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MANUAL
OF
ACCOUNTS
FOR THE
RUBBER
INDUSTRY

RUBBER
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MANUAL OF ACCOUNTS AND BUDGETARY CONTROL FOR THE RUBBER INDUSTRY

BY

THE ACCOUNTING COMMITTEE OF THE
RUBBER ASSOCIATION OF AMERICA, INC.



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PREFACE

For some time it has been generally realized that many inconsistencies are present in the methods used by different manufacturing companies of applying commercial expenses when ascertaining the cost of sales of their products. Probably these inconsistent practices are as marked as those experienced in ascertaining factory costs. Closely allied to the problem of bringing about greater consistency in this respect is the need for a uniform plan of general ledger accounts, including accounts necessary in the collection of commercial expenses and their application to the products. There is also a decided need for a system of budgetary procedure to aid in properly forecasting future costs and financial positions. Feeling the need for greater consistency and more uniformity in the rubber industry in regard to these problems, the Accounting Committee of the Rubber Association of America, after a great deal of study, has decided upon certain recommendations for the industry as representing the ideal methods from both a practical and economical standpoint.

Parts I, II and III of this volume are devoted to presenting a manual of accounts, which provides proper classifications for the analysis of commercial costs and their tie-in with other general ledger control accounts. This manual is designed according to the decimal system of classification, and provides for nine major groups of accounts designated by numbers one to nine. The numbers of group titles are indicative of the manner and order in which assets, liabilities, capital and operating accounts should be recorded in the general ledger. Each of these major groupings is subdivided, as 11 to 19, Cash, U. S. Government Securities and Debts Receivable; 21 to 29, Merchandise, Materials and Goods in Process; 31 to 39,

Properties, Plants and Securities; 41 to 49, Prepaid, Deferred and Miscellaneous Assets; 51 to 59, Good-Will, Patents and Trade Marks; 61 to 69, Current Liabilities; 71 to 79, Fixed Liabilities, Capital Stock and Surplus; 81 to 89, Income and Expense on Sales; 91 to 99, Corporate Income and Expenses, Income Tax and Profit and Loss. The accounts in each class are those incorporated in the customary monthly balance sheets and operating statements. These classifications represent, as the conditions in each case may determine, either general ledger accounts or the combination of definite groupings of accounts, which, for the purpose of convenience or for more detailed information, are kept separately in the general ledger.

As many accounts as necessary may be opened under each of these classifications, with decimals affixed to the whole numbers, thus, 13.1, 13.2, 13.3, etc., so that the balances of the various accounts under each classification may be readily combined in preparing the trial balance, balance sheet and profit and loss statement. In accounts where the balance of the account is to be added to the general classification in preparing the trial balance, it is subnumbered .1, .2, etc., and where such balance is to be deducted, it is subnumbered .01, .02, etc. This is indicated under Account 14, Accounts Receivable—Customers. In addition to an outline of the account names to be included in the general ledger, there is an explanation of each account showing all items that should be debited to it with the contra credits, and all items which should be credited to it with the contra debits, with an explanation also of its balance and how it is eventually to be dealt with. As this classification is planned to cover all activities in manufacturing and distributing rubber products, it is obvious that each company should use only those accounts which are applicable to their particular business.

Part IV is devoted to the collection of commercial costs and their application to products. Commercial cost in the rubber industry, which includes such items as warehousing,

packing, advertising, selling and general administration, is quite large in proportion to the total cost to make and market the product, and it is, therefore, imperative that great care be taken in allocating these expenses to products for the purpose of fixing selling prices and determining the profits and losses by lines and products. The Accounting Committee in deciding upon the recommendations incorporated in this volume has used the best experience available in the rubber industry and in other industries as well, tempering theory, where necessary, with practicability.

A detailed plan of budgetary control is outlined in Part V, based on the best experience in the rubber industry. With the ever-increasing competition in the industry it is very essential that every company keep its house in order if it is to continue in business. There is no better tool in the hands of the executives for accomplishing this purpose than that of proper budgetary control which will provide a standard for measuring actual accomplishments in money values and at the same time enable the management to see the future properly from the point of view of capital position and cash requirements, involving as they do the more detailed requirements of labor, material and expense costs. By proper planning of the financing, more advantageous rates may be secured on loans and measures may be taken to avoid the many pitfalls of haphazard financing.

It is the opinion of the Accounting Committee that if the recommendations outlined in this volume are followed, material benefits will accrue to each company in the rubber industry and to the industry as a whole. It is the hope of the Committee that companies in other industries may secure something of tangible benefit from the results of this study and effort.

The Accounting Committee of the
RUBBER ASSOCIATION OF AMERICA, INC.

New York,

November 15, 1926

CONTENTS

SECTION	PAGE
I CLASSIFICATION OF ACCOUNTS—GENERAL LEDGER . . .	3
Balance Sheet Accounts	3
Operating Accounts	13
II DETAILED EXPLANATION OF GENERAL LEDGER BALANCE SHEET ACCOUNTS	23
III DETAILED EXPLANATION OF GENERAL LEDGER OPERATING ACCOUNTS	135
IV COMPILATION AND DISTRIBUTION OF COMMERCIAL EXPENSES	185
Departmentalization of Selling and Administration Divisions	185
Standard Methods for Distribution of Selling and Administrative Expenses	189
Application of Commercial Expenses to the Cost of Products Sold	203
Detailed and Condensed Operating Statements and Balance Sheets	207
V BUDGETARY CONTROL	215

SECTION I
CLASSIFICATION OF ACCOUNTS—
GENERAL LEDGER

BALANCE SHEET ACCOUNTS

MAJOR CLASSIFICATION OF ACCOUNTS

ASSETS

- 1 Cash, U. S. Government Securities and Debts Receivable
- 2 Merchandise, Materials and Goods in Process
- 3 Properties, Plants and Securities
- 4 Prepaid, Deferred and Miscellaneous Assets
- 5 Good-Will, Patents and Trade Marks

LIABILITIES

- 6 Current Liabilities
 - 7 Fixed Liabilities, Capital Stock, Surplus
-

DETAILED CLASSIFICATION

1. Cash, U. S. Government Securities and Debts Receivable

11. CASH

- 11.1 Cash in Banks-General
 - .2 Cash in Banks-Branch Deposits
 - .3 Cash on Deposit-Special Accounts
 - .4 Cash in Transit
 - .5 Cash in Reserve
 - .6 Cash Exchange
 - 11.61 Exchange Items
 - .62 Transfer of Funds Account
 - .7 Foreign Currency
 - .8 Working Funds
 - .9 Postage Inventory

12. MARKETABLE U. S. GOVERNMENT SECURITIES

MANUAL OF ACCOUNTS

13. NOTES, LOANS AND ACCEPTANCES RECEIVABLE
 - 13.1 Customers' Notes and Acceptances
 - .2 Officers' and Employees' Notes
 - .3 Miscellaneous Notes Receivable
 - .4 Loans Receivable
 - .01 Notes Receivable Discounted
14. ACCOUNTS RECEIVABLE—CUSTOMERS
 - 14.1 Accounts Receivable—Customers
 - .2 Accounts Receivable—Post-Dated Checks
 - .3 Suspended Accounts
 - .01 Reserve for Cash Discounts
 - .02 Reserve for Volume Rebates
 - .03 Reserve for Freight Allowance
 - .04 Reserve for Bad Debts
 - .05 Reserve for Adjustments
 - .06 Reserve for Allowances
15. ACCOUNTS RECEIVABLE—MANUFACTURERS
 - 15.1 Accounts Receivable—Manufacturers
 - .3 Suspended Accounts
 - .01 Reserve for Cash Discounts
 - .03 Reserve for Freight Allowance
 - .04 Reserve for Bad Debts
 - .06 Reserve for Allowances
16. ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT
 - 16.1 Accounts Receivable—Customers—Export
 - .3 Suspended Accounts
 - .01 Reserve for Cash Discounts
 - .03 Reserve for Freight Allowance
 - .04 Reserve for Bad Debts
 - .05 Reserve for Adjustments
 - .06 Reserve for Allowances
 - .08 Reserve for Foreign Advertising
17. ACCOUNTS RECEIVABLE—CONTROLLED AND SUBSIDIARY COMPANIES
 - 17.1 Accounts Receivable—Controlled and Subsidiary Companies (This account applies only to subsidiary companies which are consolidated in

company records, if not, transactions are handled as if an outside company.)

.2 Associated Companies—Purchased Material

18. ACCOUNTS RECEIVABLE—MISCELLANEOUS

18.1 Accounts Receivable

18.11 Officers and Employees

.12 Other Miscellaneous Accounts

.2 Claims

18.21 Claims—Insurance

.22 Claims—Common Carriers

.3 Suspended Accounts

.4 Interest Due on Bank Deposits

.5 Deposits

18.51 Deposits, Bid and Bond, etc.

.52 Mutual Insurance Premiums Returnable

.6 Installments Due on Stocks and Bonds

19. ACCRUED ASSETS RECEIVABLE

19.1 Accrued Interest Receivable

.2 Matured Interest Coupons Receivable

.3 Accrued Sinking Fund Income

.4 Accrued Dividends Receivable

.5 Accrued Royalties Receivable

2. Merchandise, Materials and Goods in Process

21. MERCHANDISE FINISHED GOODS

21.1 Finished Goods on Hand at Factories (Own Make)

21.11 Finished Goods on Hand at Factories (Own Make)—Firsts

.12 Finished Goods on Hand at Factories (Own Make)—Seconds

.01 Reserve for Shrinkage in Value—Finished Goods on Hand at Factories (Own Make)

.2 Finished Goods on Hand at Branches (or Consigned) (Own Make)

21.21 Finished Goods on Hand at Branches (or Consigned) (Own Make)—Firsts

- .22 Finished Goods on Hand at Branches (or Consigned) (Own Make)—Seconds
 - .23 Transportation on Finished Goods on Hand at Branches (or Consigned) (Own Make)
 - .02 Reserve for Shrinkage in Value—Finished Goods on Hand at Branches (or Consigned) (Own Make)
 - .3 Finished Goods on Hand (Outside Manufacture)
 - 21.31 Finished Goods on Hand (Outside Manufacture)
 - .03 Reserve for Shrinkage in Value—Finished Goods on Hand (Outside Manufacture)
 - .4 Sample Account
25. FACTORY LEDGER CONTROL
26. MATERIALS AND SUPPLIES (see detail under explanation)
27. MATERIALS AND SUPPLIES IN TRANSIT
- 27.1 Material and Supplies in Transit
 - .2 Advances to Vendors
3. Properties, Plants and Securities
31. PROPERTIES AND PLANTS (FACTORIES)
- 31.1 Land
 - 31.11 Land
 - .12 Cost of Acquisition of Land
 - .2 Buildings
 - .3 Machinery and Equipment
 - .4 Molds, Cores and Poles
 - .5 Liners and Wraps
 - .6 Small Tools
 - .7 Furniture and Fixtures
 - .8 Autos and Auto Trucks
 - .02 Reserve for Depreciation—Buildings
 - .03 Reserve for Depreciation—Machinery and Equipment
 - .04 Molds, Cores and Poles
 - .07 Reserve for Depreciation—Furniture and Fixtures
 - .08 Reserve for Depreciation—Autos and Auto Trucks

- 32. CONSTRUCTION IN PROCESS
 - 32.1 Construction in Process
 - .2 Contract Advances
- 33. REAL ESTATE (BRANCHES AND WAREHOUSES)
 - 33.1 Land
 - .2 Buildings and Building Fixtures
 - .02 Reserve for Depreciation—Buildings and Building Fixtures (For items capitalized concerning “improvements to leaseholds” see Account 48.)
- 34. FURNITURE AND FIXTURES (OFFICES)
 - 34.1 Branches
 - .2 General Offices
 - .01 Reserve for Depreciation—Branches
 - .02 Reserve for Depreciation—General Offices
- 35. AUTOMOBILES AND TRUCKS
 - 35.1 Branches
 - .2 General Offices
 - .01 Reserve for Depreciation—Branches
 - .02 Reserve for Depreciation—General Offices
- 36. REAL ESTATE (OTHER THAN BUSINESS PROPERTY)
 - 36.1 Real Estate (Other than Business Property)
 - .01 Reserve for Depreciation
- 37. STOCKS AND BONDS OF SUBSIDIARY COMPANIES
 - 37.1 Stocks of Subsidiary Companies
 - .2 Bonds of Subsidiary Companies
 - .01 Reserve for Loss on Stocks of Subsidiary Companies
 - .02 Reserve for Loss on Bonds of Subsidiary Companies
- 38. CAPITAL STOCK (UNALLOTTED)
 - 38.1 Capital Stock (Unallotted)—Preferred
 - .2 Capital Stock (Unallotted)—Common
- 39. SINKING FUNDS, SECURITIES, MORTGAGE LOANS
 - 39.1 Sinking Fund First Mortgage Ten-Year Gold Bonds
 - .2 Securities of Outside Companies

- 39.21 Stocks of Outside Companies
- .22 Bonds of Outside Companies
 - .01 Reserve for Loss in Value—Stocks of Outside Companies
 - .02 Reserve for Loss in Value—Bonds of Outside Companies
- .3 Mortgage Loans
 - 39.31 Employees' Second Mortgage Loans
 - .32 Employees' Mortgage Loans (Other)

4. Prepaid, Deferred and Miscellaneous Assets

- 41. SALARY AND WAGE ADVANCES
 - 41.1 Factory Payroll Advances
 - .2 Salary Payroll Advances
 - .3 Advanced Payments against Commissions
- 42. PREPAID INSURANCE
 - 42.1 Prepaid Insurance—Branches
 - .2 Prepaid Insurance—General Office
 - .3 Prepaid Insurance—Factories
- 43. FREIGHT AND EXPRESS (INBOUND) (CLEARING ACCOUNT)
 - 43.1 Undistributed Freight and Express (Inbound)
 - .2 Freight Advances
 - .01 Distributed Freight and Express (Inbound)
- 44. PREPAID STATE AND COUNTY PROPERTY TAXES
- 45. PREPAID INTEREST ON BANK LOANS (OR DISCOUNT)
- 48. IMPROVEMENTS TO LEASEHOLDS
- 49. PREPAID EXPENSES—MISCELLANEOUS
 - 49.1 Prepaid Bond Discount and Expense
 - .2 Prepaid Commercial Agency Subscriptions
 - .3 Prepaid Rent
 - .4 Experiments and Developments
 - 49.41 Labor
 - .42 Other than Labor
 - .5 Suspended Charges—Allied Companies

- .6 Insurance Adjustments
- .7 Prepaid Advertising
- .9 Miscellaneous Prepaid Items

5. Good-Will, Patents and Trade Marks

- 51. PATENTS
- 52. TRADE MARKS
- 53. TRADE NAMES
- 54. GOOD-WILL

6. Current Liabilities

61. NOTES, LOANS AND ACCEPTANCES PAYABLE

- 61.1 Notes Payable to Banks
- .2 Notes Payable (Other than Banks)
- .3 Loans Payable

62. ACCOUNTS PAYABLE

- 62.1 Accounts Payable—Outside Vendors
- .2 Accounts Payable—Unclaimed Wages, etc.
 - 62.21 Unclaimed Wages
 - .22 Unclaimed Dividends
- .3 Excise Tax Payable on Sales
- .4 Claims Payable
 - 62.41 Miscellaneous Claims Payable
 - .42 Accident Claims Payable
- .5 Unaudited Invoices
- .6 Unrendered Invoices
- .7 Contract Estimates Payable
- .8 Accounts Payable—Employees
 - 62.81 Deposits on Tools, etc.
 - .82 Deposits on Locker Keys
 - .83 Savings and Securities
 - .84 Income Tax withheld at Source
 - .85 Stock Subscriptions
 - .86 Payments on Houses
 - .87 Benefit Account
- .9 Accounts Payable—Miscellaneous
 - 62.91 Customers' Overpayments
 - .99 Accounts Payable—Miscellaneous

- 63. ACCRUED PAYROLL
 - 63.1 Accrued Payroll—Factories
 - .2 Accrued Payroll—Salaries
 - .3 Accrued Commissions
- 64. DIVIDENDS PAYABLE
 - 64.1 Dividends Payable—Preferred Stock
 - .2 Dividends Payable—Common Stock
- 66. ACCOUNTS PAYABLE—CONTROLLED AND SUBSIDIARY COMPANIES (This account applies only to subsidiary companies which are consolidated in company records, if not, transactions are handled as if an outside company.)
- 67. ACCRUED TAXES
 - 67.1 Accrued Capital Stock Tax
 - .2 Accrued State Income Tax
 - .3 Accrued State Franchise Tax
 - .4 Accrued State and County Property Tax
 - .5 Accrued Federal Income Tax
- 68. ACCRUED INTEREST
 - 68.1 Accrued Interest on Bonds
 - .2 Accrued Interest Payable (Other than Bonds)
- 69. ACCRUED LIABILITIES—MISCELLANEOUS
 - 69.1 Accrued Royalties Payable
 - .2 Accrued Demurrage
 - .3 Accrued Rent
 - .4 Accrued Liability Insurance
 - .9 Accrued Liabilities—Miscellaneous
- 7. Fixed Liabilities, Capital Stock, Surplus
 - 71. FUNDED DEBT
 - 71.1 Bond Issues of Company
 - 71.11 First Mortgage Ten-Year Gold Bonds
 - .12 Subscriptions to First Mortgage Ten-Year Gold Bonds
 - .13 Reserve for Sinking Fund First Mortgage Ten-Year Gold Bonds

.01 Subscribers to First Mortgage Ten-Year
Gold Bonds

72. CAPITAL STOCK

- 72.1 Capital Stock—Preferred
 - .2 Capital Stock—Common
 - .4 Subscriptions to Preferred Capital Stock
 - .5 Subscriptions to Common Stock
 - .01 Treasury Stock—Preferred
 - .02 Treasury Stock—Common
 - .03 Subscribers to Preferred Capital Stock
 - .04 Subscribers to Common Stock

74. GENERAL RESERVES

79. SURPLUS

- 79.1 Surplus Unappropriated
 - 79.11 Surplus Unappropriated
 - .01 Dividends Paid
 - .5 Surplus Appropriated
 - 79.51 Capital Stock Donated
 - .52 Surplus through Revaluation



OPERATING ACCOUNTS

MAJOR CLASSIFICATION OF ACCOUNTS

INCOME AND EXPENSES

- 8 Income and Expense on Sales
 - 9 Corporate Income and Expense, Income Tax and Profit and Loss Accounts
-

DETAILED CLASSIFICATION OF ACCOUNTS

8. Income and Expense on Sales

81. SALES

- 81.1 Sales (Own Products)
- .2 Sales (Outside Products)

82. DEDUCTIONS FROM SALES

- 82.1 Returned Goods
 - .2 Allowances
 - .3 Adjustments
 - 82.31 Adjustments
 - .32 Adjustment Contingency

- .4 Excise Tax on Sales
- .5 Volume Rebates
- .6 Transportation

82.61 Transportation on Merchandise Shipped Direct to Customer

82.611 Freight

.612 Truck

.613 Express

.614 Parcel Post

.62 Transportation on Consigned Merchandise—Factory to Branch

MANUAL OF ACCOUNTS

- .63 Transportation on Consigned Merchandise—
Branch to Branch
 - .64 Transportation on Merchandise Shipped
from Branch to Customer
 - 82.641 Freight
 - .642 Truck
 - .643 Express
 - .644 Parcel Post
 - .65 Transportation on Returned Goods
 - .7 Cash Discount on Sales
83. COST OF SALES
- 83.1 Cost of Sales (Own Products)
 - .2 Cost of Sales (Outside Products)

COMMERCIAL EXPENSES

85. SELLING EXPENSE (CONTROL)

All selling expenses should be broken down after a uniform classification, departmentally, as follows:

Salaries

- 85.10 Salaries—Executives
 - .11 Salaries—Department Managers and Assistants
 - .12 Salaries—Branch Managers and Assistants
 - .13 Salaries—Salesmen
 - .14 Commission—Salesmen
 - .15 Commission—Agents
 - .16 Commission—Brokers
 - .17 Training Expense—Salesmen
 - .18 Salaries—Adjustors
 - .19 Salaries—Office Managers
 - .20 Salaries—Credits and Collections
 - .21 Salaries—Stenographers
 - .22 Salaries—Clerical—General
 - .23 Salaries—Chauffeurs and Drivers

Traveling Expense

- 85.24 Traveling Expense—Executives
- .25 Traveling Expense—Salesmen
- .26 Entertainment Expense

Rental Expense

- 85.27 Rent
 - .28 Losses on Leases
 - .29 Maintenance and Repairs to Buildings
 - .30 Taxes on Buildings
 - .31 Insurance on Buildings
 - .32 Depreciation on Buildings
 - .33 Heat, Light, Power and Water

Factory Warehouse and Shipping Expense

- 85.34 Factory Warehouse and Shipping Expense
(See factory reports for detail. This expense should be broken down in accordance with detail of factory overhead classification.)

Depot Expense

- 85.35 Depot Expense
(Depots function as distribution aids to branches. The total depot expense should be analyzed to this account number. If desired, further analysis should take exact breakdown of the 85. accounts, which are applicable to the same degree as though it were a branch.)

Branch Warehouse and Shipping Expense

- 85.36 Salaries—Stock Clerks
 - .37 Packing and Shipping Labor
 - .38 Packing and Shipping Supplies
 - .39 Stock Handling Expense
 - .40 Taxes on Stock
 - .41 Insurance on Stock
 - .42 Outside Storage Space (Other than Depots)
 - .43 Cartage and Trucking
 - .44 Auto and Truck Maintenance
 - .45 Gasoline and Oil
 - .46 Tires and Accessories
 - .47 Depreciation Autos and Trucks
 - .48 Miscellaneous Auto Expense

Office and Miscellaneous Expense

- 85.54 Samples
 - .55 Losses on Finished Goods

- .56 Postage-General
- .57 Employment Expense
- .58 Employees' Compensation Insurance
- .59 Premiums on Surety Bonds
- .60 Stationery and Office Supplies
- .61 Telegraph and Telephone
- .64 Furniture, Fixtures and Equipment Expense
 - 85.641 Maintenance and Repairs
 - .642 Taxes
 - .643 Insurance
 - .644 Depreciation
- .65 Duty on Incoming Shipments
- .66 Freight and Express (Other than on Finished goods)
- .67 Truck Tire Applying
- .68 Taxicab Mileage Contract Expense
- .69 Credit and Collection Expense
- .70 Books and Periodicals
- .71 Dues and Donations
- .72 Sales Service Expense
- .73 Miscellaneous-Unclassified

Bad Debts

- 85.74 Bad Debts

Advertising

- 85.75 Salaries-Advertising Manager and Assistants
- .76 Advertising Expenses

86. ADMINISTRATIVE EXPENSE (CONTROL)

All Administrative Expenses should be broken down after a uniform classification, departmentally, as follows:

Administrative Salaries

- 86.10 Salaries-Executives
 - .11 Salaries-Department Managers and Assistants
 - .19 Salaries-Office Managers
 - .21 Salaries-Stenographers
 - .22 Salaries-Clerical-General
 - .23 Salaries-Chauffeurs and Drivers

Traveling Expense—Administrative

- 86.24 Traveling Expense
- .26 Entertainment Expense

Rental Expense

- 86.27 Rent
- .29 Maintenance and Repairs to Buildings
- .30 Taxes on Buildings
- .31 Insurance on Buildings
- .32 Depreciation on Buildings
- .33 Heat, Light, Power and Water

Auto Expense

- 86.44 Auto and Truck Maintenance
- .45 Gasoline and Oil
- .46 Tires and Accessories
- .47 Depreciation—Autos and Trucks
- .48 Miscellaneous Auto Expense

Office and Miscellaneous Expense

- 86.56 Postage—General
- .57 Employment Expense
- .58 Employees' Compensation Insurance
- .59 Premiums on Surety Bonds
- .60 Stationery and Office Supplies
- .61 Telegraph and Telephone
- .62 Tabulatory Machines—Rental and Supplies
- .63 House Organ Expense
- .64 Furniture, Fixtures and Equipment Expense
 - 86.641 Maintenance and Repairs
 - .642 Taxes
 - .643 Insurance
 - .644 Depreciation
- .70 Books and Periodicals
- .71 Dues and Donations
- .73 Miscellaneous—Unclassified

Corporate Expense

- 86.77 Legal Expense
- .78 Directors' Fees and Expense
- .79 Conventions and Conferences
- .80 Patent Expense
- .81 Auditing

9. Corporate Income and Expense, Income Tax and Profit and Loss Accounts**91. CORPORATE INCOME CREDITS**

- 91.1 Rent Received
- .2 Gain or Loss on Miscellaneous Sales
 - 91.21 Salvage Sales
 - .22 Obsolete Finished Goods Sales (Extraordinary)
 - .23 Obsolete Raw Materials and Supplies Sales
 - 91.231 Raw Materials
 - .232 Supplies
 - .24 Factory Salesroom (Gain or Loss)
 - .29 Miscellaneous Sales
- .3 Purchase Commission
- .4 Dividends Received
- .5 Gain or Loss on Foreign Exchange
- .6 Sinking Fund Income
- .9 Miscellaneous Income Credits

92. CORPORATE INCOME DEBITS

- 92.1 Pensions
- .2 Inventory Adjustments (Extraordinary)
 - 92.21 Inventory Adjustments—Finished Goods
 - .22 Inventory Adjustments—Goods in Process
 - .23 Inventory Adjustments—Raw Materials and Supplies
 - 92.231 Raw Materials
 - .232 Supplies
- .3 Taxes
 - 92.31 Capital Stock Tax (Federal)
 - .32 State Taxes (Franchise or Income)
- .4 Extraordinary Expenses (Other than Property)
- .6 Property Expenses (Extraordinary)
 - 92.61 Extraordinary Expenses (Property)
 - .62 Demolitions
 - .63 Transfers (Allied Companies)
 - .64 Extraordinary Experiments and Developments
 - .65 Loss or Gain on Sale of Autos and Trucks

- .9 Miscellaneous Income Debits
 - 92.91 Loss or Gain on Insurance Claims
 - .99 Miscellaneous Items

- 93. CORPORATE FINANCE EXPENSES
 - 93.2 Cash Discount on Purchases
 - .3 Interest Credits
 - .4 Interest Debits
 - .5 Interest on Bonded Debt
 - .6 Interest (Allied Companies)
 - 93.61 Interest Credits
 - .62 Interest Debits

- 94. PROVISION FOR INCOME TAX (FEDERAL)

- 99. PROFIT AND LOSS
 - 99.1 Profit and Loss-General
 - .2 Profit and Loss-Suspense
 - .9 Profit and Loss-Prior Period Charges

SECTION II

**DETAILED EXPLANATION OF GENERAL
LEDGER BALANCE SHEET ACCOUNTS**

BALANCE SHEET ACCOUNTS

1. Cash, U. S. Government Securities and Debts Receivable

11.1 Cash in Banks—General Account

Debit with: (1) The amount of funds transferred from depositories in branch cities as shown by cash receipts journal, *Crediting* ACCOUNT 11.62, TRANSFER OF FUNDS.

(2) The transfer of amounts on special deposit to the general cash account as shown on the cash disbursements journal, *Crediting* ACCOUNT 11.3, CASH ON DEPOSIT—SPECIAL ACCOUNTS.

(3) The amount of cash in reserve temporarily or permanently withdrawn as shown on cash receipts journal, *Crediting* ACCOUNT 11.5, CASH IN RESERVE.

(4) The amount drawn from foreign depositories, *Crediting* ACCOUNT 11.7, FOREIGN CURRENCY.

(5) The reduction or return of working funds as shown on cash receipts journal, *Crediting* ACCOUNT 11.8, WORKING FUNDS.

(6) The amount credited by various banks upon acceptance or renewal of notes as shown on cash receipts journal, *Crediting* ACCOUNT 61.1, NOTES PAYABLE AT BANK, at the same time *Debiting* the proper account for items of interest or discount.

(7) The amount of interest earned on bank balances credited to accounts by various depositories as shown on cash receipts journal, *Crediting* ACCOUNT 93.3, INTEREST CREDITS.

(8) The amount of receipts of cash by the home office deposited with banks, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS; ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS; ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT, or other appropriate account, at

the same time *Debiting* accounts for amount of deductions or allowances.

(9) Amount of payments by customers of notes and trade acceptances receivable as shown by cash receipts journal, *Crediting* ACCOUNT 13.1, CUSTOMERS-NOTES AND ACCEPTANCES RECEIVABLE.

(10) The proceeds of notes and trade acceptances receivable, which have been discounted at bank, *Crediting* ACCOUNT 13.01, NOTES RECEIVABLE DISCOUNTED, and *Debiting* ACCOUNT 93.4, INTEREST DEBITS, for the amount of the discount. *Credit* with: (1) The amount of cash placed on special deposit with each separate bank, *Debiting* ACCOUNT 11.3, CASH ON DEPOSIT-SPECIAL ACCOUNTS.

(2) The amount of money reserved for permanent deposit in all banks as shown on cash disbursements journal, *Debiting* ACCOUNT 11.5, CASH IN RESERVE.

(3) The total amount of vouchers paid during period, *Debiting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS, at the same time *Crediting* ACCOUNT 93.2, CASH DISCOUNT ON PURCHASES, with the amount of discount earned.

(4) The gross amount of all notes and trade acceptances, discounted, which have been dishonored, *Debiting* ACCOUNT 13.01, NOTES RECEIVABLE-DISCOUNTED.

Balance of this account represents the amount of cash in the banks which handle the general cash, plus outstanding checks, but not including cash in reserve or segregated for special purposes.

This account acts as a control over the subsidiary bank deposit ledger, wherein record of deposits and withdrawals of cash with each bank should be maintained. Postings should be made to this ledger daily, and daily balances reported. This ledger should be maintained in the cashier's department.

11.2 Cash in Banks-Branch Deposits

Debit monthly with: (1) The total deposits made with the banks receiving branch deposits as shown on the cash receipts jour-

nal, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS, or other appropriate account.

(2) The amount of interest earned on Bank Balances credited to Branch Deposit accounts by various Depositors as shown on cash receipts journal, *Crediting* ACCOUNT 93.3, INTEREST CREDITS.

Credit monthly with: (1) The transfer of funds from the branch deposits to the general cash as shown on the cash disbursements journal, *Debiting* ACCOUNT 11.62, TRANSFER OF FUNDS ACCOUNT.

Balance of this account represents the amount of branch deposits not yet transferred to the general cash account.

This account acts as a control over the subsidiary branch bank deposits ledger, wherein a record of deposits and withdrawals with each bank should be maintained. Postings to this subsidiary ledger should be made daily and daily balances reported. This ledger should be maintained in the cashier's department.

11.3 Cash on Deposit—Special Accounts

Debit with: (1) The amount of cash on special deposit including Certificates of Deposit, with each separate bank, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of interest earned on bank balances or certificates of deposit, *Crediting* ACCOUNT 93.3, INTEREST CREDITS.

Credit with: (1) The transfer of these deposits, as shown on the cash disbursement journal, to the general cash account, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or if otherwise deposited, *Debiting* the proper cash account.

Balance of this account represents the amount of cash on deposit with all special depository banks.

11.4 Cash in Transit

Debit with: (1) Amount of cash deposited by subsidiaries or branches, notification of which has not been received in the

general office on the last day of the period, when ACCOUNT 11.1, CASH IN BANKS—GENERAL is closed. The total *Credit* is to accounts receivable, *Debit* at the same time being made to cash discount on sales; outward freight and freight allowances—sales; outward freight and freight allowances, etc., depending upon the deductions taken by the customer or subsidiary when remitting cash.

Credit on the first day of new period with the exact amount *Credited* to accounts receivable, at the same time crediting cash discount on sales; outward freight and freight allowances, etc.

Balance of this account represents amount of all cash items in transit from subsidiary companies and branches at the close of each month, where it is desirable to credit the company remitting the cash at the end of the month, for items not actually received until after the close of the cash records of the receiving company.

11.5 Cash in Reserve

Debit with: (1) The amount of money reserved for permanent deposit in all banks, as shown on cash disbursements journal, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of interest earned on bank balances, *Crediting* ACCOUNT 93.3, INTEREST CREDITS.

Credit with: (1) Amounts temporarily or permanently withdrawn as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANK—GENERAL.

Balance of this account represents the amount of permanent reserve deposits in all banks.

This account acts as a control over the subsidiary cash in reserve ledger, wherein record of reserves and withdrawals with each bank should be maintained. This ledger should be maintained by the cashier's department.

11.61 Exchange Items

Debit with: (1) The amount paid out in exchange for checks, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amount of checks issued in exchange for cash, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance: There should be no balance in this account as all receipts, either in checks or cash, should be deposited on the same day as the offsetting exchange payments are made.

This detail may be controlled by offsetting columns on the cash book, making this account unnecessary.

11.62 Transfer of Funds Account

Debit with: (1) The amount of transfer of funds from branch deposits to the general cash account, *Crediting* ACCOUNT 11.2, CASH IN BANKS-BRANCH DEPOSITS.

Credit with: (1) The amount of transfer of funds from deposits in branch cities, as shown by cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance: There should be no balance in this account as all receipts or debits should offset disbursements or credits at the end of each day.

11.7 Foreign Currency

Debit with: (1) The original U. S. currency value of cash deposited in foreign banks, *Crediting* ACCOUNTS 16.1, ACCOUNTS RECEIVABLE-CUSTOMERS-EXPORT, at the same time *Debiting* any allowance accounts. *Debit* or *Credit* also should be made to ACCOUNT 91.5, GAIN OR LOSS ON FOREIGN EXCHANGE, for difference in exchange, if any.

Credit with: (1) The amounts drawn from foreign depositories, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, at the same time *Debiting* or *Crediting* ACCOUNT 91.5, GAIN OR LOSS ON FOREIGN EXCHANGE, for difference in exchange (if any).

Balance of this account represents the amount of deposits to credit in foreign banks at the close of the period evaluated at U. S. currency values at time of deposit.

11.8 Working Funds (Imprest System)

Debit with: (1) The amounts, agreed upon as working funds or additions thereto, in the possession of various individuals, such

as petty cashier, factory cashier, branch cashier, salesmen, credit managers, etc., as shown by the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS. *Credit* with: (1) Reductions or return of working funds as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount of working funds in the possession of various persons.

This account acts as a control over the subsidiary working fund ledger, wherein a record of moneys in possession of each person should be maintained. This ledger should be kept by the cashier's department.

Expenditures from funds controlled by this account should be vouchered and paid in the usual course of business by the imprest method.

11.9 Postage Inventory

Debit with: (1) The amounts expended for stamps as shown by the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit by means of a journal entry voucher with the value of deliveries of stamps to the various departments at the end of each period, *Debiting* ACCOUNT 85.56 or 86.56, POSTAGE—GENERAL, either in branch, selling or administration department, or ACCOUNT 82.614, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMERS—PARCEL POST, if such stamps are controlled by this account.

Balance of this account represents the value of the postage inventory at the end of each period.

At the end of each fiscal period, all stamps in possession of each division should be collected and inventoried by crediting each department, so that the exact value of all stamps on hand may enter into the fiscal balance sheet.

12. Marketable U. S. Government Securities

Debit with: (1) The cost value of Liberty Bonds, U. S. Certificates of Deposit or other readily marketable Government

securities, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL or ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS, if paid through the voucher register.

(2) The amount of difference between the cost and sales value (upon sale) of securities sold (at a profit), *Crediting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

Credit with: (1) The cash value of the securities (when sold), *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

(2) The amount of difference between the cost and sales value (upon sale) of securities sold (at a loss), *Debiting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

Balance of this account represents the cost value of marketable U. S. Government securities on hand at the end of each period.

Interest on these securities should be accrued monthly and be *Credited* to ACCOUNT 93.3, INTEREST CREDITS, *Debiting* at the same time ACCOUNT 19.1, ACCRUED INTEREST RECEIVABLE.

13.1 Customers' Notes and Acceptances

Debit with: (1) The amount of notes and trade acceptances, in payment of account, received from customers as indicated on the note register, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS, or other accounts receivable control, depending on source of receipt.

Credit with: (1) The payment of customers' notes as shown on the cash receipts journal *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

(2) The cancellation of customers' notes, *Debiting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS, or other accounts receivable control.

(3) The gross amount of notes and trade acceptances receivable, discounted, which have been paid at maturity, *Debiting* ACCOUNT 13.01, NOTES RECEIVABLE-DISCOUNTED.

(4) The gross amount of notes and trade acceptances receivable, discounted, which have been dishonored, *Debiting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS, or other

accounts receivable control. Protest fees, if any, should also be charged to the proper accounts receivable control, *Crediting ACCOUNT 11.1, CASH IN BANKS—GENERAL.*

Balance of this account represents the amount of customers' notes and trade acceptances held or discounted, not yet due for payment.

The notes receivable register should be maintained in the cashier's department, wherein all detail records of notes and trade acceptances should be made and the monthly totals, only, entered on the general ledger to the customers' notes and trade acceptances receivable control account.

13.2 Officers' and Employees' Notes

Debit with: (1) The amount of notes receivable of officers and employees, received in payment of accounts as shown on the notes register, *Crediting ACCOUNT 18.11, ACCOUNTS RECEIVABLE—OFFICERS AND EMPLOYEES.*

Credit with: (1) The payment of officers' and employees' notes as shown on the cash receipts journal, *Debiting ACCOUNT 11.1, CASH IN BANKS—GENERAL.*

(2) The amount of cancellations or adjustments of accounts secured by officers' and employees' notes, *Debiting* appropriate expense account.

Balance of this account represents the amount of officers' and employees' notes receivable held, not yet due for payment.

The detail of these notes should be recorded in the notes receivable register—officers and employees, which record should be maintained by the cashier's department.

13.3 Miscellaneous Notes Receivable

Debit with: (1) The amount of notes received in settlement of miscellaneous accounts or other general indebtedness, *Crediting ACCOUNT 18.12, ACCOUNTS RECEIVABLE—MISCELLANEOUS,* or other appropriate account.

Credit with: (1) The amount of payment of these notes as shown on the cash receipts journal, *Debiting ACCOUNT 11.1, CASH IN BANKS—GENERAL.*

Balance of this account represents the amount of notes receivable—miscellaneous, not yet due for payment.

The detail record of these notes should be recorded in the notes receivable—miscellaneous register, which should be maintained by the cashier's department.

13.4 Loans Receivable

Debit with: (1) The amount of all loans receivable, not secured by note or mortgage, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amounts received in repayment of loans, not secured by note or mortgage, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount of outstanding loans, not secured by note or mortgage, at the end of any accounting period and should control the subsidiary record containing the detail of this balance.

Loans made to subsidiary or controlled companies in the way of permanent or semi-permanent investment should appear in ACCOUNT 17.1 or 66, ACCOUNTS RECEIVABLE or PAYABLE—CONTROLLED AND SUBSIDIARY COMPANIES.

13.01 Notes Receivable—Discounted

Debit with: (1) The gross amount of all notes and trade acceptances, discounted, which have been paid at maturity, *Crediting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES.

(2) The gross amount of all notes and trade acceptances, discounted, which have been dishonored, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The gross amount of all notes and trade acceptances which have been discounted at bank, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, for the proceeds, and Account 93.4, INTEREST DEBITS, for the amount of the discount.

Balance of this account represents gross amount of notes and trade acceptances receivable, which have been discounted at bank, which are not yet due for payment.

The balance of this account, deducted from the amount of customers' notes and trade acceptances receivable, should be the gross amount of all customers' notes and trade acceptances on hand.

14.1 Accounts Receivable—Customers

Debit monthly with: (1) The total amount of billing rendered by the sales department as shown on journal entry voucher prepared from sales register, *Crediting* ACCOUNT 81.1, SALES (OWN PRODUCTS), or ACCOUNT 81.2, SALES (OUTSIDE PRODUCTS).

(2) The amount of billing rendered by the miscellaneous billing section as shown on journal entry voucher, prepared from the bill register, maintained by that division, *Crediting* the appropriate miscellaneous sales account.

(3) The cancellation of the gross amount of notes and trade acceptances receivable—discounted, which have been dishonored, *Crediting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES, at the same time debiting the appropriate expense account for the charges, if any.

(4) The total amount of all credit balances appearing on accounts receivable ledger at end of each accounting period, *Crediting* ACCOUNT 62.91, CUSTOMERS' OVERPAYMENTS.

Credit with: (1) The gross value received in settlement of accounts as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL; ACCOUNT 14.01, RESERVE FOR CASH DISCOUNTS; ACCOUNT 14.02, RESERVE FOR VOLUME REBATES, or other reserve or adjustment account.

(2) The total amount deposited by branches in branch depositories representing collections of accounts receivable as shown by cash receipts journal, *Debiting* ACCOUNT 11.2, CASH IN BANKS—BRANCH DEPOSITS; ACCOUNT 14.01, RESERVE FOR CASH DISCOUNT; ACCOUNT 14.02, RESERVE FOR VOLUME REBATES, or other reserve or adjustment account.

(3) The amount of questionable accounts transferred to suspended accounts ledger, *Debiting* 14.3 SUSPENDED AC-

COUNTS—CUSTOMERS. All questionable accounts should clear through suspended accounts.

(4) The amount of notes received in payment of account as shown on the note register, *Debiting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES.

(5) The amount of trade acceptances received in payment of accounts, as shown on the trade acceptance register, *Debiting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES.

(6) The amount of post-dated checks received in settlement of accounts, *Debiting* ACCOUNT 14.2, ACCOUNTS RECEIVABLE—POST-DATED CHECKS.

(7) The sales value of all returned merchandise, received in good condition, *Debiting* ACCOUNT 82.1, RETURNED GOODS.

(8) On the first day of each following month with the amount debited to this account, representing customers' overpayments, *Debiting* ACCOUNT 62.91, CUSTOMERS' OVERPAYMENTS.

Balance of this account represents the amount of customers' accounts unpaid at the end of the period.

This account acts as a control over the subsidiary ledger for accounts receivable—customers.

14.2 Accounts Receivable—Post-Dated Checks

Debit with: (1) The gross amount of all post-dated checks received, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS, at the same time *Debiting* ACCOUNT 14.01, RESERVE FOR CASH DISCOUNTS; ACCOUNT 14.02, RESERVE FOR VOLUME REBATE, or other reserve or adjustment account, for amounts deducted from the face amount of the account.

Credit with: (1) The amount of post-dated checks when they become due, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the net amount of post-dated checks at the end of the period, which are not due for deposit.

14.3 Accounts Receivable—Customers' Suspended Accounts

Debit with: (1) The amount of customers' accounts transferred on account of being past due or questionable as to ultimate

collection, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS.

Credit with: (1) The amounts received in payment of the accounts as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

(2) The amount of any adjustment made in the account or if considered worthless, the full amount, *Debiting* ACCOUNT 14.04, RESERVE FOR BAD DEBTS-ACCOUNTS RECEIVABLE-CUSTOMERS.

Balance of this account represents the amount of doubtful customers' accounts, at the end of the period.

This account acts as a control over the subsidiary ledgers for accounts receivable, suspended accounts—customers.

14.01 Reserve for Cash Discounts—Accounts Receivable—Customers

Debit with: (1) The amount of cash discounts actually allowed and for which reserve has been set up, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS—through the cash book.

(2) The amount by which this reserve is diminished due to becoming too large, *Crediting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

Credit with: (1) The amount set up at the end of each month, which it is assumed will be taken advantage of by customers when they make payment. The amount of this reserve should be figured on a percentage basis, equivalent to the discount rate allowed, on each line or type of product, by class of customer, on the total sales made during the period, *Debiting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

(2) The amount by which this reserve is increased due to becoming too small, *Debiting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers, on the monthly balance sheet.

14.02 Reserve for Volume Rebates—Accounts Receivable—Customers

Debit with: (1) The actual amount of volume rebates allowed to distributors during the accounting period, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS.

(2) The amount by which this reserve is diminished, due to becoming too large, *Crediting* ACCOUNT 82.5, VOLUME REBATES.

Credit with: (1) That percentage of maximum liability for volume rebates to be allowed customers, which experience shows will be earned by customers' accounts on the sales value of all merchandise sold during the period subject to such volume rebate, *Debiting* ACCOUNT 82.5, VOLUME REBATES.

(2) The amount by which this reserve is increased, due to becoming too small, *Debiting* ACCOUNT 82.5, VOLUME REBATES.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers, on the monthly balance sheet.

14.03 Reserve for Freight Allowance—Accounts Receivable—Customers

Debit with: (1) The actual amount of freight allowed to customers during the accounting period, when settling their accounts. This is applicable only to goods shipped *collect* and on which allowance for freight is made when customer makes payment. *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS.

(2) The amount by which this reserve is diminished due to becoming too large, *Crediting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OR FROM BRANCH TO CUSTOMER.

Credit with: (1) The estimated amount of freight, which past experience has shown, customers will deduct in settling their accounts. This is applicable only to goods shipped *collect* and on which allowance for freight is made when customer makes

payment. *Debiting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OR FROM BRANCH TO CUSTOMER.

(2) The amount by which this reserve is increased, due to becoming too small, *Debiting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OR FROM BRANCH TO CUSTOMER.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers, on the balance sheet.

14.04 Reserve for Bad Debts—Accounts Receivable—Customers

Debit with: (1) The amount of all items or accounts found to be uncollectible, *Crediting* ACCOUNT 14.3, SUSPENDED ACCOUNTS—CUSTOMERS.

(2) The amount by which this reserve is diminished, due to becoming too large, *Crediting* ACCOUNT 85.74, BAD DEBTS.

Credit with: (1) An amount sufficient to take care of uncollectible items, in order that the amount of outstanding customers' accounts may be appraised on a given date. The amount of the reserve, if established from past experience, should be based on a percentage rate equivalent to the actual loss sustained on the total amount of sales for a given period, *Debiting* ACCOUNT 85.74, BAD DEBTS, with the amount so set up.

(2) The amount by which this reserve is increased, due to becoming too small, *Debiting* ACCOUNT 85.74, BAD DEBTS.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers, on the balance sheet.

14.05 Reserve for Adjustments—Accounts Receivable—Customers

Debit with: (1) The amount by which adjustment reserve is relieved due to contingent liability diminishing, *Crediting* ACCOUNT 82.32, ADJUSTMENT CONTINGENCY.

Credit with: (1) That percentage of period sales, which past experience shows represents the amount which will be lost due to adjustment of charges upon articles sold under guarantee, *Debiting* ACCOUNT 82.32, ADJUSTMENT CONTINGENCY.

(2) The amount by which adjustment reserve is increased due to contingent liability becoming greater, *Debiting* ACCOUNT 82.32, ADJUSTMENT CONTINGENCY.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers, on the monthly balance sheet. This is in the nature of a permanent reserve and should not be confused with ACCOUNT 82.31, ADJUSTMENTS, which is the current account.

14.06 Reserve for Allowances—Accounts Receivable—Customers

Debit with: (1) The amount allowed customers, such as miscellaneous allowances, price decline rebates, policy adjustments, etc., or for other reasons, not coverable by one of the other accounts listed as “Deductions from sales,” *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS.

Credit with: (1) The amount set-up at the end of each month which it is assumed, in ordinary procedure will be allowed customers, for miscellaneous allowances or adjustments, when making payment for their accounts, in order that the amount of accounts receivable—customers may be appraised on a given date, *Debiting* ACCOUNT 82.2, ALLOWANCES.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers, on the balance sheet.

15.1 Accounts Receivable—Manufacturers

Debit monthly with: (1) The total amount of billing rendered by the sales department, as shown by journal entry voucher prepared from sales register; for all sales to manufacturers, *Crediting* ACCOUNT 81.1, SALES (OWN PRODUCTS), or ACCOUNT 81.2, SALES (OUTSIDE PRODUCTS).

(2) The amount of billing rendered by the miscellaneous billing section as shown by journal entry voucher prepared from the bill register maintained by that division, *Crediting* the appropriate account, miscellaneous sales division.

(3) The cancellation or the gross amount of notes and trade acceptances receivable—discounted, which have been dishonored, *Crediting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES, at the same time *Debiting* the appropriate expense account for the charges, if any.

Credit with: (1) The gross value received in settlement of accounts as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1 CASH IN BANKS—GENERAL; ACCOUNT 15.01, RESERVE FOR CASH DISCOUNTS; ACCOUNT 15.03, RESERVE FOR FREIGHT ALLOWANCE, or other reserve or adjustment account.

(2) The amount of questionable accounts transferred to suspended accounts ledger, *Debiting* ACCOUNT 15.3, SUSPENDED ACCOUNTS—MANUFACTURERS. All questionable accounts should be cleared through suspended accounts.

(3) The amount of notes received in payment of account as shown on the note register, *Debiting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES.

(4) The amount of trade acceptances received in payment of accounts, as shown on the trade acceptance register, *Debiting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES.

(5) The sales value of all returned merchandise, received in good condition, *Debiting* ACCOUNT 82.1, RETURNED GOODS.

Balance of this account represents the amount of manufacturers' accounts receivable unpaid at end of period.

This account acts as a control over the subsidiary ledger for accounts receivable—manufacturers.

15.3 Accounts Receivable—Manufacturers—Suspended Accounts

Debit with: (1) The amount of manufacturers' accounts transferred on account of being past due or questionable as to

ultimate collection, *Crediting* ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS.

Credit with: (1) The amount received in payment of the accounts as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of any adjustment made in the account or if considered worthless, the full amount *Debiting* ACCOUNT 15.04, RESERVE FOR BAD DEBTS—ACCOUNTS RECEIVABLE—MANUFACTURERS.

Balance of this account represents the amount of doubtful manufacturers' accounts, at the end of the period.

This account acts as a control over the subsidiary ledgers for accounts receivable—suspended accounts—manufacturers.

15.01 Reserve for Cash Discounts—Accounts Receivable—Manufacturers

Debit with: (1) The amount of cash discounts actually allowed and for which reserve has been set up, *Crediting* ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS, through the cash book.

(2) The amount by which this reserve is diminished due to becoming too large, *Crediting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

Credit with: (1) The amount set up at the end of each month, which it is assumed will be taken advantage of by customers when they make payment. The amount of this reserve should be figured on a percentage basis equivalent to the discount rate allowed on each line or type of product, by class of customer, on the total sales made during the period, *Debiting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

(2) The amount by which this reserve is increased due to becoming too small, *Debiting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—manufacturers, on the monthly balance sheet.

15.03 Reserve for Freight Allowance—Accounts Receivable—Manufacturers

Debit with: (1) The actual amount of freight allowed to customers during the accounting period, when settling their accounts. This is applicable only to goods shipped *collect* and on which allowance for freight is made when customer makes payment, *Crediting* ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS.

(2) The amount by which this reserve is diminished due to becoming too large, *Crediting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OR FROM BRANCH TO CUSTOMER.

Credit with: (1) The estimated amount of freight which past experience has shown customers will deduct in settling their accounts. This is applicable, only, to goods shipped *collect* and on which allowance for freight is made when customers make payment. *Debiting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OR FROM BRANCH TO CUSTOMER.

(2) The amount by which this reserve is increased due to becoming too small, *Debiting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OR FROM BRANCH TO CUSTOMER.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—manufacturers.

15.04 Reserve for Bad Debts—Accounts Receivable—Manufacturers

Debit with: (1) The amount of all items or accounts found to be uncollectible, *Crediting* ACCOUNT 15.3, SUSPENDED ACCOUNTS—ACCOUNTS RECEIVABLE—MANUFACTURERS.

(2) The amount by which this reserve is diminished, due to becoming too large, *Crediting* ACCOUNT 85.74, BAD DEBTS.

Credit with: (1) An amount sufficient to take care of uncollectible items, in order that the amount of outstanding manufacturers'

accounts may be appraised on a given date. The amount of the reserve, if established from past experience, should be based on a percentage rate equivalent to the actual loss sustained on the total amount of sales for a given period, *Debiting* ACCOUNT 85.74, BAD DEBTS, with the amount so set up.

(2) The amount by which this reserve is increased due to becoming too small, *Debiting* ACCOUNT 85.74, BAD DEBTS.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—manufacturers, on the balance sheet.

15.06 Reserve for Allowances—Accounts Receivable—Manufacturers

Debit with: (1) The amount of all allowances, not provided for specifically otherwise, which are made to manufacturers upon payment of their invoices, *Crediting* ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS.

Credit with: (1) An amount sufficient to take care of miscellaneous allowances, which in ordinary procedure will be allowed customers for miscellaneous allowances or adjustments when making payment for their accounts, in order that the amount of accounts receivable—manufacturers may be appraised on a given date, *Debiting* ACCOUNT 82.2, ALLOWANCES.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—manufacturers, on the balance sheet.

16.1 Accounts Receivable—Customers—Export

Debit monthly with: (1) The total amount of billing rendered by the sales department as shown on journal entry voucher prepared from sales register, *Crediting* ACCOUNT 81.1, SALES (OWN PRODUCTS), or ACCOUNT 81.2, SALES (OUTSIDE PRODUCTS).

(2) The amount of billing rendered by the miscellaneous billing section as shown on journal entry voucher prepared from the bill register maintained by that division, *Crediting* the appropriate miscellaneous sales account.

(3) The cancellation of the gross amount of notes and trade acceptances receivable discounted, which have been dishonored, *Crediting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES, at the same time *Debiting* the appropriate expense account for the charges, if any.

Credit with: (1) The gross value received in settlement of accounts as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 11.7, FOREIGN CURRENCY, at the same time *Debiting* any allowance accounts.

(2) The amount of questionable accounts transferred to suspended accounts ledger, *Debiting* ACCOUNT 16.3, SUSPENDED ACCOUNTS—EXPORT. All questionable accounts should be cleared through suspended accounts.

(3) The amount of notes received in payment of account as shown on the note register, *Debiting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES.

(4) The amount of trade acceptances received in payment of account as shown on the trade acceptance register, *Debiting* ACCOUNT 13.1, CUSTOMERS' NOTES AND ACCEPTANCES.

(5) The sales value of all returned merchandise, received in good condition, *Debiting* ACCOUNT 82.1, RETURNED GOODS.

Balance of this account represents the amount of export accounts unpaid at the end of the period.

This account acts as a control over the subsidiary ledger for accounts receivable—customers—export.

16.3 Accounts Receivable—Export—Suspended Accounts

Debit with: (1) The amount of export accounts transferred on account of being past due or questionable as to ultimate collection, *Crediting* ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT.

Credit with: (1) The amount received in payment of the accounts as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, at the same time *Debiting* any allowance accounts.

(2) The amount of any adjustment made in the account, or if considered worthless, the full amount, *Debiting* ACCOUNT 16.04, RESERVE FOR BAD DEBTS—ACCOUNTS RECEIVABLE—EXPORT.

Balance of this account represents the amount of doubtful export accounts at the end of the period.

This account acts as a control over the subsidiary ledger for accounts receivable—suspended accounts—export.

16.01 Reserve for Cash Discounts—Accounts Receivable—Customers—Export

Debit with: (1) The amounts of cash discount actually allowed and for which reserve has been set up, *Crediting* ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT, through the cash book.

(2) The amount by which this reserve is diminished due to becoming too large, *Crediting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

Credit with: (1) The amount set up at the end of each month, which it is assumed will be taken advantage of by customers when they make payment. The amount of this reserve should be figured on a percentage basis equivalent to the discount rate allowed on each line or type of product, and by class of customer, on the total sales made during the period. *Debiting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

(2) The amount by which this reserve is increased due to becoming too small, *Debiting* ACCOUNT 82.7, CASH DISCOUNT ON SALES.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers—export, on the monthly balance sheet.

16.03 Reserve for Freight Allowance—Accounts Receivable—Customers—Export

Debit with: (1) The actual amount of freight allowed to customers during the accounting period, when settling their accounts.

This is applicable only to goods shipped *collect* and on which allowance for freight is made when customer makes payment. *Crediting* ACCOUNT 16.1, ACCOUNTS RECEIVABLE-CUSTOMERS-EXPORT.

(2) The amount by which this reserve is diminished due to becoming too large, *Crediting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OF FROM BRANCH TO CUSTOMER.

Credit with: (1) The estimated amount of freight, which past experience has shown, customers will deduct in settling their accounts. This is applicable only to goods shipped *collect* and on which allowance for freight is made when customers make payment. *Debiting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OF FROM BRANCH TO CUSTOMER.

(2) The amount by which this reserve is increased due to becoming too small, *Debiting* ACCOUNT 82.61 or 82.64, TRANSPORTATION ON MERCHANDISE SHIPPED DIRECT TO CUSTOMER OF FROM BRANCH TO CUSTOMER.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable-customers-export.

16.04 Reserve for Bad Debts-Accounts Receivable-Customers-Export

Debit with: (1) The amount of all items or accounts found to be uncollectible, *Crediting* ACCOUNT 16.3, SUSPENDED ACCOUNTS-EXPORT.

(2) The amount by which this reserve is diminished, due to becoming too large *Crediting* ACCOUNT 85.74, BAD DEBTS.

Credit with: (1) An amount sufficient to take care of uncollectible items in order that the amount of outstanding export accounts may be appraised on a given date. The amount of the reserve as established from past experience, should be based on a percentage rate, equivalent to the actual loss sustained on the total amount of sales for a given period. *Debiting* ACCOUNT 85.74, BAD DEBTS, with the amount so set up.

(2) The amount by which this reserve is increased, due to becoming too small, *Debiting* ACCOUNT 85.74, BAD DEBTS. *Balance* of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable-export, on the balance sheet.

16.05 Reserve for Adjustments—Accounts Receivable—Customers—Export

Debit with: (1) The amount by which the adjustment reserve is relieved due to contingent liability diminishing, *Crediting* ACCOUNT 82.32, ADJUSTMENT CONTINGENCY.

Credit with: (1) That percentage of period sales, which past experience shows represents the amount which will be lost due to adjustment of charges upon articles sold under guarantee, *Debiting* ACCOUNT 82.32, ADJUSTMENT CONTINGENCY.

(2) The amount by which adjustment reserve is increased due to contingent liability becoming greater, *Debiting* ACCOUNT 82.32, ADJUSTMENT CONTINGENCY.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable-export, on the monthly balance sheet. This is in the nature of a permanent reserve and should not be confused with ACCOUNT 82.31, ADJUSTMENTS, which is the current account.

16.06 Reserve for Allowances—Accounts Receivable—Customers—Export

Debit with: (1) The amount of all allowances, not provided for specifically otherwise, which are made to export accounts upon payment of their invoices, *Crediting* ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT.

Credit with: (1) An amount sufficient to take care of miscellaneous allowances, which in ordinary procedure will be allowed export customers for miscellaneous allowances or adjustments, when making payment for their accounts, in order that the amount of accounts receivable—customers—export may be appraised on a given date. *Debiting* ACCOUNT 82.2, ALLOWANCES.

Balance of this account should be indicated on the trial balance and be deducted from the total amount of accounts receivable—customers—export, on the balance sheet.

16.08 Reserve for Foreign Advertising—Accounts Receivable—Customers—Export

Debit with: (1) The amount of actual allowance to foreign customers, upon collection of accounts, for advertising, *Crediting* ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT.

Credit with: (1) That percentage of export sales, which past experience or present policy indicates, will be lost, due to allowance made for foreign advertising, *Debiting* ACCOUNT 85.76, ADVERTISING EXPENSE.

Balance of this account represents the amount which it is estimated will be allowed foreign customers, as deductions from their remittances, for advertising allowances.

17.1 Accounts Receivable—Controlled and Subsidiary Companies

Debit monthly with the amount of charges against subsidiary companies, including items such as:

(1) Proportion of expenses applicable to subsidiary companies, *Crediting* appropriate account.

(2) Materials furnished subsidiary companies, *Crediting* appropriate account.

(3) Invoices paid for, or advances in favor of subsidiary companies as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, or ACCOUNT 17.2, ASSOCIATED COMPANIES—PURCHASED MATERIAL.

(4) Amount of interest charged controlled or subsidiary company, *Crediting* ACCOUNT 93.61, INTEREST CREDITS—ALLIED COMPANIES.

Credit with: (1) The amount of cash received from subsidiary companies, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) Materials, etc., received from subsidiary companies. *Debiting* appropriate account.

(3) Notes received in payment of account, *Debiting* ACCOUNT 13.3, MISCELLANEOUS NOTES RECEIVABLE.

Balance of this account represents the amount due from subsidiaries as accounts receivable.

This account acts as a control over the subsidiary companies ledger, wherein record of detail transactions with the individual companies should be maintained.

When a payment or advance is made for a subsidiary company, a "Notification of charge" form, should be made out and "A" copy filed with voucher; "B" copy forwarded to subsidiary company and "C" copy filed in special file.

In the balance sheet, only that portion of the above account or accounts, will appear under this classification of "Current assets" as will in the ordinary course be received in cash.

That portion of this balance, which is in the nature of permanent advances to controlled or subsidiary companies, should be shown on the balance sheet under the caption "Advances to controlled and subsidiary companies."

This account is the same as ACCOUNT 66, ACCOUNTS PAYABLE-CONTROLLED AND SUBSIDIARY COMPANIES. If Subsidiary is indebted to parent company, the balance should appear on the "Trial balance" as an asset under the above caption.

17.2 Associated Companies-Purchased Material

Debit with: (1) The cost of purchases for the account of associated companies, as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

Credit with: (1) The amount of billing rendered against associated companies, as shown on the miscellaneous bill register, *Debiting* ACCOUNT 17.1, ACCOUNTS RECEIVABLE-CONTROLLED AND SUBSIDIARY COMPANIES.

Balance of this account represents the gross value of purchases for account of associated companies, not yet billed.

18.11 Accounts Receivable-Officers and Employees

Debit monthly with: (1) The amount of billing rendered against officers and employees as shown on the miscellaneous bill

register, *Crediting* appropriate account miscellaneous sales account.

Credit with: (1) The amounts received in payment of accounts by officers and employees as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of notes receivable of officers and employees received in payment of accounts as shown on the *note register*, *Debiting* ACCOUNT 13.2, NOTES RECEIVABLE—OFFICERS AND EMPLOYEES.

(3) The amount of adjustment of accounts of officers and employees, *Crediting* appropriate expense account.

Balance of this account represents the amounts due from officers and employees, on open account, at the end of the period.

This account acts as a control over the subsidiary ledger for accounts receivable—officers and employees.

18.12 Accounts Receivable—Other Miscellaneous Accounts

Debit with: (1) The amount of those sales or charges, which are not in the nature of sales of regular product, such as sales of scrap, obsolete and discarded equipment, royalties and all other accounts receivable, except as otherwise provided for, *Crediting* ACCOUNT 19.5, ACCRUED ROYALTIES—RECEIVABLE or other appropriate miscellaneous sales account. (The miscellaneous billing section should bill and analyze all miscellaneous sales to credit accounts).

Credit with: (1) The amount of money received in settlement of these accounts as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of notes receivable in payment of account as shown on the *note register*, *Debiting* ACCOUNT 13.3, MISCELLANEOUS NOTES RECEIVABLE.

(3) The amount of questionable accounts transferred to suspended accounts ledger, *Debiting* ACCOUNT 18.3, SUSPENDED ACCOUNTS—MISCELLANEOUS.

Balance of this account represents the amount of miscellaneous accounts receivable, unpaid at the end of the period.

18.21 Claims—Insurance

Debit monthly with: (1) The amount of claims for fire loss, or other loss covered by insurance, rendered against insurance companies, when amount of claim has been agreed upon, *Crediting* ACCOUNT 49.6, INSURANCE ADJUSTMENTS.

Credit monthly with: (1) The payment of claim as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, for amount of claims received in cash.

Balance of this account represents the amount of claims uncollected at end of period.

A register of claims should be maintained by the miscellaneous billing section.

18.22 Claims—Common Carriers

Debit monthly with: (1) The amount of claims, as shown on the claim register, made against transportation companies for the value of shortages on shipments of raw materials or supplies, overpayment of freight and express, and any damage on or loss to articles, for which the carrier is responsible, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL; or ACCOUNT 26, MATERIALS AND SUPPLIES, depending on which controls the value.

Credit with: (1) The amount of cancelled claims due to subsequent receipt of material, *Debiting* ACCOUNT 26, MATERIALS AND SUPPLIES, or ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The amount of cash received in payment of claims, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(3) The amount of all cancelled claims or the amended portion due to compromise settlement on account of inability to collect, *Debiting* ACCOUNT 92.91, MISCELLANEOUS INCOME DEBITS (LOSS OR GAIN ON CLAIMS).

Balance of this account represents the amount of claims on common carriers unpaid at the end of the period.

A register of claims should be maintained by the miscellaneous billing section.

18.3 Suspended Accounts—Miscellaneous

Debit with: (1) The amount of miscellaneous accounts receivable, employees or other miscellaneous accounts, transferred from the active ledgers, on account of being past due, or questionable as to ultimate collection, *Crediting* ACCOUNT 18.11, ACCOUNTS RECEIVABLE—OFFICERS AND EMPLOYEES, or ACCOUNT 18.12, ACCOUNTS RECEIVABLE—MISCELLANEOUS.

Credit with: (1) The amount received in payment of these accounts as indicated on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of any adjustments made in the account, or if considered worthless, the full amount, *Debiting* ACCOUNT 85.74, BAD DEBTS.

Balance of this account represents the amount of doubtful accounts receivable, employees and other miscellaneous accounts.

This account acts as a control over the subsidiary ledgers for accounts receivable—suspended accounts—employees, and other miscellaneous accounts.

18.4 Interest Due on Bank Deposits

Debit with: (1) The estimated amount due as interest on bank deposits at the end of any accounting period when the amounts are not credited previous to closing cash for the period, *Crediting* ACCOUNT 93.3, INTEREST CREDITS.

Credit with: (1) The amount debited to this account at the end of the last accounting period, *Debiting* ACCOUNT 93.3, INTEREST CREDITS.

Balance of this account represents the estimated amount due as interest on bank deposits, not reported by banks before cash is closed at end of period, and should be reversed at the beginning of the succeeding accounting period.

18.51 Deposits—Bid and Bond, Etc.

Debit with: (1) The amount of all charges or deposits made to cover bids on contracts, or deposits on work or services, con-

tracted for or to be used in the future, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or if run through voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of the return of the deposit, or advance charge, or the cancellation or transfer of the advance, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL; ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, where the amount of deposit has been retained to apply on account of purchases; or other appropriate account depending on nature of transaction.

Balance of this account represents the amount of all deposits and advances on transactions, other than insurance, not yet completed.

18.52 Mutual Insurance Premiums Returnable

Debit with: (1) The full amount of the initial premium paid to mutual companies on compensation and employers' liability policies, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The estimated return premium on accrual of compensation and liability insurance, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account, if not a factory charge.

(3) The estimated return premium on mutual fire insurance policies, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, at time policy is paid or approved for payment (ACCOUNT 42.3, PREPAID INSURANCE FACTORIES, being charged the net amount).

Credit with: (1) The return of the deposit, or receipt of cash or credit memo, for return premium on compensation and liability policies, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The return of the estimated return premium on Mutual Fire Insurance Policies, *Debiting* ACCOUNT 11.1, CASH IN BANK—GENERAL (if received in cash), or ACCOUNT 62.1,

ACCOUNTS PAYABLE—OUTSIDE VENDORS (if in form of credit memo).

Balance of this account represents the estimated return premiums on mutual fire and compensation and liability insurance policies.

18.6 Installments Due on Stocks and Bonds

Debit with: (1) The total amount of the installment called for, *Crediting* ACCOUNT 72.03, SUBSCRIBERS TO PREFERRED CAPITAL STOCK, or other subscribers' account for stocks or bonds.

(2) The amount of money paid in on "Forfeited" subscriptions, *Crediting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Credit with: (1) The total amount of money received from subscribers as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of notes received in payment of subscriptions, *Debiting* ACCOUNT 13.3, MISCELLANEOUS NOTES RECEIVABLE.

(3) The cancellation of subscriptions, *Debiting* ACCOUNT 72.4, SUBSCRIPTIONS TO PREFERRED CAPITAL STOCK, or other subscription account for stocks or bonds.

Balance of this account represents the amount of installment called for, and remaining unpaid at the end of the period.

19.1 Accrued Interest Receivable

Debit with: (1) The amount of interest accrued on notes receivable, loans, and other various accounts receivable, *Crediting* ACCOUNT 93.3, INTEREST CREDITS.

Credit with: (1) The amount of interest received on notes or other various accounts receivable as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of "Matured interest coupons" on bonds held for investment, *Debiting* ACCOUNT 19.2, MATURED INTEREST COUPONS RECEIVABLE.

Balance of this account represents the amount of interest earned but not yet due or paid.

Interest accruals on notes receivable should be made on the notes receivable register and the total amount for period ascertained and journal entry voucher prepared, at the end of each period.

Other accruals of interest should be controlled by similar record.

All interest *received* must be checked with *accrual* record to see that accruals coincide with book record.

19.2 Matured Interest Coupons Receivable

Debit with: (1) The amount of "Matured interest" on bonds, *Crediting* ACCOUNT 19.1, ACCRUED INTEREST RECEIVABLE.

Credit with: (1) The redemption value of matured interest on bonds received, as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance of this account represents the value of matured interest coupons on bonds, due for payment, but not yet redeemed.

A register of bonds owned should be maintained by the treasury department and be consulted at the end of each accounting period and journal entry prepared for all matured interest coupons.

19.3 Accrued Sinking Fund Income

Debit with: (1) The amount of interest or dividend accruals at the end of each accounting period, *Crediting* ACCOUNT 91.6, SINKING FUND INCOME ACCOUNT.

Credit with: (1) The amount of interest of dividends received on sinking fund investments as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance of this account represents the amount of income on sinking fund investments, accrued but not due.

Refer to ACCOUNT 39.1, SINKING FUND FIRST MORTGAGE TEN-YEAR GOLD BONDS for method of treatment of sinking funds.

19.4 Accrued Dividends Receivable

Debit with: (1) That amount representing the accrual of dividends, which in the history of the company, it is presumed will be declared in usual manner, *Crediting* ACCOUNT 91.4, DIVIDENDS RECEIVED.

Credit with: (1) The amount of dividends received from investments in stocks of outside companies, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount of dividends on stocks of outside companies, which are accrued although unpaid or undeclared.

19.5 Accrued Royalties Receivable

Debit with: (1) That amount of money which is reported by patentees as being earned, or if grants are calculable without advice, the amount due, *Crediting* ACCOUNT 91.9, MISCELLANEOUS INCOME CREDITS.

Credit with: (1) The amount of collections made against uninvoiced accrued royalties, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of all billings of royalties made during period as indicated by miscellaneous sales register, *Debiting* ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS.

Balance of this account represents either the accrued unpaid royalties receivable at the end of each period and the accrued uninvoiced royalties at the end of each period, or both.

2. Merchandise, Materials and Goods in Process

21. Merchandise Finished Goods

This division of account is set up to control all finished goods on hand, whether firsts or seconds and whether our own manufacture or articles purchased for resale.

Schrader goods, purchased for resale, should be controlled under this classification, only when the articles are physically

separated and controlled by other than the main storeroom for raw materials.

21.11 Finished Goods on Hand at Factories (Own Make)-Firsts

Debit with: (1) The value, at cost price, for such manufactured items completed during the accounting period as are put into the factory warehouse, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Credit with: (1) The value of the articles sold from factory during the period, as reflected from sales analyses, at cost prices, *Debiting* ACCOUNT 83.1, COST OF SALES (OWN PRODUCTS).

(2) The cost value of all articles transferred to branches, *Debiting* ACCOUNT 21.21, FINISHED GOODS ON HAND AT BRANCHES (OR CONSIGNED) (OWN MAKE)-FIRSTS.

(3) The cost value of all merchandise requisitioned by factory salesroom from finished goods, for sale to employees or otherwise, *Debiting* ACCOUNT 91.24, FACTORY SALESROOM-GAIN OR LOSS, or other appropriate account.

(4) The value, at cost price, of all articles billed on proforma invoices or as samples, *Debiting* ACCOUNT 21.4, SAMPLES.

(5) The cost value of all finished merchandise returned to factory for reprocessing, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(6) The cost value of all finished merchandise scrapped during period, *Debiting* ACCOUNT 21.01, RESERVE FOR SHRINKAGE IN VALUE-FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE) with the amount less the salvage value which should be debited to scrap account.

Balance of this account represents the value of the inventory of finished goods on hand at factories (own make)-firsts, at cost price.

An inventory, in physical units only, should be prepared at the end of each accounting period. These units, priced at cost should agree with the balance of this account. The book in-

ventory may be utilized for monthly closings; however, a physical inventory should be taken at least once every year or by periodic selective check.

21.12 Finished Goods on Hand at Factories (Own Make)—Seconds

Debit with: (1) The total value of seconds, at cost price, for all manufactured items completed during the accounting period as are put into the factory warehouse, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Credit with: (1) The value of the seconds articles, sold from factory during the period, as reflected from sales analyses, at seconds cost prices, *Debiting* ACCOUNT 83.1, COST OF SALES (OWN PRODUCTS).

(2) The value of all articles transferred to branches, *Debiting* ACCOUNT 21.22, FINISHED GOODS ON HAND AT BRANCHES (OR CONSIGNED) (OWN MAKE)—SECONDS.

(3) The cost value of all merchandise requisitioned by factory salesroom, from finished goods, for sale to employees or otherwise, *Debiting* ACCOUNT 91.24, FACTORY SALESROOM—GAIN OR LOSS, or other appropriate account.

(4) The value, at cost price, of all articles billed on pro-forma invoices or as samples, *Debiting* ACCOUNT 21.4, SAMPLES.

(5) The cost value of all finished merchandise returned to factory for reprocessing, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(6) The cost value of all finished merchandise scrapped during period, *Debiting* ACCOUNT 21.01, RESERVE FOR SHRINKAGE IN VALUE—FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE) with the amount less the salvage value which should be debited to scrap account.

Balance of this account represents the value of the inventory of finished goods on hand at factories (own make)—seconds, at seconds cost price.

An inventory, in physical units only, should be prepared at the end of each accounting period. These units priced at

seconds cost, should agree with the balance of this account.

The book inventory may be utilized for monthly closings; however, a physical inventory should be taken at least once every year or by periodic selective check.

21.01 Reserve for Shrinkage in Value—Finished Goods on Hand at Factories (Own Make)

Debit with: (1) The amount of difference between the actual cost price and marked-down price of finished goods, *Crediting* ACCOUNT 81.1, SALES (OWN PRODUCTS). This entry will permit all sales being placed on the books at actual selling prices; the reduced selling price being built up by the difference.

(2) The cost value of all finished goods scrapped during period, *Crediting* ACCOUNT 21.11 or 21.12, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS or SECONDS, less their salvage value which should be debited to scrap account.

Credit with: (1) that percentage of value of finished goods on hand account, which experience shows will be the amount lost due to marking down value of and scrapping finished goods on hand, *Debiting* ACCOUNT 91.22, GAIN OR LOSS ON OBSOLETE FINISHED GOODS SALES (EXTRAORDINARY).

Balance of this account represents the probable loss which will be sustained, under the usual selling prices, in making sales of the obsolete finished goods inventory.

Above method permits the application of the expense due to this cause to the period in which the obsolescence occurred, or was ascertained.

21.21 Finished Goods on Hand at Branches or Consigned (Own Make)—Firsts

Debit with: (1) The cost value of manufactured items completed during the accounting period and shipped directly to branches, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The cost value of all articles transferred to branches during the period from the finished goods warehouse stock, *Crediting ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS.*

Credit with: (1) The value of the articles sold from branches during the period as reflected from sales analyses, at cost prices, *Debiting ACCOUNT 83.1, COST OF SALES (OWN PRODUCTS).*

(2) The value, at cost price, of all articles billed on proforma invoices or as samples, *Debiting ACCOUNT 21.4, SAMPLES.*

(3) The cost value of all finished goods returned to factory for reprocessing, *Debiting ACCOUNT 25, FACTORY LEDGER CONTROL.*

(4) The cost value of all finished merchandise scrapped during period, *Debiting ACCOUNT 21.02, RESERVE FOR SHRINKAGE IN VALUE—FINISHED GOODS ON HAND AT BRANCHES OR CONSIGNED (OWN MAKE) with the amount less the salvage value which should be debited to scrap account.*

Balance of this account represents the cost value of the inventory of finished goods on hand at branches (or consigned) (own make)—firsts.

An inventory, in physical units only, should be prepared at the end of each accounting period. These physical units, priced at cost, should agree with the balance of this account.

The book inventory may be utilized for monthly closings; however, a physical inventory should be taken at least once every year or by periodic selective check.

21.22 Finished Goods on Hand at Branches or Consigned (Own Make)—Seconds

Debit with: (1) The total cost value, at seconds cost price, for all manufactured items completed during the accounting period and shipped directly to branches, *Crediting ACCOUNT 25, FACTORY LEDGER CONTROL.*

(2) The total cost value of all seconds (own make) transferred to branches during the period, from the finished goods

warehouse stock, *Crediting* ACCOUNT 21.12, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—SECONDS.

Credit with: (1) The value of the seconds articles sold during the period as reflected from sales analyses, at seconds cost prices, *Debiting* ACCOUNT 83.1, COST OF SALES (OWN PRODUCTS).

(2) The value, at cost price, of all articles billed on pro-forma invoices or as samples, *Debiting* ACCOUNT 21.4, SAMPLES.

(3) The cost value of all finished goods returned to factory for reprocessing, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(4) The cost value of all finished merchandise scrapped during period, *Debiting* ACCOUNT 21.02, RESERVE FOR SHRINKAGE IN VALUE—FINISHED GOODS ON HAND AT BRANCHES OR CONSIGNED (OWN MAKE) with the amount less the salvage value which should be debited to scrap account.

Balance of this account represents the cost value of the inventory of finished goods on hand at branches or consigned (own make)—seconds.

An inventory, in physical units only, should be prepared at the end of each accounting period. These physical units, priced at seconds cost, should agree with the balance of this account.

The book inventory may be utilized for monthly closings; however, a physical inventory should be taken at least once every year or by periodic selective check.

21.23 Transportation on Finished Goods on Hand at Branches or Consigned (Own Make)

Debit with: (1) The total amount of freight prepaid on finished goods consigned to branches or transferred from branch to branch, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, when paid through voucher register.

Credit by pricing the inventory at average freight rate and charging the difference, the amount arrived at by disappearance to

ACCOUNT 82.62, TRANSPORTATION ON CONSIGNED MERCHANDISE—FACTORY TO BRANCH. These charges should be broken down by products in line and by type and by method of sale. *Balance* of this account represents the amount of outward freight from the factory on all articles of finished goods, which have been consigned to branches, remaining unsold at end of period.

It is the usual practice to apply the average of this account and construe that while some articles may have been shipped 3,000 miles, others would be shipped but 50 miles, and the actual outward freight expressed as a percentage of sales over a period would be thoroughly representative of the facts.

There is no theory, however, which would stop the manufacturer from calculating the actual freight to each branch, thereby treating the expense as a direct item.

21.02 Reserve for Shrinkage in Value—Finished Goods on Hand at Branches or Consigned (Own Make)

Debit with: (1) The amount of difference between the actual cost price and marked-down price of finished goods, *Crediting* ACCOUNT 81.1, SALES (OWN PRODUCTS). This entry will permit all sales being placed on the books at actual selling prices; the reduced selling price being built up by the difference.

(2) The cost value of all finished goods scrapped during period, *Crediting* ACCOUNT 21.21 or 21.22, FINISHED GOODS ON HAND AT BRANCHES OR CONSIGNED (OWN MAKE)—FIRSTS or SECONDS, less their salvage value which should be debited to scrap account.

Credit with: (1) That percentage of value of finished goods on hand at branches (or consigned) account, which experience shows will be the amount lost due to marking down value of and scrapping finished goods on hand or consigned, *Debiting* ACCOUNT 91.22, GAIN OR LOSS ON OBSOLETE FINISHED GOODS SALES (EXTRAORDINARY).

Balance of this account represents the probable loss which will be sustained, under the usual selling price, in making sales of obsolete finished goods inventory.

Above method permits the application of the expense due to this cause to the period in which the obsolescence occurred, or was ascertained.

21.31 Finished Goods on Hand (Outside Manufacture)

Debit with: (1) The value at cost of all merchandise purchased in a finished state for resale as an accessory or incidental to the regular manufactured goods. *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The value at cost of all articles of outside manufacture sold during the period as reflected from sales analyses, *Debiting* ACCOUNT 83.2, COST OF SALES (OUTSIDE PRODUCTS).

(2) The cost value of all finished goods scrapped during period, *Debiting* ACCOUNT 21.03, RESERVE FOR SHRINKAGE IN VALUE—FINISHED GOODS ON HAND (OUTSIDE MANUFACTURE) with the amount, less the salvage value which should be debited to scrap account.

Balance of this account represents the value of inventory, at cost price, of all finished goods on hand (outside manufacture).

An inventory, in physical units only, should be prepared at the end of each accounting period. These physical units, priced at cost, should agree with the balance of this account.

The book inventory may be utilized for monthly closings; however, a physical inventory should be taken at least once every year or by periodic selective check.

21.03 Reserve for Shrinkage in Value—Finished Goods on Hand (Outside Manufacture)

Debit with: (1) The amount of difference between the actual cost price and marked-down price of finished goods when sold, *Crediting* ACCOUNT 81.2, SALES (OUTSIDE PRODUCTS). This

entry will permit all sales being placed on the books at actual selling prices; the reduced selling price being built up by the difference.

(2) The cost value of all finished goods scrapped during period, *Crediting* ACCOUNT 21.31, FINISHED GOODS ON HAND (OUTSIDE MANUFACTURE), less its salvage value which should be debited to scrap account.

Credit with: (1) That percentage of value of finished goods on hand (outside manufacture) which experience shows will be the amount lost due to marking down value of and scrapping finished goods on hand (outside manufacture), *Debiting* ACCOUNT 91.22, GAIN OR LOSS ON OBSOLETE FINISHED GOODS SALES (EXTRAORDINARY).

Balance of this account represents the probable loss which will be sustained, under the usual selling price, in making sales of obsolete finished goods inventory of merchandise purchased for resale.

Above method permits the application of the expense due to this cause to the period in which the obsolescence occurred, or was ascertained.

21.4 Sample Account

Debit with: (1) The value, at cost price, of all articles billed on pro forma invoices or as samples, *Crediting* ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS, or other appropriate finished goods account.

Credit with: (1) The value, at cost price, of all samples returned or otherwise used, *Debiting* ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS, or other appropriate finished goods account.

(2) The value at cost price of all samples diverted to uses or given away, *Debiting* ACCOUNT 85.54, SAMPLES, or other proper expense account.

Balance of this account represents the value, at cost price, of all samples, either in the hands of salesmen, manufacturers or distributors.

25. Factory Ledger Control

Debit with: (1) The actual cost of all direct materials and supplies issued into production during the period for any purpose, *Crediting* ACCOUNT 26, MATERIALS AND SUPPLIES.

(2) The actual amount of payroll for the period as shown by factory payroll distribution, *Crediting* ACCOUNT 63.1, ACCRUED PAYROLL FACTORIES.

(3) The actual amount of all expenses and services of every character chargeable to the factory as shown by voucher register, representing that portion of factory overhead (other than indirect labor, supplies and certain fixed charges such as insurance, depreciation, etc.), *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

(4) The amounts of depreciation credit to reserve accounts representing provision for wear, tear and obsolescence during the period, *Crediting* ACCOUNT 31.03, RESERVE FOR DEPRECIATION-MACHINERY AND EQUIPMENT, or other depreciation reserve account.

(5) The amount of excise tax on sales of tires and tubes sold directly to employees out of factory stock, *Crediting* ACCOUNT 62.3, EXCISE TAX PAYABLE ON SALES.

(6) The cost of amortization of patents *Crediting* ACCOUNT 51, PATENTS.

(7) The accrued amount of royalties payable for the use of equipment, production of patented articles or consumption of supplies, *Crediting* ACCOUNT 69.1, ACCRUED ROYALTIES PAYABLE.

(8) The accrual of demurrage charges at the end of each accounting period, *Crediting* ACCOUNT 69.2, ACCRUED DEMURRAGE.

(9) The amount of employees' compensation and liability insurance accrued during the period, *Crediting* ACCOUNT 69.4, ACCRUED LIABILITY INSURANCE.

(10) The amount of deferred experiments and developments-labor, charged to cost of product during period, *Crediting* ACCOUNT 49.41, EXPERIMENTS AND DEVELOPMENTS-LABOR.

(11) The amount of deferred experiments and developments—other than labor, charged to cost of product during period, *Crediting* ACCOUNT 49.42, EXPERIMENTS AND DEVELOPMENTS—OTHER THAN LABOR.

(12) The expired portion of the various insurance policies covering the plant at the end of each accounting period, *Crediting* ACCOUNT 42.3, PREPAID INSURANCE—FACTORIES.

(13) Amount of cancellation, amendment, or for the receipt of goods after filing claims on common carriers, *Crediting* ACCOUNT 18.22, CLAIMS—COMMON CARRIERS.

(14) The amount of state or county property tax, which includes school and county taxes accrued during the current period, *Crediting* ACCOUNT 67.4 ACCRUED STATE AND COUNTY PROPERTY TAX.

(15) The amount by which the actual state and county property tax is greater than accrued amount, *Crediting* ACCOUNT 67.4, ACCRUED STATE AND COUNTY PROPERTY TAX.

(16) The cost of all liners, wraps and small tools written off permanent normal operating requirement, due to amount becoming excessive, *Crediting* ACCOUNT 31.5, LINERS AND WRAPS, and ACCOUNT 31.6, SMALL TOOLS, etc.

(17) The amount reported by the factory at end of each period, representing depreciation on the unit production basis on the recommended life of molds, cores and poles, *Crediting* ACCOUNT 31.04, RESERVE FOR DEPRECIATION—MOLDS, CORES AND POLES.

(18) The amount of all inventory adjustments—goods in process (if a gain) such as appreciation in value, price adjustments or adjustments of variation physical to book inventories, *Crediting* ACCOUNT 92.22, INVENTORY ADJUSTMENTS—GOODS IN PROCESS.

Credit with: (1) The actual cost value of all finished merchandise transferred to finished goods warehouse, shipped direct to branches or customers, exported or sent to subsidiary companies, *Debiting* ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS

.12, FINISHED GOODS ON HAND AT FACTORIES
(OWN MAKE)—SECONDS

.21, FINISHED GOODS ON HAND AT BRANCHES
OR CONSIGNED—FIRSTS

.22, FINISHED GOODS ON HAND AT BRANCHES
OR CONSIGNED—SECONDS

(2) The total cost of developing patents which are to be capitalized, *Debiting* ACCOUNT 51, PATENTS.

(3) Cost of all labor used in connection with development and experimental work, which cannot properly be absorbed during the current months' operations, *Debiting* ACCOUNT 49.41, EXPERIMENTS AND DEVELOPMENTS—LABOR.

(4) Cost of all expenses (other than labor) in connection with development and experimental work, which cannot properly be absorbed during the current months' operations, *Debiting* ACCOUNT 49.42, EXPERIMENTS AND DEVELOPMENTS—OTHER THAN LABOR.

(5) The amount of claims registered against common carriers for any reason emanating from factory, *Debiting* ACCOUNT 18.22, CLAIMS—COMMON CARRIERS.

(6) The estimated dividend or return premium from mutual insurance companies on liability and compensation policies, *Debiting* ACCOUNT 18.52, MUTUAL INSURANCE PREMIUMS RETURNABLE.

(7) The amount by which the actual state and county property tax is lower than the accrued amount, *Debiting* ACCOUNT 67.4, ACCRUED STATE AND COUNTY PROPERTY TAX.

(8) The total amount of expense incurred by factory in making shipments of finished product, for the sales division, during the period, *Debiting* ACCOUNT 85.34, FACTORY WAREHOUSE AND SHIPPING EXPENSE.

(9) The total amount of expense incurred by factory in storage of finished salable merchandise, for the sales division, during the period, *Debiting* ACCOUNT 85.34, FACTORY WAREHOUSE AND SHOPPING EXPENSE.

(10) The value placed on salvage material by the factory for all sales of salvage material during the period, *Debiting* ACCOUNT 91.21, GAIN OR LOSS ON SALVAGE SALES.

(11) Cost of all factory labor, material and overhead charged to construction orders in process, *Debiting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

(12) The cost of liners and wraps and small tools necessary to be carried as a permanent investment in addition to previous normal requirement, *Debiting* ACCOUNT 31.5, LINERS AND WRAPS, and ACCOUNT 31.6, SMALL TOOLS.

(13) The amount of all inventory adjustments—goods in process (if a loss), such as depreciation in value, price adjustments, or adjustments of variation physical to book inventories, *Debiting* ACCOUNT 92.22, INVENTORY ADJUSTMENTS—GOODS IN PROCESS.

Balance of this account represents the value of labor, material and overhead left in process at the end of each period and should be supported by detailed trial balance from the factory ledger. At the end of the fiscal period physical inventory should be prepared supporting the balance in process, deferred charges, etc.

26. Materials and Supplies

Debit with: (1) The purchase value of all materials and supplies received during the month, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The cost of all transportation applicable to receipt of materials and supplies as charged under caption (1), *Crediting* ACCOUNT 43.01, DISTRIBUTED FREIGHT AND EXPRESS (INBOUND).

(3) The value, if a gain, occasioned by adjustment of physical units of materials and supplies due to physical inventory, *Crediting* ACCOUNT 92.231 or 92.232, INVENTORY ADJUSTMENTS—RAW MATERIALS OF SUPPLIES.

(4) The amount of all cancelled claims against common carriers due to subsequent receipt of material or any other reason, *Crediting* ACCOUNT 18.22, CLAIMS—COMMON CARRIERS.

Credit with: (1) The value of all materials and supplies requisitioned for use during the period, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The value of all materials and supplies rejected or returned to vendors for any reason, *Debiting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(3) The value, if a loss, occasioned by adjustment of physical units of materials and supplies, due to physical inventory, *Debiting* ACCOUNT 92.231 or 92.232, INVENTORY ADJUSTMENTS—RAW MATERIALS or SUPPLIES.

(4) The cost or storeroom value of all materials or supplies, obsoleted and sold, *Debiting* ACCOUNT 91.231 or ACCOUNT 91.232, GAIN OR LOSS ON OBSOLETE RAW MATERIALS or SUPPLIES.

(5) The cost or storeroom value of all materials and supplies sold during the period, *Debiting* ACCOUNT 91.29, GAIN OR LOSS ON MISCELLANEOUS SALES.

(6) The amount of claims made against common carriers for value of shortages on shipments; overpayment of freight or express on any other damage or loss to articles, *Debiting* ACCOUNT 18.22, CLAIMS—COMMON CARRIERS.

Balance of this account represents the value of all materials and supplies on hand at the end of the accounting period and should be under control of a perpetual inventory in both quantities, units and money value. Periodic physical checks should also be made.

27.1 Materials and Supplies in Transit

Debit with: (1) The amount of material and supplies in transit, at the close of the accounting period, as shown by the total of unaudited invoices on hand, *Crediting* ACCOUNT 62.5, UNAUDITED INVOICES.

Credit with: (1) The total amount of materials and supplies in transit, as shown by the unaudited invoices on hand at the close of the preceding accounting period, which amount had been originally charged to this account, *Debiting* ACCOUNT 62.5, UNAUDITED INVOICES.

Balance of this account represents the value of materials and supplies in transit as at the close of the accounting period. In

transit items shipped F.O.B. destination need not be set up from legal or liability standpoint.

The entry creating this balance should be reversed at the beginning of the next accounting period.

27.2 Advances to Vendors

Debit with: (1) The amounts advanced to vendors on invoices, prior to the time of receipt of material, as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The value of the receipt of the material covered by the "advance" as shown on the voucher register, *Debiting* ACCOUNT 26, MATERIALS AND SUPPLIES, or other appropriate account to which the value should be charged.

Balance of this account represents the amount of advances to vendors. This balance should be supported in detail by the vendors' advances file.

This account acts as a control over the "advances to vendors" ledger, or file.

3. Properties, Plants and Securities

31. Properties and Plants (Factories)

The assets controlled under this classification include all items, of a fixed tangible nature, which are known as and commonly termed fixed assets. The wear and tear and depreciation, specific to each asset, is also controlled under this group and on the balance sheet the reserve accounts should be deducted directly from the asset accounts.

31.11 Land

Debit with: (1) The cost of land used for manufacturing operations, as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) That amount representing the cost of acquisition of any portion of land disposed of, where the resale value exceeds the cost value thereof, *Crediting* ACCOUNT 31.12, COST OF ACQUISITION OF LAND.

(3) The amount of the gain, if any, over the cost price of land disposed of, *Crediting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY).

Credit with: (1) The value of land disposed of, at cost thereof, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES. (PROPERTY) for the loss, if any, and ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS, for the consideration.

Balance of this account represents the cost value of land owned and used in manufacturing operations.

Taxes and other expenses on this land, subsequent to acquisition, must be charged to the proper operating expense accounts. Taxes and other expenses on the *idle* land should be charged to ACCOUNT 99.2, PROFIT AND LOSS—SUSPENSE.

31.12 Costs of Acquisition of Land

Debit with: (1) The amount of cost connected with the acquisition of land as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount representing the cost of acquisition of any portion of land disposed of, provided resale value exceeds the cost value thereof, *Debiting* ACCOUNT 31.11, LAND.

(2) That amount representing the cost of acquisition of any portion of land disposed of, provided resale value is less than the cost value therefor, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY).

Balance of this account represents the cost connected with the acquisition of land, possessed at present by the company for purposes of plant operation.

31.2 Buildings

Debit with: (1) The cost of all new buildings and building fixtures as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) Transfer of cost of completed building units from "construction ledger," *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The value, at cost, of all buildings or building fixtures removed from the plant equipment record by reason of being demolished, dismantled, scrapped, or sold, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY) for the undepreciated balance, and ACCOUNT 31.02, RESERVE FOR DEPRECIATION—BUILDINGS for amount depreciated and originally credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration for the sale.

Balance of this account represents the cost value of buildings and building fixtures on hand.

This account acts as a control over the “buildings” section of the plant building and equipment record, wherein should be contained the unit cost, depreciation, and net sound value of each unit.

A report should be received from the cost accounting department, of the factory division, at the close of each accounting period, of the amount of depreciation reserve applying on plant buildings and building fixtures.

Maintenance of buildings and building fixtures should be charged to operating expenses.

This account embraces—

All Buildings	Subways
Sanitation Systems	Conduits
Heating Systems	Crane Runways (Inside and
Drinking Water and Refrigeration System	Outside Buildings)
Lighting System	Fences
Fire Protection System	Sewers
(Sprinklers and Hydrants)	Tracks and Trestles
Elevators	Ventilation System
Roadways	Etc.

31.3 Machinery and Equipment

Debit with: (1) The cost of all new machinery and equipment as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) Transfer of cost of completed machinery or equipment units, built by the factory division, from the construction ledger, *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The value, at cost, of all machinery and equipment removed from the plant building and equipment record by reason of being demolished, dismantled, scrapped or sold, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSE (PROPERTY) for the undepreciated balance, and ACCOUNT 31.03, RESERVE FOR DEPRECIATION—MACHINERY AND EQUIPMENT for amount depreciated which has been previously credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost of machinery and equipment on hand.

This account acts as a control over the machinery and equipment section of the plant building and equipment record wherein should be contained the unit cost, depreciation, and net sound value of each unit.

A report should be received from the cost accounting department, of the factory division, at the close of each accounting period, showing the amount of depreciation reserve applying on plant machinery and equipment.

Maintenance of machinery and equipment should be charged to operating expenses. This account embraces—

All machinery and equipment, except office furniture, including:

Conveyors	Compressed Air Lines
Locomotives	Water Mains
Cranes	Gas Mains
Hoists	Etc.
Power—Transmission Lines	
Electric Current	
Steam	
Hydraulic	

31.4 Molds, Cores and Poles

Debit with: (1) The cost of all molds, cores and poles as shown on voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

(2) Transfer of cost of units of equipment completed in plant, *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The value, at cost, of all molds, cores and poles removed from the plant equipment record by reason of being demolished, dismantled, scrapped or sold, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSE (PROPERTY) for the undepreciated balance, and ACCOUNT 31.04, RESERVE FOR DEPRECIATION-MOLDS, CORES AND POLES for amount depreciated and originally credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE-OTHER MISCELLANEOUS ACCOUNTS for the consideration for the sale.

Balance of this account represents the cost value of all molds, cores and poles on hand.

All repair and maintenance costs to molds, cores and poles should be currently charged to expense accounts.

31.5 Liners and Wraps

Debit with: (1) An amount which represents the replacement value of a full complement of liners and wraps for the normal output of the plant. Charge all repairs and renewals directly to ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The cost of equipment necessary to be carried as a permanent investment in addition to above on account of expansion of production facilities, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL, since upon their advice and from their records the amount is ascertained.

Credit. There should be no credit to this account, unless through revaluation, the amount set up as a debit was found to be excessive, in which case *Debit* ACCOUNT 25, FACTORY LEDGER CONTROL with the amount.

Balance of this account represents the permanent plant investment in liners and wraps, and is not subject to depreciation.

31.6 Small Tools

Debit with: (1) An amount which represents the replacement value of a full complement of small tools for the normal output of the plant. Charge all repairs and renewals directly to ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The cost of equipment necessary to be carried as a permanent investment in addition to above on account of expansion of production facilities, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL, since upon their advice and from their records the amount is ascertained.

Credit: There should be no credit to this account unless through revaluation the amount set up as a debit was found to be excessive, in which case *Debit* ACCOUNT 25, FACTORY LEDGER CONTROL with the amount.

Balance of this account represents the permanent plant investment in small tools, and is not subject to depreciation.

31.7 Furniture and Fixtures

Debit with: (1) The cost of purchase of all factory furniture and fixtures as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The cost of equipment constructed by the factory division, *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The value, at cost, of all factory furniture and fixtures removed from the factory furniture and fixtures records by reason of being demolished, scrapped, transferred, or sold, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSE (PROPERTY) for undepreciated balance, and ACCOUNT 31.07, RESERVE FOR DEPRECIATION—FACTORY FURNITURE AND FIXTURES for amount depreciated, which amount has been previously credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost value of factory furniture and fixtures on hand.

This account acts as a "control" over the factory furniture and fixtures record, wherein should be maintained the unit

cost and depreciation of each unit. A report should be received from the furniture and fixtures record unit, at the close of each accounting period, showing the amount of depreciation applying on factory furniture and fixtures.

Maintenance of furniture and fixtures should be charged to operating expenses.

This account embraces—

Desks	Typewriters, including
Chairs	special kinds
Cabinets	Ediphones
Safes	Costumers
Adding Machines	Blue Print Machines
Calculators and Comp- tometers	Photostating Equipment Etc.

31.8 Autos and Auto Trucks

Debit with: (1) The cost of trucks and automobiles as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The overdepreciated balance upon sale of autos and auto trucks, *Crediting* ACCOUNT 92.65, LOSS OR GAIN ON SALE OF AUTOS AND TRUCKS.

Credit with: (1) The value, at cost, of all trucks and automobiles removed from the truck and automobile record by reason of being scrapped or sold, *Debiting* ACCOUNT 92.65, LOSS OR GAIN ON SALE OF AUTOS AND TRUCKS for the undepreciated balance, and ACCOUNT 31.08, RESERVE FOR DEPRECIATION—AUTOS AND TRUCKS for amount depreciated, which amount has been previously credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost value of trucks and automobiles on hand.

This account acts as a control over the truck and automobile investment record, wherein should be contained the unit cost and depreciation of each truck or automobile.

A report should be received from the cost accounting department of the factory division at the close of each accounting period, showing the amount of depreciation reserve applying on trucks and automobiles. Maintenance of trucks and automobiles should be charged to the proper expense detail account, for truck and automobile operations.

31.02 Reserve for Depreciation—Buildings (Factories)

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 31.2, BUILDINGS.

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Balance of this account represents the amount of depreciation reserved against asset and charged to expense on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

31.03 Reserve for Depreciation—Machinery and Equipment (Factories)

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 31.3, MACHINERY AND EQUIPMENT.

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Balance of this account represents the amount of depreciation reserved against asset, and charged to expense, on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

31.04 Reserve for Depreciation—Molds, Cores and Poles

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 31.4, MOLDS, CORES AND POLES.

Credit with: (1) The amounts reported by the factory at the end of each accounting period, representing depreciation on molds, cores and poles on the unit production basis which is based on the suggested life in years for each class of mold, etc., *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Balance of this account represents the amount of depreciation reserved against assets, and charged to expense, on the units which are still owned.

31.07 Reserve for Depreciation—Furniture and Fixtures (Factories)

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 31.7, FURNITURE AND FIXTURES (FACTORIES).

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Balance of this account represents the amount of depreciation reserved against asset and charged to expense on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

31.08 Reserve for Depreciation—Autos and Auto Trucks (Factories)

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 31.8, AUTOS AND AUTO TRUCKS (FACTORIES).

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate expense account. *Balance* of this amount represents the amount of depreciation reserved against assets and charged to expense, on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

32.1 Construction in Process

Debit with: (1) Cost of all factory labor, material and overhead charged to construction orders in process, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) All advances and payments to contractors or to vendors supplying material, direct, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

(3) The amounts agreed upon as fixed payments under contracts for building construction or charges in plant, *Crediting* ACCOUNT 62.7, CONTRACT ESTIMATES PAYABLE.

Credit with: (1) The amount charged to fixed asset accounts upon completion of a construction order all as advised by final costs from the factory division, *Debiting* ACCOUNT 31.3, MACHINERY AND EQUIPMENT, or other appropriate account in the properties and plants classification.

(2) The amount of adjustment of estimate, if reduced, to actual cost, *Debiting* ACCOUNT 62.7, CONTRACT ESTIMATES PAYABLE.

Balance of this account represents the amounts expended on uncompleted construction orders at the end of the accounting period.

32.2 Contract Advances

Debit with: (1) The amount of all advances made on account of construction contracts to be performed in subsequent periods, as shown on the voucher register, which have not been set up

in ACCOUNT 62.7, CONTRACT ESTIMATES PAYABLE, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The value of services performed, which are covered by this advance, *Debiting* appropriate capital account through voucher register.

Balance of this account represents the amount of contract advances for construction not yet completed or settled.

This account acts as a control over the subsidiary contract advances ledger.

33.1 Land (Branches and Warehouses)

Debit with: (1) The cost of land, the use of which is devoted to branch operation, as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The difference between the cost value and sale value of land, branches, sold or transferred (if a gain), *Crediting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY).

Credit with: (1) The cost value of land at branches disposed of by sale or transfer, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY) for the amount of the loss, and ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS, for the consideration.

Balance of this account represents the value at cost of land at branches.

Taxes and other expenses on this land subsequent to purchase should be charged to branch operating expenses.

33.2 Buildings and Building Fixtures (Branches and Warehouses)

Debit with: (1) The cost of all new branches, buildings and building fixtures as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) Transfer cost of completed building units from the "construction ledger" for any fixtures constructed by the factory division, *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The value, at cost of all branch buildings and building fixtures removed from the branch building and equipment record by reason of being demolished, dismantled, scrapped, or sold, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY) for undepreciated balance, and ACCOUNT 33.02, RESERVE FOR DEPRECIATION—BUILDINGS AND BUILDING FIXTURES—BRANCHES for amount depreciated and originally credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost value of branch buildings and building fixtures.

This account acts as a control over the building and building fixtures section of the branch building and equipment record, wherein should be contained the unit cost and depreciation of each unit.

A report should be received from the branch accounting section at the end of each accounting period showing the amount of depreciation reserve applying on branch buildings and building fixtures.

Maintenance of branch buildings and building fixtures should be charged to branch operating expenses.

This account embraces—

All Buildings	Fire Protection (Sprinklers)
Sanitation System	Elevators
Heating System	Etc.
Lighting System	

33.02 Reserve for Depreciation—Buildings and Building Fixtures (Branches and Warehouses)

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 33.2, BUILDINGS AND BUILDING FIXTURES (BRANCHES AND WAREHOUSES).

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 85.32,

DEPRECIATION ON BUILDINGS (BRANCHES AND WAREHOUSES).

Balance of this account represents the amount of depreciation reserved against assets and charged to expense, on the units which are still in our possession.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

34.1 Furniture and Fixtures—Branches

Debit with: (1) The cost of equipment purchased for branches, as shown on voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The cost of equipment constructed by the factory division, *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The original cost value of any equipment eliminated from the branch equipment record by reason of being demolished, dismantled, scrapped, or sold, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY) for undepreciated balance, and ACCOUNT 34.01, RESERVE FOR DEPRECIATION—FURNITURE AND FIXTURES—BRANCHES for amount depreciated which has been previously credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost value of branch equipment on hand.

Maintenance of branch equipment should be charged to branch operating expenses.

This account embraces—

All Machinery

Racks

Counters

Scales

Conveyors

Safes

Office Appliances

Adding Machines

Calculators and Comptometers

Chairs	Typewriters
Cabinets	Ediphones
Desks	Costumers
Filing Equipment	

This account acts as a control over the branch equipment record wherein should be maintained the unit cost and depreciation recovered on each unit.

A report should be received each month from branch accounting section, showing the amount of depreciation applying on branch equipment.

34.2 Furniture and Fixtures—General Offices

Debit with: (1) The cost of purchase of all office furniture and equipment as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The cost of equipment constructed by the factory division, *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The value, at cost, of all office furniture and equipment removed from the office furniture and equipment records by reason of being demolished, dismantled, scrapped, transferred, or sold, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY) for undepreciated balance, and ACCOUNT 34.02, RESERVE FOR DEPRECIATION—FURNITURE AND FIXTURES—OFFICE for amount depreciated which amount has been previously credited to this account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost value of office furniture and fixtures on hand.

This account acts as a control over the office furniture and equipment record wherein should be maintained the unit cost and depreciation recovered on each unit.

A report should be received each month from the furniture and equipment record unit showing the amount of depreciation applying on office furniture and equipment.

Maintenance of furniture and fixtures should be charged to operating expenses.

This account embraces—

Desks	Typewriters, including
Chairs	special kinds
Cabinets	Ediphones
Safes	Costumers
Adding Machines	Blue-Print Machines
Calculators and Comp- tometers	Photostating Equipment Etc.

34.01 Reserve for Depreciation—Furniture and Fixtures— Branches

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 34.1, FURNITURE AND FIXTURES—BRANCHES.

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 85.644, DEPRECIATION—FURNITURE, FIXTURES AND EQUIPMENT—BRANCHES.

Balance of this account represents the amount of depreciation reserved against assets and charged to expense, on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

34.02 Reserve for Depreciation—Furniture and Fixtures General Offices

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 34.2, FURNITURE AND FIXTURES—GENERAL OFFICES.

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 85.644 or ACCOUNT 86.644, DEPRECIATION—FURNITURE, FIXTURES AND EQUIPMENT—SALES DEPARTMENTS OF GENERAL OFFICES.

Balance of this account represents the amount of depreciation reserved against assets and charged to expense, on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

35.1 Automobiles and Trucks—Branches

Debit with: (1) The cost of trucks and automobiles as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The overdepreciated balance upon sale of autos and auto trucks, *Crediting* ACCOUNT 92.65, LOSS OR GAIN ON SALE OF AUTOS AND TRUCKS.

Credit with: (1) The value, at cost, of all trucks and automobiles removed from the truck and automobile record by reason of being scrapped or sold, *Debiting* ACCOUNT 92.65, LOSS OR GAIN ON SALE OF AUTOS AND TRUCKS for the undepreciated balance, and ACCOUNT 35.01, RESERVE FOR DEPRECIATION—AUTOS AND TRUCKS—BRANCHES for amount depreciated, which amount has been previously credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost value of trucks and automobiles on hand at branches.

A report should be received from the branch equipment division at the close of each accounting period, showing the amount of depreciation reserve applying on branch trucks and autos.

Maintenance of autos and trucks should be charged to proper branch operating expense account.

35.2 Automobiles and Trucks—General Offices

Debit with: (1) The cost value of trucks and automobiles as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The overdepreciated balance on sale of autos and auto trucks, *Crediting* ACCOUNT 92.65, LOSS OR GAIN ON SALE OF AUTOMOBILES AND TRUCKS.

Credit with: (1) The value, at cost, of all trucks and automobiles removed from the truck and automobile record by reason of being scrapped or sold, *Debiting* ACCOUNT 92.65, LOSS OR GAIN ON SALE OF AUTOS AND TRUCKS for the undepreciated balance, and ACCOUNT 35.02, RESERVE FOR DEPRECIATION-AUTOS AND TRUCKS-GENERAL OFFICES for amount depreciated, which amount has been previously credited to that account, as well as ACCOUNT 18.12, ACCOUNTS RECEIVABLE-OTHER MISCELLANEOUS ACCOUNTS for the consideration.

Balance of this account represents the cost value of trucks and automobiles, on hand at general office.

A report should be received from the office equipment division at the close of each accounting period, showing the amount of depreciation reserve applying on general office trucks and autos.

Maintenance of autos and trucks should be charged to proper administrative expense account.

35.01 Reserve for Depreciation-Automobiles and Trucks -Branches

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 35.1, AUTOMOBILES AND TRUCKS-BRANCHES.

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 85.47, DEPRECIATION-AUTOS AND TRUCKS-BRANCHES.

Balance of this account represents the amount of depreciation reserved against assets and charged to expense on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

**35.02 Reserve for Depreciation—Automobiles and Trucks—
General Offices**

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the equipment records, *Crediting* ACCOUNT 35.2, AUTOS AND TRUCKS—GENERAL OFFICES.

Credit with: (1) The amount of depreciation charged to expense for the use of above equipment, *Debiting* ACCOUNT 85.47 or ACCOUNT 86.47, DEPRECIATION—AUTOS AND TRUCKS—SELLING and ADMINISTRATIVE DEPARTMENTS.

Balance of this account represents the amount of depreciation reserved against assets and charged to expense, on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

36.1 Real Estate (Other than Business Property)

Debit with: (1) The cost of all real estate purchased by the company which is not to be used in its regular business, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The cost value when disposed of or sold to employees or converted to productive use, *Debiting* ACCOUNT 39.32, EMPLOYEES' MORTGAGE LOANS (OTHER) for the consideration; ACCOUNT 36.01, RESERVE FOR DEPRECIATION—REAL ESTATE (OTHER THAN BUSINESS PROPERTY) for the amount of depreciation charged off, and ACCOUNT 92.61, EXTRAORDINARY EXPENSE (PROPERTY) for the undepreciated balance.

Balance of this account represents the cost price of all real estate owned by the company, but not used in its regular business.

**36.01 Reserve for Depreciation—Real Estate (Other than
Business Property)**

Debit with: (1) The amount of depreciation credited to this account covering each unit which has been eliminated from the

equipment records, *Crediting* ACCOUNT 36.1, REAL ESTATE (OTHER THAN BUSINESS PROPERTY).

Credit with: (1) The amount of depreciation charged to expense for the use of above real estate, *Debiting* ACCOUNT 92.61, EXTRAORDINARY EXPENSES (PROPERTY).

Balance of this account represents the amount of depreciation reserved against assets and charged to expense, on the units which are still owned.

A report should be received at the end of each accounting period showing the total credit to this account and the respective expense accounts to be charged.

37.1 Stocks of Subsidiary Companies

Debit with: (1) The cost of acquisition of stocks of subsidiary, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account.

(2) The amount by which the sales price exceeds the value in this account, *Crediting* ACCOUNT 99.2, PROFIT AND LOSS—SUSPENSE.

Credit with: (1) The value received upon sale of subsidiary company stock, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account.

(2) The amount by which the sales price is less than the value in this account, *Debiting* ACCOUNT 37.01, RESERVE FOR LOSS ON STOCKS OF SUBSIDIARY COMPANIES for the amount of the reserve set up, and the balance directly to ACCOUNT 99.2, PROFIT AND LOSS—SUSPENSE.

Balance of this account represents the book value of the stocks of subsidiary companies.

37.2 Bonds of Subsidiary Companies

Debit with: (1) The cost of acquisition of bonds of subsidiary companies, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account.

(2) The amount by which the sales price exceeds the value in this account, *Crediting* ACCOUNT 99.2, PROFIT AND LOSS—SUSPENSE.

Credit with: (1) The value received upon sale of bonds of subsidiary company, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, or other appropriate account.

(2) The amount by which the sales price is less than the value in this account, *Debiting* ACCOUNT 37.02, RESERVE FOR LOSS ON BONDS OF SUBSIDIARY COMPANIES for the amount of the reserve set up, and ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE for the balance.

Balance of this account represents the book value of the bonds of the subsidiary company.

37.01 Reserve for Loss on Stocks of Subsidiary Companies

Debit with: (1) The gross amount of adjustment by way of reduction of amount set up to take care of possible loss in book value of stocks of subsidiary companies, *Crediting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

(2) The amount of reserve which was set up, applying to stock of subsidiary companies sold at a loss, *Crediting* ACCOUNT 37.1, STOCKS OF SUBSIDIARY COMPANIES.

Credit with: (1) The amount set up to take care of possible loss in book value of stocks of subsidiary companies, *Debiting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

Balance of this account represents the amount reserved on books to take care of possible or apparent loss in value of stocks of subsidiary companies.

37.02 Reserve for Loss on Bonds of Subsidiary Companies

Debit with: (1) The gross amount of adjustment by way of reduction of amount set up to take care of possible loss in book value of bonds of subsidiary companies, *Crediting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

(2) The amount of reserve which was set up, applying to bonds of subsidiary companies, sold at a loss, *Crediting* ACCOUNT 37.2, BONDS OF SUBSIDIARY COMPANIES.

Credit with: (1) The amount set up to take care of possible loss in book value of bonds of subsidiary companies, *Debiting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

Balance of this account represents the amount reserved on the books to take care of possible or apparent loss in value of bonds of subsidiary companies.

38.1 Capital Stock (Unallotted)—Preferred

Debit with: (1) The total par value of preferred capital stock reserved or allotted under a specific plan to be issued to employees, *Crediting* ACCOUNT 72.1, CAPITAL STOCK—PREFERRED.

Credit with: (1) The total collections from employees in payment of this stock, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount to be received from employees, if and when they take advantage of companies' offer to sell them stock.

38.2 Capital Stock (Unallotted)—Common*

Debit with: (1) The total par value of common capital stock reserved or allotted under a specific plan to be issued to employees, *Crediting* ACCOUNT 72.2, CAPITAL STOCK—COMMON.

Credit with: (1) The total collections from employees in payment of this stock, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount to be received from employees, if and when they take advantage of companies' offer to sell them stock.

39.1 Sinking Fund First Mortgage Ten-Year Gold Bonds

Debit with: (1) Amount of funds set aside for the purpose of discharging the above bonded debt, in accordance with indenture of mortgage, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amount of funds, which have been debited to this account, which have been used to retire bonds, *Debiting*

* If no-par stock, debit with the nominal or declared value.

ACCOUNT 71.11 FIRST MORTGAGE TEN-YEAR GOLD BONDS for the par value, and *Debiting* or *Crediting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE for the loss or gain through purchase.

Balance of this account represents the funds set aside to eventually retire the first mortgage funded debt of the company.

Sinking fund income is handled by *Crediting* ACCOUNT 91.6, SINKING FUND INCOME with amount of periodical accruals, *Debiting* ACCOUNT 19.3, ACCRUED SINKING FUND INCOME.

39.21 Stocks of Outside Companies

Debit with: (1) The cost value of any stocks, which the company may purchase for investment, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Credit with: (1) The cost value of any stocks, when sold, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL for the cash consideration, and *Debiting* or *Crediting* ACCOUNT 39.01, RESERVE FOR LOSS IN VALUE OF STOCKS OF OUTSIDE COMPANIES for the loss or gain on the transaction.

Balance of this account represents the cost value of stocks of outside companies, held for investment.

Dividends received on stocks of outside companies should be credited to ACCOUNT 91.4, DIVIDENDS RECEIVED. If stocks are steady dividend payers and it is decided to accrue the income, *Credit* ACCOUNT 91.4, DIVIDENDS RECEIVED and *Debit* ACCOUNT 19.4, ACCRUED DIVIDENDS RECEIVABLE.

39.22 Bonds of Outside Companies

Debit with: (1) The cost value of any bonds, which the company may purchase for investment, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Credit with: (1) The cost value of any bonds, when sold, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL for the cash

consideration, and *Debiting* or *Crediting* ACCOUNT 39.02, RESERVE FOR LOSS IN VALUE OF BONDS OF OUTSIDE COMPANIES for the amount of the loss or gain on the transaction.

Balance of this account represents the cost value of bonds of outside companies, held for investment.

Interest on bonds of outside companies should be accrued monthly and be credited to ACCOUNT 93.3, INTEREST CREDITS, through ACCOUNT 19.1, ACCRUED INTEREST RECEIVABLE.

39.01 Reserve for Loss in Value of Stocks of Outside Companies

Debit with: (1) The amount of the loss through sale, of stocks of outside companies, *Crediting* ACCOUNT 39.21, STOCKS OF OUTSIDE COMPANIES.

(2) The amount of profit on each sale of stock, *Crediting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE, after taking into consideration reserve for loss, if any.

Credit with: (1) The amount of the gain through sale of stocks of outside companies, *Debiting* ACCOUNT 39.21, STOCKS OF OUTSIDE COMPANIES.

(2) The difference between cost and market value of stocks of outside companies at the end of each fiscal period, if a loss, *Debiting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

(3) The amount of loss on each sale of stock, *Debiting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE, after taking into consideration reserve for loss, if any.

Balance of this account represents the difference between cost and market value of stocks of outside companies, if a loss, and also the gain or loss over reserve on all sales of stocks of outside companies. The balance, excepting portion of reserve applicable to stocks on hand, should be transferred to profit and loss-suspense at the end of each closing period.

If market value is greater than cost value, do not consider, as profits cannot be anticipated, being earned only through sale.

39.02 Reserve for Loss in Value of Bonds of Outside Companies

Debit with: (1) The amount of the loss through sale of bonds of outside companies, *Crediting* ACCOUNT 39.22, BONDS OF OUTSIDE COMPANIES.

(2) The amount of profit on each sale of bonds, *Crediting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE, after taking into consideration reserve for loss, if any.

Credit with: (1) The amount of the gain through sale of bonds of outside companies, *Debiting* ACCOUNT 39.22, BONDS OF OUTSIDE COMPANIES.

(2) The difference between cost and market value of bonds of outside companies at the end of each fiscal period, if a loss, *Debiting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE.

(3) The amount of loss on each sale of bonds, *Debiting* ACCOUNT 99.2, PROFIT AND LOSS-SUSPENSE, after taking into consideration reserve for loss, if any.

Balance of this account represents the difference between cost and market value of bonds of outside companies, if a loss, and also the gain or loss, over reserve, on all sales of bonds of outside companies. The balance, excepting portion of reserve applicable to bonds on hand, should be transferred to profit and loss-suspense at the end of each closing period.

If market value is greater than cost value, do not consider, as profits cannot be anticipated, being earned only through sale.

39.31 Employees' Second Mortgage Loans

Debit with: (1) The amounts loaned to employees for the purchase of homes, which loans are secured by a second mortgage on the employees' property, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Credit with: (1) The amounts received on account of reduction of loans debited to this account, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance of this account represents the amount of outstanding loans to employees, secured by second mortgages on employees' property.

Interest accrued on the loans should be credited to ACCOUNT 93.3, INTEREST CREDITS, through ACCOUNT 19.1, ACCRUED INTEREST RECEIVABLE.

39.32 Employees' Mortgage Loans (Other)

Debit with: (1) The amount of the sale of real property to employees, when consummated, *Crediting* ACCOUNT 36.1, REAL ESTATE (OTHER THAN BUSINESS PROPERTY).

(2) The amount of interest accrued on employees' mortgage loans (other), *Crediting* ACCOUNT 93.3, INTEREST CREDITS.

Credit with: (1) The initial payment or amount deposited when a sale of real property is made to an employee, *Debiting* ACCOUNT 62.86, EMPLOYEES' PAYMENTS ON HOUSES.

(2) All subsequent payments on account of these loans or interest thereon made by employees, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount of all outstanding loans on real property purchased by employees from the company. All subsequent payments should be credited to this account.

4. Prepaid, Deferred and Miscellaneous Assets

41.1 Factory Payroll Advances

Debit with: (1) The amount of all advances on account of wages and salaries made to employees, such as advance payments made during the vacation period, should a pay-day occur during the period in which the employee is away, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, when voucher is drawn for amount of advances.

Credit with: (1) The amount of advances when returned or deducted from individual employees' pay, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 63.1, ACCRUED PAYROLL—FACTORIES, when the deduction is made net on payroll.

Balance of this account represents the amount of payroll advances to employees, which is subject to deduction from future pay period.

41.2 Salary Payroll Advances

Debit with: (1) The amount of all advances on account of general offices salaries, in the way of advance payments made during a vacation period, should a pay-day occur during the period in which the employee is away, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, when voucher is drawn for amount of advances.

Credit with: (1) The amount of advances when returned are deducted from individual employees' pay, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 63.2, ACCRUED PAYROLL—SALARIES, when the deduction is made net on the payroll.

Balance of this account represents the amount of salary advances to employees, which is subject to deduction from future pay period.

41.3 Advanced Payments Against Commissions

Debit with: (1) The amounts advanced to salesmen as drawings against commissions which are to be earned or which have been earned but not credited to their accounts or settled for, *Crediting* ACCOUNT 63.2, ACCRUED PAYROLL—SALARIES, or if paid in cash, ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amount of earned commissions against drawings applicable to sales made during the period, *Debiting* ACCOUNT 85.14, COMMISSION—SALESMAN.

Balance of this account represents the amount of money advanced to salesmen, against future commissions, at the end of each

period. This account must not be mistaken for ACCOUNT 63.3, ACCRUED COMMISSIONS, which records the liability for unpaid commissions at the end of each period, for which no advance payment or drawing arrangement exists.

42.1 Prepaid Insurance—Branches

Debit with: (1) The amount of premiums paid on insurance policies as shown on voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The expired portion and the difference between the cash surrender value and unexpired portion of premium of the various policies at the end of each accounting period, as shown on the insurance amortization record, *Debiting* ACCOUNT 85.31, INSURANCE ON BUILDINGS or ACCOUNT 85.41, INSURANCE ON STOCK.

(2) The cash surrender value of policies cancelled *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, if a "credit memo" is received in place of cash.

Balance of this account, at the end of any accounting period, represents the unexpired value of insurance premiums.

A register of insurance policies should be maintained, wherein a record of each policy is entered and provision made to record all details of policy and to write off the premium during the period covered by the policy. Space should also be provided to insert the account to be charged with the amount written off and the register controlled by the general ledger account in money value.

42.2 Prepaid Insurance—General Office

Debit with: (1) The amount of premium paid on insurance policies as shown on voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The expired portion and the difference between the cash surrender value and unexpired portion of premium

of the various policies at the end of each accounting period, as shown on the insurance amortization record, *Debiting* ACCOUNT 86.31, INSURANCE ON BUILDINGS, or other appropriate expense account.

(2) The cash surrender value of policies cancelled, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, if a "Credit memo" is received in place of cash.

Balance of this account, at the end of any accounting period, represents the unexpired value of insurance premiums.

A register of insurance policies should be maintained, wherein a record of each policy is entered and provision made to record all details of policy and to write off the premium during the period covered by the policy. Space should also be provided to insert the account to be charged with the amount written off and the register controlled by the general ledger account in money value.

42.3 Prepaid Insurance—Factories

Debit with: (1) The amount of premium paid on insurance policies as shown on voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The expired portion and the difference between cash surrender value and unexpired portion of premium of the various policies at the end of each accounting period, as shown on the insurance amortization record, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The cash surrender value of policies cancelled, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, if a "Credit memo" is received in place of cash.

Balance of this account, at the end of any accounting period, represents the unexpired value of insurance premiums.

A register of insurance policies should be maintained, wherein a record of each policy is entered and provision made to record all details of policy and to write off the premium

during the period covered by the policy. Space should also be provided to insert the account to be charged with the amount written off and the register controlled by the general ledger account in money value.

If fire insurance at plant is covered by mutual companies, the debit to this account, as premium, should be the net amount, i.e., the premium less the estimated return premium. The difference should be debited to ACCOUNT 18.52, MUTUAL INSURANCE PREMIUMS RETURNABLE.

43.1 Undistributed Freight and Express (Inbound)

Debit with: (1) The amount of payments for freight and express charges, applying on inbound shipments, as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The distribution of freight and express as shown on the voucher register, *Debiting* ACCOUNT 43.01, DISTRIBUTED FREIGHT AND EXPRESS—(INBOUND).

Balance of the account represents the amount of undistributed freight and express charges at the end of each period.

All freight and express charges should be entered on the various freight and express abstracts. A trial balance of unreleased freight at the end of each period should equal balance of this account.

ACCOUNT 43.01, DISTRIBUTED FREIGHT AND EXPRESS—INBOUND may be eliminated by making the credit to this account chargeable directly to ACCOUNT 26, MATERIAL AND SUPPLIES, or other account, depending upon nature of goods received.

43.2 Freight Advances

Debit monthly with: (1) The amount of payments for freight and express charges, *advanced* and applying on incoming shipments, as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit monthly with: (1) The amount of freight charges advanced with the payment of the invoice and deducted from vouchers passed for payment, as shown on the voucher register, *Debiting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Balance of the account is the amount of advanced freight, not yet collected from vendor or deducted from invoices.

43.01 Distributed Freight and Express (Inbound)

Debit with: (1) The amount of freight charges, other than advanced freight, distributed with the invoice, *Crediting* ACCOUNT 43.1, UNDISTRIBUTED FREIGHT AND EXPRESS (INBOUND).

Credit with: (1) The amount of freight or express charged or distributed with the invoice, *Debiting* ACCOUNT 26, MATERIALS AND SUPPLIES, or other account, depending on nature of goods received.

Balance: There should be no balance in this account as it is for "Clearance" only.

This account may be eliminated by *Crediting* the amount of freight or express distributed with the invoice directly to ACCOUNT 43.1, UNDISTRIBUTED FREIGHT AND EXPRESS (INBOUND).

44. Prepaid State and County Property Taxes

Debit with: (1) The payments made on account of state property tax. By this account is meant all taxes of a local nature, including school and county taxes, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or where a voucher is drawn for the amount by *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The amount by which the actual tax as assessed is lower than the accrued amount, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL; ACCOUNT 85.30, TAXES ON BUILDINGS, or other appropriate commercial expense account, or where the books have been closed for the year during which

the state property tax was accrued, ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES.

Credit with: (1) The amount of state or county property tax, which includes school and county taxes accrued during the current period, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL; ACCOUNT 85.30, TAXES ON BUILDINGS, or other appropriate commercial expense account.

(2) The amount by which the actual tax as assessed is higher than the accrued amount, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL; ACCOUNT 85.30 TAXES ON BUILDINGS, or other appropriate commercial expense account, or where the books have been closed for the year during which the state property tax was accrued, ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES.

Balance of this account represents the amount of prepaid state and county property taxes, whether due for payment or not.

This method will permit all charges being apportioned to the proper months and to the respective tax accounts in the period when incurred.

If state and county property taxes are accrued instead of prepaid use ACCOUNT 67.4, ACCRUED STATE AND COUNTY PROPERTY TAXES.

45. Prepaid Interest on Bank Loans (or Discount)

Debit with: (1) The amount of prepaid interest or discount on notes payable, etc., as shown on cash receipts journal, *Crediting* ACCOUNT 61.1, NOTES PAYABLE AT BANK, or other appropriate account.

Credit with: (1) The amount of prepaid interest or discount written off at the end of each accounting period, as shown on the notes payable register, *Debiting* ACCOUNT 93.4, INTEREST DEBITS.

Balance of the account represents the amount of prepaid interest or discount on bank loans applying to subsequent periods.

Prepaid interest should be amortized over the proper period and this amortization should be shown on the notes payable

register and a journal entry voucher prepared for total monthly amortization.

This account must not be confused with ACCOUNT 68.2, ACCRUED INTEREST PAYABLE (OTHER THAN BONDS), which account controls the accrual of all interests, other than on bonds, except that portion prepaid and controlled by this account.

48. Improvements to Leaseholds

Debit with: (1) The total cost of all permanent improvements to leased premises, the title of which reverts to landlord at termination of lease, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS, or if paid in cash, ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Credit with: (1) The monthly amortization of the amounts charged to this account, equally over the period of each lease, *Debiting* ACCOUNT 85.27, RENT.

Balance of this account represents the unamortized portion of cost of improvements to leaseholds at the end of each period.

Improvements to leaseholds should be amortized over the period of the lease and the current amount of amortization charged to rent account.

49.1 Prepaid Bond Discount and Expense

Debit with: (1) The amount of discount allowed and the expense incurred on the sale or issue of bonds, *Crediting* ACCOUNT 71.12, SUBSCRIPTIONS TO FIRST MORTGAGE TEN-YEAR GOLD BONDS.

Credit with: (1) The monthly amount amortized, or total unamortized balance of any bonds retired prior to maturity, as shown on the bond discount amortization record, *Debiting* ACCOUNT 93.5, INTEREST ON BONDED DEBT.

Balance of this account represents the unamortized amount of discount and expense on outstanding bonds.

The amount of discount and expense on any issue of bonds should be amortized over the period of the life of the bonds.

In the case of bonds retired prior to date of maturity, total unamortized discount and expense applying on such bonds should be charged against the current period.

A separate account should be maintained for each different bond issue.

49.2 Prepaid Commercial Agency Subscriptions

Debit with: (1) The amount of prepaid commercial agency subscriptions as shown on the voucher register *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amounts written off at the close of each accounting period, *Debiting* ACCOUNT 85.69, CREDIT AND COLLECTION EXPENSES.

Balance of this account represents the amount of prepaid commercial agency subscriptions expense, applicable to subsequent periods.

A register of prepaid commercial agency subscriptions should be maintained, wherein should be recorded, all of the prepaid expenses and the amounts analyzed monthly in columns to accounts to be charged. The above account should act as a control over this detail register.

49.3 Prepaid Rent

Debit with: (1) The amount of rent prepaid as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The monthly amount of such rent as shown on the prepaid rent amortization record, *Debiting* ACCOUNT 85.27, RENT (SELLING EXPENSE) or other appropriate account.

Balance of this account represents amount of prepaid rent covering subsequent periods.

A register of prepaid rent should be maintained, wherein is recorded all of the prepaid rent and the amounts analyzed monthly in columns to accounts to be charged.

The above account should act as a control over this detail register.

49.41 Experiments and Developments—Labor

Debit with: (1) The value of all labor expended in connection with development and experimental work, which cannot properly be absorbed during the current month's operations, the amount so deferred being spread to subsequent months on a basis laid down by management, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other medium used for distribution of this cost.

Credit with: (1) The amounts charged off to cost of operations from time to time, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account.

(2) The cost of all extraordinary experiments and developments, especially those which cannot be justified as a charge against cost of product, *Debiting* ACCOUNT 92.64, EXTRAORDINARY EXPERIMENTS AND DEVELOPMENTS.

Balance of this account represents the amount of labor expended on experimental and development work, which has been deferred as a charge to cost until subsequent periods.

49.42 Experiments and Developments—Other than Labor

Debit with: (1) The value of all expenses, other than labor, expended in connection with developments and experimental work, which cannot properly be absorbed during the current month's operations, the amount so deferred being spread to subsequent months on a basis laid down by the management, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other medium used for distribution of this cost.

Credit with: (1) The amounts charged off to cost of operations from time to time, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account.

(2) The cost of all extraordinary experiments and developments, especially those which cannot be justified as a charge against cost of product, *Debiting* ACCOUNT 92.64, EXTRAORDINARY EXPERIMENTS AND DEVELOPMENTS.

Balance of this account represents the amount of expenses, other than labor, expended on experimental and development work,

which has been deferred as a charge to cost until subsequent period or periods.

49.5 Suspended Charges--Allied Companies

Debit with: (1) The amount of all unchecked items or other discrepancies, which occur at the end of period in connection with intercompany or branch settlements, *Crediting* the appropriate account.

(2) The amount of adjustments of unchecked items or discrepancies, after having been checked up with respective subsidiary company or branch, *Crediting* the appropriate account.

Credit with: (1) The amount of all unchecked items or other discrepancies, which occur at the end of the period in connection with intercompany or branch settlements, *Debiting* the appropriate account.

(2) The amount of adjustments of unchecked items or discrepancies, after having been checked up with respective subsidiary company or branch, *Debiting* the appropriate account.

Balance of this account represents the amount of all items in monthly intercompany or branch settlements, which remain unchecked at the end of any accounting period. A detailed analysis of this account should be maintained at all times.

49.6 Insurance Adjustments

Debit with: (1) The amount of the loss occasioned by fire, explosion, etc., until settlement of claims is agreed upon with the insurance companies, *Crediting* the account which has sustained the loss.

(2) The net gain as determined by applying all losses sustained against the respective claim therefor, as allowed by the insurance company, *Crediting* ACCOUNT 92.91, LOSS OR GAIN ON INSURANCE CLAIMS.

Credit with: (1) When proof of loss in each instance has been established, the amount of claim agreed upon, *Debiting* ACCOUNT 18.21, CLAIMS--INSURANCE.

(2) The net loss as determined by applying all losses sustained against the respective claim therefor, as allowed by the insurance company, *Debiting* ACCOUNT 92.91, LOSS OR GAIN ON INSURANCE CLAIMS.

Balance of this account represents the amount of claims upon insurance companies, the settlement of which has not been agreed upon.

Each fire or explosion loss, etc., should be accounted for separately.

49.7 Prepaid Advertising

Debit with: (1) The amount of prepaid advertising charges as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amounts written off at the close of each accounting period, *Debiting* ACCOUNT 85.76, ADVERTISING EXPENSE.

Balance of this account represents the amount of prepaid advertising charges, for which advertising has not been issued, or where the benefit to be derived applies to subsequent periods.

A register of prepaid advertising should be maintained, wherein is recorded all of the prepaid advertising expenses and the amounts analyzed monthly in columns to accounts to be charged. The above account should act as a control over this detail register.

49.9 Miscellaneous Prepaid Items

Debit with: (1) The amount of all expenditures made in the current month for miscellaneous expenses incurred against operations of subsequent months, *Crediting* ACCOUNTS 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, or other appropriate account.

Credit with: (1) The monthly proportion chargeable to respective expense accounts, in accordance with basis laid down by management, *Debiting* the appropriate expense account.

Balance of this account represents the amount of miscellaneous prepaid expense items which are to be amortized over subsequent periods.

5. Good-Will, Patents and Trade Marks

51. Patents

Debit with: (1) The cost of acquiring patents, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, or ACCOUNT 25 FACTORY LEDGER CONTROL, depending upon whether value was received by payment in cash, through the voucher register, or represent charges expended by factory in development.

Credit with: (1) The amount of amortization of cost of patents over their life, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account.

Balance represents the book value of all patents held by the company.

52. Trade Marks

Debit with: (1) The amount by which the account is arbitrarily increased in value, *Crediting* ACCOUNT 79.52, SURPLUS THROUGH REVALUATION.

Credit with: (1) The amount by which this account is arbitrarily reduced in value, *Debiting* ACCOUNT 79.52, SURPLUS THROUGH REVALUATION.

Balance of this account represents the book value of trade marks.

53. Trade Names

Debit with: (1) The amount by which this account is arbitrarily increased in value *Crediting* ACCOUNT 79.52, SURPLUS THROUGH REVALUATION.

Credit with: (1) The amount by which this account is arbitrarily reduced in value *Debiting* ACCOUNT 79.52, SURPLUS THROUGH REVALUATION.

Balance of this account represents the book value of trade names.

54. Good-Will

Debit with: (1) The amount by which the account is arbitrarily increased in value, *Crediting* ACCOUNT 79.52, SURPLUS THROUGH REVALUATION.

Credit with: (1) The amount by which this account is arbitrarily reduced in value, *Debiting* ACCOUNT 79.52, SURPLUS THROUGH REVALUATION.

Balance of this account represents the book value of good-will.

6. Current Liabilities

61.1 Notes Payable to Banks

Debit with: (1) The payment by renewal or the charge against our account for notes payable which have become due, held at bank, as shown on the cash disbursements journal, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or when renewed by both *Debiting* and *Crediting* this account and also *Debiting* ACCOUNT 45 PREPAID INTEREST ON BANK LOANS (OR DISCOUNT) for amount of the discount.

(2) The payment of notes by our check as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of notes payable, and renewals thereof, given to banks, as recorded on the notes payable register, or the amounts received thereon as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL for the net proceeds, and ACCOUNT 45, PREPAID INTEREST ON BANK LOANS (OR DISCOUNT) for the amount of the interest or discount.

Balance of this account represents the amount of gross notes payable given to banks which are not yet due for payment.

The notes payable register should be maintained by the cashier's department, wherein should be recorded the detailed record of each note, together with interest accruals or amortization of discount for each accounting period.

61.2 Notes Payable (Other than Banks)

Debit with: (1) The amount of payment of notes payable, "Other than banks," as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS; if

amount of payment includes interest *Debit* ACCOUNT 68.2, ACCRUED INTEREST PAYABLE (OTHER THAN BONDS).

Credit with: (1) The amount of notes payable given to "Other than banks," as recorded on the notes payable register, *Debiting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS, or other appropriate account.

Balance of this account represents the amount of notes payable, held by "Other than banks," not yet due for payment.

The notes payable register should be maintained by the cashier's department, wherein should be recorded the detailed record of each note, together with interest accruals.

61.3 Loans Payable

Debit with: (1) The amount of the expenditure in repayment of loans (other than vendors of banks) not secured by note or mortgage, *Crediting* ACCOUNT 11.1, CASH IN BANK-GENERAL; *Debit* at the same time should be made to ACCOUNT 93.4, INTEREST DEBITS, or ACCOUNT 68.2, ACCRUED INTEREST PAYABLE (OTHER THAN BONDS) for the amount of the interest.

Credit with: (1) The amount of all loans payable (other than vendors or banks) not secured by note or mortgage, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance represents the amount of outstanding loans payable (other than vendors or banks) not secured by note or mortgage, at the end of any accounting period, and should control the subsidiary record, wherein detail is recorded.

Loans received from subsidiary or controlled companies in the way of permanent or semi-permanent investments should not appear in this account.

62.1 Accounts Payable-Outside Vendors

Debit with: (1) The total amount of checks drawn, as per vouchers presented, as shown on the cash disbursements journal, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

(2) The transfer of portions of this account to other general ledger accounts for special methods of settlement, *Crediting* other appropriate account.

(3) Settlement of accounts by notes, etc., as shown on the notes payable register, *Crediting* ACCOUNT 61.2, NOTES PAYABLE (OTHER THAN BANKS).

Credit with: (1) The total amount credited to this account as shown by vouchers entered on the voucher register, *Debiting* accounts as per detail distribution on voucher register.

(2) Amounts received from vendors as per vouchers rendered "due us" as shown on the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount of accounts payable, outside vendors, payable at the end of each period.

The date of and check number in payment of each voucher should be entered on the voucher register from the various check registers. The total amount of vouchers not so marked paid, should equal the balance of this account.

62.21 Unclaimed Wages

Debit with: (1) The amount of unclaimed wages and salaries paid by the office and factory cashiers to the proper persons, as shown by the reimbursements vouchers on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of unclaimed wages and salaries returned to the treasury by the various paymasters, as shown by the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount of unclaimed wages and salaries on hand at the end of any period.

A file of unclaimed wages and salaries should be maintained by the auditor of disbursements, against which should be checked each payment of such unclaimed wages or salaries made by the cashier to the proper individuals.

62.22 Unclaimed Dividends

Debit with: (1) The amount of declared dividends due and unpaid as credited to this account on the last day of preceding month, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amount of declared dividends due and paid, which dividend checks have not been presented at bank for collection within a reasonable period, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Balance of this account represents the amount of unclaimed dividends at the end of any period, and on the first day of the following month should be reversed.

After a reasonable period all unbanked dividend checks should be "stopped-payment" and new checks issued as and when requested by stockholders to whom payable.

62.3 Excise Tax Payable on Sales

Debit with: (1) The payment of the amount of excise tax, as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of excise tax calculated to be due the Government, *Debiting* ACCOUNT 82.4, EXCISE TAX ON SALES, according to class of product upon which tax is assessed.

(2) Amount of excise tax transferred from the factory ledger for the sale of tires, tubes, etc., made directly to employees, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Balance of this account represents the amount of excise tax due, which has not yet been returned to the Government collecting officer.

62.41 Miscellaneous Claims Payable

Debit with: (1) The settlement of the amount of claim agreed upon, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS in case voucher is prepared, at the same time *Debiting* or

Crediting ACCOUNT 92.4, EXTRAORDINARY EXPENSE (OTHER THAN PROPERTY) with any adjustment of the amount.

(2) The amount of all items or claims lifted against company by agreement or by virtue of unfairness and improbability of settlement, *Crediting* ACCOUNT 92.4, EXTRAORDINARY EXPENSE (OTHER THAN PROPERTY), thereby reversing the original entry which set up the contingent liability.

Credit with: (1) The amount of liability for claims against the company, covering damages to outside property, etc., which are not covered by insurance, *Debiting* ACCOUNT 92.4, EXTRAORDINARY EXPENSES (OTHER THAN PROPERTY).

Balance of this account represents the liability of the company for claims made against it, which are unsettled or where the settlement amount is in dispute. The make-up of this account should be analyzed from time to time by the company's attorney.

62.42 Accident Claims Payable

Debit with: (1) The cash settlement made of all accident claims, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, where a voucher has been drawn for the amount of the payment.

Credit with: (1) The amount of all accident claims agreed upon between the company and employees or insurance companies, *Debiting* the insurance company through ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, where the amount should be deducted from future remittances to insurance companies.

Balance of this account represents the amount of unpaid accident claims which are to be paid when and as they become due.

62.5 Unaudited Invoices

Debit with: (1) The total amount of unaudited invoices on hand at the close of the preceding accounting period, which amount had been originally credited to this account, *Crediting* ACCOUNT 27.1, MATERIAL AND SUPPLIES IN TRANSIT.

Credit with: (1) The total amount of unaudited invoices on hand at the close of the accounting period, *Debiting* ACCOUNT 27.1, MATERIAL AND SUPPLIES IN TRANSIT.

Balance of this account represents the liability on account of invoices, covering material and supplies which are in transit at the end of the accounting period, which invoices have not yet been taken up in the accounts due to non-receipts of material or awaiting proper approval before entry. Invoices for merchandise, materials and supplies, shipped F.O.B. destination, are not legal or accounting liabilities previous to receipt of goods.

The entry creating this credit balance should be reversed at the beginning of the succeeding accounting period.

62.6 Unrendered Invoices

Debit with: (1) The total amount of unrendered invoices at close of preceding accounting period, which amount had been originally credited to this account, *Crediting* the respective expense account which had been so charged.

Credit with: (1) The estimated amount of expense bills not received in time to be charged to the specific expense accounts during the period to which they apply, *Debiting* the respective expense account in the same amount.

Balance of this account represents the estimated amount of unrendered expense invoices which apply against the operations of the period. The entry creating this balance should be reversed at the beginning of the succeeding accounting period.

This account is instituted so that as nearly as possible all expense items will be charged in the month in which they are applicable, even though the amount needs be estimated.

Dummy invoices may be prepared, and the estimated amount adjusted to actual upon receipt, making unnecessary this account.

62.7 Contract Estimates Payable

Debit with: (1) The amount of all disbursements made to contractors as work progresses, upon approval by engineers or

architects, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, where voucher is drawn for payment.

(2) The amount of all adjustments of estimates to the actual cost of all contract estimates, *Debiting* or *Crediting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Credit with: (1) The amount agreed upon as fixed payments under contracts for building construction or changes in plant, *Debiting* ACCOUNT 32.1, CONSTRUCTION IN PROCESS.

Balance of this account represents the amount of liability to outside contractors for construction work in process, and should clear when the construction work contracted for has been completed.

62.81 Employees' Deposits on Tools, etc.

Debit with: (1) The amounts of refunded deposits when employees return the company property, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, where a voucher is prepared to cover the disbursements, or the amount is added to the payroll.

Credit with: (1) The amount of deposits received from employees to whom tools, gloves, overalls and uniforms, etc., have been issued, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, when items are handled as payroll deductions and vouchered.

Balance of this account represents the amount of deposits made by employees as security for possession of company property.

62.82 Employees' Deposits on Locker Keys

Debit with: (1) The amount of refunded deposits when employees return the locker keys, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, where a voucher is prepared to cover the disbursement, or the amount is added to the payroll.

Credit with: (1) The amount of deposits received from employees to whom locker keys have been issued, *Debiting* Ac-

COUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, when items are handled as payroll deductions and vouchered.

Balance of this account represents the amount of deposits made by employees as security for possession of company property in the shape of locker keys.

62.83 Employees' Savings and Securities

Debit with: (1) The amount of withdrawals by employees of savings or securities, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or where voucher is drawn for the amount, ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of cash or securities, deposited with the company by employees for savings or safe-keeping purposes, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of interest credited to this account, in accordance with employees savings agreement, *Debiting* ACCOUNT 93.4, INTEREST DEBITS.

Balance of this account represents the amount of savings and securities of employees, deposited with the company.

If this amount or the amount in any similar account is large, it or they should be set off on the balance sheet as trusteeship accounts.

62.84 Income Tax Withheld at Source

Debit with: (1) The amount of payments made to the respective revenue collectors, of the amount of income tax withheld from employees who are non-resident, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or where a voucher is drawn for the amount, ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of state or federal income taxes deducted from pay of non-resident employees, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, when items are handled as payroll deductions and vouchered.

Balance of this account represents the amount of income withheld from non-resident employees, which as yet have not been remitted to the revenue collectors.

62.85 Employees' Stock Subscriptions

Debit with: (1) The total amount of subscriptions to common capital stock by employees, *Crediting* ACCOUNT 72.2, CAPITAL STOCK-COMMON.

Credit with: (1) The amounts paid in by employees on stock subscriptions, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance represents the balance due from employees on stock subscriptions.

62.86 Employees' Payments on Houses

Debit with: (1) The amount of the initial payment deposited, when the sale is consummated and a mortgage procured, *Crediting* ACCOUNT 39.32, EMPLOYEES' MORTGAGE LOANS (OTHER).

Credit with: (1) The amount of deposits or other initial payments made by employees on houses (which have been acquired by the company for the purpose of resale to employees) pending the actual sale thereof, *Debiting* ACCOUNT 11.1 CASH IN BANKS-GENERAL.

Balance of this account represents the amount of deposits and initial payments made by employees on houses prior to their taking title.

62.87 Employees' Benefit Account

Debit with: (1) The amount of disbursements made by welfare department out of the fund created, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, or where a voucher is drawn for the amount, ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

Credit with: (1) The amount of receipts of funds held for welfare purposes, such as profit on slot machines, employees'

vending machines, etc., *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance of this account represents the unexpended amount, which may be used for employees' benefit purposes.

62.91 Customers' Overpayments

Debit on the first day of the following month with: (1) The amount credited to this account at the end of previous month, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS, or other appropriate accounts receivable control.

Credit with: (1) The total amount of all credit balances on the accounts receivable ledgers at the end of any accounting period, *Debiting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS, or other appropriate accounts receivable control.

Balance of this account represents the total amount of credit balances appearing on the accounts receivable ledgers, and should be reversed on the first day of the following month.

This account may be rendered unnecessary should the practice be to insert the credit figure as offsetting accounts receivable, on the balance sheet.

62.99 Accounts Payable-Miscellaneous

Debit with: (1) The amount of disbursements made on account of accounts payable-miscellaneous, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, or where a voucher is drawn for the amount, ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

Credit with: (1) The amount of all miscellaneous accounts payable items for which no specific account has been provided, *Debiting* the appropriate account.

Balance of this account[†] represents the amount of miscellaneous accounts payable, unpaid, at the end of the period.

63.1 Accrued Payroll-Factories

Debit this account with: (1) All amounts advanced for the factory payroll as shown on the voucher register, *Crediting* Ac-

COUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, for the net amount of the payroll; ACCOUNT 41.1, FACTORY PAYROLL ADVANCES, for the amount of advances and pay-offs recovered on the payroll; and any other appropriate account for other deductions or additions.

Credit with: (1) The amount of factory payroll distributed to cost during the period, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

Balance of this account represents the amount of the factory payroll, accrued and unpaid, at the end of each accounting period.

63.2 Accrued Payroll—Salaries

Debit with: (1) The amount of money expended for general payroll as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS for the *net* payroll; ACCOUNT 41.2, SALARY PAYROLL ADVANCES for the amount of “advances” made during period; and any other appropriate account for other deductions or additions.

Credit with: (1) The amount of general payroll distributed during the period, *Debiting* accounts to which salaries or wages are applicable, all in accordance with distribution of payroll.

Balance of this account represents the amount of general payroll, accrued and unpaid, at the end of each accounting period.

63.3 Accrued Commissions

Debit on the first day of the following month with: (1) The amount set up as a credit to this account, *Crediting* ACCOUNT 85.14, COMMISSION—SALESMEN, or other account to which the amount of commission is chargeable.

Credit with: (1) The amount of unpaid commissions at the end of any period, *Debiting* ACCOUNT 85.14, COMMISSION—SALESMEN, or other account to which the commission, when paid, will be applicable.

Balance of this account represents the amount of commissions, accrued and unpaid at the end of each period, and should be reversed immediately after closing the books for the period.

This account must not be mistaken for ACCOUNT 41.3, ADVANCED PAYMENTS against commissions.

64.1 Dividends Payable—Preferred Stock

Debit with: (1) The payment of the amount of dividends declared, upon arrival of date upon which declaration of dividends become due, by check drawn to order of dividend No. . . . and date, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amount of dividends declared by the board of directors, as shown by the minutes of meetings of such board, *Debiting* ACCOUNT 79.01, DIVIDENDS PAID.

Balance of this account, if any, represents the amount of dividends declared, but not due for payment.

64.2 Dividends Payable—Common Stock

Debit with: (1) The payment of the amount of dividend declared, upon arrival of date upon which declaration of dividends become due, by check drawn to order of dividend No. . . . and date, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amount of dividends declared by the board of directors, as shown by the minutes of meetings of such board *Debiting* ACCOUNT 79.01, DIVIDENDS PAID.

Balance of this account, if any, represents the amount of dividends declared, but not due for payment.

For treatment of unclaimed dividends reference should be made to ACCOUNT 62.22, UNCLAIMED DIVIDENDS.

66. Accounts Payable—Controlled and Subsidiary Companies

Debit monthly with the amount of charges against subsidiary companies including items such as: (1) Proportion of general expenses applicable to subsidiary companies, *Crediting* appropriate account.

(2) Materials furnished subsidiary companies, *Crediting* appropriate account.

(3) Invoices paid for, or advances in favor of, subsidiary companies as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, or ACCOUNT 17.2, ASSOCIATED COMPANIES—PURCHASED MATERIAL.

Credit with: (1) The amount of money received from subsidiary companies, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) Materials, etc., received from subsidiary companies, *Debiting* appropriate accounts.

(3) Notes received in payment of account, *Debiting* ACCOUNT 13.3, MISCELLANEOUS NOTES RECEIVABLE.

(4) Amount of interest credited to controlled or subsidiary companies, *Debiting* ACCOUNT 93.62, INTEREST DEBITS (ALLIED COMPANIES).

Balance of this account represents the amount due to subsidiaries as accounts receivable.

This account acts as a control over the subsidiary companies' ledger, wherein record of detail transactions with the individual companies should be maintained.

When a payment or advance is made for a subsidiary company, a notification of charge form should be made out and "A" copy filed with voucher; "B" copy forwarded to subsidiary company; and "C" copy filed in special file.

In the balance sheet, only that portion of the above account or accounts will appear under this classification of "current assets," as will in the ordinary course be received in cash.

That portion of this balance, which is in the nature of permanent advances to controlled or subsidiary companies should be shown on the balance sheet under the caption "Advances to Controlled and Subsidiary Companies."

This account is the same as ACCOUNT 17.1, ACCOUNTS RECEIVABLE—CONTROLLED AND SUBSIDIARY COMPANIES; if the parent company is indebted to the subsidiary, the balance should appear on the trial balance and balance sheet as a liability under the above caption.

67.1 Accrued Capital Stock Tax

Debit with: (1) The payments made on account of capital stock tax, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or where a voucher is drawn for the amount by *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The amount by which the actual tax as assessed is lower than the accrued amount, *Crediting* ACCOUNT 92.31, CAPITAL STOCK TAX (FEDERAL), or ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES where the books have been closed for the year during which the capital stock tax was accrued.

Credit with: (1) The amount of capital stock tax accrued during the current year, *Debiting* ACCOUNT 92.31, CAPITAL STOCK TAX (FEDERAL).

(2) The amount by which the actual tax as assessed is higher than the accrued amount, *Debiting* ACCOUNT 92.31, CAPITAL STOCK TAX (FEDERAL), or ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES where the books have been closed for the year during which the capital stock tax was accrued.

Balance of this account represents the amount of accrued capital stock tax, whether due for payment or not.

This method will permit of all charges being apportioned to the proper months and to the respective tax accounts, in the period in which incurred.

67.2 Accrued State Income Tax

Debit with: (1) The payments made on account of state income tax, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or where a voucher is drawn for the amount by *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The amount by which the actual tax as assessed is lower than the accrued amount, *Crediting* ACCOUNT 92.32, STATE TAXES (FRANCHISE OR INCOME), or ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES, where the books have been closed for the year during which the state income tax was accrued.

Credit with: (1) The amount of state income tax accrued during the current year, *Debiting* ACCOUNT 92.32, STATE TAXES (FRANCHISE OR INCOME).

(2) The amount by which the actual tax as assessed is higher than the accrued amount, *Debiting* ACCOUNT 92.32, STATE TAXES (FRANCHISE OR INCOME), or ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES, where the books have been closed for the year during which the state income tax was accrued.

Balance of this account represents the amount of accrued state income tax, whether due for payment or not.

This method will permit of all charges being apportioned to the proper months and to the respective tax accounts, in the period in which incurred.

67.3 Accrued State Franchise Tax

Debit with: (1) The payments made on account of state franchise tax, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or where a voucher is drawn for the amount by *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The amount by which the actual tax as assessed is lower than the accrued amount, *Crediting* ACCOUNT 92.32, STATE TAXES (FRANCHISE OR INCOME), or ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES, where the books have been closed for the year during which the state franchise tax was accrued.

Credit with: (1) The amount of state franchise tax accrued during the current year, *Debiting* ACCOUNT 92.32, STATE TAXES (FRANCHISE OR INCOME).

(2) The amount by which the actual tax as assessed is higher than the accrued amount, *Debiting* ACCOUNT 92.32, STATE TAXES (FRANCHISE OR INCOME), or ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES, where the books have been closed for the year during which the state franchise tax was accrued.

Balance of this account represents the amount of accrued state franchise tax, whether due for payment or not.

This method will permit of all charges being apportioned to the proper months and to the respective tax accounts, in the period in which incurred.

67.4 Accrued State and County Property Tax

Debit with: (1) The payments made on account of state property tax (by this account is meant all taxes of a local nature, including school and county taxes), *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or where a voucher is drawn for the amount by *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The amount by which the actual tax as assessed is lower than the accrued amount, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL; ACCOUNT 85.30, TAXES ON BUILDINGS, or other appropriate commercial expense account, or where the books have been closed for the year during which the state property tax was accrued, ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES.

Credit with: (1) The amount of state or county property tax, which includes school and county taxes accrued during the current year, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL; ACCOUNT 85.30, TAXES ON BUILDINGS, or other appropriate commercial expense account.

(2) The amount by which the actual tax as assessed is higher than the accrued amount, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL; ACCOUNT 85.30, TAXES ON BUILDINGS, or other appropriate commercial expense account, or where the books have been closed for the year during which the state property tax was accrued, ACCOUNT 99.9, PROFIT AND LOSS—PRIOR PERIOD CHARGES.

Balance of this account represents the amount of accrued state and county property taxes, whether due for payment or not.

This method will permit of all charges being apportioned to the proper months and to the respective tax accounts, in the period in which incurred.

If state and county property taxes are prepaid instead of

accrued, use ACCOUNT 44, PREPAID STATE AND COUNTY PROPERTY TAXES.

67.5 Accrued Federal Income Tax

Debit with: (1) The amount of payments made on account of federal income tax, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, or where a voucher is drawn for the amount by *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

(2) The amount by which the actual tax as assessed is lower than the accrued amount, *Crediting* ACCOUNT 99.9, PROFIT AND LOSS-PRIOR PERIOD CHARGES, due to the fact that payments are made after the books are closed for the year, during which the tax on income was accrued.

Credit with: (1) The estimated amount of federal income tax accrued during the current year, *Debiting* ACCOUNT 94, PROVISION FOR INCOME TAX (FEDERAL).

(2) The amount by which the actual tax as assessed is higher than the accrued amount, *Debiting* ACCOUNT 99.9, PROFIT AND LOSS-PRIOR PERIOD CHARGES, due to the fact that payments are made after the books are closed for the year, during which the tax on income was accrued.

Balance of this account represents the estimated amount of accrued federal income tax, whether due for payment or not.

This method will permit of all charges being apportioned to the proper months and to the respective tax accounts, in the period in which incurred.

68.1 Accrued Interest on Bonds

Debit with: (1) The total amount of matured interest coupons of first mortgage ten-year gold bonds upon payment, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Credit with: (1) The monthly accrual of interest on first mortgage ten-year gold bonds, *Debiting* ACCOUNT 93.5, INTEREST ON BONDED DEBT.

Balance of this account represents the amount of accrued interest payable on first mortgage ten-year gold bonds not yet matured.

68.2 Accrued Interest Payable (Other Than Bonds)

Debit with: (1) The payment of interest as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(2) The payment of interest by direct check as shown by cash disbursements journal, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

Credit with: (1) The amount of accruals of interest at the end of each accounting period as shown on the interest section of the notes payable register and similar interest accrual records, *Debiting* ACCOUNT 93.4, INTEREST DEBITS.

Balance of this account represents the amount of accrued interest payable, not yet due, or due and unpaid.

This interest should be accrued monthly on the notes payable register and journal entry voucher prepared at the end of each accounting period for total amount.

Amortization of *prepaid* interest or discount must not be confused with the above. [See ACCOUNT 45, PREPAID INTEREST ON BANK LOANS (OR DISCOUNT) for this detail.]

69.1 Accrued Royalties Payable

Debit with: (1) The payment of royalties as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit at the end of each accounting period with: (1) The accrued royalties on the use of equipment, production of patented articles or consumption of supplies, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account if not a factory cost.

Balance of this account represents the amount of royalties, accrued and unpaid, at the end of the accounting period.

69.2 Accrued Demurrage

Debit with: (1) The payment of demurrage charges as shown on the voucher register, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The accrual of demurrage charges at the end of each accounting period, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account if not a factory cost.

Balance of this account represents the amount of demurrage, accrued and unpaid, at the end of the accounting period.

This accrual should be based on information received from the traffic department.

69.3 Accrued Rent

Debit with: (1) The payment of accrued rent when voucher is made up for payment, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of rent accrued and unpaid at the end of any accounting period as shown by the rent accrual record, *Debiting* ACCOUNT 85.27, RENT (SELLING EXPENSE), or other appropriate account.

Balance of this account represents the amount of rent, accrued and unpaid, at the end of each accounting period.

69.4 Accrued Liability Insurance

Debit with: (1) The amount of the payment of accrued compensation and liability insurance, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of compensation and liability insurance accruing during period at full rates, *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account if not a factory charge.

Balance of this account represents the amount due to liability insurance companies at the end of any period.

If liability insurance is covered by a mutual company, the estimated return premium or dividend is *Debited* to ACCOUNT 18.52, MUTUAL INSURANCE PREMIUMS RETURNABLE, and *Credited* to ACCOUNT 25, FACTORY LEDGER CONTROL, or other appropriate account if not a factory charge.

69.9 Accrued Liabilities—Miscellaneous

Debit with: (1) The payment of miscellaneous accrued liabilities when voucher is prepared, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The amount of all miscellaneous accrued liabilities which are not provided for in another account, *Debiting* the appropriate expense account.

Balance of this account represents the amount of miscellaneous liabilities, accrued and unpaid, at the end of any accounting period.

7. Fixed Liabilities, Capital Stock, Surplus**71.11 First Mortgage Ten-Year Gold Bonds**

Debit with: (1) The amount of the cancellations and retirements of first mortgage ten-year gold bonds, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account.

(2) The par value of bonds retired through the sinking fund, *Crediting* ACCOUNT 39.1, SINKING FUND FIRST MORTGAGE TEN-YEAR GOLD BONDS.

Credit with: (1) The total par value of first mortgage ten-year gold bonds, as per bond record, *Debiting* ACCOUNT 71.12, SUBSCRIPTIONS TO FIRST MORTGAGE TEN-YEAR GOLD BONDS.

Balance of this account represents the total par value of first mortgage ten-year gold bonds outstanding, or in the possession of the trustee.

71.12 Subscriptions to First Mortgage Ten-Year Gold Bonds

Debit with: (1) The total par value of first mortgage ten-year gold bonds as per bond record, *Crediting* ACCOUNT 71.11, FIRST MORTGAGE TEN-YEAR GOLD BONDS.

Credit with: (1) The total agreed issuance value of first mortgage ten-year gold bonds subscribed, *Debiting* ACCOUNT 71.01, SUBSCRIBERS TO FIRST MORTGAGE TEN-YEAR GOLD BONDS.

(2) The difference between the issuance value and par value, or discount allowed on the sale of bonds, *Debiting* ACCOUNT 49.1, PREPAID BOND DISCOUNT AND EXPENSE.

Balance of this account represents the amount of bonds subscribed for but not issued.

71.13 Reserve for Sinking Fund First Mortgage Ten-Year Gold Bonds

Debit with: (1) The transfer of any portion of this reserve to unappropriated surplus when bonds for which this reserve has been created have been cancelled, *Crediting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Credit with: (1) The amounts appropriated as a reserve for sinking fund for first mortgage ten-year gold bonds, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL (if created out of "Profits"), or ACCOUNT 79.11, SURPLUS UNAPPROPRIATED (if created out of "Surplus").

Balance of this account represents the amount of appropriated reserve for the sinking fund, for first mortgage ten-year gold bonds.

71.01 Subscribers to First Mortgage Ten-Year Gold Bonds

Debit with: (1) The total agreed issuance value of subscriptions to first mortgage ten-year gold bonds, *Crediting* ACCOUNT 71.12, SUBSCRIPTIONS TO FIRST MORTGAGE TEN-YEAR GOLD BONDS.

(2) The total amount of unearned accrued interest on first mortgage ten-year gold bonds subscribed, *Crediting* ACCOUNT 93.5, INTEREST ON BONDED DEBT.

Credit with: (1) The total amounts received in payment of subscriptions as shown in the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance of this account represents the amount due from subscribers to first mortgage ten-year gold bonds.

By *unearned accrued interest* is meant the interest from the date of issue to date of purchase of the bonds, which customarily is charged to the purchaser.

72.1 Capital Stock—Preferred

Debit with: (1) The total par value of preferred capital stock cancelled or returned, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account, depending on the consideration given for the retirement or the cancellation.

Credit with: (1) The total par value of preferred capital stock issued as indicated by subscription lists, *Debiting* ACCOUNT 72.4, SUBSCRIPTIONS TO PREFERRED CAPITAL STOCK.

(2) The total par value of preferred capital stock issued direct, *Debiting* the account for which the stock was issued, at par, or other agreed upon issuance price, and a “stock discount” account for amount of the discount (if any).

(3) The total par value of preferred capital stock reserved or allotted under a specific plan to be issued to employees *Debiting* ACCOUNT 38.1, CAPITAL STOCK (UNALLOTTED)—PREFERRED.

Balance of this account represents the present total par value of preferred capital stock issued.

72.2 Capital Stock—Common*

Debit with: (1) The total par value of common capital stock cancelled or retired, *Crediting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account, depending on the consideration given for the retirement or the cancellation.

Credit with: (1) The total par value of common capital stock issued as indicated by subscription lists, *Debiting* ACCOUNT 72.5, SUBSCRIPTIONS TO COMMON CAPITAL STOCK.

(2) The total par value of common capital stock issued direct, *Debiting* the account for which the stock was issued, at par, or other agreed upon issuance price, and a “stock discount” account for amount of the discount (if any).

(3) The total par value of common capital stock reserved or allotted under a specific plan to be issued to employees, *Debiting* ACCOUNT 38.2, CAPITAL STOCK (UNALLOTTED)—COMMON.

Balance of this account represents the present total par value of common capital stock issued.

* If no-par stock, debit with the nominal or declared value.

72.4 Subscriptions to Preferred Capital Stock

Debit with: (1) The total par value of preferred capital stock issued as per certificate book, *Crediting* ACCOUNT 72.1, CAPITAL STOCK—PREFERRED.

(2) The cancellation of any subscriptions, *Crediting* ACCOUNT 72.03, SUBSCRIBERS TO PREFERRED CAPITAL STOCK.

Credit with: (1) The total par value of preferred capital stock subscribed for as indicated by subscription lists, *Debiting* ACCOUNT 72.03, SUBSCRIBERS TO PREFERRED CAPITAL STOCK.

Balance of this account represents the par value of preferred capital stock subscribed for, but not issued.

72.5 Subscriptions to Common Stock *

Debit with: (1) The total par value of common capital stock issued as per record of common capital stock certificate book, *Crediting* ACCOUNT 72.2, CAPITAL STOCK—COMMON.

(2) The cancellation of any subscriptions, *Crediting* ACCOUNT 72.04, SUBSCRIBERS TO COMMON CAPITAL STOCK.

Credit with: (1) The total par value of common capital stock subscribed for as indicated by subscription lists, *Debiting* ACCOUNT 72.04, SUBSCRIBERS TO COMMON CAPITAL STOCK.

Balance of this account represents the par value of common capital stock subscribed for, but not issued.

72.01 Treasury Stock—Preferred

Debit with: (1) The estimated or realizable value of preferred capital stock donated, *Crediting* ACCOUNT 79.51, CAPITAL STOCK DONATED.

(2) The excess of sales price over the price at which this account was originally debited, when stock is sold, *Crediting* ACCOUNT 79.51, CAPITAL STOCK DONATED.

Credit with: (1) The amount received in sale or exchange of this stock upon realization, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account.

* If no-par stock, debit with the nominal or declared value.

(2) The deficiency of sale price to the price with which this account was originally debited, when stock is sold, *Debiting* ACCOUNT 79.51, CAPITAL STOCK DONATED.

Balance of this account represents the estimated or realizable value of capital stock donated and held in treasury.

72.02 Treasury Stock—Common

Debit with: (1) The estimated or realizable value of common capital stock donated, *Crediting* ACCOUNT 79.51, CAPITAL STOCK DONATED.

(2) The excess of sales price over the price at which this account was originally debited, when stock is sold, *Crediting* ACCOUNT 79.51, CAPITAL STOCK DONATED.

Credit with: (1) The amount received in sale or exchange of this stock upon realization, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL, or other appropriate account.

(2) The deficiency of sale price to the price with which this account was originally debited, when stock is sold, *Debiting* ACCOUNT 79.51, CAPITAL STOCK DONATED.

Balance of this account represents the estimated or realizable value of capital stock donated and held in treasury.

72.03 Subscribers to Preferred Capital Stock

Debit with: (1) The total par value of preferred capital stock subscribed for as per subscription lists, *Crediting* ACCOUNT 72.4, SUBSCRIPTIONS TO PREFERRED CAPITAL STOCK.

(2) The amount of money paid in on forfeited subscriptions, *Crediting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Credit with: (1) Amount of money received from subscribers as per record on cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of notes taken on subscription account, *Crediting* ACCOUNT 13.3, MISCELLANEOUS NOTES RECEIVABLE.

(3) The amount of each installment, if calls are so made, *Debiting* ACCOUNT 18.6, INSTALLMENTS DUE ON STOCKS AND BONDS, according to number of the call made.

(4) The amount of cancellation of any subscription, *Debiting* ACCOUNT 72.4, SUBSCRIPTIONS TO PREFERRED CAPITAL STOCK.

Balance of this account represents the amount of preferred capital stock subscribed for, remaining unpaid at the end of each month.

72.04 Subscribers to Common Stock *

Debit with: (1) The total par value of common capital stock subscribed for as per subscription lists, *Crediting* ACCOUNT 72.5, SUBSCRIPTIONS TO COMMON CAPITAL STOCK.

(2) The amount of money paid in on forfeited subscriptions, *Crediting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Credit with: (1) The amount of money received from subscribers as per record on cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The amount of notes taken on subscriptions account, *Crediting* ACCOUNT 13.3, MISCELLANEOUS NOTES RECEIVABLE.

(3) The amount of each installment if calls are so made, *Debiting* ACCOUNT 18.6, INSTALLMENTS DUE ON STOCKS AND BONDS, according to number of the call made.

(4) The cancellation of any subscription, *Debiting* ACCOUNT 72.5, SUBSCRIPTIONS TO COMMON CAPITAL STOCK.

Balance of this account represents the amount of common capital stock subscribed for, remaining unpaid at end of period.

74. General Reserves

Debit with: (1) The transfer of any portion of, or the balance of this account to Profit and Loss or "Unappropriated surplus" when purpose for which reserve has been set up no longer exists, or has been satisfied, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL or ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Credit with: (1) The amount appropriated as reserves for (contingencies), *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GEN-

* If no-par stock, debit with the nominal or declared amount.

ERAL, (if reserve is created out of "Profits"), or ACCOUNT 79.11, SURPLUS UNAPPROPRIATED, (if created out of "Surplus").

Balance of this account represents the amount of all reserves for contingencies.

79.11 Surplus Unappropriated

Debit with: (1) The amount of appropriation of any of this surplus for various purposes, *Crediting* proper appropriated surplus account.

(2) The amount of dividends declared by board of directors, *Crediting* ACCOUNT 79.01, DIVIDENDS PAID.

(3) The amount of the current provision for accrued federal income tax, *Crediting* ACCOUNT 94, PROVISION FOR INCOME TAX (FEDERAL) at end of the fiscal year.

(4) The amount of any reserve for contingencies set up, *Crediting* ACCOUNT 74, GENERAL RESERVES.

(5) The amount set aside as reserve for sinking fund ten-year first mortgage gold bonds, *Crediting* ACCOUNT 71.13, RESERVE FOR SINKING FUND FIRST MORTGAGE TEN-YEAR GOLD BONDS.

(6) The amount of stock discount amortized during period, *Crediting* the proper stock discount account (if any).

(7) The amount of net loss sustained from operations during the period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

(8) The balance appearing in ACCOUNT 99.9, PROFIT AND LOSS-PRIOR PERIOD CHARGES.

Credit with: (1) The amount of any appropriated surplus no longer required for specific purpose, *Debiting* proper appropriated surplus account.

(2) The amount of any reserve for contingencies no longer required for specific purpose, *Debiting* ACCOUNT 74, GENERAL RESERVES.

(3) The amount of "Forfeited" subscriptions to capital stock and bonds, *Debiting* ACCOUNT 72.03, SUBSCRIBERS TO PREFERRED STOCK; ACCOUNT 72.04, SUBSCRIBERS TO COM-

MON STOCK, or ACCOUNT 18.6, INSTALLMENTS DUE ON SUBSCRIPTIONS TO STOCKS AND BONDS.

(4) The reduction of the amount of sinking fund set up for bond retirement, when negotiated, *Debiting* ACCOUNT 71.13, RESERVE FOR SINKING FUND FIRST MORTGAGE TEN-YEAR GOLD BONDS.

(5) The amount of net gain derived from operations for the period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

(6) The balance appearing in ACCOUNT 99.9, PROFIT AND LOSS-PRIOR PERIOD CHARGES.

Balance of this account represents the amount of unappropriated or free surplus available for the payment of dividends or for appropriation by board of directors. If a debit balance, it represents the amount of the deficit.

79.01 Dividends Paid

Debit with: (1) The amount of dividends declared by the board of directors, as shown by the minutes of meetings of such board, *Crediting* ACCOUNT 64.1, DIVIDENDS PAYABLE-PREFERRED STOCK, or ACCOUNT 64.2, DIVIDENDS PAYABLE-COMMON STOCK.

Credit with: (1) The amount debited to this account, at the end of each fiscal period, *Debiting* ACCOUNT 79.11, SURPLUS UN-APPROPRIATED.

Balance: At the end of the fiscal period there should be no balance in this account. During the year the balance should be deducted from "unappropriated surplus" account in casting a balance sheet.

79.51 Capital Stock Donated

Debit with: (1) The deficiency of sale price to the price with which this account was originally credited, when stock is sold, *Crediting* ACCOUNT 72.02, TREASURY STOCK-COMMON, or other treasury capital stock account, depending on issue.

(2) The disposition of the balances of this account (if disturbed), *Crediting* the proper appropriated surplus account.

Credit with: (1) The estimated or realizable value of capital stock donated, *Debiting* ACCOUNT 72.02, TREASURY STOCK-COMMON, or other treasury capital stock account, depending on issue.

(2) The excess of sale price over the price at which this account was originally credited, when stock is sold, *Debiting* ACCOUNT 72.02, TREASURY STOCK-COMMON, or other treasury capital stock account, depending on issue.

Balance of this account represents the amount of surplus available for special purposes, but not for payment of dividends.

79.52 Surplus Through Revaluation

Debit with: (1) The amount by which good-will, trade marks or trade name accounts are reduced in value, *Crediting* ACCOUNT 52, TRADE MARKS; ACCOUNT 53, TRADE NAMES for the respective amounts, or ACCOUNT 54, GOOD-WILL.

Credit with: (1) The amount by which the trade marks account is enhanced in value, *Debiting* ACCOUNT 52, TRADE MARKS.

(2) The amount by which the trade names account is enhanced in value, *Debiting* ACCOUNT 53, TRADE NAMES.

(3) The amount by which the good-will account is enhanced in value, *Debiting* ACCOUNT 54, GOOD-WILL.

Balance of this account represents the amount of surplus obtained through revaluation and should not be considered available for payment of dividends.

Surplus created through appraisal of plant should also be credited to this account.

SECTION III
DETAILED EXPLANATION OF GENERAL
LEDGER OPERATING ACCOUNTS

OPERATING ACCOUNTS

8. Income and Expense on Sales

81.1 Sales (Own Products)

Debit with: (1) The transfer of the balance of this account to profit and loss at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The total amount of sales of product manufactured by company, sold to all customers, as indicated by the sales registers or statistics, *Debiting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS; ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS; ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT, or ACCOUNT 17.1, ACCOUNTS RECEIVABLE—CONTROLLED AND SUBSIDIARY COMPANIES.

(2) The amount of difference between actual cost price and marked-down price of finished goods, *Debiting* ACCOUNT 21.01, RESERVE FOR SHRINKAGE IN VALUE—FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE), or other reserve for shrinkage in value, finished goods account, depending upon location of the finished goods in question.

Balance of this account represents the amount of gross sales to all customers and should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL, at the end of each fiscal period.

This account controls the gross amount of sales of regular products to all customers and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, type of product, etc., in accordance with the plan of distribution recommended elsewhere.

Sales of scrap, salvage, supplies, service or equipment should be credited to miscellaneous sales accounts under miscellaneous income. The gain or loss on sales of this nature

should be treated as foreign to the ordinary operations of the business and should be analyzed as to volume and cost of sales, by commodities sold or services rendered.

81.2 Sales (Outside Products)

Debit with: (1) The transfer of the balance of this account to profit and loss at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The total amount of sales of product of outside manufacture, sold to all customers as indicated by the sales registers or statistics, *Debiting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS; ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS; ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT; or ACCOUNT 17.1, ACCOUNTS RECEIVABLE—CONTROLLED AND SUBSIDIARY COMPANIES.

(2) The amount of difference between actual cost price and marked-down price of finished goods, *Debiting* ACCOUNT 21.03, RESERVE FOR SHRINKAGE IN VALUE—FINISHED GOODS ON HAND (OUTSIDE MANUFACTURE).

Balance of this account represents the amount of gross sales of product of outside manufacture to all customers and should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL, at the end of each fiscal period.

To include all sales of miscellaneous products to outsiders, which products are considered for control and operating purposes as finished product or merchandise purchased for resale in the ordinary course of business.

82.1 Returned Goods

Debit with: (1) The sales value of all returned merchandise received in good condition during the period as indicated by sales registers or statistics, which is credited to customers' accounts, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE—CUSTOMERS; ACCOUNT 15.1, ACCOUNTS RECEIVABLE—MANUFACTURERS; ACCOUNT 16.1, ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT; or ACCOUNT 17.1, ACCOUNTS RECEIVABLE—CONTROLLED AND SUBSIDIARY COMPANIES.

Credit with: (1) The total amount appearing in the balance of this account at the end of the fiscal period, which amount represents the gross sales value of returned merchandise, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the gross sales value of returned merchandise for the period, to date, and should be closed out to Account 99.1, PROFIT AND LOSS-GENERAL, at the end of the fiscal period.

This account controls the gross sales value of merchandise returned from all customers and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, type of product, etc., in accordance with the plan of distribution recommended elsewhere.

82.2 Allowances

Debit with: (1) The amount set up at the end of each month, which it is assumed, in ordinary procedure, will be allowed customers when making payment for their accounts, in order that the amount of accounts receivable may be appraised on a given date, *Crediting* ACCOUNT 14.06, RESERVE FOR ALLOWANCES-ACCOUNTS RECEIVABLE-CUSTOMERS, or other accounts receivable control account.

Credit with: (1) The total amount appearing in the balance of this account at the end of the fiscal period, which represents the gross amount of allowances made to customers during the period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the gross amount of allowances made to all customers during the period and should be closed out to Account 99.1, Profit and Loss-General, at the end of the fiscal period.

This account controls the gross amount of allowances made to all customers during the period and should be subdivided or analyzed for statistical purposes, and for the ascertainment of profit by lines of product, types of product, etc., in accordance with the plan of distribution recommended elsewhere.

82.31 Adjustments

Debit with: (1) That amount representing the difference between the regular billing price of the merchandise and the adjusted price of that merchandise, on all so-called adjustment sales, *Crediting* the proper division of ACCOUNT 81, SALES (OWN PRODUCTS).

(2) The amount representing straight allowances or credits to accounts where special adjustment privilege has been extended to customers, *Crediting* ACCOUNT 14.1, ACCOUNTS RECEIVABLE-CUSTOMERS; ACCOUNT 15.1, ACCOUNTS RECEIVABLE-MANUFACTURERS; ACCOUNT 16.1, ACCOUNTS RECEIVABLE-CUSTOMERS-EXPORT or ACCOUNT 17.1, ACCOUNTS RECEIVABLE-CONTROLLED AND SUBSIDIARY COMPANIES.

Credit with: (1) The total amount appearing in the balance of this account at the end of the fiscal period, which amount represents the difference between actual and regular billing price of adjustment sales, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the gross amount of adjustment loss, during the period, due to selling merchandise at less than established dealer prices, due to merchandise warranty allowances. It represents the loss of profit due to selling merchandise at less than regular selling prices. The balance in this account, at the end of the fiscal period, should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

This account controls the gross loss of profit due to merchandise warranty allowance adjustments made to all customers during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, type of product, etc., in accordance with the plan of distribution recommended elsewhere.

Do not confuse this with ACCOUNT 82.32, ADJUSTMENT CONTINGENCY, which is the permanent evaluation account.

82.32 Adjustment Contingency

Debit with: (1) For the purpose of initial valuation only, that percentage of period sales, which past experience shows repre-

sents the amount which will be lost, due to adjustment of charges upon articles sold under guarantee, *Crediting* ACCOUNT 14.05, RESERVE FOR ADJUSTMENTS—ACCOUNTS RECEIVABLE—CUSTOMERS; ACCOUNT 16.05, RESERVE FOR ADJUSTMENTS—ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT.

(2) The amount by which it is estimated adjustment reserve is increased due to contingent liability becoming greater, *Crediting* ACCOUNT 14.05, RESERVE FOR ADJUSTMENTS—ACCOUNTS RECEIVABLE—CUSTOMERS, or ACCOUNT 16.05, RESERVE FOR ADJUSTMENTS—ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT.

Credit with: (1) The amount by which it is estimated this adjustment reserve is relieved due to contingent liability diminishing, *Debiting* ACCOUNT 14.05, RESERVE FOR ADJUSTMENTS—ACCOUNTS RECEIVABLE—CUSTOMERS, or ACCOUNT 16.05, RESERVE FOR ADJUSTMENTS—ACCOUNTS RECEIVABLE—CUSTOMERS—EXPORT.

(2) The total amount appearing in the balance of this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount, which experience indicates, will be lost due to adjustment of charges upon articles sold under guarantee, for accounts receivable outstanding and should be closed out to account 99.1, PROFIT AND LOSS—GENERAL, at the end of the accounting period.

This account represents the estimated amount which eventually will be allowed to customers for adjustments on merchandise, sold, but still under guarantee. It is in the nature of a permanent reserve set up to evaluate the asset accounts receivable at end of any period, the account should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, type of product, etc., in accordance with the plan of distribution recommended elsewhere.

Do not confuse with ACCOUNT 82.31, ADJUSTMENTS, which is the current account.

82.4 Excise Tax on Sales

Debit with: (1) The amount analyzed from the sales registers or statistics, as being due the U. S. Government for excise tax on articles, taxable under the Excise Tax Law, *Crediting* ACCOUNT 62.3, EXCISE TAX PAYABLE ON SALES.

Credit with: (1) The transfer of the balance of this account to profit and loss at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the expense connected with payment of excise tax on sales of product and should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL, at the end of the fiscal period.

This account controls the expense in connection with excise taxes paid the U. S. Government on taxable sales and should be subdivided or analyzed for statistical purposes, by class of product, in accordance with the plan of distribution recommended elsewhere.

82.5 Volume Rebates

Debit with: (1) That percentage of maximum liability for volume rebates, to be allowed, which experience shows will be earned by customers' accounts, on the sales value of all merchandise sold during period subject to such volume rebate, *Crediting* ACCOUNT 14.02, RESERVE FOR VOLUME REBATES-ACCOUNTS RECEIVABLE-CUSTOMERS.

Credit with: (1) The transfer of the balance of this account to profit and loss-general account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of expense connected with volume rebate allowances made to customers during period and at the end of fiscal period should be closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

This account controls the gross amount of volume rebates made to all customers during the period and should be subdivided or analyzed for statistical purposes and for the ascer-

tainment of profit by lines of product, types of product, etc., in accordance with the plan of distribution recommended elsewhere.

82.611 Transportation on Merchandise Shipped Direct to Customer-Freight

Debit with: (1) The expenditure made for cost of freight on shipments sent from factory direct to customer, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

Credit with: (1) The transfer of the balance of this account to profit and loss-general account, at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of expenditures for freight on merchandise shipped directly from factory to customer and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

This account controls the gross cost of freight paid on shipments made to all customers directly from factory during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, types of product and by method of sale, in accordance with the plan of distribution recommended elsewhere.

82.612 Transportation on Merchandise Shipped Direct to Customer-Truck

Debit with: (1) The expenditure made for cost of trucking shipments sent from factory direct to customer, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS where hired trucks perform the work, or ACCOUNT 25, FACTORY LEDGER CONTROL when factory trucks so function.

Credit with: (1) The transfer of the balance of this account to profit and loss-general account, at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of expenditures for trucking merchandise shipped directly from factory to cus-

tomers and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account controls the gross cost of trucking paid on shipments made to all customers directly from factory during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, types of product and by method of sale, in accordance with the plan of distribution recommended elsewhere.

82.613 Transportation on Merchandise Shipped Direct to Customer—Express

Debit with: (1) The expenditure made for cost of express on shipments sent from factory direct to customer, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The transfer of the balance of this account to profit and loss—general account, at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of expenditures for express on merchandise shipped directly from factory to customer and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account controls the gross cost of express paid on shipments made to all customers directly from factory during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, types of product and by method of sale, in accordance with the plan of distribution recommended elsewhere.

82.614 Transportation on Merchandise Shipped Direct to Customer—Parcel Post

Debit with: (1) The expenditure made for cost of parcel post on shipments sent from factory direct to customer, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, or ACCOUNT 11.9, POSTAGE INVENTORY, when parcel post stamps are cleared through that account.

Credit with: (1) The transfer of the balance of this account to profit and loss—general account, at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of expenditures for parcel post on merchandise shipped directly from factory to customer and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account controls the gross cost of parcel post paid on shipments made to all customers directly from factory during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, types of product and by method of sale, in accordance with the plan of distribution recommended elsewhere.

82.62 Transportation on Consigned Merchandise—Factory to Branch

Debit with: (1) That amount arrived at by disappearance after pricing the consigned merchandise inventory at average freight rate as explained in ACCOUNT 21.23, and elsewhere in this report. *Crediting* ACCOUNT 21.23, FREIGHT ON FINISHED GOODS ON HAND AT BRANCHES (OR CONIGNED) (OWN MAKE).

Credit with: (1) The transfer of the balance of this account to profit and loss—general at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the cost of that portion of transportation on merchandise shipped from factory to branch, which has been sold in current period. At the end of the fiscal period the balance should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account controls the gross cost of transportation on that portion of merchandise shipped from factory to branches, which has been sold and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, types of product and by method of sale, in

accordance with the plan of distribution recommended elsewhere.

82.63 Transportation on Consigned Merchandise—Branch to Branch

Debit with: (1) That amount representing the cost of transportation actually paid on relocating merchandise at its new destination, *Crediting* ACCOUNT 85, SELLING EXPENSE (CONTROL) (BRANCH EXPENSE CLASSIFICATION).

Credit with: (1) The transfer of the balance of this account to profit and loss—general at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the cost of transportation on merchandise shipped from branch to branch and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account controls the gross cost of transportation on merchandise shipped from branch to branch and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, types of product and by method of sale, in accordance with the plan of distribution recommended elsewhere.

82.641 Transportation on Merchandise Shipped From Branch to Customer—Freight

Debit with: (1) The cost of freight on shipments made by branches to customers, *Crediting* the branch expense control account, by designation, through ACCOUNT 85, SELLING EXPENSE (CONTROL), or if cleared directly through branch imprest cash to ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The transfer of the balance of this account to profit and loss—general account, at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of expenditure for freight on merchandise shipped from branches to customers

and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

82.642 Transportation on Merchandise Shipped From Branch to Customer-Truck

Debit with: (1) The cost of trucking shipments made by branches to customers, *Crediting* the branch expense control account, by designation, through ACCOUNT 85, SELLING EXPENSE (CONTROL), or if cleared directly through branch imprest cash to ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

Credit with: (1) The transfer of the balance of this account to profit and loss-general account, at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of expenditure for trucking merchandise shipped from branches to customers and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

82.643 Transportation on Merchandise Shipped From Branch to Customer-Express

Debit with: (1) The cost of express on shipments made by branches to customers, *Crediting* the branch expense control account, by designation, through ACCOUNT 85, SELLING EXPENSE (CONTROL), or if cleared directly through branch imprest cash to ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS.

Credit with: (1) The transfer of the balance of this account to profit and loss-general account, at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of expenditure for express on merchandise shipped from branches to customers and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

82.644 Transportation on Merchandise Shipped From Branch to Customer-Parcel Post

Debit with: (1) The cost of parcel post on shipments made by branches to customers, *Crediting* the branch expense control

account, by designation, through ACCOUNT 85, SELLING EXPENSE (CONTROL), or if cleared directly through branch imprest cash to ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Credit with: (1) The transfer of the balance of this account to profit and loss—general account, at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of expenditure for parcel post on merchandise shipped from branches to customers and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

82.65 Transportation on Returned Goods

Debit with: (1) The cost of transportation on merchandise returned by customers, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, or ACCOUNT 85, SELLING EXPENSE (CONTROL) if amounts are cleared through branches.

Credit with: (1) The transfer of the balance of this account to profit and loss—general account, at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of expenditure for transportation on merchandise returned goods, and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account controls the gross cost of transportation on goods returned for credit or exchange and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, types of product and by method of sale in accordance with the plan of distribution recommended elsewhere.

82.7 Cash Discount on Sales

Debit with: (1) The amount set up at the end of each month, which it is assumed will be taken advantage of by customers, when they make payment. The amount of this reserve should be figured on a percentage basis equivalent to the discount rate

allowed on each line or type of product or class of customer on the total sales made during the period, *Crediting* ACCOUNT 14.01, RESERVE FOR CASH DISCOUNTS—CUSTOMERS, or the account affected in the particular classification of accounts receivable.

Credit with: (1) The total amount appearing in the balance of this account at the end of the fiscal period, which amount represents the cash discounts allowed customers for prompt payment, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account, until closed into ACCOUNT 99.1, PROFIT AND LOSS—GENERAL, represents the amount of cash discount on sales allowed to customers.

This account controls the gross amount of cash discounts made to all customers during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, type of product, etc., in accordance with the plan of distribution recommended elsewhere.

83.1 Cost of Sales (Own Products)

Debit with: (1) The cost value of articles of own manufacture sold during the period to all customers as shown by the sales registers, statistics or finished goods perpetual inventory records, *Crediting* ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS, or ACCOUNT 21.12, 21.21, or 21.22, representing other finished goods control accounts.

Credit with: (1) The total amount appearing in the balance of this account at the end of the fiscal period, which amount represents the total factory cost of merchandise sold to all customers during the period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the total factory cost of merchandise sold to customers during the period and should be closed into ACCOUNT 99.1, PROFIT AND LOSS—GENERAL, at the end of the fiscal period.

This account controls the cost value of all articles of own manufacture sold to customers during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, type of product, etc., in accordance with the plan of distribution recommended elsewhere.

83.2 Cost of Sales (Outside Products)

Debit with: (1) The cost value of articles, of outside manufacture, sold during the period to all customers as shown by the sales registers, statistics or perpetual inventory records, *Crediting* ACCOUNT 21.31, FINISHED GOODS ON HAND (OUTSIDE MANUFACTURE).

Credit with: (1) The total amount appearing in the balance of this account at the end of the fiscal period, which amount represents the total cost of merchandise (outside manufacture) sold to all customers during the period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the total cost of merchandise (outside manufacture) sold to customers during the period and should be closed into ACCOUNT 99.1, PROFIT AND LOSS—GENERAL, at the end of the fiscal period.

This account controls the cost value of all articles of outside manufacture sold to customers during the period and should be subdivided or analyzed for statistical purposes and for the ascertainment of profit by lines of product, type of product, etc., in accordance with the plan of distribution recommended elsewhere.

COMMERCIAL EXPENSE

85. Selling Expense (Control)

The following is the explanation of classification of expense detail into which costs, placed under control of ACCOUNT 85, SELLING EXPENSE (CONTROL), should be broken down for purposes of analysis and distribution.

These expenses apply to home office selling departments, district managers' departments, branches and auxiliary selling departments, and should be charged in accordance with the recommended departmental outline.

Each expense, of course, should be prefixed with its proper department, district or branch number, so that the cost of operation of each in detail may be compiled.

The organization of the individual company will determine accounts break-down to be utilized by district, branch or home office department.

The balance in this control account at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Salaries

- 85.10, SALARIES-EXECUTIVES: To cover the amount of salaries of executive officers, such as general sales manager, assistant general sales manager, etc., directly engaged in selling activities.
- 85.11, SALARIES-DEPARTMENT MANAGERS AND ASSISTANTS: To cover amount of salaries of department managers and assistant department managers, etc., directly engaged in selling activities or in the operation of auxiliary selling departments.
- 85.12, SALARIES-BRANCH MANAGERS AND ASSISTANTS: To cover amount of salaries of district managers, branch managers and their assistants, etc., directly engaged in selling activities.
- 85.13, SALARIES-SALESMEN: To cover amount of salaries of all salesmen, traveling and city, excepting commissions paid to them.
- 85.14, COMMISSIONS-SALESMEN: To cover amount of commissions paid or accrued to traveling salesmen, other than as regular salaries.
- 85.15, COMMISSIONS-AGENTS: To cover amount of all commissions paid to agents, other than salesmen or others permanently employed and under supervision of company.
- 85.16, COMMISSIONS-BROKERS: To cover amount of commissions and brokerage paid; such as, commissions paid to wholesale

- houses, jobbers, etc. (Should not include commission paid to salesmen or volume rebates.)
- 85.17, TRAINING EXPENSE—SALESMEN: To cover amount of all expenses of any nature contracted in connection with the training of salesmen.
- 85.18, SALARIES—ADJUSTORS: To cover amount of salaries of adjustors; those who travel as well as those who are permanently attached to districts, branches or home office.
- 85.19, SALARIES—OFFICE MANAGERS: To cover amount of salaries of district or branch office managers and their assistants, as well as office managers in the home office selling divisions (if any).
- 85.20, SALARIES—CREDITS AND COLLECTIONS: To cover amount of salaries of credit and collection managers, their direct assistants, as well as clerks engaged in this work.
- 85.21, SALARIES—STENOGRAPHERS: To cover amount of salaries of stenographers, directly connected in selling activities, either at districts, branches or home office selling departments.
- 85.22, SALARIES—CLERICAL—GENERAL: To cover amount of salaries of clerical help, such as cashiers, bookkeepers, ledger clerks, typists, billing clerks, bill checkers, telephone operators, office boys, etc.
- 85.23, SALARIES—CHAUFFEURS AND DRIVERS: To cover amount of salaries and wages of chauffeurs and drivers working out of districts, branches, or depots, or directly serving home office selling departments.
- 85.24, TRAVELING EXPENSE—BRANCH EXECUTIVES: To cover cost of all traveling expenses in the selling divisions other than those which are paid to salesmen.

Traveling Expense

- 85.25, TRAVELING EXPENSE—SALESMEN: To cover cost of all traveling expenses paid to salesmen; expense and maintenance cost of salesmen's automobiles, depreciation, etc.
- 85.26, ENTERTAINMENT EXPENSE: To cover cost of all entertainment, special in nature, and outside of entertainment which properly is a part of traveling expense.

Rental Expense

- 85.27, RENT: To cover cost of all rent paid or incurred during the period, plus any amounts represented by amortization of improvements to leaseholds (See ACCOUNT 48), and pre-paid rent (See ACCOUNT 49.3), or accrued rent (See ACCOUNT 69.3).
- 85.28, LOSSES ON LEASES: To cover the amortized portion of cost of all leases not utilized or the difference between leasehold figure and actual revenue received from lease, if property has been sublet.
- 85.29, MAINTENANCE AND REPAIRS TO BUILDINGS: To cover costs of maintenance and repairs to buildings.
- 85.30, TAXES ON BUILDINGS: To cover cost of all local and state taxes on buildings (where separable).
- 85.31, INSURANCE ON BUILDINGS: To cover cost of insurance on buildings (where separable).
- 85.32, DEPRECIATION ON BUILDINGS: To cover the amount of depreciation written off on buildings.
- 85.33, HEAT, LIGHT, POWER AND WATER: To cover cost of heat, light, power and water utilized by district, or branch.

Factory Warehouse and Shipping Expense

- 85.34, FACTORY WAREHOUSE AND SHIPPING EXPENSE: As indicated in classification of accounts, all of the expenses in connection with this activity should be charged to this account. The detailed make-up of the amount should bear factory expenses classification as the expenses originate under factory control, and should be transferred at end of each period to this account.

Depôt Expense

- 85.35, DEPÔT EXPENSE: To cover cost of providing depôts for distribution of merchandise. All expense in this connection should be charged to this account. The detail of depôt expense should take exact break-down as a district, branch or department since it functions as a separate and distinct plant.

Branch Warehouse and Shipping Expense

- 85.36, SALARIES-STOCK CLERKS: To cover salaries and wages of stock clerks located at districts or branches.
- 85.37, PACKING AND SHIPPING LABOR: To cover salaries and wages paid to packers, shippers, receiving clerks, order fillers, engineer, elevator operator, porters, doorman, delivery boys, store salesmen and any extra help employed in shipping, receiving or merchandise stock rooms, who are located at districts, branches or depôts.
- 85.38, PACKING AND SHIPPING SUPPLIES: To cover cost of all supplies used in connection with packing and shipping, from districts, branches or depôts, such as, packing boxes, cartons, wrapping paper, twine, marking ink, brushes, stencils, lumber, nails, etc., as well as cost of bills of lading, railroad, steamship and express company guides.
- 85.39, STOCK HANDLING EXPENSE: To cover cost of all extraordinary expense in connection with the handling of finished goods at districts, branches or depôts.
- 85.40, TAXES ON STOCK: To cover cost of all local and state taxes on stocks of finished goods (where amount is separable from taxes on buildings, etc.)
- 85.41, INSURANCE ON STOCK: To cover cost of insurance on stocks of finished goods (where separable).
- 85.42, OUTSIDE STORAGE SPACE (OTHER THAN DEPOTS): To cover cost of all outside storage space, aside from branch establishment and depôts.
- 85.43, CARTAGE AND TRUCKING: To cover cost of all cartage and trucking incurred in connection with receiving and shipping merchandise.
- 85.44, AUTO AND TRUCK MAINTENANCE: To cover cost of maintenance and repairs to company owned autos and trucks, excepting those utilized by salesmen, the maintenance of which should be charged to ACCOUNT 85.25.
- 85.45, GASOLINE AND OIL: To cover cost of gasoline and oil for company cars and trucks, excepting the amount used for salesmen's cars, which expense should be charged to ACCOUNT 85.25.

- 85.46, TIRES AND ACCESSORIES: To cover cost of tires and accessories for company cars and trucks, outside of salesmen's cars, which expense should be charged to ACCOUNT 85.25.
- 85.47, DEPRECIATION—AUTOS AND TRUCKS: To cover the amount of depreciation written off on company owned autos and trucks, excepting the amount applicable to salesmen's cars, which should be charged to ACCOUNT 85.25.
- 85.48, MISCELLANEOUS AUTO EXPENSE: To cover cost of all miscellaneous auto expenses incurred in connection with operation of company owned cars and trucks, outside of salesmen's cars, which expense should be classed as traveling. All other auto expenses excepting those chargeable to ACCOUNTS 85.44, 85.45, 85.46, and 85.47 should be charged to this classification.

Office and Miscellaneous

- 85.54, SAMPLES: To cover the cost of all samples utilized for selling purposes.
- 85.55, LOSSES ON FINISHED GOODS: To cover cost of all damages to finished goods or other non-compensated losses, as well as obsolescence for which branch is responsible.
- 85.56, POSTAGE—GENERAL: To cover cost of all postage used (except parcel post and documentary stamps).
- 85.57, EMPLOYMENT EXPENSE: To cover cost of all help want advertising; cost of moving employees from or to another location, etc.
- 85.58, EMPLOYEES' COMPENSATION INSURANCE: To cover cost of employees' compensation and public liability insurance.
- 85.59, PREMIUMS ON SURETY BONDS: To cover cost of all premiums on surety or fidelity bonds applicable to employees in selling departments.
- 85.60, STATIONERY AND OFFICE SUPPLIES: To cover cost of all stationery, printing and office supplies consumed by district, branch or selling department.
- 85.61, TELEGRAPH AND TELEPHONE: To cover cost of all telephone and telegraph bills.
- 85.641, MAINTENANCE AND REPAIRS TO FURNITURE, FIXTURES

- AND EQUIPMENT: To cover cost of maintenance and repairs to furniture, fixtures and equipment.
- 85.642, TAXES ON FURNITURE, FIXTURES AND EQUIPMENT: To cover cost of all local and state taxes on furniture, fixtures and equipment (where separable).
- 85.643, INSURANCE ON FURNITURE AND FIXTURES AND EQUIPMENT: To cover cost of insurance on furniture, fixtures and equipment (where separable).
- 85.644, DEPRECIATION—FURNITURE AND FIXTURES AND EQUIPMENT: To cover the amount of depreciation written off on all furniture, fixtures, equipment.
- 85.65, DUTY ON INCOMING SHIPMENTS: To cover cost of duty paid on all incoming shipments. This should be used as a clearing account only. The total charges, at end of each period should be transferred to cost of merchandise.
- 85.66, FREIGHT AND EXPRESS (OTHER THAN ON FINISHED GOODS): To cover cost of all inbound and outbound freight and express charges on items other than finished goods.
- 85.67, TRUCK TIRE APPLYING: To cover cost of all expenses incurred in connection with service truck tire applying, including salaries and wages of workmen. This should be used as a clearing account only. The total charges, at end of each period, should be transferred to ACCOUNT 83.1, COST OF SALES (OWN PRODUCTS).
- 85.68, TAXICAB MILEAGE CONTRACT EXPENSE: To cover cost of all expenses incurred in connection with taxicab mileage contracts, including salaries and traveling expenses of personnel in charge. This should be used as a clearing account only. The total charges, at end of each period, should be transferred to ACCOUNT 83.1, COST OF SALES (OWN PRODUCTS).
- 85.69, CREDIT AND COLLECTION EXPENSE: To cover cost of all credit reports, credit reference books, dues in local credit clubs, etc., contracted for by branch or prorated to them from home office. The amortized portion of prepaid commercial agency subscriptions should also be charged to this account, *Crediting* ACCOUNT 49.2, PREPAID COMMERCIAL AGENCY SUBSCRIPTIONS.

- 85.70, BOOKS AND PERIODICALS: To cover cost of all reference and technical books, subscriptions to magazines, trade papers, etc.
- 85.71, DUES AND DONATIONS: To cover cost of all dues and fees to local clubs and chamber of commerce, trade associations, etc., as well as cost of all gifts, donations and concessions.
- 85.72, SALES SERVICE EXPENSE: To cover all costs incurred in connection with service, special in nature, to customers, such as: missionary work, sales plans, equipment, etc.
- 85.73, MISCELLANEOUS-UNCLASSIFIED EXPENSE: To cover cost of all miscellaneous expense items, not provided for elsewhere, such as: fire, police and watchmen's protection, recharging fire extinguishers, carfares, etc.

Bad Debts

85.74, BAD DEBTS:

Debit with: (1) An amount sufficient to take care of uncollectible items in order that the amount of outstanding customers' accounts may be appraised on a given date, and so apply the expense due to this cause to the period in which the sales transaction took place. The amount of the reserve, if established from past experience, should be based on a percentage rate equivalent to the actual loss sustained on the total amount of sales for a given period, *Crediting* ACCOUNT 14.04, RESERVE FOR BAD DEBTS-ACCOUNTS RECEIVABLE-CUSTOMERS; ACCOUNT 15.04, RESERVE FOR BAD DEBTS-ACCOUNTS RECEIVABLE-MANUFACTURERS; ACCOUNT 16.04, RESERVE FOR BAD DEBTS-ACCOUNTS RECEIVABLE-CUSTOMERS-EXPORT.

(2) The amount of all losses sustained due to uncollectible accounts for which no reserve has previously been created, *Crediting* ACCOUNT 18.3, SUSPENDED ACCOUNTS-MISCELLANEOUS.

All accounts charged off books should clear, firstly, to the proper accounts receivable-suspense account, and from there to the debit of the respective reserve account for bad debts.

Advertising

- 85.75, SALARIES-ADVERTISING MANAGER AND ASSISTANTS: To include salaries of advertising managers and their assistants, as well as clerks engaged in this work.
- 85.76, ADVERTISING EXPENSE: To cover cost of all advertising. That portion of prepaid advertising written off in current month, should also be included (reference ACCOUNT 49.7, PREPAID ADVERTISING), as well as deductions for advertising allowed customers when making payment for their accounts.

86. Administrative Expense (Control)

The following is the explanation of classification of expense detail into which costs, placed under control of ACCOUNT 86, ADMINISTRATIVE EXPENSES, should be broken down for the purpose of analysis and distribution.

These expenses apply to home office administrative departments, only.

Each expense, of course, should be prefixed with its proper department number so that the cost of operations of each, in detail, may be compiled.

The balance in this control account at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Salaries

- 86.10, SALARIES-EXECUTIVES: To cover amount of salaries of all executive officers of the company and those directly in charge of major divisions.
- 86.11, SALARIES-DEPARTMENT MANAGERS AND ASSISTANTS: To cover amount of salaries of department managers and assistant department managers, etc., directly engaged in activities, other than selling.
- 86.19, SALARIES-OFFICE MANAGERS: To cover amount of salaries of office managers and their assistants.
- 86.21, SALARIES-STENOGRAPHERS: To cover amount of salaries

of stenographers, directly connected in administrative activities.

- 86.22, SALARIES--CLERICAL--GENERAL: To cover amount of salaries of clerical help such as cashiers, bookkeepers, ledger clerks, typists, billing clerks, bill checkers, telephone operators, office boys, etc.
- 86.23, SALARIES--CHAUFFEURS AND DRIVERS: To cover amount of salaries and wages of chauffeurs and drivers connected with administrative departments.

Traveling Expense

- 86.24, TRAVELING EXPENSE--ADMINISTRATIVE: To cover cost of all traveling expenses of officers and executives engaged in administrative functions.
- 86.26, ENTERTAINMENT EXPENSE--ADMINISTRATIVE: To cover cost of all entertainments, special in nature, and outside of entertainment which properly is a part of traveling expense.

Rental Expense

- 86.27, RENT: To cover cost of all rent paid or incurred on property for home office selling and administrative purposes. Included in this account should be that portion representing amortization to leaseholds (see ACCOUNT 48), and as well the charges (if any) emanating from ACCOUNT 49.3, PREPAID RENT, or ACCOUNT 69.3, ACCRUED RENT.
- 86.29, MAINTENANCE AND REPAIRS TO BUILDINGS: To cover all cost of maintenance and repairs to home office administrative buildings.
- 86.30, TAXES ON BUILDINGS: To cover cost of all local and state taxes on buildings, where separable, (used by home office only).
- 86.31, INSURANCE ON BUILDINGS: To cover cost of insurance on buildings, where separable, used by home office only.
- 86.32, DEPRECIATION--BUILDINGS: To cover the amount of depreciation written off on buildings (used by home office only).
- 86.33, HEAT, LIGHT, POWER AND WATER: To cover cost of heat, light, power and water utilized by home office administrative departments.

Auto Expense

- 86.44, **AUTO AND TRUCK MAINTENANCE:** To cover cost of maintenance and repairs to company-owned autos and trucks utilized by administrative departments.
- 86.45, **GASOLINE AND OIL:** To cover cost of gasoline and oil for company cars used for administrative purposes.
- 86.46, **TIRES AND ACCESSORIES:** To cover cost of tires and accessories for company cars used for administrative purposes.
- 86.47, **DEPRECIATION—AUTOS AND TRUCKS:** To cover the amount of depreciation written off on company-owned autos and trucks which are utilized by administrative departments.
- 86.48, **MISCELLANEOUS AUTO EXPENSE:** To cover cost of all miscellaneous auto expense incurred in connection with operation of company-owned cars used for administrative purposes. All others of auto expense excepting those chargeable to ACCOUNTS 86.44, 86.45, 86.46, and 86.47 should be charged to this classification.

Office and Miscellaneous

- 86.56, **POSTAGE—GENERAL:** To cover cost of all general postage used for administrative purposes.
- 86.57, **EMPLOYMENT EXPENSE:** To cover cost of all help, want advertising, cost of moving employees from or to another location, etc.
- 86.58, **EMPLOYEES' COMPENSATION INSURANCE:** To cover cost of employees' compensation and public liability insurance.
- 86.59, **PREMIUMS ON SURETY BONDS:** To cover cost of premiums on all surety and fidelity bonds for administrative employees.
- 86.60, **STATIONERY AND OFFICE SUPPLIES:** To cover cost of all stationery, printing and office supplies consumed by administrative departments.
- 86.61, **TELEGRAPH AND TELEPHONE:** To cover cost of all telegraph and telephone bills.
- 86.62, **TABULATING MACHINES—RENTAL AND SUPPLIES:** To cover the entire cost of rental of tabulating machines, punches, etc., as well as cost of the cards.

- 86.63, HOUSE ORGAN EXPENSE: To cover the entire cost of house organ expense for all departments.
- 86.641, MAINTENANCE AND REPAIRS TO FURNITURE, FIXTURES AND EQUIPMENT: To cover cost of maintenance and repairs to furniture, fixtures and equipment.
- 86.642, TAXES ON FURNITURE, FIXTURES AND EQUIPMENT: To cover cost of all local and state taxes on furniture, fixtures and equipment (where separable).
- 86.643, INSURANCE ON FURNITURE, FIXTURES AND EQUIPMENT: To cover cost of insurance on furniture, fixtures and equipment (where separable).
- 86.644, DEPRECIATION--FURNITURE, FIXTURES AND EQUIPMENT: To cover the amount of depreciation written off on all furniture, fixtures and equipment.
- 86.70, BOOKS AND PERIODICALS: To cover cost of all reference and technical books, subscriptions to magazines, trade papers, etc.
- 86.71, DUES AND DONATIONS: To cover cost of all dues and fees to local clubs and chambers of commerce, trade associations, etc., as well as cost of all gifts, donations and concessions.
- 86.73, MISCELLANEOUS--UNCLASSIFIED EXPENSE: To cover cost of all miscellaneous items, not provided for otherwise, such as fire, police and watchmen's protection, recharging fire extinguishers, carfares, etc.

Corporate Expense

- 86.77, LEGAL EXPENSE: To cover all costs of legal expenses including amounts paid retained attorneys and their expenses.
- 86.78, DIRECTORS' FEES AND EXPENSES: To cover cost of directors' fees and their expenses.
- 86.79, CONVENTIONS AND CONFERENCES: To cover all costs of conventions and conferences and the expenses, including traveling, incurred in connection therewith.
- 86.80, PATENT EXPENSE: To cover cost of all expenses in connection with patents and patent litigation, excepting that portion which is capitalized.
- 86.81, AUDITING: To cover all costs of auditing conducted by outside firms.

9. Corporate Income and Expense, Income Tax and Profit and Loss Accounts

91.1 Rent Received

Debit with: (1) Amounts paid for property rental or expenses in connection with property, if owned, the income from which property is credited to this account, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS, or other clearing account.

(2) The transfer of the balance of this account to the general profit and loss account at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The total amount of rental billed, as shown by the miscellaneous bill register, *Debiting* ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS.

Balance of this account represents the total amount of rentals, less expenses in connection with leasing or maintaining property during period, and should be transferred to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL at the end of the fiscal period.

91.21 Gain or Loss on Salvage Sales

Debit with: (1) The value placed on salvage material by the factory for all sales of salvage material made during the period, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The balance in the credit of this account (if a gain), *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The sales value of all salvage material sold during the period as shown by the miscellaneous bill register, *Debiting* ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS.

(2) The balance in the debit of this account (if a loss), *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the profit or loss (over factory value) derived from sales of salvage material, and at the end of fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

91.22 Gain or Loss on Obsolete Finished Goods Sales (Extraordinary)

Debit with: (1) That percentage of value of finished goods on hand, which experience shows will be lost due to marking down value of and scrapping, *Crediting* ACCOUNT 21.01, RESERVE FOR SHRINKAGE IN VALUE-FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE), or ACCOUNT 21.02 or ACCOUNT 21.03, for losses on finished goods on hand (own make) at branches or finished goods on hand (outside manufacture).

Credit with: (1) The balance in the debit of this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the loss of profit due to marking down value of and scrapping finished goods. At the end of the fiscal period this balance should be closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

91.231 Gain or Loss on Obsolete Raw Material Sales

Debit with: (1) The cost or storeroom value of all raw materials sold, *Crediting* ACCOUNT 26, MATERIALS AND SUPPLIES.

(2) The amount appearing in this account as a credit balance at end of fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The sales value of raw materials sold as shown by the miscellaneous sales register, *Debiting* ACCOUNT 18.12, ACCOUNTS RECEIVABLE-OTHER MISCELLANEOUS ACCOUNTS.

(2) The amount appearing in this account as a debit balance at end of fiscal period. *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the profit or loss (over cost or storeroom value) on sales of raw materials, and at the end of the fiscal period is *Debited* (if a gain), *Credited* (if a loss), with the amount which is transferred as a debit (if a loss), credited (if a gain), to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

This account should not operate to include variations physical to book inventory of standard materials.

91.232 Gain or Loss on Obsolete Supplies Sales

Debit with: (1) The cost or storeroom value of all supplies sold, *Crediting* ACCOUNT 26, MATERIALS AND SUPPLIES.

(2) The amount appearing in this account as a credit balance at end of fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The sales value of raw materials sold as shown by the miscellaneous sales register, *Debiting* ACCOUNT 18.12, ACCOUNTS RECEIVABLE—OTHER MISCELLANEOUS ACCOUNTS.

(2) The amount appearing in this account as a debit balance at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the profit or loss (over cost or storeroom value) on sales of supplies, and at the end of the fiscal period should be *Debited* (if a gain), *Credited* (if a loss), with the amount which is transferred as a debit (if a loss), credit (if a gain), to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account should not operate to include variations physical to book inventory of standard materials.

91.24 Gain or Loss on Factory Salesroom

Debit with: (1) The cost of all merchandise requisitioned by factory salesroom from finished stock for sale to employees, *Crediting* ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS or other finished goods control account.

(2) The amount of the profit at the end of the fiscal year on sales to employees, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) All receipts of monies in payment of sales of merchandise to employees, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(2) The value of the inventory at cost prices at the end of each month, *Debiting* this account with the same amount on the first day of the succeeding month.

(3) The amount of the loss at the end of the fiscal period on sales to employees, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents: (1) The amount of inventory on hand which should be placed in merchandise finished goods classification on balance sheet.

(2) The profit or loss on sales of finished merchandise to employees, which at the end of the fiscal period should be *Debited* or *Credited* to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

These sales may be eliminated by accounting for them through regular channels, thereby making this account unnecessary.

91.29 Gain or Loss on Miscellaneous Sales

Debit with: (1) The cost or value of all miscellaneous materials or supplies, sold during the period, *Crediting* ACCOUNT 26, MATERIALS AND SUPPLIES or other appropriate account.

(2) The balance appearing in this account at the end of fiscal period (if a gain), *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The billing price of all materials and supplies sold during the period as shown by miscellaneous sales register, *Debiting* ACCOUNT 18.12, ACCOUNTS RECEIVABLE-OTHER MISCELLANEOUS ACCOUNTS.

(2) The balance appearing in this account at end of the fiscal period (if a loss), *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the loss or gain on miscellaneous sales, not otherwise provided for, and at the end of the fiscal year should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

91.3 Purchase Commission

Debit with: (1) The amount appearing to the credit of this account at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The amount of all special rebates allowed by vendors at the end of a definite period, or after the expiration of a specific contract, which have not been credited specifically, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS, if credit memorandum is received.

Balance of this account represents the amount of special rebates allowed by vendors and at the end of the fiscal period should be closed directly into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

91.4 Dividends Received

Debit with: (1) The balance of this account which should be transferred to the general profit and loss account at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The amount representing the periodical accrual of dividends, *Debiting* ACCOUNT 19.4, ACCRUED DIVIDENDS RECEIVABLE.

(2) The amount of dividends received from investments in stocks of outside companies, which dividends have not been accrued on the books, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL.

Balance of this account, until closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL at the end of the fiscal period, represents dividends from investments accrued and received on stocks of outside companies, or both.

91.5 Gain or Loss on Foreign Exchange

Debit with: (1) The excess of current market value of foreign over par of exchange on U. S. currency, when remitting to

foreign countries, *Crediting* ACCOUNT 11.7 FOREIGN CURRENCY.

(2) The balance of this account at the end of the fiscal period, if a credit, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The excess of the current market value of U. S. currency over the par of exchange on foreign money when receiving remittances from foreign countries, *Debiting* ACCOUNT 11.7, FOREIGN CURRENCY.

(2) The amount of exchange earned on invoices rendered in foreign money, as shown on the voucher register, *Debiting* ACCOUNT to which invoice will have been charged.

(3) The balance of this account at the end of the fiscal period, if a debit, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of the account represents the loss or gain in the remittance and receipt of moneys to and from foreign countries. The balance of this account should be closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL at the end of the fiscal period.

The above also applies to charging or crediting open accounts of associated companies located outside the United States.

91.6 Sinking Fund Income

Debit with: (1) The transfer of income from sinking funds to the general profit and loss account, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL, or sinking fund reserve account if provision has been made for its being so transferred.

Credit with: (1) The periodical accruals of income on sinking funds, *Debiting* ACCOUNT 19.3, ACCRUED SINKING FUND INCOME.

Balance of this account represents the income from sinking funds not yet transferred to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL, or to sinking fund reserve account if provision has been made for such account.

Reference is directed to ACCOUNT 39.1, SINKING FUND FIRST MORTGAGE TEN-YEAR GOLD BONDS.

91.9 Miscellaneous Income Credits

Debit with: (1) The balance appearing in the credit of this account at the end of the fiscal year, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) Any miscellaneous income for which no specific account has been provided, *Debiting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, or other originating account.

Balance of this account represents the amount of miscellaneous income received during period for which no specific account has been provided, and at the end of the fiscal year should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

92.1 Pensions

Debit with: (1) The amount of all pensions paid under authorization of pension committee, *Crediting* ACCOUNT 11.1, CASH IN BANKS-GENERAL, or ACCOUNT 62.1, ACCOUNTS PAYABLE-OUTSIDE VENDORS if paid through voucher register.

Credit with: (1) The balance appearing in the debit of this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of pensions paid to retired employees during period and at the end of the fiscal period should be closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

92.21 Inventory Adjustments-Finished Goods

Debit with: (1) Amount of all inventory adjustments of finished goods, such as depreciation in value (excepting obsolete goods), price adjustments or variation physical to book inventory, *Crediting* ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)-FIRSTS, or other finished goods account.

(2) The net gain due to inventory adjustments—finished goods, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.
Credit with: (1) Amount of all inventory adjustments of finished goods, such as appreciation in value, price adjustments or adjustments of variation physical to book inventories, *Debiting* ACCOUNT 21.11, FINISHED GOODS ON HAND AT FACTORIES (OWN MAKE)—FIRSTS, or other finished goods account.

(2) The net loss due to inventory adjustments—finished goods, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.
Balance of this account represents the loss or gain due to inventory adjustments—finished goods, and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Physical differences at inventory times should be adjusted in this account, except that physical differences in standard merchandise should be charged currently to cost of sales.

92.22 Inventory Adjustments—Goods in Process

Debit with: (1) Amount of all inventory adjustments of goods in process, such as depreciation in value, price adjustment or adjustments of variation physical to book inventories, *Crediting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The net gain due to inventory adjustments—goods in process, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) Amount of all inventory adjustments of goods in process, such as appreciation in value, price adjustments or adjustments of variation physical to book inventories *Debiting* ACCOUNT 25, FACTORY LEDGER CONTROL.

(2) The net loss due to inventory adjustments—goods in process, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.
Balance of this account represents the loss or gain due to inventory adjustments—goods in process, and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account should not operate to include variations physical to book inventory of standard materials.

92.231 Inventory Adjustments—Raw Materials

Debit with: (1) The value (if a loss) occasioned by adjustment of physical units of raw materials due to physical inventory *Crediting* ACCOUNT 26, MATERIALS AND SUPPLIES.

(2) The balance in this account (if a credit) representing the gain due to physical inventory, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The value (if a gain) occasioned by adjustment of physical units of raw materials, due to physical inventory, *Debiting* ACCOUNT 26, MATERIALS AND SUPPLIES.

(2) The balance in this account (if a debit) representing the loss due to physical inventory, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of the loss or gain occasioned by adjustment of physical units of raw materials due to physical inventory, and at the end of the fiscal year should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

This account should not operate to include variations physical to book inventory of standard materials.

92.232 Inventory Adjustments—Supplies

Debit with: (1) The value (if a loss) occasioned by adjustment of physical units of supplies due to physical inventory, *Crediting* ACCOUNT 26, MATERIALS AND SUPPLIES.

(2) The balance in this account (if a credit) representing the gain due to physical inventory, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The value (if a gain) occasioned by adjustment of physical units of supplies, due to physical inventory, *Debiting* ACCOUNT 26, MATERIALS AND SUPPLIES.

(2) The balance in this account (if a debit) representing the loss due to physical inventory, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of the loss or gain occasioned by adjustment of physical units of supplies due to physical inventory, and at the end of the fiscal year should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

This account should not operate to include variations physical to book inventory of standard materials.

92.31 Capital Stock Tax (Federal)

Debit with: (1) The amount of capital stock tax accrued during the current year, *Crediting* ACCOUNT 67.1, ACCRUED CAPITAL STOCK TAX.

(2) The amount by which the actual tax as assessed is higher than the accrued amount (if ascertained within the current year), *Crediting* ACCOUNT 67.1, ACCRUED CAPITAL STOCK TAX.

Credit with: (1) The amount by which the actual tax as assessed is lower than the accrued amount (if ascertained within the current year), *Debiting* ACCOUNT 67.1, ACCRUED CAPITAL STOCK TAX.

(2) The balance in this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the expense of capital stock tax for the current year, and at the end of the fiscal period should be closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

92.32 State Taxes (Franchise or Income)

Debit with: (1) The amount of state taxes (franchise or income) accrued during the current year, *Crediting* ACCOUNT 67.2, ACCRUED STATE INCOME TAX, or ACCOUNT 67.3, ACCRUED STATE FRANCHISE TAX.

(2) The amount by which the actual tax as assessed is higher than the accrued amount (if ascertained within current year), *Crediting* ACCOUNT 67.2, ACCRUED STATE INCOME TAX, or ACCOUNT 67.3, ACCRUED STATE FRANCHISE TAX.

Credit with: (1) The amount by which the actual tax as assessed is lower than the accrued amount (if ascertained within cur-

rent year), *Debiting* ACCOUNT 67.2, ACCRUED STATE INCOME TAX, or ACCOUNT 67.3, ACCRUED STATE FRANCHISE TAX.

(2) The balance in this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL. *Balance* of this account represents the expense of state income and state franchise taxes for the current year, and at the end of the fiscal period should be closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

92.4 Extraordinary Expenses (Other than Property)

Debit with: (1) The amount of liability for claims against the company to cover damages to outside property etc., which are not covered by insurance, *Crediting* ACCOUNT 62.41, CLAIMS PAYABLE-MISCELLANEOUS.

(2) The amount of any adjustment of amount of claims if in addition to amount of original claim, *Crediting* ACCOUNT 62.41, CLAIMS PAYABLE-MISCELLANEOUS.

Credit with: (1) The amount of any adjustment of amount of claim if in reduction of amount of original claim, *Debiting* ACCOUNT 62.41, CLAIMS PAYABLE-MISCELLANEOUS.

(2) The amount appearing in debit balance in this account at end of fiscal year, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the cost of or liability for damaged claims not covered by insurance, and at end of fiscal year should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

92.61 Extraordinary Expenses (Property)

Debit with: (1) The amount of loss through resale of land, *Crediting* ACCOUNT 31.11, LAND; ACCOUNT 31.12, COST OF ACQUISITION OF LAND; ACCOUNT 33.1, LAND BRANCHES AND WAREHOUSES.

(2) The amount of the underdepreciated balance due to plant or plant equipment being demolished, dismantled, scrapped or sold, *Crediting* ACCOUNT 31.2, BUILDINGS, or

other plant or property account (excepting automobiles and trucks).

(3) The amount of depreciation written off on real estate (other than business property), which real estate is not used in the operation of the business, *Crediting* ACCOUNT 36.01, RESERVE FOR DEPRECIATION—REAL ESTATE (OTHER THAN BUSINESS PROPERTY).

(4) The amount of the underdepreciated balance upon sale of real estate to employees, or otherwise, *Crediting* ACCOUNT 36.1, REAL ESTATE (OTHER THAN BUSINESS PROPERTY).

(5) The balance of this account (if a credit) representing the gain due to sale or extraordinary depreciation of plant assets, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.
Credit with: (1) The amount of the gain through resale of land, *Debiting* ACCOUNT 31.11, LAND, or ACCOUNT 33.1, LAND (BRANCHES OR WAREHOUSES.)

(2) The balance of this account (if a debit) representing the loss due to sale or extraordinary depreciation of plant assets, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.
Balance of this account represents the gain or loss due to extraordinary depreciation or sale on plant and property accounts and at the end of the fiscal period should be closed into ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

92.62 Demolitions (Property Expense)

Debit with: (1) The cost of demolishing and the underdepreciated balance of all plant and plant property demolished during period, *Crediting* the appropriate plant or property account.

Credit with: (1) The balance appearing in the debit of this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the loss due to cost of demolishing and the underdepreciated balance of all plant and plant property demolished during period, and at the end of the fiscal year should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

92.63 Property Expense—Transfers (Allied Companies)

Debit with: (1) The cost of dismantling and transferring, and the loss in value over depreciation reserve, on all plant and plant property sold or transferred to allied companies, *Crediting* the appropriate plant or property account.

Credit with: (1) The balance appearing in the debit of this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the loss due to cost of dismantling, transferring and loss in value over depreciation reserve on all plant and plant property sold or transferred to allied companies, and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

92.64 Extraordinary Experiments and Developments

Debit with: (1) The cost of all extraordinary experiments and developments, especially those which cannot be justified as an immediate charge against cost of product, as well as the cost of those that prove futile, *Crediting* ACCOUNT 49.41, EXPERIMENTS AND DEVELOPMENTS—LABOR, or ACCOUNT 49.42, EXPERIMENTS AND DEVELOPMENTS—OTHER THAN LABOR.

Credit with: (1) The amount appearing in the debit of this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the cost of all extraordinary experiments and developments which properly are not a charge against operations, and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

92.65 Loss or Gain on Sale of Autos and Trucks

Debit with: (1) The amount of underdepreciated value (if a loss) on automobiles and trucks, sold or otherwise disposed of, *Crediting* ACCOUNT 31.8, AUTOS AND AUTO TRUCKS; ACCOUNT 35.1, AUTOS AND AUTO TRUCKS—BRANCHES; or ACCOUNT 35.2, AUTOS AND AUTO TRUCKS—GENERAL OFFICES.

(2) The balance remaining to credit of this account at the end of fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The amount of overdepreciated value (if a gain) on automobiles and trucks, sold or otherwise disposed of, *Debiting* ACCOUNT 31.8, AUTOS AND AUTO TRUCKS; ACCOUNT 35.1, AUTOS AND AUTO TRUCKS-BRANCHES; or ACCOUNT 35.2, AUTOS AND AUTO TRUCKS-GENERAL OFFICES.

(2) The balance remaining to debit of this account at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the gain or loss through sale, over usual depreciation on automobiles and trucks, and at end of fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

92.91 Loss or Gain on Insurance Claims

Debit with: (1) The net loss as determined by applying all losses sustained against the respective claim therefor, as allowed by the insurance company, *Crediting* ACCOUNT 49.6, INSURANCE ADJUSTMENTS.

(2) The balance in this account at the end of the fiscal period, if a credit, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The net gain as determined by applying all losses sustained against the respective claim therefor, as allowed by insurance company, *Debiting* ACCOUNT 49.6, INSURANCE ADJUSTMENTS.

(2) The balance in this account at the end of the fiscal period, if a debit, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of irretrievable fire, explosion, etc., losses, and at the end of the fiscal period should be closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

92.99 Loss or Gain on Miscellaneous Claims

Debit with: (1) The amount of all miscellaneous claims which are found uncollectible and which are not covered by insurance,

Crediting ACCOUNT 18.22, CLAIMS—COMMON CARRIERS, or other appropriate account.

Credit with: (1) The balance appearing in this account at end of fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the amount of all miscellaneous claims which are found to be uncollectible, and which are not covered by insurance, and at the end of the fiscal year should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

93.2 Cash Discount on Purchases

Debit with: (1) The transfer of the balance of this account to profit and loss at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The amount appearing on the cash disbursement journal for discounts earned on purchases, *Debiting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

Balance of this account represents amount of cash discounts earned on purchases, and should be closed out at the end of the fiscal period directly to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

93.3 Interest Credits

Debit with: (1) The amount which has been credited to this account at the end of the previous accounting period as estimated amount of interest due on bank deposits, *Crediting* ACCOUNT 18.4, INTEREST DUE ON BANK DEPOSITS.

(2) The transfer of the balance of this account to the general profit and loss account at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The amount of interest accrued on notes receivable as shown by the notes receivable register, accounts receivable ledgers, loans register or bond register, *Debiting* ACCOUNT 19.1, ACCRUED INTEREST RECEIVABLE.

(2) The amount of interest earned on deposit balances and credited to our accounts by various banks as shown by the cash receipts journal, *Debiting* ACCOUNT 11.1, CASH IN BANKS—GENERAL.

(3) The estimated amount due as interest on bank deposits at the end of any accounting period, *Debiting* ACCOUNT 18.4, INTEREST DUE ON BANK DEPOSITS.

(4) The amount of all other interest credit items not otherwise specifically provided for, *Debiting* appropriate account.

Balance of this account represents interest earned on notes receivable, open accounts receivable, bank balances and other interest-bearing items. At the end of the fiscal period this balance should be closed directly into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

93.4 Interest Debits

Debit with: (1) The amount of interest credited to employees' savings and securities account, *Crediting* ACCOUNT 62.83, EMPLOYEES' SAVINGS AND SECURITIES.

(2) The amount of interest accrued on notes payable "Other than bonds," *Crediting* ACCOUNT 68.2, ACCRUED INTEREST PAYABLE (OTHER THAN BONDS).

(3) The monthly amortization of interest written off, *Crediting* ACCOUNT 45, PREPAID INTEREST ON BANK LOANS (OR DISCOUNT).

(4) The amount of interest accrued on notes payable at banks, *Crediting* ACCOUNT 68.2, ACCRUED INTEREST PAYABLE (OTHER THAN BONDS).

(5) The amount of discount paid on customers' notes and acceptances, discounted, *Crediting* ACCOUNT 13.01, NOTES RECEIVABLE DISCOUNTED.

(6) The amount of all other interest debit items not otherwise specifically provided for, *Crediting* appropriate account.

Credit with: (1) The transfer of the balance of this account, at the end of the fiscal period, to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account, until closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL at the end of the fiscal year, represents the amount of interest expense incurred during the period, except on bonded indebtedness and on transactions with allied companies.

93.5 Interest on Bonded Debt

Debit with: (1) The amount of interest accrued monthly on outstanding bonds, *Crediting* ACCOUNT 68.1, ACCRUED INTEREST ON BONDS.

(2) The periodical amortization of bond discount and expense, *Crediting* ACCOUNT 49.1, PREPAID BOND DISCOUNT AND EXPENSE.

Credit with: (1) The total amount of unearned accrued interest at time of subscription to bonds, *Debiting* ACCOUNT 71.01, SUBSCRIBERS TO FIRST MORTGAGE TEN-YEAR GOLD BONDS.

(2) Transfer of the balance of this account to the general profit and loss account, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account, until closed into ACCOUNT 99.1, PROFIT AND LOSS-GENERAL at the end of the fiscal period, represents the interest expense incurred in connection with bond issues.

93.61 Interest Credits (Allied Companies)

Debit with: (1) The balance in this account at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Credit with: (1) The amount of interest charged to allied companies on open balances, *Debiting* ACCOUNT 17.1, ACCOUNTS RECEIVABLE-CONTROLLED AND SUBSIDIARY COMPANIES.

Balance of this account represents the amount of interest charged to controlled and subsidiary companies on open balances, and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

93.62 Interest Debits (Allied Companies)

Debit with: (1) The amount of interest allowed to allied companies on open balances, *Crediting* ACCOUNT 66, ACCOUNTS PAYABLE-CONTROLLED AND SUBSIDIARY COMPANIES.

Credit with: (1) The balance in this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS-GENERAL.

Balance of this account represents the amount of interest allowed to controlled and subsidiary companies on open balances, and at the end of the fiscal period should be closed out to ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

94. Provision for Income Tax (Federal)

Debit with: (1) The amount of federal income tax accrued during the current year, *Crediting* ACCOUNT 67.5, ACCRUED FEDERAL INCOME TAX.

Credit with: (1) The amount appearing in the debit of this account, at the end of the fiscal year, *Debiting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Balance of this account represents the amount of provision for payment of income tax (federal) and at the end of each fiscal period should be closed into ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

99.1 Profit and Loss—General

Debit with: (1) The closing debit balances of nominal accounts at the close of the fiscal period, including:

Deductions from Sales

Returned Goods.....	<i>Crediting</i> ACCOUNT	82.1
Allowances.....	“ “	82.2
Adjustments.....	“ “	82.31
Adjustment Contingency.....	“ “	82.32
Excise Tax on Sales.....	“ “	82.4
Volume Rebates.....	“ “	82.5
Transportation.....	“ “	82.6
Cash Discount on Sales.....	“ “	82.7
Cost of Sales (Own Products).....	“ “	83.1
Cost of Sales (Outside Products).....	“ “	83.2
Selling Expenses.....	“ “	85.
Administrative Expenses.....	“ “	86.

Miscellaneous Income Credits (If Debit Balances)

Loss on Salvage Sales.....	“ “	91.21
Loss on Obsolete Finished Goods Sales.....	“ “	91.22
Loss on Obsolete Material Sales.....	“ “	91.231
Loss on Obsolete Supplies Sales.....	“ “	91.232
Loss on Sales Factory Salesroom.....	“ “	91.24
Loss on Miscellaneous Sales.....	“ “	91.29
Loss on Foreign Exchange.....	“ “	91.5

Miscellaneous Income Debits

Pensions Paid.....	<i>Crediting</i>	ACCOUNT	92.1
Inventory Adjustments—Finished Goods..	“	“	92.21
Inventory Adjustments—Goods in Process	“	“	92.22
Inventory Adjustments—Materials.....	“	“	92.231
Inventory Adjustments—Supplies.....	“	“	92.232
Capital Stock Tax—Federal.....	“	“	92.31
State Taxes (Franchise and Income).....	“	“	92.32
Extraordinary Expenses (Other than Prop- erty).....	“	“	92.4
Extraordinary Expenses (Property).....	“	“	92.61
Demolitions.....	“	“	92.62
Property Transfer Expense (Allied Com- panies).....	“	“	92.63
Extraordinary Experiments and Develop- ments.....	“	“	92.64
Loss on Sale of Autos and Trucks.....	“	“	92.65
Loss on Insurance Claims.....	“	“	92.91
Loss on Miscellaneous Claims.....	“	“	92.99

Interest

Interest Debits.....	“	“	93.4
Interest on Bonded Debt.....	“	“	93.5
Interest Debits (Allied Companies).....	“	“	93.62

(2) The balance in ACCOUNT 99.2 (if a debit), *Crediting* ACCOUNT 99.2, PROFIT AND LOSS—SUSPENSE.

(3) The balance appearing in the credit of this account, representing the net gain for the period, *Crediting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Credit with: (1) The closing credit balances of nominal accounts at the close of the fiscal year, including:

Sales (Own Products).....	<i>Debiting</i>	ACCOUNT	81.1
Sales (Outside Products).....	“	“	81.2

Miscellaneous Income Credits

Rent Received.....	“	“	91.1
Gain on Salvage Sales.....	“	“	91.21
Gain on Obsolete Finished Goods Sales....	“	“	91.22
Gain on Obsolete Material Sales.....	“	“	91.231
Gain on Obsolete Supplies Sales.....	“	“	91.232
Gain on Sales Factory Salesroom.....	“	“	91.24
Gain on Miscellaneous Sales.....	“	“	91.29
Purchase Commission.....	“	“	91.3
Dividends Received.....	“	“	91.4
Gain on Foreign Exchange.....	“	“	91.5
Sinking Fund Income.....	“	“	91.6
Miscellaneous Income Credits.....	“	“	91.9

Miscellaneous Income Debits (If Credit Balances)

Inventory Adjustments—Finished Goods..	<i>Crediting</i>	ACCOUNT	92.21
Inventory Adjustments—Goods in Process.	"	"	92.22
Inventory Adjustments—Materials.....	"	"	92.231
Inventory Adjustments—Supplies.....	"	"	92.232
Extraordinary Expense Property.....	"	"	92.61
Gain on Sale Autos and Trucks.....	"	"	92.65
Gain on Insurance Claims.....	"	"	92.91
Cash Discount on Purchases.....	"	"	93.2

Interest

Interest Credits.....	"	"	93.3
Interest Credits (Allied Companies).....	"	"	93.61

(2) The balance in ACCOUNT 99.2 (if a credit), *Crediting* ACCOUNT 99.2, PROFIT AND LOSS—SUSPENSE.

(3) The balance appearing in the debit of this account, representing the net loss for the period, *Debiting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Balance of this account after books are closed represents the net gain or net loss for the period, and should be closed out to ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

99.2 Profit and Loss—Suspense

Debit with: (1) The difference between cost and market value of stocks and bonds of outside companies (if a loss), *Crediting* ACCOUNT 39.01 or 39.02, the RESERVE accounts.

(2) The amount of loss upon sale of stocks and bonds of outside companies (over reserve) if a loss, *Crediting* ACCOUNT 39.01 or 39.02, the RESERVE accounts.

(3) The amount of reserve set up to take care of possible loss in book value of stocks and bonds of subsidiary companies, *Crediting* ACCOUNT 37.01 or 37.02, the RESERVE accounts.

(4) The amount of loss upon sale of stocks and bonds of subsidiary companies (over reserve) if a loss, *Crediting* ACCOUNT 37.1, or 37.2, the INVESTMENT accounts.

(5) The amount of loss occasioned by purchase of bonds for redemption through the sinking fund, *Crediting* ACCOUNT

39.1, SINKING FUND FIRST MORTGAGE TEN-YEAR GOLD BONDS.

(6) The cost of taxes and all other expenses in connection with land, subsequent to acquisition, which remains idle, *Crediting* ACCOUNT 62.1, ACCOUNTS PAYABLE—OUTSIDE VENDORS.

(7) The amount of difference between cost and sales value (if a loss) of marketable U. S. Government securities (when sold), *Crediting* ACCOUNT 12, MARKETABLE U. S. GOVERNMENT SECURITIES.

(8) The balance appearing in the credit of this account at the end of the fiscal period, *Crediting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Credit with: (1) The amount of the profit on sale of stocks and bonds of outside companies, *Debiting* ACCOUNT 39.01 or 39.02, the RESERVE accounts.

(2) The amount of reduction of reserve for loss in value of stocks and bonds of subsidiary companies, *Debiting* ACCOUNT 37.01 or 37.02, the RESERVE accounts.

(3) The amount of the gain upon sale of stocks and bonds of subsidiary companies, *Debiting* ACCOUNT 37.1 or 37.2, the INVESTMENT accounts.

(4) The amount of the gain occasioned by purchase of bonds for redemption through the sinking fund, *Debiting* ACCOUNT 39.1, SINKING FUND FIRST MORTGAGE TEN-YEAR GOLD BONDS.

(5) The amount of difference between cost and sales value (if a gain) of marketable U. S. Government securities (when sold), *Debiting* ACCOUNT 12, MARKETABLE U. S. GOVERNMENT SECURITIES.

(6) The balance appearing in the debit of this account at the end of the fiscal period, *Debiting* ACCOUNT 99.1, PROFIT AND LOSS—GENERAL.

Balance of this account represents the extraordinary profit or loss not due to manufacturing or selling operations, and should be closed into ACCOUNT 99.1, PROFIT AND LOSS—GENERAL at the end of the fiscal period.

99.9 Profit and Loss—Prior Period Charges

Debit with the amounts of all items of losses occurring during the current year which are chargeable against a prior period, including :

(1) The amount by which the actual capital stock tax, state income tax, state franchise tax, state and county property tax and federal income tax is greater than the estimated or accrued amount, when ascertained after books have been closed for year in which applicable ;

Crediting ACCOUNT 67.1, ACCRUED CAPITAL STOCK TAX

Crediting ACCOUNT 67.2, ACCRUED STATE INCOME TAX

Crediting ACCOUNT 67.3, ACCRUED STATE FRANCHISE TAX

Crediting ACCOUNT 67.4, ACCRUED STATE AND COUNTY
PROPERTY TAX, OF ACCOUNT 44,
PREPAID STATE AND COUNTY
PROPERTY TAXES

Crediting ACCOUNT 67.5, ACCRUED FEDERAL INCOME TAX

(2) The amount of all other expenses which are properly chargeable to prior periods, *Crediting* the appropriate account.

(3) The amount in balance of this account, if a credit, *Crediting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Credit with the amount of all items of profits occurring during the current year which are applicable to a prior period, including :

(1) The amount by which the actual capital stock tax, state income tax, state franchise tax, state and county property tax and federal income tax is less than the estimated or accrued amount, when ascertained after books have been closed for year in which applicable :

Debiting ACCOUNT 67.1, ACCRUED CAPITAL STOCK TAX

Debiting ACCOUNT 67.2, ACCRUED STATE INCOME TAX

Debiting ACCOUNT 67.3, ACCRUED STATE FRANCHISE TAX

Debiting ACCOUNT 67.4, ACCRUED STATE AND COUNTY
PROPERTY TAX, OF ACCOUNT 44,
PREPAID STATE AND COUNTY
PROPERTY TAXES

Debiting ACCOUNT 67.5, ACCRUED FEDERAL INCOME TAX

(2) The amount of all other revenue which is properly applicable to operations of prior periods, *Debiting* the appropriate account.

(3) The amount in balance of this account, if a debit, *Debiting* ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

Balance of this account represents the net gain or loss due to revenue or expenses, applicable to prior periods, being ascertained in current year, and should be closed out at end of period to ACCOUNT 79.11, SURPLUS UNAPPROPRIATED.

SECTION IV
COMPILATION AND DISTRIBUTION OF
COMMERCIAL EXPENSES

DEPARTMENTALIZATION OF SELLING AND ADMINISTRATION DIVISIONS

The detailed classification of general ledger accounts serves the purpose of creating a detailed set-up. While some of the detailed expenses are in themselves definitely applicable to lines of product or types of product in the line, others do not take definite form, as an inclusive expense, until they are charged directly to a department, and, with other similar expenses applicable to that department, treated of as a whole. For instance, advertising expense, Account 85.76, could be charged directly to the products in consideration of which the expenditure was made, but we have also to consider the cost of maintaining the advertising department, i.e., salaries, supplies, etc., before we obtain the true picture of the expense.

With the above in mind, the Accounting Committee of the Rubber Association has formulated a list of departments, for the proper divisionalization of expense factors, and also for their collection in group or groupings, prior to laying down procedure for the proper application of these departmental expenses to lines of product, or types of product in the line, in order that there may be arrived at the total cost to make and sell every line, in both type of product and by method of sale.

Departmental Breakdown

50 DISTRICT MANAGER'S DIVISION

- 501 District No. 1
- 502 District No. 2
- 503 District No. 3
- Etc.

51 BRANCH EXPENSE CONTROL

- 51B Detailed Subledger
 - 51B1 New York Branch
 - 51B2 Chicago Branch
 - 51B3 Philadelphia Branch
 - Etc.

52 HOME OFFICE SALES DIVISION *

- 521 Pneumatic Casings and Tubes Department
- 522 Truck Casings and Tubes Department
- 523 Solid Truck Tire Department
- 524 Mechanical Rubber Goods Division
 - 5241 Molded Goods Department
 - 5242 Printers' Supplies Department
 - 5243 Conveyor Belts Department
 - 5244 Transmission Belts Department
 - 5245 Wrapped Hose Department
 - 5246 Molded Hose Department
 - 5247 Railroad Hose Department
 - 5248 Heels and Soles Department
 - 5249 Packing Department
- 525 Hard Rubber Goods Department
- 526 Footwear Department
- 527 Druggists' Sundries Department
- 528 Rubberized Fabrics Department
- 529 General Sales Management Division
 - 5291 Tire Sales Manager's Department
 - 5292 Mechanical Sales Manager's Department
 - 5293 Sundries Sales Manager's Department
 - 5294 Manufacturers' Sales Manager's Department
 - 5295 Export Sales Manager's Department
 - 5296 Subsidiary Companies' Sales Manager's Department
 - 5297 General Sales Manager's Department

53 HOME OFFICE BRANCH ADMINISTRATION

- 531 Branch Methods, Equipment, Inspection

54 HOME OFFICE MERCHANDISE DISTRIBUTION

- 541 Stock Control and Maintenance

55 HOME OFFICE SALES PERSONNEL

- 551 Classification, Supply, Clearing, Education

56 HOME OFFICE ADVERTISING DIVISION

- 561 Administration and Operating Department
- 562 Sales Promotion Department
- 563 Publication Department

* Where separate sales divisions are set up to take care of a product or type of product, the expense in connection therewith should also be kept separate and be specifically applied to that product or type of product.

57 SALES RESEARCH DIVISION

571 Field Analysis, Territory, Statistical

Administrative Departments

61 PRESIDENT'S DEPARTMENT

62 VICE-PRESIDENT AND GENERAL MANAGER'S DEPARTMENT

63 TREASURER'S DEPARTMENT

64 SECRETARY'S DIVISION

641 Secretary's Department

642 Patent Department

643 Legal Department

644 Insurance and Tax Department

65 TRAFFIC DEPARTMENT

66 OFFICE MANAGER'S DIVISION

661 Office Manager's Department

662 Filing and Mailing Department

663 Restaurant Department

664 Office Garage Department

665 Library Department

666 Telephone and Telegraph Department

667 Information Desk Department

668 Central Stenographical Department

669 Office Employment Department

67 OFFICE BUILDING DEPARTMENT

71 COMPTROLLER'S DIVISION

711 Comptroller's Office General Department

712 Systems Department

713 Auditing Division

7131 General Office and Factory Department

7132 Subsidiary Company Department

7133 Branches Department

714 Statistical Department

715 General Accounting Division

7151 Branch Office Accounting Department

7152 Home Office Billing-Sales Accounting Department

7153 General Accounting Department

- 7154 Invoice Checking and Vouchering Department
- 7155 Subsidiary Companies Accounting Department
- 716 Financial Division
 - 7161 Cashiering Department
 - 7162 Paymaster's Department (Office)
 - 7163 Credits and Collections Department

STANDARD METHODS FOR DISTRIBUTION OF SELLING AND ADMINISTRATIVE EXPENSES

This section sets forth methods for the proper distribution or proration of Selling and Administrative Expenses. The detailed classification of accounts, has been followed as to order of expenses, so that the complete routine is strictly in accordance with the schedules previously given.

It must be kept clearly in mind that while the books of account should be constructed in a manner making for ease in casting the balance sheet and the operating statement, the application of expenses to lines of product, type of product in the line or by method of sale, as well as for direct deductions from sales, should be accomplished in a statistical manner, which while allocating all of the periodical expenses to products sold within the period, takes different set-up from that given under the detailed classification of accounts.

Necessity for Division of Sales

It is necessary to divide sales of products into sub-products when any of the following conditions exist in their make-up:

- "A" Where terms of sale vary on types of product in a line, due to different rates of cash discount being allowed.
- "B" Where one type of product in a line is branched and another in the same line is shipped direct to customers.
- "C" Where specialty salesmen sell a type of product in a line to the exclusion of other types in the same line.
- "D" Where one type of product in a line is advertised and another type in the same line is not.
- "E" Where, for any other reason, the same relationship of expense should not apply to one type of product in a line, as applies to all other types in the same line.

Method of Sale

The committee has standardized on the following methods of sale for control and distribution purposes:

1. Dealers
2. Manufacturers
3. Export
4. Subsidiaries

NOMINAL ACCOUNTS**81 SALES**

- 81.1 Sales (Own Products)
- 2 Sales (Outside Products)

82 DEDUCTIONS FROM SALES

- 82.1 Returned Goods
- 2 Allowances
- 3 Adjustments
 - 82.31 Adjustments
 - 32 Adjustment Contingency
- 4 Excise Tax on Sales
- 5. Volume Rebates

METHODS OF DISTRIBUTION

1. Should be analyzed specifically to departmental sales divisions as required by each individual company and also by method of sale as indicated above.
2. Should be analyzed specifically to departmental sales divisions as required by each individual company and also by method of sale as indicated above.
3. Should be analyzed specifically to departmental sales divisions, in consideration of which allowances were made, and also by method of sale as indicated above.
4. Should be analyzed specifically to products which have been adjusted during period, by departmental sales divisions and also by method of sale as indicated above. Deduction should first be made for residual or scrap value of adjusted units, which should be inventoried until disposed of by sale.
5. Should be analyzed to products which contributed the tax during period specifically by departmental division and also by method of sale as indicated above.
6. Should be analyzed to products, for which reserve has been created during the period, by departmental sales divisions and also by method of sale as indicated above.

- .6 Transportation
- 82.61 Transportation on merchandise shipped direct to customer
 - 82.611 Freight
 - .612 Truck
 - .613 Express
 - .614 Parcel Post
 - .62 Transportation on consigned merchandise factory to branch
 - .63 Transportation on consigned merchandise branch to branch
- .64 Transportation on merchandise shipped from branch to customer
 - 82.641 Freight
 - .642 Truck
 - .643 Express
 - .644 Parcel Post
- .65 Transportation on Returned Goods
- 7 Cash Discount on Sales
7. Should be analyzed directly to products in line and by type.
8. Freight and express, from factory to branch, should be analyzed directly to products in line and type and should be deferred until the consigned merchandise is reflected into period branch sales. Transportation represented by volume of sales of each product in line and type, should be charged to this account as a deduction from sales. The method for arriving at this deduction is as follows: Charge all freight and express to a consigned freight account, by line and type of product, price the inventory at average freight rate, including the freight with the inventory. Charge the difference, the expense arrived at by disappearance, to transportation under the product by line and type and by method of sale, which in turn is by departmental classification.
9. These expenses should be prorated to lines of product or types of product in the line in the relationship that the expenses bear to the net sales dollar value of shipments to customer from each separate branch.
10. Should be analyzed specifically to departmental sales divisions, concerning whose goods were returned for credit or exchange.
11. Cash discount on sales should be distributed to products on the basis of the manner in which the "reserve for cash discounts accounts" have been set-up, viz: on the basis of the rate of cash discount allowed on products, in line or type, and by method of sale as indicated above, modified by experience concerning percentage of that rate which will be taken.

The 81 grouping less the 82 grouping represents the Net Sales figure for period

83 COST OF SALES

- 83.1 Cost of Sales (Own Products)*
 .2 Cost of Sales (Outside Products)

12. Should be analyzed to products, which in sales costing during period make up these figures, by departmental division and section and also by method of sale. The units to be costed are the units sold. Deduct from this the residual value of merchandise returned as indicated by Account 82.1, Returned Goods. The Accounting Committee of the Rubber Association recommend the exhaust method for costing sales. By this method is meant to cost the sales units at the oldest cost price. An example will serve to make the above procedure more clear.

The 81 grouping less the combined groupings 82 and 83 represent the Gross Profit figure for period.

INVENTORY RECORD 30 x 3½ TIRES

1925	Units	Cost	Amount	1925	Units	Cost	Amount
Jan. 1 Inv.....	1,000	7.00	\$7,000	Jan. 31 Sales....	1,000	7.00	\$7,000
31 Prod.....	1,000	7.50	7,500	" "	500	7.50	3,750
				31 Bal.....	500	7.50	3,750
	<u>2,000</u>		<u>14,500</u>		<u>2,000</u>		<u>14,500</u>
Feb. 1 Inv.....	500	7.50	3,750	Feb. 28 Sales....	400	7.50	3,000
28 Prod.....	500	8.00	4,000	28 Bal.....	100	7.50	750
	<u>1,000</u>		<u>7,750</u>	28 Bal.....	500	8.00	4,000
Mar. 1 Inv.....	500	8.00	4,000		<u>1,000</u>		<u>7,750</u>

*Direct product expenses, when incurred, should be charged to this account, examples of which are:

- 85.67 Truck Tire Applying
 .68 Taxicab Mileage
 Contract Expense

Commercial Expenses

Commercial expense is that portion of the total cost which is included in the marketing as distinguished from the production of the commodity. It covers such items as warehousing and packing, advertising, selling and such general administrative expenses as are not included in factory cost, forming an impressive and in some instances a preponderant portion of the total cost. Commercial expenses, when found, should be distributed or prorated to products or types of products as indicated above and by departmentalization, as referred to in the opening part of this section.

- 85 SELLING EXPENSES
 - 50 District Manager's Division
 - Dept. 501 District 1
 - Dept. 502 District 2
 - Dept. 503 District 3
 - 51 Branch Expense Division
 - Dept. 51B1 New York Branch
 - Dept. 51B2 Chicago Branch
 - Dept. 51B3 Philadelphia Branch
 - Etc.
- 13. Each district's expense should be prorated directly to the branches which each district controls or serves, on the basis of branch period sales volume in dollars, and be further distributed to products as indicated under the distribution basis.
- 14. The expenses of each branch (including the prorated amount representing district managers division expense applicable thereto) should be distributed to products as indicated by the following expense detail breakdown.

BRANCH EXPENSE CLASSIFICATION	Distribution Basis
85.12 Salaries—Branch Managers and Assistants	F or A
.13 Salaries—Salesmen	B
.14 Commission—Salesmen	B
.15 Commission—Agents	B
.16 Commission—Brokers	B
.17 Training Expense—Salesmen	B
.18 Salaries—Adjustors	C
.19 Salaries—Office Managers	A
.20 Salaries—Credits and Collections	F or A
.21 Salaries—Stenographers	A
.22 Salaries—Clerical General.....	A
.23 Salaries—Chauffeurs and Drivers.....	A
.24 Traveling Expense—Branch Executives.....	A
.25 Traveling Expense—Salesmen.....	B
.26 Entertainment Expense.....	A
.27 Rent	D
.28 Losses on Leases.....	D
.29 Maintenance and Repairs to Buildings.....	D
.30 Taxes on Buildings.....	D
.31 Insurance on Buildings.....	D
.32 Depreciation on Buildings.....	D

.33 Heat, Light, Power and Water.....	D
.36 Salaries—Stock Clerks.....	F or A
.37 Packing and Shipping Labor.....	F or A
.38 Packing and Shipping Supplies.....	F or A
.39 Stock Handling Expense.....	F or A
.40 Taxes on Stock.....	E
.41 Insurance on Stock.....	E
.42 Outside Storage Space (Other than Depots).....	D
.43 Cartage and Trucking.....	A
.44 Auto and Truck Maintenance.....	A
.45 Gasoline and Oil	A
.46 Tires and Accessories.....	A
.47 Depreciation—Autos and Trucks.....	A
.48 Miscellaneous Auto Expense.....	A
.54 Samples	F
.55 Losses on Finished Goods.....	F
.56 Postage—General	A
.57 Employment Expense.....	A
.58 Employees' Compensation Insurance.....	A
.59 Premiums on Surety Bonds.....	A
.60 Stationery and Office Supplies.....	A
.61 Telegraph and Telephone.....	A
.64 Furniture, Fixtures and Equipment Expense.....	D
.65 Duty on Incoming Shipments.....	G
.66 Freight and Express (Other than Finished Goods).....	A
.67 Truck Tire Applying.....	H
.68 Taxicab Mileage Contract Expense.....	H
.69 Credits and Collection Expense.....	F or A
.70 Books and Periodicals.....	A
.71 Dues and Donations.....	F or A
.71 Dues and Donations.....	F or A
.73 Miscellaneous—Unclassified	A
Proration of District Manager's Division Expense	

Explanation of Bases of Distribution for District and Branch Expense Detail

Attention at this point is directed to the principle existing throughout this section, that wherever possible commercial expenses should be specifically applied to products, in line or type and also by method of sale.

BASIS "A": NET SALES DOLLAR. All of the above expenses marked with "A" should be prorated to lines of product or types of product in the line in the relationship that the expenses bear to the net sales dollar of each separate branch. Wherever possible, distinction should be made in proration of sales between merchandise handled by the branch and merchandise shipped direct to customer from the factory, sales value of which is credited to the branch. This distinction permits of certain expenses being more definitely or more specifically applied and your committee recom-

mend its institution wherever possible. The ideal arrangement would be to divide branch sales into groups, as follows:

1. Merchandise handled by branch including warehouse consignments.
2. Merchandise handled by branch excluding warehouse consignments.
3. Merchandise shipped direct to customers from factory but sales value credited to branch.

BASIS "B": SALESMEN'S SALARIES-COMMISSIONS-TRAVELING EXPENSES. Salesmen's salaries, commissions, traveling expenses, etc., are definitely applicable to products, where those salesmen sell but one type or line of product. If they are general line salesmen, and are paid definite rates of commission for sales of each product, in line or type, then the expense is specific to the product and should be so distributed. If the general line salesmen are paid salaries and sell all products, their salaries and expenses should be prorated on the basis of their net dollar sales. In every case these expenses should be kept separate by method of sale, viz: dealers, manufacturers and export; the expense in connection with each being prorated to sales, in that departmental group, where applicable. Commissions paid to agents and brokers should, of course, be analyzed to the products upon which the commission was allowed, and be specifically applied.

BASIS "C": ADJUSTMENTS. The expenses to be distributed on this basis are those dealing with adjustments of items of merchandise, which under policy or guarantee basis are warranted to perform a given service, and should they not the merchandise is inspected for defects and allowances made. This cost should be prorated on basis of number of adjustments made for each product in line or type. This does not mean the cost of the adjustment allowance itself which is a deduction from sales.

BASIS "D": RELATIVE FLOOR SPACE AREA. Those expenses which bear definite relationship to floor space, or are wholly or partly in lieu of rent, should be prorated to types or lines of prod-

uct on the basis of the relationship of the actual space occupied by each line or type of product to the total floor space in the branch. Unoccupied space and that portion of space utilized for office and store purposes should be prorated on the basis of the previous application to products. In the proration of floor space, proper effect should be given to seasonable merchandise which ordinarily requires large warehouse space during certain months of the year. Reports should be received periodically from the branch office manager concerning the floor space allotment to products in each separate branch.

BASIS "E": INVENTORY VALUE. Those expenses which bear direct relationship to inventory value of finished goods should be prorated on the basis of such inventory value broken down into products by line and type.

BASIS "F": SPECIFIC APPLICATION. Those expenses which are specifically applicable and identified with lines or types of product, should be so allocated.

BASIS "G": DUTY ON INCOMING SHIPMENTS. This should be used only as a clearing account. The total charges should be added to the cost of the merchandise directly and be credited to this account, thereby relieving the full amount of the charges.

BASIS "H": SALES SERVICE EXPENSES. The expenses which are included under this grouping are those directly concerned with the sale of the product, and while collected in the commercial expense grouping, for convenience, they should be closed out to ACCOUNT 83.1, COST OF SALES (OWN PRODUCTS) at the end of each month, thereby relieving the accounts of the charges.

Home Office Selling Division

The expenses of the home office sales and sales management departments, for purposes of detail, should utilize the same breakdown as the districts and branches, all as detailed in the line-up of nominal accounts. Where separate sales departments are set-up to take care of a product or type of product, they should be so

treated. The expense in connection with each, likewise, should be kept separate. The following is a representative departmental classification:

- 52 Home Office Sales Departments
- 521 Pneumatic Casings and Tubes Department
 - 522 Truck Casings and Tubes Department
 - 523 Solid Truck Tires Department
 - 524 Mechanical Rubber Goods Division
 - 5241 Molded Goods Department
 - 5242 Printers' Supplies Department
 - 5243 Conveyor Belts Department
 - 5244 Transmission Belts Department
 - 5245 Wrapped Hose Department
 - 5246 Molded Hose Department
 - 5247 Railroad Hose Department
 - 5248 Heels and Soles Department
 - 5249 Packing Department
 - 525 Hard Rubber Goods Department
 - 526 Footwear Department
 - 527 Druggists' Sundries Department
 - 528 Rubberized Fabrics Department
- 529 General Sales Management Division
- 5291 Tire (Sales Manager's Department
 - 5292 Mechanical Sales Manager's Department
 - 5293 Sundries Sales Manager's Department
 - 5294 Manufacturers' Sales Manager's Department
 - 5295 Export Sales Manager's Department
 - 5296 Subsidiary Companies' Sales Manager's Department
 - 5297 General Sales Manager's Department
15. The expenses of these departments should be applied directly to the products in consideration of which the expenditures were made. Since the departments have been instituted to collect the home office selling expenses in connection with specific products and also by types of product where required, the expenses should be so specifically applied.
16. The expenses of the general sales management, manufacturers, export and subsidiary company sales departments, since they are each concerned with the sales of all products or all products sold by each method of sale should be prorated separately, as follows: The expenses of department 5297 general sales managers, should be prorated to all of the sales managers' departments 5291 to 5296, inclusive in the relationship that the net sales controllable by each division, bears to the total net sales of all divisions. The expenses of each of the sales managers'

departments 5291 to 5296, inclusive, including the prorated portion of Department 5297, General Sales Manager's Department, should be prorated to the products, in line and type, controlled by each sales manager, in the relation that the net sales of each type in each group bears to the total net sales in the group.

Certain items of expenses falling in the general sales management division, however, should be prorated differently, due to the fact that through methods, other than by net sales proration bases, a more specific application of the expenses is possible. These expenses are as follows and should be applied as indicated in connection with each:

EXPENSE CLASSIFICATION	Distribution Basis
85.34 Factory Warehouse and Shipping Expense.....	N
74 Bad Debts.....	P

Explanation of Bases of Distribution—Home Office Sales Management Expense Items

BASIS "N": FACTORY WAREHOUSE AND SHIPPING EXPENSE.

Factory Warehouse Expense. The total cost of factory warehousing, excepting labor, should be prorated to lines of product, and types of product in the line, on the basis of the floor space required for each commodity. The cost of labor (handling goods) should be applied on the basis of time tickets of employees.

Factory Shipping Expense—Material. The cost of shipping material should be specifically applied to each type and line of product and, as well, by the method of sale, viz.: dealers, manufacturers, export and subsidiaries. This distribution is entirely possible and by all means, for proper results, should be accomplished.

Factory Shipping Expense—Labor. Shipping labor should be specifically applied to types and lines of product and as well by the method of sales, through labor time tickets. Where the local situation does not lend itself to the specific application method, periodic tests should be made of the tonnage cost of labor neces-

sary to ship each product, in line or type and by method of sale. On the basis of this test the expenses should be prorated by multiplying the tonnage of shipments in each classification, by the test figure, and debiting or crediting the under- or over-absorbed amount, in the same relationship as exists in the calculated figures.

Factory Shipping Expense—Overhead. The overhead portion of this expense should be prorated on the basis of the applied shipping labor, as a percentage.

BASIS "P": BAD DEBTS. Bad debts should be applied specifically, by method of sale, and wherever possible by product in line or type. If it is not feasible to analyze bad debts directly to products in line and type, prorate on the basis of relationship of net sales of each type of product to net sales of all types within each method of sale.

Auxiliary Sales Departments

In addition to the direct selling and sales management departments, there are other departments which serve as aids to the selling departments and should be considered with the selling expense group. These departments and the methods adopted for proration of their expenses are as follows:

AUXILIARY SALES DEPARTMENTS	DISTRIBUTION BASIS
531 Branch Administration Department.....	R
541 Merchandise Distribution Department.....	S
551 Sales Personnel Department.....	U
561 Advertising—Administrative and Operating Department	T
562 Advertising—Sales Promotion Department.....	T
563 Advertising—Publication Department.....	T
571 Sales Research Department.....	U

Explanation of Bases of Distribution—Home Office Auxiliary Sales Departments

BASIS "R": NET SALES DOLLAR—ALL BRANCHES SALES. The expenses under this division should be prorated to products in line and type on the basis of relationship of the net branch sales in each line and type of product, to the total net branch sales in all branches.

BASIS "S": DEPARTMENT 541—MERCHANDISE DISTRIBUTION. The expenses of this department should be prorated to the various lines of product on the basis of past experience so as properly to proportion this expense to the time consumed in the merchandise distribution of the different lines of product in the organization. A subsequent proration of expenses to types of product within the line should then be made on the basis of the relationship of the net sales of each type of product to the total net sales of the line.

BASIS "T": SPECIFIC APPLICATION OF ADVERTISING. Advertising expense can, in the majority of cases, be specifically applied to the line of product or type of product in the line. General advertising expenses, in turn, should be prorated on the basis of the items which have been specifically applied. If a line of product, or type of product in the line, is not advertised, it should bear no portion of the advertising expense.

No portion of advertising expense should be applied to products, in line or type, which are sold to manufacturers, or, where the sale is made without the aid of the advertising medium, such as sales to mail order houses, special brand merchandise, or articles sold without guarantee, or, more to the point, without company identification.

Those advertising expenses created by allowances made to customers for local advertising, should appear in selling expense under the Auxiliary Sales Department classification and should not be construed as a branch expense.

Proper consideration should be given to advertising expenses incident to a drive on a special product, or extraordinary expense created upon introduction of a new line. In such cases the expense may be prorated over several periods to avoid burdening the current period's sales with the full amount.

BASIS "U": NET SALES DOLLAR—ALL DEALER SALES. The expenses under this division should be prorated to products in line and type on the basis of relationship of the net sales in each line and type of product to the total net sales (all dealer sales, only).

Administrative Expense Grouping

All administrative expenses should be prorated to products in line and type on basis of relationship of net sales dollars, all sales, in a line or type of product to the total net sales for the period.

These administrative expenses comprise the expenses of the following departments:

ADMINISTRATIVE DEPARTMENTS	Basis of Proration	
61 President's Department.....	Net Sales Dollar	All Sales
62 Vice-President and General Manager's Department	"	"
63 Treasurer's Department.....	"	"
64 Secretary's Division.....	"	"
641 Secretary's Department.....	"	"
642 Patent Department.....	"	"
643 Legal Department.....	"	"
644 Insurance and Tax Department.....	"	"
65 Traffic Department.....	"	"
66 Office Manager's Division.....	"	"
661 Office Manager's Department.....	"	"
662 Filing and Mailing Department.....	"	"
663 Restaurant Department.....	"	"
664 Office Garage Department.....	"	"
665 Library Department.....	"	"
666 Telephone and Telegraph Department	"	"
667 Information Desk Department.....	"	"
668 Central Stenographical Department..	"	"
669 Office Employment Department.....	"	"
67 Office Building Department.....	"	"
71 Comptroller's Division.....	"	"
711 Comptroller's Office General Department	"	"
712 Systems Department.....	"	"
713 Auditing Division.....	"	"
7131 General Office and Factory Department	"	"
7132 Subsidiary Company Department	"	"
7133 Branches Department.....	"	"
714 Statistical Department.....	"	"
715 General Accounting Division.....	"	"
7151 Branch Office Accounting Department	"	"
7152 Home Office Billing-Sales Accounting Department.....	"	"
7153 General Accounting Department	"	"
7154 Invoice Checking and Voucher Department	"	"
7155 Subsidiary Companies' Accounting Department.....	"	"

ADMINISTRATIVE DEPARTMENTS	Basis of Proration
716 Financial Division.....	Net Sales Dollar-All Sales
7161 Cashiering Department.....	“ “
7162 Paymaster's Department.....	“ “
7163 Credits and Collections Department	“ “

Corporate Income and Finance Expenses

The expenses in the following grouping are those which are classed as non-operating, but which in the calculation of selling prices have to be taken into consideration. The expenses and the methods of proration are as follows:

Corporate Income and Finance Expenses

- 91 Corporate Income Credits
- 92 Corporate Income Debits
- 93 Corporate Finance Expenses
- 94 Provision for Income Tax (Federal)

All of the above expenses, with the exception of item noted below, should be prorated to products, in line and type, on the basis of relationship of the total net sales in each line and type of product, to the total net sales of all products by all methods of sale. The excepted expense is:

- A—ACCOUNT 91.5, GAIN OR LOSS ON FOREIGN EXCHANGE which should be prorated over product sales to export accounts on a sales dollar basis.

APPLICATION OF COMMERCIAL EXPENSES TO THE COST OF PRODUCTS SOLD

The importance of properly applying expenses of doing business to each commodity, by line of product, type of product and by method of sale, cannot be overemphasized. In order to make possible the clear portrayal of a uniform plan, the Accounting Committee of the Rubber Association has recommended for use a standard "Classification of General Ledger Accounts" and "Standard Methods for Distribution of Commercial Expenses."

Through the procedure outlined, it is possible to obtain the net profit realized on each commodity, by line of product, type of product, or by method of sale. This net profit, determined by deducting commercial expenses from gross profit, each of which has been analyzed to products in line and by type, as well as by method of sale, should be sufficient to pay all ordinary dividends and, as well, a profit to the stockholders on their investment in the business.

The following example outlines the statistical arrangement of facts concerning "past experience," which should be helpful in determining the prices at which merchandise should, on the then existing conditions, be sold. (See following page.)

From the methods just outlined and the example given, the relationship of commercial expenses to dollar sales for a past period has been determined.

In the establishment of selling prices for the future, consideration must be given to the facts revealed by past experience and all known changed or changing conditions of the future.

Since selling prices must be established in advance of making sales and since changing conditions and forecast of the future are the predominate factors in the ascertainment of future "cost to make and sell," in the following procedure outline is made of a method for ascertainment of the cost to make and sell and the con-

ANY RUBBER PRODUCT

	Dealers		Mfrs.		Export		Sub's	
Gross Sales	\$10,500		2,100		3,250		5,750	
Less Returned Sales	500		100		250		750	
Net Billings	\$10,000	100.0%	2,000	100.0%	3,000	100.0%	5,000	100.0%
Deductions from Sales								
Allowances	50	.5						
Adjustments	100	1.0			18	.6		
Excise Taxes on Sales	180	1.8					90	1.8
Volume Rebates	150	1.5						
Transportation	200	2.0	16	.8	45	1.5	20	.4
Cash Discount on Sales	120	1.2	16	.8	12	.4		
Total Deductions	\$300	8.0%	32	1.6%	75	2.5%	110	2.2%
Net Sales	\$9,200	92.0%	1,968	98.4%	2,925	97.5%	4,890	97.8%
Cost of Sales	5,870	58.7	1,602	80.1	2,301	76.7	3,995	79.9
Gross Profit	\$3,330	33.3%	366	18.3%	624	20.8%	895	17.9%
Selling Expenses								
Branch Expenses	\$900	9.0						
Pneumatic Casings & Tubes Dept.	150	1.5						
Tire Sales Manager's Dept.	50	.5						
Manufacturers Sales Dept.			18	.9				
Export Sales Dept.					75	2.5		
Subsidiary Sales Dept.							30	.6
General Sales Manager's Dept.	100	1.0	20	1.0	30	1.0	50	1.0
Sub-Total	\$1,200	12.0%	38	1.9%	105	3.5%	80	1.6%
Specific Expenses								
Factory Warehouse & Shipping	150	1.5%	4	.2	18	.6	15	.3
Bad Debts	120	1.2	4	.2	9	.3		
Sub-Total	270	2.7%	8	.4	27	.9	15	.3
Auxiliary Sales Department Overhead								
Branch Administration	60	.6%						
Merchandise Distribution	30	.3	6	.3	9	.3	15	.3
Sales Personnel	30	.3	6	.3	9	.3	15	.3
Advertising	150	1.5			6	.2		
Sales Research	50	.5						
Sub-Total	320	3.2%	12	.6	24	.8	30	.6
Total Selling Expense	\$1,790	17.9%	58	2.9	156	5.2	125	2.5
Administration Expense	\$300	3.0%	60	3.0	90	3.0	150	3.0
Corporate Income and Finance:								
Corporate Income Credits	\$(20)	(.2)%	(4)	(.2)	(6)	(.2)	(10)	(.2)
Corporate Income Debits	60	.6	12	.6	18	.6	30	.6
Corporate Finance Expense	80	.8	16	.8	24	.8	40	.8
Provision for Income Tax	120	1.2	24	1.2	30	1.2	60	1.2
Gain or Loss on Foreign Exchange					6	.2		
Total Corporate Expense	\$240	2.4%	48	2.4	78	2.6	120	2.4
Total Commercial Expenses	\$3,130	31.3%	198	9.9	399	19.9	505	10.1
Net Profit	\$1,000	10.0%	200	10.0	300	10.0	500	10.0

ditions to which attention must be drawn if that figure is to be correctly stated.

Assuming a factory cost of \$10 and as revealed by past experience a commercial expense of 31.3 per cent and an expected profit of 10 per cent, the selling price would be ascertained as follows :

Selling Price.....	100.0%	
Commercial Expense.....	31.3%	
Profit.....	10.0	41.3
		<hr/>
Selling Price Factor		58.7%
(\$10.00 ÷ 58.7% = \$17.03)		

The recovery in such case being :

Selling Price.....		\$17.03
Commercial Expense.....	31.3%	\$5.33
Cost of Sales.....	58.7	<u>10.00</u>
		<u>15.33</u>
Profit 10.0%.....		<u>\$1.70</u>

Now assuming that profit was reduced to 5 per cent instead of 10 per cent and that the same other factors existed, let us see what happens :

				Recovery
Selling Price.....	100.0%			\$15.70
Commercial Expense.....	31.3%	\$4.92		
Profit.....	5.0	<u>36.3</u>	<u>.78</u>	5.70
				<hr/>
Selling Price Factor.....		63.7%		\$10.00 Factory Cost
(\$10.00 ÷ 63.7% = \$15.70)				

In this case we find that instead of recovering the same commercial expense as under previous example, we lose the difference between \$5.33 and \$4.92 or \$.41 ; likewise profit, instead of being one-half of \$1.70 or \$.85, is but \$.78, a loss of \$.07 ; the two losses combined being \$.48 thereby reducing the actual profit to \$.30, or less than 2 per cent on sales value, instead of the expected 5 per cent.

The same inconsistency as pointed out is present, not only in a condition of changing profit, but, as well, due to :

- a. An increasing sales volume, due to increases in prices.
- b. A decreasing sales volume, due to decreases in prices.
- c. Fluctuating factory cost of product.

- d. The condition of expense ratio fluctuation, due to either (a) or (b); natural increased or decreased sales activity; fluctuation of factory cost or one or all combined.

It is the intention in elaborating the above to point out clearly that past experience is but a guide in the ascertainment of selling prices for the future, and that the conditions existing at the very moment are the important considerations, and the ones which must be utilized, if in the sales price it is hoped to recover the profit which is anticipated.

There is no formula, or rule-of-thumb method, for the determination of selling prices and none will be attempted, other than to point out that the factors should be expressed in relation to the net sales figure (net sales for this purpose being construed gross sales less returned goods).

Most rubber companies after considering past experience and present conditions, arrive at the selling price by use of the following formula or method:

Selling Price.....	100%
Commercial Expense based on past experience modified to present condition.....	30%
Profit desired.....	<u>10</u>
Total.....	<u>40%</u>
Factor.....	<u>60%</u>
Factory Cost \$10.00 ÷ 60% =	\$16.60, or selling price.

DETAILED AND CONDENSED OPERATING STATEMENTS AND BALANCE SHEETS

DETAILED OPERATING STATEMENT

GROSS SALES (81.1-81.2)	\$00,000
DEDUCTIONS FROM SALES:	
Returned Goods (82.1)	\$00,000
Allowances (81.2)	00,000
Adjustments (82.3)	00,000
Excise Taxes (82.4)	00,000
Volume Rebates (82.5)	00,000
Transportation (82.6)	00,000
Cash Discount on Sales (82.7)	<u>00,000</u>
Total Deductions from Sales (82.1-82.7)	00,000
NET SALES (81.1-81.2 minus 82.1-82.7)	00,000
COST OF SALES (83.1-83.2)	<u>00,000</u>
GROSS PROFIT (Net Sales minus 83.1-83.2)	\$00,000
SELLING EXPENSES:	
Selling Salaries (85.12-85.17)	\$00,000
Office and Clerical Salaries and Wages (85.18-85.23)	00,000
Traveling Expenses Selling (85.24-85.26)	00,000
Rental Expense (85.27-85.33)	00,000
Factory Warehouse and Shipping Expense (85.34)	00,000
Depot Expense (85.35)	00,000
Branch Warehouse and Shipping Expense (85.36-85.48)	00,000
Office and Miscellaneous Expense (85.54-85.73)	00,000
Bad Debts (85.74)	00,000
Advertising (85.75-85.76)	<u>00,000</u>
Total Selling Expenses (85.10-85.76)	\$00,000
ADMINISTRATION EXPENSES	
Administrative Salaries (86.10-86.23)	\$00,000
Traveling Expenses—Administrative (86.24-86.26)	00,000
Rental Expense (86.27-86.33)	00,000
Auto Expense (86.44-86.48)	00,000
Office and Miscellaneous Expense (86.56-86.73)	00,000
Corporate Expense (86.77-86.81)	<u>00,000</u>
Total Administration Expense (86.10-86.81)	00,000
Total Selling and Administration Expense (85.12-86.81)	<u>00,000</u>
NET OPERATING PROFIT (Gross Profit minus 85.12-86.81)	\$00,000

CORPORATE INCOME CREDITS

Rent Received (91.1)	\$00,000	
Gain or Loss on Miscellaneous Sales (91.2)	00,000	
Purchase Commission (91.3)	00,000	
Miscellaneous Items (91.4-91.9)	<u>00,000</u>	
Total Corporate Income Credits		\$00,000

CORPORATE INCOME DEBITS

Pensions (92.1)	\$00,000	
Inventory Adjustments (92.2)	00,000	
Taxes (92.3)	00,000	
Extraordinary Expenses (92.4)	00,000	
Property Expenses (Extraordinary) (92.6)	00,000	
Miscellaneous Items (92.9)	<u>00,000</u>	
Total Corporate Income Debits		<u>00,000</u>
Net Increase or Decrease (91.1-91.9, or 92.1-92.99)		00,000

CORPORATE FINANCE EXPENSE

Cash Discount on Purchases (93.2)	\$00,000	
Interest Credits (93.3)	00,000	
Interest Debits (93.4)	00,000	
Interest on Bonded Debt (93.5)	00,000	
Interest (Allied Companies) (93.6)	<u>00,000</u>	
Total Corporate Finance Expense		<u>00,000</u>

PROFIT (OR LOSS) FOR PERIOD (81.1-93.6)	\$00,000
PROVISION FOR INCOME TAXES (94.)	<u>00,000</u>
NET ADDITION TO SURPLUS ACCOUNT (79.11)	<u>\$00,000</u>

DETAILED BALANCE SHEET—THE IDEAL RUBBER COMPANY
Fiscal Year ended December 31, 1924

ASSETS

CURRENT ASSETS

1—Cash, U. S. Government Securities and Debts Receivable			
Cash (11.)	\$00,000		
Marketable—U. S. Government Securities (12.)	00,000	\$00,000	
Notes, Loans and Acceptances Receivable (13.)	00,000		
Notes Receivable Discounted (13.01)	<u>00,000</u>	00,000	
Accounts Receivable			
Customers (14.)	\$00,000		
Manufacturers (15.)	00,000		
Export (16.)	<u>00,000</u>		
Total	\$00,000		
Less Reserves for Bad Debts (14.01-16.08)	<u>00,000</u>	00,000	
Miscellaneous Receivables			
Controlled and Subsidiary Companies (17.)	\$00,000		
Employees, Claims, etc., (18.)	00,000		
Accrued Assets (19.)	<u>00,000</u>	00,000	
Total Cash, U. S. Government Securities and Debts Receivable (11.-19.)			\$00,000

2—Merchandise, Materials and Goods in Process

Finished Goods on Hand at Factories (Own Make) (21.1) .	\$00,000	
Finished Goods on Hand at Branches (Own Make) (21.2) .	00,000	
Finished Goods on Hand (Outside Manufacture) (21.3)	00,000	
Samples (21.4)	<u>00,000</u>	\$00,000
Goods in Process (25.)		00,000
Materials and Supplies		
Materials (26.)	\$00,000	
Supplies (26.)	00,000	
In Transit (27.)	<u>00,000</u>	<u>00,000</u>
Total Merchandise, Materials and Goods in Process (21.1-27.2)		<u>00,000</u>
TOTAL CURRENT ASSETS (11.-27.2)		<u>\$00,000</u>

FIXED ASSETS

3—Properties, Plants and Securities

Land (31.1)	\$00,000	
Buildings (31.2)	00,000	
Machinery and Equipment (31.3)	00,000	
Molds, Cores and Poles, etc., (31.4-31.6)	00,000	
Furniture and Fixtures (31.7)	00,000	
Autos and Auto Trucks (31.8)	00,000	
Construction in Process (32.)	00,000	
Real Estate Branches and Warehouses (33.)	00,000	
Furniture and Fixtures (Office) (34.)	00,000	
Automobiles and Trucks (Office) (35.)	00,000	
Real Estate (Other than Business Property) (36.)	<u>00,000</u>	
Total	\$00,000	
Less Reserve for Depreciation (31.02-36.01)	<u>00,000</u>	\$00,000

Securities

Stocks and Bonds of Subsidiary Companies (37.)	\$00,000	
Capital Stock (Unallotted) (38.)	00,000	
Sinking Funds (39.1)	00,000	
Securities Outside Companies (39.2)	00,000	
Mortgage Loans (39.3)	<u>00,000</u>	<u>00,000</u>

Total Properties, Plants and Securities

\$00,000

4—Prepaid and Deferred Assets

Payroll Advances (41.)	\$00,000	
Prepaid Insurance (42.)	00,000	
Undistributed Freight (43.)	00,000	
Prepaid Taxes (44.)	00,000	
Prepaid Interest (45.)	00,000	
Improvements to Leaseholds (48.)	00,000	
Miscellaneous Prepaid Items (49.)	<u>00,000</u>	
Total Prepaid and Deferred Items (41.-49.)		<u>00,000</u>
TOTAL FIXED ASSETS (31.1-49.)		<u>\$00,000</u>

5—Good-Will, Patents and Trade Marks

Patents (51.)	\$00,000	
Trade Marks (52.)	00,000	
Trade Names (53.)	00,000	
Good-Will (54.)	<u>00,000</u>	
Total Good-Will, Patents and Trade Marks (51.-54.)		<u>00,000</u>
TOTAL ASSETS (11.-54.)		<u><u>\$00,000</u></u>

LIABILITIES

CURRENT LIABILITIES

6—Notes, Loans, and Acceptances Payable

Notes Payable at Bank (61.1)	\$00,000	
Notes Payable (Other than Banks) (61.2)	00,000	
Loans Payable (61.3)	<u>00,000</u>	\$00,000

Accounts Payable

Accounts Payable—Vendors (62.1)	\$00,000	
Unclaimed Wages (62.21)	00,000	
Unclaimed Dividends (62.22)	00,000	
Excise Tax Payable on Sales (62.3)	00,000	
Claims Payable (62.4)	00,000	
Unaudited Invoices (62.5)	00,000	
Unrendered Invoices (62.6)	00,000	
Contract Estimates Payable (62.7)	00,000	
Employees' Accounts Payable (62.8)	00,000	
Miscellaneous Accounts Payable (62.9)	00,000	
Accrued Payroll and Commissions (63.)	00,000	
Dividends Payable (64.)	00,000	
Accounts Payable—Controlled and Subsidiary Companies (66.)	<u>00,000</u>	00,000

Accrued Items

Accrued Taxes (67.)	\$00,000	
Accrued Interest (68.)	00,000	
Accrued Items Miscellaneous (69.)	<u>00,000</u>	00,000

TOTAL CURRENT LIABILITIES (61.1–69.9)

\$00,000

7—FIXED LIABILITIES

Funded Debt

First Mortgage Ten-Year Gold Bonds (71.11)	\$00,000	
Subscriptions to Bonds (71.12)	00,000	
Reserve for Sinking Fund Bonds (71.13)	00,000	
	<u>00,000</u>	
Less Subscribers to Bonds (71.01)	<u>00,000</u>	00,000

Capital Stock

Preferred (72.1)	\$00,000	
Common (72.2)	00,000	
Subscriptions to Preferred Stock (72.4)	00,000	
Subscriptions to Common Stock (72.5)	<u>00,000</u>	
	<u>\$00,000</u>	

Less

Treasury Stock—Preferred (72.01)	\$00,000	
Treasury Stock—Common (72.02)	00,000	
Subscribers to Preferred Stock (72.03)	00,000	
Subscribers to Common Stock (72.04)	<u>00,000</u>	<u>00,000</u>

Total Funded Debt and Capital Stock (71.11–72.5)

\$00,000

DISTRIBUTION OF COMMERCIAL EXPENSES

211

RESERVES, PROFIT AND LOSS—SURPLUS

General Reserves (74.)		\$00,000
Surplus		
Unappropriated		
Surplus Unappropriated (79.11)	\$00,000	
Less Dividends Paid (79.01)	<u>00,000</u>	00,000
Appropriated		
Capital Stock Donated (79.51)	00,000	
Surplus through Revaluation (79.52)	<u>00,000</u>	00,000
Total Reserves, Profit and Loss—Surplus (74.—79.52)		<u>\$00,000</u>
TOTAL LIABILITIES AND CAPITAL (81.1-79.52)		<u><u>\$00,000</u></u>

CONDENSED OPERATING STATEMENT—THE IDEAL RUBBER COMPANY

Fiscal Year ended March 31, 1925

Gross Sales (81.)		\$0,000
Less		
Returned Goods, Allowances, Adjustments, Excise Taxes, Volume Rebates, Transportation and Cash Discount on Sales (82.)		<u>0,000</u>
Net Sales (81. minus 82.)		\$0,000
Cost of Sales (83.)		<u>0,000</u>
Gross Profit (81. minus 82.-83.)		\$0,000
Selling Expenses (85.)	\$000	
Administrative Expenses (86.)	000	
Total Selling and Administrative Expense (85.-86.)		<u>0,000</u>
Net Profit from Sales (Gross Profit minus 85.-86.)		\$0,000
Corporate Income Credits (91.)	\$000	
Corporate Income Debits (92.)	000	
Corporate Finance Expenses (93.)	000	
Provision for Income Tax (Federal) (94.)	<u>000</u>	
Total Other Income and Expenses (91.-94.)		<u>0,000</u>
PROFIT (OR LOSS) FOR PERIOD		<u><u>\$0,000</u></u>

CONDENSED BALANCE SHEET—THE IDEAL RUBBER COMPANY

Fiscal Year Ended December 31, 1924

ASSETS

CURRENT ASSETS

1—Cash, U. S. Government Securities, Debts Receivable		
Cash (11.)	\$00,000	
Marketable U. S. Government Securities (12.)	00,000	
Notes, Loans, and Acceptances, Receivable (13.)	00,000	
Accounts Receivable (14.-19.)	<u>00,000</u>	\$00,000
2—Merchandise, Materials and Goods in Process		
Finished Goods (21.)	\$00,000	
Goods in Process (25.)	00,000	
Materials and Supplies (26.)	00,000	
Materials and Supplies in Transit (27.)	<u>00,000</u>	00,000
TOTAL CURRENT ASSETS (11.-27.)		\$00,000

FIXED ASSETS

3—Properties, Plants and Securities		
Land (31.1)	\$00,000	
Buildings (31.2)	00,000	
Machinery and Equipment (31.3)	00,000	
Molds, Cores and Poles (31.4)	00,000	
Miscellaneous (31.5-36.1)	00,000	
	<u>\$00,000</u>	
Less Reserve for Depreciation (31.02-36.01)	00,000	\$00,000
Securities		
Stocks and Bonds of Subsidiary Companies (37.)	\$00,000	
Capital Stock (Unallotted) (38.)	00,000	
Sinking Funds, Securities, Mortgage Loans (39.)	00,000	00,000
Total Properties, Plants and Securities (31.-39.)		\$00,000
4—Prepaid, Deferred and Miscellaneous Assets (41.-49.9)		00,000
TOTAL FIXED ASSETS (31.-49.9)		00,000
5—GOOD-WILL, PATENTS AND TRADE MARKS (51.-54.)		00,000
TOTAL ASSETS (11.-54.)		<u>\$00,000</u>
6—CURRENT LIABILITIES		
Notes, Loans and Acceptances Payable (61.)	\$00,000	
Accounts Payable (62.)	00,000	
Accrued Payroll (63.)	00,000	
Dividends Payable (64.)	00,000	
Accounts Payable—Controlled and Subsidiary Companies (66.)	00,000	
Accrued Taxes and Interest (67.-68.)	00,000	
Miscellaneous Items Payable (69.)	00,000	
TOTAL CURRENT LIABILITIES (61.-69.)		\$00,000
7—FIXED LIABILITIES		
Funded Debt (71.)	\$00,000	
TOTAL FIXED LIABILITIES (71.)		00,000
7—CAPITAL STOCK AND SURPLUS		
Capital Stock (72.)	\$00,000	
General Reserves (74.)	00,000	
Surplus (79.)	00,000	
Unappropriated (79.1)	00,000	
Appropriated (79.5)	00,000	
TOTAL CAPITAL STOCK AND SURPLUS (72.-79.)		00,000
TOTAL LIABILITIES AND CAPITAL (61.-79.)		<u>\$00,000</u>

SECTION V
BUDGETARY CONTROL

BUDGETARY CONTROL

Much has been said concerning budget systems and budgetary control. A vast amount of literature is now available outlining principles and individual practices concerning budgets. However, little has been said concerning the detailed mechanics for operating this system. It is one thing to say that all operations should be budgeted but quite another when attempt is made to accomplish in actual practice the budgeted allowances. The psychological effect in the setting of a budget for each activity is good, but if the individual, without permission, exceeds his budget the practice is bad and in a measure defeats the very purpose for which the budget was created.

It is granted, of course, that it is quite impracticable to determine trends definitely. However, if proper consideration is given to the recovery of fixed expenses on a minimum volume of business, it is believed that each activity may be satisfactorily predetermined and held closely to the budget limits.

One of the outstanding authorities on budgetary procedure very properly says that the need of a budget system can be construed as a basis:

1. To establish responsibility
2. To effect accountability
3. To estimate probability
4. To determine advisability
5. To insure desirability
6. To check up ability

The advantages that are claimed for budget making may be summarized as follows:

1. Everyone in the establishment will have a definite goal for attainment.
2. Sales and production plans can be coordinated with financial resources.

3. More continuous operation and greater regularity of employment can be provided.
4. Products, processes and equipment can be standardized.
5. Costs can be used for purposes of control rather than as historical information.
6. Reduction of waste will be encouraged by the maintenance of better balanced inventories; by instituting wage payments based upon results; by assigning responsibility for expenditures.
7. Taken in conjunction with the business cycle, the budget will give warning when to be cautious and the cue when to go forward with manufacturing plans.
8. At all times the budget serves as a measuring stick to compare actual performances with promises and standards, showing not only what may be done but what should be done.

The essentials of a properly prepared budget plan may be summarized as follows:

1. Careful estimate of sales based upon previous years' experience tempered by immediate business situation.
2. Scheduling of production in keeping with sales estimates.
3. Careful gauging of material requirements.
4. Establishment of standards of labor performance.
5. Careful analysis of expenses with limits set for auxiliary services, such as power, maintenance and delivery.
6. Provision for funds to carry through projected sales and production programs.
7. Provision for checking and revising standards by performances.
8. Predetermining of profits and losses.

Budgetary control is essential in operations of every member company. Budgetary control is successful to the extent only that it is properly launched and the person placed in charge is equipped with authority and facilities sufficiently that he is in a position strong enough to govern its operation.

The person in charge of budgetary operations should be re-

sponsible only and report directly to the president of the company. The budget committee should consist of representatives of the three major divisions of business—sales, production and finance.

The budget should be constructed and be broken down for operating purposes into the following major classifications:

1. Operating budget
2. Material requirements budget
3. Property budget (to cover plant additions, only)
4. Financial (cash) budget

The person in charge of budgetary operations should have general control and supervision over the preparation and the execution of the budgetary program. It should very forcibly be brought to the attention of everyone that no obligation may be incurred in excess of current budget allowances, excepting after written authorization and approval by the budget committee or other designated authority empowered to pass on the expenditures in the interim. This most important order should apply to all four classes of the budget.

The budgets, including the estimated balance sheet and operating statement, should be prepared for the length of the fiscal period by months. In addition, there should be prepared for operating purposes a monthly budget. The current actual figures of accomplishment should be compared with this monthly operating budget. These reports should be the source of information for consideration at the meetings of the budget committee, so that they may ascertain the degree to which the predetermined position is being met and the reasons for abnormalities. Schedule P (page 248) outlines a form which may be utilized for purpose of comparison of actual expenditures with budget allowances.

It is the profound belief of the members of the Accounting Committee of the Rubber Association that favorable action on the part of executive heads of manufacturing companies with respect to the principles herein recommended concerning organization for budgetary procedure, will tend to solve the majority of the difficulties both as to installation and operation.

The following has been prepared with the viewpoint that actual illustrations will bring out more clearly the principles than will an

elaboration of words. Therefore in connection with each of the following schedules there is outlined procedure for determining the factors which go to build up that schedule and also its function and tie-in with other schedules making up the complete budget program for the period.

The budget schedules will appear in order as follows :

- Schedule A. Forecast of Sales Units and Calculation of Sales Value of Products
- Schedule B. Forecast of Finished Goods and Goods in Process Inventories and Production Requirements
- Schedule C. Breakdown of Factory Cost for Goods in Process
- Schedule D. Forecast of Factory Payroll
- Schedule E. Forecast of Direct Material Budget and Inventory Requirements
- Schedule F. Forecast of Factory Indirect Materials and Supplies Budget and Inventory Requirements
- Schedule G. Budget for Factory Departmental Overhead
- Schedule H. Forecast of Insurance, Taxes, etc.
- Schedule I. Forecast of Selling, Administrative and Corporate Expenses
- Schedule J. Miscellaneous Adjustments
- Schedule K. Budget for Plant Additions
- Schedule L. Forecast of Collections from Accounts Receivable
- Schedule M. Estimated Profit and Loss Statement
- Schedule N. Cash Budget
- Schedule O. Estimated Balance Sheet End of Budgeted Period
- Schedule P. Comparison Form Budget vs. Actual Amounts Monthly and to Date

Schedule A. Forecast of Sales Units and Calculation of Sales Value of Products

The start of the budget system lies primarily with the sales department whose function it is to estimate the sales which will be

made in the budgeted period. This report summarized is the forecast of sales which the sales department desires and deems possible during the next budget period. In the preparation of this estimate, information of various kinds must be considered, which information may be classified under the following general headings:

1. Knowledge of general plans and policies of the business
2. Knowledge of trade conditions
3. Knowledge of the amount and nature of previous sales

No arbitrary classification of sales data can be given since the analysis and classification made should be determined by the information desired by the various functional managers. It is safe to say, however, that in planning for the future the sales manager will desire sales to be classified in some or all of the following ways:

1. By commodity or department
2. By terms of sale
3. By method of sale
4. By method of delivery
5. By territory of customers
6. By salesmen
7. By volume of sales to individual customers
8. By nature of customer
9. By rush versus normal deliveries

Statistical records of sales of previous periods are of importance in preparing the sales budget. Those concerns which keep detail statistical records showing past activities in sales have a very valuable adjunct in preparing the sales budget.

Where a company operates branches, it is necessary for each branch to compile a separate sales budget, these branch budgets when approved being consolidated by the sales manager at the home office into the general sales budget.

The sales budget for a rubber company should probably be broken down as follows:

1. By commodities or commodity groups
2. By customers

3. By salesmen
4. By territories

The sales should further be broken down by type of customers, somewhat as follows:

1. Dealers
2. Manufacturers
3. Export
4. Subsidiaries

Schedule A, which follows, considers but one product, pneumatic casings. The schedule is a summarization of all the data received from branches or home office selling departments concerning the product. From past experience, tempered with immediate information, the number of units of the product by size are priced at the prevailing or expected selling price. This commodity then is averaged per unit in order to obtain the composite average selling price of a unit, regardless of size.

Rubber products, insofar as sales forecasts are concerned, may definitely be divided into two classifications:

1. Those sales where with a reasonable degree of accuracy the product classes may be determined by units in size and type.
2. Those sales where it is not possible to determine units in size or type which will be sold and where the sales forecast at best will consist of estimated sales dollars by major groupings.

Products in the first classification should follow method of breakdown hypothetically suggested for tires. Products in the second classification while not possible of breakdown to the degree suggested for products such as tires, the estimated sales dollars may be analyzed generally into requirements, for labor, material and overhead and in that manner budgeted by referring to past experience and incorporating into the new estimates any known new conditions concerning types of products and trends.

Also from past experience and consideration of present factors, the sales are estimated by monthly periods. By reference to the

SCHEDULE A. FORECAST OF SALES UNITS AND CALCULATION OF SALES
VALUE OF PRODUCTS

PRODUCT BREAKDOWN BY SIZE			
PNEUMATIC CASINGS		Billing Price	Value
Size	Per Cent		
30-3½	60	\$ 7.00	\$ 420.00
32-3½	3	7.50	22.50
31-4	5	8.00	40.00
32-4	10	10.00	100.00
33-4	2	12.00	24.00
34-4	2	14.00	28.00
32-4½	2	18.00	36.00
33-4½	1	20.00	20.00
34-4½	3	22.00	66.00
35-4½	1	24.50	24.50
36-4½	1	26.00	26.00
33-5	4	29.00	116.00
34-5	1	32.00	32.00
35-5	5	35.00	175.00
	100.0%		\$1,130.00

ESTIMATED SALES BY MONTHS

Month	Per Cent	Units	Sales Value
January	5.0	50,000	\$ 565,000
February	6.0	60,000	678,000
March	8.0	80,000	904,000
April	9.0	90,000	1,017,000
May	9.5	95,000	1,073,500
June	9.5	95,000	1,073,500
July	10.0	100,000	1,130,000
August	12.0	120,000	1,356,000
September	10.0	100,000	1,130,000
October	8.0	80,000	904,000
November	7.0	70,000	791,000
December	6.0	60,000	678,000
Total	100.0	1,000,000	\$11,300,000

statement, it is estimated that 5 per cent of the year's business will be done in January, whereas in August 12 per cent will be the figure.

When the sales estimate has been finally prepared, it is necessary for the budget committee to ascertain the inventory position which they wish to hold in finished goods at the end of any period and from this point to work backward in order to ascertain the number of units required from the factory in each period, so that the factory may be advised the number of units which they are compelled to start in production, in order to make those deliveries of finished product and also to end the period with a given number of units in process so that they may meet the future requirements. Schedule B definitely outlines procedure necessary to obtain that requirement.

If more than one product is sold a separate schedule or forecast should be prepared for each and be consolidated after summarization into the budget.

Schedule B. Forecast of Finished Goods, Goods in Process Inventories and Production Requirements

By reference to the accompanying schedule, you will gain that production requirements periodically by month are built up in units; the starting unit being the number of finished goods on hand and in process at the beginning of the period. The estimated sales as obtained from Schedule A should then be inserted on this schedule by months and in addition the inventory on hand and in process at the end of the six months' period is calculated and inserted so that during the period the amount is arrived at which it will be necessary to produce in order to meet all these demands. As nearly as possible from this point, units of production are equalized by months in order that a more constant employment of labor may be had and as well efficient use be made of plant facilities.

From this point on schedules break down the composite unit cost of the finished production units during each month and are then reclassified and rebroken down for purposes of construction of operating statements and cash requirements.

SCHEDULE B. FORECAST OF FINISHED GOODS AND GOODS IN PROCESS INVENTORIES AND PRODUCTION REQUIREMENTS

Finished Goods (Units)							
	January	February	March	April	May	June	Total
On Hand and in Process beginning of month	140,000	190,000	230,000	250,000	260,000	265,000	140,000
Finished in Factory	100,000	100,000	100,000	100,000	100,000	105,000	603,000
Total	240,000	290,000	330,000	350,000	360,000	370,000	743,000
Estimated Sales	50,000	60,000	80,000	90,000	95,000	95,000	470,000
Inventory on Hand and in Process end of month	190,000	230,000	250,000	260,000	265,000	275,000	275,000
On Hand and in Process Inventory and of month X \$6.78 composite factory cost	\$1,268,200	\$1,559,400	\$1,695,000	\$1,762,800	\$1,796,700	\$1,864,500	\$1,864,500

INVENTORY:

Goods in Process

Beginning	20,000	at \$6.78	\$136,600
End	55,000		
Increase	35,000	" \$6.78	\$237,300
Total			\$372,900

Finished Goods

Beginning	120,000	" \$6.78	\$813,600
End	220,000		
Increase	100,000	" \$6.78	\$678,000
Total			\$1,491,600

Schedule C. Breakdown of Factory Cost for Goods in Process

From the forecast of sales budget Schedule A is calculated the factory cost of the composite average unit. This factory cost should be obtained by reference to past experience in cost, tempered by immediate or estimated changes, such as increased or decreased labor cost, increased or decreased factory overhead or fluctuation in material cost. For the purpose of obtaining material cost, the inventory of raw materials at the beginning of the period should be considered with the commitments for materials and the estimated requirements which will have to be purchased beyond this, to meet a production program as represented by the budget. This equalized material cost price, which should be arrived at by the addition of all quantities at actual or estimated cost price as represented above, should be used as the material cost.

By referring to this schedule it will be noticed that the units finished in factory are those arrived at from Schedule B which being priced at the composite unit factory cost at \$6.78, represents the amount of money estimated which will be the value of units produced during each month of the budget period. This total cost should then be further broken down into labor, material and overhead elements.

From this budget a separate schedule should be laid out for direct labor and direct materials, which of course in their preparation consider the accrual or the inventory position at the end of each period—this also applies to indirect materials. The balance of the overhead budgets are woven into its proper schedule or where no inventory is required directly into the cash budget, excepting of course non-cash items.

Schedule D. Forecast of Factory Payroll

This schedule provides first for the accrued payroll at the beginning of the budget period, which has a bearing on the cash requirement for payroll. The factory direct and indirect labor payroll requirements of each month are determined from Schedule C. The labor requirements concerned with plant additions are ob-

SCHEDULE C. BREAKDOWN OF FACTORY COST OF FINISHED MONTHLY PRODUCTION

	January	February	March	April	May	June	Total
Production Finished in Factory during period	100,000	100,000	100,000	100,000	100,000	105,000	605,000
Composite Factory cost per unit	\$6.78	\$6.78	\$6.78	\$6.78	\$6.78	\$6.78	\$6.78
Production Value	\$678,000	\$678,000	\$678,000	\$678,000	\$678,000	\$711,900	\$4,101,900
Cost Elements							
Direct Labor	\$81,360	\$81,360	\$81,360	\$81,360	\$81,360	\$85,428	\$492,228
Direct Material	474,600	474,600	474,600	474,600	474,600	498,330	2,871,330
Overhead							
Per cent							
Indirect Labor	20,340	20,340	20,340	20,340	20,340	21,357	123,057
Indirect Material	27,120	27,120	27,120	27,120	27,120	28,476	164,076
Direct Expenses	13,560	13,560	13,560	13,560	13,560	14,238	82,038
Repairs—Maintenance	13,560	13,560	13,560	13,560	13,560	14,238	82,038
Power, Light, Heat and Water	27,120	27,120	27,120	27,120	27,120	28,476	164,076
Insurance, Taxes, etc	6,780	6,780	6,780	6,780	6,780	7,119	41,019
Depreciation	13,560	13,560	13,560	13,560	13,560	14,238	82,038
Total	\$678,000	\$678,000	\$678,000	\$678,000	\$678,000	\$711,900	\$4,101,900

BUDGETARY CONTROL

SCHEDULE D. FORECAST OF FACTORY PAYROLL

	January	February	March	April	May	June	Total
Accrual beginning of month.....	\$15,000	\$20,340	\$20,340	\$20,340	\$20,340	\$20,340	\$15,000
Factory Requirements.....							
Direct labor Sch. C.....	81,360	81,360	81,360	81,360	81,360	85,428	492,228
Indirect Labor Sch. C.....	20,340	20,340	20,340	20,340	20,340	21,357	123,057
Plant Addition Labor Sch. K.....	2,500	.....	2,500	500	500	.....	6,000
Total.....	\$119,200	\$122,040	\$124,540	\$122,540	\$122,540	\$127,125	\$636,285
Estimated Accrual end of month.....	20,340	20,340	20,340	20,340	20,340	25,679	25,679
Cash Requirements.....	\$98,860	\$101,700	\$104,200	\$102,200	\$102,200	\$101,446	\$610,606

tained from Schedule K. The accrual of payroll, estimated at the end of each month, should be deducted in order to arrive at the amount of cash required for payrolls during the period. It will be seen that this forecast of factory payroll includes indirect and plant addition labor as well as direct labor, all of which items appear either on Schedule C or K.

Schedule E. Forecast of Direct Material Budget and Inventory Requirements

By reference to the balance sheet at the beginning of the period, it will be seen that the inventory of direct materials is represented by \$380,000. The next calculation is the inventory position at the end of each period, which for purposes of this study is considered to be one month's supply on hand at all times. From Schedule C, Breakdown of Cost of Finished Product, the value of materials required in production of finished goods will be obtained. The total inventory at the end of the month and the amount consumed in production of finished goods is represented by \$866,145, which subtracted from this, the inventory at the beginning of the month, represents a figure of \$486,145, which is the value of material which should be received into factory stores during the month in order to meet this inventory position and at the same time, have sufficient materials on hand to meet the demands of subsequent production programs. Each month in its turn should be calculated likewise.

For purposes of the cash budget, it is assumed that the outstanding accounts payable at the end of each month is equal to 50 per cent of the value of material receipts during the month and from this premise the cash requirements for direct materials is made a portion of this direct material budget.

For further purposes of control, the direct material budget should be broken down into types of materials in quantities and dollar value, and in this manner a better control effected over the purchasing department as to their commitment situation. In this manner materials are controllable from the turnover basis.

Important: It is usual practice in the rubber industry to equalize the price of raw materials periodically by averaging the value of

BUDGETARY CONTROL

SCHEDULE E. FORECAST OF DIRECT MATERIAL BUDGET AND INVENTORY REQUIREMENTS

	January	February	March	April	May	June	Total	
Inventory beginning of month	\$380,000.00	\$391,545.00	\$385,612.50	\$367,815.00	\$373,747.50	\$498,330.00	\$380,000.00	
Receipts during month	486,145.00	468,667.50	456,802.50	480,532.50	599,182.50	474,600.00	2,965,930.00	
Total	\$866,145.00	\$860,212.50	\$842,415.00	\$848,347.50	\$972,930.00	\$972,930.00	\$3,345,930.00	
Consumption in Production	\$474,600.00	\$474,600.00	\$474,600.00	\$474,600.00	\$474,600.00	\$498,330.00	\$2,871,330.00	
Inventory end of month	\$391,545.00	\$385,612.50	\$367,815.00	\$373,747.50	\$498,330.00	\$474,600.00	\$474,600.00	
CASH REQUIREMENTS	Receipts	January	February	March	April	May	June	July
January	\$486,145.00	\$243,072.50	\$243,072.50	\$243,072.50	\$234,333.75	\$228,401.25		
February	468,667.50	468,667.50	234,333.75	228,401.25				
March	456,802.50							
April	480,532.50							
May	599,182.50							
June	474,600.00							
Accounts Payable at January 1		\$190,000.00						
Total	\$2,965,930.00	\$433,072.50	\$477,406.25	\$462,735.00	\$468,667.50	\$539,857.50	\$536,891.25	\$237,300.00

initial inventory, commitments and further requirements at estimated purchase price and to use this equalized price in costing products. In the preparation of this budget, effect has not been given to the accounting control which should be effected as follows:

Initiate a material reserve account and over the period of the budget charge or credit all differences between equalized prices and actual purchase prices at time of issuance of materials into production. Periodically, theoretically, this material reserve account should balance.

Schedule F. Forecast of Factory Indirect Materials and Supplies

The same procedure as appears under Schedule E, Direct Material, applies likewise to this schedule. In other words, the requirements or receipts during the period are obtained by reference to the inventory at the beginning of the period and the factory requirements during the period as obtained from Schedule C, Breakdown of Cost of Finished Product, for indirect materials required in the operation of the plant during the period.

Schedule G. Budget for Factory Departmental Overhead

It is very important that the breakdown of this budget follow the departmental line-up and that the responsibility fall directly to the foreman or division superintendent of each department.

This budget is prepared, of course, after consideration of the production schedule and by review of past accomplishment.

Considerable of the indirect expenses of a factory are controllable and proper incentives should be instituted, so that the best accomplishment may be had in the relationship of overhead to other production costs. In this regard, the institution of standard overhead rates would be the best procedure in that production from month to month is not constant, the budget having been prepared for a period of six months. This is important particularly when more than one product is being manufactured. The result should be measured not by any one particular month's actual overhead cost, but by the volume of production over a series of months calculated at a standard overhead rate.

SCHEDULE G. BUDGET FOR FACTORY DEPARTMENTAL OVERHEAD

Period January 1 to June 30, 1925

	Dept. No. 1	Dept. No. 2	Etc.	Total
Indirect Labor				
Supervision Salaries	\$ 3,000.00			\$ 40,500.00
Office and Clerical Salaries	1,500.00			20,450.00
Misc. Indirect Labor	1,329.10			17,430.00
Development and Testing Labor				3,750.00
Waiting Time	50.00			1,100.00
Industrial Relations Labor	120.90			1,407.00
Power Division Labor				13,750.00
Receiving—Storing—				
Shipping Labor				16,420.00
Repairs and Maintenance	475.10			8,250.00
Total	\$ 6,475.10			\$123,057.00
Indirect Materials and Supplies	\$ 6,752.40			\$164,076.00
Direct Departmental Expense	2,750.00			82,038.00
Repairs and Maintenance	3,125.10			82,038.00
Fixed Expenses				
Depreciation	\$ 3,008.00			\$ 82,038.00
Insurance	426.75			31,000.00
Taxes	243.60			10,019.00
Redistribution of Power	20,580.00			\$164,076.00
Total	\$43,360.95			\$738,342.00

Each department prepares its own budget based on past experience tempered with estimated future operations.

Each department should be budgeted separately for statistical purposes; the summarization being woven into the operating and cash budgets.

Schedule H. Forecast of Insurance, Taxes, etc.

The expense item of insurance, taxes, etc. appears as an item of factory overhead. For convenience in following figures all of this period expense is scheduled to factory cost—reference Schedule C. In practice the amount would be specifically applied to either factory, selling or administrative cost. The function of

SCHEDULE H. FORECAST OF INSURANCE, TAXES, ETC.

Accrual January 1st.....	\$ 8,000
Cost during period Sch. "C".....	41,019
Total.....	<u>\$49,019</u>
Accrual June 30, 1925.....	\$12,000
Payments during period.....	<u>\$37,019</u>
To be made as follows:	
February 15.....	\$12,000
March 15.....	13,019
April 15.....	12,000
Total.....	<u>\$37,019</u>

this statement is the provision for the cash expenditure for this type of expense during the period; consequently it will be seen that the accrual at the beginning of the year and the estimated accrual at the end of the year are considered in order to arrive at the cash outlay during the period. The cash requirement for the full period, which probably will be paid in two or three bites during the period, at irregular times, necessitates separate treatment and this separate schedule.

Schedule I. Forecast of Selling and Administrative and Corporate Expenses

These expenses should be budgeted separately by divisions as follows (see Schedules I-a to I-e):

- A. Selling Expenses
- B. Administrative Expenses
- C. Corporate Income Credits
- D. Corporate Income Debits
- E. Corporate Finance Expenses

Selling expense budgets should be prepared for each home office selling department, branch or district. The expenses of each should be divided into product classification and as well into types of product and method of sale.

SCHEDULE I-a. FORECAST OF SELLING EXPENSES

Salaries

85.10 Salaries—Executives.....	\$20,000	
.11 Salaries—Department Managers and Assistants.....	32,500	
.12 Salaries—Branch Managers and Assistants.....	25,000	
.13 Salaries—Salesmen.....	57,270	
.14 Commission—Salesmen.....	34,500	
.15 Commission—Agents.....	5,600	
.16 Commission—Brokers.....	3,800	
.17 Training Expense—Salesmen.....	9,000	
.18 Salaries—Adjustors.....	12,000	
.19 Salaries—Office Managers.....	16,000	
.20 Salaries—Credits and Collections.....	12,000	
.21 Salaries—Stenographers.....	17,500	
.22 Salaries—Clerical General.....	20,000	
.23 Salaries—Chauffeurs and Drivers.....	7,500	
Total.....		\$272,670

Traveling Expense

85.24 Traveling Expense—Executives.....	\$32,000	
.25 Traveling Expense—Salesmen.....	92,500	
.26 Entertainment Expense.....	15,000	
Total.....		\$139,500

Rental Expense

85.27 Rent.....	\$42,500	
.28 Losses on Leases.....	1,000	
.29 Maintenance and Repairs to Buildings.....	3,000	
.30 Taxes on Buildings.....	2,000	
.31 Insurance on Buildings.....	2,200	
.32 Depreciation on Buildings.....	1,500	
.33 Heat, Light, Power and Water.....	3,000	
Total.....		\$55,200

85.34 Factory, Warehouse and Shipping Expense.....	37,300
85.35 Depôt Expense.....	47,500

Branch Warehouse and Shipping Expense

85.36 Salaries—Stock Clerks.....	\$12,500
.37 Packing and Shipping—Labor.....	6,080
.38 Packing and Shipping—Supplies.....	3,020
.39 Stock Handling Expense.....	1,800
.40 Taxes on Stock.....	1,900
.41 Insurance on Stock.....	2,500
.42 Outside Storage Space (Other than Depôts).....	5,075
.43 Cartage and Trucking.....	3,080
.44 Auto and Truck Maintenance.....	12,200
.45 Gasoline and Oil.....	6,080

BUDGETARY CONTROL

.46 Tires and Accessories.....	\$1,800	
.47 Depreciation Autos and Trucks.....	9,050	
.48 Miscellaneous Auto Expense.....	2,000	
Total.....		\$67,085
<i>Office and Miscellaneous Expense</i>		
85.54 Samples.....	800	
.55 Losses on Finished Goods.....	1,200	
.56 Postage General.....	4,050	
.57 Employment Expense.....	300	
.58 Employees' Compensation Insurance.....	3,075	
.59 Premiums on Surety Bonds.....	6,000	
.60 Stationery and Office Supplies.....	12,500	
.61 Telegraph and Telephone.....	9,075	
.64 Furniture, Fixtures and Equipment Expense		
85.641 Maintenance and Repairs.....	1,020	
.642 Taxes.....	900	
.643 Insurance.....	1,100	
.644 Depreciation.....	1,350	
.65 Duty on Incoming Shipments.....	500	
.66 Freight and Express (Other than on Finished Goods).....	200	
.69 Credit and Collection Expense.....	4,080	
.70 Books and Periodicals.....	1,000	
.71 Dues and Donations.....	2,075	
.72 Sales Service Expense.....	4,500	
.73 Miscellaneous Unclassified.....	3,000	
Total.....		56,725
<i>Bad Debts</i>		
85.74 Bad Debts.....	18,500	
Total.....		18,500
<i>Advertising</i>		
85.75 Salaries—Advertising Manager and Assistants..	18,000	
.76 Advertising Expenses.....	120,000	
Total.....		\$138,000
Total.....		\$832,480

These expenses should be broken down on a monthly basis in accordance with the departmental or branches lay-out. A separate schedule should be provided for each product by type and by method of sale. Summarization should be made of all the product budgets so that they may be effected on the cash budget.

Administrative expense budgets should be prepared for each separate administrative department.

In the preparation of the budgets appearing above reference should be made to Section 4, page 183, dealing with "The Compilation and Distribution of Commercial Expenses."

For those expenses which are special in nature, when payment is not to be made currently, effect should be given to the payment dates in the cash budget by preparing an auxiliary budget developing the periodic dates upon which payment will be made so that the cash will be provided for when required.

SCHEDULE I-b. FORECAST OF ADMINISTRATIVE EXPENSES

Administrative Salaries

86.10 Salaries—Executives.....	\$120,000	
.11 Salaries—Dept. Managers and Assistants....	60,000	
.19 Salaries—Office Managers.....	30,000	
.21 Salaries—Stenographers.....	25,600	
.22 Salaries—Clerical General.....	42,500	
.23 Salaries—Chauffeurs and Drivers.....	8,200	
Total.....		\$286,300

Traveling Expense—Administrative

86.24 Traveling Expense.....	12,750	
.26 Entertainment Expense.....	16,500	
Total.....		29,250

Rental Expense

86.27 Rent.....	20,000	
.29 Maintenance and Repairs to Buildings.....	1,000	
.30 Taxes on Buildings.....	800	
.31 Insurance on Buildings.....	1,200	
.32 Depreciation on Buildings.....	1,400	
.33 Heat, Light, Power and Water.....	5,750	
Total.....		30,150

Auto Expense

86.44 Auto and Truck Maintenance.....	2,750	
.45 Gasoline and Oil.....	3,080	
.46 Tires and Accessories.....	1,100	
.47 Depreciation Autos and Trucks.....	4,500	
.48 Miscellaneous Auto Expense.....	750	
Total.....		12,180

Office and Miscellaneous Expense

86.56 Postage General.....	8,500	
.57 Employment Expense.....	500	
.58 Employees' Compensation Insurance.....	2,075	
.59 Premiums on Surety Bonds.....	1,500	
.60 Stationery and Office Supplies.....	9,600	

BUDGETARY CONTROL

.61 Telegraph and Telephone.....	\$4,780	
.62 Tabulating Machines—Rental and Supplies...	5,600	
.63 House Organ Expense.....	2,700	
.64 Furniture, Fixtures and Equipment Expense		
86.641 Maintenance and Repairs.....	370	
.642 Taxes.....	200	
.643 Insurance.....	600	
.70 Books and Periodicals.....	1,000	
.71 Dues and Donations.....	3,075	
	<hr/>	
Total.....		\$40,500
 <i>Corporate Expense</i>		
86.77 Legal Expense.....	8,000	
.78 Directors' Fees and Expense.....	5,000	
.79 Conventions and Conferences.....	15,000	
.80 Patent Expense.....	1,000	
.81 Auditing.....	3,488	
	<hr/>	
Total.....		32,488
		<hr/>
Total.....		\$430,868
		<hr/> <hr/>

These expenses should be broken down on a monthly basis in accordance with departmental lay-out and be summarized as indicated above for transfer to the cash budget. In this way each department manager will have his own separate budget.

SCHEDULE I-C. FORECAST OF CORPORATE INCOME CREDITS

91.1 Rent Received.....		\$360
.2 Gain or Loss on Miscellaneous Sales		
91.21 Salvage Sales.....	\$360	
.22 Obsolete Finished Goods Sales (extraordinary)...	100	
.23 Obsolete Raw Materials and Supplies Sales		
91.231 Raw Materials.....	200	
.232 Supplies.....	300	
.24 Factory Salesroom (Gain or Loss).....	100	
.29 Miscellaneous Sales.....	400	\$1,460
	<hr/>	
.3 Purchase Commission.....		
.4 Dividends Received.....		
.5 Gain or Loss on Foreign Exchange.....		1,000
.6 Sinking Fund Income.....		1,500
.9 Miscellaneous Income Credits.....		680
	<hr/>	
Total.....		\$5,000
		<hr/> <hr/>

These credits should be broken down into the months in which payment is expected, on a separate schedule, and be indicated on the cash budget.

SCHEDULE I-d. FORECAST OF CORPORATE INCOME DEBITS

92.1 Pensions.....			\$1,500
.2 Inventory Adjustments (Extraordinary)			
92.21 Inventory Adjustments—Finished Goods...	\$1,200		
.22 Inventory Adjustments—Goods in Process..		1,300	
.23 Inventory Adjustments—Raw Materials and Supplies			
92.231 Raw Materials.....	\$ 200		
.232 Supplies.....		1,400	1,600
			4,100
.3 Taxes.			
92.31 Capital Stock Tax (Federal).....	1,400		
.32 State Taxes (Franchise or Income) ..		600	2,000
.4 Extraordinary Expenses (Other than Property).....			1,490
.6 Property Expenses (Extraordinary)			
92.61 Extraordinary Expenses (Property).....	2,050		
.62 Demolitions.....		580	
.63 Transfers (Allied Companies).....			
.64 Extraordinary Experiments and Develop- ments.....		600	
.65 Loss or Gain on Sale of Autos and Trucks		1,200	4,430
.9 Miscellaneous Income Debits			
92.91 Loss or Gain on Insurance Claims.....	200		
.99 Miscellaneous Items.....		1,280	1,480
Total.....			\$15,000

These expenses should be broken down into the months in which payment will have to be made, on a separate schedule, and be indicated on the cash budget.

SCHEDULE I-e. FORECAST OF CORPORATE FINANCE EXPENSES

93.2 Cash Discount on Purchases.....	(\$6,000)
.3 Interest Credits.....	(2,000)
.4 Interest Debits.....	108,000
.5 Interest on Bonded Debt.....	50,000
.6 Interest (Allied Companies).....	
93.61 Interest Credits.....	
.62 Interest Debits.....	
Total.....	\$150,000

These expenses should be broken down into the months in which payment will have to be made, on a separate schedule, and be indicated on the cash budget.

Schedule J. Miscellaneous Adjustments

This schedule is necessary to provide for non-cash items and reserves concerned with in budget making which are injected merely to effect a control and tie-in between the operating budget, cash budget and estimated balance sheet at the end of budgeted period.

SCHEDULE J. MISCELLANEOUS ADJUSTMENTS

	Janu- ary	Feb- ruary	March	April	May	June	Total
Materials and Supplies in Transit.....						(3,000)	(3,000)
Miscellaneous Items Payable.....						2,000	2,000
Depreciation Charge- able to Selling and Administration Ex- pense.....	1,327	1,327	1,327	1,327	1,327	1,327	7,962
Total.....	1,327	1,327	1,327	1,327	1,327	327	6,962

Schedule K. Budget for Plant Additions

The plant engineer should prepare this budget. In consideration of the proposed production schedule for the period, effect will have to be given to the units of production required, as expenditures for additional machinery may be necessary, especially if budgeted costs are calculated after contemplation of savings made possible by proposed additional manufacturing facilities.

Each item on this budget should be given a separate authorization number and separate costs should be calculated for each, so that the attainment may be had and the over- or under-cost on each particular order identified for consideration by the budget committee.

In the preparation of this budget estimate should be made of the months in which expenditures are expected to be made, so that the cash budget will provide the moneys as and when needed, thereby not affecting the company working capital position.

BUDGETARY CONTROL

SCHEDULE L. FORECAST OF COLLECTIONS FROM ACCOUNTS RECEIVABLE

	January	February	March	April	May	June	Total
Balance beginning of month.....	\$1,200,000	\$1,323,750	\$ 932,250	\$1,186,500	\$1,440,750	\$1,567,875	\$1,200,000
Billings during month.....	565,000	678,000	904,000	1,017,000	1,073,500	1,073,500	5,311,000
Total.....	\$1,765,000	\$2,001,750	\$1,836,250	\$2,203,500	\$2,514,250	\$2,641,375	\$6,511,000
<i>Less</i>							
Deductions from sales, including uncollectible accounts.....	\$ 11,300	\$ 13,560	\$ 18,080	\$ 20,340	\$ 21,470	\$ 21,470	\$ 106,230
Cash collections.....	429,950	1,055,940	631,670	742,410	924,905	1,009,655	4,794,530
Total.....	\$ 441,250	\$1,069,500	\$ 649,750	\$ 762,750	\$ 946,375	\$1,031,125	\$4,900,750
Balance end of month.....	\$1,323,750	\$ 932,250	\$1,186,500	\$1,440,750	\$1,567,875	\$1,610,250	\$1,610,250

Schedule L. Forecast of Collections from Accounts Receivable

This schedule is prepared by taking the accounts receivable balance at the beginning of the period and adding to it the value of billings of finished product during the period. Deduction should then be made for the estimated balance of accounts receivable at end of period which should represent so many days' billings of merchandise outstanding and uncollected at any particular time. In arriving at the number of days, consideration must be given to terms of sale of each product. The difference will represent the estimated credits to accounts receivable during the period.

The estimated credits to accounts receivable as obtained above should be reduced by the amount of estimated deductions including uncollectible accounts, which estimated deductions from sales will not be received in cash but will deplete the estimated figure to an amount representing the actual cash, estimated, which will be received.

Schedule M. Estimated Profit and Loss Statement

This statement is built up after consideration of data appearing on previous schedules and summarizes the effect of all nominal and expense items budgeted during the period, as follows:

1. Gross sales are obtained from Schedule A.
2. Deductions from sales are obtained from Schedule L. This figure represents actual deductions. Where it is the practice to create reserve accounts for deductions, the reserved amount would appear in this schedule having been obtained from Schedule J. The cash allowance upon collection of accounts receivable should then be charged against the reserve accounts and be offset by deduction from accounts receivable collections for purpose of pre-determining cash receipts for application to the cash budget.
3. The cost of sales figure is arrived at by calculation of estimated unit sales at composite average unit factory cost of \$6.78. For purpose of this schedule, however, direct material inventory beginning and end of period, purchases and consumption, are obtained from Schedule E; direct labor and manufacturing expense

SCHEDULE M. ESTIMATED PROFIT AND LOSS STATEMENT—SIX
MONTHS' PERIOD ENDED JUNE 30, 1925

Gross Sales		\$5,311,000
Deductions from Sales		106,220
Net Sales		<u>\$5,204,780</u>
Cost of Sales		
Direct Material		
Inventory beginning of period	\$ 380,000	
Purchases	<u>2,965,930</u>	\$3,345,930
Inventory end of period		<u>474,600</u>
Raw Material used		2,871,330
Direct Labor		492,228
Manufacturing Expense		738,342
		<u>\$4,101,900</u>
Work in Process		
Inventory beginning of period	\$ 135,600	
Inventory end of period	<u>372,900</u>	
Increase (deduct)		<u>237,300</u>
		\$3,864,600
Finished Goods		
Inventory beginning of period	\$ 813,600	
Inventory end of period	<u>1,491,600</u>	
Increase (deduct)		<u>678,000</u>
Cost of Goods Sold		\$3,186,600
Gross Profit from Sales		<u>\$2,018,180</u>
Operating Expenses		
Selling Expenses	\$ 832,480	
Administration Expenses	<u>430,868</u>	
Total Operating Expenses		<u>\$1,263,348</u>
Net Operating Profit		<u>\$ 754,832</u>
Corporate Income Credits	(5,000)	
Corporate Income Debits	15,000	
Corporate Finance Expenses	<u>150,000</u>	
Total Corporate Expenses		<u>160,000</u>
Profit for Period		\$594,832
Provision for Income Taxes		74,354
Net Addition to Surplus		<u>\$ 520,478</u>

from Schedule D and G, respectively; and the value of inventory at beginning and end of period concerning goods in process and finished goods from Schedule B.

4. Commercial and corporate expenses are obtained from Schedule I.

5. Provision for income tax is a reserve account appropriated from profits of the period and requires no separate schedule. If at beginning of period a liability existed for Federal Income Taxes it would be budgeted for payment on the cash budget (Schedule N) according to month in which payment is due.

6. This schedule when complete should be worked into the estimated balance sheet at end of period (Schedule O) in conjunction with the cash budget (Schedule N) and Schedule J the budget for miscellaneous and non-cash items.

Schedule N. Cash Budget

This cash budget is cross-referenced to other schedules from which data are obtained for its preparation, and is tied-up in dollars and cents with all of the budgets and as well with the balance sheet at the beginning and end of the period. It provides a ready means for predetermining the money requirements necessary to conduct operations during the period, so that it may be definitely known in advance just how much money is required to work under the planned budget, when that money will be needed and when it will be possible to refinance required loans. If additional capital is required previous notice certainly will be brought out by the budget scheme so that plans may be laid to accomplish a strong financial structure.

Sight must not be lost of the fact that in dealing with precarious markets, such as have existed in the present year, considerable more working capital is required to do the same volume of business in units as heretofore was necessary.

Schedule O. Estimated Balance Sheet for the End of the Period

This statement is developed by injecting into the balance sheet at the beginning of the period the figures as represented by the

SCHEDULE N. CASH BUDGET FOR PERIOD JANUARY 1 TO JUNE 30, 1925

	January	February	March	April	May	June	Total
Collections from Sales (Schedule L).....	\$429,950.00	\$1,055,940.00	\$631,670.00	\$742,410.00	\$ 924,905.00	\$1,009,655.00	\$4,794,530.00
Marketable U. S. Govt. Securities.....	25,000.00	.....	.....	.....	.....	.....	25,000.00
Corporate Income Credits.....	.....	5,000.00	.....	.....	.....	.....	5,000.00
Miscellaneous Adjustments (Sched. J.).....	1,327.00	1,327.00	1,327.00	1,327.00	1,327.00	327.00	6,962.00
Total.....	\$456,277.00	\$1,062,267.00	\$632,997.00	\$743,737.00	\$ 926,232.00	\$1,009,982.00	\$4,831,492.00
Estimated Cash Disbursements							
Direct Material (Sched. B).....	\$433,072.50	\$ 477,408.25	\$462,785.00	\$468,667.50	\$ 539,837.50	\$ 536,891.25	\$2,918,630.00
Factory Payroll (Sched. D).....	98,860.00	101,700.00	104,200.00	102,200.00	102,200.00	101,746.00	610,406.00
Factory Indirect Material (Sched. F).....	15,000.00	9,486.00	26,272.50	27,120.00	34,917.00	24,746.50	137,654.00
Miscellaneous Factory Items:							
Direct Expense (Sched. C).....	12,560.00	13,560.00	13,560.00	13,560.00	13,560.00	14,238.00	82,038.00
Repairs—Maintenance (Sched. C).....	13,560.00	13,560.00	13,560.00	13,560.00	13,560.00	14,238.00	82,038.00
Power, Light, Heat and Water (Sched. C).....	27,120.00	27,120.00	27,120.00	27,120.00	27,120.00	28,476.00	164,076.00
Insurance, Taxes, etc. (Sched. H).....	.....	12,000.00	13,019.00	12,000.00	.....	.....	37,019.00
Plant Additions (Sched. K).....	.....	.....	.....	.....	.....	.....	.....
Material Purchases.....	22,500.00	32,500.00	40,000.00	51,000.00	39,000.00	35,500.00	220,500.00
Overhead.....	2,500.00	.....	2,500.00	2,500.00	.....	.....	8,000.00
Selling Expense (Sched. I).....	138,745.00	138,747.00	138,747.00	138,749.00	138,749.00	138,747.00	832,480.00
Administration Expense (Sched. I).....	71,811.00	71,811.00	71,812.00	71,811.00	71,811.00	71,812.00	432,888.00
Corporate Income Debits.....	5,000.00	.....	5,000.00	.....	.....	.....	15,000.00
Corporate Finance Expense.....	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	150,000.00
Dividends.....	120,000.00	.....	.....	.....	.....	.....	120,000.00
Total.....	\$986,729.50	\$ 922,900.25	\$943,525.50	\$951,284.50	\$1,011,272.50	\$ 991,096.75	\$5,806,809.00
Summary of Cash Requirements							
Receipts.....	\$456,277.00	\$1,062,267.00	\$632,997.00	\$743,737.00	\$ 924,232.00	\$1,009,655.00	\$4,831,492.00
Disbursements.....	986,729.50	922,900.25	943,525.50	951,284.50	1,011,272.50	991,096.75	5,806,809.00
Net Balance.....	530,452.50	139,366.75	310,528.50	207,547.50	85,040.50	18,885.25	975,317.00
Notes Payable Due.....	.....	.....	300,000.00	.....	300,000.00	.....	600,000.00
Total.....	530,452.50	139,366.75	610,528.50	207,547.50	385,040.50	18,885.25	1,575,317.00
Cash Balance at Beginning.....	300,000.00	69,547.50	208,914.25	98,385.75	140,838.25	105,797.75	300,000.00
Cash Balance end of Month.....	230,452.50	208,914.25	401,614.25	109,161.75	244,902.25	124,633.00	1,275,317.00
Money Required to Borrow.....	300,000.00	.....	500,000.00	250,000.00	350,000.00	292,817.00	1,692,817.00
Cash Balance end of Month.....	\$ 89,547.50	\$ 208,914.25	\$ 98,385.75	\$140,838.25	\$ 105,797.75	\$ 417,500.00	\$ 417,500.00

operating statement and all other schedules affecting cash or expenditures, taking into consideration payments for income tax, dividends, and as well all non-cash and reserve or valuation amounts.

This schedule as well as the operating statement should be constructed on a monthly basis, so that comparison may readily be made between the estimated or budgeted balance sheet and operating statement and the actual.

Schedule P. Comparison Form Budget Versus Actual Amounts Monthly and to Date

In order to place before the firm membership types of statements of actual accomplishment against budget estimates, there are attached the following comparative schedules:

- Schedule P-a. Monthly Report-Cash Budget
- Schedule P-b. Monthly Report-Sales
- Schedule P-c. Monthly Report-Direct Materials
- Schedule P-d. Monthly Report-Factory Cost of Finished Production

These statements are by no means conclusive being representative only of certain of the monthly reports which should be prepared for the management so that they may intelligently picture the actual accomplishment against budget estimates and be presented with detailed information supporting the variations as to cause.

No doubt the figures will be self-explanatory as they may be traced back to the budget schedules as originally prepared and, like unto the budget itself, are possible of reconciliation through to the operating statement and balance sheet.

BUDGETARY CONTROL

SCHEDULE O. ESTIMATED BALANCE SHEET AT JUNE 30, 1925, COMPARED WITH ACTUAL BALANCE SHEET AT
DECEMBER 31, 1924

ASSETS		DECEMBER 31, 1924	JUNE 30, 1925
CURRENT ASSETS			
Cash, U. S. Government Securities, Debts Receivable		\$ 300,000	\$ 417,500
Marketable U. S. Government Securities		25,000	100,000
Notes, Loans and Acceptances Receivable		100,000	1,610,250
Accounts Receivable		1,200,000	
Merchandise, Materials and Goods in Process			\$1,491,600
Finished Goods	\$ 813,600		372,900
Goods in Process	135,600		543,078
Materials and Supplies	460,000		15,000
Materials and Supplies in Transit	12,000	1,421,200	2,422,578
Total Current Assets		\$3,046,200	\$4,550,328
PROPERTIES, PLANTS AND SECURITIES			
Land	\$ 100,000		\$ 100,000
Buildings	900,000		950,000
Machinery and Equipment	1,680,000		1,880,000
Molds, Cores and Poles	120,000		120,000
Miscellaneous Items	200,000		200,000
Less Reserve for Depreciation	\$3,000,000	\$2,940,000	\$3,250,000
	60,000		150,000
Securities			50,000
Stocks and Bonds-Subsidiary Companies		50,000	20,000
Capital Stock Unallotted		20,000	30,000
Sinking Funds, Securities, Mortgage Loans		30,000	
Total Properties, Plants and Securities		3,040,000	3,200,000
PREPAID, DEFERRED AND MISCELLANEOUS ASSETS		10,000	10,000
GOOD-WILL, PATENTS AND TRADE MARKS		500,000	500,000
TOTAL ASSETS		\$6,596,200	\$8,260,328

LIABILITIES AND CAPITAL

	DECEMBER 31, 1924	JUNE 30, 1925
CURRENT LIABILITIES		
Notes, Loans and Acceptances Payable.....	\$ 100,000	\$1,192,817
Accounts Payable.....	208,000	284,800
Accrued Payroll.....	15,000	25,679
Dividends Payable.....	120,000	240,000
Accounts Payable—Controlled and Subsidiary Companies.....	1,000	1,000
Accrued Taxes and Interest.....	25,000	32,000
Miscellaneous Items Payable.....	18,000	20,000
Provision for Income Tax.....	.....	74,354
Total Current Liabilities.....	\$ 487,000	\$1,870,650
FUNDED DEBT.....	500,000	500,000
CAPITAL STOCK AND SURPLUS		
Capital Stock.....	\$4,000,000	\$4,000,000
General Reserves.....	50,000	50,000
Surplus.....	1,559,200	1,839,678
Total Capital Stock and Surplus.....	5,609,200	5,889,678
TOTAL LIABILITIES AND CAPITAL.....	\$6,596,200	\$8,260,328

SCHEDULE P-a. COMPARISON FORM BUDGET VS. ACTUAL AMOUNTS MONTHLY AND TO DATE

MONTHLY REPORT—CASH BUDGET PERIOD	BUDGET		VARIATION		BUDGET PERIOD TO DATE		VARIATION TO DATE	
	Estimated	Actual	Increase	Decrease	Estimated	Actual	Increase	Decrease
Cash Receipts								
Collection from Sales	\$429,950.00	\$435,120.00	\$ 5,170.00					
Marketable U. S. Govt. Securities	25,000.00	25,500.00	500.00					
Corporate Income Credits	100.00	100.00	100.00					
Miscellaneous Adjustments	1,327.00	1,325.00		\$ 2.00				
Total	\$456,277.00	\$462,045.00	\$ 5,770.00	\$ 2.00				
Cash Disbursements								
Direct Material	\$433,072.50	\$430,072.50	\$ 300.00	\$ 13,000.00				
Factory Payroll	98,860.00	99,160.00						
Factory Indirect Materials	15,000.00	14,780.00		250.00				
Miscellaneous Factory Items								
Direct Expense	13,560.00	13,178.40		381.60				
Repairs—Maintenance	13,560.00	13,178.40		381.60				
Power, Light, Heat and Water	27,120.00	29,131.20	2,011.20					
Insurance, Taxes, etc.								
Plant Additions								
Material	22,500.00	22,000.00		500.00				
Overhead	2,500.00	2,600.00	100.00					
Selling Expense	138,746.00	142,246.00	3,500.00					
Administrative Expense	71,811.00	71,816.00	5.00					
Corporate Income Debits	5,000.00	4,970.00		30.00				
Corporate Finance Expense	25,000.00	26,120.00	1,120.00					
Dividends	120,000.00	120,000.00						
Total	\$986,729.50	\$979,222.50	\$ 7,036.20	\$ 14,543.20				
Summary of Cash								
Receipts	\$456,277.00	\$462,045.00	\$ 5,768.00					
Disbursements	986,729.50	979,222.50		7,507.00				
Net Balance	\$530,452.50	\$517,177.50	\$ 13,275.00					
Notes Payable Due								
Total	\$530,452.50	\$517,177.50	\$ 13,275.00					
Cash Balance at Beginning	230,452.50	217,177.50	13,275.00					
Money Required to Borrow	300,000.00	300,000.00						
Cash Balance end of Month	\$ 69,547.50	\$ 82,822.50	\$ 13,275.00					

SCHEDULE P-C. COMPARISON FORM BUDGET VS. ACTUAL AMOUNTS MONTHLY AND TO DATE—(Continued)

		PERIOD					1925	
		MONTHLY REPORT—DIRECT MATERIAL BUDGET						
		Estimated Purchases	Actual Purchases	Per Cent Increase or Decrease	Estimated Inventory	Actual Inventory	Per Cent Increase or Decrease	Remarks
26.1	Crude Rubber	\$000.00	\$000.00	.....	\$000.00	\$000.00	.....
	26.11 Smoked Sheets—Ribbed.....	000.00	000.00	.....	000.00	000.00	.....
	12 Craps.....	000.00	000.00	.....	000.00	000.00	.....
	14 Paras.....	000.00	000.00	.....	000.00	000.00	.....
	15 Balata.....	000.00	000.00	.....	000.00	000.00	.....
	16 Caucho.....	000.00	000.00	.....	000.00	000.00	.....
26.2	Textiles	000.00	000.00	.....	000.00	000.00	.....
	26.21 Body Fabric.....	000.00	000.00	.....	000.00	000.00	.....
	26.211 Square Woven.....	000.00	000.00	.....	000.00	000.00	.....
	213 Cord.....	000.00	000.00	.....	000.00	000.00	.....
	22 Drill.....	000.00	000.00	.....	000.00	000.00	.....
	23 Duck.....	000.00	000.00	.....	000.00	000.00	.....
	23 Sheeting.....	000.00	000.00	.....	000.00	000.00	.....
26.3	Compounding Materials	000.00	000.00	.....	000.00	000.00	.....
	26.31 Compounds.....	000.00	000.00	.....	000.00	000.00	.....
	32 Solvents, Acids, Chemicals.....	000.00	000.00	.....	000.00	000.00	.....
26.4	Reclaimed Rubber	000.00	000.00	.....	000.00	000.00	.....
26.5	Lead Wire.....	000.00	000.00	.....	000.00	000.00	.....
26.6	Solid Tire Basis.....	000.00	000.00	.....	000.00	000.00	.....
26.8	Extra Materials.....	000.00	000.00	.....	000.00	000.00	.....
	26.81 Paper Boxes.....	000.00	000.00	.....	000.00	000.00	.....
	82 Cartons.....	000.00	000.00	.....	000.00	000.00	.....
	83 Labels.....	000.00	000.00	.....	000.00	000.00	.....
	Total.....	000.00	000.00	.....	000.00	000.00	.....

INDEX

A

Acceptances Payable, 9
Acceptances Receivable, 4, 29, 240
Accounts Payable, 9, 10, 106, 116
 miscellaneous, 114
Accounts Receivable, 4, 5, 32, 241
 overpayments, 114
Accrued Assets Receivable, 52
Accrued Commission, 115
Accrued Payroll, 114
Accrued Taxes and Other Liabilities,
 118
Adjustments, 138, 236, 238
 insurance, 102
 inventory, 166
 reserve for, 36
 export, 45
Administrative Departments, 187
Administrative Divisions, 185
Administrative Expense, 156, 189,
 201, 232
Advances,
 commission, 93
 freight, 96
 payroll, 92, 93
 to vendors, 68
Advertising, 103, 156
 foreign, reserve for, 46
Allowances, 137
 reserve for, 37
 export, 45
Automobiles, 17, 74, 83, 152, 153,
 158, 172
 reserve for depreciation, 76, 84, 85
Auxiliary Sales Departments, 199

B

Bad Debts, 16, 36, 40, 44, 155
Balance Sheet, 208, 211, 243
Balance Sheet Accounts, 3, 23-132

Bank Deposits, Interest, 50
Bank Loans, 98
Bond Discount, Prepaid, 99
Bond Interest, 121
Bonds, 52, 86, 87, 88, 124, 175
 outside companies, 89, 90, 91
 surety, 153
Books and Periodicals, 155
Branch Expense, 15, 152, 194
Budget,
 cash, 243
 for factory departmental overhead,
 230
 for plant additions, 238
 vs. actual, comparison form, 245
Budgetary Control, 215
Buildings, 69, 78
 reserve for depreciation, 75, 79
 taxes, etc., 151, 157

C

Capital Stock, 83, 126, 131
 tax, 169
Cash, 3, 23
Cash Budget, 243
Checks, Post-Dated, Accounts Re-
 ceivable, 33
Claims, 170, 173
 accident, 109
 common carriers, 49
 insurance, 49, 173
 miscellaneous, 108
Commercial Agency Subscriptions,
 Prepaid, 100
Commercial Expense, 148, 183, 193,
 203
Commissions, 149
 accrued, 115
 advances, 93
 purchase, 164

Common Carriers, Claims, 49
 Comparison Form Budget vs. Actual, 245
 Consigned Finished Goods, 59
 Construction in Process, 77
 Contract Advances, 77
 Contract Estimates Payable, 110
 Corporate Income and Expense, 17, 18, 19, 159, 160, 202
 Cost of Sales, 14, 147, 203
 Credit and Collection Expense, 154
 Current Liabilities, 105
 Customers' Notes and Acceptances, 29. (See also "Accounts Receivable")

D

Debts Receivable, 3, 23
 Deductions from Sales, 13
 Deferred Items, 92. (See also "Suspended")
 Demolitions, 171
 Demurrage, Accrued, 122
 Departmentalization of Selling and Administrative Divisions, 185
 Deposits, Bid and Bond, 50
 Depot Expense, 151
 Depreciation Reserves, 70, 71, 75, 79
 Discount, Prepaid, 98
 Discounted Loans Receivable, 31
 Discounts, Cash, 146, 174
 reserve for, 34
 export, 43
 District and Branch Expense, 194
 Dividends,
 payable, 10, 116, 131
 receivable, 54, 164
 unclaimed, 108

E

Employees,
 accounts receivable, 47, 50
 benefit account, 113
 deposits, tools and locker keys, 111

Employees—(*Continued*)
 income tax withheld at source, 112
 mortgage loans, 91, 92
 notes, 30
 payment on houses, 113
 sale of goods to, 162
 savings and securities, 112
 stock subscriptions, 113
 Employees' Compensation Insurance, 153
 Employment Expense, 153
 Entertainment Expense, 150, 157
 Exchange Items, 26
 Excise Tax on Sales, 108, 140
 Experimental Work, 101, 172
 Export, Amounts Receivable, 41
 reserve for, 43-46
 suspended accounts, 42
 Extraordinary Expenses, 170

F

Factory Cost for Goods in Process,
 Breakdown of, 224
 Factory Departmental Overhead,
 Budget for, 230
 Factory Ledger Control, 63
 Factory Warehouse Expense, 15, 151
 Finance Expenses, 202
 Finished Goods, 5, 54, 153, 222
 inventory adjustments, 165
 obsolete, 161
 Fixed Liabilities, 124
 Forecasts, 218, 222, 224, 227, 230, 231, 232, 241
 Foreign Advertising, Reserve for, 46
 Foreign Currency, 27, 164
 Franchise Tax, 119, 169
 Freight Allowance, Reserve for, 35, 40
 export, 43
 Freight and Express, 96, 97, 141, 154
 Funded Debt, 10
 Furniture and Fixtures, 7, 73, 78, 80, 81, 154

G

General Ledger Accounts, 1, 21
 Good-Will, 9, 104, 132
 Goods in Process, 5, 167, 222

H

Home Office Auxiliary Sales Departments, 199
 Home Office Sales Management Expense, 198
 Home Office Selling Division, 196

I

Imprest System (See "Working Funds")
 Improvements to Leaseholds, 99
 Income and Expense on Sales, 13, 135
 Income and Finance Expenses, Corporate, 202
 Income, Sinking Fund, 165
 Income Tax, 19, 112, 118, 160, 177
 Indirect Materials and Supplies, 230
 Insurance, 231
 adjustments, 102
 claims, 49, 173
 employees' compensation, 153
 liability, 123
 mutual, 51
 on buildings, 151, 157
 on stock, 152
 prepaid, 94, 95, 98
 Interest, 8, 10, 174-176, 231
 accrued, 52, 121, 122
 bank deposits, 50
 bonded debt, 175
 matured, 53
 prepaid, on bank loans, 98
 Inventory Adjustments, 166
 Investments in Stocks and Bonds, 89
 reserve for loss, 90
 Invoices,
 unaudited, 109
 unrendered, 110

L

Land, 68, 78, 170
 Leaseholds, Improvements to, 99
 losses, 151
 Liabilities, 9, 10, 105, 124
 Light, 70, 151, 157
 Liners and Wraps, 72
 Loans Payable, 106
 Loans Receivable, 4, 31
 Loans to Employees (See "Employees")
 Loss on Finished Goods, 153
 Loss on Stocks and Bonds of Subsidiaries, 87

M

Machinery and Equipment, 70
 reserve for depreciation, 75
 Maintenance, 70-72, 152, 153, 157
 Management Expense, 198
 Manufacturers, Accounts Receivable, 37
 reserve for,
 accounts, 38
 allowances, 41
 bad debts, 40
 cash discounts, 39
 freight allowances, 40
 Materials, 66, 227
 Merchandise, 54
 Method of Sale, 190
 Miscellaneous Adjustments, 238
 Miscellaneous Assets, 92
 Miscellaneous Expense, 155
 Miscellaneous Income Credits, 166
 Molds, Cores and Poles, 72
 Mortgage Loans, 8

N

Necessity for Division of Sales, 189
 Notes Payable, 105
 Notes Receivable, 29

O

Obsolete Goods and Supplies, 161
 Office Expense, 15, 17, 153, 158
 Officers and Employees,
 accounts receivable, 47, 50
 notes, 30
 Operating Accounts, 13, 135-182
 Operating Statement, 207, 211
 Overhead, 230
 Overpayments, Customers', 114

P

Patents, 9, 104
 Payroll, 149, 224
 accrued, 114
 advances, 92, 93
 unclaimed wages, 107
 Pensions, 166
 Plant Additions, 238
 Plants, 68, 171
 Postage, 28, 153
 Power, 71, 151, 157
 Prepaid Expenses, 8, 92-103
 miscellaneous, 103
 Prior Prepaid Charges, Profit and
 Loss, 181
 Profit and Loss Accounts, 19, 160,
 177-182
 Profit and Loss Statement, 241
 Properties, 6, 68, 170
 Property Tax, 120
 Purchased Material, Subsidiaries, 47

R

Raw Material, 168
 obsolete, 161
 Real Estate, 85, 171
 Rebates, Volume, 140
 reserve for, 35
 Rent Received, 160
 Rental Expense, 15, 17, 100, 123,
 151, 157

Repairs (See "Maintenance")

Reserves for

 adjustments, 36
 export, 45
 allowances, 37, 41
 export, 45
 bad debts, 36, 40
 export, 44
 cash discounts, 34, 39
 export, 43
 depreciation, 70, 71, 75, 76, 78, 79,
 82, 84, 85
 foreign advertising, 46
 freight allowance, 35, 40
 export, 43
 general, 129
 loss in investments, 90, 91
 loss on stocks and bonds of subsid-
 iaries, 87
 real estate, 85
 shrinkage in value—finished goods,
 57, 60, 61
 sinking fund, etc., bonds, 125
 volume rebates, 35
 Returned Goods, 136, 146
 Revaluation, Surplus through, 132
 Royalties, 48, 54, 122

S

Salaries, 149, 156 (See also "Pay-
 roll")
 Salary and Wage Advances, 92, 93
 Sale,
 method of, 190
 of obsolete equipment, 48
 of obsolete goods and supplies, 61,
 162
 of property, 170, 171
 Sales, 135
 cost of, 147
 excise tax on, 108, 140
 income and expense on, 13, 135
 miscellaneous, 163
 Sales Departments, 199

Sales Management Expense, 198
 Sales Service Expense, 155
 Sales Units, 218
 Sales Value of Products, 218
 Salvage Sales, 160
 Sample Account, 62, 153
 Securities, 6, 7, 86
 Selling Divisions, 185, 196
 Selling Expenses, 14, 148, 189, 232
 Shipping Expense, 15, 141, 151
 Sinking Fund Income, 165
 Sinking Funds, 53
 State and County Taxes, 118-120, 169
 Stock Handling Expense, 152
 Stocks and Bonds, 52, 86, 87, 89 (See also "Capital Stock" and "Bonds")
 Storage, 152
 Subscriptions to Stock, 127, 128
 Subsidiaries,
 accounts payable, 116
 accounts receivable, 46
 purchased material, 47
 stocks, 86, 87
 Supplies, 66, 153, 168
 obsolete, 162
 Surplus, 11, 124, 130, 132
 Suspended Accounts, 33, 48, 50
 export, 42
 manufacturers, 38
 Suspended Charges, Allied Companies, 102
 Suspense Profit and Loss, 179

T

Taxes, 69, 97, 118, 169 (See also "Income Tax")
 accrued, 118
 on buildings, 151, 157
 on furniture, 154
 Taxicab Mileage Contract Expense, 154
 Telegraph and Telephone, 153
 Tires, 153
 Tools, Small, 73
 employees' deposits on, 111
 Trade Marks, 9, 104, 132
 Trade Names, 104, 132
 Transfer of Funds, 27
 Transportation, 141
 Traveling Expense, 14, 17, 150, 157
 Treasury Stock, 127
 Trucks, 7, 17, 74, 83, 141, 152, 153, 172
 reserve for depreciation, 76, 84, 85

U

Unclaimed Dividends, 108
 Unclaimed Wages, 107
 U. S. Government Securities, 3, 28

W

Wages (See "Payroll")
 Warehouses, 78, 79
 shipping expense, 151, 152
 Working Funds, 27

