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Idea Exchange

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IDEA EXCHANGE

By THEIA CASCIO, Beverly Hills, California

Grocery Store Inventories

To save time in taking monthly inventory, many grocers use a simple form which has a column for each retail selling price so the grocer writes in only the physical count (number of pieces) in the appropriate columns as he takes stock. The total number of units in each column, multiplied by its retail selling price, gives the value of the inventory at retail. The sum of the extensions of all the columns gives the total store inventory value at retail.

In reducing the inventory value at selling prices to cost value, it is necessary to assume an average gross-margin ratio for the business as a whole. This average ratio should be carefully estimated and the same ratio should be used on both beginning and ending inventories. The total inventory value at retail is multiplied by this gross-margin percentage, and the resulting dollar gross margin is subtracted from the inventory value at retail to give the inventory value at cost. For example, assuming an end-of-month inventory value of $1,200 at retail:

Inventory value at retail	$1,200
Less: Inventory value X an average margin ratio of 20% of retail	240
Equals: Inventory value at cost prices	$ 960

The value of the inventory at the end of the month becomes, of course, the value of the inventory at the beginning of the next month. Thus, the margin of error in this method is negligible because it is only the difference between the beginning and ending inventories that becomes part of the cost-of-goods-sold figure.

—*Mildred Swem, Los Angeles Chapter*

Attacking Absenteeism

Absenteeism created quite a problem in our office of 25 employees until I decided to award employees for "perfect attendance." These awards are cash and/or surprise gifts, depending upon the period of time of perfect attendance. For instance, if an employee has not missed a day or been tardy for a period of three months, he or she will be given a cash award of $5.00; at the end of six months, a cash award of $5.00 plus a surprise gift; at the end of nine months, a cash award of $7.50; and at the end of twelve months, a cash award of $10.00. It is surprising how the employees look forward to getting attendance awards; and the money given does not compare to the loss caused by absenteeism.

There are other ways of keeping down absenteeism, too, that I work out: (1) trying to keep my employees happy in their work by making pleasant working conditions, and (2) to discharge anyone who is a chronic absentee.

—*Grace W. Hughey, Atlanta Chapter*

Control of Accounts Payable Invoices

At our office it is necessary for three separate offices to check invoices before payment is made. To avoid keeping a permanent book record, we find the following method of controlling incoming invoices to be effective and accurate:

Our vendors are asked to send us an original and one copy of each invoice. Upon receipt of these invoices each day, they are stamped to show the following information:

Date received	Date goods received
Voucher number	Prepaid or collect
OK'd per............	Quantity ok'd
Price and discount ok'd	

The original invoices for that day are attached to a first sheet with information shown on the front as to the voucher number of each, the time each person receives the invoices, and the date and time they are passed to the next person in line.

If it's necessary for any person to hold out one of the invoices, his initial is shown with the invoice number and reason. The stack should be returned within two days. When a stack is returned, the voucher numbers are checked and if all have been returned they are filed alphabetically for payment and the duplicate stack destroyed. If one of the invoices is being held by another office to be checked on, the duplicate invoice is clipped to the first sheet and held for a few days to be checked on later. When the original is returned, the first sheet and duplicate invoice can be destroyed.

—*Margie Gaines, Atlanta Chapter*

Invoices Should Carry Company Address

Be kind to your customers' accounting department and expedite the payment of invoices by having the street address where

(Continued on page 13)

TAX NEWS

By LOUISE A. SALLMANN, C.P.A., San Francisco, California

The August issue of The Woman CPA should arrive on your desk at approximately the same time as the September 15 notices of installments due on the 1955 Declaration of Estimated Tax for your employers and/or clients. Since the Internal Revenue Service has now issued IRS Publication No. 186 answering questions involved in proper preparation and filing of such declarations, we think it an appropriate time to review the code in light of the published IRS interpretations.

Briefly, the Code provides for penalties to be computed on *each* installment *separately*, a straight 6% per annum on the difference between the amount actually paid and 70% of the amount which should have been paid (66-2/3% in the case of farmers). The 6% charge runs until the amount is paid or until the filing of the final tax return whichever is earlier. September 15 amended declarations may effect reductions of penalties accruing to the April 15 installment of 3½% and to the June 15 installment of 5%, on an annual basis.

No penalties are assessable as long as the tax paid on any installment is at least equal to an installment computed on any one of the following bases; (1) the previous year's tax; (2) the tax based on the previous year's income, computed at the current year's rates and exemptions; (3) 70% of the tax (66-2/3% for farmers) computed on the actual income for the months preceding the installment date but annualized; (4) 90% of the tax computed at the current year's rates on the basis of the "actual" taxable income for the months ending before the month for which the installment is due, as if such months constituted a taxable year (IRC 6654).

Some of the factors to be considered in preparing amended declarations as indicated in the IRS publication are as follows:

1. If inventories are an income producing factor and method (4) is used, inventory values must be established in preparing the declaration.
2. Year-end bonuses may not be taken into account throughout the year but only when paid or accrued.
3. The filing and payment of an amended declaration on January 15 no longer cancels the penalty, but it will stop the running of the 6% penalty.
4. The amount of any underpayment of any installment is always determined by subtracting the amount actually paid in respect of such installment from the amount required to be paid on or before the installment date. The amount of the underpayment is never determined by subtracting the amount actually paid from the amount computed under any of the permissible methods. However, *no penalty will be imposed if any of these methods applies.* The amount required to be paid is determined by dividing 70% or 66-2/3% (farmers) of the tax which is shown on the Form 1040 for 1955 by the number of installments in your taxable year. The amount actually paid in respect to the installment includes amounts paid on prior installments in excess of the amounts required to be paid by such prior installment dates.
5. The fact that any one of the four methods prescribed is used in filing the original declaration on April 15 does not preclude the use of any other method in filing an amended declaration later on.

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(Continued from page 12)

payment is to be made appear clearly on your company invoices. Some invoices have no address at all, and many cities return all mail addressed without a street address.

—Nellie Joling, Grand Rapids Chapter

Machine Accounting Literature

There are more than 1000 pieces of literature available from any IBM office for those contemplating installation of machine accounting through card punch systems, or for those interested in a clearer understanding of machine functions and the many interpretations of the information available through machines. Some of these are:

#22-4933 or	
#32-6293	Payroll and labor accounting
#22-5710	Salary accounting
#32-5608	Manufactured control
#22-5128	1. Principles of production management
#22-5129	2. Product scheduling
#22-5333	3. Manufacturing specifications
#22-6031	4. Production planning and control

—Florene Cochran, Los Angeles Chapter