....	<u>2,500.00</u>
Balance, carried to surplus account	<u>\$14,251.15</u>

FORM No. 39—Profit-and-loss account

19-6. Schedules to Accompany the Balance-sheet.

The extent to which supporting schedules should be included in an annual report must be determined by the circumstances of each case and by the predilections of persons concerned.

Perhaps the typical report would be such as would be rendered by an accountant called in for the first time, after an association had been operating for some years, who was instructed to make a complete report.

Such an accountant's report might well include the following:

- Exhibit A Balance-sheet
- " B Condensed comparative balance-sheet
- " C Detailed statement of profit-and-loss
- " D Condensed comparative statement of profit-and-loss
- " E Analysis of the surplus account
- " F Statement of changes in the financial condition during the period under review, similar to that shown in par. 18-12

19-7. As to the assets:

Schedules of: contracts, showing the unpaid balances, the unrealized profits and the uncollected perpetual-care portion on each contract
Notes and accounts receivable
Equipment
Details of cost of lots

There would also be statements regarding all trust funds and all investments made by the association.

19-8. As to liabilities:

Schedules of:

- Vouchers payable
- Accounts payable
- Commissions payable and advances made against them
- Notes payable
- Bonds and mortgages payable

Memorandum regarding contingent liabilities. List of stockholders.

19-9. Schedules supporting items in the profit-and-loss account.

Comparative statement of lot sales and collections, by months and by years.

Statements showing the results of operating departments, such as greenhouses, receiving vault, etc.

Analysis of total contract account, similar to that shown in par. 18-13.

19-10. *General Statements.*

Analysis of cash collections by months, as in par. 18-14. The value of such statements is increased if the actual cash collected be compared with theoretical collections.

Statistics, showing the number of lots sold, average prices, interments, etc. par. 18-8.

A brief history of the association with names of officers, etc.

19-11. These statements are usually accompanied by comments on the balance-sheet and on the profit-and-loss statement, describing the accounts and giving all explanations necessary to enable a reader to understand the meaning of the figures submitted.

It is a good practice to open the report with brief general statements of the results for the period and of the current financial condition.

19-12. Whether all these statements accompany the report or not, the accounts and records should be so kept that all the information is obtainable. In any event, the statements of assets and liabilities should be prepared to prove the accuracy of the books.

CHAPTER XX

Miscellaneous

20-1. *Equipment.*

In a cemetery there are commonly three classes of equipment:

1. Equipment at the cemetery
2. Equipment at the office
3. Equipment in special buildings

Records of each of these should be kept separately, and the cemetery equipment frequently requires subdividing in some manner such as the following:

Funeral equipment

Lowering devices
Tents
Chairs
Grass mats, etc.
Grave-digging appliances

Maintenance equipment

Mowing machines
Tractors
Trucks
Teams and wagons

Some superintendents include loose tools, such as spades, shovels, rakes, brooms, etc., but these wear out so quickly that, probably, it is better to regard all expenditures for replacements of these as current expenses.

Inventories of all this equipment should be taken periodically.

Office equipment includes office furniture, typewriters, filing cabinets and similar articles. It may be divided between office and cemetery, if there be an office at the latter place.

Building equipment varies greatly and includes the fittings for any such buildings as chapel, receiving vault, crematorium, etc.

The records show the nature of the articles, the date of purchase and cost, so that depreciation may readily be calculated as described below.

20-2. Depreciation.

All equipment is subject to depreciation and that on the three classes mentioned is an operating expense deductible when determining profits or when calculating the federal income tax.

The annual statement of depreciation prepared to accompany income-tax returns may be similar to that shown in the following form:

Column	1	Description of the property
	2	Date of acquisition
	3	Cost
	4	Additions in prior years
	5	Additions in current year
	6	Deductions in current year
	7	Expected life, expressed in years
	8	Annual rate of depreciation
	9	Amount of depreciation charged in former years
	10	Amount of depreciation charged in current year
	11	Total amount of depreciation
	12	Depreciated value of the property at the end of the current year

FORM NO. 40—Depreciation statement

20-3. Depreciation on Improvements.

There is another class of depreciation which should be included but is frequently overlooked—that is depreciation of the improvements, such as roads, water system, gates and fences, electric installations.

All these improvements are long lived, but there must be allowance for their deterioration, especially if perpetual care be considered. For example, if a water system cost \$20,000 and has an estimated life of 50 years, the annual depreciation would be 2 per cent., or

\$400—yet many cemetery associations ignore this entirely. The amount, whatever it may be, must be provided at some time, either from the current earnings or from the perpetual-care fund, and the only method of ensuring its availability is to allow for it when determining the amount required for perpetual care, to deduct it periodically and to reinvest it for this specific purpose. If it be taken into the current income, it will be spent and will disappear; if it be added to the principal of the perpetual-care fund, it can never be withdrawn. If provision be not made, whence are future managers to obtain the money to replace the water system in 50 years? While it may be true that the system will give way in parts, rather than following the example of the "one hoss shay," the principle remains unchanged.

Obviously, roads will not last forever, especially if light construction be used. Fences and gates are sure to need replacement.

This matter appears to have received scant attention, but it should have the serious consideration of managers and of trustees.

20-4. Legal Matters.

Attention has already been called to the importance of obtaining sound legal advice in organization and in the preparation of deeds, contracts, etc. In addition to the questions arising in the regular business of the corporation, cemeteries have troubles peculiar to themselves, such as objections to the establishment of a cemetery in a given neighborhood, the right to remove bodies or to resell lots in cases where the purchasers have become delinquent, the right to control all things which happen within the cemetery.

No general answers can be given to questions which may involve such matters. In each instance the laws of the state must be consulted. The advice of counsel is a necessity and should be obtained before any regulations are drawn or any action is taken.

20-5. Forms of Deeds and Contracts.

The forms of deeds and contracts are so varied that no general description can be given. However, the accountant should examine whatever form is adopted to see that attention has been given to those matters of particular interest to him, such as the wording as

to interest, etc. He should also examine the mechanical form to see that proper spacing has been allowed for words to be inserted in the completed document.

Care must be taken to insure proper reference to any restrictions under which a lot is purchased, and it is convenient to have all such restrictions, with the rules of the cemetery, printed on a separate sheet, a copy of which is delivered with each deed and contract.

Some cemetery associations give a certificate of title, or a special form of contract, in place of a deed of conveyance, but it is doubtful if this is always the best course to follow. Probably, most purchasers prefer a deed in a form to which they are accustomed, while it is possible that a strictly orthodox Jew, who adheres to the letter of his law, will require that a "deed" be given for a lot before anyone of his faith may be buried in it, and a certificate of title probably would not be accepted. Similar objections apply with additional force to documents which are drawn in such a form that they are not acceptable for record.

20-6. Salesmen's Requirements.

Apart from legal requirements certain clauses are sometimes inserted in order to assist the sales force, and the following have been recommended by A. L. Godfrey, an acknowledged authority on this question:

Insurance clause

with restrictions as to age and health, gives the family of the purchaser the lot free in the event of death.

Interest clause

eliminating all interest except on delinquent payments. It is better to include interest on basic price than to handicap sales by adding it.

Perpetual-care clause

should be definitely stated.

Exchange clause

providing lot may be sold, transferred or exchanged for another before interment, with suitable restrictions.

Forfeiture clause

providing, in case of cancellation, that buyer receive credit for a fair portion of the purchase price on a future purchase of a similar lot.

Contingency clause

permitting justifiable extension of the time.

Emergency interment clause

in the event of a death in the family, permitting exchange to a similar plot in a developed section, without increase in price.

MODEL FORMS FOR DEEDS AND CONTRACTS

While it is true that no one form will be suitable in all cases, there are given below three forms for deed, contract and sale of a single grave, respectively, which are used by one cemetery and are the result of a good many years' experience and the combined opinions of lawyers in several parts of the country who have been interested in this particular cemetery and are experienced in matters relating to cemeteries. They form a safe guide to follow. In this particular instance the originals are all printed on white paper, and carbon duplicates, made on pink, blue and green paper, respectively, are used for the office record of all papers which are executed.

It is of the first importance that a correct record be kept showing all particulars of every deed issued. For this purpose nothing is better than a carbon copy of the document which is executed.

It will be noticed that the following forms convey only certain rights of use and not any fee title.

INSURANCE ON THE LIVES OF LOT PURCHASERS

20-7. The practice of insuring the lives of those who purchase lots appears to be growing in popularity to an extent sufficient to warrant some discussion of the matter.

As in all forms of insurance, the security desired may be obtained by any one of three methods:

1. By obtaining insurance from an insurance company.
2. By setting aside certain amounts periodically to form a sinking fund of sufficient size to meet the probable demands which will be made upon it on account of deaths of the purchasers.

3. By trusting to luck and agreeing to give title to lots in those cases where purchasers die before their payments are fully completed.

METHOD No. 1

20-8. A few years ago it was possible to obtain a form of group insurance on the lives of lot purchasers for the terms of their respective contracts, but it was found that these contracts were in force for so short a time that the business was not profitable to the insurance companies and it was abandoned. I know of no company which will furnish such insurance today.

20-9. *Straight-life Policies.* However, inexpensive straight-life insurance may be obtained from the old, well established, mutual companies, and the following figures may be accepted as indicating very closely what may be done:

Let us take the case of a healthy person, 35 years of age, who undertakes to buy a lot for \$500 under a contract extending over three years.

If such a life be insured for \$500, the premiums—less the dividends accruing—for the three years will probably amount to about \$34.25. At the end of that time the policy will have a cash-surrender value of about \$22.61, so that, if the policy be surrendered by the cemetery company at the end of three years, the net cost to that company will have been \$11.64 (that is, \$34.25 less \$22.61), or \$3.88 a year; or about three-quarters of one per cent per annum.

If the insured purchaser die at any time within the three years, the cemetery company will receive—in addition to the payments made by him on account—the full amount of the insurance, \$500, thus reaping an additional profit above that yielded by the sale itself.

If an insured purchaser complete his contract, the cemetery company may surrender the policy and receive therefor \$22.61; or it may sell it to the purchaser for this amount if he desire to continue it. In the latter event he obtains, at the age of 38, insurance on which the premiums are based on the age of 35, effecting a material reduction to him.

The results shown above are illustrative, but similar results are obtained with varying terms and varying ages. For example, if the

DEED

THIS INDENTURE, Made this day of A. D. 193....., between
 HIGHLAND CEMETERY ASSOCIATION, hereinafter called the ASSOCIATION, and.....

 of....., in the state of.....
 hereinafter called the purchaser.

WITNESSETH: That the association in consideration of..... (\$.....)
 in hand paid, receipt of which is hereby acknowledged, does hereby grant, bargain and convey to said purchaser the per-
 petual and exclusive right to use and occupy all that certain plot and parcel of land and premises lying and being in the
 county of and state of, particularly known and designated upon the map of Highhill
 Cemetery, now on file in the home office of the association:

Graves..... Lot No..... Section.....
 for burial purposes only for members of the Caucasian race, subject to state and municipal laws, ordinances and regula-
 tions, and to the rules and regulations of the association now or hereinafter in force, with all of which the purchaser agrees to
 abide.

It is understood that of the above mentioned sum of \$..... to be paid by the purchaser, seventy-
 five per cent. shall constitute the purchase price of the said lot and the remaining twenty-five per cent. shall be used for main-
 tenance and perpetual care as follows:

When the price of any grave or lot upon said map in Highhill Cemetery is paid in full, the association will pay over a sum equal to ten per centum (10%) of such price to one or more banks or trust companies, as a perpetual-care fund, or funds, for the perpetual care and beautification of the cemetery, in the manner provided for in its by-laws, said banks, or trust companies, to administer the principal of such fund, or funds, and also to set aside a further fifteen per centum (15%) of the price of any grave or lot, which is to be used for the sole purpose of maintaining the cemetery, until all the lots contained therein have been sold, and to keep separate account of this sum in the manner prescribed in its by-laws.

All private care, planting or improvements in the cemetery must be in conformity with the association's restrictions.

No transfer of any of the rights of the purchaser under this deed shall be effective until the association has been notified and has consented thereto.

This deed and all the covenants therein contained shall be binding upon the heirs, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, The association has caused these presents to be signed in its name by its president and its corporate seal to be affixed, and attested by its secretary, the day and year first above written.

HIGHHILL CEMETERY ASSOCIATION

Attest:
By PRESIDENT

SECRETARY

Witnesses:
.....
.....

CONTRACT

THIS AGREEMENT, Made this.....day of....., A. D. 193....., by and between the Highhill Cemetery Association, a corporation, hereinafter called the association, and..... of....., in the state of....., hereinafter called the purchaser.

WITNESSETH: That the purchaser hereby agrees to purchase from the association all that certain plot and parcel of land and premises lying and being in the county of....., state of....., particularly known and designated upon the map of the Highhill Cemetery, now on file in the home office of the association, as:

Graves..... Lot No..... Section.....

and agrees to pay therefor the sum of

.....dollars (\$.....)

with interest from date on all balances remaining from time to time unpaid at the rate of 6% per annum, payable.....

.....dollars (\$.....)

in cash, the receipt whereof is hereby acknowledged, and the balance of principal and interest in..... payments of

.....dollars (\$.....)

each, payable on the.....

Upon and after the payment of the whole purchase price, with interest, as aforesaid, the purchaser shall have the perpetual and exclusive right to use and occupy said lands for burial purposes only for the members of the Caucasian race, subject to state and municipal laws, ordinances and regulations and to the rules and regulations of the association now or hereinafter in force, with all of which the purchaser agrees to abide.

Upon payment of the last of said instalments the association will deliver a deed, or deeds, for said lands to the purchaser, which deed, or deeds, will contain the covenants and conditions hereinbefore and hereinafter set forth.

All private care, planting or improvements in the cemetery must be in conformity with the association's restrictions. Should the purchaser fail to perform any of the foregoing agreements, and should such default continue for 90 days, all the rights of the purchaser, under this agreement, shall thereupon forthwith terminate without legal process and the association may retake possession of said lands and remove any bodies therein to a special single-grave section, and all payments made by the purchaser may be retained by the association, at its option, as liquidated damages.

It is understood that of the above mentioned sum of \$..... to be paid by the purchaser, seventy-five per cent. shall constitute the purchase price of the said lot and the remaining twenty-five per cent. shall be used for maintenance and perpetual care as follows:

When the price of any grave or lot upon said map in Highhill Cemetery is paid in full the association will pay over a sum equal to ten per centum (10%) of such price to one or more banks or trust companies, as a perpetual-care fund, or funds, for the perpetual care and beautification of the cemetery, in the manner provided for in its by-laws, said banks, or trust companies, to administer the principal of such fund, or funds, and also to set aside a further fifteen per centum (15%) of the price of any grave or lot, which is to be used for the sole purpose of maintaining the cemetery, until all the lots contained therein have been sold, and to keep separate account of this sum in the manner prescribed in its by-laws.

No transfer of any of the rights under this contract shall become effective until the association has been notified and has consented thereto.

This contract embodies the entire agreement between the parties hereto, and no promises, statements, or representations not expressly included herein shall be binding upon either of the parties; this contract shall inure to the benefit and be binding upon the heirs, successors and assigns of the respective parties hereto.

All cheques must be drawn to the order of Highhill Cemetery Association.

IN WITNESS WHEREOF, the parties hereto have duly signed, sealed and delivered these presents.

..... PURCHASER

HIGHHILL CEMETERY ASSOCIATION

By..... PRESIDENT

Attest: SECRETARY

PERPETUAL FULLY PAID BURIAL LEASE

THIS LEASE, Made this day of, A. D. 193....., between
 HIGHLAND CEMETERY ASSOCIATION, hereinafter called the lessor, and
 and state of, hereinafter called the lessee;
 of the county of

WITNESSETH: That the said lessor, for and in consideration of the sum of
dollars (\$)
 to it in hand paid by the lessee, the receipt whereof is hereby acknowledged, leases and lets unto the said lessee the perpetual
 and exclusive right to use and occupy for burial purposes only of the body of the late:
; deceased,
 Grave numbered of lot in section

HIGHLAND CEMETERY on county,, according to the plat of said cemetery on file in the
 office of said lessor, subject to state and municipal laws, ordinances and regulations, and to the rules and regulations of the
 association now or hereinafter in force, with all of which the purchaser agrees to abide.

It is understood that of the above mentioned sum of \$..... to be paid by the lessee, seventy-five per
 cent. shall constitute the purchase price of the said grave and the remaining twenty-five per cent. shall be used for maintenance
 and perpetual care as follows:

When the price of any grave or lot upon said map in Highhill Cemetery is paid in full, the association will pay over a
 sum equal to ten per centum (10%) of such price to one or more banks or trust companies, as a perpetual-care fund, or funds,

for the perpetual care and beautification of the cemetery, in the manner provided for in its bylaws, said banks, or trust companies, to administer the principal of such fund or funds, and also to set aside a further fifteen per centum (15%) of the price of any grave or lot, which is to be used for the sole purpose of maintaining the cemetery, until all the lots contained therein have been sold, and to keep separate account of this sum in the manner prescribed in its bylaws.

All private care, planting or improvements in the cemetery must be in conformity with the association's restrictions.

It is expressly covenanted and agreed that no body shall be interred in said grave except the body of the late:

....., deceased, and any permanent removal of said body from said grave by the family of said deceased, or any other person having the custody or control of said body or by legal or lawful authority, shall terminate and cancel this lease and the right of possession, custody and control and ownership of said premises shall revert to the lessor as fully and effectually as if this lease had never been entered.

IN WITNESS WHEREOF, HIGHHILL CEMETERY ASSOCIATION has caused this lease to be signed in its name by its president, and its corporate seal to be hereunto affixed, attested by its secretary, by authority of its directors; and the said lessee has hereunto set his hand and seal, the day and year first above written.

Signed, sealed and delivered in the presence of:

HIGHHILL CEMETERY ASSOCIATION

..... By
As to LESSOR PRESIDENT

..... Attest:
..... SECRETARY

..... As to LESSEE (SEAL)

assured were 35 years of age and the contract ran for five years, the premium paid, less dividends, would be about \$55.07, and the cash-surrender value would be about \$36.94, leaving net expenditures for the five years of about \$18.13, or \$3.65 a year, or about three-quarters of one per cent. per annum. If the assured were 45 years of age and the contract ran for three years, the net premiums would be about \$49.88 and the cash-surrender value about \$16.84 or \$5.61 a year; or slightly over one per cent. per annum.

While no insurance company guarantees the amount of dividends which it will pay, the figures used here are based on what have been paid in the years lately past and may be expected for the years soon to come.

It is understood that such insurance is written only after a medical examination, and clauses in the sale contracts relating to the insurance should state specifically that they are subject to the insurability of the purchaser. The expense of all such examinations is borne by the insurance company. In all such policies the cemetery company should be named as the beneficiary and that company should retain possession of the policies.

The scope of this insurance may be extended by an undertaking on the part of the cemetery company to refund to the estate of the deceased purchaser the total amount which has been paid. Under such conditions, the concern collects the insurance, thus insuring the receipt of its full profit on the sale, while the return of the instalments made will be sufficient, in most cases, to defray the cost of the funeral—thus accomplishing the two-fold purpose of insuring the cemetery company against loss and providing funeral insurance for the purchaser.

METHOD No. 2 (sinking fund)

20-10. The various tables of life expectancy show that about 2.7% of people now living aged 35 years will die in the succeeding three years, but in the case of lot purchasers the percentage is far smaller than this, because this class does not, as a rule include uninsurable risks. I know of no data available to determine this percentage exactly, but such experience as I have had with many thousands of

instalment sales, as well as the experience of others, indicates that $1\frac{1}{2}\%$ is a liberal allowance.

If this be accepted, it means that, on a contract such as is described above, if the company set aside $1\frac{1}{2}\%$ a year, that is, \$7.50 a year for three years, or \$22.50 in all, and invested this, the amount of the fund so created would be insufficient to satisfy the unpaid balances of all contracts with purchasers who had died.

METHOD No. 3

20-11. Under the third method all that is necessary is the insertion, in the contract of sale, of a clause providing that if the purchaser die during the term of the contract, and if all instalments have been paid to date, the concern will convey to the estate of the deceased, without further payment, title to the lot which is being purchased.

Such agreements do not provide for any medical examination and, therefore, usually apply equally to all purchasers.

Obviously this method relieves the concern of the necessity of paying any premiums or creating any trust fund. In the entire transaction the only thing which the cemetery loses is the actual cost to it of the lot which is conveyed, which is usually a small fraction of the sale price and is covered by the first payment made by the purchaser.

While no statistics are available to indicate the average cost to the concern of such insurance, owners who have used this plan confirm my own experience that the percentage of deaths among purchasers is so small that the cost to the concern is almost negligible, especially in the case of low-priced lots.

However, it must be remembered that the conveyance of a lot, while it is only partly paid for, involves the cancellation of profits which have been entered in some form on the books and, therefore, will reduce the profits shown on the profit-and-loss statement.

20-12. Whatever plan may be adopted, it must always be remembered that this form of insurance is carried for two specific reasons, namely:

1. To assist the salesmen to make more sales.
2. To assist the administration in making more collections.

Probably the first of these purposes is strengthened if the salesmen can assure prospective purchasers that policies will be taken with some company with a world-wide reputation, and that such a statement will have more weight than a mere promise to convey property. In addition, such a policy as is suggested gives the purchaser an opportunity to obtain extremely inexpensive life insurance or, under the extended plan mentioned above, provides him with some funeral insurance.

Regarded from the point of view of the sales manager, the second method has nothing to recommend it; its attractiveness is solely to the financial officers, for it assures them that their profits will not be impaired in the event of the death of a purchaser.

The third method gives the purchaser as ample security as does the first and costs the cemetery very little, but it gives the purchaser no additional insurance and no funeral benefits.

20-13. *Phraseology of Sales Contracts.* Whatever form of life insurance be given, it is of the first importance to see that the sales contract is so worded that the validity of the insurance depends, not only on the insurability of the life of the purchaser, but upon the fact that all accrued instalments have been paid on the contract and that there are no arrears of any kind at the time of his death. I believe this to be the greatest aid to collections which has yet been suggested.

While an accountant can only suggest methods to be used and can not dictate, I add that, if anything be worth doing at all it should be done in the best manner possible, and a long, wide and intimate experience with this class of business causes me to lean strongly to the opinion that the first plan suggested, No. 1, coupled with the extended provision as to the return of instalments already made, affords the greatest assistance to the sales force and to the administrative force and, therefore, is the plan most apt to yield the best results.

CHAPTER XXI

Auditing

21-1. In general the audit of the accounts of cemeteries follows the recognized line of procedure, and I mention here only those matters which are peculiar to the business under discussion.

Care should be taken to see that the methods pursued are adequate and satisfy both the demands of accountancy and the requirements of the treasury department. It is assumed that the usual verifications will be made as to securities claimed, as to outstanding liabilities and as to the general accuracy of the books.

21-2. Among the more important items are the following:

1. The cost of the property and of the improvements.
2. The existence of any obligations assumed by the concern in the acquisition of any of the property.
3. The proper allocation of the cost to individual lots.
4. Verification that all sales made are properly entered.
5. Analysis and verification of the profits and of the realized and unrealized profits, as shown on the profit-and-loss statement and the balance-sheet, respectively.
6. An examination of overhead expenses, especially where several cemeteries are handled in one office.
7. An examination of commissions, both earned and contingent.
8. An examination as to commitments in the development, buildings and, especially, maintenance.
9. An examination of current liability under securities which have been sold.
10. If there be more than one tract of property involved, the accounts should be analyzed.
11. Depreciation charged should be checked, and an examination should be made to see that nothing has been omitted and that the rates charged are reasonable.

12. Verification of all cash collections, and the means taken to insure proper entry of such items.
13. Sales should be tested against the selling-price list to ascertain if the nominal prices have been obtained.
14. If there be instalment sales, the method of charging interest should be examined and tests made of the accuracy of calculations.

21-3. Inventories.

In effect the list of unsold lots is the inventory of a subdivision or of a cemetery, and if proper records have been kept this is one instance in which an auditor can properly certify as to the correctness of that inventory by verifying the list of lots.

21-4. Securities.

All notes receivable can be and should be checked with care, for it will often be found that the files still contain notes which have been paid and other notes which bear no endorsement to show payments which have been made on account. Not infrequently there will be notes relating to sales which have been cancelled.

It is especially important to examine for such errors all securities which have been hypothecated, on which the concern still makes collections.

21-5. Liabilities.

It is imperative to scrutinize all records of property acquired, whether by purchase or exchange, to ascertain that all liabilities are entered on the records—particularly to see whether such liabilities have been assumed by the concern or not.

21-6. Contingent Liabilities.

All available means should be used to ascertain whether or not any contingent liabilities exist, especially in those offices where mortgages or contracts are discounted or sold, for, almost invariably, the purchasers of such obligations require the endorsement of the concern on all notes which it sells—a condition which sometimes leads to heavy contingent liabilities or losses.

21-7. Auditing Funds, Corporate Records, Etc.

In addition to the items mentioned above, attention should be given to the following:

All funds for perpetual care, for maintenance or for any other purpose, whether arising from collections, from gifts or from bequests, should be carefully examined. The bylaws, minutes, wills, trust agreement or deeds controlling them should be studied to see that all requirements have been met.

21-8. All Reserve Accounts Should Be Analyzed.

Proof should be obtained that all amounts due to perpetual care or other funds have been provided and placed in the funds and that the entries relating thereto are not merely bookkeeping entries, as has sometimes been the case.

21-9. Where there are sales contracts outstanding, which include amounts which will be payable to a fund when collected, the sum of all such amounts should be deducted from the total face value of the contracts when any statement is prepared.

Sales contracts are often hypothecated, and the auditor should state whether or not such action has been taken and, if so, to what extent.

The treatment of trust funds in the balance-sheet should be considered in the light of the remarks in chapter XVI.

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