

University of Mississippi

eGrove

---

Individual and Corporate Publications

Accounting Archive

---

1921

## How to use the business record system for retailers

R. G. Fuller

Follow this and additional works at: [https://egrove.olemiss.edu/acct\\_corp](https://egrove.olemiss.edu/acct_corp)



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

### Recommended Citation

Fuller, R. G., "How to use the business record system for retailers" (1921). *Individual and Corporate Publications*. 39.

[https://egrove.olemiss.edu/acct\\_corp/39](https://egrove.olemiss.edu/acct_corp/39)

This Article is brought to you for free and open access by the Accounting Archive at eGrove. It has been accepted for inclusion in Individual and Corporate Publications by an authorized administrator of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

*How*  
*to use*  
*the*  
**Business**  
**Record**  
**System**  
*for*  
*Retailers*

---

P r i c e 2 5 c

---

*by*  
**R. G. FULLER**  
*Manager of Systems*

**TALLMAN, ROBBINS**  
**@ COMPANY CHICAGO**



# Instruction Book

---

*"A simple way to keep accurate records of your business without previous bookkeeping knowledge."*

---

## TABLE OF CONTENTS

---

1. Foreword.
2. How to start the Daily Record Book.
3. Sales Tickets.
4. How to keep the General Ledger.
5. The keeping of Customers Accounts.
6. How to handle Cash Received.
7. How to take care of Cash Paid Out.
8. How to handle Invoices Received.
9. How to handle Accounts Payable.
10. The Bank Account.
11. How to handle Unusual Entries.
12. The Trial Balance.
13. How to make a Profit Statement.
14. How to make a Balance Sheet.
15. How to handle Inventory.
16. Percentage Figures.

**The Tarco Line**  
EVERYTHING IN LOOSE LEAF

---

**TALLMAN, ROBBINS & COMPANY**  
314-324 W. Superior St., Chicago, U. S. A.

Copyright 1921  
Tallman, Robbins & Company  
Chicago



# foreword—

**E**VERYONE knows that in the conduct of a business it is necessary to keep track of certain things. This is the purpose of bookkeeping. The simplest way in which it can be done is the best. Big business has developed bookkeeping into a wonderful science. Nevertheless, for the ordinary business bookkeeping can be made an extremely simple and easily understood process. With that idea we have formulated the method described in the following pages—THE TARCO DAILY BUSINESS RECORD.

Bookkeeping provides you with a knowledge of the value and profits of your business. Intelligent study of the data it gives offers valuable advantages that aid in the development of a business.

The stern competition of the chain store, the mail-order house and the department store have forced new responsibilities upon the specialty and independent merchant, and now the general country merchant is as alive to styles, brands, nationally advertised lines and turnover as the most alert chain store corporation.

His records will give him the facts he must possess—facts that the government requires; that his banker and insurance company demand.

## READ

through this book and you will realize that bookkeeping is *not* complex but a simple, easy, fascinating process of keeping accurate record of the day-by-day *statistical history* of your business.

# how to start the daily record book

---

(See figures  
1 and 2)

These  
are  
**ASSETS**

The following items are Assets. Make a copy of this list, writing opposite each the amount you have:

- A. Cash in bank.
- B. Cash in drawer.
- C. Amount owed to you by customers (Accounts Receivable).
- D. Amount owed to you by notes (Notes Receivable).
- E. Amount of merchandise on hand at cost (Inventory).
- F. Value of Furniture, Fixtures and Equipment.
- G. Value of Buildings and Real Estate.
- H. Bonds and Securities owned.
- I. Other Assets.

These  
are  
**LIABILITIES**

The following items are Liabilities. Make a copy of this list, writing opposite each the amount:

- A. Amount of your unpaid bills (Accounts Payable).
- B. Amount of your unpaid notes (Notes Payable).
- C. Other Liabilities.
- D. Amount of Capital invested.

Amount  
of  
**CAPITAL**  
Invested

Amount of Capital invested must be figured. It is arrived at in this way; add up all the previous liabilities. Deduct this amount from the total of all the assets. The remainder is the capital invested.

What your  
books  
must  
show

The books of any business must always show the total assets equal to the total liabilities. The amount of an asset always appears in *debit* columns. The amount of a liability always appears in *credit* column.

When the Assets and Liabilities have been set down and added and found to be equal, each amount is then entered at the top of the column provided for it on the Daily Record Sheet. Put it down in red ink.

## The first entry

Where no column is provided as in the case of Capital Invested, Furniture and Fixtures, Notes, etc., enter that item in the Sundry General Ledger accounts column opposite a line in the description column on which you have written its name. Be sure that in all cases that the Assets are entered in a charge (or debit) column and the Liabilities in a credit column.

At the end of the month each column is totaled separately. The red ink figures at the top of each column are deducted from each total, and the remainder in each column are the amounts which are to be transferred to the General Ledger as described elsewhere.

## The usual daily entries to make in the daily record book

DATE	DESCRIPTION	DEBIT OR CHARGE	CREDIT
1/2/21	Cash Sales Today	Cash	Cash Sales
"	Credit Sales Today	Accounts Receivable	Credit Sales
"	Cash Received from customers	Cash	Accounts Received
"	Cash Paid (merchandise)	Merchandise Stock and Purchases	Cash
"	Cash Paid (expense)	Various expense items	Cash
"	Merchandise Received (per invoices)	Merchandise Stock and Purchases	Accounts Payable
"	Expense Account (per invoices)	Various expense items	Accounts Payable
"	Checks drawn check number to check number	Accounts Payable	Bank Withdrawal
"	Deposited in bank	Bank	Cash

# sales tickets

---

## Three Kinds of Sales

(See figure 8)

A sales ticket is a memorandum that is written whenever a sale is made. They must be made in duplicate, one to be given to the customer and the other to be kept for the store record.

There are the three kinds of sales transactions—Cash, Credit and Returns (that is goods returned by customers). See Fig. 9.

Cash sales tickets and credit sales tickets should be totaled separately at the close of the day's business.

## "Returns"

The slips for goods returned from cash customers must be totaled and deducted from the total of the day's *cash* sales tickets.

The slips for goods returned from credit customers must be totaled separately and be deducted from the total of the day's *credit* sales tickets.

The next step will be to enter the total thus obtained in the Daily Record Book.

## Cash Sales

Date a line and write in the description column Cash Sales Today. Opposite this line enter the final total of the day's cash sales as a debit (or charge) in the column headed Cash. The same amount must also be entered in the column headed Cash Sales. The cash sales tickets and the cash returned goods slips may now be put in an envelope, dated and filed.

## Credit Sales

Date a line in the Daily Record Book; write in the description column Credit Sales Today. Opposite this line enter the final total of the day's credit sales as a debit in the column headed Accounts Receivable. The same amount must also be entered in the column headed Credit Sales. In addition, each credit sales ticket must have its amount en-



tered in the Customers Accounts Ledger on a page bearing that customers name. The amount is set down in the debit (or charge) column.

The amount of each credit returned goods slip must be entered on the proper customer's page in this same ledger. These amounts must be set down in the credit column. These tickets also may now be put in an envelope, dated and filed.

**Credit  
Returned  
Goods**

## **How to keep the general ledger**

---

The ledger is a book containing all the permanent records of a business with a separate page for each account. In it are first entered all the Assets and Liabilities, using the same figures as were originally entered in red ink in the Daily Record Book.

**What the  
Ledger  
Includes**  
*(See figure 3)*

A separate page is made for each account. Again bear in mind that Assets are entered in debit columns and Liabilities in credit columns.

Once a month in this book are posted the monthly results obtained from the Daily Record Book.

A ledger sheet has a line at the top for the name of the account. It is provided with four columns for amounts which are as follows:

**A Sheet  
for each  
Account**

1. Debit or Charge column
2. Credit column
3. Debit balance column
4. Credit balance column

The Balance Columns are simply for the purpose of showing the difference at any particular time between the debit columns and credit columns. This amount shown in the balance column is, therefore, the actual amount of

**The  
Balance  
Columns**



the account at that time. For instance, if the total of the debit column is \$50.00 and the total of the credit column is \$30.00 the difference, or \$20.00, should be entered as the balance in the debit balance column. This is the amount for which the account is said to be "open" at the time.

### To Verify General Ledger Figures

The sum of all the open debit balance amounts in the whole ledger should equal the sum of all the open credit balance amounts. This proves that all the entries in the ledger have been made correctly.

The process of adding all these individual debit and credit balances is called taking a "trial balance" and is explained in detail later.

## The usual accounts on the ledger

---

### ASSETS (all debits)

Bank  
Cash in Drawer  
Accounts Receivable  
Notes Receivable  
Inventory Merchandise  
Stock Purchases  
Buildings and Real Estate  
Furniture and Fixtures  
Bonds and Securities

### EXPENSE ACCOUNTS (all debits)

Rent  
Light, Heat and Power  
Wages  
Freight and Express  
Insurance  
Taxes  
Advertising  
Delivery  
General Expense  
Etc.

### LIABILITIES (all credits)

Accounts Payable  
Notes Payable  
Capital Invested  
Profit Account

### REVENUE ACCOUNTS (all credits)

Cash Sales  
Credit Sales  
Interest and Discount  
Received  
Other Income

# The keeping of customers accounts

---

The duplicate monthly statement plan is the method we recommend as the most simple and convenient for keeping track of the amounts customers owe you.

## Monthly Statements

(See figure 7)

For this purpose a sheet is provided similar to the ordinary statement. The sheets, however, are a little wider, punched to fit a loose leaf binder and with a blank page as the duplicate for each statement.

Each statement, of course, has the name of the customer at the top. Each customer's sales tickets are entered daily on his statement sheet in the debit or charge column. Each cash payment or returned goods slip is entered in the credit column.

On the last day of the month, after all entries have been made, each statement is totaled. The total of the credit column is deducted from the total of the debit column and the remainder written in the balance column. This is the amount the customer owes you or in other words the amount for which the account is said to be "open."

## What Your Customer Owes

The original is now torn out and mailed to the customer. The duplicates are now all that remain in the book. The total of all the balances of these duplicates should agree with the amount open in the general ledger under the account entitled Accounts Receivable.

When new statements are started, the balance is brought forward from the previous duplicate if the account is still unpaid. If an old statement is paid before a new one is started, the old duplicate is simply marked "paid" showing date, taken out of the

binder and filed in transfer. Necessarily the old duplicates are taken out and filed in the transfer whenever a new statement is started.

### **A Binder of Live Accounts**

This binder of statements is, therefore, a customer's ledger. It is automatically composed of only live accounts, and in this way a customer's statement is always ready.

## **How to handle cash received**

---

### **Cash Sales Tickets**

Some stores do not consider it necessary to use cash sales tickets, but, we believe it has many advantages, particularly where several clerks are employed.

If cash sales tickets are not made out for cash sales, the total of the day's cash receipts is taken simply from the cash register or cash drawer and this total is entered in the Daily Record opposite a line entitled Cash Sales Today, the amount being put down twice, once as a debit in the column headed Cash and once as a credit in the column headed Cash Sales.

In case cash sales tickets are made out the entry is made as described under the heading Sales Tickets.

### **Credit Cus- tomer's Payments**

To take care of payments made by credit customers, we recommend the use of a memorandum receipt after the form of the illustration shown in Fig. 13. When the customer wishes a receipt, make same out in duplicate, but, if payment is made by check and no receipt required, make memo out singly. Keep these receipts in a separate division of the cash drawer. At the end of the day sort them alphabetically. Enter the amount of each in the credit column of the customer's statement in the Customers Accounts Ledger. Enter the total of them











all in the Daily Record opposite a line entitled Paid by Customers Today as a debit in the column headed Cash and as a credit in the column headed Accounts Receivable. They should now be put in an envelope, dated and filed.

Sometimes cash is received from other sources, such as rent should you sublet a portion of your store, interest from bonds or securities you own, or refunds from jobbers or manufacturers, etc. To handle these amounts, write a line in the description column of the Daily Record for each one, entering the individual amount opposite that line as a debit in the column headed Cash and as a credit in the column headed Sundry General Ledger Accounts.

### Other Cash Receipts

## How to take care of cash paid out

---

There are two operations for the cash drawer, Cash Received and Cash Paid Out. Cash Received was described on page No. 10. Cash may be paid out for three main reasons:

### Cash— In and Out

1. Merchandise (goods bought for resale).
2. To pay expense items.
3. Refunds (goods returned by customers).

When cash is paid out for merchandise, a Cash Paid Out slip (similar to form illustrated, Fig. 10) is written. When cash is paid out for expense the same kind of slip is made. When cash is paid out for refund, a Merchandise Returned slip is made out as described on page No. 6.

Thus at the end of the day the contents of the cash drawer are:

1. A certain sum of money (which is the difference between all the money taken in

### Cash Drawer Contents

- and all the money paid out).
2. A certain number of Cash Paid Out slips.
  3. A certain number of Goods Returned by Customers slips.

### Enter on the Daily Record Sheet

Sort out all of the slips paid out for merchandise, total them and enter in the Daily Record sheet opposite a line in the description column entitled Cash Paid Out Today, headed Merchandise Stock and Purchases. Enter all of the expense items on the same line in the column provided for those various expenses. Enter the total of all Cash Paid Out slips including both for *merchandise* and *expense* on the same line in the credit column headed Cash. The Cash Paid Out slips should now be put in an envelope, dated and filed.

The refund or goods returned by customers are handled as described on page No. 6.

## How to handle invoices received

---

### Enter on Daily Record

After invoices for merchandise or expense have been checked as O.K., they are ready to be entered on the Daily Record.

### Two Kinds of Invoices

Separate the invoices for *merchandise* from the invoices for *expense* items. The total of the former should be entered twice on the Daily Record, opposite a line in the description column entitled Merchandise Received; first, in the column headed Merchandise Stock and Purchases, —second, as a credit in the column headed Accounts Payable.

Each *expense* item is entered on the Daily Record, opposite a line in the description column entitled Expense Bills, in the column provided for that par-

ticular kind of expense. The total of all these expense items is now entered as a credit in the column headed Accounts Payable.

All the bills should now be marked Entered, showing the date and filed alphabetically in an ordinary letter file labeled Unpaid Bills.

The sum of all the invoices in the Unpaid Bill file equals the *credit balance* shown in Accounts Payable column.

### **“Unpaid Bills” File**

## **How to handle accounts payable**

---

Should you wish to pay one or a number of bills, take from the Unpaid Bill File the ones you wish to pay and make checks for each. If you take a cash discount, deduct the amount from the invoice and draw your check for the *net* amount. Show on the check stub the full amount of the bill, the amount of the discount and the net balance, which is the amount of the check.

### **Writing the Checks**

The total of all the full amounts of the bills should be entered on the Daily Record, opposite a line in the description column entitled Bills Paid Today, as a debit in the column headed Accounts Payable.

The total amount of all of the discount amounts would be entered as a credit in the column headed Interest and Discount. The total amount of the checks would be entered in the Withdrawals of the column headed Bank, first showing in the check number column the numbers of the first and last checks drawn.

### **Discounts and Withdrawals**

The bills should now be marked Paid showing the date and filed in an ordinary letter file labeled Paid Invoices.

### **File Paid Invoices**



# The bank account

## **Deposit Each Day**

Bank deposits should be made each day if possible, keeping only sufficient cash on hand for change and current needs. When a deposit is made, enter the amount on the Daily Record opposite a line in the description column entitled Deposits, in the column headed Bank under deposits and again as a credit in the column headed Cash.

## **Check Your Balance**

On the first of the month the bank statement, together with the cancelled checks, are received from the bank. Comparison should be made with your own records in the following manner: "Sort all the cancelled checks numerically; make a note of all the missing numbers for the month. From the check stubs, make a list of the amounts of the missing checks (uncleared); total these and add to this total the amount of the debit balance, as shown on the last day of the month in the Bank column of the Daily Record. This should agree with total amount in the bank, as shown by the Bank Statement."

# How to handle unusual entries

## **Unusual Correc- tion, Ad- justment, Transfer, Entries**

On the Daily Record sheet is a column, the first one on the left hand page, which is headed Sundry General Ledger Accounts. This column permits any kind of an unusual entry to be made, such as an account for which there is no special column provided, also for corrections, adjustments and transfers. For instance, one of the necessary transfers to be made at the end of every month, after all of the accounts have been posted from



the Daily Record sheet to their account in the general ledger, is to transfer all of the expense amounts in the general ledger to the profit account, so that their total will be a charge, or deduction, from the gross profit to leave the net profit. To do this, take the total of each expense account in the general ledger, give it a line in the description column of the Daily Record sheet, entering the total of that expense as a credit in the column headed Sundry General Ledger Accounts. The total of all these newly entered expense amounts in the Daily Record, must now be entered opposite a line in the description column entitled Profit Account, as a debit in the column headed Sundry General Ledger Accounts.

**To find  
Gross  
and Net  
Profits**

These entries must now be posted to the general ledger. Thus, it will be seen that the expense accounts are balanced, or closed, and that their total has been entered as a charge against Profit Account.

It must be noted at the outset in posting, that the Sundry General Ledger accounts column amounts must be handled individually; whereas in the case of all the other columns their totals are posted, as previously described.

**Post  
Them  
Sepa-  
rately**

## **The trial balance**

---

A trial balance is simply an operation performed to prove that the figures put in the ledger from time to time have been correctly entered; that is, that all amounts have been placed in their proper columns. As every amount entered in a debit column has had an equal amount entered also in a credit column (thus the term double entry), it is evident that the total of all the credit

**To Prove  
Your  
Work**  
*(See figure 4)*

columns should equal the total of all the debit columns.

This test or trial should be made (usually once a month) after all the amounts from the daily records have been posted to the ledger.

### **List the Balances**

List, on the trial balance sheet provided (see illustration), in separate debit and credit columns, simply the balances of each account in the ledger.

### **To Find the Errors**

The total of all the debits should equal the total of all the credits. If these two totals do not agree your ledger is out of balance and you must check over the entries, find where the error was made and correct it.

## **How to make a profit statement**

### **To Show the Net Profit**

*(See figure 5)*

A profit statement is made to show the net profit earned by the business during a certain period (usually a month, quarter or year). To do this the amounts are entered on the sheet provided as follows:

The only accounts in the ledger that are used in the profit statement are what are called Trading Accounts, or revenue and expense accounts. The principal source of revenue is sales. That account, then, is the main revenue account. Others would be discount earned or taken from purchase payments, interest from notes receivable or from the bank balance and any other income earned.

### **The Gross Income**

The balances on the Credit Sales account and Cash Sales account for the month, should show a credit for the amount that the retail sales exceeded the cost of goods sold, so these amounts are used to make a total by adding them to the other credit bal-

ances shown on the other income or revenue accounts. This total then represents the gross income.

Now all of the expense accounts are listed and the total amount of these is deducted from the gross income, so that the remainder represents the net profit. This amount is entered on the profit statement, on the line opposite the title Net Profit in the accounts column in the column headed Amounts. The income accounts and the expense accounts are now each totaled and should balance.

### List Expense Accounts

The revenues are now listed in the description column of the Daily Record and the amounts entered as debits opposite them in the column headed Sundry General Ledger Accounts.

### List Revenue Accounts

The total of all the revenue is entered as a credit, opposite a line in the description column entitled Profit Account in the column headed Sundry General Ledger Accounts.

The transferring of the expense accounts is described elsewhere.

## How to make a balance sheet

A Balance Sheet is a list of the Assets and Liabilities of a business set down in separate columns, the totals of the two columns balancing or agreeing.

### The Net Worth (See figure 6)

From the balance sheet the value of the business or net worth is shown. Capital and surplus are the net worth of a business and are shown as liabilities, as they are what the business owes to its owners.

After the profit statement is made up and the trading accounts or revenue and expense accounts have all been trans-

### Assets and Liabilities



ferred, all that remains open on the ledger are either Assets or Liabilities; the debit balances being Assets and the Credit balances being Liabilities.

### **A New Daily Record Sheet**

It is, therefore, very easy to list them on the Balance Sheet provided, and to head up a new Daily Record sheet with these new amounts. See that this is done in red ink as before, so that at the end of the month the red ink figures can be readily deducted and only the transactions which took place during the month transferred to the ledger.

## **How to handle inventory**

---

### **The First Step**

*(See figure 12)*

Numbered slips (see illustration) are used in the first step of the most common method of taking a physical inventory.

The quantity of each kind of goods is counted and the amount entered on the slip. The slips are attached in plain view to the goods or cases. The slips are used in consecutive order and are picked up, re-counted by the checker and all corrections made. Care should be used to see that no numbers are missing.

### **Put on the Prices**

*(See figure 11)*

The slips are now entered on an inventory sheet (see illustration). Both the inventory slips and inventory sheets must be priced. They are then extended and totaled. The total of all of the sheets and the total of all of the slips will of course agree. It will be noticed that both the slips and sheets illustrated are provided for taking inventory at both cost and retail in case the records kept require both. In our simple system herein described, however, it is only necessary to take the inventory at cost.

In estimating an inventory for the purpose of installing records, the best method is to list the most important articles in the store. Scan the supply of these items on hand, estimating each separately, use the total of these amounts as the estimated inventory. An estimated inventory is, for all purposes of arriving at monthly or periodic profits, as satisfactory as a correct, physical one and can be adjusted very readily when an actual inventory is taken. If the estimated amount has been too much, charge Capital Invested with the difference and credit Inventory Stock and Purchases account; and if the estimate was too small, reverse the entry.

## The Estimated Inventory

The Inventory, or Merchandise Stock and Purchases account, should be credited each month with the sales at cost. Therefore, a method for arriving at the cost of goods sold is desirable. Where the average per cent of gross profit is known from previous records, the per cent could be deducted from the sales and the balance used as cost of goods sold for the month, and an entry made crediting Merchandise Stock and Purchases and charging Cash and Credit Sales accounts. When the per cent is not known, the best way to determine a general average, is to take a number of average day's sales tickets and figure out the actual cost of them. Deduct the total of all of the costs from the total amount of these sales tickets at retail; divide the remainder by the retail total of the sales and this will give the average per cent of gross profit.

## Credit Inventory with Sales

## To Find Cost of Goods



# Percentage figures

---

## Valuable Comparisons

In reviewing or looking over the figures of your business, it is often helpful to reduce the figures to percentages as it makes a convenient form for comparison, such as percentage of profit, percentage of cost of doing business, percentage of various expenses, etc. If it is desired to learn these percentages, the following formulas may be used:

## Percentage Formulas

Net profit, divided by total sales, equals the per cent of net profit.

\* \* \*

Gross profit, divided by the total sales, equals the per cent of gross profit.

\* \* \*

Total expense, divided by total sales, equals per cent of cost of doing business.

\* \* \*

Yearly cost of goods sold, divided by average inventory of merchandise, equals rate of turnover (turnover is the proportion of yearly cost of goods sold to the average cost of stock carried).

\* \* \*

Net profit, divided by invested capital, gives the percentage the business earned on the investment.

\* \* \*

Gross profit, divided by cost of goods sold, equals per cent of mark-up.

\* \* \*