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Manual of accounts prepared for New Orleans Bank for Cooperatives

R. J. LeGardeur & Co.
LeGardeur (R. J.) & Co.

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MANUAL OF ACCOUNTS

PART I BALANCE SHEET - Page 4
PART II OPERATIONS - Page 15

Prepared for
NEW ORLEANS BANK FOR COOPERATIVES

For use by
GLENWOOD COOPERATIVE, INC.
WATERFORD SUGAR COOPERATIVE, INC.
HELVETIA SUGAR COOPERATIVE, INC.
MAGNOLIA SUGAR COOPERATIVE, INC.
EVAN HALL SUGAR COOPERATIVE, INC.

R. J. LeGARIEUR & COMPANY,
CERTIFIED PUBLIC ACCOUNTANTS.
NEW ORLEANS, LOUISIANA.
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MANUAL OF ACCOUNTS

PART I

BALANCE SHEET

and

GENERAL BOOKS

SECTION
BALANCE SHEET

ASSETS

Current Assets:

Cash:
Cash in Bank
Cash on Hand

Receivables:
Notes Receivable
Customers Receivable
Growers Members
Growers Non-members
Payroll Advances
Miscellaneous

Inventories:
Sugar on Hand
Syrup on Hand
Molasses on Hand
Third Products on Hand

Prepaid Expenses:
Prepaid Insurance
Prepaid Taxes and Licenses
Prepaid Interest
Deferred Charges:

- Bags
- Barrels
- Lubricants
- Waste
- Chemicals
- Fuel Oil
- Coal
- Lime
- Sulphur
- Supplies

Total Current Assets:

Other Assets:

- Stock N. O. Bank for Cooperatives

Total Other Assets:
Fixed Assets:

Land
Buildings (Described)
Machinery (Described)
Less: Accrued Depreciation

Total Fixed Assets:

Total Assets:

Operating Control:

Total Assets:

LIABILITIES

Trade Payable
Accrued Payrolls
Accrued Interest
Miscellaneous Notes Payable
Member Growers Deposit Account
Accrued Taxes
Mortgage Notes Payable:

Due to N. O. Bank for Cooperatives:
  Facility Loan
  Merchandise Loan
  Interest Accrued

Temporary Retains from Members:

Total Liabilities:

CAPITAL

Preferred Stock
Common Stock
Earned Surplus
Paid in Surplus
Profit and Loss

Total Capital:

Grand Total:
COMMENTS ON BALANCE SHEET

Few explanatory comments are required for the Balance Sheet, as the listed items of assets and liabilities are clear and self-explanatory.

The Inventory Section takes care only of the manufactured products and products under process.

The various Supplies left on hand at the end of the fiscal period, will be carried under the Section of Prepaid Supplies, instead of under the Inventory Section.

The purchase of all supplies should be charged to one or several Stock or Supplies Accounts, which accounts should be periodically credited with the withdrawal and consumption of these supplies.

Machinery and Equipment:

An intelligent distribution should be made in the ledger, of the many kinds and classes of machinery and equipment, so that the varying rates of depreciation may be properly applied.
Distribution of Yearly Profits:

Yearly the net operating profits must be classified under two sections; one, representing profits earned on Members Growers Cane, the other, representing profits earned on Non-members Growers Cane.

Presently it is assumed, that if the profits are all distributed before the close of the fiscal period, the Cooperatives will avoid all Surtaxes on undistributed profits, and will pay normal tax only on those profits earned out of Non-members Growers Cane.

The entry setting forth this dual distribution must show first that all distributable profits have been distributed, second, that if it is necessary to hold back a certain temporarily retained amount from each vendor, that this amount has been collected; and third, that if the Member Growers must contribute a certain amount of their profits to a fund to meet the indebtedness of the Cooperative, that this certain amount has also been collected.

General Books of Accounts:

In the event that the present book-keeping system is not satisfactory, or that it is not elastic
enough to permit the installation of the uniform operating system, then the following books of accounts are recommended:

A Cash-Journal and a General Ledger, supported by as many subsidiary books and records as may herein be indicated, or subsequently found necessary.

The General Ledger will be of the loose leaf pattern and may be kept in the binder holding the subsidiary operating ledger.

The General Ledger will be divided into three sections, each properly tabbed.

**ASSETS,**

**LIABILITIES,**

**CAPITAL,**

and the accounts kept therein under these sections are, in the main, indicated on the form of Balance Sheet hereinabove submitted.

**Cash-Journal:**

*General Cash Journal will be columnar in form,* and will have the following columns:

<table>
<thead>
<tr>
<th>Column</th>
<th>Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>1</td>
</tr>
<tr>
<td>Explanation</td>
<td>1</td>
</tr>
<tr>
<td>Voucher Reference</td>
<td>1</td>
</tr>
<tr>
<td>Check Number</td>
<td>1</td>
</tr>
<tr>
<td>Bank Cash</td>
<td>2</td>
</tr>
</tbody>
</table>
Bank Cash 2 Columns
Operating Control 2 Columns
Member Growers 2 Columns
Non-member Growers 2 Columns
Receivables 2 Columns
Payables 2 Columns
Stock Supplies 2 Columns
Payroll 2 Columns
General Sundries 2 Columns

The Cash Journal should be of the double page form with twenty-four columns to the right, to provide necessary columns for additional distributions if found necessary; this book is of a regular standard stock size.

Subsidiary Operating Ledger:

This ledger is described in the operating section of this Manual; it may well follow the general ledger under the same binder.

Subsidiary ledgers will also be required for the Receivables, the Payables, the Member Growers, and the Non-member Growers; each of these ledgers to contain alphabetical tabs, and possibly one binder will do for the four of them.

Disbursements:

An imprest cash fund no greater than required, will be established, and will be balanced and replaced once a
week, by check, charging the proper accounts.

Other than this, all disbursements must be made by check and check number inserted on the voucher or invoice, representing the authority for payment, and check number shown in Cash-Journal.

All transactions other than cash entered in the Cash-Journal will be initiated and supported by a voucher, simple in form, - the form of which will be submitted if required; these vouchers to be filed in a binder in numerical sequence.

Payrolls:

Withdrawals for payrolls will be charged to Payroll Account, and the amount Journalized out of the payroll account and charged to the proper accounts, invoiced through a regular voucher.

The system above suggested for the General Cash-Journal and the Journal vouchers, is merely suggestive and not sacramental. It is the system which, in our opinion, is best suited for the purpose herein contemplated.

However, if the cooperatives respectively, have bookkeeping systems which are intelligently prepared, and from which the information herein listed can be accurately and effectively determined, then no objection whatever can be made to their continuing the satisfactory system they now operate.
It is, however, imperative whatever system of books may be used, that the entire operating costs be kept exactly as outlined in this Manual, and that each major operating section begins where indicated and ends where indicated. Unless this is faithfully followed, no comparative results could be determined, and the only purpose of the uniform system would be destroyed.

As regards the books, registers, or records necessary to reflect details of daily cane purchases, daily production records, and daily shipping records, this can best be left for discussion when personal visits will be made to the office of each Cooperative, as, until final marketing agreements are made, no one can guess the final requirements.

The Bank for Cooperatives, will receive these daily, or weekly, or monthly reports, and at some such central point, some one should prepare a consolidated report, comparing in columnar form, and in percentages, the results of the Cooperatives.
MANUAL OF ACCOUNTS

PART II

OPERATING SECTIONS
<table>
<thead>
<tr>
<th>Code</th>
<th>Position</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>Manager</td>
<td>Salary &amp; Allowances</td>
</tr>
<tr>
<td>102</td>
<td>Assistant</td>
<td>Salary &amp; Allowances</td>
</tr>
<tr>
<td>103</td>
<td>Superintendent</td>
<td>Salary &amp; Allowances</td>
</tr>
<tr>
<td>104</td>
<td>Assistant</td>
<td>Salary &amp; Allowances</td>
</tr>
<tr>
<td>105</td>
<td>Chief Engineer</td>
<td>Salary &amp; Allowances</td>
</tr>
<tr>
<td>106</td>
<td>Chief Assistant</td>
<td>Salary &amp; Allowances</td>
</tr>
<tr>
<td>107</td>
<td>Secretaries</td>
<td>Salary &amp; Allowances</td>
</tr>
<tr>
<td>108</td>
<td>Traveling Expense</td>
<td></td>
</tr>
</tbody>
</table>
150 OFFICE

151 Bookkeepers Salary & Allowances
152 Time Keepers Salary & Allowances
153 Clerical Help Salary & Allowances
154 Postage
155 Telephone and Telegrams
156 Stationery and Printing
157 Office Supplies
158 Office Expense
200  GENERAL EXPENSE

201  Insurance - Fire and Tornado

202  Insurance - Boilers

203  Workmen's Compensation

204  Insurance Liability

205  Fire Prevention

206  Medical and Sanitation

207  Legal and Auditing

208  Interest

209  Upkeep Factory Grounds

210  Upkeep Factory Roads
250 TAXES

251 State and Parish Real Estate
252 State and Parish Personal
253 State and Parish Licenses
254 State Franchise
255 State Unemployment
256 State Income
257 Federal Capital Stock
258 Federal Income
259 Federal Unemployment
260 Federal Old Age Benefit
300  POWER, LIGHT AND WATER

301  Water Supply
302  Water Tenders
303  Helpers
304  Oil Burners
305  Coal Burners
306  Bagasse Burners
307  Bagasse Hoppers
308  Fuel Oil
309  Coal
310  Bagasse
311  Electric Plant
312  Poles and Wiring
313  Globes, Lamps and Parts
350  CANE SHED

351  Cane Grapple
352  Carrier Feeder
353  Cane Slings
354  Feeding and Leveling Carrier
356  Replacing Slats
357  Cane Shed Grounds and Yard
358  Yard Locomotive
359  Yard Crew
400  MILL ROOM

401  Engineer and Oiler

422  Crusher Men

423  Mill Men

424  Sweepers
450 CLARIFICATION

451 Raw Juice Pump
452 Lime and Sulphur Tanks
453 Superheaters
454 Clarifiers
455 Defecators
456 Filter Presses
457 Filter Press Cloths & Bags
458 Filter Press Cakes
459 Settling Tanks
460 Clear Juice Tanks
461 Chemicals
462 Lime and Sulphur
500  DIRECT MANUFACTURING

501  Effects
502  Syrup Tanks and Pumps
503  Pans
504  Mixer
505  Centrifugals
506  Crystallizers
507  Granulators
508  Sugar Room
509  Magma Tank Room
510  Barrels
511  Bags
512  Sacking Sugar
513  Barrelling Sugar
514  Sugar Weighers
515  Storing Sugar
516  Shipping Sugar
517  Shipping Syrup
518  Shipping Molasses
519  Shipping Blackstraps
520  Drying Thirds
521  Sacking Thirds
522  Storing Thirds
523  Shipping Thirds
<table>
<thead>
<tr>
<th>550</th>
<th>INDIRECT MANUFACTURING</th>
</tr>
</thead>
<tbody>
<tr>
<td>551</td>
<td>Foreman</td>
</tr>
<tr>
<td>552</td>
<td>Assistant Engineers</td>
</tr>
<tr>
<td>553</td>
<td>Mechanics</td>
</tr>
<tr>
<td>554</td>
<td>Oilers</td>
</tr>
<tr>
<td>555</td>
<td>Lubricants and Waste</td>
</tr>
<tr>
<td>556</td>
<td>General Supplies</td>
</tr>
<tr>
<td>557</td>
<td>Watchmen</td>
</tr>
<tr>
<td>558</td>
<td>Blacksmith Shop</td>
</tr>
<tr>
<td>559</td>
<td>Carpenter Shop</td>
</tr>
<tr>
<td>560</td>
<td>Machine Shop</td>
</tr>
<tr>
<td>561</td>
<td>Boarding House Expense</td>
</tr>
<tr>
<td>562</td>
<td>Unclassified Expense</td>
</tr>
</tbody>
</table>
600 LABORATORY

601 Chemist
602 Assistants
603 Helpers
604 Juice Samplers
605 Laboratory Expense
606 Laboratory Supplies
650 GENERAL REPAIRS

651 General Machinery Repairs
652 Mill Repairs
653 Boiler Repairs
654 Scale Repairs
655 Electric Plant Repairs
656 Electric System Repairs
657 Pipe Line Repairs
658 Cane Shed Repairs
659 Buildings Repairs
660 Water Supply Line
As far as it is practicable, all of the above expenses must be segregated between Members and Non-members.
Income

Sales of Thirds
Sales of 96°
Sales of Clarified
Sales of Crystallized
Sales of Granulated
Sales of Syrup
Sales of Molasses
Sales of Blackstraps
Miscellaneous Sales

Commissions on Sales
Weighing Charges
Gauging Charges
Storage Charges
Freight and Drayage
Allowances
A careful reading of the chart of accounts above listed, indicates the basic principle of the Cost System submitted. Its entire purpose is to secure uniformity of operating expense under as few major sections as possible.

The entire operations are divided into fourteen (14) Major Sections, as follows:

No. 100  MANAGEMENT — Self-explanatory.
No. 150  OFFICE — Self-explanatory.
No. 200  GENERAL EXPENSE — Self-explanatory.
No. 250  TAXES — Self-explanatory.

These four sections really constitute the Administrative Expense. Any expense that may arise and may not be designated in the distribution, and yet appertains to Administrative, must be charged to the proper one of these four sections.

No. 300  POWER, LIGHT AND WATER

To this major section must be charged all expenses that are incurred for the purpose of furnishing power, light and water to the entire plant.

No. 350  CANE SHED

To this major section must be charged all expense incurred from the time the cane is delivered to the cane shed, until the cane reaches the crusher.
No. 400  MILL ROOM

To this Major Section must be charged all expenses incurred from the time the cane reaches the crusher men, to the time the bagasse reaches the bagasse drag, and the Juice, the juice pit.

No. 450  CLARIFICATION

To this Major Section must be charged all expenses incurred from the time the raw juice reaches the juice pit, to the time the clear juice reaches the effects.

This to include every step in the clarification and purification of the juice regardless of the process used.

No. 500  DIRECT MANUFACTURING

It is conceded that were the Cooperatives financially able to afford the required accounting and statistical assistance, this Major Section and the Clarification Section, would have been divided into many more Major Sections. Presently, however, this refinement will be dispensed with as it is believed these fourteen Sections will work out satisfactorily.

To this Major Section must be charged those expenses incurred in any operating activity from the time the clear juice has reached the effects to the time the manufacturing is completed, which expenses are not specifically provided for in any other Major Section.
No. 550 INDIRECT MANUFACTURING

To this Major Section must be charged those manufacturing expenses which are general in character, and which cannot be directly allocated to specific Major Sections, the class and character of the expense chargeable to this Section are plainly indicated by the subdivisions submitted.

No. 600 LABORATORY

No explanatory comments are required for this Section.

No. 650 GENERAL REPAIRS

This Section appears to be self-explanatory.

No. 700 CANE PURCHASED EXPENSE

This Major Section is really divided into two parts; the first item, No. 701, covers the Cost Price paid for cane to Non-member growers; the second item, No. 702, covers the Cost Price paid for cane to Member Growers.

The second part of this section consists of the several items of expense incurred in delivering to the Cane Shed, all cane purchased.

Whenever it is possible to do so directly, these delivery items should be charged to the Cost of the Non-members or Members cane; whenever this direct charge is not possible, then this delivery charge should be allocated on the basis of average cost per ton. The reason for this separation appears when we discuss the income tax liability of the Co-operatives.
This Section is self-explanatory; under this section must appear gross proceeds of all sales, and all charges against sales.

Under this section must also appear under proper captions, all other income from any and all sources whatsoever.

DEPRECIATION:

It will be noted that under these major operating sections no provision whatever has been made for the burden of depreciation.

This was done deliberately and it is suggested that the depreciation charge be made to appear as the final deduction from the net profits, or be charged directly to Surplus.

The sole purpose of this Manual of Accounts, is to secure uniformity in accounting methods so that clear and effective comparison between Cooperatives becomes possible. For many reasons, depreciation is neither controllable nor comparable, and consequently has been left out of the purely operating sections.

INCOME TAX LIABILITY:

While the Cooperatives are not considered Exempt Corporations under the Income Tax Laws, the fact that all their remaining net income available for that purpose, is distributed in patronage dividends, leaves them with no taxable income whatever.
This is true however, only to the extent that this net income was earned from Members Cane, and it is quite certain that the Government will rule that net profits earned on cane purchased from Non-members are directly taxable, hence the necessity of keeping accurately the entire cost of cane purchased from Non-members, separately from the cost of Members cane.

**SUBSIDIARY OPERATING LEDGER:**

There shall be a debit and credit column in the Cash-Journal, or Cash Book and Journal, captioned "Operating Control". This column is to control the subsidiary operating ledger, and to it must be charged or credited every item of an operating nature that is chargeable or credited to any of the fourteen operating sections.

The Subsidiary Operating Ledger will be divided into fourteen sections, each tabbed with its proper identification tab, and under each section will be inserted enough ledger sheets to record the subcharges or credits, against each division of the major sections.

A form of weekly report will be furnished and this weekly report must be promptly mailed to the Bank for Cooperatives so that comparative reports may be prepared.

**TIME AND PAYROLL BOOKS:**

The pocket weekly time books, will be divided into the major sections and under each major section, the
necessary sub-sections should be shown, and the weekly cost report should be prepared from this pocket time book. The payroll book should be arranged alphabetically and posted daily from the pocket time books. The weekly report submitted, should agree exactly as to labor costs with the payroll for that week.

Due to the necessity of keeping clear payroll records to meet the requirements of the Social Security Laws, it is urged that everyone drawing a salary or a wage from the Cooperative, from the Manager down, be carried on the payroll, both as to wages, salaries and allowances.

A daily record of expense should be prepared from the pocket time book, and posted in a daily record book. The weekly report should be prepared from this daily record book.

DAILY AND WEEKLY VERIFICATION:

Daily or weekly, the local cost keeper will secure from the report of the Superintendent, such information as tons of cane ground, products manufactured, products shipped, products on hand, and supplies and material consumed, so that the weekly cost report will contain this statistical information.

It should be the duty of the Manager, or of some one designated by him, to make a thorough check and verification of the weekly or daily report of the Superintendent, so that he may verify that, given certain definite factors, certain net obtainable results have been obtained.

It is expected that someone at, or designated by, the New Orleans Bank for Cooperatives, will prepare a weekly
comparative report, from the weekly reports of the various Cooperatives; a copy of said comparative report to be sent to each Cooperative.

It is understood that the ledger sheets in the subsidiary operating ledger will have no less than three columns on the debit side, so that charges made against each account will be divided between Labor, Supplies and Materials, and total.

It is very necessary that in recording all expenses, Payroll Expenses be kept separate from all other class of expenses.

Forms of weekly reports and whatever other forms may be required will be furnished in ample time, and after this system has been finally submitted, understood and approved.

Respectfully submitted,

[Signature]

Certified Public Accountants.