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System of accounts for retail merchants

United States. Federal Trade Commission

Robert E. Belt

R. W. Gardiner

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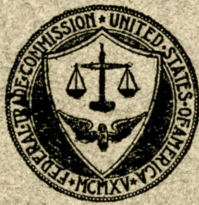
FEDERAL TRADE COMMISSION

A SYSTEM OF ACCOUNTS

FOR

RETAIL MERCHANTS

JULY 15, 1916



WASHINGTON
GOVERNMENT PRINTING OFFICE
1916

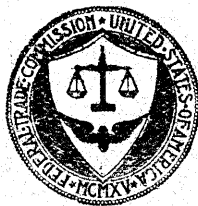
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EDWARD N. HURLEY,
Chairman.
WILLIAM J. HARRIS,
Vice Chairman.
JOSEPH E. DAVIES.
WILL H. PARRY.
GEORGE RUBLEE.

FEDERAL TRADE COMMISSION

WASHINGTON

LEONIDAS L. BRACKEN,
Secretary.

July 15, 1916.

To the retail merchant:

The Federal Trade Commission has found that the majority of retail merchants do not know accurately the cost of conducting their business and for this reason they are unable to price their goods intelligently. There must be decided improvement in this direction before competition can be placed upon a sound basis and before we can expect a decrease in the heavy business death rate among retail merchants.

With the object of aiding retail merchants to improve their accounting methods we have outlined a simple system of accounts which provides for supplying the information necessary to properly direct a retail business. I commend the pamphlet to your attention and feel satisfied that if you will read it carefully you will find many helpful suggestions.

The pamphlet has been prepared under my direction by Mr. Robert E. Belt, Chief Accountant, and Mr. R. W. Gardiner, Assistant.

Trusting we may have your hearty cooperation, I am,

Very respectfully yours,

Edward N. Hurley

Chairman.

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A SYSTEM OF ACCOUNTS FOR RETAIL MERCHANTS.

INTRODUCTION.

There is a tendency among retail merchants to conduct their businesses without an adequate system for determining their costs. This condition carries with it various undesirable results. In the first place, the merchant is unable to price his goods intelligently and conduct his business upon sound business principles. In the second place, he is unable, when seeking credit, to produce a correct statement of his financial condition which would enable a banker to extend to him the full credit to which he is entitled. He thereby limits the possible expansion of his business.

There are several forces at work which compel the retail merchant, if successful, to keep books, and the better and more comprehensive his methods the greater chance he has of being successful.

The first of these forces is, of course, competition, which at times compels him to make close prices. The second, and one of vital importance, is the attitude of the banks regarding the granting of credit. Banks are paying more and more attention to the accounting methods used by the merchant to whom they extend credit. They are willing to give larger loans and very often more liberal terms to the merchant who keeps his books in a way that enables him to show the bank at any time just how his business is progressing. A merchant who can show progress will undoubtedly receive more consideration with the same amount of assets than one who can not. Even if he is successful but can not show it because of his book-keeping methods the bank will not consider him a desirable credit risk.

Another very important point to which the bank gives consideration is whether the prospective borrower is making proper provisions for depreciation on stock, buildings, and fixtures, and his books should be so arranged as to show the amount of these provisions. No merchant can be said to be managing his business properly unless adequate provision is made for depreciation.

The system of accounts outlined in this bulletin has been devised to meet the requirements of retail merchants. The aim has been to devise the least involved system which will give the information essential to successful management. The best system of accounts

for any business is one which furnishes the information required with the least effort.

The value derived from an adequate system of accounts is obvious. The greatest value is that of making comparisons and analyzing differences. But before any fruitful comparison can be made between figures of different periods or between figures of different stores, it is absolutely necessary that the systems be uniform. With a uniform system of accounts in use, differences in items reflect differences in conditions, while without a uniform classification, differences in items may reflect only differences in accounting classification.

In order to maintain the simplicity of the system, no departmentalization of the accounts is provided for, but any concern operating distinct departments can readily adjust the system to show the results obtained in each department.

A merchant in order to price his goods properly must know his overhead expenses. With a proper arrangement of his accounts the percentage of overhead may be readily obtained. Goods not priced high enough to cover this percentage are actually sold at a loss. The most convenient way of arriving at the proper percentage to add to the first cost of goods for overhead is to use the average ratio of operating expenses to net sales covering a past period. For instance, if a merchant's annual sales for the last fiscal year were \$25,000 and the expense of conducting his business was \$5,000, his overhead was 20 per cent. By adding the desired percentage of profit on sales to this overhead percentage, and deducting from 100 gives the percentage of invoice cost to selling price. The invoice cost of an article divided by this percentage gives the selling price.

The rapidity of the turnover is a very important element in conducting a retail business. It is obvious that an increase in turnover goes hand in hand with an increase in profit. A slow turnover may be due to poorly selected stock, to overstocking, or to an inefficient selling organization. No effort should be spared to increase the turnover to its maximum. To ascertain the turnover divide the cost of goods sold during the year by the cost of the average stock carried.

BOOKS OF ACCOUNT AND STATEMENTS.

To operate the system of accounts here outlined requires but four books of account, namely, journal, general cash book, invoice book, and ledger. Sales tickets and credit tickets are used for recording sales and sales returns.

From these books certain statements, particularly a monthly summary of business, a profit and loss statement, and a balance sheet, should be prepared at definite periods in order to present the results in comprehensive form.

JOURNAL.

The ordinary two-column journal can be used. The opening entry is an inventory of the assets and liabilities.

The totals of the charge sales as shown by the charge tickets should be entered in the Journal, debiting Accounts Receivable, and crediting Sales. The totals of the credit tickets are also entered in the Journal, debiting Sales with returns and Sales Allowances with price concessions and crediting Accounts Receivable.

Transactions which do not go through either the Cash Book or Invoice Book should also be journalized. These entries comprise such items as notes receivable and payable, allowances or corrections of purchase invoices after entry in the Invoice Book, the various adjusting entries at the end of the month, and the closing entries at the end of the fiscal period.

Journal entries affecting trade customers' and trade creditors' accounts will also have to be posted, respectively, to Accounts Receivable account and Accounts Payable account.

GENERAL CASH BOOK.

This book is for recording all cash transactions. The left hand, or debit, side is for recording receipts, and columns should be headed as follows, in the order named: Date, Name of Account, Description, Ledger Folio or LF, Collections on Accounts Receivable, Cash Sales, and General Accounts. The right hand, or credit, side is for recording payments, and these columns should be headed: Date, Name of Account, Description, Check No., Ledger Folio or LF, Discount on Purchases, Payments on Accounts Payable, and General Accounts.

The total cash receipts of each day should be deposited daily in bank and all payments should be made by check. The total of cash sales for the month should be checked against the total of cash sales tickets, and is then posted to the credit of "Sales," that of the "Collections on Accounts Receivable" to the credit of "Accounts Receivable account," and that of "Payments on Accounts Payable" to the debit of "Accounts Payable account." The total of the Discount on Purchases column is also posted to the debit of Accounts Payable.

All payments for expense items other than petty cash should be entered on the cash book as made and posted therefrom to the proper accounts. At the end of the month all expense bills for the month should be paid, so as to insure the expense being charged in the proper month.

Petty cash disbursements, such as car tickets, telegrams, and such minor items for which it is not expedient to draw checks, should be handled as follows:

A check should be drawn for an amount sufficient to cover petty disbursements for a definite period. At the end of the period the

cashier should prepare his petty cash statement, which should be supported by vouchers, and a check drawn for the exact amount of the statement, thereby restoring the petty cash fund to the original amount. This check should be entered in the cash book in the regular way, charging the various expense accounts as shown by the petty cash statement.

The balance of the general cash book at all times should check with the balance as shown by the check book plus the amount advanced for petty cash.

In the check book keep checks and deposits footed separately. When the bank book is balanced, check up the bank list, then re-arrange the checks in numerical order, and check with the stubs. If any checks are outstanding, note them on the stub and deduct from total of checks drawn; the check book balance will then agree with the bank book balance.

INVOICE BOOK.

This book contains the record of the invoices or purchases of merchandise only and should carry the following headings: Date of Entry, Date of Invoice, Number of Invoice, From Whom Purchased, Address, Ledger Folio or LF, and Amount of Invoice.

The postings are made direct from this book into the Purchase Ledger and the total at the end of the month carried to the debit of Merchandise Purchases and to the credit of Accounts Payable.

Where the business is departmentalized a more elaborate form of Invoice Book should be used, giving departmental subdivisions of purchases.

SALES AND CREDIT TICKETS.

The use of sales and credit tickets for recording sales and sales returns has become almost universal.

A sales ticket must be made out for every sale and the daily total of these gives the sales for the day. The cash sales tickets are checked against the cash received and the charge tickets go to the bookkeeper. Credit tickets must be made out for credits to customers and these likewise go to the bookkeeper.

LEDGER.

The accounts in the ledger should be arranged in the following order:

1. General accounts,
2. Accounts with trade creditors,
3. Accounts with trade debtors,

allotting to each class such space in the ledger as may be necessary.

The general accounts should be arranged in logical order. (See arrangement of accounts.)

Accounts with trade creditors and with trade debtors should be arranged alphabetically, using preferably a loose leaf ledger.

Where the volume of business permits, it is advisable to use three ledgers, a general ledger, a purchase ledger, and a sales ledger, keeping controlling accounts of the purchase ledger and the sales ledger in the general ledger.

Where only one ledger is used it should be divided into three sections corresponding with the above.

The balances of the purchase ledger and of the sales ledger, or of these sections of the ledger if only one book is used, must agree with the balances of the Accounts Payable account and of the Accounts Receivable account. The advantage of these controlling accounts is that the aggregate of accounts payable and of accounts receivable can be had at any time without listing the balances of the individual accounts.

Customers are charged with goods purchased direct from the charge tickets. These tickets are first listed, then turned over to the bookkeeper, who posts them to the debit of the proper accounts, listing the amounts as he posts, then comparing his total with that of the first list, which must agree. Credit entries for allowances, reductions, cash discounts, or returned goods, are made from credit tickets in exactly the same manner.

Posting to the ledger therefore must come from one of four sources—the cash book, the journal, the invoice book, or the sales and credit tickets.

MONTHLY SUMMARY OF BUSINESS.

This record, Form A, will be found very useful for monthly and yearly comparisons of expenses and ratios. It is arranged with columns for sales, both cash and credit and total, and for the various expenses of the business. The figures on this statement are taken from the ledger.

Each month the figures for that month should be added to the previous total so that the record will give the totals from the first of the year to date as well as the monthly totals.

PROFIT AND LOSS STATEMENT.

The amounts for making up this statement, Form B, can be had from the ledger and from the trial balance. It is made up at such times as the inventory is taken. A physical inventory should be taken at least once a year. The basis should be cost with conservative deduction for obsolete and shelf-worn goods. The inventory at the beginning of the period is, of course, that brought down from the end of the last period.

When monthly profit and loss statements are desired, and where the percentage of overhead and profit is known, the approximate cost of the goods sold can be arrived at in the following manner: Deduct the percentage of overhead and profit from 100 and multiply by the

amount of the net sales; the result will be the cost of the goods sold, which, when deducted from net sales will give the approximate gross profit on sales.

If desired, the difference between the values placed on the inventory and the actual cost of same can be shown on the statement. Show the actual cost of inventory and then the deduction under the title "Stock Depreciation," carrying the net forward as illustrated. While this is not necessary it is valuable information and this method is recommended.

The total net profit as shown by the statement is that carried to the credit of the proprietor's account in the ledger.

BALANCE SHEET.

Ledger accounts should be kept by the double entry principle with all real (asset and liability) accounts, as well as with all nominal (profit and loss) accounts. A Balance Sheet of the same date as the Profit and Loss Statement should be made up from the balances of all real accounts. The ordinary asset and liability accounts and a logical classification thereof are shown by Form C.

ACCOUNTS AND THEIR EXPLANATIONS.

REAL ACCOUNTS.

1. CASH ON HAND AND IN BANK.

Charge this account with the total receipts of the month and credit it with the total disbursements as shown by the cash book. The balance should agree with the cash book balance.

2. NOTES RECEIVABLE—TRADE CUSTOMERS.

Charge this account with all notes, time drafts, and acceptances held against others, and credit it with the same when paid or otherwise disposed of. The balance will show the uncollected notes receivable.

3. ACCOUNTS RECEIVABLE—TRADE CUSTOMERS.

Charge this account with the total of the charge tickets of the month, and credit it with the cash payments by customers (taken from the cash book at end of month) and with notes receivable, discounts, returns, and allowances (from the journal and credit slips). Balance of this account must agree with the sum of the balances of trade customers' accounts.

4. RESERVE FOR BAD DEBTS.

Credit this account with an estimated amount, based on charge sales, sufficient to provide for losses, and charge the account with the balances of personal accounts when hope of collection is abandoned.

5. PREPAID INSURANCE.

Charge this account with all insurance, fire, burglary, fidelity, plate glass, liability, etc. At the end of each month charge the proper accounts (Nos. 35 and 44) with their proportion, the balance being an asset as "Prepaid Insurance."

6. ACCRUED INTEREST RECEIVABLE.

Charge this account at the end of the period with all accrued interest (not yet paid) on notes, etc., due from others, crediting "Interest Account." When the interest is received it is credited to "Accrued Interest Receivable."

7. STORE PROPERTY.

Charge this account with the purchase price of the store property. Do not charge repairs to this account, unless they are in the nature of permanent improvements. A fair amount should be periodically credited to "Reserve for Depreciation."

8. WAREHOUSE PROPERTY.

Charge this account with the purchase price of the warehouse property. Do not charge repairs to this account, unless they are in the nature of permanent improvements. A fair amount should be periodically credited to "Reserve for Depreciation."

9. RESERVE FOR DEPRECIATION ON STORE AND WAREHOUSE.

Credit this account with the amount of depreciation on store and warehouse, and charge same to "Rent Income" (No. 44).

10. STORE EQUIPMENT.

Charge this account with the value of all equipment such as counters, shelving, scales, measures, etc., used in the conduct of the business. A fair amount should be written off periodically for depreciation.

11. OFFICE EQUIPMENT.

Charge this account with office furniture, desks, safe, and other office appliances (not included in 34). A fair amount should be written off periodically for depreciation.

12. DELIVERY EQUIPMENT.

Charge this account with the cost of automobiles, wagons, horses, and harness. This account must not be charged with repairs to automobiles and wagons, horseshoeing or anything of this nature. A fair amount should be written off periodically for depreciation.

13. NOTES PAYABLE—TRADE CREDITORS.

Credit this account with all notes given to trade creditors or time drafts accepted in their favor and charge the account as the same are paid. Balance of this account shows the amount of notes payable outstanding.

14. NOTES PAYABLE—BANKS.

Credit this account with all notes given to banks and charge the account as the same are paid.

15. ACCOUNTS PAYABLE—TRADE CREDITORS.

Credit this account with merchandise bought on account, the amount being carried to this account monthly from the total of the Invoice Book and charge it with all merchandise returned and reductions (Journal), and payments made and discounts taken (Cash Book). Balance of this account must agree with the sum of the balances of trade creditors' accounts.

16. ACCOUNTS PAYABLE—OTHERS.

Credit this account with amounts owing to creditors other than trade creditors.

17. ACCRUED INTEREST PAYABLE.

Credit this account at the end of the period with interest accrued (not yet paid) on notes, etc., due others, charging "Interest Account." When the interest is paid it is charged to "Accrued Interest Payable."

18. ACCRUED SALARIES AND WAGES.

Credit this account with salaries and wages earned and unpaid at the end of each month and charge the proper expense accounts. When payment is made this account is charged and closed out and the balance of the pay roll charged in the regular way.

19. ACCRUED TAXES.

Credit this account with the taxes due up to the end of each month, charging the proportionate amounts to the accounts in which they belong. When the taxes are paid this account will be charged.

20. PROPRIETOR'S DRAWING ACCOUNT.

Charge this account with all withdrawals of cash (not salary). At the end of the period the amount of this account is closed into proprietor's capital account.

21. MORTGAGES PAYABLE.

When a mortgage is placed upon real estate (or assumed at the time of purchase) this account is credited. When paid it is charged.

22. PROPRIETOR'S CAPITAL ACCOUNT.

This account represents the proprietor's net capital. At the end of the period the net profit is credited to this account. The amount of his drawing account is then closed into this account. The balance of the account is his net capital at time of closing.

In the event of a partnership each partner's net capital would be shown in his respective account and the net profit (or loss) carried to the credit (or debit) of their accounts in agreed proportions. In the event of a corporation this account represents the amount of the issued capital stock and the profit or loss is carried to "Surplus" account.

NOMINAL ACCOUNTS.

23. SALES.

Credit this account with the total sales of all merchandise, the charged sales being taken from the total of the charge tickets for the month and the cash sales from the "Cash Sales" column in the Cash Book. Returns should be charged at selling price for all merchandise returned by customers whether for cash or credit. The difference in this account will be the net sales which is transferred to the credit of "Trading Account."

24. SALES ALLOWANCES.

Charge this account with any allowance given a customer not contemplated when sale was made. Allowances should not be charged to "Sales," but closed at the end of the period into "Trading Account."

25. MERCHANDISE PURCHASES.

Charge this account with the face of the invoices of merchandise before deducting cash discounts. The account is also charged with freight, expressage, and drayage on merchandise purchased. Credit the account with any returns of merchandise made to manufacturer or wholesaler and with any allowances for defects in goods received from manufacturer or wholesaler. The balance of the account is transferred to the debit of Trading Account.

26. SALARIES AND WAGES OF BUYING FORCE.

Charge this account with part of salary of proprietor, active partner, and manager or buyer and the wages of office force proportionate to the time given to buying. If, for example, the proprietor estimates altogether that he gave one-fourth of his time to buying and three-fourths to selling, then one-fourth should be charged to this account and three-fourths to "Salaries and Wages of Sales Force." Similarly, the estimated number of hours a week given by any member or members of the office force to buying should be charged to this account.

27. MISCELLANEOUS BUYING EXPENSE.

Charge this account with the traveling expense of buying trips and other expense incurred in buying (not covered by account 26).

28. SALARIES AND WAGES OF SALES FORCE.

Charge this account with wages and other remunerations of sales persons, order takers, and all others engaged in selling, both as regular and extra force; also with the part of the salary of the proprietor, active partners, or manager, and of the wages of the office force proportionate to the time given to selling.

29. ADVERTISING.

Charge this account with all expenditures for advertising purposes, such as space in newspapers and periodicals, space on street cars and billboards, circulars and postage thereon, advertising novelties, trading stamps, charitable donations, window display, electric signs, etc.

30. MISCELLANEOUS SELLING EXPENSE.

Charge this account with the cost of wrapping paper, cartons, twine, salesmen's order books, and all other items of direct selling expense not covered by "Salaries and Wages of Sales Force" and "Advertising."

31. SALARIES AND WAGES OF DELIVERY FORCE.

Charge this account with regular and part time of employees engaged in delivering and with the part of the wages of other employees, whether on sales force or office force, proportionate to the time given to delivery work.

32. MISCELLANEOUS DELIVERY EXPENSE.

Charge this account with all stable and garage expense, including all repairs, taxes, licenses, upkeep, and with the depreciation charged on the delivery equipment; also charge this account with payments for express, parcel post, and contract delivery service.

33. MANAGEMENT AND OFFICE SALARIES.

Charge this account with the salaries of the manager, bookkeepers, office clerks, stenographers, and of other general office help not otherwise charged.

34. OFFICE SUPPLIES AND EXPENSE.

Charge this account with purchases of stationery of all sorts, account books and forms (except selling and stock forms), typewriter supplies, printing and postage (except advertising), and depreciation on office equipment.

35. INSURANCE ON STOCK AND STORE EQUIPMENT.

Charge this account with all expense of insurance, fire, burglary, fidelity, plate glass, employers' liability, and other. This account is not to be charged with insurance on store or business property.

36. TAXES ON STOCK AND STORE EQUIPMENT.

Charge this account with taxes on all stock and store equipment. As taxes are not payable in advance, the amount charged this account must be credited to "Accrued Taxes."

37. LOSSES FROM BAD DEBTS.

Charge this account with the amount that has been reserved for bad debts (4).

38. MISCELLANEOUS GENERAL EXPENSE.

Charge this account with heat, light, repairs, depreciation on store equipment, and with any items that can not be charged directly to any of the above particular accounts.

39. RENT.

Charge this account with all rents paid. If the store is owned, rent should be charged equivalent to the amount it could be rented for to others, crediting "Income from Other Sources;" in the latter event, "Income from Other Sources" should be charged with the taxes, insurance, repairs, and depreciation on the store.

40. TRADING ACCOUNT.

This account shows the inventory of merchandise at opening and is not touched again until the books are closed. It is then charged with Merchandise Purchases (25), and Sales Allowances (24), and credited with Sales (23). The inventory at closing is then credited and the balance will show the gross profit on trading. The gross profit is transferred to the credit of the "Profit and Loss Account." The inventory is then brought down as a new balance.

41. PROFIT AND LOSS ACCOUNT (FROM TRADING OPERATIONS).

Charge this account with the balances of all the expense accounts, and credit it with the gross profit from trading; the difference will be the net profit or loss, which is closed into the proprietor's account; if a partnership, to the partners' accounts, according to their several interests, and, if a corporation, to the surplus account.

42. INTEREST.

Charge this account with all interest paid and credit it with all interest received and close into "Profit and Loss Account."

43. CASH DISCOUNT ON MERCHANDISE PURCHASES.

Credit this account with all cash discount taken on purchases of merchandise. The account is closed into Profit and Loss.

A record of such discounts available but not taken—cash discounts lost—will be found of use.

44. RENT INCOME (NET).

If the store is owned, the rent which has been charged to account 39 should be credited to this account and it should be charged with insurance, taxes, depreciation, and repairs on store. The account is closed into "Profit and Loss."

45. MISCELLANEOUS OUTSIDE INCOME.

Credit this account with incidental receipts such as toll from telephone pay stations in store, etc.

(We wish to acknowledge with appreciation the valuable assistance given us by the Bureau of Business Research of Harvard University in connection with the classification and definition of expense accounts.)

FORM OF STATEMENTS.

Forms of monthly summary of business, profit and loss statement, and balance sheet follow.

MONTHLY SUMMARY OF BUSINESS, 1916.

	Net Sales.		Buying expense.		Selling expense.		Delivery expense.		General expense.						Total Ex- pense.	Per cent of Net Sales.		
	Credit.	Cash.	Salaries and Wages of Buying Force.	Miscellaneous Buying Expense.	Salaries and Wages of Sales Force.	Advertising.	Miscellaneous Selling Expense.	Salaries and Wages of Delivery Force.	Miscellaneous Delivery Expense.	Management and Office Salaries.	Office Supplies and Expense.	Insurance on Stock and Store Equipment.	Taxes on Stock and Store Equipment.	Losses from Bad Debts.			Miscellaneous General Expense.	Rent.
Jan.....	\$3,356.31	\$1,301.65	\$25.00	\$14.00	\$177.33	\$30.00	\$3.75	\$102.67	\$8.08	\$269.00	\$22.03	\$1.61	\$2.50	\$33.56	\$26.79	\$71.25	\$787.57	16.9
Feb.																		
Mar.																		
Apr.																		
May.																		
June.																		
July.																		
Aug.																		
Sept.																		
Oct.																		
Nov.																		
Dec.																		
Total,																		
Per cent of Net Sales.																		

FORM A.

SYSTEM OF ACCOUNTS FOR RETAIL MERCHANTS.

PROFIT AND LOSS STATEMENT, JAN. 31, 1916.

						Per ct.	Per ct.
23	Sales				\$4,659	96	
24	Less Sales Allowances				2	00	
	Net sales				4,657	96	100.0
25	Inventory of merchandise at beginning			\$3,451	09		
	Merchandise Purchases (cost delivered at store)			2,759	67		
				6,210	76		
	Deduct inventory of merchandise at closing	\$3,062	17				
	Less Stock Depreciation	153	11	2,909	06		
	Net cost of goods sold				3,301	70	70.9
	Gross profit from trading				1,356	26	29.1
	BUYING EXPENSE.						
26	Salaries and Wages of Buying Force	25	00				
27	Miscellaneous Buying Expense	14	00				
	Total buying expense			39	00		0.8
	SELLING EXPENSE.						
28	Salaries and Wages of Sales Force	177	33				
29	Advertising	30	00				
30	Miscellaneous Selling Expense	3	75				
	Total selling expense			211	08		4.5
	DELIVERY EXPENSE.						
31	Salaries and Wages of Delivery Force	102	67				
32	Miscellaneous Delivery Expense	8	08				
	Total delivery expense			110	75		2.4
	GENERAL EXPENSE.						
33	Management and Office Salaries	269	00				
34	Office Supplies and Expense	22	03				
35	Insurance on Stock and Store Equipment	1	61				
36	Taxes on Stock and Store Equipment	2	50				
37	Losses from Bad Debts	33	56				
38	Miscellaneous General Expense	26	79				
39	Rent	71	25				
	Total general expense			426	74	787	57
	Net profit from trading					568	69
	INCOME FROM OTHER SOURCES.						
42	Interest	17	09				
43	Cash Discounts on Merchandise Purchases	6	55				
44	Rent income (net)	16	52				
45	Miscellaneous Outside Income	2	00			7	98
	Total net profit					576	67

FORM B.

SYSTEM OF ACCOUNTS FOR RETAIL MERCHANTS.

BALANCE SHEET, JAN. 31, 1916.

ASSETS.					
CURRENT ASSETS.					
1	Cash on hand and in bank.....			\$1,611	67
2	Notes Receivable—Trade Customers.....			191	84
3	Accounts Receivable—Trade Customers.....	\$3,518	81		
4	Less Reserve for Bad Debts.....	33	56		
				3,485	25
	Inventory of merchandise (at cost).....			2,909	06
5	Prepaid Insurance.....			100	14
6	Accrued Interest Receivable.....				71
	Total current assets.....				\$8,298 67
FIXED ASSETS.					
7	Store Property.....	4,500	00		
8	Warehouse Property.....	1,975	00		
		6,475	00		
9	Less Reserve for Depreciation on Store and Warehouse.....	26	98	6,448	02
10	Store Equipment.....			272	71
11	Office Equipment.....			74	37
12	Delivery Equipment.....			396	67
	Total fixed assets.....				7,191 77
	Total assets.....				15,490 44
LIABILITIES AND CAPITAL.					
CURRENT LIABILITIES.					
13	Notes Payable—Trade Creditors.....	1,210	50		
14	Notes Payable—Banks.....	900	00		
15	Accounts Payable—Trade Creditors.....	3,685	72		
16	Accounts Payable—Others.....	485	00		
17	Accrued Interest Payable.....	19	23		
18	Accrued Salaries and Wages.....	82	00		
19	Accrued Taxes.....	7	75		
	Total current liabilities.....			6,390	20
21	Mortgages Payable (warehouse).....			1,250	00
	Total liabilities.....			7,640	20
22	Proprietor's Capital Account.....			7,850	24
	Total liabilities and capital.....				15,490 44