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BREWERY FINANCIAL AND COST STATEMENTS

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Increase in competition and operating costs has made the question of production and sources of profit important in the development of business. That accounting statements present the book-value of resources and the amount of profit or loss is interesting but this does not give the management data that will show unprofitable or underdeveloped business. The weakness with some present brewery-systems is the failure to charge all items of department production at cost, the profit or loss statements being meaningless as a basis for future business development.

With the rapid increase in bottling production, the knowledge of accurate departmental production and overhead costs is necessary for the proper development of this business. That it forms the basis for a selling price is valuable but an economic relation exists between the cost of brewing per barrel and increased output. A thorough knowledge of production costs is necessary to definitely establish this relation.

The sample statements shown in the charts on the following pages provide for separate analytical costs for the brewery, keg department, bottling department and agencies. The figures purposely do not represent any actual operating conditions, being for illustration only.

CHART 1.

SPECIMEN BREWING COMPANY

Condensed Statement of Assets and Liabilities

January 1, 1916.

Reference to Charts	ASSETS	
<i>Chart 7.</i>	Fixed Plant, Brewery	\$675,000
<i>Chart 7.</i>	Fixed Plant, Bottling Department	80,000
<i>Chart 7.</i>	Fixed Plant, Keg Department	14,000
<i>Chart 7.</i>	Fixed Plant, Agency "A"	3,250
	TOTAL FIXED PLANT OWNED	\$ 772,250
<i>Chart 7.</i>	Movable Equipment, Bottling Dept.	78,000
<i>Chart 7.</i>	Movable Equipment, Keg Dept.	155,000
<i>Chart 7.</i>	Movable Equipment, Agency "A"	7,500
	Movable Equipment, Office	9,500
	TOTAL MOVABLE EQUIPMENT OWNED	250,000
	Preferred Stock, "Z" Malting Co., par	50,000
	Con. Mtge. 6% Bonds, "Y" Hotel Co., par	10,000
	SECURITIES OWNED AS INVESTMENT	60,000
	TOTAL PROPERTY OWNED AS INVESTMENT	\$1,082,250
	Cash	125,000
	Bills and Loans Receivable	100,000
	Accounts Receivable	100,000
<i>Chart 7.</i>	Materials and Supplies	181,600
	WORKING ASSETS	506,600
<i>Chart 7.</i>	Deferred Operating Charges	1,150
	TOTAL ASSETS	<u>\$1,590,000</u>

LIABILITIES

	First Mtge. 5% Bonds due July 1, 1920	\$100,000
	Second Mtge. 6% Bonds due Jan. 1, 1925	50,000
	BONDED LIABILITIES	\$150,000
	Bills and Loans Payable	10,000
	Accounts Payable	50,000
<i>Chart 6.</i>	Accrued Operating Charges	5,000
	WORKING LIABILITIES	65,000
	Depreciation Reserves	125,000
	Bad Debt Reserves	50,000
	Contingent Reserves	25,000
	10% Dividend Dec. 31, 1915, not paid	100,000
	APPROPRIATED SURPLUS	300,000
	TOTAL LIABILITIES	\$515,000
	Present Worth Capital Stock (\$107.50* per share)	\$1,075,000
		<u>\$1,590,000</u>

*Dividend declared Dec. 31, 1915, \$10 per share not included.

CHART 2.

SPECIMEN BREWING COMPANY

ANALYSIS OF PRESENT WORTH,

January 1, 1916.

Reference
to Charts

	Capital Stock Authorized.....	\$1,500,000	
	Capital Stock Not Issued.....	500,000	
	Capital Stock Issued (\$100 par).....		\$1,000,000
	Free Surplus, January 1, 1915.....	\$40,640	
<i>See Below</i>	NET PROFIT KEG DEPT. YEAR 1915.....	90,000	
<i>Chart 3.</i>	NET PROFIT BOTTLING DEPT. YEAR 1915.....	36,000	
<i>Chart 3.</i>	NET PROFIT AGENCY "A", YEAR 1915.....	8,360	
	ACCUMULATED SURPLUS, DEC. 31, 1915.....	\$175,000	
	10% Dividend Declared Dec. 31, 1915.....	100,000	
	FREE SURPLUS JANUARY 1, 1916.....		75,000
	Present Worth Capital Stock.....		<u>\$1,075,000</u>

COST OF PRODUCTION

Year Ended December 31, 1915.

BREWERY

		Per Bbl.
<i>Chart 4.</i>	Cost of Brewing Materials.....	\$315,000 \$1.50
<i>Chart 4.</i>	Direct-Labor Cost.....	63,000 .30
<i>Chart 4.</i>	Over-Head Expense.....	147,000 .70
	PRODUCTION COST (210,000 bbl.).....	<u>\$525,000</u>
	Beer Inventory Increase (10,000 bbl.).....	25,000
	PRODUCTION COST IN SALES (200,000 bbl.).....	<u>\$500,000</u> <u>\$2.50</u>
<i>See Below</i>	Keg Department (150,000 bbl.).....	\$375,000
<i>Chart 3.</i>	Bottling Department (40,000 bbl.).....	100,000
<i>Chart 3,</i>	Agency "A" (10,000 bbl.).....	25,000
	BREWERY PRODUCTION IN SALES (200,000 bbl.)...	<u>\$500,000</u>

KEG DEPARTMENT*

Trading and Profit and Loss Statement

	Gross Sales to Customers.....	\$915,000	\$6.10
	Less Allowances.....	15,000	.10
	Net Sales to Customers (150,000 bbl.).....	<u>\$900,000</u>	<u>\$6.00</u>
<i>See Above</i>	Brewery Production Cost.....	\$375,000	\$2.50
<i>Chart 5.</i>	Racking and Wash-House Cost.....	22,500	.15
	Internal Revenue Tax.....	225,000	1.50
<i>Chart 5.</i>	Cost of Delivery.....	97,500	.65
<i>Chart 5.</i>	Cost of Collection.....	30,000	.20
<i>Chart 6.</i>	General Expenses.....	60,000	.40
	TOTAL EXPENSE IN KEG SALES.....	<u>810,000</u>	<u>5.40</u>
<i>Chart 1.</i>	NET EARNINGS to Surplus.....	<u>\$ 90,000</u>	<u>.60</u>

*With slight changes in the arrangement of accounts this form would show separate profits for local and outside business.

CHART 3.

SPECIMEN BREWING COMPANY

COST OF PRODUCTION (CONTINUED)

***BOTTLING DEPARTMENT.**

Bottlery, Trading and Profit and Loss Statement.

Reference to Chart.		Per Doz. Sold.
	Gross Sales to Customers.....	\$468,000 \$.52
	Less Allowances.....	18,000 .02
	Net Sales to Customers (900,000 doz.)	<u>\$450,000</u> <u>\$.50</u>
<i>Chart 2.</i>	Brewery Production Cost.....	\$100,000 .104
	Cost of Bottling Supplies.....	76,960 .080
	Bottling Wage.....	57,720 .060
	Internal Revenue Tax.....	60,000 .062
<i>Chart 6.</i>	Over-Head Expense.....	32,400 .034
	TOTAL PRODUCTION COST (962,000 doz.).....	<u>\$327,080</u>
	Bottled Beer Inventory Increase.....	\$ 680
<i>See Below</i>	Shipped to Agency "A".....	<u>20,400</u>
	Credits to Production Cost.....	21,080
	PRODUCTION COST IN BOTTLERY SALES.....	<u>\$306,000</u> .34
<i>Chart 5.</i>	Cost of Delivery.....	54,000 .06
<i>Chart 5.</i>	Cost of Collection.....	18,000 .02
<i>Chart 6.</i>	General Expense.....	36,000 .04
	TOTAL EXPENSE IN BOTTLERY SALES.....	<u>414,000</u> .46
<i>Chart 1.</i>	NET EARNINGS to Surplus.....	<u>36,000</u> .04
		<u>\$450,000</u> <u>\$.50</u>

*With slight changes in the arrangement of accounts this form would show separate profits for local and outside business.

AGENCY "A"

Trading and Profit and Loss Statement.

	Keg Sales to Customers. (10,000 bbl.).....	\$60,000
	Bottle Sales to Customers (59,000 doz.).....	29,500
	TOTAL SALES TO CUSTOMERS.....	<u>\$89,500</u>
<i>Chart 2.</i>	Brewery Production Cost.....	\$25,000
<i>See above</i>	Bottling Production Cost.....	20,400
<i>Chart 5.</i>	Cost of Racking Keg Sales.....	1,500
	PRODUCTION COST OF PURCHASES.....	<u>\$46,900</u>
	Beer Inventory Increase.....	1,900
	PRODUCTION COST IN SALES.....	<u>\$45,000</u>
	International Revenue Tax.....	15,000
<i>Chart 5.</i>	Cost of Delivery*.....	10,000
<i>Chart 5.</i>	Cost of Collection.....	3,140
<i>Chart 6.</i>	General Expense.....	8,000
	TOTAL EXPENSE IN SALES.....	<u>81,140</u>
<i>Chart 1.</i>	NET EARNINGS to Surplus.....	<u>\$ 8,360</u>

*It is desirable to separate cost of delivery from the brewery to the agency from the delivery cost from the agency to the agency's customers.

CHART 4.

SPECIMEN BREWING COMPANY

ANALYSIS OF COST OF PRODUCTION

BREWERY

BREWING MATERIALS COST

		Per bbl.	Bu. or lbs. per bbl.
Malt	\$178,500	\$.85	1 bu.
Cerealine.....	84,000	.40	22 lbs.
Hops.....	52,500	.25	1 lb.
Other Brewing Materials.....	14,700	.07	
GROSS MATERIALS CONSUMED.....	\$329,700	\$1.57	
Less Grains sold.....	14,700	.07	
NET MATERIALS CONSUMED.....	\$315,000	\$1.50	

DIRECT LABOR COST

		Per bbl.
Brewery Wages.....	\$42,000	\$.20
Engineers and Firemen, Wages.....	14,700	.07
Brewmaster's Salary.....	6,300	.03
DIRECT LABOR COST.....	\$63,000	\$.30

OVERHEAD EXPENSES

		Per bbl.
Coal.....	\$ 8,400	\$.04
Water	6,300	.03
Ammonia.....	1,050	.005
Oil and Lubricants.....	1,050	.005
Taxes and License.....	10,500	.05
Insurance.....	8,400	.04
Repairs and Maintenance, Buildings.....	10,500	.05
Repairs and Maintenance, Machinery.....	6,300	.03
Repairs and Maintenance, Stationary Cooperage.....	2,100	.01
Interest	8,400	.04
Electric Light and Power.....	2,100	.01
Depreciation, Buildings.....	14,700	.07
Depreciation, Machinery.....	8,400	.04
Depreciation, Stationary Cooperage.....	6,300	.03
Brewery Supplies	50,400	.24
Sundries	2,100	.01
TOTAL OVERHEAD EXPENSE.....	\$147,000	\$.70

CHART 5.

SPECIMEN BREWING COMPANY

Analysis of Cost of Production—(Continued).

RACKING AND WASH-HOUSE COST**KEG DEPARTMENT**

		Per bbl.
Racking-room Wages.....	\$ 4,800	\$.03
Wash-house Wages.....	4,800	.03
Repairs and Maintenance, Machinery.....	1,600	.01
Repairs, Building.....	800	.005
Depreciation, Machinery.....	2,400	.015
Depreciation, Buildings.....	1,600	.01
Taxes.....	1,600	.01
Insurance.....	1,600	.01
Interest.....	800	.005
Heat, Light and Power.....	800	.005
Racking Supplies.....	3,200	.02
RACKING-ROOM AND WASH-HOUSE COST.....	\$24,000	\$.15
Agency "A", Purchases (10,000 bbls.).....	1,500	
Keg Department Sales (150,000 bbls.).....	<u>\$22,500</u>	

COST OF DELIVERY

	Keg Dept.	Bot. Dept.	Agency "A"
Package Repair and Maintenance.....	\$ 5,000	\$ 3,000	\$ 600
Packages Consumed.....	15,000	12,000	1,500
Team-drivers, Wages.....	9,500		
Motor-truck Drivers, Wages.....	15,000	10,000	2,000
Garage, Wages.....	1,200	600	200
Stablemen, Wages.....	2,000		
Shipping-clerks, Salaries.....	2,200	2,000	500
Ice.....	1,800		750
Freight and Cartage.....	10,000	5,300	250
Horse-feed.....	5,000		
Depreciation, Horses.....	1,000		
Depreciation, Wagons.....	400		
Depreciation, Motor-trucks.....	11,000	8,000	1,300
Wagons, Repairs and Maintenance.....	800		
Motor-trucks, Repairs and Maintenance.....	6,000	4,000	800
Depreciation, Shipping-office.....	100	100	100
Motor-trucks, Fuel and Lubricants.....	8,000	6,000	1,300
Motor-trucks, Insurance and Taxes.....	3,500	3,000	700
TOTAL COST OF DELIVERY.....	\$97,500	\$54,000	\$10,000

NOTE: Tonnage and mileage data is desirable for comparing the efficiency of motor-trucks.

COST OF COLLECTION

	Keg Dept.	Bot. Dept.	Agency "A"
Collectors, Salaries*.....	\$21,000	\$13,000	\$ 2,000
Spending Money*.....	9,000	5,000	1,140
TOTAL COST OF COLLECTION.....	\$30,000	\$18,000	\$ 3,140

*Supplementary statements, containing the record of each collector in total barrels or dozens sold, and the cost per barrel or dozen collected, with increase or decrease in sales is desirable.

CHART 6.

SPECIMEN BREWING COMPANY

Analysis of Cost of Production—(Continued).

**OVERHEAD EXPENSE
BOTTLING DEPARTMENT**

		Per doz.
Taxes and License	\$ 5,722	\$.006
Insurance	3,808	.004
Repairs and Maintenance, Buildings	3,808	.004
Repairs and Maintenance, Machinery	5,723	.006
Interest	3,808	.004
Depreciation, Buildings	3,808	.004
Depreciation, Machinery	5,723	.006
TOTAL BOTTLING DEPT. OVERHEAD	<u>\$32,400</u>	<u>\$.034</u>

GENERAL EXPENSE

	Keg Dept.	Bot. Dept.	Agency "A"
Taxes and License	\$ 400	\$ 200	\$ 100
Insurance	300	100	75
Interest	300	100	75
Printing and Stationery	1,000	500	200
Telephone, Telegraph and Postage	800	600	200
Advertising	4,500	2,000	1,000
Officers, Salaries	10,000	6,000	1,200
Office Salaries	5,000	3,000	750
Office Expense	1,000	500	250
Bad Debts	30,000	20,500	3,350
Depreciation and Maintenance, Bar Fixtures	5,000	1,500	400
Heat and Light	200	100	100
Legal Expense	1,000	400	100
Sundries	500	500	200
TOTAL GENERAL EXPENSE	<u>\$60,000</u>	<u>\$36,000</u>	<u>\$8,000</u>

ACCRUED OPERATING CHARGES

Wages Accrued	\$4,000
Taxes Accrued	250
Interest Due, Second Mortgage Bonds	750
TOTAL	<u>\$5,000</u>

CHART 7.

SPECIMEN BREWING COMPANY

Inventory, January 1, 1916.

FIXED PLANT

	Brewery	Keg Dept.	Bot. Dept.	Agency "A"
Ground.....	\$ 25,000	\$ 1,000	\$ 5,000	\$ 250
Buildings	500,000	5,000	25,000	3,000
Machinery.....	50,000	8,000	50,000	
Stationary Cooperage.....	100,000			
TOTAL FIXED PLANT.....	\$675,000	\$ 14,000	\$80,000	\$3,250

MOVABLE EQUIPMENT

	Keg Dept.	Bot. Dept.	Agency "A"
Motor Trucks.....	\$ 44,000	\$32,000	\$5,200
Horses	10,000		
Wagons	4,000		
Harness.....	1,500		
Packages.....	75,000	40,500	
Bar-fixtures.....	20,000	5,000	1,800
Shipping-office	500	500	500
TOTAL MOVABLE EQUIPMENT.....	\$155,000	\$78,000	\$7,500

MATERIALS AND SUPPLIES

	Brewery	Keg Dept.	Bot. Dept.	Agency "A"
Brewing Materials	\$ 50,000	\$	\$	\$
Beer	100,000	1,000	10,000	2,500
Internal Revenue Stamps.....		600		
Supplies	10,000	2,000	5,000	500
TOTAL*	\$160,000	\$ 3,600	\$15,000	\$3,000

Brewery	\$160,000
Keg Department	3,600
Bottling Department	15,000
Agency "A"	3,000
TOTAL*	\$181,600

* See itemized inventories for details.

DEFERRED OPERATING CHARGES

Prepaid Insurance	\$ 1,000
Prepaid License.....	150
TOTAL.....	\$ 1,150