Financial control and accounting for a chamber of commerce

Chamber of Commerce of the United States of America

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Financial Control and Accounting for a Chamber of Commerce

ONE OF A SERIES OF PAMPHLETS ISSUED BY THE ORGANIZATION SERVICE

CHAMBER OF COMMERCE OF THE UNITED STATES
WASHINGTON, D. C.
Financial Control and Accounting for a Chamber of Commerce

ONE OF A SERIES OF PAMPHLETS ISSUED BY THE ORGANIZATION SERVICE

CHAMBER OF COMMERCE OF THE UNITED STATES WASHINGTON, D. C.
FOREWORD

For some time we have been keenly aware that accounting, record keeping, and methods of financial administration of a considerable number of chambers of commerce could be improved. This pamphlet is designed for this purpose. Part I presents the steps to be taken, the forms to be used, and the methods to be employed in handling the financial matters of a chamber of commerce in a business-like and orderly way. Particularly do we want to stress in this connection the importance of a carefully devised budget practice, which is fully discussed in this section of the pamphlet.

Part II describes a much needed addition to the records of chambers of commerce, namely, membership statistics and costs. It is highly desirable that a chamber of commerce should know exactly its membership turnover in order that it may be able to make the necessary allowance for membership loss in computing its budget and also be in a position to determine from its knowledge of the average life of a membership what expense it can afford to incur in obtaining new members.

If the system of accounting and budgeting recommended in this pamphlet is installed in a considerable number of chambers of commerce, two important things will be accomplished. (1) The present too prevalent haphazard and unbusinesslike methods will give way to scientific methods of financial administration, which, as much perhaps as any one thing which could be done, will increase the prestige and standing of our chambers of commerce among the business men of the country; and (2) chambers of commerce will be able, as a result of the uniformity of their accounting methods, to make comparisons of costs of conducting activities, which will be of value to all secretaries.

This treatise is the result of the collaboration of the Department of Manufacture and Organization Service. Mr. Thomas W. Howard, Assistant Manager of the Department of Manufacture and in charge of its accounting work, developed the procedure and wrote the text for Part I of the pamphlet.

Colvin B. Brown,  
Manager, Organization Service.

August 10, 1926.
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FINANCIAL CONTROL AND ACCOUNTING FOR A
CHAMBER OF COMMERCE

PART I

It is the purpose of this pamphlet to present those features attending the control of the finances of a chamber of commerce in a medium size or large community and the accounting therefor which may be considered essential. While no two chambers of commerce are alike, either in form of organization, problems handled, or policies of administration, yet in all but the most unusual cases there is a distinct similarity in their general scope of operations, and as a consequence the underlying methods of financial control, accounting, and attendant record keeping may be alike in fundamentals.

Scope

There will be presented first a few of the essential membership records. These are the records which are necessary in order to conduct financial transactions with the members. They do not include forms aside from this one purpose, for every chamber of commerce secretary undoubtedly will wish to provide supplementary service records, individual in character and designed to meet his own peculiar needs.

Following the presentation of the membership records there will be found a consideration of the essentials of financial control, which will include the invoicing of dues, the receiving and handling of remittances of funds, the purchasing of supplies, and the making of disbursements.

The next following section of the pamphlet will be devoted to the essentials of a sound accounting procedure which it is believed may be followed to advantage by any chamber of commerce, small or large. While the accounting structure has been designed for a chamber of commerce of medium size, its method of use for a larger chamber or for a smaller chamber will be indicated in the text.

Budgeting is the subject of the next section of the pamphlet. Here will be discussed the initiation of the budget, the authorization of the budget, and the comparison of actual results with the budget.
<table>
<thead>
<tr>
<th>SERIAL NO.</th>
<th>NAME</th>
<th>DATE ELECTED</th>
<th>DUES</th>
<th>TERMINATION DATE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Stuart, A. G.</td>
<td>3/1/18</td>
<td>50.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Brown Supply Co.</td>
<td>4/1/18</td>
<td>100.00</td>
<td>4/30/23 Out of bus.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Simpson &amp; Bros.</td>
<td>4/1/18</td>
<td>50.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Ice Mfg. Co.</td>
<td>5/1/18</td>
<td>100.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FIG. 1—MEMBERSHIP REGISTER

RECOMMENDED SHEET SIZE 8½" X 11" OR 8½" X 14"

BOUND OR LOOSE LEAF
IMPORTANCE OF SOUND PROCEDURE

Everyone engaged in chamber of commerce activities subscribes to the general statement that the financial affairs of the chamber should be conducted on a sound basis. But having subscribed to this statement, it is not a difficult matter for an energetic and capable chamber of commerce executive to be more impressed and interested in the cooperative activities of his chamber than he is with the less spectacular aspects of the business-like financial control of the chamber's operations.

This is an entirely natural situation, and as it has not always been clear as to what is "the one best way" for handling the accounting and financial records, makeshift methods have been devised and operated in a makeshift way. While many a chamber of commerce "gets by" with this sort of record-keeping machinery, it is not at all necessary that it do so. There is a sound, business-like method of keeping the records, devoid of red tape; a straightforward, easily handled procedure, which once installed, not only is not troublesome in operation but furnishes an invaluable means for the executive supervision over the chamber's business.

In the study of the material in this pamphlet the chamber executive is urged to look for the underlying principle behind the use of a certain form, rather than to the size, the width of columns, or other mechanical features. On this point, however, some care has been taken to present illustrations of forms which in many cases should be entirely satisfactory and by slight modifications will prove effective under any set of conditions.

Attention is directed to the Classification of Accounts which is presented in Appendix A. This classification is a model classification only, subject to adaptation to individual needs. There is this to be said, however, that if all chambers of commerce would adopt a uniform classification of accounts, as have the railroads, it would enable chamber executives to make interesting and valuable comparisons of the cost of rendering various kinds of service in different communities. For example, if all chambers should employ the same accounting procedure for the collection of expenses of the several departments or committees, it would enable the various chambers to make effective comparisons between themselves.

MEMBERSHIP RECORDS

The membership records that the chamber of commerce secretary may desire to keep may be many, but from the point of view of finan-
### MEMBER'S LEDGER CARD

**Recommended Sheet Size**

5" x 8"

<table>
<thead>
<tr>
<th>DATE</th>
<th>MEMO</th>
<th>DR.</th>
<th>CR.</th>
<th>BALANCE</th>
<th>DATE</th>
<th>MEMO</th>
<th>DR.</th>
<th>CR.</th>
<th>BALANCE</th>
</tr>
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<tr>
<td>1945</td>
<td>Oct 1</td>
<td>$50.00</td>
<td></td>
<td>$50.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nov 15</td>
<td>$50.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
cial control there are two that may be considered to be fundamentally essential. They are, first, the Membership Register, and second, the Members' Ledger Card.

Membership Register.

When a new member has been elected to the chamber, the name of the company or individual should be entered upon a permanent record, arranged in the order of election. A suitable form is shown in Figure 1. The Membership Register may well be a bound book, although not necessarily so, for a post binder or other form of loose-leaf book from which the sheets are not easily removed should prove suitable. The entries on the form shown in Figure 1 will indicate the character of the needed information.

The purpose of the register is to record the bare essentials of information in regard to the member's election. Usually, it will be found desirable to assign a serial number to each member as elected. The information as to dues is simply as a record of the member's original subscription and no provision is made for keeping the record up to date.

After the original entries have been made the register answers no further purpose, except that of reference. Sometimes, for example, a Members' Ledger Card is misplaced; or if a correspondence file is kept for him it is misfiled; or possibly the addressing machine stencil for him becomes lost. The Membership Register is the one record from which all checking of other records may be instituted.

Some chamber executives, it is true, do not look upon the Membership Register as an absolute necessity, but the experience of others is such as has conclusively proved its value.

Members' Ledger.

A ledger card is probably the most suitable method for recording the financial transactions with the individual member. A suitable form of card is that described in the report of The Committee on Standardized Forms of The National Association of Commercial Organization Secretaries, reproduced in practically identical form in Figure 2. The method of making entries on the card is shown.

In general practice, it has been found undesirable to combine service or statistical records with the Members' Ledger Card. The ledger card should be solely for the recording of financial transactions with the member. In ordinary practice it will be found desirable upon the election of a member to prepare an addressing machine stencil,
KINDLY DETACH & RETURN WITH YOUR REMITTANCE

MEMORANDUM

CITY CHAMBER OF COMMERCE
CITY, NEW YORK

DATE
AMOUNT.

BACK OF INVOICE

FIG. 3—DOES INVOICE
RECOMMENDED SIZE
8" x 10¼"

FOLD HERE

FRONT OF INVOICE

DETAILS OF INVOICE
AMOUNT
DATE

8
and to make an impression upon a Members’ Ledger Card. Presumably, the impression will show the member’s number and the city address given at the time he was elected to membership. Thereafter, changes in address will be made only upon the addressing machine stencil and upon service and statistical records.

There are various ways of filing Members’ Ledger Cards. In ordinary practice it will be found most satisfactory to file them in an ordinary card file alphabetically by name of the member. In some cases it may be desirable to provide one of the numerous visible index records which are on the market. But if this be done the imprint of the member’s name will be made on the bottom of the card, or upon a separate slip, for ordinarily the card fits in a pocket so that but one-half inch or less of the bottom of the card shows.

Provision should be made to transfer the cards of members who have resigned and whose accounts are closed to a transfer file. This will leave the cards of active members only in the open file. Once a year or oftener it will be found wise to make a detailed check between the Membership Register and active and transfer files of Members’ Ledger Cards. Furthermore, as explained later, provision should be made for the control of Members’ Ledger balances with the amounts shown in the General Ledger. In this way the Members’ Ledger may always be kept correct without great labor.

**Invoicing of Dues and Handling of Remittances**

A suitable form of invoice for billing members is that shown in the Report of The Committee on Standardized Forms, above mentioned, and reproduced with modifications as Figure 3. It will be noticed that this form has a detachable stub, which it is expected will be returned by the member with his remittance.

A little careful consideration of the invoicing procedure may well result in economies of time and labor. Possibly, it will be found practical and economical to address invoices on the addressing machine. If membership dues are uniform in amount, it may be practical to have the invoices printed in advance. This will be peculiarly the case of the chamber of commerce with a large number of members, where there is uniformity in the amount of dues and all dues are billed at the same time, as at the beginning of the fiscal year.

No attempt will be made in this pamphlet to lay down the policies which should govern the chamber in connection with the billing of dues to its members, but it seems appropriate to make certain suggestions in that direction. In general, it would appear preferable to have the
<table>
<thead>
<tr>
<th>DATE</th>
<th>RECEIVED FROM</th>
<th>CREDIT</th>
<th>CHARGE</th>
<th>DEPOSITED IN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1111</td>
<td>1st Nat'l</td>
<td>Accts. Reqs.</td>
<td>1233</td>
<td>Sundry</td>
</tr>
<tr>
<td>1123</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FIG. 4—CASH RECEIPTS RECORD**

RECOMMENDED SIZE

9¼" x 11½"
dues of all members begin at the same time, that is, at the beginning of the chamber’s fiscal year. For purposes of illustration in this pamphlet, it will be assumed that the end of the fiscal year is September 30. To take care of members elected other than at the beginning of the fiscal year, one chamber of commerce at least has adopted the following desirable practice: The member is billed at the time of his election for the dues for a year in advance. At the beginning of the next fiscal year a new invoice is issued to him for the ensuing year’s dues, with a credit corresponding to the amount pro rata for which he has paid beyond the beginning of the fiscal year at the time of his election.

Some chambers of commerce find it desirable to allow the members to pay amounts less than the full annual dues. In such instances it has been found good practice to bill the member for the full amount of his annual dues, but accept his proportionate payment. This seems preferable to the practice sometimes employed of billing all dues quarterly or semi-annually.

Handling of Remittances.

Remittances will be received in two ways, by mail, and by payment in person. Remittances will be in the form of negotiable instruments, such as checks or money orders, or in the form of cash. Whatever the method or form of remittances, it is important that they be handled in the chamber office promptly and carefully. Remittances should be handled by chamber employees especially designated and suitably bonded. Every remittance, including small remittances in coin, should be deposited to the chamber’s account in the bank. This is of first importance if a thorough control is to be exercised and a convincing audit is to be made. When a remittance is received unaccompanied by the stub of the invoice, one should be prepared for use in the making of postings to the Member’s Ledger Card. In fact, the actual remittance should never be employed for this purpose, other than in the very smallest chambers where one employee not only receives the mail but makes deposits and keeps the chamber’s books. Instead, the remittances should be kept together and a daily deposit slip in duplicate prepared.

A check on the posting to the Members’ Ledger accounts with the deposit of funds can usually be provided for by bringing together all of the invoice stubs supporting remittances for a given day, and on the following morning or late in the afternoon of the same day making the check with the day’s deposits. Invoice stubs should be
preserved for a reasonable period of time and should be filed in order of date received.

This brings us to a consideration of the first of the accounting records—the Cash Receipts Record. While detailed description of this record will be deferred to a later section, it is desirable to show the recommended form at this point as Figure 4. The character of entries is indicated. Usually, it will be found desirable to make an entry for each remittance. Ordinarily, the entry may be made direct from the check or money order at the time the deposit slip is prepared, each remittance being shown separately. In the case of very large organizations, however, it may be found to be desirable clerical procedure to prepare an intermediate summary of remittances and to make but one entry on the Cash Receipts Record for each day.

CONTROLLING THE FUNDS

It has been stated in a preceding section that all remittances received should be deposited in bank. The policy with respect to bank accounts may vary. In some instances the treasurer of the chamber may be a banker and the funds may be deposited subject to his check. If this be the chamber's policy, it would appear to be most desirable where the dues are billed annually and a large amount of funds is received considerably in advance of the need for their use.

Care should be exercised, however, against too much formality and red tape in this matter. The day has passed when it seems necessary and is desirable to provide for two or three signatures on every check issued, or for securing the authorization of the board of directors to each specific payment made by the principal and responsible officer, the secretary.

Modern methods of accounting and the frequent auditing of accounts, together with the provision of a workmanlike budget plan obviates the necessity for the executive scrutiny of every disbursement by several pairs of eyes.

If chamber dues are collected for a year in advance during the first two or three months of the year, it may appear desirable as stated to deposit the remittances to the credit of the volunteer treasurer in a trustworthy bank. A second bank account may be maintained, subject to check by the secretary, and be in the nature of an imprest fund. By this is meant that the secretary's account may be initiated, say, by deposit by the treasurer of $2,000 to the credit of the secretary and at the end of each month brought back to that amount by a payment by the treasurer equaling the month's disbursements.
In so far as possible, disbursements on account of the chamber should be made by bank check. Necessary disbursements in currency should be made from a small cash fund, which frequently is put in the hands of an employee of the chamber offices, possibly designated as cashier. For example, a fund of $50 may be entirely adequate. The exact procedure for the establishing and handling of this fund will be described in a later section. In principle, however, the cashier is charged with the amount initially provided, say $50, and at the end of each month, or oftener if necessary, one check is drawn by the chamber secretary, or perhaps the chamber treasurer, for the amount of the disbursements. Thus the fund is kept constantly at its original amount, or at other times the cash balance plus the receipted invoices taken for petty cash disbursements equal the initial amount of $50. No petty cash book should be kept.

In conclusion, it should be repeated that there need be no tiresome method in order that the funds of the chamber may be carefully protected. On the other hand, slipshod, easy-going methods are not to be condoned. In the discussion in later sections the precise ways will be presented by which simplicity of method accompanied by security of funds may be secured.

**Purchasing Supplies.**

The purchasing of supplies and service should be handled in an orderly and business-like way. Chamber employees indiscriminately should not have the authority to make purchases or obligate the chamber. All proposals for purchases should be scrutinized before the purchase order is placed. In the case of the purchase of small items, the authority to purchase may rest in a chief clerk or office manager. In the case of a larger amount or that involves unusual items, the secretary personally should give authority to purchase. In fact, when it is proposed to put the chamber to an unusual expense, the secretary may well find it desirable to consult with one of the other executive officers, or the budget or executive committee if the item is not covered by the approved budget.

It is a wise policy to require that a purchase order be issued when an oral arrangement has been made for materials or service of considerable value, or where delivery is not likely to follow immediately. The volume of these transactions, however, does not appear to make it necessary or desirable, in the case of most chambers of commerce at least, to provide a special form of purchase order. Confirmation of the order may well be made on the chamber's letterhead, and if desired
every purchase order so placed may be identified by a consecutive serial number.

The procedure in connection with the payment of vendors' invoices will be considered in the next following section.

**Accounting Procedure**

**Double Entry Accounting.**

Without question, the only satisfactory accounting procedure for a chamber of commerce, or for any other commercial enterprise, is based upon double entry. No large commercial enterprise finds any other method of accounting at all adequate, and the small enterprise that attempts to employ a so-called simplified procedure does not have an adequate control over its finances. Abbreviated systems of accounting are a snare and a delusion. They make it difficult for the chamber secretary to set up convincing statements of the chamber's financial condition. They are almost impossible to audit satisfactorily. Furthermore, with a double entry accounting system of the right kind, no more labor will be used in the long run than with a makeshift system where the entries originally appear to be made with greater simplicity.

Present-day accounting by double entry is a highly developed, efficient method; yet in operation it is simplicity itself. Procedure described herein and the forms presented embody those principles which have been found to be sound in practice and which employ those clerical mechanisms which reduce the labor of accounting to a minimum.

The secretary of a small chamber of commerce may say that he has no one qualified in his organization to handle a double entry system. While that may be true, nevertheless the knowledge of double entry bookkeeping has become so universal that the secretary in the smallest community who employs but one stenographer can well insist on securing an employee who is soundly grounded in the fundamentals of double entry.

**Books and Forms**

A word now as to the character of the system proposed herein. In the first place, specially prepared and printed forms are recommended for every chamber of commerce, except perhaps the very smallest. In the long run the cost of forms is the least of the expenses of accounting, and the forms should be right, in the first place, if the best results are to be secured.
The system recommended provides for the use of a number of books, preferably loose-leaf records in separate binders. In this connection there have been advocates of simple systems, where all the records are kept in one book, but experience has demonstrated that there is considerable difficulty in posting from one sheet to another in quite a different part of a book without making serious errors. Furthermore, with a little experience it will be found more convenient to have the various records in their own binders. In fact, in large chambers of commerce two or more employees may be assigned specific jobs in connection with the accounting and each have his own records.

It will be noticed, for example, that in this system it is proposed that the cash book shall be in loose-leaf form and that the Cash Receipts Record shall be independent from the cash disbursement record, known as the Check Register, and in most cases the two may well be kept in separate binders. Likewise, the Voucher Register will be a book by itself. So will the General Ledger and so will the Journal. These comprise the principal books that will be required.

Classification of Accounts.

The next important point to which attention is directed is a well defined Classification of Accounts. A model classification is a part of the system recommended and appears as Appendix A. It will be observed that a comprehensive numbering system has been devised and on first inspection it may appear that this numbering system is elaborate and unnecessary. There is this to be said for it: In construction it follows in principle the so-called decimal classification, which, as is well known, is the one employed in all libraries. The reason for this is to insure the logical arrangement of accounts. Previously, it was the practice in many cases to arrange accounts in the General Ledger and in the Trial Balance, alphabetically by the first letter of the first word in the account. There is nothing to commend this arrangement, except facility in quickly locating an account—as say, Salaries. The logical classification under a numerical system, however, is quickly memorized by those who are employing it, and it has the further advantage of arranging the accounts in the order in which they are needed in the preparation of financial statements.

An added advantage should be noted. Provision is made under this numbering scheme whereby any account may be still further divided also in a logical manner. Again, new accounts may be incorporated without disruption of the numbering scheme.

It was suggested in the introduction of this pamphlet that when chambers of commerce throughout the country ultimately come to
use the same classification of accounts it will enable valuable comparisons to be made of the cost of service in different communities. While the Classification presented may not fill the bill in every particular, it is of a character by which corrections, amendments, or additions can be readily made without disturbing accounts unaffected thereby.* The Classification, as herein presented, has been developed for a chamber of commerce of medium size, that is, one where, in addition to the secretary, there are two or three specially organized headquarters departments and a number of standing and special committees, some of which incur considerable expense. No attempt has been made, however, to introduce accounts for any of the special activities in which a chamber may engage. For example, no provision is made for restaurant or club-room accounts. The discussion is confined to the essential things in chamber of commerce accounting which will be common to almost every organization.

The general ledger accounts of a chamber of commerce may be appropriately grouped under the following headings:

1000 — Asset Accounts
2000 — Liability Accounts
3000 — Income Accounts
4000 \ — Expense Accounts
9000 \ — Expense Accounts

In the classification each of these groups is subdivided logically so that accounts will appear in the General Ledger for each important item.

Some of these accounts are in the nature of controlling accounts. A controlling account is one whose balance represents the total of the balances of a number of underlying or subsidiary accounts carried in a separate ledger. For example, 1122—Accounts Receivable, Dues, is the controlling account for the Members' Ledger, which it will be recalled consists of ledger cards, one for each member. Whenever a controlling account is carried, a reconciliation of the subsidiary accounts with the controlling balance should be made monthly.

Attention is next called to the fact that in the account classification there are certain numbered headings which in themselves are not

---

* The Interstate Commerce Commission, as is well known, has prescribed a uniform classification of accounts for all common carriers coming within its jurisdiction. In this way comparisons of operating results are assured. However, the Commission's classification is subject to further division by any individual carrier if he wishes to keep his accounts in greater detail. Furthermore, the Commission authorizes changes in classification from time to time as necessity arises.
accounts. They are simply used to indicate the logical development of the classification. For example, 1100—Current Assets, is not in itself an account, nor is 1110—Cash Accounts. In those cases, as stated, they are inserted to show the logical arrangement; all of the accounts appearing under the group 1100 being in the nature of current assets; and all under the heading of 1110 being in the nature of cash accounts.

Definitions of the debit and credit entries under each account are provided. These definitions cover the usual entries to the account. No attempt is made to provide for casual entries which may be made correctly under certain conditions. It is to be noted that in all cases the debit entry is first described followed by the description of the credit entry. This is done whether or not normally the account has a debit or credit balance. It is to be noted further that the definition includes a statement as to the usual source of the entry and the time at which it is to be made. For example, under 1111—Cash in Banks, the first definition is “To be charged monthly direct from the cash receipts book with all cash received.”

A Classification of Expense Accounts is also provided, Appendix B. These accounts are subsidiary to the expense control accounts in the General Ledger. Definitions of the individual accounts, however, are not supplied, as their names in most cases are sufficiently indicative of the character of items which should be charged to them. In a few cases of special character the accounting treatment is discussed in the text of the pamphlet.

Having now provided a general description of the Classification of Accounts, attention will be paid to the several accounting forms. Other illustrations with respect to the accounts follow, and the reader will find it desirable frequently to refer to the Classification itself.

Cash Receipts Record.

It has been stated in a preceding section that modern practice favors the separation of the cash receipts bookkeeping from the cash disbursements. In the case of very small chambers of commerce it may be found desirable to carry the two forms in the same binder, the Cash Receipts Record in the front, and the cash disbursements or Check Register facing in the opposite direction towards the back of the book. In larger chambers of commerce it will be a distinct advantage to carry the two forms in separate binders.

The Cash Receipts Record form has been shown in Figure 4. Sample entries indicate the method of its use. No postings of cash re-
CK. NO. F-1062

PAY TO Municipal Electric Company

AMOUNT Eight and ......................... 2/100 $ 8.02

OR ORDER

TO FIRST NATIONAL BANK

CITY, NEW YORK

41.16

CITY CHAMBER OF COMMERCE

SECRETARY/ TREASURER

Voucher

Municipal Electric Company

Eight and ......................... 2/100 8.02

Invoice of Nov. 3, 1925

ACCOUNT DISTRIBUTION

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<thead>
<tr>
<th>NO.</th>
<th>ACCOUNT NAME</th>
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</tr>
</thead>
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<tr>
<td>4123</td>
<td>Light Invoice</td>
<td>8.18</td>
</tr>
<tr>
<td></td>
<td>Cash Discount</td>
<td>.16</td>
</tr>
<tr>
<td></td>
<td>Amount of Check</td>
<td>8.02</td>
</tr>
</tbody>
</table>

FIG. 5

VOUCHER CHECK AND VOUCHER

RECOMMENDED SIZE

OF VOUCHER 7 1/4" x 8 1/2"

18
ceived are made to the General Ledger until the end of the month, at which time the several columns are totaled and proved. The credits in total should equal the total of the charge to 1111—Cash in Books.

Upon reference to the Classification of Accounts it will be found that the total in the column headed 1122—Accounts Receivable, Dues, will be posted direct in one amount to the General Ledger account of that name. Similarly, the items in the column, 1123—Accounts Receivable, Miscellaneous, will be posted to the account of the same name in the General Ledger. Items appearing in the Sundries column, however, must be posted individually. The illustrated form shows, for example, that the ABC Typewriter Company paid $60 on November 28 for a second-hand typewriter sold to that firm, and that Account 1211—Furniture and Equipment, is to be credited.

The total of the column 1111—Cash in Banks, is charged in one amount to the General Ledger account of the same name. The total of amounts in the two columns—Deposited In, are not posted elsewhere but are kept totaled from day to day, so that by comparison with the cash disbursements columns for the respective banks, Figure 8, the balances in each of the two depository banks are known.

Every month at the time of postings to the General Ledger the Cash Receipts Record is ruled off and entries for the first day of the succeeding month made on the next blank page. Totals are not carried forward, except in the case of balances in the two bank accounts, which are carried in the columns—Deposited In.

Petty Cash Disbursements.

It has been stated in a preceding section that all disbursements except for very small amounts should be made by bank check. It will undoubtedly be desirable, however, to maintain a small cash fund in the headquarters’ office, in charge of the secretary or his stenographer, if possibly he has but one employee, or in the hands of the cashier or general accountant in the case of a large chamber of commerce. The method of opening this account will be described fully in connection with the use of the Voucher Register. Let it be assumed that the account is opened on the first of the month with the drawing and cashing of a check for $50. During the month on the secretary’s authorization small purchases of stationery and supplies will very likely be made. Express charges will be paid and other small disbursements made. For each disbursement the cashier should secure a receipted invoice from the vendor. In the event that it is impracticable to secure a receipt on the vendor’s own form, the cashier should prepare
one on a blank sheet of paper and secure the signature of the one receiving the money. These receipted invoices are then filed in the cash box, or in a stout manila envelope of appropriate size. Printed envelopes especially for the purpose will be found in nearly all stationery stores.

When the cash fund gets low, whether or not at the end of the month, the balance should be restored to the original amount by the preparation of a voucher and the drawing of a bank check, as described in the section devoted to the Voucher Register.

This subject is covered in some detail, for the handling of small cash disbursements under any other plan is open to objection, particularly from the point of view of the satisfactory audit of accounts. The plan described is simple in operation and highly satisfactory.

**Disbursements by Bank Check.**

All disbursements other than those of a very small amount, or in case of emergency, should be made by bank check. The procedure connected with the making of disbursements involves the use of vouchers and the setting up on the books of account of all of the obligations of the chamber, as the obligations are incurred, that is, prior to actual payment of the debt.

Attention is directed to the Voucher Check and Voucher which appear as Figure 5. This Check and accompanying Voucher, as will be noted, are especially prepared for the use of the chamber. Usually, it will be found that the local bank will be very glad to arrange for the printing of these checks. There are many advantages through the use of these forms as compared with any other procedure, as will be brought out in the explanation.

A vendor's invoice should be secured for every obligation incurred. If but one transaction is made with a vendor, the invoice may be vouchered at once upon receipt. This is accomplished in the following manner:

The invoice should be checked for correctness as to quantities, items, unit prices, extensions, and total. For this purpose it will be found convenient to provide a rubber stamp with a list of these operations, blank spaces for the initials of the employees making the check, and in addition the secretary's approval for payment should be shown. The invoice will now be vouchered, that is, the Voucher Check and the Voucher will be prepared at the same time on the typewriter. Inspection of the Check and Voucher will show that unlike most earlier types of voucher check, all of the material may be written on
the typewriter with one insertion in the machine. The account, or accounts, to which the disbursement should be charged is shown on the Voucher under the caption, Account Distribution. Entries indicating the method of use as described are shown in the form.

The invoice is then attached securely to the Voucher and entry made on the Voucher Register, Figure 6.

**Voucher Register.**

The purpose of the Voucher Register is to set up on the books the obligations of the chamber as liabilities and to make the distribution to the appropriate expense accounts. An inspection of the sample entries will reveal the method of use. In the case of some vendors, as, for example, printing and stationery houses, a number of transactions may occur during any one month. In such cases it will be found desirable to establish a fixed date during the month for the payment of all such invoices. Accordingly, every invoice from such vendors, as received, is put in a temporary file under the name of the vendor until the time chosen for payment. All invoices for the one vendor will be handled on a single check and voucher. In this connection the stub on the check, which is to be detached by the recipient before depositing in his bank, shows the dates, vendor's numbers, and other itemized information in regard to the several invoices paid by the one check.

In some cases vendors' invoices will be subject to cash discount. When an invoice of this kind is received it is desirable promptly to voucher it and place it in a tickler file under the date on which it should be paid, in order to make sure of the cash discount. When the Voucher is prepared it is entered singly in the Voucher Register, the full amount of the invoice being charged to the proper expense accounts, the amount to be paid in the column 2112—Accounts Payable—and the amount of the cash discount in the column headed accordingly.

At the end of the month the several columns on the Voucher Register are totaled and the totals proved by cross addition and subtraction. The totals of the several columns are then posted to the respective accounts in the General Ledger, Figure 7, as indicated in the Classification of Accounts, with the exception of the postings in the Sundries column, which as in the case of sundry items of cash received must be posted singly to the proper accounts in the General Ledger. At the close of the month the Voucher Register is ruled off and entries for the next succeeding month commenced on a new sheet.
<table>
<thead>
<tr>
<th>DATE</th>
<th>VR. NO.</th>
<th>IN FAVOR OF</th>
<th>CREDIT</th>
<th>CHARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/25</td>
<td>1516</td>
<td>City Scale Co.</td>
<td>2112</td>
<td>3992</td>
</tr>
<tr>
<td>1/17</td>
<td>1517</td>
<td>MunicipalPB.</td>
<td>4100</td>
<td>4200</td>
</tr>
<tr>
<td>1/18</td>
<td>1518</td>
<td>Stella Grand</td>
<td>4300</td>
<td>4400</td>
</tr>
</tbody>
</table>

**FIG. 6—VOUCHER REGISTER**

**RECOMMENDED SIZE 11" x 17"**
It is to be noted that Vouchers are to be numbered consecutively and an entry should appear in the Voucher Register for every Voucher handled. Furthermore, in some cases at least, chambers will have more than one bank account and accordingly each Voucher Check carries its own consecutive check number for the bank on which it is drawn.

Attention is again directed to 1112—Petty Cash Fund. When that account is first established a Voucher Check and Voucher are prepared for the amount of the fund. Later, when the fund must be reimbursed, a Voucher Check and Voucher are prepared to cover all of the disbursements for which petty cash receipts have been taken and the appropriate expense accounts are charged. For example, on November 28 the total amount of petty cash receipts in the petty cash envelope total to $41.60. This means that there must be left in cash $8.40. Analysis of the petty cash receipts reveals that charges should be made to the various expense accounts as follows:

4132  Administrative Department, Telegraph Service ...... $ 2.60
4142  " " Office Supplies ............ 26.50
4152  " " Local Transportation .... 12.50

All the figures are now provided by which to make entries on the Voucher Register and in the Expense Ledger.

Attention will now be turned to the next form under consideration, the Check Register, Figure 8. Entry will be made in the Check Register when the Voucher Check is signed and ready for delivery to the creditor. The method of entry is simple, as is shown by the specimen entries in Figure 8. At the end of the month the various columns are totaled and proved. The total of the column 1111—Cash in Banks—is then credited to the account of that name in the General Ledger, as directed in the Classification of Accounts.

Accrual of Expenses.

There may be a question in the minds of some as to why it is desirable, in the case of a small chamber where the number of transactions is limited and payment is made promptly after receipt of the invoice, to set up on the books of account liabilities of the chamber as they are incurred.

In the first place, the use of the procedure involving the employment of the Voucher Register is the most business-like plan that can be devised. Through it the secretary and other officers of the chamber are constantly aware at each month's end of the outstanding liabilities.
<table>
<thead>
<tr>
<th>DATE</th>
<th>MEMORANDUM</th>
<th>Ref.</th>
<th>DEBITS</th>
<th>CREDITS</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 1</td>
<td>Balance Forward</td>
<td></td>
<td>200000</td>
<td></td>
<td>200000</td>
</tr>
<tr>
<td>Nov 1</td>
<td>City Stores Co.</td>
<td>R13</td>
<td>7500</td>
<td></td>
<td>216387</td>
</tr>
</tbody>
</table>

**FIG. 7—GENERAL LEDGER**

**RECOMMENDED SIZE** 9 1/2" x 11 1/2"
Through it also there is a workmanlike handling of invoices, including routine checking for errors. Furthermore, the use of the voucher system is superior from the point of view of the audit. Not only is the audit made with greater expedition, but also the results secured are more satisfactory.

In this description not all of the types of entries that will occur in practice are described, but only those which indicate the straightforward use of the procedure. The chamber secretary, if his own bookkeeper is not sure of the correct entry, can undoubtedly obtain assistance without cost from one of the accountants in the employ of his bank, or from the chamber's auditor if one be regularly retained.

**Expense Ledger.**

The use of control accounts is a very important feature of modern practice in double entry accounting. In the system herein recommended control accounts are employed in the cases of 1122—Accounts Receivable, Dues, and all of the several General Ledger expense accounts.

A control account serves a number of purposes. In the first place the use of the account very materially cuts down the number of accounts carried in the General Ledger and likewise the number of entries that have to be made. This is particularly important in connection with the prompt monthly closing of the General Ledger, for any errors in posting or totaling on the books of original entry (Cash Receipts Book and Voucher Register) are confined to a rather limited number of accounts and the detection of the error is thereby most readily accomplished.

Furthermore, a control account serves an important function in the reconciliation of the balances in the subsidiary accounts. For example, in the case of large chambers of commerce the Members' Ledger may be divided, say, into four sections; each section controlled by an account in the General Ledger. Entries in posting to the Members' Ledger thus may be traced down more readily. For example, at the end of the month in three of the four ledgers the totals of the balances of the subsidiary accounts might agree with the control account balances. Only in the fourth case might there be an error. Hence, in seeking the error it will be necessary to investigate but one-fourth of the total number of accounts, rather than all of them if but one control is carried.
<table>
<thead>
<tr>
<th>DATE</th>
<th>CK. NO.</th>
<th>PAID TO</th>
<th>CASH IN BANKS</th>
<th>CHECKS DRAWN ON</th>
<th>FIRST NAT'L</th>
<th>UNION TRUST</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>F-1061</td>
<td>City Stores Co</td>
<td>77500</td>
<td>7750</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F-1063</td>
<td>Municipal Electric Co</td>
<td>7250</td>
<td>7250</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F-1063</td>
<td>Stella Rogers, Chicago</td>
<td>4760</td>
<td>4760</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FIG. 8—CHECK REGISTER**

**RECOMMENDED SIZE** 9¼" x 11¼"
The development of the control accounts is clearly brought out in the Classification of Accounts. In the case of expenses the control accounts in the model classification are the following:

- 4100 Expenses of Headquarters—Administrative Department
- 4200 " " Traffic Department
- 4300 " " Industrial Department
- 4400 " " Publicity Department
- 5100 Expenses of Standing Committees
- 5200 Expenses of Special Committees

These are all of the expense accounts in the case of the assumed chamber that would be required in the General Ledger. It will be desirable, however, to itemize the expenses in more or less detail. Accordingly, an Expense Ledger quite separate from the General Ledger should be maintained. A suitable form is shown in Figure 9. Postings to the Expense Ledger preferably are made at the time the Voucher is entered upon the Voucher Register and are made directly from the Voucher itself.

The Expense Ledger form presented has proved of considerable value in use through the fact that in most cases one sheet will suffice for all of the subsidiary accounts under one controlling account, or at least under one main subdivision of a controlling account. Hence, the figures on the Expense Ledger are in the proper arrangement for quick transfer to the Monthly Expense and Budget Statement, Figure 15, made up for the information of the chamber’s executive officers.

At the end of the month the various columns are totaled, a cross footing made to arrive at the amount of the total expense that should appear in the Control Account, and comparison made with the balance in the Control Account, as shown by the General Ledger.

Journal.

The one remaining essential accounting record in constant use is the General Journal. This form and the general method of its employment is known to all double entry accountants and accordingly a form is not reproduced herein. In many commercial businesses a form known as a Journal Voucher has superseded the journal book. This Voucher in some respects is similar to the Invoice Voucher shown in Figure 5. Every journal entry is detailed on one of these forms and before entry in the general books is scrutinized and approved by an executive officer, as for example, the secretary of the chamber.
<table>
<thead>
<tr>
<th>DATE</th>
<th>VR. NO.</th>
<th>MEMORANDUM</th>
<th>Salaries Exec. 4111</th>
<th>Salaries Clerical 4112</th>
<th>RENT 4121</th>
<th>Janitor Service 4122</th>
<th>Light 4123</th>
<th>TELEPHONE 4131</th>
<th>TELEGRAPH 4132</th>
<th>PRINTING 4141</th>
<th>OFFICE SUP 4142</th>
<th>TRAVELING 4151</th>
<th>LOCAL TRANS. 4152</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 3</td>
<td>1817</td>
<td>Petty Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8/18</td>
</tr>
<tr>
<td>28</td>
<td>1818</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1250</td>
</tr>
</tbody>
</table>

FIG. 9—EXPENSE LEDGER

RECOMMENDED SIZE 11" x 17"

STATIONER'S STOCK FORM OF SIMILAR ARRANGEMENT MAY BE USED ADVANTAGEOUSLY
The Journal Voucher is a very effective form but not at all necessary. A suitable form of Journal Voucher will be submitted to any chamber executive who wishes to consider its use.

**ACCOUNTING FOR DUES.**

Accounting for dues presents an interesting problem. No one generally applicable solution of this problem can be presented herein, for conditions vary greatly in the different chambers of commerce throughout the country. The problem concerns itself not alone with accounting procedure but with the conditions that are imposed through chamber policies.

Some chambers of commerce have arranged their fiscal affairs in such a way that all members are billed at the beginning of the fiscal year for the full amount of the year's dues. Where this is done and where the rate of dues is uniform for all members the problem consists in the reaching of a decision as to whether dues when billed to members shall be set up on the general books as an Account Receivable, that is, as an asset; or as the alternative, carried only in the Members' Ledger, in which case that ledger is of the nature of a memorandum account.

If the dues receivable are set up as an asset, the next problem is that of the treatment of the offsetting or credit entries. This point is illustrated in a simple manner by the situation in connection with the bank account when dues are billed at the beginning of the fiscal year for the full year's service. In 30 to 60 days after the invoices have been sent out a large proportion of the dues will have been collected and there will be cash in hand far in excess of immediate needs. Under such circumstances, unless precautionary measures are taken (through the adoption of a budget and otherwise), there may be an inclination on the part of the chamber's officers to undertake unwise activities and incur expenses far in excess of the ability of the treasury to stand the drafts upon it.

Here we are at the juncture where we must consider whether the chamber of commerce accounting, with respect to dues, should be carried on what is known as the accrual basis or upon the cash basis. This question has already been answered in the case of expenses. It was seen that when an invoice was received it was at once vouchered and set up as an obligation of the chamber, even though payment of the invoice might not be made conceivably for one or more months later.

The dues situation is similar. Without a question the most satisfactory way is to handle the accounting for dues on the accrual basis.
The fact that this method is not in more common use is undoubtedly due largely to the fact that the accounting procedure is not thoroughly understood, even by bookkeepers who are otherwise satisfactorily informed on double entry accounting.

In the system recommended herein it is expected that when the dues are billed to members there will be a summarization of the charges and through the use of the Journal or Journal Voucher 1122—Accounts Receivable, Dues, will be charged with the amount billed and 2311—Deferred Dues Income, will be credited. When the members pay their dues, 1122—Accounts Receivable, Dues, will be credited and 1111—Cash in Banks, debited. There remains the disposition of the balance in 2311—Deferred Dues Income. Under the simplest conditions the amount in this account will be reduced every month by one-twelfth of the amount of the dues billed. The entry would hence be a charge to 2311—Deferred Dues Income, and a credit to 3110—Income from Dues.

There may appear to be some difficulty in securing accurate figures for the preparation of this journal entry. Usually, however, the procedure will be quite straightforward and simple. For example, in the case all members pay the same amount of dues, as $24 per year, the amount by which Dues Income should be increased and 2311—Deferred Dues Income decreased will be obtained by the product of the number of members in good standing by two dollars, which is one month's proportion of the annual dues of one member.

Another way to handle this situation is through the use of a columnar sheet, having at least 12 columns and preferably 18 or more. As dues are billed the total amount of the dues is spread proportionately to the several months to which the dues pertain. For example, assume that the month is that of July and that ten new members have been added, with membership effective July 1. The fiscal year of the chamber closes September 30. Let it be assumed further that every member is billed for an entire year in advance at the rate of $50, or the amount of the July billing is $500. This amount should then be split up over a period of 12 months, that is, at the rate of $41.67 for each month. The amount would then be entered in the proper columns of the columnar sheet above mentioned. Similarly, any dues billed as of August 1 would be entered. At the close of any month the total of the columns on the columnar sheet for the month in question would give the amount of the dues earned for that month. This procedure is in reality of considerable importance and as stated there should be
few, if any, cases where it will not be feasible to work out a practical and simple method of carrying on the accounting.

The procedure in connection with income from subscriptions to a Service (Activities or Sustaining) Fund is identical with that for dues. Here, however, the subscriptions may be for various amounts, and in that event the use of the columnar form will doubtless be found to be the most practical method.

It will be readily seen that by this practice the chamber credits itself with income which actually has been earned and consequently an equitable comparison can be made with the expenses. There is no temptation to disrupt cash balances and to make unwarranted expenditures. While the cash balance will be large at the beginning of a year if dues are billed on the first of the fiscal year for the entire year, the chamber's finances will be studied from the point of view of the earned dues income in relation to the actual expenses. This matter will be referred to again in the section of the pamphlet devoted to budgeting procedure.

In addition to the description of the procedure given here, attention is directed to the Classification of Accounts and the definitions accompanying each of the accounts concerned.

There is one further problem connected with the billing of members, to which a brief reference should be made. It pertains to the subject of unpaid dues, on which collection is doubtful if not impossible. In commercial practice it is customary to provide a reserve for bad debts, in anticipation of such losses. Chamber of commerce practice may well follow commercial practice and in the Classification of Accounts will be found 2412—Reserve for Uncollectible Dues. The definitions of the debits and credits to this account clearly describe its use. While there is a little additional accounting labor involved in treating the matter as here recommended, it is believed that most chambers of commerce will find it the most satisfactory practice. For those, however, which prefer not to employ a reserve of this character, the losses from dues when finally taken results in an entry which credits 1122—Accounts Receivable, Dues, and charges 4191—Uncollectible Dues.

ACCOUNTING FOR DEPRECIATION.

While the subject of accounting for depreciation is of greater importance in commercial practice than in chamber of commerce accounting, it is considered desirable to conform to commercial practice in this regard. It is usually most satisfactory to handle the loss
due to the depreciation of the chamber's investment in furniture, office machinery, and equipment through the medium of a depreciation reserve. Here attention is directed to 2411—Reserve for Depreciation, Furniture and Equipment. The operation of this account requires that the chamber's investment in property of the kind specified be set up as an asset at cost in 1211—Furniture and Equipment.

The life of property of this kind is then estimated. Sometimes, for example, it is assumed that such property must be replaced at the end of, say, ten years. At that time it is believed the furniture or equipment will have little if any value. The loss is then spread over this period of ten years. In practice, with an assumed ten-year life, this equipment will be subject to a 10 per cent depreciation. The values in the asset account are allowed to remain undisturbed and by means of journal entry 2411—Reserve for Depreciation, Furniture and Equipment, and 4192—Depreciation Charged to Operations, is charged. In this way the loss over the ten years is carried into the expenses of operation for each of the ten years. In practice where sound accounting is employed it is desirable to charge operations monthly with one-twelfth of the estimated annual loss from depreciation.

On the balance sheet the amount in the reserve for depreciation is deducted from the value in the fixed asset account, as will be seen from reference to Figure 11.

There are one or two complications in connection with accounting for depreciation to which it seems wise to make reference. Suppose, for example, that a typewriter purchased for $100 is sold after two years use for $60. There is here an apparent loss of $40 on the transaction. However, through the operation of the reserve for depreciation, two years of depreciation have already been charged to operating expenses. In this case two years at 10 per cent, or 20 per cent of the original $100 cost, gives an amount of $20 which has been taken care of by the depreciation reserve. The entry consequently should be as follows:

The fixed asset account 1211—Furniture and Equipment, should be credited with original cost, $100. Reserve for Depreciation should be charged with the amount with which it has previously been credited, i.e., $20. Cash received for the typewriter, $60, is charged to 1111—Cash in Banks. There is still an amount of $20 to be accounted for. This represents the loss on the transaction and is properly chargeable direct to 2991—Surplus from Operations.
Possibly an undue amount of attention has been given to this subject of depreciation, for relatively the money invested in property in the nature of furniture and equipment is not large and the monthly charges against operations for the depreciation of this property relatively are small. However, good accounting procedure calls for the treatment of depreciation in the manner indicated, and it is recommended that every chamber of commerce so handle it. After the procedure is once established it will be found quite simple to carry it on.

**Month End Accounting.**

At the end of each month, as has been brought out in the preceding descriptions, all of the entries for the month should be completed, which means that the various columns on the Voucher Register, Cash Receipts Record, and Check Register should be posted to the General Ledger. Likewise, all necessary journal entries for such items as incomes from dues, losses from bad debts, and depreciation, should be prepared and posted. The next step is to draw a trial balance of the accounts in the General Ledger, Figure 10. For this purpose it is convenient to employ a trial balance book which is usually carried in stock by every stationer. In this book the accounts are listed in the order they appear in the ledger and the balances are inserted in the proper debit and credit columns; the trial balance columns footed and if the two sides agree the accounting evidently has been correct. It is now possible to prepare the financial statements from this trial balance and this may be done if desired at once for the early information of the chamber executives, prior to the completion of all of the accounting work.

The next step is to reconcile the balances in the subsidiary accounts with the balances in the corresponding controlling accounts. There should be this reconciliation in the case of the Members' Ledger. This may be handled most effectively in the case of large chambers by the use of several controlling accounts, as indicated heretofore. Likewise, the balances in the subsidiary expense accounts should be reconciled with the balances in their respective controlling accounts. Differences should be promptly investigated and corrected. This done, it is then possible to draw off the monthly expense statements in comparison with the budget allowances in the form of statements shown in Figure 15. Further attention will be given to the matter in the section devoted to budgeting.
## GENERAL LEDGER TRIAL BALANCE AUGUST 31, 1925

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Account Name</th>
<th>Dr.</th>
<th>Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1111</td>
<td>Cash in Banks</td>
<td>$ 2,151.63</td>
<td></td>
</tr>
<tr>
<td>1112</td>
<td>Petty Cash Fund</td>
<td></td>
<td>100.00</td>
</tr>
<tr>
<td>1122</td>
<td>Accounts Receivable—Dues</td>
<td></td>
<td>6,500.00</td>
</tr>
<tr>
<td>1131</td>
<td>Liberty Bonds</td>
<td></td>
<td>4,761.10</td>
</tr>
<tr>
<td>1211</td>
<td>Furniture and Equipment</td>
<td></td>
<td>2,163.87</td>
</tr>
<tr>
<td>2112</td>
<td>Accounts Payable</td>
<td></td>
<td>$ 531.76</td>
</tr>
<tr>
<td>2311</td>
<td>Deferred Dues Income</td>
<td></td>
<td>4,350.00</td>
</tr>
<tr>
<td>2411</td>
<td>Reserve for Depreciation</td>
<td></td>
<td>641.11</td>
</tr>
<tr>
<td>2412</td>
<td>Reserve for Uncollectible Dues</td>
<td></td>
<td>550.00</td>
</tr>
<tr>
<td>2991</td>
<td>Surplus from Operations</td>
<td></td>
<td>8,172.52</td>
</tr>
<tr>
<td>3110</td>
<td>Income from Dues</td>
<td></td>
<td>34,000.00</td>
</tr>
<tr>
<td>3120</td>
<td>Income from Service Fund Subscriptions</td>
<td></td>
<td>14,500.00</td>
</tr>
<tr>
<td>3991</td>
<td>Interest on Bank Balances</td>
<td></td>
<td>37.81</td>
</tr>
<tr>
<td>4100</td>
<td>Expenses of Administrative Department</td>
<td>10,047.70</td>
<td></td>
</tr>
<tr>
<td>4200</td>
<td>Expenses of Traffic Department</td>
<td>8,161.83</td>
<td></td>
</tr>
<tr>
<td>4300</td>
<td>Expenses of Industrial Department</td>
<td>11,303.19</td>
<td></td>
</tr>
<tr>
<td>4400</td>
<td>Expenses of Publicity Department</td>
<td>7,604.08</td>
<td></td>
</tr>
<tr>
<td>5100</td>
<td>Expenses of Standing Committees</td>
<td>3,681.17</td>
<td></td>
</tr>
<tr>
<td>5200</td>
<td>Expenses of Special Committees</td>
<td>6,308.63</td>
<td></td>
</tr>
</tbody>
</table>

**Total:** $62,783.20 $62,783.20
It is entirely unnecessary to rule off and close the General Ledger accounts every month. In fact, this is seldom done; instead, balances in General Ledger accounts are carried forward and the accounts closed but once, namely, at the end of the fiscal year.

FINANCIAL STATEMENTS.

A Balance Sheet and a Statement of Income and Expense should be drawn off from the General Ledger trial balance each month. Illustrations of these two statements are shown in Figures 11 and 12. These statements have been set up with some care to indicate the most effective arrangement and wording of the several items. It is suggested that each chamber of commerce secretary insist that the statements prepared for him be set up with similar care, not only with respect to wording and arrangement, but also in connection with their general typography and appearance.

BUDGET PROCEDURE.

The importance and value of controlling the finances of a chamber of commerce through the use of a budget have been fully demonstrated. Many chambers now have quite fully developed systems in use. It seems hardly necessary in fact to present the numerous advantages, yet a few of them are so important as to make their repetition worth while.

ADVANTAGES.

A carefully devised budget system enables the chamber executives to prepare an operating program that will give emphasis to the several activities of the chamber in close relation to their importance and with the full expectation of being able to carry through the program with available finances. The importance of a program usually prepared yearly in advance cannot be emphasized too strongly. This program of course must be reasonably flexible to allow for new and unexpected conditions which will arise, and yet it should be made up of component parts to which the chamber's energies may be devoted with every expectation of fulfillment. No such program is complete or satisfactory unaccompanied by a financial budget. In fact, the two (the program and budget) are so interwoven that it may well be said that they constitute the comprehensive operating policy for the year in advance. A properly devised budget system likewise is an essential companion of the accounting system. Its use authorizes the salaried executive of the chamber to proceed in accordance with its provisions.
THE CITY CHAMBER OF COMMERCE

BALANCE SHEET, AUGUST 31, 1925

ASSETS

CURRENT ASSETS:
Cash in Banks $2,151.63
Petty Cash Fund 100.00
Accounts Receivable—Dues $6,500.00
Less, Reserve for Uncollectible Dues 550.00
Liberty Bonds at Cost 4,761.10
Total Current Assets $12,962.73

FURNITURE AND EQUIPMENT $2,163.87
Less Reserve for Depreciation 641.11
Total $14,485.49

LIABILITIES

CURRENT LIABILITIES:
Accounts payable $ 531.76
DEFERRED CREDITS:
Deferred Dues Income 4,350.00
SURPLUS:
Surplus at January 1, 1925 $8,172.52
Add, Surplus from Operations, 11 months 1,431.21
Total $14,485.49

FIG. 11
and hence he need not bring together the members of his board of directors every time he wishes to pay a bill. He knows whether or not that item is in the budget and if it is in the approved budget he may pay it without red tape or delay. Consequently, the budget system rather than being red tape eliminates red tape. The budget system protects the secretary of the chamber and at the same time provides security to the members who have contributed to the financial support of their chamber.

A properly devised budget system makes it easy to avoid the undertaking of unwise activities, which if engaged in may result in large and uncontemplated expense.

What It Is.

A budget as it applies to a chamber of commerce should be considered to include, first, a carefully developed and itemized program of activities, and second, a detailed financial prospectus for the period, usually the year covered by the program of activities.

A budget in chamber of commerce procedure should not be considered to be an appropriation of funds, but rather a set of standards, which, if exceeded indicates unwise expenditure, and if surpassed is an evidence of efficient operation. The budget may well serve one other purpose, namely, an authorization to the secretary to incur financial obligations, if necessary, up to the amount of the budget, and for the items included therein, but beyond that point he should confer with the budget committee or board of directors of the chamber as to the policy to be pursued.

In some cases in the past the budget has been looked upon as a setting apart of funds for the use of the various departments and committees. Nothing could be more unfortunate, for it is easy to drop into the habit of arranging to spend all of an appropriation, whether or not it is basically wise and sound to do so. Furthermore, where fixed appropriations are made there is that lack of flexibility which is injurious to the best interests of the chamber.

On the other hand, a word of warning against the too lenient attitude toward the budget is desirable. A budget is not a guess or a bet and more than curiosity should be applied to the consideration of the actual results with the budget allowances. On the other hand, a budget enables the chamber executives intelligently to direct the broad activities of the chamber. It may be found, for example, that a budget allowance in one direction will not be used and that consequently
# THE CITY CHAMBER OF COMMERCE

## STATEMENT OF INCOME AND EXPENSES

FOR THE ELEVEN MONTHS ENDED AUGUST 31, 1925.

### INCOME:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from Dues</td>
<td>$34,000.00</td>
</tr>
<tr>
<td>Income from Service Fund Subscriptions</td>
<td>14,500.00</td>
</tr>
<tr>
<td>Interest on Bank Balances</td>
<td>37.81</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$48,537.81</strong></td>
</tr>
</tbody>
</table>

### EXPENSES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses of Headquarters Departments,</td>
<td></td>
</tr>
<tr>
<td>Administration Department</td>
<td>$10,047.70</td>
</tr>
<tr>
<td>Traffic Department</td>
<td>8,161.83</td>
</tr>
<tr>
<td>Industrial Department</td>
<td>11,303.19</td>
</tr>
<tr>
<td>Publicity Department</td>
<td>7,604.08</td>
</tr>
<tr>
<td><strong>Expenses of Committees,</strong></td>
<td>37,116.80</td>
</tr>
<tr>
<td>Standing Committees</td>
<td>$3,681.17</td>
</tr>
<tr>
<td>Special Committees</td>
<td>6,308.63</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>9,989.80</strong></td>
</tr>
</tbody>
</table>

**SURPLUS FROM OPERATIONS**                       | **$ 1,431.21**

*FIG. 12*
there will be available for some other undertaking the funds thus unexpended.

**Budget Initiation.**

Budgetary practice and procedure may be most satisfactorily described if certain specific conditions are laid down. In what follows it will be assumed, for example, that the chamber of commerce has a fiscal year ending September 30. The annual meeting is in June, and officers are elected at that time. Consequently, the new officers have the summer months and until October 1 to square themselves in relation to their responsibilities and to develop the forthcoming year's program of work and the yearly budget.

This set of conditions is not of course those under which many chambers of commerce operate. There is, however, no difficulty from this point of view, for whatever the arrangement with respect to the date of election of officers and of the beginning of the fiscal year, the procedure about to be described can be satisfactorily adapted to existing conditions.

A few other facts in regard to the imaginary chamber of commerce for which a budget system is being prescribed need to be presented. The accounting system recommended herein is presumed to be in full operation. The chamber has an organization which includes at headquarters a few administrative departments, such as a traffic department, industrial department, and publicity department. A number of standing committees are maintained. Special committees are appointed as occasion demands to consider subjects of a temporary but important nature.

The first step is the consideration by the new officers of the program of activities for the ensuing year. The ways by which this will be brought about are not described here,* as it has no part in a pamphlet devoted to financial and accounting procedure. Suffice it to say that the activities carried on by staffs of departments will be reviewed and the policy for the ensuing year determined. So will the policy with respect to standing committees be decided. Attention will then be paid to those matters of importance which are then on the horizon, which will be the work of special committees.

The budget committee of the board of directors will then give attention to the anticipated revenues for the coming year. In prepar-

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* The subject of the chamber program will be found covered in Building and Maintaining a Local Chamber of Commerce, a pamphlet published by the Organization Service.
# BUDGET PROPOSAL

<table>
<thead>
<tr>
<th>DEPARTMENT OR COMMITTEE</th>
<th>ACCOUNT NO.</th>
<th>ACCOUNT TITLE</th>
<th>PREVIOUS YEARS</th>
<th>Proposed For Next Year</th>
<th>DISTRIBUTION OF PROPOSED BUDGET BY MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2 YEARS AGO</td>
<td>2 YEARS AGO</td>
<td>OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY. JUNE. JULY. AUG. SEPT.</td>
</tr>
</tbody>
</table>

**FIG. 13—BUDGET PROPOSAL**

Recommended size 11" x 17"

Stationer's stock form of similar arrangement may be used advantageously.
ration for this the secretary will have compiled statistics for at least two previous years, and if possible for several, (1) to show the membership loss rate (See Part II.) (2) the revenues received from members and, (3) the revenue if any from other or miscellaneous sources. With this information in hand the budget committee can proceed intelligently to estimate the revenues for the succeeding year.

The number of members in good standing, as of the beginning of the year, multiplied by the membership rate will give the gross possible revenue. This gross revenue, however, is subject to reduction, depending upon the membership loss experienced in previous years. Supposing, as is brought out in Part II, that the membership turnover is 20 per cent and that this rate represents also the experience in a number of previous years, then the gross revenues should be reduced accordingly.

The next step is to reckon on the probable gains in membership and the revenue that may be expected from these new members. This estimate should not be based upon visionary expectations, nor on the other hand should it be too conservative. In short, the determination should be approached in an impartial vein, guided neither by optimism nor by pessimism as to the outcome.

If the accounts of the chamber are kept on the accrual basis, as is recommended earlier in this part of the pamphlet, the determination of anticipated revenue by the method just outlined should be compared with the income, as shown by the books, Account 3110—Income from Dues, and the loss of income, as shown by Account 4191—Uncollectible Dues and Service Fund Subscriptions. These two accounts will reflect accordingly the experience of previous years.

A brief comment is now in order with respect to the policy to be fixed with regard to the disposition of this total anticipated revenue. There are perhaps some enthusiastic, optimistic, chamber executives who believe that the estimated revenue having been carefully determined all should be made available for operations in the next succeeding year. They point out that a chamber of commerce is not a profit-making institution; that there is no fundamental reason for a surplus from operations; and that the whole point of view is that of rendering of service for which purpose funds are collected. While of course it must be granted that a chamber is not a profit-making institution, it is a principle of sound business that expenses should always be a little less than income, at least until a margin in the form of surplus has been put away for the proverbial rainy day. Some cooperative organizations have made it their policy to deduct from
<table>
<thead>
<tr>
<th>ACCT. NO.</th>
<th>ACCOUNT NAME</th>
<th>PREVIOUS YEARS</th>
<th>SECRETARY'S PROPOSAL</th>
<th>BUDGET COMMITTEE RECOMMENDATION</th>
<th>BUDGET APPROVED BY BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2 YEARS AGO</td>
<td>LAST YEAR</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FIG.14—BUDGET AUTHORIZATION
RECOMMENDED SIZE 8½" x 11"
THIS RECORD MAY BE TYPEWRITTEN ON A PLAIN SHEET IF PREFERRED
anticipated revenue 10 per cent, until such time as the desired surplus has been built up, the balance remaining being the amount expected to be available for operating expenses. The amount of surplus to be thus collected depends entirely upon local conditions, and no general statement can be made here, but the principle involved is sincerely recommended.

The program thus having been developed and the total amount available for expenses having been determined upon, the secretary, as the principal administrative officer of the chamber, undertakes the preparation of a preliminary budget. For this purpose he may employ a form similar to that in Figure 13 entitled Budget Proposal. One or more sheets of this form should be used by each of the several departments of the headquarters' office and for each of the principal standing and special committees.

In the columns headed—Account Number and—Account Title should appear the numbers and names of all of the standard accounts found in the Classification of Accounts which pertain to the particular department or activity. Opposite each of these will be shown the figures for two years ago and last year. In the next column—Proposed for Next Year, will be inserted what appears to be the necessary allowance for the item for the coming year. In the consideration of this amount it may prove necessary to tabulate the amounts that will be required in individual months of the year, for the reason that some expenses will not occur with regularity but appear but once or twice during the year. Furthermore, these monthly figures are needed most effectively to compare actual expenses for the various months with the budgeted allowances.

So the secretary's budget proposal is prepared. He will find in all probability after making his figures for all of the individual items that the budget in total will not conform to the budgeted available revenue for operations. Usually his proposal will exceed the anticipated revenue, so he must then review all of his figures, finding places here and there where operations can be conducted with greater economy. Ultimately, he will have prepared a budget conforming in total to the desired amount and the total spread between the various departments and activities on the most reasonable and generally satisfactory basis.

BUDGET AUTHORIZATION.

The secretary will now prepare a second form presented in Figure 14 as the Budget Authorization. On this form he will draw off the
statistical figures for the two previous years and his proposal for each of the several expense accounts for the following year. It is to be noted that on this form monthly figures are not shown, for the budget committee and the board of directors are hardly interested in those details.

Presumably, the budget committee will be a subcommittee of the board of directors, and by conference with the secretary they will review the program of activities agreed upon and examine the secretary's proposals for the budget. Very likely, they may see fit to amend this budget or order the secretary so to do. Ultimately, they will arrive at the budget which is their recommendation to the board of directors.

At this point it may be the policy to present a condensed budget to the entire board of directors for approval. In such a case presumably the totals for the several departments and groups of accounts enumerated in the Classification of Accounts will be presented. For example, a total figure representing the budget of the various items allowed for the administrative department will be obtained. This will be done, for in a chamber of commerce with a large board of directors and with extensive operations the board of directors will hardly be interested to lend approval to the budget allowances for such relatively minor items as light, office supplies, and traveling.

It is the practice of some chambers of commerce to require that a committee of the board of directors pass specifically upon every proposed disbursement, prior to making payment. This procedure is not only cumbersome but should be entirely unnecessary when a well-established budget procedure is in effect.

In the case of the compensation for services, however, the budget committee should approve the individual salaries paid to all regular employees in the chamber and also the proposed payment for rent of headquarters offices, and any other single item of large size and importance.

Budget Operation.

The above procedure having been carried through, the secretary is provided with his "sailing directions." He can put on full steam ahead in the execution of the directors' policy with respect to program. He can incur obligations coming within the budget without further authority. In this connection it has been somewhat common practice in the past for a chamber secretary to submit to his board of directors monthly or weekly a list of unpaid bills and secure their authorization
for payment before he is allowed to discharge them. Further protec­tion is often afforded by providing that all checks must bear the signa­ture, not only of the chamber secretary but of the treasurer, or possibly the chairman of the board of directors. Under the budget plan above outlined there would appear to be no necessity for either of these prac­tices. Monthly, promptly after the beginning of the month, the secre­tary will provide informative financial statements from his books of account which will show the board of directors whether or not the expenses are within the budget.

The Balance Sheet and Statement of Income and Expense have already been referred to and illustrated. These give the board of directors the needed information as to the financial condition. They know whether or not there is sufficient cash on hand to meet the current obligations. They know from the Statement of Income and Expense as to whether or not in total the income and the expense are reasonably in accord with their budget allowances. In addition to these exhibits, the secretary will have his accountant prepare a Monthly Expense and Budget Statement, Figure 15, according to the detailed accounts carried. As will be seen, there is a clear-cut comparison of each of the items of expense with the budget allowances for the month and for the expenses of the several months of the year to date. This statement may be prepared on the typewriter very readily from the Budget Proposal (which after authorization of the budget has been made to coincide with the authorization) and from the Expense Ledger previously described and illustrated.

Here again it will be a matter for local policy as to whether the detailed expense and budget situation shall be submitted to the board of directors, or possibly simply to the president, treasurer, and budget committee. In the event that it is decided not to burden the board of directors with all of this detail, the comparisons of actual expenses with the budget may properly be made for those items on which the board of directors has passed in giving its authorization to the budget.

If financial statements of any kind are to be made available to the membership monthly through the medium of a chamber publication or bulletin, it will probably be deemed wise still further to condense the financial statistics.

Budget Amendment.

Generally, as stated, it will be wise to prepare a budget annually in advance. Chambers of commerce, however, not infrequently are confronted with a situation which makes the budget prepared inap-
MONTHLY EXPENSE AND BUDGET STATEMENT

<table>
<thead>
<tr>
<th>ACCOUNT NO.</th>
<th>ACCOUNT NAME</th>
<th>THIS MONTH</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>ACTUAL</td>
<td>BUDGET</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ACTUAL</td>
<td>BUDGET</td>
</tr>
</tbody>
</table>

FIG. 15—MONTHLY EXPENSE AND BUDGET STATEMENT

RECOMMENDED SIZE 8½" x 11"
licable, at least, in part. For example, if an entirely unforseen civic problem of outstanding importance arises, to which the chamber is compelled to give attention, it may be necessary to make definite provision for it in the budget, which, as previously pointed out, is the secretary's guide book for carrying out the will of the board of directors. There is no disadvantage in this; in fact, it is at such a time that the budget really proves its worth. Accordingly, the budget should be reviewed and amended if necessary to meet the changed conditions.

However, except in cases like the situation above described, no tampering with the budget should be permitted. For example, if one activity requires less funds than the amount originally determined upon, the balance should not be transferred to some other account less favorably situated, except, as stated, in very unusual cases and then only after consideration by the board of directors. The facts, favorable or unfavorable, should be allowed to show for themselves.

Perhaps also a word of caution may be desirable as to the explanation of the budget that should be made to headquarters' staff members who are at the head of administrative departments and to the chairmen or secretaries of the standing or special committees. It has been the unfortunate experience in more than one chamber of commerce in the past that once a budget is set up the department head or committee chairman assumes that he is entitled to spend up to the amount of the budget. This is entirely the wrong point of view. It is to be reiterated that the budget is a standard or guide and not an appropriation.

A budget system properly devised, installed, and operated, is an invaluable feature of chamber of commerce administrative procedure.
THE membership of a chamber of commerce is in a state of constant flux; new members are being received; old ones are being lost. The total of membership is constantly changing. The prosperous organization presumably is the one that is consistently growing in membership. Yet many executives will come to appreciate that underneath this apparently prosperous condition there may be cause for worry. What we are interested in is not so much the percentage gain in total membership as the statistics of membership turnover.

**Definition of Membership Turnover.**

The membership turnover is defined as the ratio obtained by the division of the number of members discontinuing membership during the year by the number of members in good standing on the membership rolls at the beginning of that year. Let us suppose, for example, that at the beginning of the year there were 1,000 members in good standing. During the year 200 of these members discontinued their membership and dropped out of the organization. The membership loss, that is, the turnover, is the ratio of 200 to 1,000, or 20 per cent. Consequently, if 200 of the members are lost each year, there will be a complete turnover of membership in five years.

Now it may have been that this same chamber with 1,000 members at the beginning of the year, in spite of a 20 per cent loss rate, showed a membership, as the result of membership effort, at the end of the year of 1,100 members in good standing, which would seem to indicate a growing and prosperous condition, but there is real concern in the rapid rate of turnover. With this indication of the need for dependable statistics on membership, let us take up the entire subject of membership statistics and costs.

**Procedure.**

Membership statistics and costs are concerned with three factors: (1) the rate of membership turnover; (2) statistics as to new members secured; and (3) the money costs of obtaining new members.
The value of membership statistics is so great that no chamber of commerce can proceed to budget and finance its operation without taking them into account.

They show the actual loss on membership during any period and the percentage of rate of loss. If that period be one year, then there is an experience upon the rate of loss to apply to gross revenue for the next year; and if the loss records cover a series of years, then with greater accuracy the budget power can predict from this experience the loss rate to be applied to gross membership for the coming year. Where the figures cover years of depression as well as extreme prosperity, they become extremely valuable in connection with forecasts of the possible situation in the year to come.

Gross revenue, excepting those chambers which have a budget or similar fund, is the result of the multiplication of the number of memberships by the amount of dues. Old memberships will be billed for renewal during the year, and it is absolutely necessary to forecast with some accuracy how many will fail to renew.

Membership turnover statistics may be collected by any chamber, small or large, with comparatively little clerical work. One practical plan which may be suggested is that members in good standing be carded at the beginning of the year, and then as members drop out the cards be withdrawn from the file and placed in another file (with proper notation on each card as to the cause for discontinuance of membership). At the end of the year the number of the cards in the drop file would be divided by the number of cards in the membership file at the beginning of the year and the result would be the turnover rate desired.

One natural error, which, however, is an error of great importance and which tends to give a false impression, is to divide the number of members lost by the total members in good standing at the end of the year. By this process the total membership includes new members brought in during the year, without taking note of the fact that having been elected and paid dues there is little likelihood that any of them will resign and lose their membership standing. It is an absolute fundamental of sound membership statistics to estimate how many had dropped out by the end of the year of those who were in good standing at the beginning of the year, and, in order to get the loss rate, to divide this number of those dropped by the total number in good standing at the beginning of the year, without including in this latter figure any of those who have been entered during the year.
USES OF TURNOVER STATISTICS.

The second step is to keep an accurate record of the new members obtained. The third step is to collect with as great accuracy as possible all of the expenses to which the chamber has been put in obtaining these new members. In the larger chamber of commerce there may be a membership secretary with office assistants and canvassers. In such a case a membership department may be set up in the books of account as indicated in Part I. Against this department should be charged salaries, publicity, expenses of dinners to prospects, committee expenses, and the proportionate share of expenses for rent, printing, postage and telephone service. Having collected these expenses for the year, the cost per new member can readily be obtained.

Comparison should now be made between revenues from members and the costs for securing members. Taking the figures used above, let it be assumed that the loss rate is 20 per cent and that the rate of annual dues is $25. Hence it may be expected that the life of the average member will be five years and that during the period he will have contributed to the revenues of the chamber the total sum of $125.

How much of this revenue from the member may properly be spent in obtaining a new member? That is a question that each chamber of commerce must determine for itself, but in many instances it is considered quite proper to expend the amount of the dues for one year to obtain a new member. However, no arbitrary figure can be set for general use. In the community where the membership loss is small and the average length of life of a member 10, 15 or 20 years, the amount spent to obtain a new member may be considerably greater than in a community where the loss rate is higher.

Statistics of the membership losses are important for two other prime reasons. In the first place, if the membership loss rate is high, it is indicative of an unsettled state of affairs, and the chamber should review carefully the matter of its program of activities and its policies of administration. As a result of such a review, steps may be taken to bring about greater contentment on the part of the membership and longer membership life.

In the second place, membership loss statistics are of great importance, as stated above, in connection with the budgeting of revenues for an ensuing year. This subject, however, is treated in some detail in Part I of the pamphlet.
APPENDIX A

CLASSIFICATION OF GENERAL ACCOUNTS

This Classification contains some of the more usual accounts that should appear in the General Ledger of a chamber of commerce. Italicised items (see 1000—1100—1110) are not account titles. They are captions employed in the development of a logical arrangement and are not to be used in the General Ledger except on division tabs.

1000 ASSET ACCOUNTS

1100 CURRENT ASSETS

1110 Cash Accounts

1111 Cash in Banks

To be charged monthly direct from the cash receipts book with all cash received.

To be credited monthly direct from the check register with all cash disbursed by check.

1112 Petty Cash Fund

To be charged upon the institution of the fund direct from the voucher register with the amounts authorized to establish the fund.

To be credited only if the account is to be closed with the amount of the debit balance.

Note: See further explanation of this account in the text.

1120 Notes and Accounts Receivable

1121 Notes Receivable

(No definition provided.)

1122 Accounts Receivable—Dues

To be charged monthly from the journal (or by journal voucher) with the total charges to members for dues and subscriptions to the Service Fund. See 2311.

To be credited monthly direct from the cash receipts book with all cash received from members for dues and subscriptions to the Service Fund.
1122 Accounts Receivable—Dues (Continued)

To be credited monthly from the journal (or by journal voucher) with the total amount of dues and subscriptions to the Service Fund which have finally been determined as uncollectible. See 2412.

1123 Accounts Receivable—Miscellaneous

Note: This is a controlling account for miscellaneous accounts carried in a subsidiary ledger covering transactions on open accounts of sufficient size and importance to justify the opening of the account.

1130 Securities Owned

1131 Liberty Bonds

To be charged direct from the voucher register with the purchase price paid for Liberty Bonds purchased.

1200 FIXED ASSETS

1211 Furniture and Equipment

To be charged direct from the voucher register with the cost of all furniture, typewriters and other equipment purchased.

To be credited from the cash receipts book with amounts received upon the disposition of items charged as above.

To be credited from the journal with the amounts which represent the difference between the amount charged to the account and the cash received for the article sold.

Note: See further explanation of this account in the text.

1300 OTHER ASSETS

Note: To be developed as necessity requires for such classes of accounts as prepaid expenses and other deferred charges including:

1399 Suspense Debit

To be charged with such amounts as temporarily cannot be charged to any other account.

To be credited promptly from the journal (or by journal voucher) with the amounts previously charged as soon as their disposition can be ascertained.
2000 LIABILITY ACCOUNTS

2100 CURRENT LIABILITIES

2110 Notes and Accounts Payable

2111 Notes Payable

(No definition provided.)

2112 Accounts Payable

Note: In the case of very small chambers of commerce it may elected not to employ the voucher system in which case this account would be used only at the end of the fiscal year, at which time all obligations would be journalized and the proper credit made to this account.

To be charged monthly direct from the check register with the total payments on creditors' open accounts.

To be credited monthly direct from the voucher register with the total of all creditors' invoices vouchered.

Note: The balance remaining at the end of the month should agree with the amount of unpaid vouchers on file, and to that end should be analyzed monthly.

2200 FIXED LIABILITIES

Note: To be used when the chamber owns real estate and long term encumbrances exist.

2300 DEFERRED INCOME

2311 Deferred Dues Income

To be charged monthly from the journal (or by journal voucher) with that portion of the dues and Service Fund subscriptions billed to members which represents the month's income earned. See further explanation in the text.

To be credited monthly from the journal (or by journal voucher) with the total charges to members for dues. See 1122.

2400 RESERVE ACCOUNTS

2411 Reserve for Depreciation—Furniture and Equipment

To be charged direct from the voucher register with the cost of such repairs in the nature of replacements as arrest deterioration and add appreciably to the life of the property.
2411 Reserve for Depreciation (Continued)

To be charged from the journal or by journal voucher) when items of furniture or equipment are sold with the amounts previously credited to the reserve on the account of the items sold.

To be credited monthly from the journal (or by journal voucher) with one-twelfth of the annual portion of the difference between the cost and the estimated scrap value, if any, at the termination of the estimated period of service. See further explanation in the text.

2412 Reserve for Uncollectible Dues

To be charged monthly from the journal (or by journal voucher) with the total amount of dues and Service Fund subscriptions which have finally been determined to be uncollectible. See 1122.

To be credited monthly from the journal (or by journal voucher) with an amount representing a predetermined percentage of charges for dues and Service Fund subscriptions to provide for possible loss in their collection.

NOTE: Some chambers of commerce will find it simpler to dispense with the use of this account and to charge such items direct to 4191—Uncollectible Dues and Service Fund subscriptions.

2900 SURPLUS ACCOUNTS

2991 Surplus from Operations

To be charged from the journal (or by journal voucher) at the end of the fiscal year with all debit balances standing in the following groups of accounts:

\[
\begin{array}{ccc}
4100 & 5100 & 6000 \\
4200 & 5200 & 7000 \\
4300 & & 8000 \\
4400 & & 9000 \\
\end{array}
\]

To be credited from the journal (or by journal voucher) at the end of the fiscal year with all credit balances standing in the following accounts:

\[
\begin{array}{c}
3110 \\
3120
\end{array}
\]
3000 INCOME ACCOUNTS

3100 INCOME FROM DUES AND SERVICE FUND

3110 Income from Dues

To be charged from the journal (or by journal voucher) at the end of the fiscal year with the amount of the credit balance standing in the account. See 2991.

To be credited monthly from the journal (or by journal voucher) with that portion of the dues billed to members which represents the month's dues income earned. See 2311.

Note: If more than one class of membership is carried it may be considered desirable to keep separate accounts for each, in which case 3110—Income from Dues, may be further subdivided as indicated by the following:

3111 Income from Dues—Individual Members
3112 Income from Dues—Corporation Members

3120 Income from Service (Activities or Sustaining) Fund Subscriptions

To be charged from the journal (or by journal voucher) at the end of the fiscal year with the amount of the credit balance standing in the account. See 2991.

To be credited monthly from the journal (or by journal voucher) with that portion of the several amounts subscribed to the Service Fund by members and others which represents the portion applicable to the month in question. See 2311.

3200) 3800) Note: If there be other regular and substantial sources of income provision should be made under these numbers.

3900 INCOME FROM MISCELLANEOUS SOURCES

Note: To be provided with subdivisions as needed. In connection with the many projects with which a chamber of commerce is engaged there are frequently sources of minor income. For example:

3991 Interest on Bank Balances

To be charged at the end of the fiscal year from the journal (or by journal voucher) with the amount of the credit balance standing in the account. See 2991.

To be credited monthly from the journal (or by journal voucher) with the amount of interest received on bank balances.
4000 EXPENSES OF HEADQUARTERS DEPARTMENTS
4100 EXPENSES OF ADMINISTRATIVE DEPARTMENT
4200 EXPENSES OF TRAFFIC DEPARTMENT
4300 EXPENSES OF INDUSTRIAL DEPARTMENT
4400 EXPENSES OF PUBLICITY DEPARTMENT

Note: See comments in the text in regard to departments in chamber of commerce accounting. The above are controlling accounts for a chamber which has the four departments itemized. The debits and credits to these accounts are developed as follows:

To be charged monthly direct from the voucher register with the total of the expenses appearing in the individual columns for the respective department accounts.

Note: If in the case of a very small chamber the voucher system is not operated the debit entries to this account will be made monthly direct from the expense analysis section of the cash journal.

To be credited at the end of the fiscal year with the amounts of the debit balances standing in the respective departments accounts. See 2991.

5000 EXPENSE OF COMMITTEES
5100 EXPENSES OF STANDING COMMITTEES
5200 EXPENSES OF SPECIAL COMMITTEES

Note: See comments in the text. These two accounts are for chambers of commerce which make a distinct separation between standing and special committees. Where this distinction does not occur, 5000—EXPENSE OF COMMITTEES, should be used as the General Ledger controlling account. See also Classification of Expense Accounts.

6000 EXPENSES OF OFFICIAL PUBLICATION (Magazine or House Organ)

7000 EXPENSES OF CLUB ROOMS

8000 ———

9000 ———

Note: The foregoing classification numbers 6000—7000—8000—9000 are introduced solely to indicate the possible uses to which they may be put. In their use care should be taken to develop a logical arrangement. For example, 8000 should not be used for Expenses of Credit Bureau—for such a bureau is in the nature of a headquarters department and should be assigned a number in that series, for example, 4500. See Classification of Expense Accounts.
APPENDIX B

CLASSIFICATION OF EXPENSE ACCOUNTS

These expense accounts are subsidiary to controlling expense accounts carried in the General Ledger. They are to be carried in an Expense Ledger—a suitable form being shown in Figure 9. Postings are to be made direct from vouchers. Italicised items (See 4000—4100—4110) are not account titles in the Expense Ledger. They may be account titles in the General Ledger (For example 4100) and such are designated (GL). See Appendix A.

4000 EXPENSES OF HEADQUARTERS DEPARTMENTS

4100 EXPENSES OF ADMINISTRATIVE DEPARTMENT (GL)

4110 Administrative Department—Salaries
   4111 Salaries, Executive
   4112 Salaries, Clerical

4120 Administrative Department—House Service
   4121 Rent
   4122 Janitor Service
   4123 Light

4130 Administrative Department—Communication
   4131 Telephone Service
   4132 Telegraph Service

4140 Administrative Department—Printing and Supplies
   4141 Printing
   4142 Office Supplies

4150 Administrative Department—Traveling
   4151 Traveling
   4152 Local Transportation
4100 EXPENSES OF ADMINISTRATIVE DEPARTMENT (GL) (Continued)

4160 Administrative Department—Meeting Expenses
  4161 Rentals of Meeting Places
  4162 Printing for Meetings
  4163 Speakers Fees and Traveling Expenses
  4164
  4169 Meeting Expenses, Miscellaneous

4170 Administrative Department—Contributions and Memberships
  Note: Suitable sub-classifications to be provided for payments to other organizations.

4180

4190 Administrative Department—Miscellaneous Expenses
  4191 Uncollectible Dues and Service Fund Subscriptions
  4192 Depreciation Charged to Operations

4200 EXPENSES OF TRAFFIC DEPARTMENT (GL)

4300 EXPENSES OF INDUSTRIAL DEPARTMENT (GL)

4400 EXPENSES OF PUBLICITY DEPARTMENT (GL)
  Note: Similar subsidiary expense classifications are to be provided for each of the departments maintained. Insofar as possible these classifications should follow the outline for the administrative department. For example:
  4111 Administrative Department—Salaries, Executive.
  4211 Traffic Department—Salaries, Executive
  4311 Industrial Department—Salaries, Executive
  4411 Publicity Department—Salaries, Executive
  Another example:
  4151 Administrative Department—Traveling
  4251 Traffic Department—Traveling
  4351 Industrial Department—Traveling
  4451 Publicity Department—Traveling

58
EXPENSES OF COMMITTEES

EXPENSES OF STANDING COMMITTEES (GL)

Expenses of Sundry Standing Committees

Salaries of Committee Secretaries, Stenographers, and Clerks

Communication (Telephone and Telegraph)

Printing and Supplies

Traveling

Committee Meeting Expense

Miscellaneous Committee Expenses

EXPENSES OF SPECIAL COMMITTEES (GL)

Expenses of Eastern Rate Case Committee

Salaries of Committee Secretary, Stenographers and Clerks

Communication (Telephone and Telegraph)

Printing and Supplies

Traveling

Committee Meeting Expense

Fees and Expenses of Counsel

Miscellaneous Committee Expense

Expenses of Municipal Plan Committee

NOTE: Similar to the foregoing. For example:

Fees of Temporary Draftsmen

Expenses of Sundry Special Committees

NOTE: Classification identical in account titles with those under 5190—Expenses of Sundry Standing Committees. See above.
<table>
<thead>
<tr>
<th>NAME</th>
<th>DATE OF ELECTION</th>
<th>DUES RECORD</th>
<th>DATE OF BILL</th>
<th>DATE PAID</th>
<th>AM'T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams &amp; Smith</td>
<td>1/1/22</td>
<td>1/1/22</td>
<td>1/22</td>
<td></td>
<td>50.00</td>
</tr>
<tr>
<td>Allen, C. S.</td>
<td>1/1/23</td>
<td>2/3/22</td>
<td>2/12</td>
<td>2/12</td>
<td>50.00</td>
</tr>
<tr>
<td>Aston, J. S.</td>
<td>1/1/23</td>
<td>4/1/23</td>
<td>4/10</td>
<td>4/10</td>
<td>50.00</td>
</tr>
<tr>
<td>Williams &amp; Co.</td>
<td>1/1/23</td>
<td>2/1/23</td>
<td>2/31</td>
<td>2/31</td>
<td>50.00</td>
</tr>
<tr>
<td>Winter, Jones</td>
<td>1/1/23</td>
<td>1/1/23</td>
<td>1/31</td>
<td>1/31</td>
<td>50.00</td>
</tr>
<tr>
<td>Young, Ethel</td>
<td>1/1/23</td>
<td>4/1/23</td>
<td>4/10</td>
<td>4/10</td>
<td>50.00</td>
</tr>
<tr>
<td>Total members</td>
<td></td>
<td></td>
<td></td>
<td>1000</td>
<td></td>
</tr>
<tr>
<td>New members in 1926</td>
<td></td>
<td></td>
<td></td>
<td>1/1/26</td>
<td>2/12</td>
</tr>
<tr>
<td>Kent, H. A.</td>
<td>1/1/26</td>
<td>1/1/26</td>
<td>2/12</td>
<td>2/12</td>
<td>50.00</td>
</tr>
<tr>
<td>Koe, R.</td>
<td>1/1/26</td>
<td>1/1/26</td>
<td>1/10</td>
<td>1/10</td>
<td>50.00</td>
</tr>
</tbody>
</table>

**FIG. A—ROLL BOOK PAGE**

**RECOMMENDED SIZE 8½" x 11"**
APPENDIX C

SIMPLE ACCOUNTING PROCEDURE FOR A SMALL CHAMBER OF COMMERCE

It is not the practice of most chambers of commerce to keep their records on the basis of the single entry system. The economies and advantages of the double entry system are generally recognized by secretaries. There may be some chambers in small communities, however, which will want a suggested single entry system for their guidance. As illustrative of such procedure, but not as a recommendation, the following system is outlined:

ESSENTIAL RECORDS

The following records in a single entry system are essential for the satisfactory control over the chamber’s membership statistics and bookkeeping:

(a) roll book
(b) cash book
(c) petty cash book
(d) check book
(e) dues receipt book
(f) expense book.

Each of these records will now be described.

THE ROLL BOOK

The Roll Book, Figure A preferably, is a bound blank book provided with columns for the member’s name, the date of his election, and columns for recording the information in regard to the billing and payment of his dues.

There should be listed in this book the names of every member of the chamber of commerce on the date on which the record is started, which should be the date of the commencement of the chamber’s fiscal year. The names of the members should be arranged alphabetically without any blank spaces between, as no provision should be made for the insertion of names of new members. Additions to membership should appear in a supplementary list in the Roll Book. Following the list of members in good standing there should also be a list alphabetically arranged of the members who were delinquent and not in good standing, as of the beginning of the year. Then provision should be made for a list of names of new members received during the year. The purpose of this arrangement of the membership list is to facilitate the preparation of the membership loss rate, as explained in Part II.

In the first column to the right of the name the date of the election of the member should appear. In the next column to the right will be shown
### Filling in the Expenses Sheet

#### FIG. B - EXPENSE SHEET

**Recommended Size:** 11" x 17"

**Stationer's Stock Form to Be Used**

<table>
<thead>
<tr>
<th>DATE</th>
<th>PAID TO</th>
<th>SALARIES</th>
<th>RENT</th>
<th>TELEPHONE &amp; TELEGRAPH</th>
<th>PRINTING</th>
<th>OFFICE SUPPLIES</th>
<th>MEETING EXPENSES</th>
<th>TOTAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1926</td>
<td>Browne &amp; Browne</td>
<td>100.00</td>
<td></td>
<td></td>
<td>5.15</td>
<td></td>
<td></td>
<td>105.15</td>
</tr>
<tr>
<td></td>
<td>Telephone Co.</td>
<td></td>
<td></td>
<td></td>
<td>9.90</td>
<td></td>
<td></td>
<td>16.80</td>
</tr>
<tr>
<td></td>
<td>Allied Printing Co</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16.80</td>
</tr>
<tr>
<td></td>
<td>City Office Supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.50</td>
</tr>
<tr>
<td></td>
<td>Estate</td>
<td>31.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31.00</td>
</tr>
<tr>
<td></td>
<td><strong>Salaries (Jan 1st)</strong></td>
<td>550.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>550.00</strong></td>
</tr>
</tbody>
</table>

**Total:** 470.00 100.00 15.05 16.50 4.54 4.50 590.54
the date bills for dues are rendered. In the columns headed Dues Record the secretary will enter the date the dues are paid and if desirable the amount paid. If a member resigns and his resignation is accepted a notation to that effect should appear opposite his name.

The Roll Book then gives the secretary at a glance complete information as to the status of his membership as it stood at the beginning of the year; all necessary information with respect to the addition of new members; and the standing of each member with respect to the payment of his dues.

Service fund or sustaining fund plans for the raising of revenue over and above that received from dues are in operation in some Chambers of Commerce. Under this plan the amounts subscribed by various members frequently are not uniform and also may vary from year to year. Where this is the case the record may be simply kept by adding another column in the Roll Book in which to show the amount of subscription.

The accounting procedure described for the handling of dues will be entirely satisfactory for handling the transactions under the service fund plan.

CASH BOOK

A very simple form of cash book is all that is required. This may be a bound book carried in stock by any stationer. On the left hand page will be kept the record of cash receipts; on the right hand page the record of cash paid out.

CHECK BOOK

Every secretary will be familiar with the check book provided by the bank. There is no need for illustrating it. It is of importance, however, to suggest that the secretary should keep a record of the funds deposited and the checks drawn, with the resulting balances.

EXPENSE BOOK

The Expense Sheet, Figure B, is in the nature of a columnar record of the payments made by the secretary on account of the association according to the various purposes for which the payments were made. It will be noticed that there are columns for rent, postage, telephone, etc. This record is written up by the secretary or his assistant, preferably, at the same time the entry is made in the cash book.

Having now very briefly described some of the essential records, a brief outline of the way the various records tie together may be helpful.

ROUTINE PROCEDURE

At the beginning of the chamber year the secretary will send out bills for dues to all his members. These may very well be prepared on the typewriter and the carbon copy of the bill retained and filed alphabetically. A form of dues bill that has many advantages will be found described and illustrated in Part I.
When a member sends in his check in payment, three entries will be necessary. First, the secretary will enter the name and amount on the left hand side of his cash book; then he will make the proper entry opposite the member's name in the roll book; the third step is in connection with the deposit of the check in the bank. This remittance, with such others as have been received, will be combined on the deposit slip and the secretary will enter on the stub of his check book the amount of the deposit. In addition the secretary should provide a receipt or membership certificate to the member as direct evidence of the payment of dues. A convenient form is one put up in book form similar to a check book with a stub, each blank bearing a number in consecutive arrangement so that the secretary in making out the receipt for the member will also prepare a stub for his own records. Having then made the entries indicated and prepared the member's receipt the routine entries are completed.

Consider now the matter of payments for indebtedness of the chamber. The secretary usually will wish to follow the business-like procedure of paying his bills monthly, thereby keeping up to date. Some secretaries have found that it saves their time to pay all the regular bills on a fixed day of the month as, say, the 10th of the month. It is by far the best practice to make such payments by check unless the amounts are very small, for the paid check in the files of the chamber often constitutes a valuable record of the payment.

For example, suppose that a check is drawn on the 10th of the month in payment of rent for the chamber offices. First, the proper entry is made on the stub of the check book; the check is then written. As a third step, when the check is ready for mailing, the entry is made on the right hand side of the cash book. Likewise an entry will be made in the rent column of the expense book. This completes all the necessary procedure for disbursements.

The handling of cash, i.e., currency and coin, requires a word of comment. It is becoming the general practice in commercial houses to employ as little cash as it is possible to employ. All cash received, no matter for how small an amount, is deposited in the bank and if cash is needed for the payment of small bills, what is known as the petty cash fund is provided.

The petty cash fund is a small fixed amount as, say, $25. It is established initially by drawing a check for $25. The money, itself, is kept either in a safe or in a suitable locked box in the chamber offices. A petty cash book should be provided. As each disbursement is made an appropriate entry should be written in on the right hand or credit side of the petty cash book.

At any convenient time the petty cash fund may be reimbursed. Let us assume that the amount of disbursement has been $17.64. A check for this amount is drawn by the secretary and entered in his check book, his cash book and in the proper columns of his expense book. The cashier likewise enters the receipt of $17.64 on the left hand or debit side of his petty cash book. Thus the petty cash fund is restored to the original amount of $25 and the proper entries have been made. Another and a
more modern plan for the handling of petty cash will be found described in Part I of the pamphlet.

At the end of the month there are certain checks or reconciliations which the secretary should make to prove that his records are correct. In the first place he should see that the balance as indicated by the stubs of his check book agree with the balance as shown by the bank. He should then compare the balance as shown by his cash book with the sum as shown by the bank and the amount of the cash in the cash box. If the petty cash fund idea is employed, this sum will be $25. By way of specific illustration, let us assume that the balance as shown by the secretary's cash book is $762.41. The balance in the bank is $737.41. He has cash on hand, $25. The sum of the cash in the bank, $737.41, and the cash in the cash box, $25, equals $762.41. His accounts, therefore, are correct.

He may now check his roll book against the copies of the unpaid bills for dues in his file. In making this check he should find a copy of a bill for dues, for every member whose record shows that his dues are not paid. This done, he can then go ahead and send out a statement to the delinquent member or take other steps to make collection.

In a similar way a check may be made between the expense record and the right hand side of the cash book. The sum of the expenses of the month as classified in the expense book should agree with the total of the right hand side of the cash book, i.e., with the total of payments made during the month.

At the end of each month the secretary should prepare statements for the president, board of directors or other officers. One informative statement may be made up in substance as follows:

June 1. Cash on hand. $2,056.42

Receipts

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>Interest on bank balances</td>
<td>4.16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,560.58</strong></td>
</tr>
</tbody>
</table>

Disbursements

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$1,200.00</td>
</tr>
<tr>
<td>Rent</td>
<td>100.00</td>
</tr>
<tr>
<td>Telephone</td>
<td>5.00</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>15.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,320.00</strong></td>
</tr>
</tbody>
</table>

June 30. Balances

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in bank</td>
<td>$2,215.58</td>
</tr>
<tr>
<td>Petty cash</td>
<td>25.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,240.58</strong></td>
</tr>
</tbody>
</table>