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Booklet of instructions for Hardware Age system of Simplified accounting for hardware retailers

T. W. Snead

BOOKLET OF INSTRUCTIONS

FOR

HARDWARE AGE SYSTEM OF SIMPLIFIED ACCOUNTING

FOR

Hardware Retailers

A Simple Method of Accounting for Hardware Retailers Which Will Tell the True Story of Any Business in a Manner That Will Bring to Light Earning Possibilities and Make Leaks and Losses Stand Out Like Sore Thumbs

By T. W. SNEAD

Hardware Age

239 West Thirty-ninth Street, New York

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1—Suppose you are selling on a 25% mark-up and it should be 33 1/3%——

2—How long would it take you under your present system to find this out?

3—How many times do you turn your stock?

4—Can you compare this month in this year with this month last year?

5—What is your percentage of loss from Bad Accounts?

6—What percentage of your sales is expense?

7—How does this compare each month?

8—How long does it take you to balance your books each month?

9—Are expenses increasing or decreasing and where?

10—Can your accounting system tell you these vital facts about your business, when you need the facts?

Hardware Age System of Simplified Accounting for Hardware Retailers

IN his book on "How to Sell Hardware," Roy F. Soule, Editor of HARDWARE AGE, tells us that great changes have occurred in the hardware retail business, and that the most marked change in that business is in the stock itself. He tells us how the clumsy old iron locks, the cast butt and hand-made nails have been quietly side-tracked to make way for mahogany furnished rooms, in which we display art hardware that has back-numbered everything but the latch string. The old muzzle-loader has been hung on the peg for keeps and to us automatic or self-loaders are as common as "Old Betsy" to the trail maker. Kettles of the fire-place day have emerged into chafing dishes. Rusty iron pots which decorated primitive hardware stores are faintly remembered as the ancestors of that dazzling array of nickel-plated copperware that greets us to-day.

And so has accounting in the hardware retail business changed. It has so changed that the proprietor himself can now look at his bookkeeping or accounting system and read the story of his own business. He does not need to hire expert accountants to wade through anywhere from three to five various and sundry books to tell him at the end of the year whether he has made or lost money. The story of a retail business has been made simple. It has been made short and simple. The owner or manager of a retail business no longer has to wait until the end of a year to find out those things for which he alone is in business. He does not have to wait for six months to find out those things which it is most important that he should know in less than six months.

Those things which he should know are whether he has made a profit or whether he has made a loss. That is all that he is interested in. He is not in business for his health or for the love of being in business. He is simply there to make money, and an accounting system should be simple enough to tell him within one week's time whether he has made or lost that money.

A Simple System Developed

HARDWARE AGE has for a number of months developed and worked out a simple system of accounting for hardware retailers which will not only tell the retailer whether he is making a profit or a loss, but will tell him many other things most vital and important to his business.

As Mr. Soule tells us in his book on "How to Sell Hardware" times have changed in the retail business, and in order to live to-day and exist alongside of our competitors it is necessary that we know the innermost facts daily about our business. These facts can only be ascertained through an accurate and an efficient accounting system. We waste too much time running journals, cash books, ledgers, sales ledgers, etc., etc., and it takes too long to find those things which are necessary to the proper management of any business. Realizing this, HARDWARE AGE determined to develop a system whereby the owner or manager could determine incomes or losses daily and to this end has presented to its readers this system which is known as the "HARDWARE AGE System of Accounting."

Apply This System to Your Business

In reading the articles refer constantly to the forms that are shown and the entries that are made upon them. In your own mind apply these entries to your own business and if they differ from any condition that exists in your own establishment, write to HARDWARE AGE and the Business Systems' Department will help you.

Plan Your Business

The author of this system in gathering data with which to prepare the accounting system, stepped into a retail store in a small town of about 10,000 people. The owner of this store was known to be very successful, and it occurred to the author that he probably had some system whereby he could tell those things which we knew to be absolutely necessary, in less time than other dealers. We asked this owner what his secret of success was, and he promptly replied by producing a little framed set of five rules.

We want our readers to study these five rules, especially rule number five, and read the following explanation of why this retailer lived and guided his business according to these five fundamental rules for business management. The five rules are as follows:

No. 1—Investigation

The retailer explained that no man could successfully start a business unless he had investigated everything beforehand. That is, he had investigated the locality; he had investigated the probable demand of the community in which his store was to be situated; he had investigated shipping facilities and everything in connection with the new venture.

No. 2—Plan

He stated that no one could successfully plan a business unless he had first investigated the possibilities of that business.

No. 3—Operation

He next told us that a business man could not possibly operate successfully unless he had investigated and then planned that business. He also told us that he himself plans his business every six months and follows those plans in operating his business.

No. 4—Reward

When asked what this particularly applied to, the owner said that you could investigate and plan and operate a business all you pleased, but your plan would not be successful unless the proper reward had been made. He further amplified this by explaining that the reward was either to himself in the way of profits, or to his salesmen or clerks in the way of bonuses and increased salaries for special efforts.

The last rule which made this business successful was rule

No. 5—Records

He stated that any of the above four rules was absolutely useless to him unless he had the proper records to guide him in making his plans or in operating those plans or in giving his reward.

When asked which of the above five rules was the most important to him, he explained that one was just as important as the other and that no business could be operated successfully unless all five were used. But the most important one of the five rules to him was rule No. 5—Records—and if our readers will consider for one instant they will realize that this is of course the key to his entire scheme of doing business. For example, this owner would plan to increase his business in various and sundry ways, and after all his efforts had been extended to this end, of what use would it be to him unless he could compare the results with what had gone before? If he possessed no adequate accounting system this, of course, would all be of no value and the result of his operating methods would be a mystery.

You will probably plan to purchase your stock at a certain period in the year in order to take advantage of low prices, and it will be necessary for you to know the amount of bills or accounts payable at the same period in that year. If you possess no accounting system you are again at a loss. Finally you discover that your business is not making as much a profit as it should, and you determine to plan a campaign to reduce your expenses. If you possess no adequate accounting system how can you plan to reduce those expenses unless you know what they actually are?

Simple Explanations of Debit, Credit, Double Entry, Etc.
Description of Forms

A SIMPLE accounting system is nothing more or less than a simple story of your business told each day, each week, month or year. It should be so simple that you could take it in your hand and find out as under a magnifying glass every detail and change that has occurred in your business. For example, we often hear bookkeeping spoken of as double entry. We wonder how many owners, bookkeepers or managers really ever stop to figure what double entry bookkeeping is. Most of us have always assumed that it was bookkeeping where two entries were made. And such is the case, but why two entries? Why not make one entry?

Simple Explanation of Double Entry

In every business transaction, if you will notice, two distinct changes occur in the business. For example, you sell ten pounds of nails to a customer for 50 cents and you will find that two changes have occurred in your own business which are as follows: Your stock of merchandise has decreased to the extent of the quantity of nails sold. Your cash in the drawer or in bank has increased to the extent of 50 cents. Now accounting or double entry bookkeeping is simply the recording of these two changes that have occurred. One item has decreased and one has increased. A simple record made of these two changes constitutes double entry bookkeeping or accounting. This is simple enough, is it not? And if we can make all of the other entries or transactions in our business just as simple, we have benefited our readers more than dollars and cents can estimate. Let us examine the forms of which there are only two in the HARDWARE AGE system and see if it can be applied to our own business and if it is not less complicated than the one we now use.

Forms Used in the Hardware Age System

Properly speaking, three forms are necessary to operate an accounting system. Two, the sales record and accounts record are probably already in use in 90 per cent of the retail stores using any system at the present time. For the benefit of those who need a Sales Record we have also included in The System the Daily Sales Record illustrated in Fig. 1 and Form 2.

The third form or the system itself which we call the Daily Record is shown on the supplement sheet.

This is a loose-leaf form and is held in a loose-leaf binder which can be refilled as the sheets are used from year to year.

Journals, Cash Books, and General Ledgers Discarded

This Daily Record sheet will take the place of a general ledger, a journal, a cash receipt book and a cash disbursement book. The binder will last practically as long as the business with few exceptions, and can be refilled as needed.

Description of Daily Record Sheet

Let us glance at the Daily Record which is illustrated on the loose supplement form, and see how this will take the place of our old-fashioned way of keeping books. We have told you before just what accounting is—the story of your business—and that every time a transaction occurs in the business, a record of it should be made in such a way as to tell the true story of the results. In order to do this we use what is known as double-entry system to tell this story. Double entry not only will show the transactions that occur or the two changes that occur with each transaction, but it is also accurate in that it is self-balancing, for every time we make an entry on the credit side of the record it is necessary to make an entry of an equal amount on the debit side of the entry.

Debit Entries-Credit Entries

If you will glance at the various columns of Form 1 in the supplement you will notice that they have been numbered in order to refer to them easily in describing the system and if you will glance at the top of the column you will notice that in large type across the top of each page are the words "DEBIT PLUS DEBIT PLUS DEBIT EQUALS CREDIT." In other words, all of the entries of the debit side when they have been totaled and added will equal all of the credit entries. If this is not so then there has been made an error somewhere in entering the various transactions. For that reason it is essential that after each day's business the total of the debit side should be added and made to agree with the total of the credit side or vice-versa.

Why Debit and Credit

We use the expression debit and credit not because they are exactly as their definitions would imply, but because accounting practice has for so long used these expressions that we still cling to them and use them here.

Debits and Credits Divided

The debit and credit entries on the Daily Record are divided by the explanation column, which is situated between columns No. 25 and No. 27, and in making our various entries on the Daily Record, simply remember that every time we make an entry on the right-hand side of the explanation column we have still to make one on the left-hand side of the explanation column and vice-versa. Do this and your system will always be in balance. The rest of the operation will be easy.

In determining whether to make or where to make debit or credit entries, the following explanation will probably assist those with but a slight knowledge of accounting.

Simple Explanation of Debit and Credit

The word debit as applied to accounting means to "receive benefit," and the meaning of credit is to "give benefit." Now let us apply this to accounting as applied to the HARDWARE AGE System and see if it will not help us in determining when or where to make debit and credit entries. There are some entries which, of course, it is rather hard to apply this meaning to, but in nearly every entry which occurs our readers will discover that when they make a debit it will be to some account that has received benefit, or to some department of the business that has received benefit, and when they make a credit entry it will be to some account or department that has given benefit either to the business or to some other department.

For example, let us suppose that we have used the sum of $100 to buy merchandise which will be put on our shelves for sale. The proper entry would be to charge or debit our merchandise stock on hand and we will suppose that we have paid cash, in which event the credit entry would be to our cash or bank account. Now let us go back and apply our meaning of debit and credit to this entry and we will remember that to *debit* is to *receive benefit*. In this case we *debited* our merchandise stock and we know, of course, that it received benefit because its value was increased by this purchase. Our meaning of credit was to give benefit, and inasmuch as our bank account or our cash account decreased $100 we know, of course, that this account gave that benefit. Another example would be where a customer comes into the store and pays, we will say, $5 on his account. We would place the $5 in our cash account or we would debit cash and we would credit the customer's account with a like amount. Applying our definition of debit and credit, the cash account has received benefit, hence was debited, and the customer's account gave that benefit, hence was credited. If our readers will apply this definition to every entry of which they are doubtful it will assist a great deal in the successful operation of the system.

General Description of Daily Record Sheet

Beginning at the left-hand side on the supplement form showing the Daily Record sheet in use, we find at the top of the sheet "DEBITS PLUS DEBITS PLUS." In other words, under all of these words debits are columns for accounts which cover your debit account or asset account or expense account. The only exception to this is where we find accounts that are neither assets nor expenses, but are columns in which we should keep a record of an amount that should be deducted from a credit column. For example, on the *credit* side in column 31 you will notice we record all of the *sales*. But before we can determine the amount of profit we are making on our sales it is necessary to deduct from column 31, *the cost of goods sold*, which will be found on the *debit* side in column 20. This column, No. 20, which we call "COST OF GOODS SOLD" is placed on the debit side in order to balance the system. It is neither an expense nor an asset, but is a deduction from a credit account necessary to tell the true story of the business. The off-set to this debit account is a credit account which we call by the same name found in column 36. We call this "COST OF GOODS SOLD," but this credit is to be deducted from the *inventory* which is found in the debit column, 22.

Inventory at All Times

In other words, if we deduct the cost of goods that we have sold from our inventory and our purchases, we are then able to tell to a penny what our present stock is worth and if we deduct our cost of goods sold from our total sale we know immediately the net or first profit that we are making on sales. By this we are able to determine whether we are making enough to pay our over-head or running expenses, and if it be found that our percentage of profit on sales is not enough to cover these expenses there is only one thing left to do—that is to *increase* the *sales* to such an extent that our profit will be large enough to cover our expenses or to *increase* the *mark-up or percentage of profit* on those sales. An accounting system cannot tell the management of any business which of these things he should do, but it does tell him that such and such a case is necessary or else the business will suffer. In other words, an accounting system should make these facts stand out like sore thumbs, and it should do so at the earliest possible moment and not wait for six months or a year. For in that period of time the proprietor or owner of a retail hardware store could lose his entire investment before he was aware that his mark-up was not enough to cover his ordinary expenses.

General Description of Columns

Now, let us again glance at the Daily Record and especially at the headings of the various columns. In column 1 on the left-hand side we have "CAPITAL WITHDRAWN." In other words, whenever we withdraw any capital it is to be entered in this column. The off-setting entry, of course, would be under column 28 on the credit side which is all cash paid. In column 2 we find the total value of our fixtures and equipment and any other additional purchases that we may make to this account. When a purchase is made the off-setting entry in this column would be to all cash paid or else to accounts payable to others in column 33. In the next, column 3, we enter all payments of interest or notes that we may happen to owe others, and, of course, the off-setting credit entry is to all cash paid in, column 28. In the next column we have provided for any account which may be peculiar to your own business and accordingly have left this blank.

From column 5 to 19 we have included under one caption, EXPENSE, and have further divided this into general or over-head expense and the selling expense. The various expenses are further subdivided into MISCELLANEOUS EXPENSE, FREIGHT, EXPRESS and all allowances made on sale and all delivery expense, and under the general head of EXPENSE we have left two blank columns which will be enough to take care of any peculiar expense that does not occur in the average hardware store.

In column 20 we should enter the cost of all goods that have been sold during the day, and this figure we get from our sales sheet to which you should refer and note that opposite each sale that has been made we have entered under the cost column the cost of this article to us. At the end of the day the

Hardware Age System of Accounting

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DAILY RECORD

D E B I T S + D E B I T S +

	1 CAPITAL WITHDRAWN	2 FIXTURES AND EQUIPMENT AND ADDITIONAL PURCHASES	3 NOTES AND INTEREST PAYABLE REDUCED OR PAID OFF	4	5 EXPENSE – GENERAL OVERHEAD: REPAIRS AND DEPRECIATION ON EQUIPMENT	6 TAXES AND INSURANCE	7 RENT, LIGHT AND HEAT	8 SALARIES MANAGEMENT AND OFFICE	9 ALL OTHER OFFICE EXPENSE	10 Interest	11 EXPENSE – SELLING: SALARIES	12 ADVERTISING	13 COMMISSION AND BONUS	14 MISCELLANEOUS SELLING EXPENSE	15	16 MISCELLANEOUS EXPENSE	17 FREIGHT EXPRESS AND DRAYAGE	18 ALLOWANCES ON SALES	19 ALL DELIVERY EXPENSE	20 COST OF GOODS SOLD DEDUCT FROM SALES	21 ACCOUNTS PAYABLE TO OTHERS REDUCED OR PAID OFF
A	250.00	1028.00						225.00	24.60		180.00	27.40		7.52			9.73	14.00	62.70	2083.11	298.73
B																					
C																				38.73	
D																					
E																					16.70
F								75.00			60.00								10.00		
G																					
H			250.00																		
I					8.56																
J										10.00											
K																					
L																				106.74	
M																					48.90
N							75.00														
O																					
P																		2.00			
Q																	2.26				
R									4.80												
S																					
	250.00	1028.00	250.00		8.56		75.00	300.00	29.40	10.00	240.00	27.40		7.52			11.99	16.00	72.70	2228.58	364.33

TOTAL EXPENSE - MONTH BY DEPARTMENTS

FORM 1

SAVE THIS SUPPLEMENT

Hardware Age System of Accounting

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DAILY RECORD

+ DEBITS = = = CREDITS

	22 INVENTORY AND PURCHASES ADDED	23 CHARGES TO CUSTOMERS	24 CASH ON HAND AND ALL RECEIVED	25 DATE JAN	26 EXPLANATION	27 CHECK NO. OR REFERENCE	28 ALL CASH PAID	29 CASH DISCOUNT TAKEN	30 ALL CREDITS TO CUSTOMERS	31 SALES OF MERCHANDISE	32 OTHER SALES OR EARNINGS	33 ACCOUNTS PAYABLE TO OTHERS	34 ✓ WHEN PAID X PART PAYMT	35 NOTES PAYABLE TO OTHERS ISSUED	36 COST OF GOODS SOLD DEDUCT FROM INV.	37	38 CAPITAL INVESTED AND ADDITIONS
A	8853.10	5076.55	3027.82		AMOUNTS BROUGHT FORWARD		2260.55	21.83	520.82	3075.86	20.75	868.75		2000.00	2083.11		10316.59
B		27.25	21.55	29	Sales - From Sales Record					48.80							
C					Cost of Sales " " "										38.73		
D	48.90				Ajax Cutlery Co - Goods Rec'd							48.90	✓				
E					Job Printing Co - Paying Acct	891	16.70										
F					Salaries week ending 29th	892	145.00										
G			10.00		R. J. Adams - on acct				10.00								
H					First Nat'l Bank - On account our note	893	250.00										
I				30th	Journal Entry - Depreciating Furn + Fixtures											8.56	
J					" " Accruing Int for Jany on Loan											10.00	
K		53.70	80.22		Sales - From Sales Record					133.42							
L					Cost of Sales " " "										106.74		
M					Paying Ajax Cutlery Co		47.92	.98									
N					Johnson Realty Co. Rent	894	75.00										
O			25.72		J. T. Williams - on acct				25.72								
P					" " " Allowance				2.00								
Q					American Express Co	895	2.26										
R					Office Supply Co. Statement							4.80					
S	195.82				J. D. Hardware Co Invoice							195.82					
	9097.82	5157.00	3165.31		TOTAL—CARRY FORWARD		2797.43	22.81	558.54	3258.08	20.75	1118.27		2000.00	2228.58	18.56	10316.59

CHARGES to CUSTMRS: 5157.00
LESS #30 - CREDITS to CUSTOMERS 558.54
DUE FROM CUSTOMERS - 4598.46

3.165.31 CASH ON HAND + RECD.
2.797.43 LESS #28 - CASH PAID
367.88 CASH ON HAND

INV'TY + PURCHASES 9.097.82
LESS #36 - COST - GOODS SOLD 2228.58
INVENTORY TO DATE $6.869.24

TOTAL SALES - 3.258.08
LESS: #20 = COST - OF GOODS SOLD 2.228.58
GROSS PROFIT. 1.029.50
LESS - COLS #5 - #19 - EXPENSES - 798.57
NET PROFIT - MONTH $ 230.93

1.118.27
364.33 LESS: #21 - ACCTS PAID OFF
753.94 ACCOUNTS PAYABLE TO DATE

10.316.59
LESS - #1 250.00
10066.59
CAPITAL INVESTE

total cost of the goods that have been sold are entered in this column, for, as we have told you before, the cost of the goods that we have sold will have to be deducted from our sale of goods in order to determine the net profit that we are making on sales. The off-setting entry to column 20 is the credit account in column 36, which bears the same name but is to be deducted from the inventory in order to find the value of the stock left after sales have been made. Column 21 is where we enter all payments that go to reduce accounts that we owe others and the off-setting entry on the credit side is, of course, all cash paid accounts in column 28. Column 22 takes care of our inventory of stock on hand and enters purchases that are made to go into that stock. The off-setting credit entry is either to all cash paid in column 28, or in the accounts payable to others' column, which is 33. Column 23 is where we charge all sales to our customers other than cash sales. The off-setting entry to this is, of course, column 31 in which are recorded our total sales of merchandise. Column 24 is where we record our cash on hand and every penny of cash that is received into the business. This is essential. That is, that we record every penny that is received. The next column takes care of the dates in which our entries are made and column 26 is our explanation of the entry.

Actual Entries Illustrated

IN the two previous pages the meaning of double-entry bookkeeping and accounting and the reason for debit and credit are simply explained. The Daily Record illustrated in the large supplement Form 1 is the one form necessary to the system, showing in detail actual entries made and the results to be obtained at the end of the month. Be sure to save this form for reference in reading this pamphlet and in installing the System.

Explanation of Entries in Daily Record

In the supplement illustrating the actual entries made on the Daily Record you will notice that down the side of the form opposite the line on which each entry has been made are the reference letters A, B, C, D, etc. In describing the actual entries made on this form we will refer to them as entry A, B, C, D, etc., in columns Nos. 1 to 38.

How to Enter Sales—Entry B

Inventory was taken on the first day of January and our stock is all arranged nicely and in order, and upon each container or upon the stock itself we have marked the cost price to us, and our store is ready for business. During the day sales are made, both for cash and for charge, amounting to $48.80. Each sale is recorded on a sales ticket which bears a number; this system is in use in the majority of retail hardware stores in one form or another.

By referring to the Daily Sales Record shown in Form 2 you will notice that each sales ticket is listed on this record in the order that it is turned over to the bookkeeper, and by glancing at the column headed "Sales Slip Number" you will notice that there are two sales tickets missing; this is determined by the fact that the numbers run consecu-

DAILY SALES RECORD

DATE 1917	SALE SLIP NO.	NAME	CASH SALE	CHARGE SALE	✓	STOCK NO.	INVENTORY COST	
1/29	302	John Jones	.50			406	.32	
	303	H. B. Stuart	8.00			1051	6.85	
	304	R. J. Adams		14.20	✓	861	5.24	
						752	2.80	
						907	3.10	
	306	J. J. Williams		7.25	✓	87	6.00	
	308	A. B. Atkinson	5.00	5.80	✓	67	7.24	
						108	1.28	
	309	——	.20			80	.10	
	310	——	7.85			92	5.80	
			21.55	27.25			38.73	

Form 2—All sales entered here and totals carried to Daily Record—See entry "B" on Supplement

tively and that two of the numbers have not been turned in to the bookkeeper.

If the sale was for cash, the amount of course was placed in the cash column, and if the sale was a charge it was placed in that column. The salesman when making his sale noted the cost price of the article that he sold, and made a notation in code on the sales ticket before giving it to the bookkeeper. The bookkeeper has this code near at hand and by reference to it is able to determine the cost price quickly, and in entering the sale on the Daily Sales Record he makes another entry under "Cost of Sale," which you will note on the Daily Sales Record amounts to $38.73 for the day. The total of the

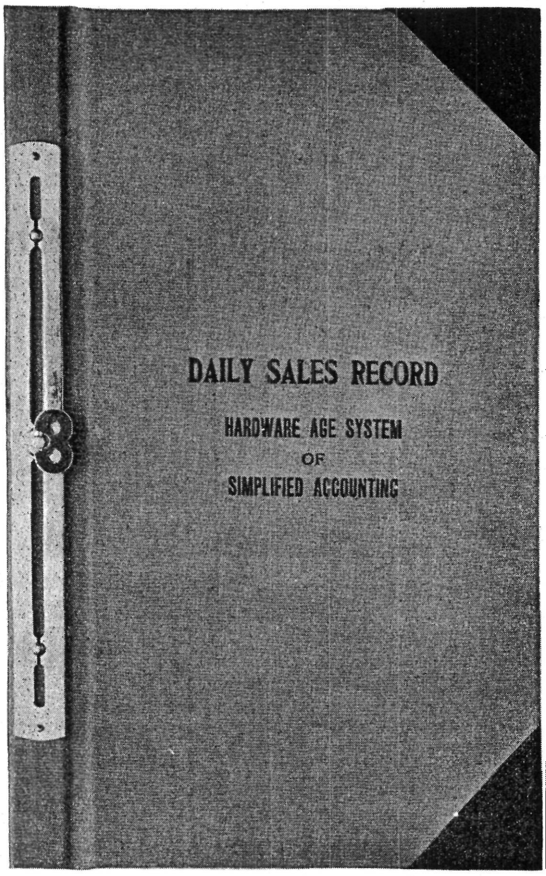


Fig. 1—The binder for the Daily Sales Record

cash sales amounts to $21.55 and the total charge sales to $27.25—a total of $48.80 in all.

At the end of the day, after these totals have been made to agree with the cash register, the total amounts are entered on the Daily Record, as shown by entry B. The charges to customers are entered in Column 23, headed "Charges to Customers," and the cash entered in Column 24, headed "All Cash Received." The date is of course inserted and the explanation "From Sales Record" written in the explanation column.

You will remember that in our explanation of the Daily Record we showed how it was necessary when entry was made on the debit side that we make an entry on the credit side of the same amount. We have now entered on the debit side a total of $48.80 in the two columns, and it is necessary for us to make an entry of the same amount on the credit side. This entry, $48.80, will, of course, go under "Sales of Merchandise" in Column 31, and this part of our entry is complete, with the exception that the charges to our customers amounting to $27.25 will have to be posted or charged to our customers' account sheets in the customers' ledger, which is in use in one form or another by all retail stores carrying charge accounts. These sheets will be described later and suggestions made as to the manner in which to handle them.

Entering Cost of Goods Sold—Entry C

Some readers insist that it is unnecessary work to find the cost of the goods sold each day. But we want to emphasize this point. That is, that this is one of the most important entries in your accounting. For example, it is easy enough to ascertain the total sales made during the day or any period, but unless you know the cost of the goods that you have sold you are unable to determine your profit on your sales. Again, you are unable to tell the actual value of your stock on hand without taking a physical inventory.

Again referring to the Daily Sales Record on which was listed every sale made during the day and the cost of those sales, you will notice that under the column headed "Inventory Cost" we find a total of $38.73. This entry we carry to the Daily Record, as shown by entry C, and on the debit side of our records we enter this amount in Column 20, headed "Cost of Goods," and following our rule of making an entry on the credit side of a like amount we enter the same amount under Column 36 with the same heading, "Cost of Goods Sold." Referring to the totals of these columns for the month, as shown on the Supplement, you will note that by subtracting Column 20, which is the cost of goods sold during the month, from Column 31, which is your total sales of merchandise, you find the profit on your goods sold during the month, which in this case amounts to $1,029.50. Likewise, by subtracting the credit Column 36 from your "Inventory and Purchases," which is Column 22 on the debit side, you are able to determine the exact value of your stock on hand at the end of each day, which in the example shown amounts to $6,869.24.

This entry is made at the close of each day's business, and in the explanation column, as shown by entry C, we write the explanation, "Inventory Cost" from Sales Records. This completes this entry for the day.

Goods Purchased—Entry D

We received a shipment of goods from the Ajax Cutlery Company, and after the shipment has been checked up with our order and found to be correct and the invoice checked with the receipt of goods we make an entry on our daily records, as shown by entry D on the Supplement Form I, writing in our explanation column, "Ajax Cutlery Company," goods received.

In this connection let us refer back to our explanation of debit and credit and why. Our explanation of debit was an account that received benefit. We will all agree that our inventory or our stock on hand has received benefit when it has been increased by a purchase of goods. So that when we ask ourselves what account we will debit, it would naturally fall under "Inventory and Purchases," which is debit Column 22. The amount of the purchase is $48.90 and we enter this in the above column and turn to our credit entry. Our explanation of credit entries was to an account that gave benefit. We will all agree that the account that gave this benefit was the Ajax Cutlery Company, because it has given us credit, and such an account is known in our system as "Accounts Payable to Others," which is credit Column 33, and the amount $48.90 is placed in this column. We have now made a debit and a credit entry of like amounts, and this entry is complete as far as the daily record is concerned.

How to keep track of accounts payable in order to obtain discounts, etc., will be taken up later in the system, but in passing we wish to call the attention of our readers to Column 34, which is headed "Check When Paid, Cross Part Payment." In other words, thirty days from the date on which this entry is made we will probably want to pay this bill to the Ajax Cutlery Company of $48.90, and when it is paid a little check is placed opposite this amount in the previous month's entries. By referring to Column 33, which is headed "Accounts Payable to Others," we can quickly ascertain all paid and unpaid bills, and in this way have a continual check or reminder on unpaid accounts.

Needless to say, when these goods purchased from the above concern were placed on our shelves for sale they were in turn marked in code to show the salesman the cost of the goods, which, as we explained before, is placed on each sales ticket as the sale is made.

Paying an Account Payable—Entry E

In order to illustrate the paying of an account payable, owed to others, similar to the entry just made, we will say, for example, that in the previous month's entries we bought from the Job Printing Company a supply of advertising circulars, or some printed matter to be used in the bookkeeping department. This purchase amounted to $16.70, and our entry in the previous month was similar to entry D in this month's, where we credited the Ajax Cutlery Company under "Accounts Payable" on the credit side. In the previous month we credited the Job Printing Company in a like manner, and we now want to pay that bill. There is no cash discount allowed from the printing company, and we draw our check No. 891 for $16.70, and by referring to our original explanation of debit and credit we wish to debit some account that has received benefit. The account that has received benefit in our system is our "Accounts Payable," for the reason that this has been reduced, and when a liability is reduced or a debt is paid off that account has been benefited. So accordingly we enter the debit $16.70 under Column 21, headed "Accounts Payable to Others Paid Off," and using our explanation of credit we wish to credit some account that gave that benefit. It is very easy to determine what account to credit in this entry because we paid cash and accordingly our cash account gave this benefit, so we make our credit entry under Column 28, which we call "All Cash Paid." This completes our entry on the Daily Record when we have made the explanation, "Job Printing Company Account Paid."

Do not forget to go back to the previous month's entry, where we gave the Job Printing Company the credit under "Accounts Payable to Others," and make the little check mark in Column 34, which will indicate to us that this account has been paid.

Expense Paid—Salary—Entry F

The twenty-ninth day of the month is pay-roll day, and it is necessary that we make an entry on our records to-day for salaries paid to the management and the employees. The bookkeeper of course carries a pay-roll book in which are entered the names of every one drawing a salary and the amount, and these amounts he has divided into general or overhead, which represent the owner or manager, the bookkeeper, etc., or everyone not directly connected with the sales end of the business or of the delivery department. He has separated the salesmen's or clerks' salaries and those of the delivery department. Our total salaries for the week amount to $145, and we draw our check No. 892, which is cashed at the bank, and the entry made on the Daily Record as follows: Again referring to our explanation of debit which was to receive benefit, it is rather hard to explain why the various departments covered by the expense accounts have received a benefit, except that these departments of the business have received a benefit due to services rendered by those connected with each department. Therefore we would debit under our head of expense, the overhead department, the sales department and the delivery department with the salaries paid to those employed in each department of the business. This debit you will of course place under the column headed "Salary," which in the overhead department is Column 8 and in the selling department Column 11. All expenses to the delivery department are charged in Column 19, whether they be salary, supplies, miscellaneous or what not, and the respective amounts are $75, $60 and $10, a total of which will make $145. To find our credit entry is of course an easy matter, as we paid cash and this account gave the benefit. We accordingly enter the amount under "All Cash Paid" on the credit side of the Daily Record in Column 28, and our entry is complete.

Customer Pays Accounts—Entry G

We have an account on our books against R. T. Adams and he owes the business $25.50, and he comes in and asks to be allowed to pay $10 on his account. We receive the money and give him a receipt for this amount, and the entry is made as follows: We of course debit an account that has received benefit, and our cash has been increased, so we debit this account in Column 24, which is "All Cash Received," and our credit entry is to an account that gave the benefit. The account that gave this benefit was R. T. Adams and his account is known in our system as "Customer's Account," so we will credit "Customers' Account," which is Column 30, headed "All Credit to Customers." This entry is complete as far as the Daily Record is concerned, but the credit will have to be posted or carried to Mr. Adams' individual account sheet, which, as we stated above, is in use in 90 per cent of the retail stores, but which we will explain in detail later.

Paying Loan to Bank—Entry H

During the month of December it was necessary to borrow $2,000 from our local bank in order to discount bills, etc., and a series of notes was given amounting to eight notes in all for $250 each, the first note due and payable on Jan. 29.

We wish to pay the first note of $250, and we make the following entry on the Daily Record: We draw our check No. 893 for $250, and as our cash account is giving this benefit to a liability or a debt which is receiving the benefit, we place this $250 in Column 28, which is "All Cash Paid." Now by referring to Column 35 on the credit side, which is "Notes Payable to Others," you will notice there is an amount of $2,000 shown as our liability or debt. By drawing our check for $250 this will, of course, reduce this amount, and in order to balance our system of accounting we have placed on the debit side in Column 3 all amounts paid to reduce, or pay off, notes payable. This amount $250 is placed on the debit side in this column, as this amount is reducing our "Notes Payable." The total of this Column 3 at the end of the month is deducted from Column 35, which is our "Notes Payable" issued, and the net result would be the net amount that we owe on our notes to others. Referring again to the illustration of the Daily Record sheets in the supplement Form I, we find that our "Notes Payable" amounted to $2,000, less the debit Column 3, which amounts to $250, and at the end of the month our net "Notes Payable Account" would be $1,750. In this connection if there are many of these notes outstanding, or if the business is in the habit of borrowing on its notes, it is always wise to carry what is known as a note register, which is a simple little form that may be purchased from your local stationer, showing the date of the note, the amount, the interest and the date it is due. This will always serve as a reminder in order that your notes may be met or renewed on the date which they are due.

How to See at a Glance the Vital Facts About Your Business—Percentage of Profit, Gross and Net—Stock Turnover

THE retail business world is at last awake and alive to the fact that in order to successfully operate a retail business and to make a fair profit, it is necessary to know and know at all times such facts as the percentage of profit, both gross and net, the stock turnover, amounts due and outstanding from customers, and amounts due payable for merchandise, etc.

Profit or Percentage of Profit Both Important

In the belief that possibly some of our readers have been figuring their profit or their percentage of profit on the cost of goods sold we give an explanation of the way to figure gross and net profit on the sale of goods.

First, it might be well to dwell on the importance of knowing each day the cost of the goods that have been sold during the day.

Unless you know the actual cost and the gross profit that has been made on the day's sales, it will in a majority of cases spell failure in the long run. This is especially true where competition is keen and where the selling price has been reduced in order to meet that competition and consequently the profit reduced to a point below which there is no profit after the running expenses of the business have been deducted.

Percentage of Profit Figured on Selling Price Is Correct

The simplest explanation of why the percentage of profit should be figured on the selling price rather than on the cost that the writer can give is that there is no profit on the goods until they have been sold. Then why should we figure our profit on the cost of the goods when such is the case? It should make no difference to us what the cost of the goods is, provided, of course, there is enough margin between the cost and the selling price to allow us to make a net profit after we deduct the running expenses of the business. Net profit is what we are after at all times, and out of the sale price of our merchandise will have to come the cost of the merchandise and in addition our operating expenses. As an example of this, let us consider that our sales for the month would total $800, which would be found under the credit column in the HARDWARE AGE system headed, "Sales of Merchandise." On the debit side of the Daily Record in the HARDWARE AGE system we find a column headed, "Cost of Goods Sold Deduct From Sales." This we will suppose, for sake of illustration, is $600, and deducting this from our total sales for the month would leave us a gross profit of $200. This gross profit may better be called "Sales Profit," or the difference between what we paid for our merchandise and what we received when the same was sold. Now in order to find the percentage of sales profit we should divide the gross or total sales into the sales profit or divide 800 into 200, and our answer is 25. In other words, we have made a profit of 25 per cent on our total sales for the month.

Now let us add up the total of the expense column found on the debit side of the Daily Record, and for example, we will suppose that the total is $200. Immediately we discover that our expenses for operating the business amounts to exactly our sales profit for the month. In other words, our percentage of profit which we found to be 25 per cent is not enough to cover our running expenses, and we have two courses open to correct this evil. One is to increase our sales. The other is to increase the percentage of sales profit. In other words, if we have sold our goods on a basis of 33 1-3 per cent profit, our sales profit figure instead of being $200 would have been $266.66, and deducting from this our running expenses, which were $200, the business would have shown a profit of $66.66 for the month.

Now let us go back and see whether we were right in figuring our percentage of profit on total sales rather than on the cost of the sale.

In order to make the business show a net profit of $66.66, we increase the mark-up or selling price of our goods from 25 per cent to 33 1-3 per cent. This was an increase of 8 1-3 per cent.

Now let us use the cost of goods as a basis of finding the percentage of profit. The cost of goods sold we suppose to be $600, which we divide into our sales profit of $200, which shows us a percentage of 33 1-3 per cent. Now divide the same figure $600 into our sales profit when the mark-up was increased. This figure was $266.66, and by dividing it by 600 we discover that our percentage of profit is 44 per cent. This is an increase of 10 1-3 per cent, which we know immediately is wrong because we raised the selling price of our merchandise only 8 per cent, and by using the cost of goods as a basis we have been misled by believing that we were making 11 per cent more profit than before.

You have not made a profit until your goods are sold, and at all times figure your percentage of profit on your total sales and be sure that that percentage is high enough to enable you to make a net profit after deducting the expenses of operating your store.

How to Find the Cost of Goods Sold

On previous pages we illustrated and explained the use of the Daily Sales Record, and would again call the attention of our readers to the column headed "Inventory Cost."

The totals of this column will give you your daily entry to be made on the Daily Record covering the cost of goods sold. Opposite each sale that is listed on the Daily Sales Record the cost of the goods made on that sales ticket are entered and the total cost arrived at each day. When a sale is made, the cost of the goods is marked on the sales ticket. These figures are taken from the container or the goods themselves if they were marked when received and placed on sale. They are usually entered in code.

By this we mean that either the actual inventory cost is marked on the goods or is kept in a cost book and reference made to this book through the stock or code number.

A number of dealers have complained that this would mean a great deal of time and money to get this information, but if one will stop and consider for a minute, this phase of your accounting is of the utmost importance to the success of the business. The cost of goods on some classes of merchandise can be fairly accurately estimated, as shown later on in the pamphlet, without seriously affecting the accuracy of your accounting.

Replacing Your Old System

For the benefit of those dealers who have at the present time an inadequate accounting system, and for those dealers who wish to change their accounting system from the one they are using in order to simplify this end of their business, all that will be necessary will be to find the balances according to the old system and transfer the balances to the top of the Daily Record form, placing the amount on the top line and making sure that the total of the debit entries equal the total of the credit entry. For example, the total amount of your furniture and fixtures and equipment would be placed at the top of this column on the debit side of the Daily Record. The total value of your inventory and the total cash on hand and the total amount due you from your customers, all as at the first of the month. On the credit side you would enter the total amount due to your jobbers and others for merchandise and purchases and the total capital invested, which would be the difference between all of your debit or asset account and your credit or liability account.

After this entry has been made, you then begin to record your daily transactions on the Daily Record, and the result of your operation at the month would be a statement of your business for that period.

Depreciation, Accounts Payable, Allowances and Percentage of Expense to Gross Sales

Charging Depreciation of Furniture, Fixtures and Equipment

WE all will admit that the equipment or the furniture and fixtures used in our store are gradually depreciating or wearing out and if we will but consider this a moment you will also agree that a record of this depreciation should be made in our accounting. So accordingly at the end of each month there are a number of entries such as this that we will have to make regardless of the fact that we have not actually paid out this amount of money. One of these entries and one of the most important is the expense of depreciation caused by the wear and tear and use of our furniture, fixtures and equipment.

Entry I.

In this entry we are charging to our general overhead expense an item of $8.56 to an expense account that we call "Repairs and Depreciation of Equipment." And in order to make our accounting correct we, of course, will have to credit this amount to some account. The credit side of the Daily Record will show that this amount has been credited in the Blank Column No. 37, which for the time being we will call an account for reserve—for depreciation.

By glancing at Column No. 2 on the debit side of the Daily Record you will notice that our furniture, fixtures and equipment are valued at $1,028. Now, it is a common practice among accountants to estimate the life of furniture and equipment as ten years, and if this be so it is our duty to charge to our expense account one-tenth of the value of our equipment each year, or one-twelfth of one-tenth each month of the year. One-tenth of the value of our equipment would amount to $102.80 and one-twelfth of this amount would mean that we would have to charge to our expenses each month $8.56 as an expense for depreciation.

This entry does not affect our cash in any way, but we must have a credit entry to offset the debit amount, and for this reason we credit the $8.56 to an account called "Reserve for Depreciation." In other words, we set this amount aside as a reserve in order to show when we make a statement of our assets and liabilities and while our equipment is worth $1,028 we have deducted the amount of the reserve from that showing the net worth of the equipment and fixtures to the business as of this date. Later on in illustrating the drawing up of asset and liability or a net worth statement we will illustrate the method by which we show the net value of furniture, fixtures and equipment to the business which is done by listing the full value of the equipment and subtracting from that the amount of the reserve set up to that date leaving in our asset the net value of the equipment.

Entry J. Accruing Interest of Loan

Entry J is another instance where we do not actually pay out any cash, but at the same time an expense has been incurred and should be shown on our accounting records.

By glancing at Column No. 35 on the credit side of the Daily Record which is our "Notes Payable to Others" account you will notice that we owe $2,000 in notes, which, for example sake, we will say is through our local bank. This bank is charging us 6 per cent a year interest and at this rate for one month our expense for interest on borrowed money would be $10, so accordingly at the end of the month we make an entry on the debit side of the Daily Record in Column No. 10 under expense called "Interest." The credit entry for this amount is in the blank Column No. 37, and it would be credited to an account called "Accrued Interest Payable." In other words, this is also a reserve account in that we have set this amount aside as due and payable to the bank when it calls for the same to be paid. Not only that, but we have shown our true expense in the month in which we are working.

Entries K and L

The above two entries are duplicates of entries B and C, where sales for the day were transferred from the Daily Sales Record to the Daily Record itself and also the cost of the goods sold that day. In this entry we have sold a total of $133.42, of which $80.22 was cash, and the same was entered in the "All Cash Received" column on the debit side and $53.20 was charged to our customers, and this was entered in the column headed "Charges to Customers" on the debit side of the Daily Record. The total of these two amounts, or $133.42, we enter on the credit side of our Daily Record under "Sales of Merchandise," and our entry for the Daily Record is complete.

Entry M. Paying an Account Payable

On a previous page we explained entry D, which covered the purchase of a bill of goods amounting to $48.90 from the Ajax Cutlery Company, and our entry was to debit our inventory and purchase column on the debit side of the Daily Record and to credit the account called "Accounts Payable to Others" on the credit side.

In order to show or complete this entry we will now say, for example, that it is time to pay this account and we are entitled to an allowance of 2 per cent for paying the account within a stated period.

We accordingly draw our check for the amount that we entered on the credit side in the previous entry to "Accounts Payable," less the allowance that is due us for cash payment, or 98 cents. You will remember that we credited "Accounts Payable" with $48.90 when these goods were purchased, so now to offset that credit entry we charge on the debit side of the Daily Record in Column No. 21 called "Accounts Payable," this charge offsetting the credit that was made, we will say, 30 days ago. We now have a debit entry of $48.90 and our credit entries of equal amount will be our check drawn in Column No. 28 for $47.92 and in the next column, which we call "Cash Discount Taken," we enter the 98 cents, making a total on the credit side of $48.90. This entry is now complete except that we go back to our entry where the "Accounts Payable" was credited and in the little column next to it we place a check mark to show that this account has been paid. In this way we are able to tell by going through the credit accounts payable column to pick out all paid accounts, or, in other words, all accounts, that have not this check mark will be our unpaid liabilities.

Entry N. Paying Monthly Rent

Our next entry is a simple one in which we draw our check to the Johnson Realty Company for $75 covering one month's rent, and naturally this is a general overhead expense and is entered on the debit side of the Daily Record under that department and in the column headed "Rents, Light and Heat," and our offsetting credit entry is, of course, in the "All Cash Paid" column and is our check No. 894.

Entry O. Receiving Money from Customer on Account

Entry O is similar to our entry G, which was described in the previous issue and simply shows the receipt of $25.72 from J. T. Williams, who is paying out this money to apply on his account with us. On the debit side we place this in the "Cash Received" column and on the credit side we place it in the column for "Credit to All Customers." All credits and charges to customers in either the debit or credit column will, of course, have to be carried to the customer's individual sheet in the binder or in whatever way it is being handled at the present time in your own business.

The handling of charge accounts will be taken up later in the series and suggestions made in regard to simplifying this end of your accounting. This will all depend on the number of customers that you carry, or if you do a charge business at all.

It may not be inopportune at this time to dwell for a moment on the importance of knowing the amount of money that is outstanding and due to the business from your customers at all times. It makes no difference what percentage of profit a business is making if it finds itself strained and in a pinch due to the fact that too much of its capital is loaned or tied up in customers' accounts. Not only this phase should be watched carefully, but by subtracting the credit column for customers' accounts from the debit column "Charges to Customers" you are able to tell at all times whether your accounts are being collected or whether they are gradually growing older and older.

Business practice has taught us that a certain percentage of our charge accounts will never be paid and if your business is doing a volume of charge business, then a small percentage of, we will say, 1 or 2 per cent, should be charged to expense each month and set up as a reserve to take care of accounts that never will be paid. This entry would be made in exactly the same way as depreciation of furniture and fixtures. It is, in other words, a depreciation of our asset called "Accounts Due from Customers."

Entry P. Allowances on Sales

When J. T. Williams came in to pay $25.72 on his account he complained that a purchase that he had made of a lawn mower the month before had been defective and after this had been investigated and found to be correct, the following entry was placed on our books. This is a journal entry and we enter the allowance that we have made to Mr. Williams under an account that we call "Allowance on Sales," which is debit account No. 18. This is one of the expenses of the business, for we make this allowance to Mr. Williams due to the fact that we want to retain his good will and his future purchases, notwithstanding the fact that we also wish to compensate him for the defective purchase that was made the month previous. The credit entry of this $2 would be to "All Credit to Customers" account and would go in Column No. 30 on the credit side of the Daily Record. This credit of $2, of course, is posted or carried to Mr. Williams' individual account sheet and reduces his indebtedness to us.

Entries Q, R and S

The following three entries show the method of paying an express bill and assuming the liability in the form of an account payable to the Office Supply Company, both of which items are charged to "Expense," one under freight, express and drayage and the other under "All Other Office Expense." The last entry shows again the purchase of a bill of goods from the J. D. Hardware Company and is placed in our inventory and purchases on the debit side and on the credit side we show our liability to the J. D. Hardware Company in the form of an account payable.

Quick Results Obtained by Use of Simple System

Now that we have described the daily entries on the records, and illustrated the record as at the end of the month, let us see how we are benefited by using a one-form accounting system that will tell us the true story of the business at a moment's notice.

We will first total all of the columns on the Daily Records, carry the totals to the bottom of the page, and then we will add all of the debit columns and all of the credit columns separately. If the total of the debit columns agrees to a penny with the total of the credit column, then our accounting or our figures on the Daily Record are correct. We can then begin to make our accounting system tell us the story of our business.

How to Find Gross and Net Profit for the Month

On the credit side of the Daily Record, in column No. 31, we have the total sales made during the month, which amount to $3,258.08, and by subtracting from this our Debit Column No. 20, which is the cost of goods sold during the month, and which amounts to $2,228.58, we find that we have made a gross profit for the month on our sales of

$1,029.50; or, in other words, we have made a percentage of profit amounting to 31 6/10 per cent. What would this mean to you if you had been selling in the belief that you were making a clear 33 1/3 per cent profit?

Now, from this gross-profit figure of $1,029.50 we still have to deduct cur operating or our running expenses for the month, which we will find on the debit side of the Daily Record by adding up columns No. 5 to No. 19. This total we find to be $798.57, and subtracting this from our gross profit on sales we find that we have made a net profit for the month of $230.93. This is a little over 7 per cent profit on the total sales for the month.

Cost of Doing Business

By this method we are able to tell in a moment the following facts about our business: That the cost of goods that we have sold amounts to 68 3/10 per cent of our sales, and the expense of running the business amounts to 24 7/10 per cent. This gives us a total per cent of doing business amounting to 93 per cent, which leaves us 7 per cent net profit on our total sales.

These are vital facts about our business which we should know promptly and accurately at the end of each month, and if you are not able to tell these facts about your business it is time that you should.

Go over the Supplement carefully and prove the entries to your own satisfaction. Apply the entries to your own business and if there is any point on which you are not clear write the Business System Department of HARDWARE AGE.

Value of Inventory at All Times—Stock Turnover

Value of Inventory At All Times

ON the debit side of our Daily Record we have a column headed "Inventory and Purchases Added." Whenever a bill of goods was bought after the invoices had been checked and the goods received, the cost of these goods was entered in this column on the debit side. The credit entry was either our check drawn or our credit to an account payable. By glancing at this large supplement sheet we will find that our total inventory and purchases during the month amounted to $9,097.52. From this figure in order to find our inventory value at the end of the month, we will deduct the credit column, "Cost of Goods Sold," which is Column 36 on the credit side. This column at the end of the month we found to be $2,228.58, and deducting this from our inventory and purchase for the month leaves us $6,869.24 as the value of our stock on hand or inventory at the end of the month in which we are working.

Now if we should take an actual inventory of our goods on hand, we probably would find that this would not agree to a penny with the figure as shown by our books. This is due to the fact that on some classes of goods that we sold, for example, a half dozen screws or bolts, we estimated the cost of the goods sold at the time the sale was made by using the sale price of the merchandise less the mark-up in order to find our cost. But the difference between the actual inventory and this figure will not be enough to make any serious difference in our accounting. If there should be a big discrepancy between the actual inventory and the figures as shown by our system, then we have made an error either in our accounting or in the taking of the inventory. Thus our accounting system at all times is a check on the actual transactions that occur in the business.

Accounts Receivable—Due from Customers

We will assume that 90 per cent of the hardware stores doing a charge business will run in some form or another an account receivable ledger which shows the individual amounts due from customers. This accounts receivable sheet is one that we will illustrate later on, but it is so generally used that we can refer to it here without illustration.

On our big supplement sheet on the debit side of the business record is a Column 23 called "Charges to Customers." And on the credit side a column entitled "All Credit to Customers." The difference between these two columns should at all times be exactly the sum total of the individual amounts due the business from customers who have been charged for merchandise sold to them.

In one of the previous articles we illustrated how sales should be entered on the business record. This was done by way of sales tickets which were entered in the Daily Sales Record in two columns. One column was for cash sales and the other for charge sales, and the total of all of the charge sales we enter on the business record on the debit side under "Charges to Customers." On the credit side of the business record in the column headed "All Credit to Customers," we enter the amounts that are paid to us by our customers to apply on their charge account. Accordingly the difference between these two columns, one on the debit side and the other on the credit side, is the amount due us from our charge customers.

On the daily supplement sheet the total of the amounts due from customers and charges made to the customers during the month amounted to $5,157 and on the credit side under "All Credits to Customers" we had received during the month from our charge customers $558.54 to apply on the above charges. Now subtracting the credit from the charges and the balance due we find that we have left $4,598.46 due from our customers, and if we add up the individual balances as shown by the accounts receivable ledger, we should find that this will agree to a penny with those balances. If there is a difference between the two figures, then we have made an error in posting charges or credit to the individual sheet of our customers in the customers' ledger.

Here again we have an example of how a simple system of accounting will point out to the owner or manager the pitfalls of an average retail business. That is the amount of money that is outstanding at all times from customers. No matter how large a business we are doing, there must be some point at which we will have to stop in making charges of this kind. In other words, the capital invested in the business will not allow us to loan this amount of money to our customers for a period not to exceed a certain length of time. When month after month we notice that the amounts due from our customers are increasing and increasing, it behooves us to get busy and collect some of the old accounts in order that we may get the capital invested in the business back into the bank account where it can be used to very great advantage in discounting bills, etc.

Accounts Payable to Others

When we bought a bill of goods we made an entry on the Daily Record, placing the goods in our inventory column on the debit side at cost and on the credit side we entered this amount under a column headed "Accounts Payable to Others." And by glancing at Column 33 in the large supplement sheet we find that we have credited to others during the month, $1,118.27. This is the amount that we acknowledge that we owe to others for merchandise and goods purchased during the month for which we have not as yet drawn our check. Now when we pay an account of this kind the debit or charge is placed on the debit side of the business record in the column headed, "Accounts Payable to Others Paid Off." And the credit entry when an account is paid is, of course, in the credit column headed "All Cash Paid." This, in other words, is the amount of our check that we have given to our creditor. We find that during the month the debit column headed "Accounts Payable to Others Paid Off" amounts to $364.33, and subtracting this amount from our credit column "Accounts Payable to Others," we find that we owe at the end of the month to "Accounts Payable," $753.94.

By referring to the little Column 34 next to Column 33 headed "Accounts Payable to Others," we are able to determine by the unchecked amounts in Column 33 what accounts make up this total. But if your business carries a large number of accounts payable, it is advisable that you use an accounts payable sheet similar to your accounts receivable sheet. This in order to show each individual item that you owe your jobber or others for and the individual payments against these credits. This sheet is similar to the accounts receivable, except that the balances as shown on each individual account will be credit balances instead of debit balances.

Stock Turnover

Of equal importance to knowing the percentage of profit, both gross and net, on your sales is the knowledge of the time or number of times that you turn your stock over in a certain period.

Let us assume, for example, that the average inventory of your goods or stock on hand during the year was $10,000. This we are able to determine each month from the system by subtracting from your inventory and purchases during the month the cost of the goods sold during the same period. For example's sake let us assume that we are trying to find the stock turnover for the period of a year and after we have found our average inventory for that period, which we will say is $10,000, we then find what the total cost of the goods that we have sold during the same period amounts to. We will assume this to be $40,000, and to find our stock turnover we divide our average inventory, or $10,000, into the total cost of the goods sold. We find by this that our stock turnover is 4. We wish to emphasize this point. That the average inventory is to be divided into the cost of the goods sold during the same period and not into the sales of merchandise.

Now of what advantage is it to us to know the number of times that we have turned over our stock?

Suppose, for example, that we were operating on a 25 per cent mark-up and that our total sales for the year amounted to $40,000. This would mean that we were making $10,000 per year if we turned our stock over once during that period. Now multiply this by 4, which we found to be the number of times that we had turned our stock over, and our profits have increased to $40,000 per year.

Is it of any value to you to know whether your stock turnover has increased from 2 to 3 or 4? The writer believes that it is, and if you could only increase your stock turnover one-half, your accounting system has been of more value to you by telling you these things than anything else you could possibly do.

There have been a great many volumes and a great many merchandisers that have given us rules and suggestions, etc., as to how to increase our turnover. The author will not dwell on this point here. but suggests that when you buy your goods that you follow rule No. 1 regarding Investigation, which is explained on page one of this booklet. In other words, investigate and find out what goods or what line sells the quickest and is the least trouble to your clerks, etc. Goods that lie on your stock shelves mean loss of profit because they do not sell and do not help you turn your stock over. In this connection the writer might suggest to those not thoroughly familiar with sales methods, etc., to read in their spare moments Roy F. Soule's books "How to Sell Hardware" and "Hardware Selling Campaigns." They may be the means of increasing your stock turnover from 1 to 2, or 2 to 3.

How to Start—Trial Balance

How to Start the System

IN order to start the HARDWARE AGE Simplified System of Accounting it will be necessary to find at the first of the month what is known as your assets and your liabilities.

Assets are such accounts as your cash in bank, your inventory or value of stock on hand, the amount due you from your customers and any other amounts that could be used by the business to liquidate its debts or liabilities. For example, your cash in bank could very easily be used to liquidate such debts. Your furniture, fixtures and equipment could be sold to further liquidate your debts and the amounts due you from your customers known as charge accounts could be collected and applied to the same thing. All of these accounts then are known as your Asset Accounts. Liabilities are the debts or obligations of your business such as notes payable to others, and your open accounts payable to jobbers and people from whom you buy. Interest on notes payable is also a liability and your capital stock if you are a corporation or your capital investment if it is a proprietorship are also liabilities. These accounts are liabilities in that the business is liable to the stockholders or to the proprietor or partners for their investment in the business.

The excess of liabilities or assets over one or the other tells you your profit or surplus in the business. For example, if your assets exceed your liabilities you show a surplus which is placed on the liability side of your balance sheet and you have what is known as a trial balance. If your liabilities exceed your assets you have what is a known as a deficit surplus, or in other words, a loss, and this amount is placed on the debit side of your balance sheet and you likewise have a trial balance.

Let us take the figures as shown on the large supplement sheet, and arrive at a trial balance of our Daily Record from these figures.

Trial Balance at Any Time from Daily Record

The following figures listed under debit and credit as taken from the Daily Record sheet will indicate to you the simple method by which we arrive at a trial balance from the business record of the simplified system of accounting. We simply have to list all of the debits on one side and all of the credits on the other to prove to us that our accounting is correct.

By glancing at the two columns and the footings of these columns we see that they total $22,339.61.

			Debits	Credits
Col.	1	Capital withdrawn	$250.00	
"	38	Capital invested		$10,316.59
"	2	Furniture, fixtures and equipment	1,028.00	
"	37	Reserve for depreciation		8.56
"	3	Notes payable paid off..	250.00	
"	36	Notes payable to others.		2,000.00
"	5	to 19 Expenses	798.57	
"	20	Cost of goods sold	2,228.58	
"	31	Sales		3,258.08
"	21	Accounts payable paid off	364.33	
"	33	Accounts payable to others		1,118.27
"	22	Inventory and purchases	9,097.82	
"	36	Cost of goods sold		2,228.58
"	23	Charges to customers...	5,157.00	
"	30	Credits to customers....		558.54
"	24	Cash received and on hand	3,165.31	
"	28	Cash paid		2,797.43
"	29	Cash discount taken ...		22.81
"	37	Accrued interest payable		10.00
"	32	Other sales or earnings.		20.75
			$22,339.61	$22,339.61

The above figures were taken from the Daily Record system and include some figures which, of course, it would be unnecessary for you to find in order to start the system. For example, it would not be necessary for you to know the amount of capital withdrawn in order to start. But it would be necessary for you to know the amount of your capital invested, which as shown in the above figures amounts to $10,316.59. In order to know the net amount of capital invested at this time in the business you would have to subtract the capital withdrawn, which amounts to $250, from your capital invested, which would give you the amount now invested in your business.

Capital invested would be found after you had determined all of the other assets and liabilities and subtracted one from the other. The excess of one over the other would be either your capital invested or your loss incurred in the business up to this period.

We would first determine the amount of cash on hand and in bank. This is done by having the bank book balanced as at the first of the month and deducting from this all outstanding checks which had not been presented at the bank for payment. Add to this amount the cash on hand in the store and this would give us our first asset which we would enter in Column 24 at the top of the sheet. By referring to the accompanying figures we will notice that this amounts to $3,165.31, and during the month we paid out of this amount $2,797.43. The difference between these two figures would mean that at the beginning of the next month this is the amount of cash that we start off with and is entered at the top of the Daily Record sheet in Column 24.

Our next asset to be determined is the amount of money due us from our customers, which is known as "Accounts Receivable." When this has been determined to be correct we enter this amount at the top of the Daily Record in Column 23. We will assume, of course, that we have taken inventory or that we know the value of the inventory as of this date and this amount is entered at the top of the Daily Record in Column 22. We next determine the amount of money that we owe to jobbers and others from whom we have purchased goods, and after we have made sure that this amount is correct this is added on the credit side of the Daily Record at the top of the sheet in Column 33. Likewise we determine the amount of money that we owe on notes and this is entered on the credit side at the top of Column 36. We then ascertain the net value of our furniture, fixtures, etc., to the business as of this date and this amount is entered on the debit side at the top of Column 2. Any other assets or liabilities in the business are determined in like manner and entered in the various debit and credit columns to which they belong, and after we have determined all of these the net difference between the total debit and the total credit will give us our capital invested account. This we will enter on the credit side at the top of Column 38, and our balances in the various columns' totals will give us a balance sheet with which to start the system.

After these have been entered we are ready to do business in the accounting system and we start to make our daily entries as previously explained. We continue this until the end of the month, accounting for each transaction of the business until the end of the month in which we are working.

At the end of the month we total all of the various columns, and after they have been shown to be correct by adding the total debit and comparing it with the total credit we then take off a trial balance as shown by the figures above.

By glancing at the trial balance taken from the Daily Record sheet as shown above, we will notice that we have shown both debits and credits to the same asset or liability accounts. In order to find the net value of these accounts the credit or debit will have to be subtracted one from the other to give us the figure to be used in our statement of assets and liabilities or income and expense. For example, on the credit side we show a total for sales for the month of $3,258.08, but from this account we should subtract the cost of goods sold which amounted to $2,228.59, and from this net result we still have to subtract the expenses for the month which amounted to $798.57. Likewise in the debit column we show an asset for inventory and purchases amounting to $9,097.82, but from this amount in order to find the net value of our goods on hand at the present time we will have to subtract the credit figure, cost of goods sold, amounting to $2,228.58. And from our debit figure charges to customers, amounting to $5,157, we will have to subtract the credits to our customers amounting to $558.54. After we have figured the net value of all of our assets and liabilities we are then ready to prepare our statements of assets and liabilities at the close of business in the month in which we are working.

Drawing Up the Income and Expense, Asset and Liability Statements—Value of Statements

WE will assume that the record of the month's business is complete and we are now ready to take off our statement from the Daily Record in order to receive the results of our operation for the month and to be able to compare these results with those of the month previous.

The following figures are taken from the Supplement Form, and in using these figures we wish to call attention to the fact that they are used for purpose of illustration only and should not be taken as an example of what the real or actual figures would be in a store doing a volume of business as shown by the total sales column.

On previous pages there was shown the method of determining the accuracy of the monthly entry by totaling the debit column and the credit column. These were found to agree to a penny and such a statement is known as our trial balance. That is, all of the debit columns were totaled up as well as the credit columns and by listing each column under the heading of debit and credit our totals were found to be the same.

From our trial balance we proceed to make a statement of income and expense. This is done simply by listing our income and subtracting from it the total of our expenses. The income columns on the Daily Record are Column No. 31 for sales of merchandise, Column No. 29 for cash discounts taken and Column No. 32 covering other sales or miscellaneous earnings. Our total sales as illustrated on the large supplement amounted to $3,258.08, and subtracting from this Column No. 20, which is the cost of the goods that we have sold, we find that we have made a gross profit of $1,029.50. To this we will of course add our miscellaneous earnings and what we earned by taking cash discount from our bills payable. From the result of this figure we will next, of course, deduct our total expenses for running the business. These expenses will be found on the debit side of the Daily Record in Columns Nos. 5 to 19, and the total as shown by the figures below amounts to $798.57, leaving us a net profit of $274.49 for the month.

INCOME AND EXPENSE

Sales of merchandise	$3,258.08
Less cost goods sold	2,228.58
Gross profit	$1,029.50
Cash discount taken	22.81
Other sales	20.75
	$1,073.06
Less total expense	798.57
Net profit	$274.49

EXPENSE BY DEPARTMENTS

General and overhead	$422.96
Selling	274.92
Freight, express, drayage	11.99
Allowances	16.00
Delivery	72.70
	$798.57

We next eliminate the income, cost of goods sold and expense column from our figures on the Daily Record and the net result between these debit and credit columns, which amounts to $274.49, we place in the capital invested and additions columns, which is Credit Column No. 38. After this has been done we can proceed to make a statement of assets and liabilities.

An asset account is one which may be used to liquidate the debt or liabilities of our business. For example, one of our assets is our furniture, fixtures and equipment which in order to liquidate our liabilities or debt could be sold and turned into cash. Another of our assets is our cash on hand which we all know could be used for a similar purpose. The amount due us from customers is another asset, as is our inventory of stock on hand.

Liability accounts are those for which the business is liable or indebted to. For example, our notes payable to others, or accounts due jobbers, manufacturers, etc., are our principal liability accounts. Our capital invested is another liability in that the business is liable to the partners or the stockholders of the business.

ASSETS

Furniture, fixtures and equipment	$1,028.00	
Less reserve depreciation	8.56	
		$1,019.44
Cash in bank	$317.88	
Cash in office	50.00	
		367.88
Due from customers		4,598.46
Inventory stock on hand		6,869.24
		$12,855.02

LIABILITIES

Notes payable to others	$1,750.00	
Add. accrued interest	10.00	
		$1,760.00
Accounts payable		753.94
Capital invested	$10,316.59	
Profit this month	274.49	
	$10,591.08	
Less capital withdrawn	250.00	
		10,341.08
		$12,855.02

Our first asset of furniture, fixtures and equipment is arrived at by taking Column No. 2 amounting to $1,028 and subtracting from this the amount of our depreciation which is found in Column No. 37 and amounts to $8.56. The net value of this asset then being $1,019.44.

Our next asset of cash on hand and in office is found by subtracting Credit Column No. 28 from the Debit Column No. 24. In other words, all of the cash that we received and the cash that we had on hand was listed in the debit column and whenever our cash was paid out it was listed in the credit column. Consequently the difference between these two columns would of course be our bank balance and cash on hand.

The amount due us from customers to whom we have sold goods on credit is found by subtracting the credit to customers Column No. 30 from the charges to customers column on the debit side, No. 23. And so with our inventory of stock on hand which is found by subtracting the Credit Column No. 36 which is the cost of goods that we have sold from our Debit Column No. 22 which is the value of our inventory to begin with and our purchases added.

In the preceding articles we have called attention quite a number of times to a simple method of arriving at the cost of goods that you have sold and have dwelled on the important point of finding these figures. It is most essential that we know the cost of the goods that we have sold. It is not, however, of vital importance that we know the actual cost to a penny. On all such merchandise as seeds, nails, etc., the cost of the goods sold can be estimated by deducting from the sale price the amount of the mark-up or the amount of profit that is made on the goods, and which figure is placed when the goods are put on sale.

Our liabilities are determined in a similar manner, for example, the accounts payable figure $1,153.94 is arrived at by deducting from the Credit Account Column No. 33 accounts payable to others, the Debit Column No. 21 which is known as accounts payable to others reduced or paid off.

At the beginning of the month in which we are working the capital invested in the business amounted to $10,316.59 and by taking the net difference between our incomes and our expenses which amounted to $274.49 and adding this to our previous capital and subtracting Column No. 1 on the debit side which is $250 we arrive at the net capital invested in the business as of the date at which we are closing the record. This amounts to $10,341.08 and by glancing at the totals of our assets and the totals of our liabilities we will see that our statement is in balance and as far as our accounting records are concerned our work for the month is finished.

Now that our accounting for the month is finished and we have shown the result of our operation through our income and expense statement and our assets and liabilities statement, it is of no value to us whatsoever unless we put it to use. By this we mean that unless we use the figures that our accounting system has shown us and compare them with months or years previous in order to find the differences in volume of business, in the condition of the business and many other important items, then we have accomplished nothing.

As many of our readers know the old method of accounting required us to balance our cash books and to balance our journals and our check books and to take the results of these books and post them into a general ledger. From this general ledger we obtained a trial balance and from the trial balance we were able to make our income, expense, asset and liability statements. We wish to again call the attention of our readers to the fact that the above statement can be taken from the Daily Record at any time in just the time that it will take you to add or subtract the totals of the columns on the debit and credit side of the Daily Record. Such a statement, of course, will not be an absolutely true record of your business until you have made all of your entries for the month and the logical time, of course, to make such statements is at the close of business on the last day of each month.

The results of each month's operation as shown by the Daily Record should be kept in some tabulated form in order that we can make quick comparisons. The writer suggests that our readers use a large ruled sheet known as an analysis sheet which has a blank space on the end of the sheet in which to write the names of the accounts, and is followed by a series of columns in which you will place these figures as shown above each month. In this way the manager or proprietor can see at a glance the up and down of the incomes or expenses and compare his asset, liability and net worth month by month.

In previous pages we have shown and illustrated the methods of determining the percentage of net profit on the sale of your merchandise. We have shown the method of determining your stock turn-over, etc. All of these facts are vital to the success of your business and should be determined each month and comparisons made with the month previous. The up and down of the expenses for operating the business should be watched carefully and the reason therefor determined at once.

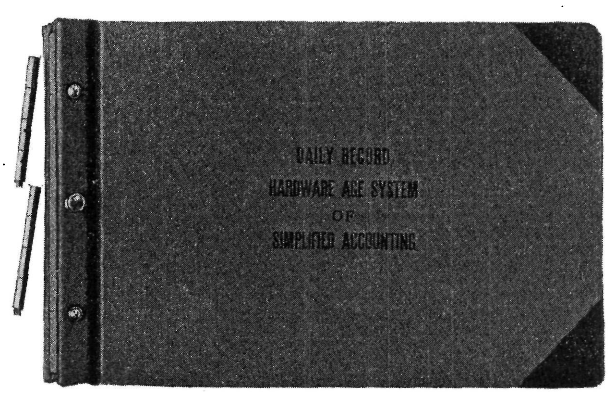
If our asset account due from customers increases each month without an increase in the volume of business done, then this will indicate to us that we are not collecting our accounts. There is in every business a point above which we cannot go in allowing credit to our customers. This simply means that the profit or capital of the business is simply being loaned to those who are buying from us on credit. This figure should be watched with especial care to see that it comes within the limit of our capital requirements at all times.

In other words, make your accounting system tell the story of your business in as simple a manner as possible, but be sure it tells the true story.

Cost of System

HARDWARE AGE is endeavoring to render to its readers a real service by showing them how their accounting can be simplified and at the same time how they can learn the true story of the business in the least possible time. It would be obviously foolish on our part to tell our readers and show how the thing could be done without placing in their hands the actual tools with which to do the work. To this end we have arranged by contracting for a large number of the complete outfits to be manufactured by one of the largest loose-leaf system manufacturers in the country. By contracting for a large number of the outfits, the cost has been brought within the reach of the smallest retailer and the complete outfit, as described and explained elsewhere in this booklet, will cost $15.00. It will include:

1 sectional post binder, bound in genuine gray army duck with heavy red leather corners, as illustrated below.



200 Daily Record loose leaves.

1 Daily Sales binder bound in gray army duck with heavy red leather corners, as illustrated in Fig. 1, Page 5.

100 Daily Sales Record leaves.

Extra sheets for Daily Record, $3.00 per 100.

Extra sheets for Daily Sales Record, $1.50.

Write to the Editor of the Business System Department for instruction on any point not covered in these pages.

Questions and Answers

Accounts Payable

To the Editor:

We are very much interested in your system of Simplified Accounting.

If we could adapt our business to this form, we would be glad to do so, but on looking over the arrangement we would ask your explanation of the following:

Your Daily Record is ruled in twenty-seven lines and this, as we understand it, would be a complete record of all transactions.

In our remittance to wholesalers, etc., we make the majority of them once a month and we carry about seventy-five accounts. To use this system, we would probably be obliged to total these payments in one item and this would cause considerable extra work, as well as allowing some chance for errors.

Respectfully yours,

Answer

In the last paragraph of your letter you state that you carry about seventy-five accounts with wholesalers, jobbers, etc., and that it would be considerable extra work to enter these on the system. At the present time whenever you pay an account of this nature you have to enter it on your journal or on your check book or both. By entering the payment of one of these accounts on your Daily Record you have completed the transaction as far as you are concerned in your bookkeeping. This you will see by glancing at entry M on the supplement sheet that we are sending you, which illustrates the paying of an account to the Ajax Cutlery Company. These goods were received and entered on the Daily Record in entry D on the same supplement sheet.

We assume, of course, that in order to determine the amount of business that you are doing with each one of your jobbers, wholesalers, etc., that you now carry an accounts payable ledger, or at least a record of the various purchases and payments that you have made with all of your creditors. By this I mean your largest creditors from whom you purchase your merchandise. You cannot, of course, itemize these transactions on the Daily Record, but the total amount that you owe to others is absolutely controlled by Column 21 on the debit side and Column 33 on the credit side of the Daily Record.

Very truly yours,

How It Takes the Place of General Ledger

You say this will do away with general ledger. How can that be done? Ledger must be used for customers buying on credit. Ledger accounts must be used for wholesalers buying on credit. Ledger accounts must be used for wholesalers, firms and manufacturers, etc. Information on this subject will be appreciated.

Yours truly,

Answer

You have evidently confused the general ledgers with your customers' accounts ledger. Form 1 in the HARDWARE AGE *System* of Accounting is known as the Daily Record, and this record is a complete general ledger of your business at any time. In other words, you can take the totals of this record sheet on any day and prepare a statement of your business as of that date. This you formerly had to do by using a general ledger into which had to be posted the results as obtained from your journal and from your cash receipt book and your check book and any other subsidiary books that were used to get the results of your business into the general ledger. This we have done away with by using what is known as the Daily Record, which is self-balancing in that it is divided into debit and credit sides and the total of your debit will equal at all times the total of your credit. This you will see at a glance by referring to the large supplement sheet.

We assume, of course, that if you do a large charge business with your customers that you now carry a customer's ledger and likewise if you buy from your jobbers on credit that you do likewise. But if you will glance at the supplement illustrating the Daily Record you will notice that Column 23 on the debit side and Column 30 on the credit side will control your customers' accounts ledger to a penny. Likewise Column 21 on the debit side and Column 33 on the credit side on the Daily Record will control your accounts payable to others.

Very truly yours,

Will It Fit Jobbing Business?

To the Editor:

We are interested to know if the HARDWARE AGE System of Accounting meets the requirements of a jobbing business.

If so be kind enough to send us the descriptive circulars for our consideration.

Yours very truly,

Answer

In answer to your inquiry as to whether the HARDWARE AGE System of Simplified Accounting would meet the requirements of a jobbing business the writer begs to advise as follows:

You, of course, will realize that every business needs its own individual treatment. But the idea of buying and selling is just the same whether it is retail or wholesale. In other words, you have to know the same vital facts about your business, whether you buy and sell on a wholesale plan or whether you do so on a retail plan, and if an accounting system designed to take care of such a business in the retail field will accomplish this work there, then there is no reason why it should not do the same thing in a wholesale business.

Very truly yours,

How to Close Daily Record

Advise if it is not necessary to run a sales ledger and if the Daily Record is run by the month and footings taken to the ledger. Or, do you carry the totals of each to the next month? Also advise how you would post and what would you call No. 37 column.

Answer

In answer to your paragraph regarding the sales ledger, would advise that if you do a charge business of any amount it will be necessary, of course, to carry your customers' accounts in a ledger or in some form where you could easily determine what each individual customer owed you. This sales ledger is controlled, of course, by the debit account headed, "CHARGING TO CUSTOMERS," less the credit column, headed "ALL CREDIT TO CUSTOMERS." In other words, the difference between these two columns would be found to agree with the total of the individual amount due you from all of your customers.

The daily record is closed out at the end of the month by subtracting certain columns from others and the balance is carried forward to the next month. This is true with the exception of your Sales, Cost of Sales and your Expenses. After deducting from your total sales the credit column headed "COST OF SALES" and from this amount deducting your total expenses, the net difference is placed in the capital-invested account and carried forward to the next month. This you would continue for a period of a year, and I suggest that you do, as a great many dealers are doing, carry those figures on a loose sheet for sake of comparison. That is, you can easily compare your expenses by departments and your sales month by month if the same are carried on a loose sheet where they can be seen at a glance.

Column No. 37 on the credit side of the daily record is left blank in case there are any dealers that will have an income or an earning account peculiar to their own business and which is not ordinarily found in every hardware retail establishment.

Very truly yours,

Six Important Questions Answered

I am using a very complete system of double-entry accounting, using Journal, Cash Book and Ledger, making the final accounting through a MDSE Account. This is very satisfactory and accurate, taking into account every detail of the business and showing my profit at end of the year very accurately. If I can see, however, that your system gives me something better and can be fitted to my business, I wish to change.

First—In doing away with the journal it would be necessary I suppose to refer to sales slips when looking up an account for a credit customer, as I do not itemize anything in my ledger and had rather not unless you think it better.

Second—How would my personal account in my ledger get credit for the profit shown each month under your system? As owner of the stock, I should want to have this credit.

Third—I take some notes or Bills Rec. in settlement of accounts and also sales. How would that be taken care of?

Fourth—What would you do in regard to tools taken from stock for use in the shop?

Fifth—How will you dispose of wrapping paper, twine, solder, gasoline and such things used about the store and shop, which would be obtained in your original invoice, and which could not very well be accounted for each time some was used?

Sixth—How would you account for small repair jobs in the shop, where very little material was used, not enough to account for in the cost column, and which would be part of the original stock, and counted as stock at all times?

Answer

In answer to your first question, I assume that you make all charges and credits to customers through your journals and from sales slips with numbers. This would be handled in the HARDWARE AGE System in the same way with the exception that you would make the charges to customers through the sales records, placing in the sales record the sales slip number, and when the charge was posted to your customer's ledger sheet you would post by this number, and if any future reference was necessary you would have to refer to the sales number as shown in the ledger. If you make your bills and statements from your ledger sheets I would suggest that you make notations in your ledger as to what the charge was for. If you make your bills immediately after the charge is made this will not be necessary, and your statement at the end of the month is simply a copy of the charges and credits to the account.

In answer to your second paragraph, at the end of each month after you have deducted the cost of sales, which is on the debit side of the daily record, from the total sales, on the credit side of the record, and from this result deducted the expenses as shown by the various columns on the debit side, you will take the net difference and place it in the capital invested column, which will be your personal account. This is provided, of course, that you have made a profit, and in case it was a loss it would be deducted from the balance as shown in the capital invested account. If there are more than one partner, this would be handled in the same way with the exception that you would keep a ledger account of the amount due each partner, a total of which would be represented by the total in the capital-invested column on the daily record.

In answer to your third paragraph, let us assume that an account owes you $50.00 and that you have agreed to take his note in settlement. You would make an entry on the daily record as follows: Under the Notes Receivable column of the debit side you would charge $50.00 and on the credit side of the daily record you would credit your customer from whom you received the note. If you have many of these notes you will, of course, carry what is known as a "Note Tickler," which automatically tells you when these notes are due, etc.

In answer to your fourth, fifth and sixth paragraphs, beg to advise that when you take from your stock tools, wrapping paper, twine, gasoline, or any materials to be used within your own business, I would treat this simply as a sale. In other words, suppose, for example, you took from your stock a file to be used in the repair department. You would make a sales ticket for this in the same way that you would make a sale to a customer, but instead of charging it to a customer you would charge it on your daily sales to Repair Department Expense Supplies. You will also have to remember that in making such charges from your stock to the various departments in the business that this would have to be done at cost *without any profit whatsoever.* Where small amounts of material or supplies are used upon which you cannot place an exact cost figure, I would suggest that you treat it in the same way, but simply estimate as near as you possibly can the value of the supplies or material used.

Very truly yours,

Keeping Account of Shop Department

We are planning to adopt the system in our business, which includes hardware, sheet metal and plumbing, and would like to know all about it. Will send for your books just as soon as possible. We will have to arrange to include bookkeeping of different shop departments.

Answer

I would suggest that you take care of your shop department in the HARDWARE AGE System by using one or two of the blank columns on the debit side of the daily record for your expense in this department and the blank column on the credit side for your income from your shop and plumbing department. I also assume that jobs going through your shop department carry with them a job ticket upon which appears a number similar to your sales ticket number. In this connection I would use two Daily Sales Record sheets instead of one. In other words, keep your shop department charges and incomes separate from the other sales.

Very truly yours,

D A I L Y R E C O R D

\+ DEBITS = = = CREDITS

FORM 1 HARDWARE AGE SYSTEM

INVENTORY AND PURCHASES ADDED	CHARGES TO CUSTOMERS	CASH ON HAND AND ALL RECEIVED	DATE	EXPLANATION	CHECK NO. OR REFERENCE	ALL CASH PAID	CASH DISCOUNT TAKEN	ALL CREDITS TO CUSTOMERS	SALES OF MERCHANDISE	OTHER SALES OR EARNINGS	ACCOUNTS PAYABLE TO OTHERS	√ WHEN PAID X PART PAYM'T	NOTES PAYABLE TO OTHERS ISSUED	COST OF GOODS SOLD DEDUCT FROM INV.		CAPITAL INVESTED AND ADDITIONS
22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38
				AMOUNTS BROUGHT FORWARD												
				TOTAL—CARRY FORWARD												

D A I L Y R E C O R D

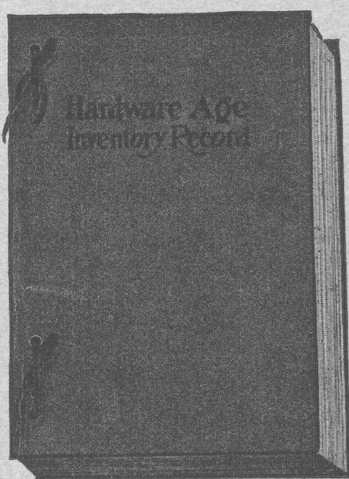
D E B I T S + D E B I T S +

FORM 1 HARDWARE AGE SYSTEM

CAPITAL WITHDRAWN	FIXTURES AND EQUIPMENT AND ADDITIONAL PURCHASES	NOTES AND INTEREST PAYABLE REDUCED OR PAID OFF		E X P E N S E															COST OF GOODS SOLD	ACCOUNTS PAYABLE TO OTHERS REDUCED OR PAID OFF
				G E N E R A L O V E R H E A D						S E L L I N G										
				REPAIRS AND DEPRECIATION ON EQUIPMENT	TAXES AND INSURANCE	RENT, LIGHT AND HEAT	SALARIES MANAGEMENT AND OFFICE	ALL OTHER OFFICE EXPENSE		SALARIES	ADVERTISING	COMMISSION AND BONUS	MISCELLANEOUS SELLING EXPENSE		MISCELLANEOUS EXPENSE	FREIGHT EXPRESS AND DRAYAGE	ALLOWANCES ON SALES	ALL DELIVERY EXPENSE	DEDUCT FROM SALES	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21

A New Inventory Record

DESIGNED TO INSURE A TRUE VALUATION and ACCURATE COUNT of HARDWARE STOCK



THE time when merchants guessed at the value of their stock has long since passed and those who have had just one experience with the fire insurance adjusters know the true value of clean cut inventory records.

The Hardware Age Inventory Record has been prepared to meet the demand for a form that will make it easier to take inventory in a hardware store. It is designed to insure accuracy in the count and a true valuation of the stock. Buff colored ledger paper has been used for the forms because that color is easier on the eyes which are usually strained by long hours at inventory time.

A glance at the sample form illustrated herewith will show how well the requirements of a good inventory record had been met. Note the wide space between lines and in the columns. This will enable the clerks to make all their entries in the quantity, number or size, article, cost, total and depreciation columns without cramping their writing. That is a feature which will insure greater accuracy in checking and footing the sheets.

The three columns for percent of depreciation, amount of loss taken and memorandum, provide space for recording the full value of goods of old pattern or damaged articles with details of the depreciation and explanation. An inventory record worked out on that basis recently settled a fire insurance claim in just 48 hours.

The sheets are extra long (16 inches) for listing all the items and 100 sheets or 200 recording pages are included in each record. Any number of sheets may be inserted between the two covers of the binder and the extra sheets are sold at $2.00 per hundred postpaid.

The binder is of heavy green canvas selected for its durability. It consists of two covers which fit top and bottom of the inventory sheets and the entire record is simply laced together as shown above. The price of the complete record is $2.50 postpaid.

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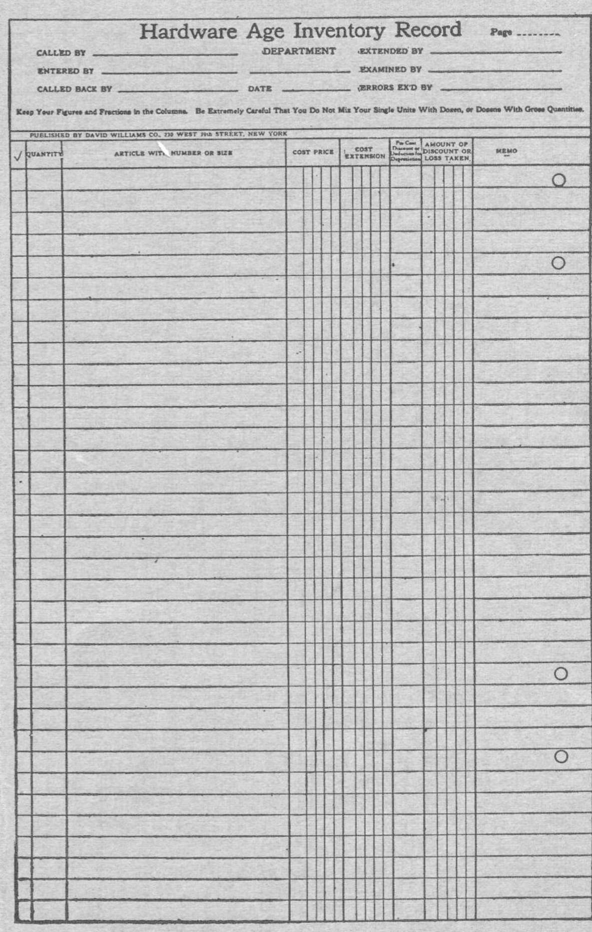

Hardware Age Inventory Record Page ....

CALLED BY ________ DEPARTMENT EXTENDED BY ________

ENTERED BY ________ ________ EXAMINED BY ________

CALLED BACK BY ________ DATE ________ ERRORS EX'D BY ________

Keep Your Figures and Fractions in the Columns. Be Extremely Careful That You Do Not Mix Your Single Units With Dozen, or Dozens With Gross Quantities.

PUBLISHED BY DAVID WILLIAMS CO., 239 WEST 39th STREET, NEW YORK

√	QUANTITY	ARTICLE WITH NUMBER OR SIZE	COST PRICE	COST EXTENSION	Per Cent Discount or Deduction for Depreciation	AMOUNT OF DISCOUNT OR LOSS TAKEN	MEMO