1922

Consumers' accounting in the smaller utility

W. G. Murfit

American Gas Association

Follow this and additional works at: https://egrove.olemiss.edu/acct_corp

Part of the Accounting Commons, and the Taxation Commons

Recommended Citation

https://egrove.olemiss.edu/acct_corp/54

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.
Before plunging headlong into my subject I want to say, based on experience in both large and small companies, that, in spots, there are two dialects in the gas language. One is spoken by the large company man and one is spoken by the small company man. For instance, the word "Department" is an unknown word to the small company man. And the idea of combining in one person the duties of application clerk, order writer, stenographer, ledger keeper, and sales clerk can not be understood by the large company man.

In small companies the individuality of the employee is relatively more important than it is in the large companies. In the latter, he or she performs a certain duty more or less mechanically and his efficiency is gauged by the rapidity with which he turns out his work, and by his accuracy. In a small company, of course, these attributes are necessary but versatility is equally important.

Numberless papers read before this Association have dwelt upon the necessity of employees truly representing the company out of office hours as well as in office hours, but in no case is this much desired condition more sincerely found than in the small company. Everybody knows everybody else in small communities and their jobs are matters of gossip in neighborhood circles. Thus the company employees, recruited from families who have lived
probably for generations in the territory, are familiar with the standing of other families, and it is from this knowledge quite frequently that credit ratings are determined. The moral effect of neighbors' opinion bears a powerful influence too in small companies, but is not so pronounced in large companies; and it is on this that reliance must be placed, rather than in expensive checking systems, to make sure that storeroom supplies and accounts are kept honestly. Stocks of material are small and the manager is usually able to determine about how many mantles he should have on hand and what appliances should be on the floor, and just how many fittings should have been used on a job. And it is gratifying to find at the end of the year how very close to supposed inventory, the actual inventory is found to be. All of these remarks just made are merely offered to show that there is a personal quality in customers accounting which happily can be utilized in the small company, but that cannot be taken advantage of to the same extent in the large company.

Now, in order to follow more closely my subject, "Consumers' Accounting in the Smaller Utility," let me first explain what is meant by the smaller utility. The Consumers' Accounting Committee issued to company members several months ago a questionnaire regarding their accounting systems. It was evident from the answers received that the most headway would be gained by separating the companies into two classes, the large ones and the small ones, as, for obvious reasons, the accounting system in the large ones differs materially from that in the small ones. The line of demarcation was arbitrarily set at five thousand meters.

In discussing the small companies' accounting, I shall divide the subject into gas, merchandise, and sundry charges. Sundry charges are to include maintenance work and such other miscellaneous services charged for, as may be determined by the management or allowed by the rate schedules and regulations.
Gas Accounting

Only sixteen per cent of the companies returning questionnaires are using bound ledgers; and from their replies it is evident that even this percentage will be reduced in the near future. The largest number are using loose-leaf ledgers, with card ledgers ranking second. The bound ledgers are being abandoned for self-evident reasons. It is necessary with them to transfer names more frequently. It is impossible to estimate, when writing out a new ledger, just what space will be needed by the A's or B's if the accounts are to be filed alphabetically; or to provide sufficient elasticity for change of name in event the accounts are listed geographically. Likewise, if arranged geographically it will be awkward to re-arrange meter reading districts and make the ledgers comply therewith. Then, too, bound books are expensive, and a most important disadvantage is that the dead accounts can not be removed.

To my mind there is but little choice between the loose-leaf ledger and the card ledger. In either one, the prime objections to the bound ledger are overcome. Inserts and removals of pages can not be quite as readily done in the loose-leaf books as in the card ledger. On the other hand, there is some slight chance of cards being lost when removed for inspection, or else not being refiled properly. Possibly the costly extension back binders for loose-leaf pages are more expensive than the card index systems and the filing cabinets for cards. To offset this, the loose-leaf ledgers occupy less space. One advantage of the cards is that two or more persons can work on accounts at the same time on the other hand, in small companies "there ain't no such thing" as "two or more persons."

In most companies the procedure is as follows:—The prospective customer signs an application for gas whereon is printed the usual rules of the company. In a few cases the application merely states that the customer applies for gas and is willing to be bound by the rules of the company.
as on file in the office, and approved by the Public Service Commission. This latter makes a more flexible application. The clerk writes up the work order, usually in duplicate. This work order may have been designed for meter work only or may be a form which is used also in merchandise work. The work orders are numbered serially as issued, and the work order number is placed on the application. These applications are then filed away alphabetically.

The work order is usually printed in duplicate, or in triplicate in the largest of the small companies. One copy remains in the office and the other is given to the fitter to do the work. He sets the meter, turns on the gas, obtains any meter deposit not previously collected and gives a receipt therefor, and lists any material that may have been used on the job. The meter order, i.e., the work order, is returned to the office and a ledger page or card opened in the consumer's name. The completed meter order is then filed in order of date of completion. It is at this point that the addressograph plate should be made, though sometimes the plate is made before the meter order goes on the street. Thus, the meter order is addressographed as is also the blank gas ledger page. As an aside, I might say that the addressograph follows the typewriter and adding machine among the necessary office machines. If meters are read from meter reading books a page for that is also made out at this time. It is unnecessary to state that the meter Company-Number, the meter Manufacturer's Number, the date and the index, are posted to both ledger page and meter reading book.

Some companies do not have a meter reading book, using instead the gas bill itself. This gas bill is printed with one or two coupons attached. These are first addressographed, the addressograph plates being in the order in which the names appear in the gas ledger. The previous index and date is placed on the bill and coupons and any outstanding balance, either gas or merchandise, is included also. They are then given to the meter reader to take on
the street. The meter reader reads the meter, makes the subtraction, obtains the charges from a prepared schedule he has in his hand for each unit hundred of feet,—thereby avoiding any calculation on his part, and leaves the bill on the premises. He writes all data on both the bill and the coupon, and in a few cases he attempts to collect at the same time. I know of one company in which seventy per cent of its revenue is obtained by the collector when he reads the meter; and the consumers in the territory would not have the plan abandoned.

This situation I have in mind covers a number of small towns and intervening territory, and is so scattered that consumers may not pass one of the three district offices during the month. The method of collecting when reading meters saves them the necessity of mailing in check, or purchasing a money order, or running the risk of forwarding the cash. One distinct advantage of the plan is that a high bill complaint is nipped in the bud, for if the bill seems unreasonably high, the meter reader can at once recheck the reading and can discuss with the consumer the reasons why the consumption is so much greater than was expected. If collections are effected by the meter reader, he receipt the bill and returns the coupon marked "Paid" to the office.

In event collection is not effected, he merely leaves the bill and returns the coupon to the office. Where the two coupon system is used one coupon remains with the consumer to be detached by him when forwarding payment, thus avoiding the necessity of the company acknowledging receipt.

When meter reading books are used the meter reader usually records only the date read, meter index and his initials. Spaces are usually allowed for a year or two of readings and, if the company is large enough, it is customary to shift readers from one territory to another so as to avoid any possibility of faked readings. Usually this
is not possible in the smallest companies as they have only one reader. The new index is posted to the customer's ledger with value, service charge, etc. Some companies show the consumption also on the meter reader's page, subtractions being made by a machine of one of the various types. Rubber stamps for each of the hundreds of consumption are arranged in order, the stamps showing the footage, gross value, any discounts, and net amount. Thus, if the consumer uses twenty-six hundred feet you pick up the twenty-sixth stamp and make an impression on the meter reading page, on the customer's bill, on the coupon and on the gas ledger. This saves time and eliminates chance of error. When the posting of the meter book is completed, the machine will show the accumulation of footage and of gross sales, of discount and of net, according to the capacity of the machine. This method reduces considerably the amount of work that normally would accumulate at the end of the month.

A number of companies have adopted a post card which is left at the consumer's premises in event entrance thereto can not be obtained. This is a prepaid return card on the back of which is a skeleton set of dials. The consumer is advised that the meter reader called and could not get in; and she is requested to indicate the position of the dials thereon and return it to the company. This is a point of service appreciated by customers as it prevents an accumulation of two months' actual bill or submitting an estimated bill. Likewise, it shows the customer there is no hocus pocus in reading a gas meter and tends to increase their confidence in the honesty of the instrument. In many cases where meter reading books are used and bills are not left at premises when the meter is read, these bills are mailed or delivered by the company. There seems to be an increasing tendency on the part of small companies to attempt to collect at this point. Others merely deliver the bills and collect only when the consumer insists.

I have noticed on two or three questionnaires that com-
panies have not inserted the meter reading or meter index on customer's bill. They believe that the customer is interested only in the amount of dollars and cents he has to pay and not in exactly how the company arrived at the figure submitted. We think this should be discouraged. We believe consumers should be encouraged to read their meters, so that they may be familiar with the amount of bills expected, have the money ready, and can then make any inquiry that they wish. In fact, it may be a worthwhile suggestion to have two sets of blank dials shown on the bill itself and the position of the hands indicating the index shown thereon, when the bill is submitted to the customer.

In event the bills are collected when meters are read, or when bills are being delivered, a detailed cash sheet is made out by the meter reader, showing money collected; and from this the entries are posted by the bookkeeper to the ledger. A receipt showing the total money turned in should be given to the meter reader by the office in such cases.

The company I previously referred to as supplying a scattered territory, maintains no office nor has a permanent fitter in one of the towns it serves. Nevertheless, bills which are not paid to the meter reader may be paid at the local national bank which is authorized to give receipts. The company's detail cash book is in loose-leaf form and a supply of these loose-leaves is kept by the bank. As payments are made by the consumers, the bank lists the receipts on one of these cash book pages and once a week forwards the page, duly receipted, and serving therefore as a deposit slip, to the home office of the company. The total of the loose-leaf cash pages is posted to the general cash book of the company and at the end of the month the summary of the cash posted to the gas ledgers, as obtained from the adding machine tape, should be the total of the gas receipts in the general cash book of the company.
Those companies granting discounts for prompt payment or inflicting penalties for delinquency must issue delinquent notices on the proper dates. If the territory warrants, and continuous reading is employed, these discount dates occur on successive days. At such times overdue notices are issued calling attention to the fact that unless account is paid service is liable to suspension. Companies having no discount or penalty system usually call the consumer's attention to the non-payment when the next bill is rendered, and the collector is instructed to obtain cash or advise the office that payment for the two months then has not been paid, and the delinquency notice is thereupon mailed the consumer. Usually but three days is allowed between the mailing of the shut-off notice and the issuance of the order to the fitter to obtain payment or shutoff the gas.

I found that the systems are practically uniform in the method of handling prepay meter collections. The old reading is either given to the meter reader in the form of meter reading book, or a skeleton bill with the previous reading filled in. He removes the coins, leaves either separate receipt or the bill with the consumer showing the usage, and amount meter is over or short. Postings to the ledgers are then made as in the case of regular meters. I have noted on a few of the forms submitted with the questionnaire that the spaces for the various months' readings are in a vertical column and the months are arranged in reverse order with December at the top and January at the bottom. Thus the current index figure appears above that of the previous month and subtraction is made in the normal manner with the smaller number under the larger, as we were taught in our school days.

**Merchandise Accounting**

Like the gas accounting, merchandise accounting in the small company is accomplished by the use of but few forms. The order for appliances sold on the installment plan is
usually taken on a form of Lease Blank. This blank varies according to the states and as dictated by respective state laws. The purpose of it is to retain the title to the appliance until the consumer has completed payments in full. In several cases the work order is a carbon copy of this original signed sales slip, but in most cases separate work order is made out. As stated before under gas accounting, this order may and may not be in the same form as is used to set a meter. Preferably it should not be, as the data to be returned to the office is radically different in the case of merchandise orders. These work orders should be at least in duplicate, one copy remaining in the office and the other going on the street. They are numbered serially as issued; and there should be a space on the work order for the classification showing to what account the labor and material should be charged; this being the account to which the sale is credited. When this work order is completed, it is returned to the office, where the duplicate is destroyed, or checked off to show that the work has been completed, or is used to account for material.

The various material that has been used is taken off against the various accounts and at the end of the month priced at storeroom cost, so that accounts on which the work was done may receive the proper charge of storeroom supplies issued. The selling prices are daily entered into a columnar Sales Book, the monthly totals of which will show, on one side, a sum to be charged against the controlling account, "Merchandise Accounts Receivable" and on the other side the various sales profit and loss accounts. If the work is of such a nature as not to be charged against the customer, then nothing further need be done to the order; but if the customer is to be charged, then bill is made out and sent. The work order is given a bill number, and the customer's merchandise ledger card posted with the amount of the bill. Inasmuch, as full details of the work are on the work order, and furthermore as these work orders when completed are filed in the order of the bill num-
ber, it is only necessary to post the bill number to the
customer's ledger card in order to assure ready reference in
case of inquiry. In other words, the work order has first
an issue number and finally a completion number. The
completion number or bill number is necessary because the
work is not completed in the same sequence in which the
orders are issued. Such being the case it is not necessary
to transfer the details of the work to the customer's ledger
card. A mere reference to the bill number on this ledger
card will enable the bookkeeper to obtain full details in
event of inquiry.

Some companies instead of having a consumer's ledger
card merely make a carbon of the customer's bill and file
that in a loose-leaf binder alphabetically. As the accounts
are paid these pages are removed. It is my opinion that
the ledger card system is better because it affords a ready
and single reference to the consumer's credit history.
There is a measurable stationery saving, and it is easier
to include merchandise balances on gas bills by this
method.

It is commonly believed that there is an advantage in
showing merchandise balances on gas bills, but there may
be some awkwardness in collecting the data to do this. The
gas bills are continuous though fluctuating from month to
month according to consumption and payments on account.
There may and there may not be any merchandise balance
at all. Probably not more than fifteen or twenty per cent
of consumers have a merchandise balance on the company
books. If both merchandise and gas accounts are filed
alphabetically it is not difficult to tie the two together; but
if the gas accounts are filed geographically and the mer-
chandise accounts alphabetically, the best way to do is to
put the page number of the gas account on the top of the
merchandise ledger card. Then after the gas bills are
made out, post the merchandise balances from the mer-
chandise cards to the gas bills. Some companies using a
card ledger system for merchandise and for gas accounts, have adopted cards the same size but distinctive colors. The live merchandise card is filed back of the gas card, so that any balances are readily picked up when making out the gas bill. The dead cards are all filed separately and alphabetically as usual. The disadvantage of this is that posting to the live merchandise ledger cards must be made with the aid of an index. Also when the merchandise cards are balanced with the controlling account, it is necessary to manipulate the gas cards; and vice versa when balancing the gas cards. One company has overcome this difficulty by maintaining but one controlling account, so that Merchandise Accounts Receivable and Gas Accounts Receivable are included with each other.

It is impossible from the data I have received to determine just how many accounts should be handled by a clerk. This is because a clerk's duties do not consist only of ledger work in the small company. Roughly it seems as though one clerk should handle at least one thousand accounts. That is to say, a company with two thousand meters should require not more than two clerks, who will make out the bills, post both merchandise and gas ledgers, post cash, make out bank deposits, make out work orders, receive complaints verbally or on the phone, answer letters, and sell on the floor. Amongst small companies having less than one thousand meters, it sometimes is good policy to assign to the office clerk such clerical work as would ordinarily be done by the fitter. (You notice I say the fitter not a fitter). This is because the office clerk may have time to spare whereas the fitter may not and it would be true economy to re-arrange the work.

Small companies of one thousand meters operating in one town can practice economies in accounting and labor which would be impracticable in a company of one thousand meters covering two towns. Small companies which are a part of a large holding company combination must perforce have an accounting system to tie in with the home
office. This is escaped by companies owned locally. Each company must arrange its affairs to suit its local conditions or its business life; but the basic principles of consumers' accounting are uniform nevertheless.

There is one phase of consumers' accounting which I have not yet touched upon and that is bookkeeping without books. I know that there was but one company with less than five thousand meters which reported this system in effect. The idea is a new one and the reluctance of managers to change is but the natural outgrowth of many years dependence on books of permanent entry. Bookkeeping without books can best be understood probably by those companies who do not use a merchandise ledger, but whose outstanding merchandise accounts are evidenced by carbon copies of the customer's invoice. Bookkeeping without books is merely this principle applied to gas consumer's accounts.

Under this plan the meter reader's book shows merely the date, index, a space for consumption and the meter reader's initials. He fills in, at the premises, all but the space for consumption, and that is figured in the office the next morning. A typist using a combination calculating machine and typewriter then writes out the bills, the machine making the deduction in cubic feet. The footage is carried along in the machine so that meter routes can be totaled. Another clerk using rubber charge stamps for the various quantities of consumption, stamps the bill and the two coupons attached. Any unpaid balance from the previous file of coupons is now added and the bill and one coupon is mailed to the customer. The customer's coupon is returned with the payment and stamped "Paid" in the office, with the date thereon. At the expiration of the discount period of that route, all the paid coupons of that route are placed in order and matched against the office coupons which have been retained. These office coupons, now evidently paid, are pulled, so that there remains in the file only those coupons which accounts have not been
discounted. Delinquent notices are sent on these and any still unpaid at the end of the month are transcribed on the following month's bills and coupons. The advocates of this system say that it has all the advantages and none of the disadvantages of bookkeeping with books but that in addition the closing of the books is spread over the entire month, and there is great economy in labor and stationery.

The addressograph serves as a check against malicious or accidental removal of pages from the meter reader's book, and assures the company of a record of every meter that was put in service. The discount dates expiring continuously through the month enable the books to be closed as those discount dates arrive and when the outstanding accounts are lowest, and relieves congestion of work at the end of the month. Customers inquiring as to comparative consumption of previous years can be answered by reference to the meter reading books. And if a meter reader's page is destroyed, a duplicate can be made up by reference to the coupons on file, the key to which is furnished by the index number on the addressograph plate. A study of this system is most interesting and it is quite possible that the practice of bookkeeping without books will spread.
RECAPITULATION FOR GENERAL STATISTICS CLASS "A"
COMPANIES, 5000 CONSUMERS OR LESS

**Item No.**

1. Total number of companies reporting Class "A"  
   123
2. Number of companies reporting P. P. Meter Accounts  
   Total P. P. Meter Accounts Reported 57,220
   Total Ordinary Meter Accounts Reported 255,969
   Total Gas Accounts Reported 313,189
   Average P. P. Accounts to Total Gas Accounts 18.27 %
   Maximum P. P. Accounts to Total Gas Accounts 69.44 %
   Minimum P. P. Accounts to Total Gas Accounts .057 %
3. Number of companies reporting that combine merchandise charges with gas accounts  
   Average of total companies reporting 8.94 %
4. Number of companies reporting that include merchandise charges on gas bills  
   Average of total companies reporting 64.22 %
5. Total number of companies using Bound Ledgers  
   Per cent of total companies reporting 13.00 %
   Total number of companies using Loose Leaf Ledgers 86
   Per cent of total companies reporting 70.00 %
   Total number of companies using Card Ledgers 21
   Per cent of total companies reporting 17.00 %

<table>
<thead>
<tr>
<th>Bound</th>
<th>Loose</th>
<th>Card</th>
<th>No Books</th>
<th>Leaf</th>
<th>Ledger</th>
<th>Ledger</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Companies 16</td>
<td>86</td>
<td>21</td>
<td>0</td>
<td>123</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. Class A Companies using Machines for Bookkeeping 4  
   Per cent of total companies reporting 3.25 %
7. Class A Companies using Machines for Billing 8  
   Class A Companies using Addressograph 51  
   Per cent of total companies reporting 41.46 %
8. Class A Companies continuous meter reading and billing 35  
   Per cent of total companies reporting 28.45 %
9. Bills delivered:  
   Mail Collector Meter-Reader Bill-Deliverer 46 12 60 3
   Consumers call at office for bills 2
   Number companies collect when delivering bills 27