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Grain Trade Accounting in Canada

BY MILTON T. HOWARD

Competent authorities agree that the buying and selling of grain is the most complex and difficult form of merchandising known to the world today. The margin of profit on the business transacted is relatively small, and there are many opportunities for the development of serious losses which, unless detected and checked, may lead to disastrous results. Gradually, down through the years, the present policies, methods and organization of the grain trade have evolved.

For the benefit of those who are not acquainted with the various operations in the marketing of the Canadian grain crop, a few words relative to the general conditions under which the business is conducted may be appropriate.

Canada's claim to consideration among the important grain-producing and exporting countries of the world is based upon the production and export of wheat. Other grains such as oats, barley, flax and rye are also produced in considerable volume. The wheat production of Canada, however, is exceeded only by that of the United States and of Russia, while in volume of wheat exported Canada has taken first place in recent years.

More than 90 per cent. of the wheat produced in Canada is grown in the provinces of Manitoba, Saskatchewan and Alberta, commonly known as the "prairie provinces." The bulk of the grain from western Canada moves eastward to Fort William and Port Arthur on Lake Superior, thence over the Great Lakes, canals and railroads to eastern milling centers or ports for export. The quantity moving westward for export via Vancouver and Prince Rupert has increased in recent years, however, and now represents a considerable volume. In general, the method of handling shipments by western ports is similar to that of the eastern route, except that the grain moves direct from the country or interior terminal elevator without the necessity for an intermediary such as the lake shipper.

The actual movement of grain is handled by four more or less distinct types of agencies, namely: country elevators (usually owned and operated by what are known as line companies), terminal elevators, shippers and exporters. The activities of

some companies cover only one type of agency while other organizations combine the operations of two or more agencies.

The grain trade of western Canada is at present about evenly divided between agencies, usually incorporated companies (which do their marketing through the Winnipeg grain exchange) and a group of coöperative organizations of farmers known as the "pool." The "pool" comprises the provincial pools of Manitoba, Saskatchewan and Alberta. These associations operate as units in the assembling, shipment and sale of grain, both domestic and export.

This article deals with the functions and activities of corporations of medium size which are not members of the "pool," although the accounting methods probably would not vary greatly between the two types of organizations. As far as possible the relative data are presented in sequence of actual transactions from the time the grain is delivered to the country elevator until export delivery has been made.

As stated previously, the actual movement of grain is handled by four more or less distinct types of agencies, namely, country elevators, terminal elevators, shippers and exporters. The first class takes care of the purchase and movement of grain from the country point to the terminals. The terminals receive and store the grain until sale has been made by the first group and delivery is called for by the miller or shipper. The third group, the shippers, consists of the concerns that buy the grain from the country and line elevators (usually through the facilities of the Winnipeg grain exchange) and transport it to a port on the eastern end of the Great Lakes or to Montreal, New York or one of the other large seaports. Many of the shippers have connections with exporting firms, though rarely have they an exclusive agency. The exporters negotiate the sales to buyers in other countries, filling their orders by purchases from the shippers.

Numbers of country elevators are owned by the large milling companies, but, with the exception of those operated by the "pool," most of them are owned by line elevator companies.

Some organizations combine the operations of two or more agencies, but in such cases, inasmuch as the nature of the operations of each of the types of business is quite distinctive, the usual procedure is to segregate them into departments operating as separate units and conducted much the same as individual agencies of like nature.

ORGANIZATION

Line elevator and terminal elevator companies are, in most instances, incorporated under the Dominion companies act, with an authorized capital of from \$1,000,000 to \$5,000,000. The head office of the company is usually in Winnipeg, Manitoba, and the business is conducted from there by a managing director or general manager who is responsible to the board of directors, who are in turn responsible to the shareholders of the company.

Shippers and exporters are also usually incorporated companies with a moderate capitalization and having their main offices in Winnipeg or one of the eastern centres, from which their operations are conducted.

COUNTRY ELEVATORS

The operations and activities of companies engaged in the grain trade commence with the country elevator. The majority of country elevators are owned and operated by line companies, that is, as the name implies, by companies which own a number of elevators situated along the railroad lines in farming districts. The companies' business comprises the handling, purchase and sale of grain through the country elevators and the purchase and sale of grain in the markets of Winnipeg, Chicago or Vancouver. The elevator companies will either buy a farmer's grain or handle it for him on consignment. As a means of augmenting their income, many companies also handle such commodities as coal, wood, flour, twine and fencing material.

Inasmuch as the operations of the majority of country elevators are carried on by line companies the general procedure of an average line company operating, say, 100 country elevators, has been adopted as a basis for the remarks in the following paragraphs.

LINE OPERATIONS

The initial step in the operations of the company concerns the elevator agent, or operator, as he is sometimes called. The country elevator agent is the point of contact between the farmer and the company, and his position is a difficult one. Upon him depends, very largely, the maintenance of friendly relations between the farmers and his company. He is responsible to the general manager, directly and through the superintendents. His duties comprise the operation of the elevator, the purchase of

or acceptance of grain to be held in store or shipped to a primary market on consignment, and the sale of coal, wood, flour and other staple supplies which are usually handled in car-load lots.

The agent must be a capable grader of grain. A list of street prices—that is a list of prices which he may pay for the various grades of grain—is furnished daily by the head office to each agent and his purchases from the farmer are made at these prices on the basis of the grade placed on the grain by him. If the farmer does not wish to sell his grain at the time when he delivers it to the country elevator, he can arrange to have it placed in storage, which is of two classes “graded” and “special bin.” In the case of graded storage, the agent weighs and grades the grain and issues the farmer a storage ticket or receipt, which the company will redeem at the price prevailing for grain of like grade on any day on which the farmer may wish to sell. Special bin storage is provided for the accommodation of any farmer who does not wish to accept the grading of the agent. In this case the grain is weighed into a separate bin and is later shipped out and sold at the farmer’s direction, the shipment being treated as a consignment, and the farmer receives the price for the grade determined by government inspectors at Winnipeg or the terminal point to which the grain may be shipped. Storage is charged, at rates established by the government, for time the grain is held in store.

The agent makes daily reports to the head office of the company, giving details of grain purchased, grain stored, storage purchased and grain shipped. Reports of sales of supplies, collections, etc., are also furnished at definite intervals, usually once a week.

In addition to the business handled through its own elevators, the company solicits the handling of grain on commission. This includes grain loaded through elevators owned by some other firm and consigned to the company and also what are known as “platform” cars. A platform car is one which has been loaded directly from loading platforms by the farmer and consigned to the company, the farmer in this manner escaping the elevator handling charges.

Grain is sometimes purchased “on track,” that is, cars may have been loaded on track but not have arrived at Winnipeg or a terminal for inspection. These cars are purchased on the basis of the expected grade, adjustment being made at the time of settlement for any difference in grade.

PAYORS

The payment for grain purchased through the country elevator is usually made through what are known as "payors." These are banks, wherever possible, or persons in the same town or district as the country elevator, appointed by the company to redeem its paper (grain vouchers, cash tickets, or orders on payor) which have been issued by the agent or the head office to the farmer in payment for his grain or for reimbursing the agent for expenses, etc. The payors are usually reimbursed through drafts drawn on the head office, although in some cases arrangements are made for settlement by cheque.

SHIPMENTS

The company-owned grain and graded-storage grain is shipped out by the agent as directed by the manager, the large percentage being shipped to some terminal at Fort William, Port Arthur or Vancouver. Cars shipped by the eastern route are usually inspected and graded by government inspectors at Winnipeg, while shipments to Vancouver will be examined at Calgary, and the company will be officially notified of the results of the examination. Moose Jaw, Saskatoon and Edmonton are also official inspection points. If the company is not satisfied with the grade reported, a re-grading can be called for at the unloading point, or there may be request for a survey by the survey board. In that case the car will be held on track at the unloading point until the survey has been completed. Occasionally the government grading can not be made at the usual inspection point because the car may be too full for convenient sampling. In such cases the grading at the time the car is unloaded is the only grading obtained. The car, unless diverted, proceeds from the inspection point to the terminal selected and is officially unloaded. The terminal company forwards the line company an out-turn report, showing the gross and net weight unloaded and the freight and unloading charges. The latter company may then obtain a warehouse receipt for the grain by paying the freight and unloading charges.

SALES

The company usually sells the grain to the shipper after it is received in store in the terminal. In some cases sales are made to milling companies situated in the interior or to other grain com-

panies which are in need of grain to fill their commitments. In such cases the cars may be diverted before reaching the terminal. Sometimes cars are sold after inspection but before being unloaded at the terminal—these are known as B. & I. cars, i.e., billed and inspected. Cash grain is usually sold through brokerage firms which act as a medium between the buyer and seller.

FUTURES MARKET

A conservatively managed company is not engaged in speculative trading and consequently tries to protect itself at all times against price fluctuations. Theoretically a perfect hedge should be kept at all times, as the purchasing price at the country point, as compared with the futures-market prices, provides for the company's profit, and, as purchases and sales are made, the hedges should be correspondingly adjusted. The management may, however, wish to speculate on the general tendency of the market and accordingly arrange the net market position long or short to meet its views of the situation.

During a year the company will handle, on an average, say, approximately ten million bushels of grain—this, however, subject to wide fluctuation according to the size of the crops in the districts in which the company is operating. The grain on hand at one time will vary from a minimum of a few thousand bushels at the beginning of the crop year to a maximum of two or three million bushels during mid-season. The shipper and exporter may at times hold large stocks of grain through purchases against anticipated sales, or they may have made sales for delivery at some future date against which they may hold no grain.

Under the foregoing conditions neither the line company nor the shipper or exporter can risk the possible loss through market fluctuations in the price of grain and from these circumstances arises the necessity of a futures market.

On the futures market the dealers may hedge their position by contracting for the purchase or sale of grain, delivery to be made at some future date according to the delivery month named.

Buying and selling transactions may be either "cash" (including "spot") or "futures." In cash transactions actual grain of a specified grade in a specified position is bought and sold, and the terms are cash upon delivery. In "spot" transactions the grain is already at the delivery point and ownership is immediately transferred. In "futures" transactions contracts are made for

the purchase or sale of grain to be delivered within some specified month in the future. Delivery of actual grain on these contracts is frequently made, but most futures contracts are closed out by a reverse transaction before delivery date.

Most of those entering into futures contracts desire only temporary protection or insurance against price fluctuations affecting actual grain in their possession or actual grain they propose to acquire, while others buy or sell in the hope of being able to make a profit out of the changes in price they expect will occur before the delivery date. The operations are carried on through the Winnipeg Grain & Produce Clearing Association, Limited, usually referred to as the clearing house.

The futures market is open during specific hours on business days and the delivery months to be dealt in are specified. These vary according to the time of year. The delivery months on the Winnipeg market are May, July, October, November and December and there are never more than four of these deliveries being dealt in at one time, usually only three.

Trading is carried on in lots of one thousand bushels and at delivery what are known as contract grades of the respective grains must be delivered. For instance, the contract grades of wheat are numbers 1, 2 and 3 northern. A trade made between two dealers is registered, and at the close of the futures market each day clearing-house sheets are made up by each trader. These show the open trades from the previous day, and the purchases and sales of the day, together with the name of the selling or purchasing member, the price at which the trades have been made and the open trades at the end of the day. The trader will either receive or give a cheque to the clearing house as the market has fluctuated in his favor or against him. This cheque will be for the amount of the difference between the day's closing price and that of the previous day on the trades brought forward and the difference between the day's closing price and the purchase or sale price on the business of the day. The daily fluctuations are adjusted in this manner up to the delivery month.

At any time during a delivery month a trader who is short, that is who has made more sales than purchases of a particular future, may deliver to the clearing house contract grades against his open sales. On the last day of the delivery month he is forced either to buy back his contracts or to deliver contract grades against his open sales. Conversely the clearing house may deliver contract

grain against open purchases to the trader who is long on any day during the delivery month.

The clearing house allows its members a certain open "line" (so many thousand bushels) according to their financial rating and the amount of security deposited. At times of great market fluctuations calls for margin may be made during the session—such calls have to be paid within twenty minutes.

The great importance of the futures market lies in the facilities it provides for protecting or "hedging" the transactions of those who handle actual grain. The grain dealer, the shipper and exporter and the miller desire to eliminate as far as possible the risk involved in the constant fluctuations of the prices of grain. They can secure a very large measure of protection by collateral transactions in the futures market, because, although there are important variations at times, prices in the cash and futures markets influence each other and tend to rise and fall together.

The futures market, of course, opens the channel for the grain speculator, as through a member of the exchange he may buy and sell futures without any intention of eventually accepting or making delivery of the grain.

COÖPERATION WITH THE POOL

In many cases the company will have an agreement with the pool for the handling of grain grown by pool members. Such grain is not bought directly from the farmer but, except for the initial handling of the grain, all transactions are with the pool. Instead of buying and paying for this grain the company will receive it on a storage-and-shipping basis for the account of the pool and, if requested, will advance to the farmer such initial payment as has previously been promised. Daily reports of these transactions are made to the pool headquarters. The company receives its regular elevator handling and storage charges for the handling of the grain and also interest on advances made.

TERMINAL ELEVATORS

Terminal elevators are of two classes, "public" and "private regular" elevators. The activities of terminal elevators comprise the receiving, storing, cleaning and loading out of grain. Public elevators are obliged to receive any grain tendered to them, providing there is sufficient room to receive the grain and it is in

proper condition for storing. In no case are they allowed to mix different grades of grain together while in store nor are they permitted to own or to deal in grain. Private elevators, however, are only allowed to store such grain as is the property of the company owning or operating the elevator or such grain as is shipped to the terminal with the written consent of the owner. Private elevators, when so licensed, may carry on the business of mixing grades of grain which are below certain specified grades.

When grain reaches a terminal elevator it is inspected, unloaded and held in store until it is ordered out for shipment, either to a mill or for export. Warehouse receipts, showing the quantity, kind and grades of grain are prepared and these are delivered to the owner upon his surrendering the bill-of-lading and paying the freight and inspection charges. The warehouse receipts are surrendered when delivery is requested and the grain is loaded out as directed, upon payment of such storage and handling charges as may have accrued.

LAKE SHIPPERS' CLEARANCE ASSOCIATION

The Lake Shippers' Clearance Association was formed for the purpose of facilitating shipments of grain on the Great Lakes. A shipper may have purchased several lots of grain stored at a number of different elevators. Should he wish shipment made it would be necessary to have the lake vessels call at each elevator in turn in order to receive the grain. To avoid this the grain dealers arrange to surrender their warehouse receipts to the association in exchange for "transfer certificates." These certificates may be sold to shippers or exporters or otherwise passed in the grain trade as evidence that the owner of the certificate may call upon the association for delivery¹/₂ of the specified quantity and grade of grain. The association arranges for the delivery of the grain to the vessel designated by the owner when called upon to do so.

FINANCIAL ACCOUNTING

To outline in detail the forms and procedure common to most businesses, which may be found in any good accounting handbook, seems needless repetition. Accordingly, it is the purpose of this article to outline more particularly the accounting practices in the grain business which represent a departure from those found in other industries.

The accounts are all centralized in or controlled through a general ledger. The principal posting medium is the cash journal. The cash journal is in the nature of a large synoptic in which are provided columns for all of the more active accounts. The columns on the debit side usually bear such captions as clearing house, payors, exchange, advances, consignment vouchers, various grain accounts, station expenses, miscellaneous, bank deposits and sundries. The columns on the credit side may bear such captions as sundries, cheques issued, city sales, clearing house and various grain accounts. All of the general transactions, including the totals of many of the subsidiary records pass through the cash journal.

To describe what might be termed the internal operation of the company and the accounting system generally it is necessary again to commence with the initial deal with the farmer.

Upon delivering his grain to the country elevator, the farmer will receive from the agent either a cash ticket, if he sells the grain outright, or a storage ticket, if he places the grain in storage. The cash ticket will be made out for the amount due the farmer for the particular load, lot or parcel of grain and will be redeemed in cash upon presentation to the company's payor or direct by the head office. The storage ticket will be made out for the quantity of grain received and will state the grade of and the dockage for dirt or other cause if the grain is placed in "graded" storage or, if placed in "special bin" storage, the ticket will be so marked. The agent or company will issue a cash ticket for the graded storage ticket whenever the farmer wishes to sell the grain. Grain placed in special bin may be sold to the company at a later date, and in that case the storage ticket will be surrendered and a cash ticket issued for it, or it may be shipped to a terminal at the direction of the farmer, upon the return of the ticket and the payment of such charges as may have accrued.

The cash and storage tickets are prepared in triplicate, the original is given to the farmer, the duplicate is forwarded to the head office by the agent and the triplicate is retained at the country elevator.

The agent is required to make daily reports of grain purchased, grain stored, storage purchased and grain shipped. The reports are prepared in duplicate sets and are ruled with appropriate headings and spaces for the various grains. All reports are numbered by the agent from the commencement of the crop year.

The numbers and details of the various tickets are recorded in the spaces provided and the original (together with the duplicate tickets) is forwarded to the head office.

The accuracy of the reports and tickets is checked at the head office and the tickets are filed numerically under station (line elevator) headings until the original comes to hand, when they are compared and filed in the completed file for future reference.

The purchase reports are entered in a purchase journal, recording the station name and the kind and quantity of grain, and in a purchase ledger. The purchase journal is maintained for the purpose of enabling the company to keep account of the total grain purchased at the elevators and also to act as a check on the purchase ledger.

The purchase ledger is usually a combination journal and ledger having a separate section for each station. The sheets provide columns for the quantity of each grade of grain and an amount or money column for each grain. The money columns are totalled monthly and the totals of the various stations are recapped and recorded in the cash journal for entry in the general ledger, the entry being a debit to grain accounts and a credit to cash tickets. The bushel columns are totalled monthly, the balance being carried forward throughout the year. The total of each column at any time thus shows the total purchases to that date of each particular grade of grain at that station. These figures are used in compiling a book inventory and for purposes of checking the agents' quantities and the loss on grades.

The storage reports are similar to the purchase reports, except that no money value is recorded. The storage canceled reports are a record of storage tickets bought in or otherwise redeemed. Both of these reports are entered in the storage journal and storage ledger at the head office.

The storage ledger sheets are ruled with columns for date and storage ticket number, together with columns for the various grades of the different grains. One side of the sheet is used to record the storage issued, while the opposite side is used to record the amount canceled, an account being kept for each station. The totals of the columns are carried forward throughout the year and the amount by which the issued storage exceeds the canceled storage represents the amount of outstanding storage of each kind of grain, that is, the amount of grain which has been received but not purchased at the respective stations.

The grain-shipped reports show the details of the grain shipped, viz., date shipped, car number, kind and quantity of grain. The respective bills of lading are forwarded with the report. These reports are recorded in the line-and-consigned-shipments record.

The line-and-consigned-shipments record sheets are provided with columns for date shipped, car number, shipping weight and kind of grain, also the out-turn weight, grade and date. An account is kept for each station and the totals of the out-turn weights are carried forward throughout the year. The difference between the totals of the out-turn columns and the total sales at any time should agree with the amount of grain in the terminal. This record is also used in the periodical check of the agents' stock.

At all times the difference between the quantities purchased plus the outstanding storage and the quantities unloaded plus grain in transit should represent the quantities in the line elevators. Periodical "weigh-ups" of the stocks are made by the superintendents and the books are adjusted to the physical inventory. All large discrepancies are investigated and the agent is required to reimburse the company for shortages in excess of a nominal amount. The agent is usually bonded and if shortages occur for which the agent is unable to reimburse the company, the amount will be recovered from the bonding company.

Consignments, which are of two classes, viz., (1) through elevator and (2) other or platform cars, are solicited by the company and are sold on a commission basis. The consignments through elevator will consist of special bin storage, while other and platform cars will consist of shipments by farmers through elevators of other companies or cars which have been loaded over the platform. Similar but separate records of the two classes are maintained.

Each consignment of grain is given a number and a folder is prepared showing all the details in connection with it and containing the relative documents such as bills of lading, warehouse receipts, inspection and unload certificates, note for advances, selling instructions, etc. These folders are kept in an open consignment file until the consignment is disposed of, when they are transferred to the closed consignment file.

When a consigned car passes inspection the consignor is notified of the grade placed upon it and selling instructions are requested. These may be to sell at a given price or to await further instructions.

The balance between the consignment shipments and consignment sales, after adjustment for over and under shipments, will represent the balance of consigned grain on hand and should agree with the details of the open consignment file.

When a consigned car is sold, the purchaser is invoiced in the regular manner, the invoices being recorded in the consignment-sales record or in consignment-sales columns in the regular sales record.

An account sale is then prepared. This will show the gross weight, amount deducted for dockage, net weight and selling price of the grain. Space is provided for the deduction of all accumulated charges, such as country elevation and storage, freight, terminal elevation and storage, advances, interest on freight and advances and commission. The account sale will be entered in the consignment purchase journal, the gross amount after deducting the freight charges being debited to the particular grain. The charges previously referred to will be entered as a credit to the respective earnings and advance accounts and the net amount, which is the balance due the consignor, will be credited to his account or placed in the grain voucher column and a cheque or grain voucher will be prepared for the amount. The grain voucher is an order on the payor of the district where the shipment originated to pay the proceeds from the sale of the grain to the shipper.

The company also purchases what are known as track cars. These are loaded cars en route to a terminal and the purchase is made on a basis of estimated grade and quantity. Settlement is made after the car has been officially graded and an out-turn has been received from the terminal. No record is made of these cars in the company's books of account until settlement is made. In the interim they are classified as open purchases and at any inventory date are brought to market price and the profit or loss taken into the accounts. Settlement for track cars is made in the same manner as for consigned cars, the purchase record usually being a separate section of the consignment-purchase journal.

Occasionally through an error, a consigned car will be sold and it becomes necessary to purchase grain in a terminal, usually referred to as spot grain, in lieu of it. This is known as a city purchase.

Sales are usually made through the facilities provided by the Winnipeg grain exchange. When a sale is made the member's

note or sales contract is handed to the sales bookkeeper and he prepares from it sales invoices in duplicate. These show the date, car number, quantity, price and amount. The warehouse receipts or bills of lading are placed in an envelope and together with the original invoice are taken to the purchasing company. The purchasing company will inspect the documents and check the invoice and, if everything is found in order, will prepare a cheque for delivery to the company when called for later in the day.

The Winnipeg clearing association has in effect a system of clearing the cash transactions of such of its members as wish to avail themselves of this method of making settlement. The large majority of grain dealers are members of the clearing house and as the company's sales will practically all be made to some other member, rather than have individual cheques prepared in settlement of its invoices the company will record the amounts on its clearing house sheets while the purchasing company will do likewise, settlement then being effected through the clearing house. In some cases the banks have made arrangements to present for payment through the clearing house all drafts drawn on such members as wish to make settlement in this manner.

The various members notify each other of the amounts to be cleared each day and are notified by the banks of the amount of drafts they are presenting for clearing. The items are entered as debits or credits, as the case may be, on the various clearing house sheets provided for the purpose and a cheque is given or received for the net balance of the debit or credit of the cash and future amounts.

The duplicate sales invoices are entered in the sales book, the money and bushels being recorded in the section provided for the class of grain sold, i.e., wheat, oats, etc. Separate sections or columns are maintained for line and consigned grain. The total of the money columns of the sales book are posted monthly to the general ledger, the entry being a credit to the various grain accounts and a debit to city sales account. The credit to city sales account will come through the cash journal from the receipt of the cheque from the purchasing company. The totals of the bushels columns of the sales book are carried forward throughout the year.

Should a farmer wish to hold his grain either stored in the country elevator or in the terminal as a consigned car, he may obtain an advance from the company. The advance may be

made by the agent or direct from the head office, but it will only be for such an amount as will leave the company ample margin as security against market fluctuations. The farmer fills out a form requesting the advance and also gives his note for the amount received. In the case of grain in store in the country elevator he is required to surrender his storage tickets.

The amount of the advance is entered in a memorandum book, the advance record, as the advance is made together with such details as the station, date, name and car or storage ticket number. This record is always referred to when compiling an account of sales or settlement to ensure that all advances will be properly deducted. As settlement is made the advances are marked "paid" in the column provided therefor. An extract of the open advances is made from the record monthly and reconciled with the general ledger account.

In the case of advances on consigned cars the amount of the advance is also entered on the consignment folder previously described, and the farmer's note and requisition for the advance is placed therein. A separate file of folders is maintained for the security held in respect of advances on graded storage.

The entries in the books in respect of the advances will be the record of their issue and repayment, the principal records of issue being the cash journal and payors' ledger and the consignment journal that of repayment. The totals of the items are posted to the advance account in the general ledger.

Provisional advances consist of advances received by the company and arise principally through cars being diverted to flour mills or other terminals. The company delivers the documents to the purchaser and receives an advance until the car has been unloaded and final settlement is made. Details of the transactions are kept in the same manner as for advances on consignments.

As stated previously many companies handle coal, wood, flour and other supplies. As sales of these commodities are made the agent prepares a report (separate forms are used for each commodity), showing the quantity, the amount of the sale, whether credit or cash, and such other data as may be necessary. These are then forwarded to the head office of the company. Separate journals and ledgers are maintained for recording coal and flour transactions, while the details of such other supplies as may be handled will be entered in a third journal and ledger.

The coal journal is ruled with columns for recording the quantities of the various kinds of coal handled and an amount column. The sales are recorded in the journal from the agents' reports, while the purchases are entered from the purchase invoices, the amount column being totalled monthly and posted to the general ledger. The cash received from coal sales is deposited with the payor who will include the amounts in the payors' report to the company's head office.

An account is carried in the coal ledger for each station handling coal. The sheets are ruled with columns for entering the quantities of the various kinds of coal handled and an amount column for purchases, sales and cash received. The ledger is written up from the coal sales reports, coal journal and reports of collections from the payors' reports.

Similar records are maintained for flour transactions, while the details of other supplies are usually grouped in one single set of records in such detail as will enable an effective control of the agents' accounts to be maintained.

The agent prepares an expense report at the end of each month and forwards it, together with the supporting vouchers, to the head office. After being checked and approved the report is recorded in the expense register, which contains suitable columns for the distribution of the charges and such credits as may be due from the agent for rent, etc. A cheque or payor's voucher is made out in settlement of the balance due the agent. The balance column in the expense register is the record of payors' vouchers issued and the total of this column at the end of each month is credited to payors' voucher account in the general ledger. The debits to the payors' voucher account will come through the payors' ledger as the vouchers are reported paid. The outstanding vouchers are listed monthly and reconciled with the balance in the general ledger.

The payors, as already stated, are banks, wherever possible, or persons in the same town or district as the country elevator, appointed by the company to redeem its paper. The payor prepares a daily report, in duplicate, giving the details of the numbers and amounts of the various orders redeemed. The total is brought into a summary showing the balance forward from the previous report, receipts, disbursements and balance on hand. The original of the report is then forwarded to the company's head office. The documents supporting the report are

placed in an envelope, the face of which is in the form of a draft made out for the amount for which reimbursement is required. In the case where the payor is a bank the envelope is forwarded to Winnipeg for reimbursement through the bank's branch or correspondents. Funds are usually sent by express to private or individual payors as required.

The entries in respect of transactions with the payors are recorded in the payors' ledger, a separate section being kept for each payor. The accounts are written up from the payors' reports and each account is totalled and ruled off monthly and the totals are recapitulated for posting to the general ledger. The total of the individual balances on hand as shown by the recapitulation should agree with the balance in the payors' account, subject to adjustment for payors' drafts not credited on a report or not paid but credited on the report.

A futures ledger is maintained, in which are recorded the date, quantities and prices of purchases and sales of the various grain futures. The balances will represent the company's open futures, the daily profit or loss on which is usually credited or charged to the respective grain accounts.

The company will also handle future trades for customers. Usually however these are limited to such persons as dispose of their grain through the company. A separate option account is carried in the futures ledger for each customer, while the margins deposited and profits and losses will be recorded in their accounts in the general ledger or in a subsidiary customers' ledger. When a customer's future trade is completed a purchase-and-sale statement (P. & S.) is prepared in duplicate, showing the date of purchase and sale, quantity and kinds of grain, option month, purchase and sale prices, the profit or loss on the trade, brokerage and the net profit or loss to the customer. The original is forwarded to the customer, the duplicate being recorded in the cash journal.

The manner of settling with the clearing house for the profit or loss on the trades has been described previously in this article. The clearing-house reports are prepared in duplicate and the original is filed with the association within forty-five minutes of the closing of the futures market. Fines are imposed for delay in filing and also for all errors in the reports.

A daily statement of the company's grain position is prepared for the information of the manager. Appropriate columns are

provided for recording such information as line receipts for the day, total receipts to date, shipments, balance in line elevators, line purchases for the day, purchases to date, graded storage, special bin storage, company's grain in line elevators, in transit and in terminal, open purchases and sales, open futures and net grain position, comparison of quantities handled in various manners in current year and preceding year, together with such special information as the manager may request.

A plant and equipment ledger is usually maintained, in which will be recorded details of the cost of each elevator, warehouse, dwelling, etc. A complete record of the cost, additions, sales and transfers, depreciation, etc., will be entered in it and the total will agree with the plant and depreciation accounts in the general ledger.

The accounting records of terminal companies usually comprise a general ledger, a synoptic cash journal and a record of warehouse receipts. In the case of "private regular" companies subsidiary purchase and sales records will also be maintained.

The journal sheets provide columns for recording the various principal classes of income and expenditure together with columns for recording bank deposits and withdrawals and the usual general ledger columns for entering such items as must be posted individually to the general ledger.

Carloads of grain unloaded at the terminal elevator are recorded in the unload book, detailing the date and progressive number of the car unloaded, the kind, grade and description of the grain and for whose order the grain was received. The relative warehouse receipts are typed at the company's elevator office and countersigned by the superintendent of the elevator and are then registered as to grade and quantity with the registrar of the board of grain commissioners. The receipts are delivered to the owner upon his paying the freight and inspection charges and surrendering the bill-of-lading to the company.

The subsidiary purchase and sale records maintained by "private regular" companies provide separate columns for the quantity and amount of the various grains. The columns are totalled monthly, the balance being carried forward throughout the year, and the totals are reconciled with the control account in the general ledger.

The records of shipping and exporting companies are comparatively simple and usually comprise a general ledger and a synoptic

cash journal. The journal will be provided with appropriate columns for recording the number of bushels of the various grains purchased and sold, together with columns for recording bank deposits and credits, expenses, options, etc. Purchases and sales are usually for large quantities of grain and the transactions are therefore not nearly so numerous as in the case of line and terminal companies.

Sales are usually made on the following terms: (1) in store Fort William, shipments from country elevators direct to western mills; (2) in store terminals at Fort William, Port Arthur or Vancouver; (3) c.i.f. lake and bay ports; (4) f.o.b. vessels at Canadian or United States seaports; (5) c.i.f. British or continental ports.

When grain is loaded out by the Lake Shippers' Clearance Association, the latter turns the lake bill of lading over to the shipping company. Drafts, with invoices attached, are then prepared and delivered to the bank for collection from the exporting company which in turn takes up the documents and accepts the delivery of the grain at the seaport. As soon as an ocean boat has been loaded with grain to complete a sale an ocean bill-of-lading is prepared and attached to a draft drawn on the foreign purchaser for the agreed amount.

In the case of sales to Great Britain, as soon as the contract is made (invariably in pounds sterling) the sterling is usually sold to the bank which offers the highest price for the required delivery period. The same procedure applies to sales made to continental countries on the basis of their currency. Sales to France or Belgium are made on the basis of Canadian dollars per 100 kilos, and to many of the other European countries on the basis of United States dollars. Overseas sales are usually made on the basis of the London contract, which governs all contingencies.

From the foregoing remarks it will appear that the grain business is a highly specialized industry. Much more could be written on the subject of accounting for grain companies, but it is hoped that the few points covered in this article may prove helpful to those interested.