

8-1954

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Recommended Citation

Parker, Louise M. (1954) "Farmers' Cooperatives - "Hired Man" for Today's Farmers," *Woman C.P.A.*: Vol. 16 : Iss. 5 , Article 8.

Available at: <https://egrove.olemiss.edu/wcpa/vol16/iss5/8>

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FARMERS' COOPERATIVES —

"HIRED MAN" FOR TODAY'S FARMERS

By LOUISE M. PARKER, C.P.A., San Diego Chapter ASWA

The cooperative organization differs from the usual business created to return profit on capital investment — it is created to furnish the farmer with the services essential to today's agriculture. In order to produce the food necessary for our increasing population, the farmer must have the products of industry. The cooperative organization is the two-way channel through which the farmer sends his product to market and receives goods and services from industry.

A successful cooperative must have financial backing. On the balance sheet of a cooperative organization we see some terms not found on the balance sheet of a commercial organization. On the liability side, in addition to "liabilities to members," there will be a section called Equities, which includes either Members' Equities, Patrons' Equities, Certificates of Equity, or Capital Shares and Members' Equities. These equity accounts represent the investment of the members in the cooperative which may be created in different ways. A member, upon joining the organization, purchases either a Certificate of Membership, a share of stock, or some other evidence of ownership. However, the major part of the capital arises from the participation of the members in the services of their organization. The proceeds of a cooperative, which are distributed to its members after providing for all operating costs and certain statutory reserves, need not be returned entirely in cash. A percentage may be retained by the cooperative but allocated to the member and evidenced by some documentary evidence of ownership such as a certificate of equity, a share of stock, or an advance fund certificate. This retained percentage provides additional capital. The oldest certificates may be redeemed each year or not for several years, depending upon the cash position of the cooperative. The amount of each member's total share of the proceeds distributed each year, both in cash and in certificates, must be disclosed to him.

An important requirement of a cooperative is that it keep adequate and accurate patronage records. One of the commonly

used methods involves keeping a file on each member. A copy of every ticket or transaction is placed in the file, and a monthly total entered on the face of the folder. At the year-end the twelve months are totaled and the year's patronage determined. Another method applicable to purchasing operations combines the patronage detail with the accounts receivable by running all cash transactions through accounts receivable, which has a column for the member's purchases-to-date as well as one for the balance of the account. With the use of accounting machines set up to produce the two balances simultaneously, the latter method is fast and effective. At the year end, the totals are listed and the refund rate applied to each member's total patronage.

The marketing records may be handled in the same way. An individual ledger card is set up for each member marketing his product through the cooperative and the total unit volume as well as the total dollar volume is recorded when advance payments are made to members. An advance paying price based on market, less estimated operating cost and also less a certain fixed retainer is determined by management. At the year-end, when the net proceeds of the marketing operation are determined, the rate is applied to the individual member's total volume and the additional payment made. Various methods are used to determine the additional payment such as basing the additional payment for eggs on total dozens handled, or on total dollar volume.

Other records are necessitated by the Internal Revenue Code. The 1951 Act added a paragraph which provides in effect that a farmers purchasing and marketing association that has qualified as an exempt cooperative, shall, nevertheless, be subject to an income tax on its net income. In computing its net income, an exempt cooperative may deduct, in addition to ordinary and necessary business expenses as authorized by law, any amounts paid during the taxable year as dividends on capital stock, and the amounts paid to patrons

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IDEA EXCHANGE

By THEIA A. CASCIO, Beverly Hills, California

Contributed by Mildred Swem, Los Angeles Chapter

GENERAL LEDGER ACCOUNTS COLUMNARIZED BY MONTHS

An interesting form for General Ledger Accounts has the months printed at the top of a twelve columnar page. The bottom two lines are "Total for Month" and "Year to Date." The advantages of this arrangement are:

The month is already printed on the form which eliminates re-writing each time by the posting clerk.

The size of the ledger is materially reduced inasmuch as each page can handle six times the number of entries of the standard two-column ledger.

The totals for the month and the year to date are readily obtainable from the proper box at the bottom of the page.

It makes for easier analysis of the account by months in comparison with other totals.

It is emphasized, however, that this method is only feasible where numerous entries are made each month from various sources, as each page is a year's business.

Contributed by Leatrice Harpster, District of Columbia Chapter

TIMING PETTY CASH REQUESTS

Petty Cash may be a necessary evil, but we can try to handle it with a minimum of trouble. Where a number of people have the authority to requisition Petty Cash, an effort to confine the requisitions to a certain day seems desirable rather than having them become a disrupting factor in every day's work. Petty Cash requests in my office are turned in weekly at the same time the time cards are received. The requests in the form of cash tickets are entered and pay envelopes (marked Petty Cash) with voucher attached are made up for each person entitled to Petty Cash reimbursement. This method automatically gives a receipt for the money paid out and reduces the interference at more frequent intervals.

Contributed by Alice B. Walsh, Grand Rapids Chapter

PRE-READIED ENVELOPES

Are many of your checks regularly made out to the same payees? Have Addressograph plates made up and a quantity of runs of envelopes made at one time on items for which regular checks are sent out. These may well include hospitalization insurance payments, bond purchases, commission checks and statements, and accounts payable recipients.

Contributed by Marguerite E. Baumann, District of Columbia Chapter

TIME SAVING ON TAX RETURNS

Investigate the commercially marketed Profit and Loss Statements and Depreciation Schedules printed on onion-skin paper, interleaved with one-time carbon. After the statements and schedules are typed as Exhibits supporting totals on the Income Tax Returns, the carbon may be snapped out. Sufficient copies can be typed and checked in one operation for both Federal and local tax returns.

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or allocated and disclosed to each patron. Also, the cooperative must make an information return (a 1099) giving the names and addresses of patrons to whom it has made allocations amounting to \$100 or more, and the amount of such allocations. Thus the various individual records of members' participation in each department must be combined into a total record for tax purposes.

The cooperative does many things for the member farmer. It employs a nutritionist to insure a correct formula, buys and mixes the feed for his stock, shops for his equipment and supplies, markets his products, and, in addition, does quite a lot of his individual bookkeeping for him. Truly, the cooperative is the "hired man" for today's farmer.