Journal of Accountancy

Volume 25 | Issue 6 Article 4

6-1918

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One of the most important branches of commercial accounting is that which deals with import departments. Although the war has largely interfered with importation the matter is still of great consequence and in this article an effort is made to review comprehensively the salient features of the accounts of the import division of a department store. No other business covers quite so varied a range of imports.

The first stage in all purchasing is the placing of an order, and, after that has been duly arranged on the best available terms, the next step is invoicing and shipping the goods according to the legalized forms of the respective countries from which shipment is made, before the consul or authorized representative of the country of destination.

Several copies of the invoices are made and the requisite number presented at the consulate so that proper entries may be made at the custom house by the importer.

Foreign Invoice Register

Start with a register in which should be entered all foreign invoices.

The register of foreign invoices should show:

1. Filing number.
2. Foreign number of invoice, if any.
3. Foreign date of invoice.
4. Domestic number of invoice.
5. Date invoice received.
6. Name and address of seller.
7. Kind of merchandise.
8. Foreign amount of invoice.
9. Amount in U. S. currency.
10. Case number.
11. Amount of duty.
12. Amount of freight and charges.
13. Landed cost of goods invoiced.

14. Name of steamship transporting merchandise.

15. When cases received.

16. Remarks and general data.

It is as a rule vitally important that goods be quickly passed through the customs and placed on display, as merchandise at the best takes considerable time in the buying and delivery and often in the case of garments and millinery (advance styles and models) delay may be fatal to success.

The invoices should be complete in all necessary details which affect rates of duty either specific or ad valorem and every facility should be given the customs officials to assist them in a proper examination and appraisal of merchandise.

As the invoices are made up, each of the sub-accounts of the foreign ledger affected thereby, such as duties, ocean freight, etc., is credited (if the accounts have been duly charged as the items were incurred) and foreign purchases account charged, the finished invoices being numbered consecutively.

The number of the invoice should be entered in the sub-accounts so that the closed out items will be easily identified as to their application.

This foreign purchases account will be closed into the private ledger at closing of fiscal periods.

The duty should be paid promptly and advice given the receiving authorities as to the incoming merchandise so that the goods may be promptly and carefully checked and passed. The manager of the foreign department or qualified assistant should have facilities for checking the goods against the tariff rating where there is any doubt as to classification. Oftentimes goods may be entered at a lower rate of duty than that first assessed by the government appraiser and such a difference must be detected by checking and if justified an appeal may be taken before the board or the court.

The duty should, however, be calculated at the paid rate if higher (and at the proper rate if government wrongly assesses the duty too low as revisions follow) and an account kept with the case appealed, taking into consideration all expenses incident thereto.

A general account should be opened with each division of foreign expenses as it is incurred and the same account should be credited with the respective amounts when they are distributed in the calculation of the various invoices to be charged into foreign purchases; for example

Foreign invoices.
Foreign transportation charges.
Ocean freights.
Domestic freight.
Cartage.
Duties.
Custom-house brokerage.
Insurance.
Sundries (including domestic freight allowance for exchange, buying, charges, etc.).

Each item as it is charged into its respective account should be numbered and the same number noted in the transfer and checked on the account at the posting so that any open entries can be readily located and duly cleared.

This arrangement permits a balancing of all the charges, the charges on the foreign ledger being balanced by the controlling account on the general ledger entitled "foreign purchases," duly transferred on the general ledger either into trading account or into general purchases.

The foreign department is one that must be very carefully checked up and all remittances should be made by the regular remittance bureau, on the warrant of the foreign department management duly countersigned; but no money should be paid directly through any but the regular remittance bureau, which should be segregated in its working relations to the book-keeping force.

The remittance bureau should in fact be protected in its relations in the same manner as is the cashier, and the same general rules against a cashier's posting records of cash to customers' accounts receivable should obtain in regard to paying clerks posting to accounts receivable account.

Through the foreign department should pass all records pertaining to the importing and exporting of merchandise, but remittances should be made only through the remittance bureau on vouchers originating in the foreign department and duly authenticated as provided by the rules of the establishment.

All orders for foreign merchandise purchased should be vised in the foreign department before mailing and a copy retained therein to be checked against the foreign invoice. The landed cost may be thus approximated in advance and the delivery may be followed up independently.

As the invoices are received they should first be registered and then checked against order and "rated," that is, the respective rates of duty as provided by the tariff (if any) should be noted on the invoices and all papers pertaining to each invoice given the same number and filed together and vouchered in the same manner as the domestic invoices.

As soon as the different items of charge are ascertained in regard to each invoice, the total landed cost of the goods is made up.

Where the invoice is made up of several classes of merchandise differently rated and of various rates of discount, care must be taken in the distribution of the charges that they be properly apportioned.

The charges should be carefully apportioned amongst the several subdivisions of the invoice, taking care to make the apportionment equitably. Sometimes the mistake is made of distributing on the basis of the proportion the amount each subdivision bears to the total amount of all the sub-divisions; whereas certain charges such as freight are made by the steamship company on a cubic meter basis, which is entirely out of proportion to the value of the goods as compared with an equitable valuation of the other less bulky merchandise.

For example, suppose that gloves and house furnishings were packed in the case and the bulk of the one was one-fourth of the other, while the cost of the gloves was four times the cost of the house furnishings. Where the freight was paid by the cubic meter and the distribution of the charges was prorated according to value, the gloves would pay sixteen times the proper amount of freight chargeable to them.

Mistakes such as this may discourage importing, where importing would be profitable.

After the landed cost has been calculated and the cost per item has been duly noted on each line, the whole invoice should be proved by extending the landed cost on each line, which should total up to the amount of the invoice in bulk with duty and all other charges added. There will be a slight discrepancy, varying generally in accordance with the size of the invoice and occasioned by taking the fractional parts of a cent as a whole number in the calculation of the cost per item.

When invoices are calculated the change of the foreign money values into United States currency values is generally at a uniform rate, but payment is made according to the existing rate of exchange at payment date. Therefore, "foreign accounts payable" is charged through the medium of the remittance bureau for the actual cash paid and also for the difference between the actual cash paid and the amount previously estimated in making up the invoice as the foreign amount of the invoice expressed in United States currency, the credit for the actual cash paid being entered in the cash account while the difference may be placed to the credit of "foreign exchange," or if the difference is the other way the debit is to "foreign exchange." However, the estimate should be on the safe side, which would show the difference on the credit side.

This difference between the amount as paid and the amount as previously calculated credited to "foreign exchange" account finally passes into the loss and gain account, either directly or through the medium of the foreign purchases account. It reduces the actual foreign purchases by that much and each department charged with the original amount calculated when the invoice was prepared should be credited with its share of the amount of foreign exchange net credit.

This division of the foreign exchange credit to be equitable should be in the proportion that the imports of each department calculated in each particular currency bear to the total imports expressed in each particular currency.

This may readily be done if a monthly summary of imports by departments be made according to the different exchanges and the foreign valuation of each exchange purchase be noted in the foreign exchange account.

For example:

Department No. 1 imports merchandise

		In foreign currency	The same expressed in round figures in U. S. currency	
Sundries	Fcs	10000	$2000.00	
"	Mks	40000	10000.00	
"	£	5000	25000.00	
				$37000.00

Department No. 2 imports

Sundries	Fcs	40000	8000.00	
"	£	10000	50000.00	58000.00

Total of sundry credits to foreign accounts payable and charges to foreign purchases	$95000.00

Payments as follows:

Total	Fcs	50000 @	5.20 fcs for $1.00	$9615.38
"	Mks	40000 @	.95 for 4 mks	9500.00
"	£	15000 @	$4.86	72900.00

Total credit to cash and charge to foreign accounts payable	$92015.38

As foreign accounts payable account was credited with the amount of $95,000.00 in the matter of the above imports, a charge should be made to foreign accounts payable and a credit to foreign exchange credit account for the difference between the round figures calculated at arrival of invoices and the amount actually paid in the above case, as follows:

Amount credited to foreign accounts payable at arrival of invoices as previously noted above	$95,000.00
Amount charged thereto as noted above	92,015.38
Additional charge to foreign accounts payable and credit to foreign exchange credit account	$2,984.62

Distributed as per the following:

Foreign amount charged

	Dept. No. 1	Dept. No. 2	Total	Working amount charged	Amount paid	Foreign exchange credit
Fcs	10000	40000	50000	10000	$9615.38	$384.62
Mks	40000	.....	40000	10000	9500.00	500.00
£	5000	10000	15000	75000	72900.00	2100.00

....

Dept. No. 1 10/50 or 1/5 exchange credit on fcs (384.62)	$76.92	
Dept. No. 1 40/40 or 5/5 exchange credit on mks (500.00)	500.00	
Dept. No. 1 5/15 or 1/3 exchange credit on £ (2100.00)	700.00	$1276.92
Dept. No. 2 40/50 or 4/5 exchange credit on fcs (384.62)	307.70	
Dept. No. 2 10/15 or 2/3 exchange credit on £ (2100.00)	1400.00	1707.70
		$2984.62

The Payment of Customs Duties and Charges

All invoices should be "rated," i. e., the respective rates of duty should be noted in line with each class of goods invoiced, and this rating should be thoroughly checked by an auditor after having been separately vertified by comparison with the custom-house broker's duty bill.

All payments of duties should be vouchered under the supervision and approval of the head of the foreign department or qualified assistant and then paid through the regular remittance channels.

The same clerk should never make up a voucher and remit for it, if another method may be followed with any degree of practicability.

Where merchandise is imported coming from the interior of a foreign country, the forwarding charges should be carefully checked, as such items are often paid as advance charges and collected by the final delivery agent and might be recklessly advanced because easily collected. If not checked, an overcharge would never be discovered or recovered.

A bulletin should be posted of all incoming foreign merchandise with name of vessel and time of expected arrival, all buyers being notified of goods en route for their divisions.

A survey of the distribution of each invoice should be commenced as soon as invoice is received, as all the classifications may be determined at that time (provided the invoice was properly made out).

One method is to have columnar sheets so that each duty classification may be separately noted and if different goods have the same duty classification, a separate distribution should be made for each, as the different charges (particularly freight, ocean and other) vary according to the kind of goods.

When the only difference between the cost of the merchandise lies in different trade discount (that is when duty charges, ocean freight, etc., are the same), no distinction as to classification need be made; but after the rate is found by taking the totals of each classification, irrespective of trade discount, and dividing the total foreign into the total cost of such classification landed at store or warehouse, and after the average rate is found, then deduct rate of trade discount allowed from the rate of each division subject to a trade discount, and a proper rate will result. For example, suppose we have an invoice as follows:

	£ s d	£ s d
Section No. 1 No. 978 5 chinchilla overcoats all wool	3-	15-
979 2 chinchilla overcoats all wool	2-10	5-
980 2 chinchilla overcoats all wool	2-	4-
		24-
10% trade discount		2- 8
		21-12

Section No. 2	No. 1000 5 chinchilla overcoats all wool	5-	25-
	1001 8 chinchilla overcoats all wool	4-	32-
			57-
	5% trade discount		2-17
			54- 3
Section No. 3	No. 1512 6 chinchilla overcoats all wool	7-	42-
	1515 9 chinchilla overcoats all wool	8-	72-
			114-

Disregarding cash discount, we will say that the total cost of the goods landed is $1,275.00 net. It is usual to add a small percentage—one or two per cent.—for contingencies. If the goods imported are "regular" goods the regular cash discount on that particular line should also be added, as these goods are often bought in competition with domestic goods on which a cash discount is allowed, and the comparison should be just. However, the rate of cash discount should be allowed as a credit to the department when invoices are settled.

The cost being				$1275.00
and the import being				
Section No. 1	432	shillings		
2	1083	"		
3	2280	"		
Total	3795	"	costing	$1275.00

Cost per shilling is 33.60 (the decimal should be carried out to at least two places) as a basic rate, after deducting trade discount; but for sections one and two, provision must be made for trade discount, as the multiplier on each line in those sections is at gross price and the division has been made by taking that price with the trade discount deducted, and we have to deduct the rate of trade discount from the divisor so obtained, therefore:

Section No. 1	
Subject to 10% trade the cost per shilling is 33.6 less 10%	30.24
Section No. 2	
Subject to 5% trade the cost per shilling is 33.6 less 5%	31.92
Section No. 3	
Subject to ... trade the cost per shilling is	33.60

....

Now we prove our invoice:

No.			£			s.	Cost landed	Total cost landed
978-5	garments	cost	3	each	=to	60 @ 30.24	18.14	90.70
			£-s.					
979-2	"	"	2-10	"	="	50 @ 30.24	15.12	30.24
980-2	"	"	2	"	="	40 @ 30.24	12.10	24.20
1000-5	"	"	5	"	="	100 @ 31.92	31.92	159.60
1001-8	"	"	4	"	="	80 @ 31.92	25.54	204.32
1512-6	"	"	7	"	="	140 @ 33.60	47.04	282.24
1515-9	"	"	8	"	="	160 @ 33.60	53.76	483.84
								1275.14

The difference between the figures reached (1275.14) and the cost ($1275.00) is fourteen cents (14c.), due to the fact that the cost is 33.59 plus instead of 33.60 as taken, but the total should be a little over rather than under so as not to show the cost less than reality.

Where more than one rate of trade discount is allowed the same principle is applied, but each rate of discount must be taken off the basic rate separately, that is if 10% and 5% trade should be taken, first 10% and then 5% should be deducted, never 15% straight—10% and 5% in sequence only make 14½%, not 15%.

Again, in adding to make goods "regular" suppose it is desired to make goods at 95c. regular at $1.00 a yard. The price must be divided by the decimal .95 to arrive at the result—never 5% of the amount to be raised expecting to bring back the price to net by then deducting 5% from the aggregate so obtained.

If different rates of cash discount are allowed on different divisions of the same duty classification the same principle may be applied as previously described for trade discounts. It should never be overlooked that all cash discounts should be deducted from the invoice up to time of shipment, as the duty is charged on goods packed and ready for shipment.

Duty Classification

Frequently goods are assessed at a higher rate of duty than need be because buyers are not acquainted with the tariff regulations governing their particular lines; therefore, it is incumbent on the management to give each buyer a copy of the regulations affecting his particular goods.

Before buyers leave for foreign markets they should be instructed by the firm and the foreign department as to regulations affecting the prospective purchases and a resume of any mistakes made in the past should be shown for the purpose of protection in the future. It happens, for example, that goods to which, say, a trifle of embroidery has been added, increase the duty 100 per cent. adding scarcely anything to the sale value in this market.

Again the merchandise purchased should be properly invoiced. Foreign manufacturers often carelessly invoice goods in a manner to admit of either of two classifications and the government officers will naturally rate at the higher if it is admissible.