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Analytical balance sheets for industrials

C. E. Woods

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by

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WE REALIZE THAT MOST MEN DON'T READ THE BOOKLETS THEY RECEIVE

MAKE AN EXCEPTION FOR ONCE . . THEN READ THIS OVER THE SECOND TIME . THEN TALK TO YOUR ACCOUNTANT ABOUT IT.

ANALYTICAL BALANCE SHEETS *for* INDUSTRIALS

By
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PREAMBLE

POLICY

FROM a financial point of view, investment—its use, control and returns, are the chief objects in every manufacturing business, and all activity should be with this clearly in mind. Looked at in fact, there are just three things, primarily, that tie money up in a manufacturing business, viz: Plant—Inventory—Accounts Receivable. Plant investment is fixed, or permanent; Inventory and Accounts Receivable are flexible and in these two latter lies the danger to successful administration, unless it is governed by a policy that will keep them well within the confines of the capital employed or available. It is this very flexibility that piles up inventory instead of cash for dividends, and grants credits that cause borrowings to be made, often beyond the earning power of a business.

Over-expansion of credits and over-borrowing being the cause of 90% of all industrial ills, the problem resolves itself into a policy that will relate capital and turn-over in such a way as to avoid this danger.

Looked at from another point of view, market opportunity often leads manufacturing concerns

into operations not protected by sufficient capital, and the fatality of attempting to do too large a business on insufficient capital has been illustrated only too well, time and time again. If the number of concerns operating with insufficient capital were known today, the percentage would be amazingly large. The only safe and sane way for any concern to proceed is to make a very careful engineering check-up as to the balancing factors between Plant Capacity, Turn-over and Capital, and adjust conditions accordingly. With this done, any established concern with a reasonable record should have no difficulty from now on, in obtaining sufficient capital if they go about it in the right way and place before investors facts relative to these things, and in such a way as to show that the Executives are in control of this necessary balancing relationship.

SUFFICIENT CAPITAL

What is meant by "sufficient capital" is illustrated in the following: The writer was recently called on to make an examination of an automobile industry. From information which he had of industrials of this character, it was known that the working investment (which does not include plant) could only be turned over about 1.6 times per annum, yet the concern in question was trying to do a $16,000,000 business on a capital of about $6,000,000, whereas they should have had not less than $10,000,000, all of which simply resulted (from over-borrowing), in a Receivership. Had the Company been dominated by a policy that kept them close to a $10,000,000 turn-over, or had they increased their permanent capital to $10,000,000, they

never would have gotten into financial trouble. Over-Investment in plant is perhaps one of the greatest evils that many Companies have to deal with at the present time. This over-investment is often the result of unbalanced producing conditions. To illustrate this, the writer had occasion to investigate a business which had an investment of about $800,000 and was doing an annual business of about $900,000. In this plant some of the departments and machine tools were worked overtime on night shifts, in order to get their operations done in the same proportion that other departments could do them in a regular day shift. To balance up the departments so as to have a uniform output in one shift, required an investment of $69,000 for new machinery, and by the purchase of this the output was increased from $900,000 to $ 1,500,000 per annum on a one shift basis. In other words, a $69,000 increase in capital investment produced an output 66% greater than was produced before; the over-investment in its unbalanced condition, was about $275,000. Such a survey as this is necessary in many plants in order to determine whether additional capital is needed to balance up the plant, or whether it is needed to reduce loans and other indebtedness to a normal condition.

The line of least resistance is always to borrow money and if done because of insufficient capital, rather than for a temporary need, does not mean expansion or a permanent adjustment of balance and is therefore dangerous and should be avoided when exceeding 50% of the Quick Assets if Executives want to free themselves from the dictation of Banks and outside influences. Nothing depreciates the value of stock more

rapidly than the payment of interest on borrowings and the obligations that are assumed.

The next thing for consideration is what might be termed "market opportunity." In the examination of a concern who were about to increase their capital by $400,000, thinking they could expand their business by so doing. The first question asked was, what percentage of the market they then controlled? Exhaustive investigation of domestic and export trade on the particular line that they manufactured, showed that they were already selling nearly 30% of the product made; subsequently it was decided that to increase their sales beyond this percentage would be so expensive as to practically consume their expansion in a sales effort alone, therefore the idea of expansion was abandoned. In another instance an expansion was actually taking place which required a very considerable financing. Thorough investigation on market conditions, showed that this concern were only supplying about 3½% of the market demand for the goods they manufactured, that they were entitled to put up a competitive fight for at least 6 to 8% of market requirements and were financed accordingly, and subsequently did get over 9% of the market requirements.

From the foregoing it is perfectly simple to see that efficient and balanced plant capacity is the first consideration; market opportunity is the second consideration, and sufficient capital to balance these, is the third consideration.

Every manufacturing concern ought to give itself a survey for the purpose of setting up these factors as a basis for its manufacturing operations and merchandising. Then, having obtained in-

formation based on facts, in connection with these things, nothing is of so great importance to any executive or members of an executive committee as an Accounting System that will enable them to keep control of such factors after they are once put in balance, and, that what is meant by this may be thoroughly understood, a Balance Sheet is herewith analyzed, covering the financial, operating and merchandising factors in a manufacturing business.

The design and use of a set of Balance Sheets must be governed by principles that are fundamental in their control of accounting, so that all activities using the same elements can be controlled by a common method of procedure.

It makes no difference what a concern manufactures, the prime elements of costs are the same, *i.e.,* labor, material, expense; and the prime elements of operation are the same, *i.e.,* product made, betterment and repairs; and the same thing applies to selling expense, which mostly consists of the common factors of salaries, commissions, advertising, travelling, etc. But the kind, character and nomenclature governing the detail of these things, will be according to any particular business.

With an understanding of the above, the writer has developed the following as a set of standards to go by, in the design and development of a set of Balance Sheets for a manufacturing business. Check them up and see how well your accounting methods fit into these standards.

STANDARDS COMMON TO ALL INDUSTRIAL ACCOUNTING

1. No matter what a concern manufactures, the elements of operation always reduce themselves to the same

primes—namely, labor, material and expense—and are therefore identical in accounting work for any and all manufacturing concerns.

2. In principle, the accounting for investments and depreciation are the same in every manufacturing business.
3. To secure uniformity of costs, repairs to fixed assets should not be treated as an expense, but charged to depreciation.
4. Costs divide themselves into two distinct phases: those which pertain to production, or flat costs, and those which pertain to expense, which in turn must be absorbed into costs of production. A careful distribution of these expenses is therefore of the utmost importance.
5. Labor, material and expense constitute the units of measure for cost of production. Therefore, the total monthly value of these for any plant must be converted into actual inventoried assets each month.
6. The commercial or selling transactions of an industrial concern have absolutely nothing to do with production or the costs of production. Therefore, accountants must separate absolutely such expenditures from the operations of a factory.
7. In addition to the usual accounts of assets and liabilities, there are four analytical accounts—one of profit and loss; one of commercial expense; one of factory overhead; and one of factory production.
8. Through controlling accounts, the wide variables in factory overheads are distributed so as to make the costs of production reasonably uniform.

The industrial balance sheets illustrated and explained in this booklet, are controlled altogether by the principles set forth above and particular reference is made to

1. The analysis of Profit and Loss.
2. The analysis of Commercial Expense.
3. The analysis of Factory Overhead.
4. The analysis of Factory Production.

as these point out very clearly to what extent any industrial manager can have control of his business, and the explanations tell why, and how the commercial, sales and overhead percentage for the month is developed.

CLINTON E. WOODS

Philadelphia,
November, 1922.

ANALYSIS OF AN INDUSTRIAL MANAGER'S MONTHLY BALANCE SHEET

THE WORK OF AN INDUSTRIAL MANAGER

An industrial manager, in undertaking to operate a manufacturing plant should first find out the activities and experiences needed for executive operation and then shape his organization to that end, assign the work to be done, to the various department heads, and, himself, supervise their handling of detail. In other words, his job is to organize, deputize and supervise.

But a manager may have all the intellectual power imaginable, yet without facts with which to supervise his work, he is likely to become the slave of his organization, instead of its master. His departments will run him, instead of being run by him. The ship will have a dozen captains instead of one, and it will be impossible for him to steer a definite course to success.

To supervise intelligently, he must have facts concerning the operations of his business, at all points. Verbal information is unreliable and always incomplete. Special reports are frequently misleading. If he depends upon this kind of information to guide him in his super-

vision, he is at the mercy of various department heads, and must not only sacrifice most of his prestige, but will fail in producing many possible economies, and will usually pile up inventories instead of dividends.

To direct with certainty, he must be able to judge the work of others not by intentions, promises and excuses, but by cold, hard facts as shown by some comprehensive method of measuring the results obtained by those to whom he has assigned work.

PURPOSES OF MONTHLY BALANCE ACCOUNTING

The accounting methods represented by these balance sheets, are intended to furnish an accurate instrument for measuring results, in the form of a detailed accounting system fitted to every element in a business, and governed by a set of controlling accounts. The installation and operation of such a system is usually no more expensive than the fragmentary systems used in most factories today; yet the resulting benefits will easily be recognized by any industrial manager who will carefully study and apply the principles discussed.

There have been many different accounting systems constructed for manufacturing concerns, some of which are so elaborate and expensive as to be burdensome and top heavy, simply because they compile regularly much information that is never used by anyone. By these methods, however, this is all avoided, and it is possible to obtain a practical system of accounting without sacrificing the comparability of data already compiled.

What is required of any accounting system is

certain definite information, every bit of which is usable and used, which is founded on basic principles, and all of which is so unified that every fact it presents is related to a common whole.

THE MONTHLY BALANCE SHEET

Any manager who is giving serious thought to the success of his business desires first of all to know those factors which control not only the business, but the personnel of his organization as well. Nothing will give him this as well as an analytical monthly balance sheet.

The manager of any large manufacturing concern should no more undertake to run his business without an analytical monthly balance sheet, than should a superintendent undertake to make an automobile without detail drawings.

The balance sheets of many manufacturing concerns appertain to little more than commercial transactions. Usually, where a cost system is the result of independent development and estimating, bookkeeping is one thing, cost accounting is another, while production is treated as an incident, insofar as accounting is concerned, and often anything like accurate information about the business as a whole, is obtained but once a year.

The author has devoted much time and study to perfect a method of accounting for industrials, which will be to the manager of a manufacturing concern what detail drawings are to a superintendent, *i. e.*, something definite to work from, and he takes pleasure in presenting herewith, the results of his labor in the form of a complete set of balance sheets worked out in detail, showing an arrangement of accounting that does this,

inasmuch as it covers factory operations, sales operations, expense operations, production and finances, on an analytical and comparative basis. These sheets represent a unification of all cost accounting, bookkeeping and general accounting into one set of controlling accounts, and give in addition the complete inventories of production as well as costs of production.

In other words, if a factory purchases so much material, labor and expense each month, the accounting system must render an inventoried balance of these items, and this in turn must be balanced with the controlling accounts. By controlling accounts is meant a set of accounts that will give certain balances in connection with a business, entirely independent of accounts as carried in current ledgers; in other words, the balances which constitute controlling accounts are obtained from one source and compared against corresponding accounts from the routine accounting work of various departments. In this way, an absolute check on the accounting work is obtained, as well as a control over the various activities of the organization.

These balance sheets show in detail not only what has taken place in the business for the month, but also give comparisons from the month previous and cumulative statistics down to date for the year. They also show comparisons of the present year with the year previous on the same dates. Further, the classification and statistical comparison as a whole are such as will not only give any manager an opportunity to take immediate action in planning for the future, but at the same time will give him control of the organization under his charge, as will be shown in the general analysis.

In analyzing the balance sheets shown, as they should be analyzed by the manager of a company, it is necessary to study them from three different points of view; first, from that of the financier; second, from that of the executive; and third, from that of the manufacturer.

GENERAL ANALYSIS

ANALYZING THE BALANCE SHEET— FROM THE STANDPOINT OF THE FINANCIER

Under this caption there are four prime factors of operation to be considered.

1. The solvency of the company, determined by a comparison of its assets with its liabilities, giving due consideration to the character of same.
2. Its earning capacity, determined by comparing its total sales against gross and net profits.
3. Its earnings as compared with the investments made.
4. The handling of the business as a whole.

*It will be noted in the balance sheet shown, that current assets total $197,924.10; that the inventory of materials and merchandise amounts to $283,563.70. This is as far as the financier can go, because these two totals constitute all of the quick assets, which amount to $481,487.80. Against this there are total current liabilities of $170,685.78. In other words, there is $310,802.02 more in quick assest than there is in current liabilities. A business of this nature would be entitled to carry liabilities to the extent of at least one-half of its total quick assets; therefore, there is still a borrowing capacity of not less than $70,000.

*As a matter of convenience, many of the amounts in this discussion have been given in round numbers.

The profit and loss account shows that there was a net profit of $14,955.63 for January, 1917, and that the net profits for eight months have been $72,855 which, on the total volume of sales for eight months ($785,804.75), equals 9.2%. Therefore, the business as a going concern is in a very healthy condition, especially in view of the fact that the net increase in sales for the current month has been $42,745.14.

The total assets, including investment in the business, are $859,643.16. The net profits for eight months having been $72,855, the business is paying at the rate of about 13% per annum on the investments, which is very satisfactory.

Conservatism is shown in the management of the business by the fact that depreciation is charged into costs monthly, and that accrued dividends on preferred stock are not carried in Profit and Loss account, General; so that, after deducting dividends on preferred stock, the $63,532.72 earnings in eight months, are free to be applied as a dividend on common stock and for surplus, according to the decision of the directors.

Accounts receivable have increased only $20,000 on an increased sale of $42,000, which indicates a healthy cash market. Again, current assets have increased by over $13,000, while current liabilities have increased by $6000. Accounts payable have increased only $12,000 as against an increase of $23,000 in general stores, all of which goes to show a strong tendency to discount purchases.

That finances are being well handled is evidenced by the fact that for the eight months cash discounts and interest received have amounted to $14,196.60; furthermore, the expense in the

office, covering all accounting work, has amounted to but $21,098.63 for the same period of time. In other words, the accounting department has earned about 66 2/3% of its own expense, or 22% of the entire general commercial expense; therefore, to a banker, the entire condition of the business would be most satisfactory in every way, and one in which there would be no question concerning a loan of $70,000 or $100,000 if for any reason it were required; and if the present volume of sales were to keep up, an increased investment, either of a temporary or permanent kind, would probably soon become necessary.

ANALYZING THE BALANCE SHEET—FROM THE STANDPOINT OF THE EXECUTIVE

When a manager creates an organization around him, he should not, as is too often the case, assume the responsibilities of his various department heads, or do their work for them, but should throw the whole responsibility on them and then judge them altogether by results. If the results are not satisfactory, he should immediately make changes in his organization and get men big enough for the positions. To be able to work on these lines he must have a set of controlling accounts that control not only the finances and investments of his business, but his organization as well. What is meant by this is illustrated in the following analysis:

The manager would first check up the cashier's department by asking for the bank balances at the terminating period of the balance sheets. If they check with cash on hand of $25,070.20, all is well. He would then ask the billing department for the balance of accounts receivable

as shown on the customers' ledger, which must check the controlling account of $120,172.80. If their balances agree, their work is correct. If not, they are in error and they must locate the discrepancy.

The bookkeeping department is then called upon for the current accounts payable, which must check the controlling account of $109,627.68. If it does not, they are again in error and must locate the discrepancy.

Next, the same inquiry applies to general stores inventory. The stores ledgers must check the controlling account of $112,490, and so on for all important accounts constituting liabilities and assets shown on the balance sheets.

After the heads of these particular departments have been found in error two or three times by a manager, the moral influence that these controlling accounts have over them is far-reaching, as it not only compels them to do their work right, but keeps them from defalcation of any kind. This in itself is worth many times what it costs to get information in this form, as it in a way really constitutes a self-auditing system.

Reviewing further, as an executive, the work of the organization as revealed by the balance sheet, the next consideration is the collection department. From this must be obtained an explanation as to why accounts receivable past due have been allowed to increase $7,314 or a little over 50%, as shown on the balance sheet; and also why notes receivable have been allowed to increase $512.25. In the collection of these accounts, however, it is to be observed that accounts receivable, consigned, have decreased over $7,000. This, however, reflects a credit on

the sales department rather than the collection department.

At first glance the condition in the purchasing department is not altogether satisfactory, inasmuch as general stores have increased $23,000, while factory production has had a slight decrease in its use of general stores. This requires information from the stores department as to what the items are that have caused an increase of 25% in the general stores inventory, and an explanation from the purchasing agent. Nominally, the general stores inventory should not be over sixty days' factory requirements, as most materials can be obtained in less time than this from the market. The production sheet shows that $45,000 worth of general stores were used for the month, which would make a maximum inventory of $90,000; whereas the inventory is seen to be $112,490 or $22,490 too much. The decrease in inventory on work in progress, semi-finished stores, and finished stores, will be taken up from another point of view.

From investment under Assets, it appears that betterments have taken place this month to the extent of $5,442.90. Further, the factory production sheet shows that betterments have been made for the eight months to the extent of $22,780. From a knowledge of factory conditions, this seems excessive for the current month. Therefore, the office manager must give an explanation as to why it has been necessary to expend $1,100 for office furniture and fittings during the current month, which is apparently an excessive amount. Next, the superintendent is asked for an explanation as to why it has been necessary to spend $4,342.90 for machinery and tools, dies and jigs, etc., during the current month.

While it is true that both the office manager and the superintendent have an absolutely free hand in making expenditures, it is also true that they are answerable for exactly what they do every thirty days, and after men have been under such management as this for a few months, they think out their problems with a great deal of care before they make purchases of any character.

From the profit and loss sheet analysis, the sales department is to be complimented, inasmuch as its net sales have increased $42,745.14 for the month; especially is this so after looking at the analysis of commercial expense, for while sales have increased 42%, selling expense has only increased 14% over the previous month. There is one thing, however, to see the sales manager about immediately, and that is the fact that sales have increased $34,762, or 400%, on one model, while they have been reduced by over $20,000 on another, which is evidence that one model of machine is taking the place of another in the market. If this is so, manufacturing conditions must be immediately adjusted accordingly; therefore, a complete explanation of the means which have been adopted to increase the sales on this particular model is demanded. This will probably enable the manager to judge whether it is a permanent or temporary increase, and whether it is local or general in its territorial expansion.

The whole commercial analysis of the business, with some few exceptions, shows it to be fairly satisfactory from an executive point of view, especially in view of the small net increase of $1,257,50 on total commercial expense as compared with the total increase in sales. The only

other point in this connection would be to take up with the advertising manager the total monthly advertising of $4,168.90, which could possibly be reduced for a while, in view of the increased sales.

The average yearly percentage of commercial expense to sales is 15%. Therefore, 12.1% is extremely satisfactory and shows that this percentage has been reduced during the current month by 4.3% over the previous month.

ANALYZING THE BALANCE SHEET—FROM THE STANDPOINT OF THE MANUFACTURER

There are very few manufacturers today who know what production they ought to get from their factories, what they are getting, or in what shape they are getting it. In other words, they have no definite control over the operations of the most important thing they have to deal with, *i. e.* their investment in plant, material and labor. This is what an analytical accounting system provides for, so in the present instance there is a long session to be held with the superintendent.

The total production for the month is $110,-800.57, or $939.37 less than it was the previous month, notwithstanding the fact that productive labor has been increased by $3,218, as shown on the factory production sheet, and overhead, by $2,101.85, as shown by the increased non-productive labor ($1,610) and non-productive materials ($491.85) on the factory overhead sheet.

The decrease of $290 in general stores and of $6,441 in semi-finished stores would seem to show that the production for the month has been obtained by an abnormal increase in labor on the work. By analyzing a little further, it will

be seen that while the factory used $27,221 in semi-finished stores, it only delivered back to semi-finished stores $21,200, and that out of the total production $5,442 was charged to betterments.

The net increase in total production, finished, however, was $16,188. This could only have been obtained, in this case, by reducing a previous inventory which had already had much labor applied to it, inasmuch as the previous work in progress was $64,000, while the net work in progress for the current month is only $47,000. "Assets-Inventory" shows that work in progress was reduced $17,127.55, semi-finished stores $13,021.25, and finished stores $1,814.38; or a total of $31,963.18, which is exactly the amount necessary to make the increased sales of $42,745, the cost of which is shown to be $31,963.18.

This means that while the factory has delivered enough to meet sales requirements for the current month, it has drawn down inventories on work previously done to the extent of over $31,000, and consequently is that much behind sales in its production for the month. Therefore, for the coming month under present sales conditions, the factory would fall behind in its deliveries by something like $50,000, except for the fact that, as shown under Assets, there is $47,000 work in progress, $67,000 worth of semi-finished stores and $56,000 of finished stores to draw upon.

It will not do, however, to reduce these inventories, as they are not even normal as it is. $56,000 represents only about 12 days' shipping requirements, while the inventory ought never to be less than 30 days' requirements. Semi-finished stores of $67,000 represent only a production of a little over 60 days, as during the

current month $27,000 was used in the factory and $7,000 was sold in parts, while work in progress is low by about $17,000; therefore, the condition of the whole factory has to be keyed up, as the inventories are all out of balance in their relation to one another.

To do this, the factory must be re-scheduled; more labor must be put into the departments of first operation; and next month's balance sheet ought to show an increase in the use of general stores of at least $20,000 or $25,000, in order to get work coming through the factory fast enough. Therefore, in view of this situation, it is fortunate that general stores inventory has been increased during the present month by $23,000.

The factory overhead for the month shows 80.27%, which is a reduction of 1.52% for the month previous; and so far as this goes, it is very satisfactory. There are also a large number of similar details in connection with this balance sheet that could be *analyzed*, such as the percentage of profits on the different items sold, the percentage relation between depreciation and repairs, the various ratios between non-productive and productive elements, etc., etc.

AVAILABILITY AND VALUE OF ANALYTICAL BALANCE SHEET

It should be explained that both in principle and considerable detail, *these methods of accounting can be applied to any kind of manufacturing business, according to its own particular requirements.* No matter what a concern manufactures, it can only use labor, material and expense as processing factors, and can only buy and sell as commercial factors; and the principles laid down apply. If necessary, inventories can always be

divided up into more or less numerous accounts; as can also labor and material or expense of any kind; in other words, we can take the prime totals of assets, such as current, inventory and investment, and divide them up into any classification that may be required. The same may be said of liabilities, also revenue and costs of revenue and so on for the other various divisions that have totals.

The value of these balance sheets is also greatly increased where data from the previous year are filled in, as provided for in the last column, for a comparison of contractions or expansions in volume can then be made on a long range basis. Sufficient has been said to show the purpose of these accounting methods, their scope, and also their value to any executive who wants to manage a business on anything like a scientific basis and keep right up to the minute in his work.

Any manufacturer who will install such methods of accounting and take the time to analyze his business in the manner indicated, will not be long in realizing the invaluable assistance such accounting methods afford him in handling and financing it; and the feeling of security and confidence he will have in his business and organization, by reason of being in absolute control of it, will justify many times over, the expense and trouble incident to their installation.

COMPARATIVE FINANCIAL, INVESTMENT AND OPERATING ANALYTICAL BALANCE SHEETS

Designed by

CLINTON E. WOODS

BALANCE SHEET

Assets	Amounts	From Last Month		From Last Year	
		Increase	Decrease	Increase	Decrease
CURRENT:					
Cash in Banks	$25,070.20		$6,526.98		
Petty Cash	200.00				
Accounts Receivable	120,172.80	$20,610.00			
Accounts Receivable Past Due	14,280.70	7,314.00			
Accounts Receivable Consigned	3,280.00		7,270.00		
Accounts Receivable Suspense	1,090.20	212.58			
Notes Receivable	6,602.00	512.25			
Advanced Expenses Insurance	3,192.00		798.00		
Advanced Expenses Advertising	2,166.20		484.00		
Advanced Expenses Salesmen	870.00		350.00		
Treasury Bonds					
Treasury Stock Preferred	7,000.00				
Treasury Stock Common	14,000.00				
Total	*$1.97,924.10*	*$28,648.83*	*$15,428.98*		
	Net	*13,219.85*			
INVENTORY:					
General Stores	$112,490.00	$23,516.99			
Work in Progress	47,153.15		$17,127.55		
Semi-Finished Stores	67,510.00		13,021.25		
Finished Stores	56,410.55		1,814.38		
Finished Stores (Branches)					
Total	*$283,563.70*	*$23,516.99*	*$31,963.18*		
	Net		*8,446.19*		
INVESTMENT					
Real Estate	$40,000.00				
Buildings	118,600.00				
Buildings Equipment	26,700.00	$324.01			
Office Furniture and Equipment	8,970.60	1,100.00			
Machinery and Tools	138,677.72	1,890.15			
Dies and Jigs	9,426.10	3,538.74			
Shop Fixtures and Fittings	11,286.50	320.00			
Miscellaneous Equipment	15,297.65				
Patterns	4,200.79				
Drawings	2,100.00	270.00			
Patents	1,000.00				
Experimental and Development	1,896.00				
Good-Will and Agencies					
Total	*$378,155.36*	*$5,442.90*			
Total Assets	*$859,643.16*	*$57,608.72*	*$47,392.16*		
	Net	*10,216.56*			

Month of January, 31 days, 1922

Liabilities	Amounts	From Last Month		From Last Year	
		Increase	Decrease	Increase	Decrease
CURRENT:					
Accounts Payable Current.	$109.627.68	$12,776.55			
Accounts Payable Datings	20,180.00	3,100.00			
Notes Payable	40,000.00		$22,600.00		
Taxes Accrued	560.00	87.45			
Interest Accrued General. .	318.10	47.37			
Interest Accrued on Bonds					
Interest Accrued on Mortgages					
Total	*$170,685.78 Net.*	*$16,011.37*	*$22,600.00 6,588.63*		
RESERVES:					
Reserve for Real Estate. . .	$266.66	$33.33			
Reserve for Buildings	1,550.66	177.08			
Reserve for Building Equipment	620.60	45.75			
Reserve for Office Fur. & Equipment	346.89	20.01			
Reserve for Machinery and Tools	5,150 .48	550.33			
Reserve for Dies and Jigs..	182.60	46.82			
Reserve for Shop Fixtures and Fittings	939.22	108.11			
Reserve for Patterns.....	199.41	20.05			
Reserve for Drawings	179.20	14.75			
Reserve for Patents					
Reserve for Bad Accounts .	6,666.66	833.33			
Bond Redemption Fund...					
Total	*$16,102.38*	*$1,849.56*			
CAPITAL, BONDS & MORTGAGES:					
Capital Stock Preferred. . .	$200,000.00				
Capital Stock Common... .	400,000.00				
Bonds					
Mortgages					
Total	*$600,000.00*				
Total Liabilities	*$786,788.16 Net*	*$17.860.93*	*$22,600.00 4,739.07*		
SURPLUS AND DIVIDENDS:					
Profit and Loss General. . .	$63,532.72	$13,714.04			
Surplus					
Dividends (Accrued) Preferred	9,322.28	1,241.59			
Dividends Common					
Total	*$72,855.00*	*$14,955.63*			
Net Liabilities	*$859,643.16*	*$10,216.56*			

PROFIT AND LOSS — Month of January, 31 days, 1922

Analysis	Month of Jan. 1922	From Last Month		Eight Months To Date	To Date Same Period Last Year
		Increase	Decrease		
REVENUE:					
Road Racer Model	$2,814.15		$285.00	$7,180.75	
Roadster Model	15,319.80	$7,680.60		44,780.00	
Special Model	7,420.00	4,090.75		21,090.70	
Jobbing Model	9,905.25		1,770.20	40,275.15	
Ladies' Model	1,179.90	190.66		4,170.00	
Juvenile's Model	480.00		'66.66	3,280.00	
Racer Model	420.90			1,110.00	
Motorcycle 4 H. P. Service.	43,443.25	34,762.08		216,210.90	
Motorcycle 4. H. P. Tourist	33,326.45		20,106.97	377,950.00	
Motorcycle 6. H. P. Twin.	16,690.30	11,949.00		42,675.85	
Repairs	3,411.90	1,320.78		9,256.00	
Parts, Semi-Finished Stores	7,927.15	5,050.10		15,816.25	
General Stores	454.95		70.00	2,009.15	
Unclassified					
Total	*$142,794.00*	*$65,043.31*	*$22,298.17*	*$785,804.75*	
	Net	42,745.14			
COSTS OF REVENUE:					
Road Racer Model	$2,082.47		$210.00	$5,313.20	
Roadster Model	12,049.44	$6,130.80		30,002.60	
Special Model	5,727.52	3,149.30		15,184.80	
Jobbing Model	7,825.14		1,398.46	35,039.20	
Ladies' Model	896.72	144.40		2,780.00	
Juvenile's Model	367.60		50.82	1,870.00	
Racer Model	311.46			810.30	
Motorcycle 4 H. P. Service.	34,325.85	27,666.79		170,113.80	
Motorcycle 4 H. P. Tourist	26,250.80		16,085.57	287,111.13	
Motorcycle 6 H. P. Twin..	13,262.00	9,559.20		30,736.00	
Repairs	2,217.23	858.00		5,224.00	
Parts, Semi-Finished Stores	4,782.77	2,259.04		9,115.12	
General Stores	397.25		59.50	1,709.10	
Unclassified					
Total	*$110,496.25*	*$49,767.53*	*$17,804.35*	*$595,009.25*	
	Net	*31,963.18*			
Gross Profit	*$32,297.76*				
PROFIT AND LOSS:					
Net Commercial Expense..	$17,285.30	$852.50		$112,260.25	
Overhead {Unused / Excess}*	56.82		$259.85	5,680.25	
Replacements and Guarantees					
Net Total Expense	*$17,342.12*	*$852.60*	*$259.85*	*$117,940.50*	
	Net	*592.65*			
Net Monthly {Profit / Loss}*	*$14,955.63*			*$72,855.00*	
Profit and Loss General. ..		*$14,955.63*		*72,855.00*	

* Indicates application of amount.

COMMERCIAL EXPENSE — Month of January, 31 days, 1922

Analysis	Month of Jan. 1922	From Last Month: Increase	From Last Month: Decrease	Eight Months To Date	To Date Same Period Last Year
GENERAL COMMERCIAL EXPENSE:					
Salaries—Officers	$3,083.30			$20,666.40	
Salaries—Clerical	2,825.00	$150.00		17,250.00	
Labor—General	525.00	75.30		3,848.63	
Telegraph and Telephone	270.50	62.25		2,003.76	
Office Supplies	285.90		$37.00	2,025.20	
Taxes, Corporation					
Legal Expenses	300.00		250.00	1,935.00	
Patent Expenses	60.00	60.00		486.49	
Bicycle Royalties	140.70			1,013.60	
Freight and Express Commercial	136.75		31.00	957.00	
Insurance on Stock	210.00			1,512.00	
Interest Paid					
Discount Allowed	762.00	115.56		4,590.56	
Rent	75.00			600.00	
Commercial Reserves	853.34			4,462.00	
Expenses Unclassified	178.66		81.18	2,825.82	
Total	*$9,706.15*	*$463.11*	*$399.18*	*$64,176.46*	
	Net	*63.93*			
SELLING EXPENSE:					
Salaries—Salesmen	$1,250.00	$300.00		$7,500.00	
Labor—General	350.00			2,800.00	
Commission on Sales	1,478.60	500.00		7,647.80	
Traveling	903.50	210.00		6,698.00	
Entertainment	110.70			797.60	
Rebates and Allowances	578.00	61.50		4,217.50	
Shows and Demonstrations					
Postage	379.40		$88.39	2,652.81	
Office Supplies	275.00	30.00		2,207.00	
Advertising Periodicals	2,168.90	100.00		15,297.20	
Advertising Circulars	2,000.00	33.08		10,200.10	
Advertising Catalogues					
Selling Expense Unclassified	309.00	47.38		2,262.38	
Total	*$9,803.10*	*$1,281.96*	*$88.39*	*$62,280.39*	
	Net	*1,193.57*			
Grand Total Commercial Expense	*$19,509.25*	*$1,745.07*	*$487.57*	*$126,456.85*	
	Net	*1,257.50*			
CREDIT:					
Interest Received	$650.00	$85.00		$4,285.00	
Cash discount earned	1,500.00	360.00		9,360.00	
Credits Unclassified	73.95		$40.00	551.60	
Total	*$2,223.95*	*$445.00*	*$40.00*	*$114,196.60*	
	Net	*405.00*			
Net Commercial Expense	*$17,285.30*	*$852.50*		*$112,260.25*	
Sales for Month	*$142,794.00*	*$42,745.14*		*$785,804.76*	
Commercial Percentage for Month	*12.1%*		*4.3%*		
Sales Percentage for month*	6.9%				

* Ratio between Selling Expense and Total Sales for the month.

FACTORY OVERHEAD — Month of January, 31 days, 1922

Analysis	Month of Jan. 1922	From Last Month		Eight Months To Date	To Date Same Period Last Year
		Increase	Decrease		
NON-PRODUCTIVE LABOR:					
Foremen	$1,515.45	$100.00		$11,200.00	
Clerks	950.64	50.00		5,900.00	
Manufacturing	4,840.35	1,460.00		40,277.06	
General					
Total	*$7,306.44*	*$1,610.00*		*$57,377.06*	
NON-PRODUCTIVE MATERIAL:					
Shipping Supplies	$1,560.75	$175.80		$9,875.62	
Operating Supplies	470.20	90.00		3,369.21	
Miscellaneous Equipment	915.00	116.05		6,211.85	
Fuels	1,172.65	110.00		10,239.20	
General					
Total	*$4,118.60*	*$491.85*		*$29,695.88*	
NON-PRODUCTIVE EXPENSE:					
Monthly Depreciation	$2,139.32			$23,942.08	
Monthly Insurance	798.00			5,598.20	
Monthly Taxes	70.00			560.00	
Monthly Rent					
Freight and Express Mfg.	1,896.06	$165.00		12,260.28	
Current for Lighting	250.00	28.95		1,625.90	
Gas for Lighting	165.00	18.75		815.25	
	35.40			212.55	
Overhead Unclassified					
Total	*$5,353.78*	*$212.70*		*$45,014.26*	
Grand Total Overhead	*$16,778.82*	*$2,314.55*		*$132,087.20*	
Overhead Used @ 80%	*$16,722.00*			*$126,406.95*	
Overhead { Unused / Excess }*	*56.82*		*$259.85*	*5,680.25*	
Productive Labor for Month	*$20,902.50*	*$3,218.00*			
Overhead Percentage for Month	*80.27%*		*1.52%*		

* Indicates application of amount.

FACTORY PRODUCTION — Month of January, 31 days, 1922

Analysis	Month of Jan. 1922	From Last Month: Increase	From Last Month: Decrease	Eight Months To Date	To Date Same Period Last Year
PRODUCTION:					
Productive Labor	$20,902.50	$3,218.00		$118,564.96	
Overhead Used @ 80%	16,722.00	2,574.40		148,210.12	
General Stores	45,954.22		$290.00	220,199.89	
Semi-Finished Stores	27,221.85		6,441.77	89,273.12	
Total Monthly Production	*$110,800.67*	*$5,792.40*	$6,731.77	*$576,248.09*	
	Net		*939.37*		
Plus Previous Work in Progress	$64,280.70				
Total Work in Progress	*$175,081.27*				
FINISHED PRODUCTION:					
Charged to Semi-Finished Stores	$21,200.60		$16,345.98		
	101,284.62	$27,091.26			
Charged to Finished Stores	5,442.90	5,442.90		*$22,780.00*	
Charged to Betterments					
Total Production Finished	*$127,928.12*	*$32,534.16*	*$16,345.98*		
	Net	*16,188.18*			
* Net Work in Progress	*$47,153.15*		*$17,127.55*		
DEPRECIATION REPAIRS:					
Labor	$815.30	$277.05		$5,890.25	
Material	327.80		$17.20	1,951.74	
Total	*$1,143.10*	*$277.05*	*$17.20*	*$7,841.99*	
	Net	*259.85*			
CHARGED TO RESERVES:					
Reserve for Real Estate					
Reserve for Buildings	$70.00			$426.35	
Reserve for Building Equipment	110.00	$60.00		625.40	
Reserve for Office, Fur. and Equipment	49.70	10.00		211.11	
Reserve for Machinery and Tools	683.00	210.00		4,716.18	
Reserve for Dies and Jigs	71.10		$25.00	760.80	
Reserve for Shop Fixtures and Fittings	80.00	15.60		565.65	
Reserve for Patterns	50.00		10.75	360.70	
Reserve for Drawings	29.30			175.80	
Total	*$1,143.10*	*$296.60*	*$35.75*	*$7,841.99*	
	Net	*259.85*			
Total Reserve Charge	*$1,143.10*				

* Difference between Work in Progress $47,153.15 and Previous Work in Progress $64,280.70.

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