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Cost accounting manual for refrigerated warehouses;

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COST ACCOUNTING MANUAL
FOR
COLD STORAGE INDUSTRY

C O S T A C C O U N T I N G M A N U A L

FOR

R E F R I G E R A T E D W A R E H O U S E S

PREPARED FOR THE

PACIFIC STATES COLD STORAGE WAREHOUSEMEN'S ASSOCIATION

BY

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P R E F A C E

THIS COST ACCOUNTING MANUAL FOR COLD STORAGE WAREHOUSE COMPANIES HAS BEEN PREPARED FOR THE PACIFIC STATES COLD STORAGE WAREHOUSEMAN'S ASSOCIATION, NORTHERN CALIFORNIA GROUP. MONTHS OF STUDY, RESEARCH AND PRACTICAL TESTS PRECEDED THE WRITING OF THE MANUAL; THIS INCLUDED DISCUSSIONS WITH REPRESENTATIVES OF TEN MEMBERS OF THIS GROUP. THE BASIC PRINCIPLES AND PROCEDURES WERE ALSO DISCUSSED AT SEVERAL INDUSTRY GROUP MEETINGS. FINALLY, ADVANCE COPIES WERE RELEASED TO MORE THAN 30 COLD STORAGE WAREHOUSE COMPANIES IN BOTH THE NORTHERN AND SOUTHERN CALIFORNIA AREAS, WITH AN INVITATION TO EACH COMPANY TO SUBMIT COMMENTS AND SUGGESTIONS.

THE FACT THAT COLD STORAGE COMPANIES IN CALIFORNIA ARE UNDER THE PUBLIC UTILITIES COMMISSION REGULATIONS HAD SOMETHING TO DO WITH "SPARKING" THIS INDUSTRY UNDERTAKING; BUT THIS HAS HAD LITTLE TO DO WITH THE PRACTICAL PROBLEM OF EVOLVING A SIMPLE AND WORKABLE COST FINDING SYSTEM. COLD STORAGE COMPANIES ANYWHERE AND EVERYWHERE CAN BENEFIT BY SUCH A SYSTEM. THERE HAS BEEN WIDESPREAD INTEREST IN THIS PROBLEM THROUGHOUT THE UNITED STATES FOR MANY YEARS. AS EVIDENCE OF THIS FACT, THE FOLLOWING IS QUOTED FROM THE OPENING REMARKS OF MR. F. D. NEWELL, JR., WHO ACTED AS MODERATOR FOR A PANEL DISCUSSION BEFORE THE 68TH ANNUAL MEETING OF THE NATIONAL ASSOCIATION OF REFRIGERATED WAREHOUSES, HELD IN WASHINGTON, D. C. IN APRIL, 1959.

"GENTLEMEN, WE DID A LITTLE RESEARCH. THIS ASSOCIATION IS 68 YEARS OLD AND THERE IS ONE SUBJECT THAT HAS BEEN ON CONVENTION AGENDAS NEARLY EVERY YEAR FOR THOSE 68 YEARS. IT'S PROBABLY THE MOST ABUSED SUBJECT. WE ALL SIT HERE EVERY YEAR AND SAY 'LET'S DO SOMETHING ABOUT OUR COSTS,' THEN WE GO HOME AND DO NOTHING ABOUT IT IN MOST CASES.

"IN THE HOPE THAT WE COULD STIMULATE A NEW APPROACH TO THIS THING WE ARE GOING TO TACKLE IT FROM A LITTLE DIFFERENT STANDPOINT. BUT, BASICALLY IT IS THE SAME THING YOU HAVE BEEN TALKING ABOUT FOR 68 YEARS."

THIS MANUAL SHOULD BE CONSIDERED AS TENTATIVE IN THE SENSE THAT SOME MODIFICATIONS WILL BE NECESSARY FROM TIME TO TIME AS FUTURE EXPERIENCE PROVES THE NEED FOR SUCH MODIFICATIONS. THIS IS PARTICULARLY TRUE OF THE COST RELATIONSHIP FACTORS SHOWN FOR LOT SIZES, AS THEY APPLY TO BOTH STORAGE AND HANDLING OPERATIONS. IT WILL BE A SIMPLE MATTER TO SUBSTITUTE AND INSERT REVISED OR NEW PAGES, OR EVEN REVISED SECTIONS, IN THIS LOOSELEAF BINDER; AS AND WHEN IT BECOMES NECESSARY OR DESIRABLE.

THE BASIC UNIT COST FINDING CONCEPT SET FORTH HEREIN WILL BE BOTH NEW AND REVOLUTIONARY FOR THE COLD STORAGE INDUSTRY. HOWEVER, THE USE OF COST RELATIONSHIP FACTORS IS NOT A NEW TECHNIQUE; IT HAS BEEN USED SUCCESSFULLY FOR MORE THAN 20 YEARS IN THE FOOD PROCESSING INDUSTRY; PARTICULARLY IN THE CANNING AND FROZEN FOOD INDUSTRIES, BOTH OF WHICH INVOLVE UNIT COSTS FOR NUMEROUS SIZE AND GRADE ITEMS, FOR MANY DIFFERENT PRODUCTS. IN RECENT YEARS IT HAS ALSO BEEN ADAPTED TO THE PROBLEM OF UNIT COST FINDING FOR THE FIR PLYWOOD INDUSTRY WHICH INVOLVES NUMEROUS ITEMS OF PLYWOOD PANELS, BY GRADE AND THICKNESS. THE APPLICATION OF THIS SAME GENERAL TECHNIQUE TO THE PROBLEM OF UNIT COST FINDING FOR COLD STORAGE WAREHOUSES IS EXPLAINED AND ILLUSTRATED IN SECTION V OF THIS MANUAL; REFER PARTICULARLY TO PAGE 6 OF SECTION V.

THE IMPORTANCE OF THE UNIT COST FINDING TECHNIQUE REFERRED TO IN THE PRECEDING PARAGRAPH CANNOT BE OVEREMPHASIZED, BECAUSE IT IS THE TOOL WHICH IS SO EFFECTIVELY USED TO SIMPLIFY A COMPLEX PROBLEM; AND SIMPLICITY IS ALL-IMPORTANT. BY CONVERTING THE UNITS HANDLED AND STORED (IN EACH DEPARTMENT) BY COST RELATIONSHIP FACTORS WHICH PROPERLY REFLECT THE TWO MOST IMPORTANT COST VARIABLES - (1) DENSITY, (2) LOT SIZE - THE UNIT COSTS CAN BE EXPRESSED IN TERMS OF COST PER 100# UNIT. IF THE COST RELATIONSHIP FACTORS ARE CORRECT, THEN THE COST PER UNIT FOR THE COMMON DENOMINATOR ITEM WILL ALSO BE ACCURATE. THIS SIMPLE TECHNIQUE MAKES IT POSSIBLE TO DETERMINE UNIT COSTS MOSTLY BY ARITHMETICAL COMPUTATIONS, RATHER THAN BY DETAILED AND CUMBERSOME BOOKKEEPING RECORDS.

THE AUTHORS OF THIS MANUAL HAVE LITTLE DOUBT THAT THE GENERAL PRINCIPLES AND PROCEDURES OUTLINED HEREIN FOR COLD STORAGE WAREHOUSES CAN BE READILY ADAPTED TO THE PRACTICAL COST ACCOUNTING NEEDS OF THE DRY STORAGE INDUSTRY, THE MEMBERS OF THAT INDUSTRY ARE ALSO IN THE BUSINESS OF SELLING SPACE, BOTH AS TO THE STORAGE ROOMS, AND AS TO THE PALLETS WHICH CARRY THE MERCHANDISE IN AND OUT OF THE WAREHOUSE. THE TWO IMPORTANT COST VARIABLES IN THAT INDUSTRY ARE ALSO (1) DENSITY, (2) LOT SIZE.

C O S T A C C O U N T I N G M A N U A L
F O R
R E F R I G E R A T E D W A R E H O U S E S
T A B L E O F C O N T E N T S

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SECTION I - INTRODUCTORY

THIS MANUAL OF ACCOUNTING FOR THE CALIFORNIA COLD STORAGE INDUSTRY WILL RECOMMEND AND ILLUSTRATE PROCEDURES FOR THE PREPARATION OF DEPARTMENTAL OPERATING STATEMENTS, AND THE DETERMINATION OF DEPARTMENTAL UNIT COSTS. THE ACCOUNTING PROBLEMS ARE BASICALLY THE SAME FOR CALIFORNIA AS FOR ANY OTHER AREA, THE PRINCIPAL DIFFERENCE BEING THE FACT THAT IN CALIFORNIA THE RATES ARE REGULATED BY THE PUBLIC UTILITIES COMMISSION.

IN THIS INTRODUCTORY SECTION THE ACCOUNTING PROBLEMS AND OBJECTIVES ARE DISCUSSED IN VERY GENERAL TERMS; THE SOLUTIONS ARE DISCUSSED AND ILLUSTRATED IN LATER SECTIONS.

IT WILL BE OBVIOUS, OF COURSE, THAT THE ACCOUNTING PROCEDURES OUTLINED IN THIS MANUAL WILL NEED TO BE MODIFIED TO MEET THE PARTICULAR NEEDS OF EACH COMPANY. EACH COMPANY WILL HAVE PROBLEMS AND PRACTICES THAT ARE PECULIAR TO ITSELF AND THE ACCOUNTING SYSTEM MUST BE TAILORED TO FIT THE NEEDS OF EACH COMPANY. THIS CAN BE DONE WITHOUT VIOLATING THE BASIC AND FUNDAMENTAL PRINCIPLES WHICH ARE OUTLINED HEREIN.

A SIGNIFICANT DIFFERENCE IN COLD STORAGE WAREHOUSES IS IN THE TYPE OF OPERATION; I.E., "PRODUCTION" WAREHOUSES AND "DISTRIBUTION" WAREHOUSES. HOWEVER, THEY CANNOT BE CLASSIFIED INTO TWO DISTINCT GROUPS BECAUSE THERE ARE MANY "IN-BETWEEN" TYPES. THE ACCOUNTING PROCEDURES OUTLINED HEREIN CAN BE ADAPTED TO BOTH TYPES WITHOUT VIOLATING THE PRINCIPLES THAT WILL ACCOMPLISH UNIFORMITY.

SIMPLICITY - AN IMPORTANT OBJECTIVE

THE PROBLEM OF UNIT COST FINDING FOR THE COLD STORAGE INDUSTRY IS INHERENTLY COMPLEX; THIS IS BECAUSE OF THE NUMEROUS VARIABLES DISCUSSED HEREIN WITH RESPECT TO LOT SIZES AND DENSITIES. IT IS POSSIBLE, HOWEVER, TO REDUCE THIS COMPLEX PROBLEM TO A SIMPLE SOLUTION; AND THIS IS THE PRIMARY PURPOSE OF THIS MANUAL. THE MOST IMPORTANT STEP IN ACCOMPLISHING THIS OBJECTIVE IS TO (1) ADOPT A COMMON UNIT OF MEASURE AND (2) DEVELOP SUBSTANTIALLY ACCURATE COST ALLOCATION FACTORS THAT WILL ENABLE THE WAREHOUSEMAN TO CONVERT ALL THE MERCHANDISE HANDLED OR STORED (ACTUAL WEIGHT) TO THE COMMON DENOMINATOR UNIT OF MEASURE. THESE TWO STEPS ARE SO CLOSELY RELATED THAT IN ACTUAL FACT THEY REPRESENT ONE PROBLEM AND ONE SOLUTION.

WHEN THE UNITS HANDLED OR STORED (100# UNITS) ARE RECORDED AND COVERED TO COMMON DENOMINATOR UNITS, THE PROBLEM OF UNIT COST FINDING IS THEN ESSENTIALLY THE SAME (FOR EXAMPLE) AS WOULD BE THE CASE FOR A WAREHOUSE THAT HANDLES ONLY DRY STORAGE WHEAT, MEASURED IN TERMS OF BUSHELS OR TONS. THE VARIOUS MAJOR ELEMENTS OF COST, DIVIDED BY THE NUMBER OF BUSHELS HANDLED OR STORED IS THE COST PER BUSHEL FOR THAT OPERATION. WHEN THE UNIT COSTS FOR ALL OF THE FUNCTIONAL DEPARTMENTS ARE ADDED TOGETHER THE RESULT IS THE GRAND TOTAL COST PER BUSHEL FOR HANDLING AND STORING WHEAT. THIS IS COST ACCOUNTING IN ITS SIMPLEST FORM.

IN ORDER TO CONVERT FROM ACTUAL 100# UNITS TO EQUIVALENT 100# UNITS, IT IS NECESSARY TO PROVIDE FOR QUANTITY RECORDS WHICH WILL SHOW THE NUMBER OF UNITS FLOWING THROUGH EACH DEPARTMENT FOR EACH ACCOUNTING PERIOD. AN ACCURATE RECORD OF QUANTITIES IS THE "OTHER HALF" OF ANY RELIABLE UNIT COST FINDING SYSTEM. THE COST SYSTEM OUTLINED HEREIN WILL PROVIDE FOR A STRICTLY ACCURATE ANALYSIS OF CUSTOMER BILLINGS IN TERMS OF ACTUAL AND CONVERTED 100# UNITS. THIS RECORD OF QUANTITIES, TOGETHER WITH A CONDENSED FUNCTIONAL CHART OF OPERATING ACCOUNTS WILL MAKE THE COST FINDING PROCEDURES VERY SIMPLE INDEED.

REVENUES MUST ALSO BE SEGREGATED BY FUNCTIONAL DEPARTMENTS SO THAT REVENUES PER BASIC 100# UNIT CAN BE DETERMINED IN THE SAME MANNER, AND BY THE USE OF THE SAME ALLOCATION FACTORS AS FOR THE UNIT COSTS. THIS IS IMPORTANT BECAUSE IT ACCOMPLISHES THE ULTIMATE OBJECTIVE OF ANY UNIT COST FINDING SYSTEM, WHICH IS TO BE ABLE TO COMPARE UNIT COSTS WITH UNIT SELLING PRICES. THE SYSTEM OUTLINED HEREIN WILL ENABLE THE EXECUTIVE TO COMPARE THE BASIC UNIT COSTS WITH THE BASIC UNIT SELLING PRICE (OR REVENUE) FOR THE SAME BASIC 100# UNIT. THIS IS POSSIBLE BECAUSE THE TOTAL COST OF THE BASIC UNIT FOR EACH MAJOR DEPARTMENT IS A TRUE INDEX TO THE COST OF ALL ITEMS FLOWING THROUGH THE DEPARTMENT; AND THE SAME IS TRUE OF THE REVENUE PER BASIC UNIT. THE TECHNICAL PROCEDURES FOR ACCOMPLISHING THESE ULTIMATE OBJECTIVES WILL BE MADE CLEAR BY THE ILLUSTRATIVE STATEMENTS AND COMPUTATIONS CONTAINED IN THIS MANUAL.

OTHER CONSIDERATIONS THAT WILL CONTRIBUTE IMPORTANTLY TO THE SIMPLIFICATION OF THESE COST ACCOUNTING PROCEDURES ARE (1) A CONDENSED CHART OF OPERATING ACCOUNTS. GREAT DETAIL IS NOT A VIRTUE, AND DOES NOT HAVE ANY APPEAL TO THE EXECUTIVE WHO STUDIES AND MAKES DECISIONS BASED UPON RELIABLE COST COMPUTATIONS, (2) ONLY MAJOR OPERATING DEPARTMENTS ARE RECOGNIZED AND PROVIDED FOR IN THE CHART OF ACCOUNTS AND IN THE OPERATING AND UNIT COST STATEMENTS. THE MATTER OF DEPARTMENTALIZATION HAS NOT BEEN EXTENDED BEYOND THE PRACTICAL NEEDS OF A COLD STORAGE WAREHOUSE COMPANY.

UNIFORMITY

SINCE COST ACCOUNTING IS NOT AN EXACT SCIENCE IT IS NECESSARY TO FORMULATE ACCOUNTING RULES FOR DETERMINING UNIT COSTS. THESE RULES ARE BASED UPON REASON, LOGIC, AND COMMON SENSE; SOMEWHAT IN THE SAME MANNER AS PROFESSIONAL ACCOUNTANTS HAVE DONE IN ESTABLISHING THE RULES OF SO-CALLED "GOOD ACCOUNTING PRACTICE," WITH RESPECT TO THE PREPARATION OF BALANCE SHEETS AND INCOME STATEMENTS. THE RULES WHICH THE ACCOUNTING PROFESSION HAS GENERALLY ADOPTED FOR ITS GUIDANCE IN DETERMINING UNIT COSTS ARE NECESSARILY SO BROAD THAT IT BECOMES NECESSARY FOR THE INDIVIDUAL ACCOUNTANT TO ADAPT THEM TO THE NEEDS OF A PARTICULAR COMPANY. THIS PROCESS OF ADAPTING GOOD COST ACCOUNTING PRINCIPLES TO A PARTICULAR PROBLEM LEADS TO A MULTIPLICITY OF SOLUTIONS FOR DIFFERENT COMPANIES IN THE SAME INDUSTRY, SIMPLY BECAUSE THE PROBLEM IS SOLVED BY DIFFERENT ACCOUNTANTS. THIS LACK OF UNIFORMITY IS THE ONLY THING THAT IS A "UNIFORM" CHARACTERISTIC OF THE COST SYSTEMS (IF ANY) NOW BEING USED BY THE MEMBERS OF THE COLD STORAGE WAREHOUSE INDUSTRY.

THERE IS A GREAT AND IMPELLING NEED FOR A UNIFORM SYSTEM OF COST ACCOUNTING FOR THIS INDUSTRY, AND THE REASONS ARE SO OBVIOUS THAT IT WILL NOT BE NECESSARY TO DO MORE THAN MAKE A BRIEF COMMENT ON THE SUBJECT. IN CALIFORNIA, FOR EXAMPLE, THE INDUSTRY HAS NOT BEEN ABLE TO COMPILE DEPARTMENTAL STATEMENTS, NOR UNIT COST DATA IN A UNIFORM MANNER FOR THE PURPOSE OF SUPPORTING APPLICATIONS FOR RATE ADJUSTMENTS. IN OTHER AREAS, EACH WAREHOUSE COMPANY MAKES ITS OWN RATES, AND IN MOST INSTANCES THE WAREHOUSEMAN IS GUIDED ENTIRELY BY HIS COMPETITORS' RATES, WITHOUT THE BENEFIT OF A COMPARISON WITH HIS OWN COSTS. THIS IS BECAUSE HE MAKES NO ATTEMPT TO DETERMINE UNIT COSTS. AS TO THE FEW COMPANIES THAT DO DETERMINE COSTS, THEIR RESULTS ARE NOT COMPARABLE BECAUSE OF THE LACK OF UNIFORMITY IN THEIR COST ACCOUNTING PROCEDURES; IF THEIR COSTS ARE DETERMINED IN A DIFFERENT MANNER THEY MAY HAVE VASTLY DIFFERENT AND UNREALISTIC IDEAS AS TO WHAT THE RATES SHOULD BE. THE PRIMARY PURPOSE OF A UNIFORM COST ACCOUNTING SYSTEM IS TO HELP THE MEMBERS OF AN INDUSTRY TO LEARN HOW TO SPEAK A COMMON LANGUAGE, AND THUS BECOME MORE INTELLIGENT COMPETITORS.

REDUCED TO ITS SIMPLEST TERMS A UNIFORM COST FINDING SYSTEM FOR THE COLD STORAGE INDUSTRY SHOULD INCLUDE THE FOLLOWING:

1. A UNIFORM CHART OF ACCOUNTS; ALL REVENUES AND COST ACCOUNTS DESCRIBED SO SPECIFICALLY THAT THEY WILL MEAN THE SAME THING TO ALL PEOPLE. THIS WILL ALSO INCLUDE A DEFINITION AND DESCRIPTION OF THE MAJOR OPERATING DEPARTMENTS FOR WHICH UNIT COSTS ARE TO BE DETERMINED.
2. A PRESCRIBED METHOD OF ALLOCATING AND/OR PRORATING VARIOUS ELEMENTS OF COST TO THE MAJOR OPERATING DEPARTMENTS; THIS WILL INCLUDE ALL ELEMENTS OF COST, BOTH DIRECT AND INDIRECT, SO THAT THE FINAL STATEMENTS WILL SHOW THE GRAND TOTAL COST.
3. THE SELECTION OF A COMMON UNIT OF MEASURE FOR ALL PRODUCTS HANDLED AND STORED, TOGETHER WITH A PRACTICAL METHOD OF COMPILING RELIABLE STATISTICS OF THE QUANTITIES OF THESE UNITS FLOWING THROUGH EACH MAJOR DEPARTMENT DURING THE ACCOUNTING PERIOD.
4. THE DETERMINATION OF SUBSTANTIALLY ACCURATE COST RELATIONSHIP FACTORS WHICH WILL PROPERLY REFLECT THE TWO MAJOR VARIABLES IN UNIT COSTS, WHICH ARE: LOT SIZE AND DENSITY. THIS TECHNIQUE WILL MAKE IT POSSIBLE TO ACHIEVE THE END RESULTS BY THE USE OF ARITHMETICAL COMPUTATIONS RATHER THAN BY ELABORATE AND DETAILED COST ACCOUNTING RECORDS.
5. A COMPLETE SET OF DEPARTMENTAL OPERATING STATEMENTS AND UNIT COST STATEMENTS EXPLAINING AND ILLUSTRATING THE ACCOUNTING AND UNIFORM COST FINDING SYSTEM. THIS IS THE KIND OF ASSISTANCE WHICH THE INDIVIDUAL COMPANY WILL NEED IN ORDER TO MAKE THE SYSTEM WORK FOR HIM AND TO ACHIEVE UNIFORMITY FOR THE INDUSTRY.

THE PURPOSE FOR OUTLINING THE ABOVE LISTED ESSENTIAL FEATURES OF A UNIFORM COST ACCOUNTING SYSTEM IS THAT THESE ARE THE OBJECTIVES OF THIS MANUAL.

NEED FOR A COMMON UNIT OF MEASURE

ONE OF THE CALIFORNIA INDUSTRY'S MOST DIFFICULT ACCOUNTING PROBLEMS ARISES OUT OF THE FACT THAT THE TARIFF REGULATIONS DO NOT RECOGNIZE A COMMON UNIT OF MEASURE. THE STORAGE AND HANDLING RATES ARE EXPRESSED IN TERMS OF MANY DIFFERENT KINDS OF UNITS, SUCH AS, 100#, CUBIC FEET, CASES, CANS, BOXES, BARRELS, ETC. THE TARIFF REGULATIONS HAVE BEEN ISSUED IN SECTIONS FOR VARIOUS KINDS OF PRODUCTS, AND IN MANY INSTANCES THERE ARE THREE DIFFERENT UNITS OF MEASURE FOR THE SAME PRODUCT. FOR EXAMPLE, IN THE TARIFF REGULATION FOR "DECIDUOUS FRUITS, BERRIES, AND PINEAPPLE," THE FREEZER STORAGE RATES ARE SHOWN FOR THE FOLLOWING UNITS OF MEASURE:

1. BOXES, CARTONS, CRATES, BARRELS, ETC. - RATE PER 100#
2. METAL CANS OF CERTAIN SPECIFIED SIZES - RATE PER CAN
3. ALL OTHER CONTAINERS - RATE PER CU. FT.

IT IS SIGNIFICANT THAT "ALL OTHER" CONTAINERS ARE BILLED AT A RATE PER CUBIC FOOT, BECAUSE THE WAREHOUSEMAN IS IN THE BUSINESS OF SELLING REFRIGERATED SPACE. IT NATURALLY FOLLOWS, THEREFORE, THAT THIS IS THE MOST LOGICAL UNIT OF MEASURE FOR COST FINDING PURPOSES. THE MOST COMMONLY USED UNIT OF MEASURE IS 100#, ALTHOUGH ALL OF THE OTHER UNITS LISTED ABOVE ARE USED FOR CERTAIN PRODUCTS. THE 100# UNIT OF MEASURE WILL PROVE TO BE THE MOST PRACTICAL FOR UNIT COST FINDING PURPOSES, AND THE REASON FOR THIS CONCLUSION WILL BE MADE CLEAR IN THIS MANUAL OF COST ACCOUNTING PROCEDURES. THE COMMON UNIT OF MEASURE (100#) WILL BECOME THE BASIC UNIT OF MEASURE, AFTER IT HAS BEEN ADJUSTED FOR DENSITY AND LOT SIZE WHICH MEANS THAT THE COMMON DENOMINATOR UNIT IS THE EQUIVALENT OF CUBIC FEET.

DENSITY, AN IMPORTANT UNIT COST VARIABLE

NEARLY ALL OF THE TARIFF REGULATIONS PROVIDE FOR RATES THAT VARY ACCORDING TO THE DENSITY OF THE PRODUCT; THUS RECOGNIZING THE IMPORTANT FACT THAT THE WAREHOUSEMAN IS IN THE BUSINESS OF SELLING REFRIGERATED SPACE. REDUCED TO ITS SIMPLEST TERMS THIS MEANS THAT THE COST OF STORING PACKAGE A - ONE CU. FT. IN SIZE AND WEIGHING 20# WILL BE THE SAME AND SHOULD HAVE THE SAME STORAGE RATE (PER PACKAGE) AS PACKAGE B, WEIGHING 40# AND ALSO MEASURING ONE CU. FT. THE TARIFF RATES RECOGNIZE THIS FUNDAMENTAL COST PRINCIPLE; BUT HERE AGAIN THERE IS A LACK OF UNIFORMITY IN THE MANNER IN WHICH THE RATE STRUCTURE HAS BEEN APPLIED TO DIFFERENT PRODUCTS.

FOR EXAMPLE, ALL OF THE FOLLOWING DENSITY GROUPINGS ARE FOUND IN THE PRESENT REGULATIONS, FOR VARIOUS PRODUCTS:

1. LESS THAN 15# PER CU. FT. - 15 TO 25# - OVER 25#
2. LESS THAN 20# PER CU. FT. - OVER 20#
3. LESS THAN 15# PER CU. FT. - 15 TO 20# - OVER 20#

THIS IS NOT A COMPLETE LIST, BUT THESE ARE THE MOST COMMONLY USED RANGE GROUPINGS ACCORDING TO DENSITY.

IN ACTUAL PRACTICE, THE WAREHOUSEMAN RECEIVES THE MERCHANDISE IN TERMS OF ACTUAL WEIGHTS, OR IN TERMS OF PACKAGES THAT ARE READILY CONVERTIBLE TO ACTUAL WEIGHTS. THE VARIATION IN COST ACCORDING TO DENSITY CAN BE COMPUTED IN A SCIENTIFICALLY ACCURATE MANNER. FOR PRACTICAL ACCOUNTING PURPOSES, THE DENSITY RANGE GROUPINGS NEED NOT COVER MORE THAN 5 DENSITY POINTS, I.E., FROM 15 TO 20# PER CU. FT., 20 TO 25# PER CU. FT., ETC. IN DOING THIS THERE IS AN ASSUMPTION WITH RESPECT TO THE AVERAGE DENSITY FOR EACH RANGE GROUP. FOR EXAMPLE, FOR THE 15 TO 20# RANGE GROUP THE AVERAGE IS ASSUMED TO BE 17.5 CU. FT.; FOR THE 20 TO 25# RANGE GROUP THE AVERAGE IS ASSUMED TO BE 22.5# PER CU. FT. THE FOLLOWING IS A TABLE SHOWING THE COST ALLOCATION FACTORS FOR EACH OF THE SEVEN SUGGESTED DENSITY RANGE GROUPS:

<u>DENSITY RANGE GROUP</u>	<u>ASSUMED AVERAGE DENSITY</u>	<u>COST ALLOCATION FACTOR</u>
UNDER 15# PER CU. FT.	13.5	2.00
15 TO 20# PER CU. FT.	17.5	1.50
20 TO 25# PER CU. FT.	22.5	1.25
25 TO 30# PER CU. FT.	27.5	1.00
30 TO 35# PER CU. FT.	32.5	.85
35 TO 40# PER CU. FT.	37.5	.75
OVER 40# PER CU. FT.	42.5	.65

THE ASSUMED AVERAGES WILL BE ONLY APPROXIMATELY CORRECT; THE ACTUAL AVERAGE COULD VARY SLIGHTLY, DEPENDING UPON THE PRODUCT. FOR THIS REASON, IT SEEMS PERMISSIBLE TO "ROUND OFF" THE COST ALLOCATION FACTORS; THIS HAS BEEN DONE IN COMPUTING THE COST ALLOCATION FACTORS SHOWN IN THE RIGHT-HAND COLUMN OF THE ABOVE TABLE. ALSO, IT IS REASONABLE TO ASSUME THAT IF THIS TABLE IS SUBSTANTIALLY ACCURATE FOR ANY ONE PRODUCT, THEN IT SHOULD BE APPLICABLE TO ALL PRODUCTS ALIKE. THERE IS NO NEED TO PROVIDE TARIFF RATES BY PRODUCTS NOR TO DETERMINE UNIT COSTS BY PRODUCTS.

THESE COST ALLOCATION FACTORS ARE APPLICABLE TO COOLER STORAGE AND FREEZER STORAGE. BY APPLYING THE FACTORS TO THE ACTUAL WEIGHT STORED, THE ACTUAL WEIGHT CAN BE CONVERTED TO THE EQUIVALENT WEIGHT. THUS, THE VARIABLE DUE TO DIFFERENCES IN DENSITY IS ELIMINATED, AND THE CONVERTED WEIGHT (PER 100#) BECOMES THE COMMON DENOMINATOR UNIT OF MEASURE FOR COMPUTING UNIT COSTS.

SPACE/WEIGHT RELATIONSHIP ALSO IS INVOLVED IN THE DETERMINATION OF COST ALLOCATION FACTORS FOR HANDLING AND FOR QUICK FREEZING. HOWEVER, IN THE CASE OF THESE DEPARTMENTS THE DENSITY FACTORS MUST BE ADJUSTED TO RECOGNIZE HANDLING TIME PER PALLET AND FREEZING TIME. (SEE SECTION V).

LOT SIZES - A VARIABLE UNIT COST FACTOR

NEARLY ALL OF THE TARIFF REGULATIONS PROVIDE FOR RATES THAT VARY ACCORDING TO THE SIZE OF THE LOT, RECOGNIZING THE IMPORTANT FACT THAT SMALLER LOTS ARE MORE COSTLY TO HANDLE OR STORE THAN LARGE LOTS. HOWEVER, THERE IS A LACK OF UNIFORMITY AND CONSISTENCY WITH RESPECT TO THE

"BREAKING POINT" FOR LOT SIZES. FOR EXAMPLE, ALL OF THE FOLLOWING RANGE GROUPINGS FOR LOT SIZES ARE FOUND IN THE PRESENT REGULATIONS, FOR DIFFERENT PRODUCTS:

1. LESS THAN 5,000# - 5,000 TO 20,000# - OVER 20,000#
2. LESS THAN 10,000# - 10,000 TO 20,000# - OVER 20,000#
3. LESS THAN 5,000# - OVER 5,000#
4. LESS THAN 2,000# - OVER 2,000#
5. LESS THAN 2,000# - 2,000 TO 20,000# - OVER 20,000#

THE ABOVE IS NOT A COMPLETE LIST, BUT IT WILL BE SUFFICIENT TO ILLUSTRATE THE LACK OF UNIFORMITY IN THE PRESENT INDUSTRY PRACTICE. IT IS DIFFICULT TO JUSTIFY THESE VARIATIONS BECAUSE IT IS LOGICAL TO ASSUME THAT THE DIFFERENCES IN COST ARE NOT RELATED TO THE PRODUCT IN THE CONTAINER, BUT RATHER TO THE SIZE OF THE ENTIRE LOT.

IT IS POSSIBLE TO DEVELOP AND USE A SET OF COST ALLOCATION FACTORS REPRESENTING SUBSTANTIALLY ACCURATE COST DIFFERENTIALS ACCORDING TO LOT SIZE. AFTER THESE DIFFERENTIALS HAVE BEEN DETERMINED THEY SHOULD BE ADOPTED AND USED IN A UNIFORM AND CONSISTENT MANNER FOR ALL PRODUCTS ALIKE. THE FOLLOWING TABLE OF COST ALLOCATION FACTORS IS PROPOSED FOR COOLER STORAGE AND FREEZER STORAGE:

<u>LOT SIZE RANGE GROUP</u>	<u>COST ALLOCATION FACTOR</u>
UNDER 500#	6.00
500# TO 1,000#	3.00
1,000# TO 2,000#	1.50
2,000# TO 5,000#	1.25
5,000# TO 10,000#	1.05
10,000# TO 25,000#	1.00
OVER 25,000#	.95

WHILE THESE SUGGESTED COST DIFFERENTIALS ARE NOT REPRESENTED TO BE 100% ACCURATE, THEY ARE SUBSTANTIALLY CORRECT, AND THEIR USE BY AN INDUSTRY WILL ACCOMPLISH A DEGREE OF UNIFORMITY THAT WILL ENABLE EACH COMPANY TO MAKE SIGNIFICANT COMPARISONS OF HIS OWN COSTS WITH INDUSTRY GROUP AVERAGES, FOR THE SAME AREA. THEY WILL ALSO MAKE IT POSSIBLE FOR THE WAREHOUSEMAN TO COMPARE HIS OWN COSTS FROM YEAR TO YEAR.

LOT SIZE FACTORS FOR HANDLING ARE BASED ON TIME REQUIREMENTS, WHEREAS LOT SIZES IN STORAGE INVOLVE UNOCCUPIED SPACE. NEVERTHELESS, THE FACTORS PRESENTED IN SECTION V FOR HANDLING ARE SIMILAR TO THOSE LISTED ABOVE. IN QUICK FREEZING LOT SIZE IS NOT REGARDED AS A MATERIAL COST CONSIDERATION.

PARTIAL LOT DELIVERIES

IT IS STANDARD PRACTICE IN THE INDUSTRY TO MAKE PARTIAL DELIVERIES FROM A PARTICULAR LOT. IN A "DISTRIBUTION" OPERATION THIS MAY EXTEND TO ASSEMBLING SMALL QUANTITIES FROM EACH OF SEVERAL LOTS. BOTH OF THESE SITUATIONS CREATE A SPECIAL COST ACCOUNTING PROBLEM SINCE THE LOT SIZE CLASSIFICATION IS CUSTOMARILY BASED UPON THE INITIAL SIZE OF THE LOT. THE DIMENSIONS OF THIS PROBLEM ARE REDUCED TO A CONSIDERABLE EXTENT BY THE FACT THAT MERCHANDISE DELIVERED IN SMALL QUANTITIES IS RECEIVED IN SMALL LOTS.

TO FURTHER COMPENSATE FOR LOWER SPACE UTILIZATION RESULTING FROM PARTIAL LOTS IN STORAGE, IT IS PROPOSED IN THIS MANUAL THAT THE LOT SIZE RANGE GROUP CLASSIFICATION FOR STORAGE DEPARTMENTS ULTIMATELY BE BASED ON THE DECLINING BALANCE IN A LOT. IN THIS MANNER, INCREASING UNIT STORAGE COST AS A LOT DIMINISHES IN SIZE IS RECOGNIZED IN THE SYSTEM BY APPLYING HIGHER COST ALLOCATION FACTORS.

IN THE CASE OF HANDLING IT APPEARS THAT THE ONLY PRACTICAL METHOD IS TO DETERMINE THE LOT SIZE CATEGORY ON THE BASIS OF THE INITIAL SIZE OF THE LOT. THEREFORE, WE RECOMMEND THAT THE ADDITIONAL COST OF PARTIAL DELIVERIES BE RECOVERED BY AN EXTRA CHARGE FOR EACH DELIVERY, OR FOR DELIVERIES UNDER CERTAIN SIZE, OR SOME COMBINATION THEREOF. THIS AND OTHER PROBLEMS RELATING TO LOT SIZE ARE DISCUSSED MORE FULLY IN OTHER SECTIONS OF THIS MANUAL.

MAJOR CONTRACT LABOR OPERATIONS - AND OTHER SIMILAR DEPARTMENTS

THERE ARE CERTAIN SPECIAL SERVICES OPERATIONS THAT INVOLVE A SUBSTANTIAL AMOUNT OF DIRECT LABOR; IN EFFECT THEY ARE CONTRACT LABOR OPERATIONS, AND SHOULD BE TREATED SEPARATELY, SO THAT BOTH COSTS AND REVENUES CAN BE SEGREGATED FROM THE REGULAR HANDLING DEPARTMENT.

EXAMPLES OF SUCH MAJOR HANDLING SERVICES ARE:

1. LOADING AND UNLOADING CARS OR TRUCKS
2. PACKAGING OR OTHER SPECIAL HANDLING OF PRODUCTS IN CONNECTION WITH THE QUICK FREEZING OPERATIONS

THESE ARE OPERATIONS WHICH ARE NORMALLY PERFORMED BY THE CUSTOMER, BUT SOMETIMES CONTRACTED TO THE WAREHOUSEMAN. THE CHARGES FOR SUCH SERVICES ARE NOT RELATED TO DENSITY, NOR TO LOT SIZES, WHICH IS AN ADDITIONAL REASON FOR EXCLUDING THE COSTS AND REVENUES FROM THE REGULAR HANDLING DEPARTMENT.

SOME WAREHOUSE COMPANIES MAY HAVE OTHER OPERATING DEPARTMENTS THAT ARE ONLY INCIDENTALLY RELATED (OR NOT AT ALL RELATED) TO THE COLD STORAGE BUSINESS. IN CALIFORNIA SUCH OPERATIONS ARE DESIGNATED "NON-UTILITY OPERATIONS." FOR EXAMPLE, MAKING AND SELLING ICE; ICING REFRIGERATED CARS; OPERATING A FARM; RENTING UNREFRIGERATED WAREHOUSE SPACE, OR OTHER BUILDINGS. FOR VERY OBVIOUS REASONS ALL SUCH OPERATIONS SHOULD BE SEGREGATED (ACCOUNTINGWISE) FROM THE NORMAL WAREHOUSING OPERATIONS.

INCIDENTAL SERVICES

IN ADDITION TO THE TWO SOURCES OF REVENUES DISCUSSED ABOVE, THERE ARE OTHER SERVICES TO CUSTOMERS THAT ARE NOT RELATED TO LOT SIZE, NOR DENSITY. FOR THE MOST PART, THESE SO-CALLED "ACCESSORIAL" CHARGES COVER EXTRA COSTS INCURRED FOR CERTAIN PARTICULAR PRODUCTS; THEY ARE NOT COMMON TO ALL PRODUCTS. WHILE THESE INCIDENTAL ITEMS ARE AN IMPORTANT CONSIDERATION IN THE ACCOUNTING PROBLEMS, THEY ARE RELATIVELY SMALL, REPRESENTING PERHAPS LESS THAN 10% OF THE GROSS REVENUE. THESE EXTRA CHARGES ARE FOR SERVICES THAT ARE OVER AND ABOVE OR IN ADDITION TO THE CHARGES THAT ARE BASED UPON LOT SIZE AND DENSITY.

THE DOLLAR COST OF PERFORMING THESE SUNDRY SMALL SERVICES CANNOT BE READILY IDENTIFIED AND SEGREGATED FROM THE MAJOR ELEMENTS OF COST; THE UNIT COSTS COMPUTED FOR THE MAJOR OPERATING DEPARTMENTS WILL AUTOMATICALLY INCLUDE THE COST OF THESE INCIDENTAL SERVICES. THE FACT THAT THESE SERVICES ARE INCIDENTAL WILL FULLY JUSTIFY THIS PRACTICAL ACCOUNTING TREATMENT. THE REVENUE FROM SUCH SERVICES SHOULD BE TREATED AS A PART OF THE MAJOR DEPARTMENT REVENUES, BUT IDENTIFIED SO THAT THEY CAN BE SHOWN SEPARATELY FROM MAJOR DEPARTMENTAL REVENUES THAT ARE RELATED TO LOT SIZES AND DENSITIES. THE DESCRIPTION OF AND THE COST ACCOUNTING TREATMENT FOR THESE INCIDENTAL SERVICES WILL BE DISCUSSED IN MORE DETAIL IN SECTION V OF THIS MANUAL.

SECTION 11 - DEPARTMENTAL OPERATIONS

IT IS A COMMON PRACTICE TO DEPARTMENTALIZE A BUSINESS, ACCOUNTINGWISE; THE PRIMARY PURPOSE BEING TO ENABLE MANAGEMENT TO ACHIEVE A BETTER UNDERSTANDING OF OPERATING RESULTS. THE COLD STORAGE INDUSTRY IS NOT AN EXCEPTION TO THIS GENERAL PRACTICE.

THE ACCOUNTING SYSTEM SHOULD BE "TAILORED" TO FIT THE NEEDS OF THE COLD STORAGE INDUSTRY, WITH RESPECT TO ITS MAJOR OPERATING DEPARTMENTS; THIS IS AN IMPORTANT PART OF A UNIFORM COST ACCOUNTING SYSTEM. THE SYSTEM FOR AN INDUSTRY MUST BE SUFFICIENTLY FLEXIBLE TO ENABLE INDIVIDUAL COMPANIES TO USE IT AND ACCOMPLISH UNIFORMITY IN THE FINAL UNIT COSTS, EVEN THOUGH THERE ARE IMPORTANT VARIABLES IN THE SERVICES SOLD BY INDIVIDUAL COMPANIES WITHIN AN INDUSTRY. IN FACT, SUCH DEPARTMENTALIZATION IS NECESSARY IN ORDER TO ACHIEVE UNIFORMITY. FOR EXAMPLE, SOME COMPANIES MAY HAVE COOLER STORAGE ONLY; OTHERS FREEZER STORAGE ONLY; OTHERS BOTH. SOME COMPANIES WILL OPERATE A QUICK FREEZING DEPARTMENT; OTHERS WILL NOT OWN SUCH FACILITIES. BY SEGREGATING THE MAJOR OPERATING DEPARTMENTS, ACCOUNTINGWISE, IT WILL BE POSSIBLE FOR EACH COMPANY TO PREPARE DEPARTMENTAL COSTS THAT WILL BE COMPARABLE WITH THE SAME DEPARTMENTS OF OTHER COMPANIES. WITHOUT THIS DEPARTMENTALIZATION, UNIFORM AND COMPARABLE COSTS WOULD BE IMPOSSIBLE.

FURTHERMORE, DEPARTMENTALIZATION IS NECESSARY IN ORDER TO DETERMINE UNIT COSTS. AN OPERATING STATEMENT BY DEPARTMENTS IS A PREREQUISITE IN THE PREPARATION OF A UNIT COST STATEMENT. THE ILLUSTRATIVE STATEMENTS IN SECTION IV OF THIS MANUAL SHOW BOTH STATEMENTS ON THE SAME PAGE. AFTER THE DOLLAR AMOUNTS HAVE BEEN SEGREGATED, AND THE QUANTITIES DETERMINED, THEN THE UNIT COSTS ARE COMPUTED BY DIVIDING THE DOLLAR AMOUNTS BY THE NUMBER OF BASIC UNITS FLOWING THROUGH THE DEPARTMENT FOR THE ACCOUNTING PERIOD.

THE PARAGRAPHS BELOW WILL DESCRIBE, IN GENERAL TERMS, THE MAJOR OPERATING DEPARTMENTS WHICH ARE TO BE RECOGNIZED IN THE PREPARATION OF COST AND OPERATING STATEMENTS. THE DESCRIPTIVE CHART OF ACCOUNTS IN THE LAST SECTION OF THIS MANUAL WILL SET FORTH IN MORE DETAIL THE ACTUAL LEDGER ACCOUNTS THAT WILL BE NECESSARY TO PREPARE SUCH STATEMENTS.

FREEZER STORAGE OPERATIONS

SINCE FREEZER STORAGE REQUIRES LOWER TEMPERATURES AND, THEREFORE, HIGHER REFRIGERATION COSTS, IT IS NECESSARY TO PROVIDE FOR TWO STORAGE DEPARTMENTS (1) FREEZER STORAGE AND (2) COOLER STORAGE. IT IS MORE PROPER TO SAY THAT THESE ARE BOTH SUBDIVISIONS OF A COLD STORAGE OPERATION. THE OPERATING STATEMENTS MAY, IN SOME INSTANCES, SHOW THE OVER-ALL OPERATING RESULTS FOR ALL STORAGE OPERATIONS, AS WELL AS FOR EACH OF THESE TWO IMPORTANT SUBDIVISIONS.

DIRECT LABOR IS A RELATIVELY SMALL ELEMENT OF COST IN THE FREEZER STORAGE OPERATION CONSISTING OF MOVING GOODS, CLEANING UP, AND SIMILAR WORK INSIDE THE FREEZER STORAGE ROOMS. THE PRINCIPAL ELEMENT OF COST IN THIS DEPARTMENT, IN ADDITION TO LABOR, WILL BE (1) A SHARE OF THE REFRIGERATION COST, INCLUDING POWER AND (2) A SHARE OF FIXED CHARGES AND OTHER INCIDENTAL EXPENSES.

THE UNIT COSTS FOR THIS DEPARTMENT WILL BE SHOWN IN TERMS OF COST PER 100#, THE COMMON DENOMINATOR UNIT OF MEASURE, AS IS MORE FULLY EXPLAINED ELSEWHERE IN THIS MANUAL. THESE UNIT COSTS WILL BE SHOWN ALONG WITH AND AS A PART OF THE DEPARTMENTAL OPERATING STATEMENTS AS ILLUSTRATED IN SECTION IV OF THIS MANUAL. THE UNIT COSTS WILL BE FOR THE COMMON DENOMINATOR UNIT OF MEASURE, RECOGNIZING BOTH DENSITY AND LOT SIZE.

REVENUE AND EXPENSE PERTAINING TO LEASED STORAGE SPACE (FREEZER OR COOLER) IS NOT CONSIDERED PART OF THE REGULAR FREEZER OR COOLER STORAGE DEPARTMENTS SINCE UNIT COSTS CANNOT BE READILY DETERMINED FOR THIS OPERATION. GOODS STORED IN SUCH SPACE BY LESSEES ARE NOT CONTROLLED BY THE COLD STORAGE COMPANY, AND THEREFORE QUANTITATIVE DATA IS NOT AVAILABLE FOR UNIT COST DETERMINATION. REVENUES ARE LIKEWISE NOT COLLECTED ON A WEIGHT STORED BASIS AND ARE NOT ADAPTABLE TO THE COMMON DENOMINATOR UNIT COST CONCEPT. REVENUES AND EXPENSES FOR THIS SERVICE SHOULD BE ACCUMULATED IN THE SPECIAL SERVICES DEPARTMENT AS DISCUSSED IN A LATER SECTION OF THIS MANUAL. IF THE AMOUNTS ARE IMMATERIAL THEY MAY BE DISREGARDED FOR SEGREGATION AND INCLUDED IN THE APPROPRIATE STORAGE DEPARTMENT.

COOLER STORAGE OPERATIONS

THE ACCOUNTING TREATMENT AND THE ELEMENTS OF COST WILL BE THE SAME FOR COOLER STORAGE AS FOR FREEZER STORAGE DESCRIBED ABOVE. ONE OF THE DIFFERENCES IN THE UNIT COSTS WILL BE IN THE REFRIGERATION EXPENSE PER UNIT. HOWEVER, THERE MAY BE OTHER IMPORTANT DIFFERENCES DUE TO THE INHERENT CHARACTERISTICS OF A PARTICULAR OPERATION.

IT IS NEITHER PRACTICABLE NOR NECESSARY TO SEPARATE "PRECOOLING" FROM "COOLER STORAGE." SOME COMPANIES DO NOT HAVE ANY PRECOOLING BUSINESS, AND FOR OTHERS IT WILL USUALLY BE A RELATIVELY MINOR OPERATION. THE DIFFICULTY OF ALLOCATING LABOR AND OTHER COSTS AS BETWEEN PRECOOLING AND REGULAR COOLER STORAGE IS TOO GREAT TO JUSTIFY AN ATTEMPT TO MAINTAIN A SUBDEPARTMENT FOR PRECOOLING.

THE PRECEDING STATEMENT MAY NOT BE APPLICABLE TO SOME COMPANIES; IF AND WHEN PRECOOLING IS A MAJOR OPERATION, THEN A SEPARATE SUBDEPARTMENT SHOULD BE PROVIDED IN THE GENERAL LEDGER ACCOUNT CLASSIFICATION, SO THAT BOTH REVENUES AND COSTS CAN BE SEGREGATED IN THE OPERATING STATEMENT.

IN MOST INSTANCES COLD STORAGE PLANTS ARE EQUIPPED TO USE EACH STORAGE ROOM OR CELL FOR EITHER COOLER STORAGE TEMPERATURES OR FREEZER STORAGE TEMPERATURES. THEREFORE, IT WILL NOT BE POSSIBLE TO MAKE A PREDTERMINATION OF THE PRORATION OF FIXED CHARGES TO THESE DEPARTMENTS. THESE CHARGES MUST BE PRORATED IN A SOMEWHAT FLEXIBLE MANNER, PERMITTING THE CHARGES TO FOLLOW THE PRODUCTS THROUGH EACH TYPE OF STORAGE.

AS EXPLAINED ABOVE IN CONNECTION WITH "FREEZER STORAGE," THE UNIT COSTS FOR THE DEPARTMENT WILL BE SHOWN ALONG WITH AND AS A PART OF THE DEPARTMENTAL OPERATING STATEMENT. THE UNIT COSTS WILL BE SHOWN IN TERMS OF COST PER 100# CONVERTED TO THE COMMON DENOMINATOR UNIT OF MEASURE, RECOGNIZING BOTH OF THE COST VARIABLES - DENSITY AND LOT SIZE.

HANDLING OPERATIONS

THE HANDLING DEPARTMENT WILL CONSIST MOSTLY OF LABOR OPERATIONS. IN ADDITION TO DIRECT LABOR AND THE RELATED COSTS SUCH AS INDIRECT LABOR, PAY ROLL TAXES, AND OTHER LABOR BENEFITS, THERE WILL BE THE FIXED CHARGES AND SUNDRY OPERATING EXPENSES APPLICABLE TO THE HANDLING EQUIPMENT; THIS EQUIPMENT WILL CONSIST OF LIFT TRUCKS, CONVEYORS, ELEVATORS, ETC.

ALL HANDLING WILL BE TREATED AS ONE MAJOR OPERATING DEPARTMENT, CONSISTING OF HANDLING IN AND HANDLING OUT. ALSO, THIS DEPARTMENT WILL INCLUDE, WITHOUT SEGREGATION, THE HANDLING IN AND OUT FOR BOTH COOLER STORAGE AND FREEZER STORAGE. THERE ARE NO IMPORTANT DIFFERENCES IN COST THAT CAN BE IDENTIFIED WITH THESE VARIOUS TYPES OF HANDLING OPERATIONS AS SUCH.

THE UNIT COSTS FOR HANDLING WILL BE DETERMINED IN THE SAME MANNER AS FOR "COOLER STORAGE" AND "FREEZER STORAGE" AS DESCRIBED ABOVE, RECOGNIZING BOTH OF THE TWO IMPORTANT COST VARIABLES, DENSITY AND LOT SIZE, AND IN ADDITION, THE TIME PER PALLET. THE COST PER 100# WILL BE IN TERMS OF THE SAME COMMON DENOMINATOR UNIT OF MEASURE; HOWEVER, THE NUMBER OF UNITS FLOWING THROUGH THIS DEPARTMENT WILL BE ENTIRELY DIFFERENT.

AS EXPLAINED IN SECTION 1, THE LOT SIZE CLASSIFICATION WILL BE BASED UPON THE SIZE OF THE LOT RECEIVED. THIS ASSUMES THAT A LOT OF ANY SIZE WILL BE DELIVERED INTACT, AND THE CHARGE TO THE CUSTOMER AT THE TIME THE MERCHANDISE IS RECEIVED, FOR HANDLING IN AND HANDLING OUT, IS PREDICATED ON THIS SAME ASSUMPTION. IN ACTUAL PRACTICE THIS IS NOT SO; THEREFORE, IT WILL BE NECESSARY TO RECOVER THE ADDITIONAL COST ATTRIBUTABLE TO DELIVERING PARTIAL LOTS BY AN EXTRA CHARGE AT THE TIME OF DELIVERY. THIS COULD BE IN THE FORM OF A FLAT CHARGE PER DELIVERY FROM EACH LOT ALTHOUGH, IN THEORY, THE CUSTOMER WOULD BE ENTITLED TO ONE DELIVERY FROM EACH LOT WITHOUT AN EXTRA CHARGE. IN ANY EVENT, IT WILL NOT BE NECESSARY TO ANALYZE THE DELIVERY TAGS AS TO DENSITIES OR LOT SIZES. THE EXTRA REVENUE FOR PARTIAL LOT DELIVERIES, HOWEVER DETERMINED, WILL BE CREDITED TO THE HANDLING DEPARTMENT IN THE SAME MANNER AND AS A PART OF OTHER INCIDENTAL REVENUES THAT ARE NOW DESIGNATED "ACCESSORIAL SERVICES" IN THE PRESENT CALIFORNIA P. U. C. TARIFF.

QUICK FREEZING OPERATIONS

THE QUICK FREEZING OPERATIONS WILL VARY SUBSTANTIALLY BETWEEN COMPANIES, DEPENDING ON THE ARRANGEMENTS BETWEEN THE COLD STORAGE COMPANY AND THE CUSTOMER. NORMALLY, THE WAREHOUSE COMPANY OPERATES THE FREEZING TUNNELS ONLY. THE CUSTOMER PREPARES AND PACKAGES THE GOODS EITHER BEFORE OR AFTER THE QUICK FREEZING. ONLY THE LABOR OF OPERATING THE QUICK FREEZING DEPARTMENT AND OTHER LABOR INCIDENT THERETO IS CHARGEABLE TO THIS DEPARTMENT. THIS IS THE ONLY LABOR COST COVERED BY THE TARIFF RATES IN CALIFORNIA.

WHEN THE COLD STORAGE COMPANY PROVIDES LABOR OPERATIONS WHICH INVOLVE PREPARATION AND/OR PACKAGING (OR HANDLING OTHER THAN THE FREEZING DESCRIBED ABOVE) THERE WILL BE AN ADDITIONAL CHARGE. SUCH ADDITIONAL COSTS WILL BE SEGREGATED AND IDENTIFIED WITH THE "SPECIAL SERVICES" DEPARTMENT. LIKEWISE, THE REVENUE FROM THESE EXTRA LABOR SERVICE CHARGES WILL BE IDENTIFIED

SEPARATELY, AS A SUBDIVISION OF THE SPECIAL SERVICES OPERATION. THIS ACCOUNTING TREATMENT IS NECESSARY BECAUSE, AS STATED ABOVE, THE P. U. C. TARIFF RATES DO NOT ANTICIPATE NOR INCLUDE THESE EXTRA LABOR COSTS, AND FOR THE FURTHER REASON THAT THESE OPERATIONS DO NOT INVOLVE COST VARIABLES DUE TO DENSITIES.

AT THE POINT WHERE THE OUTPUT OF THE QUICK FREEZER IS STACKED ON PALLETS, READY TO BE DELIVERED TO THE FREEZER STORAGE ROOMS, THE QUICK FREEZING DEPARTMENT OPERATION ENDS. THE DELIVERY OF THE PRODUCT TO THE FREEZER STORAGE ROOMS IS A "HANDLING" OPERATION.

WITH RESPECT TO THE QUICK FREEZING OPERATION ITSELF, THE WAREHOUSEMAN IS IN THE BUSINESS OF SELLING SPACE IN THE FREEZING TUNNELS, WHICH MAKES THE PROBLEM OF DENSITIES THE SAME OR SIMILAR TO THAT OF STORAGE. LOT SIZE VARIABLES ARE INVOLVED TO A LESSER EXTENT IN THE QUICK FREEZING OPERATION.

A MAJOR COST CONSIDERATION IS THE LENGTH OF TIME REQUIRED TO PENETRATE DIFFERENT SIZE PACKAGES, AND THERE ARE OTHERS, SOME OF WHICH ARE OFFSETTING. DUE TO THE COMPLEX NATURE OF THE QUICK FREEZING OPERATION IT IS SUGGESTED THAT UNIT COSTS FOR THIS DEPARTMENT BE FIGURED ON A FLAT PER HUNDRED POUND BASIS PENDING FURTHER STUDY.

REFRIGERATION - (SERVICE DEPARTMENT)

THIS IS A SERVICE DEPARTMENT, AND NOT AN OPERATING DEPARTMENT. THE COSTS WILL INCLUDE POWER, DIRECT LABOR, INCIDENTAL LABOR COSTS, DIRECT SUPPLIES AND EXPENSES, AND FIXED CHARGES.

BEING A SERVICE DEPARTMENT, THE TOTAL AMOUNT OF THE REFRIGERATION COSTS WILL BE ALLOCATED TO THE VARIOUS OPERATING DEPARTMENTS, SUCH AS: FREEZER STORAGE, COOLER STORAGE, QUICK FREEZING, ETC. THIS ALLOCATION SHOULD BE MADE MONTHLY THROUGHOUT THE YEAR, AND RECORDED IN A MANNER THAT WILL BE CONVENIENT FOR SHOWING THE CHARGES TO DEPARTMENTS IN THE OPERATING STATEMENTS, CUMULATIVELY, DURING THE YEAR. THIS WILL MAKE IT UNNECESSARY TO CLOSE THE REFRIGERATION COST ACCOUNTS EXCEPT AT THE END OF THE YEAR.

IT IS NOT POSSIBLE TO MAKE A STRICTLY ACCURATE DETERMINATION OF POWER AND REFRIGERATION USAGE, BUT THE PROCEDURES SUGGESTED HEREIN SHOULD RESULT IN A SUBSTANTIALLY ACCURATE PRORATION, AND AT THE SAME TIME IT WILL BE SIMPLE TO APPLY. FURTHERMORE, THE PROCEDURE IS ONE THAT CAN, WITH SOME MODIFICATIONS, BE USED BY ALL MEMBERS OF THE INDUSTRY IN ORDER TO ACCOMPLISH A REASONABLE DEGREE OF UNIFORMITY IN ACCOUNTING TREATMENT.

THAT PART OF POWER WHICH IS CHARGED TO REFRIGERATION WILL BE REALLOCATED TO OPERATING DEPARTMENTS ALONG WITH AND AS A PART OF REFRIGERATION USAGE. THE PROBLEMS WILL BE SOMEWHAT DIFFERENT AT EACH PLANT, BUT THE RECOMMENDED PROCEDURE IS FLEXIBLE ENOUGH TO BE ADAPTABLE, AND AT THE SAME TIME IT WILL ACCOMPLISH A REASONABLE DEGREE OF ACCURACY AND UNIFORMITY. MORE WILL BE SAID ABOUT THIS PROBLEM IN SECTION IV OF THIS MANUAL, IN WHICH THE PROCEDURE IS ILLUSTRATED.

SPECIAL SERVICES OPERATIONS

IT WILL BE NECESSARY TO PROVIDE A SPECIAL REVENUE ACCOUNT AND A SPECIAL LABOR COST ACCOUNT FOR THESE OPERATIONS. THEY WILL CONSIST OF SUCH SERVICES AS LEASED STORAGE SPACE, LOADING AND UNLOADING CARS AND TRUCKS, SPECIAL CONTRACT PREPARATION, OR HANDLING OF PRODUCTS IN THE QUICK FREEZING DEPARTMENT. WHEN THE REVENUES AND THE EXPENSES APPLICABLE TO THESE UNUSUAL OPERATIONS ARE SMALL AND INSIGNIFICANT, THESE SEGREGATIONS MAY BE IGNORED AND INCLUDED WITH THE REGULAR STORAGE OR HANDLING OPERATION AS APPROPRIATE, (E.G., LEASING OF STORAGE SPACE - TO COOLER OR FREEZER STORAGE; SPECIAL LABOR OPERATION - TO HANDLING DEPARTMENT, ETC.). ON THE OTHER HAND, WHEN SUCH OPERATIONS ARE SUBSTANTIAL, THESE SEGREGATIONS SHOULD BE MADE BECAUSE THEY ARE NOT COVERED BY THE REGULAR TARIFF RATES. FURTHERMORE, THE COSTS OF SUCH SERVICES ARE NOT RELATED TO DENSITIES, NOR TO LOT SIZES, AND FOR THIS REASON ALONE THEY SHOULD BE EXCLUDED AND SHOWN AS A SEPARATE DEPARTMENT WHEN THEY ARE OF ANY MATERIAL CONSEQUENCE.

THE OPERATING STATEMENT WILL PROVIDE A SEPARATE COLUMN AND SHOW THE OPERATING RESULTS FOR THIS DEPARTMENT, AS ILLUSTRATED IN SECTION IV OF THIS MANUAL. HOWEVER, SINCE THERE IS NO PRACTICAL COMMON UNIT OF MEASURE, NO UNIT COSTS WILL BE SHOWN.

ASSEMBLY LINE OPERATIONS

SOME DISTRIBUTION WAREHOUSES RENT REFRIGERATED SPACE TO CUSTOMERS FOR THE PURPOSE OF PACKAGING, REPACKAGING, AND ASSEMBLING MERCHANDISE FROM NUMEROUS "IN-STORAGE" LOTS, FOR DELIVERY TO ITS CUSTOMERS. THIS IS AN IMPORTANT FUNCTIONAL OPERATION WHICH IS USUALLY HANDLED BY THE WAREHOUSEMAN'S STORAGE CUSTOMER. HOWEVER, THERE ARE SOME INSTANCES IN WHICH THE WAREHOUSEMAN MAKES A CONTRACTUAL ARRANGEMENT WITH HIS CUSTOMER FOR AN ASSEMBLY LINE OPERATION. WHEN THIS IS DONE, THE DELIVERY OF THE MERCHANDISE FROM THE STORAGE ROOM TO THE HOLDING ROOM, OR THE ASSEMBLY LINE ROOM, IS A "HANDLING" OPERATION, AND THERE WILL BE A CHARGE TO THE CUSTOMER IN THE SAME MANNER, AND SUBJECT TO THE SAME SMALL LOT DELIVERY CHARGE AS IF THE GOODS WERE BEING DELIVERED TO THE PLATFORM FOR THE CUSTOMER.

A SPECIAL OPERATING DEPARTMENT SHOULD BE PROVIDED FOR "ASSEMBLY LINE OPERATIONS." ACCOUNTINGWISE, THIS MEANS A SEPARATE REVENUE ACCOUNT, AND A NUMBER OF SEPARATE OPERATING COST ACCOUNTS. THE ILLUSTRATIVE OPERATING STATEMENTS IN SECTION IV OF THIS MANUAL DO NOT SHOW THIS DEPARTMENT. WHEN SUCH A DEPARTMENT IS NECESSARY, THEN THE ADDITIONAL LEDGER ACCOUNTS WILL BE PROVIDED. IN CALIFORNIA THIS DEPARTMENT WILL BE A NON-UTILITY DEPARTMENT, THE ACCOUNTING TREATMENT BEING THE SAME AS DESCRIBED ABOVE UNDER THE CAPTION "SPECIAL SERVICES OPERATIONS."

OTHER NON-UTILITY OPERATIONS

IN CALIFORNIA THE RATES OF PUBLIC WAREHOUSES ARE SUBJECT TO APPROVAL OF THE PUBLIC UTILITIES COMMISSION. HOWEVER, MANY OF THE WAREHOUSE COMPANIES HAVE OPERATIONS OR BUSINESS ACTIVITIES THAT ARE OUTSIDE THE JURISDICTION OF THE P. U. C. THE QUESTION AS TO WHAT IS "NON-UTILITY" BUSINESS IS NOT ENTIRELY CLEAR, EVEN TO THE WAREHOUSE OPERATORS THEMSELVES.

THERE IS A DIFFERENCE OF OPINION AMONG WAREHOUSE EXECUTIVES AS TO EXACTLY WHERE THE LINE SHOULD BE DRAWN BETWEEN UTILITY OPERATIONS AND NON-UTILITY OPERATIONS. HOWEVER, THE RULE OF THUMB GENERALLY FOLLOWED IS THAT THE ACTIVITY FOR WHICH CHARGES ARE SPECIFIED IN THE P. U. C. TARIFF SCHEDULES ARE "UTILITY" OPERATIONS.

ONE OF THE MOST DIFFICULT PROBLEMS ARISES OUT OF THE FACT THAT THERE ARE SOME OPERATIONS WHICH ARE VERY CLOSELY RELATED TO THE WAREHOUSE AND COLD STORAGE BUSINESS, FOR WHICH NO RATES HAVE BEEN PROVIDED BY THE P. U. C. THESE VERY CLOSELY RELATED OPERATIONS SHOULD, FOR ACCOUNTING PURPOSES, BE SEPARATELY ACCOUNTED FOR BUT INCLUDED WITH THE WAREHOUSE COMPANY'S PUBLIC UTILITY OPERATIONS.

IN AN EFFORT TO ACCOMPLISH UNIFORMITY FOR ACCOUNTING PURPOSES, THE FOLLOWING ACTIVITIES ARE ASSUMED TO BE NON-UTILITY:

1. RENTAL OF LAND, BUILDINGS, OR EQUIPMENT, TO A TENANT FOR PURPOSES OTHER THAN COLD STORAGE OPERATIONS.
2. SALES OF REFRIGERATION (NOT REFRIGERATED SPACE) TO A PROCESSOR OR OTHER USERS WHOSE PRIMARY BUSINESS IS NOT REFRIGERATION, AND WHOSE PREMISES ARE NOT OWNED BY THE COLD STORAGE COMPANY.
3. MAKING AND SELLING ICE, ICING REFRIGERATED CARS, AND PRECOOLING OF FRUITS AND VEGETABLES IN THE FIELD.
4. DIVIDENDS AND OTHER SIMILAR REVENUES FROM INVESTMENTS THAT ARE NOT AN ESSENTIAL PART OF THE COLD STORAGE OPERATIONS.
5. ANY OTHER GROSS REVENUES (LESS THE COSTS APPLICABLE THERETO) FROM ACTIVITIES THAT ARE CLEARLY NOT AN ORDINARY AND NECESSARY PART OF THE COLD STORAGE BUSINESS.
6. CAPITAL GAINS OR LOSSES FROM THE SALE OF ASSETS, WHETHER OR NOT USED IN THE COLD STORAGE BUSINESS.

IT WILL NOT BE PRACTICABLE TO COMPUTE UNIT COSTS FOR NON-UTILITY OPERATIONS AS A WHOLE, BECAUSE THERE WILL NOT BE A COMMON UNIT OF MEASURE. IT MAY BE FEASIBLE TO PREPARE A SUBSIDIARY STATEMENT FOR SOME OF THESE MAJOR OPERATIONS. IF UNIT COSTS ARE DESIRABLE FOR ANY OF THESE OPERATIONS, THE UNIT OF MEASURE WILL NOT BE THE 100# COMMON DENOMINATOR ITEM WHICH HAS BEEN PROVIDED FOR THE MAJOR OPERATING DEPARTMENTS, SUCH AS FREEZER STORAGE.

SECTION III - COST ALLOCATION PROBLEMS AND PROCEDURES

SINCE DEPARTMENTALIZATION OF A COLD STORAGE WAREHOUSE OPERATION IS AN ESSENTIAL FEATURE OF A UNIFORM COST ACCOUNTING SYSTEM IT WILL BE NECESSARY TO PROVIDE UNIFORM PROCEDURES FOR SOLVING THE PROBLEM OF COST ALLOCATIONS AND/OR PRORATIONS. TO THE GREATEST EXTENT POSSIBLE, COSTS SHOULD BE ACTUALLY IDENTIFIED BY DEPARTMENTS; THESE ARE THE DIRECT COSTS, AND ARE SO DESIGNATED IN THE GENERAL LEDGER ACCOUNTS.

THERE ARE SOME ELEMENTS OF COST THAT CANNOT BE DIRECTLY IDENTIFIED WITH A DEPARTMENTAL OPERATION. FOR THESE INDIRECT COSTS IT IS NECESSARY TO FORMULATE RULES FOR ALLOCATING OR PRORATING; THESE ARE THE RULES THAT ARE SO NECESSARY IF UNIFORMITY IS TO BE ACHIEVED. SUCH RULES ARE, TO AN EXTENT, ARBITRARY AND THEREFORE THE RESULTS ARE NOT PROVABLE AS TO ACCURACY. SINCE ABSOLUTE ACCURACY IS IMPOSSIBLE, ARBITRARY RULES ARE SUBSTITUTED. IF EVERY MEMBER OF THE COLD STORAGE INDUSTRY WERE TO USE THESE ARBITRARY RULES THE OPERATING RESULTS WOULD BE COMPARABLE. THEREFORE, A CERTAIN KIND AND DEGREE OF ACCURACY IS ACHIEVED, FOR DETERMINING INDUSTRY AVERAGE COSTS. THE PROBLEMS OUTLINED IN THE PARAGRAPHS HEREIN BELOW PERTAIN TO THOSE ELEMENTS OF COST WHICH REQUIRE RULES IN ORDER TO ACCOMPLISH UNIFORMITY.

POWER AND REFRIGERATION COSTS - ALLOCATION PROBLEMS

THE TERM "POWER" MEANS THE COST OF THE KWH USED. THE TERM "REFRIGERATION" MEANS THE DEPARTMENT WHICH CREATES REFRIGERATION FOR USE IN THE VARIOUS OPERATING DEPARTMENTS, AND THE COST OF SUCH REFRIGERATION WILL INCLUDE LABOR, MATERIALS, FIXED CHARGES, AND POWER.

TO THE GREATEST EXTENT POSSIBLE, POWER COSTS SHOULD BE ALLOCATED DIRECTLY TO OPERATING DEPARTMENTS OR FUNCTIONS. THIS CAN BE DONE BY THE USE OF REASONABLY SCIENTIFIC ESTIMATES OF POWER USAGE IN TERMS OF KWH. THE ILLUSTRATIVE FORM (SCHEDULE C-2) WILL INDICATE THE TYPE OF POWER USAGE THAT CAN ORDINARILY BE CHARGED DIRECTLY, SUCH AS FOR THE OPERATION OF EQUIPMENT IN THE HANDLING DEPARTMENT, ETC. IT WILL BE OBVIOUS, OF COURSE, THAT THESE DIRECT CHARGES WILL COVER CERTAIN POWER USAGE THAT DOES NOT INVOLVE THE MANUFACTURE OF REFRIGERATION. IF THE DIRECT POWER USAGE CAN BE MEASURED, OR ESTIMATED IN A SUBSTANTIALLY ACCURATE MANNER, THEN THE REMAINING AMOUNT, WHICH IS CHARGEABLE TO REFRIGERATION, WILL ALSO BE SUBSTANTIALLY ACCURATE.

AFTER THE DIRECT POWER CHARGES HAVE BEEN DETERMINED, AND THE BALANCE CHARGED TO REFRIGERATION, THE MOST DIFFICULT PROBLEM OF ALLOCATION STILL REMAINS; THIS IS TO ALLOCATE THE TOTAL COST OF REFRIGERATION, INCLUDING POWER, TO THE MAJOR OPERATING DEPARTMENTS THAT USE REFRIGERATION. REFRIGERATION IS COMMONLY MEASURED IN TERMS OF "TONS," BUT THE TOTAL TONS OF REFRIGERATION USED ARE ALSO DIRECTLY RELATED TO THE KWH USED TO MANUFACTURE THE REFRIGERATION; THEREFORE, THE BASIS FOR ALLOCATING REFRIGERATION COSTS IS THE KWH OF POWER USED TO SUPPLY THE REFRIGERATION TO EACH SEPARATE UNIT OF REFRIGERATED SPACE. A UNIT OF REFRIGERATED SPACE IS A COLD STORAGE ROOM, A FREEZER STORAGE ROOM, OR THE QUICK FREEZING FACILITY, ETC.

THE AMOUNT OF REFRIGERATION (OR POWER) REQUIRED TO OPERATE A UNIT OF REFRIGERATED SPACE IS AN ELUSIVE AND DIFFICULT COMPUTATION. AN EXACTLY ACCURATE COMPUTATION IS NOT POSSIBLE, BECAUSE OF THE MANY VARIABLES INVOLVED, SUCH AS: THE OUTSIDE TEMPERATURE, THE HEAT TO BE REMOVED FROM THE INCOMING PRODUCTS, THE EFFICIENCY OF THE INSULATION IN THE REFRIGERATED UNITS, THE STORAGE ROOM TEMPERATURE, ETC., ETC. IT IS POSSIBLE, HOWEVER, TO MAKE A REASONABLY ACCURATE ESTIMATE WITH RESPECT TO THE POWER (OR TONS OF REFRIGERATION) NECESSARY TO OPERATE EACH UNIT OF REFRIGERATED SPACE (ROOM) UNDER CERTAIN DEFINED CONDITIONS (WHICH INCLUDES THE TEMPERATURE) FOR A GIVEN PERIOD OF TIME.

THE MOST IMPORTANT FACTORS THAT WILL BE INVOLVED IN MAKING THESE ESTIMATES (FOR EACH UNIT OF REFRIGERATED SPACE) WILL BE (1) THE CUBIC FOOTAGE OF SPACE, (2) THE TEMPERATURE, (3) THE TIME, AND (4) DIRECT POWER FOR OPERATING AUXILIARY EQUIPMENT SUCH AS FANS, DOOR HEATERS, ETC. THERE ARE OTHER FACTORS TO BE CONSIDERED, BUT SINCE THIS IS NOT AN ENGINEERING TREATISE IT WILL NOT BE NECESSARY TO EXTEND THIS EXPLANATION BEYOND THE BASIC PRINCIPLES INVOLVED. IT WILL BE SUFFICIENT TO SAY HERE THAT BY THE MOST ACCURATE ENGINEERING METHODS AVAILABLE TO EACH COMPANY, THE THEORETICAL POWER USAGE SHOULD BE COMPUTED FOR EACH UNIT OF REFRIGERATED SPACE FOR ONE DAY. THEN, BY MULTIPLYING THE THEORETICAL DAILY USAGE BY THE NUMBER OF DAYS, THE THEORETICAL POWER CONSUMPTION CAN BE COMPUTED FOR A MONTH OR PART OF A MONTH. AFTER THE TOTAL THEORETICAL KWH HAS BEEN COMPUTED, THIS TOTAL IS THEN COMPARED WITH THE ACTUAL TOTAL KWH USAGE. FINALLY, THE PERCENTAGE RELATIONSHIP OF THE TOTAL THEORETICAL TO THE ACTUAL USAGE CAN BE USED TO COMPUTE THE ALLOCATION TO EACH UNIT OF REFRIGERATED SPACE. THIS PROCEDURE IS ILLUSTRATED IN THE "REFRIGERATION ALLOCATION SCHEDULE" (SCHEDULE C-1) IN SECTION IV OF THE MANUAL.

THE ALLOCATION PROCEDURE DESCRIBED IN THE FOREGOING PARAGRAPHS WILL BE SIMPLIFIED IF IT IS ASSUMED THAT THE TERM "REFRIGERATION COST" MEANS THE COST "DELIVERED" TO THE POINTS (ROOMS) WHERE IT IS USED. IN COMPUTING THE THEORETICAL POWER USAGE FOR EACH UNIT OF REFRIGERATED SPACE THE ESTIMATE WILL INCLUDE THE POWER USED TO OPERATE ROOM FANS, DOOR HEATERS, AND ALL OTHER SIMILAR AUXILIARY EQUIPMENT REQUIRING POWER TO OPERATE. ALL SUCH ADDITIONAL POWER IS DIRECTLY RELATED TO EACH PARTICULAR UNIT OF REFRIGERATED SPACE WHILE THE UNIT IS IN OPERATION. IN THE ILLUSTRATIVE STATEMENT IN THIS SECTION (SCHEDULE C-1) THE KWH USAGE INCLUDES NOT ONLY THE POWER USED TO PRODUCE THE REFRIGERATION, BUT ALSO THE ADDITIONAL POWER FOR OPERATING SUCH AUXILIARY REFRIGERATION EQUIPMENT.

IT WILL BE OBVIOUS, OF COURSE, THAT THE THEORETICAL KWH USAGE FOR A PARTICULAR UNIT OF REFRIGERATED SPACE WILL DEPEND UPON THE TEMPERATURE. THIS IS IMPORTANT BECAUSE THE SAME UNIT OF REFRIGERATED SPACE MAY BE USED FOR EITHER COLD STORAGE, OR FOR FREEZER STORAGE, WHICH ARE TWO SEPARATE OPERATING DEPARTMENTS.

THE WAREHOUSEMAN'S EXPERIENCE OVER A PERIOD OF TIME WILL ENABLE HIM TO DEVELOP MORE ACCURATE TABLES OF THEORETICAL USAGE FOR EACH SPACE UNIT. FOR EXAMPLE, THERE WILL BE CERTAIN PERIODS OF TIME IN WHICH ONLY CERTAIN SPACE UNITS WILL BE USED, AND THE ACTUAL POWER USAGE DURING

THAT PERIOD CAN BE USED AS A RELIABLE INDICATION OF THE THEORETICAL USAGE FACTOR TO BE USED THEREAFTER IN ALLOCATING THE COST. IF THE TOTAL THEORETICAL USAGE COMPUTATION FOR A MONTHLY PERIOD IS, FOR INSTANCE, WITHIN 5 TO 10% OF THE ACTUAL USAGE, THEN THE THEORETICAL SPACE UNIT RATE MAY BE CONSIDERED QUITE SATISFACTORY. IF NOT, THEN A MORE ACCURATE THEORETICAL SPACE UNIT RATE SHOULD BE ATTEMPTED.

ALLOCATION AND PRORATION OF FIXED CHARGES

THE TERM "FIXED CHARGES" MEANS OWNERSHIP EXPENSES SUCH AS TAXES, INSURANCE AND DEPRECIATION. MOST OF THESE EXPENSES CAN BE PRORATED OR ALLOCATED TO THE VARIOUS OPERATING DEPARTMENTS, SOMEWHAT IN RELATION TO THE COST VALUE OF THE FACILITIES USED BY EACH DEPARTMENT. THE ALLOCATION SCHEDULES CAN BE PREPARED IN CONNECTION WITH AND AS A PART OF AN INVESTMENT SCHEDULE IN THE SAME MANNER AS IS SHOWN HEREIN, WHICH WILL ILLUSTRATE THIS PROCEDURE. WHILE THE COST VALUE IS THE BASIC PRINCIPLE TO BE USED IN PRORATING THESE COSTS, IT WILL BE DESIRABLE TO MAKE SOME OF THESE CHARGES IN A MORE DIRECT MANNER. THE FOLLOWING PARAGRAPHS WILL MORE FULLY EXPLAIN:

DEPRECIATION - MOST OF THE DEPRECIATION CHARGES CAN BE IDENTIFIED WITH THE PROPERTY ACTUALLY USED IN EACH DEPARTMENT. FOR EXAMPLE, THE QUICK FREEZING FACILITIES ARE USUALLY IDENTIFIED AS TO COST, AND THEREFORE THE DEPRECIATION CHARGES ARE READILY IDENTIFIED. THE SAME IS TRUE OF HANDLING EQUIPMENT, REFRIGERATION EQUIPMENT, AND NON-UTILITY OPERATING EQUIPMENT.

ON THE OTHER HAND, DEPRECIATION ON THE STORAGE BUILDINGS MUST BE PRORATED TO THE COOLER STORAGE DEPARTMENT AND TO FREEZER STORAGE DEPARTMENT BY SOME EQUITABLE METHOD, BECAUSE THE STORAGE ROOMS ARE OFTEN USED ALTERNATELY FOR EITHER LOW OR HIGH TEMPERATURE STORAGE. THE METHOD SUGGESTED FOR THIS ALLOCATION IS THE USAGE (FOR EACH MONTH) AS DETERMINED BY THE NUMBER OF BASIC UNITS STORED IN EACH OF THE TWO STORAGE DEPARTMENTS, COOLER STORAGE AND FREEZER STORAGE. THE TERM "BASIC UNITS" MEANS THE NUMBER OF 100# UNITS CONVERTED TO A COMMON UNIT OF MEASURE, AS EXPLAINED AND ILLUSTRATED ELSEWHERE IN THIS MANUAL.

PROPERTY TAXES AND INSURANCE - BOTH OF THESE EXPENSES SHOULD BE PRORATED TO DEPARTMENTS IN RELATION TO THE INVESTMENT (BEFORE DEPRECIATION) IN THE FACILITIES USED IN EACH DEPARTMENT. IN DOING THIS, HOWEVER, STORAGE SHOULD BE TREATED AS ONE DEPARTMENT AND THE TOTAL REDISTRIBUTED TO THE COOLER STORAGE AND THE FREEZER STORAGE DEPARTMENTS IN THE SAME MANNER AS DESCRIBED ABOVE FOR DEPRECIATION; I.E., IN RELATION TO THE NUMBER OF BASIC UNITS STORED IN EACH DEPARTMENT.

RENT - WHEN PROPERTY IS RENTED, THE RENTAL CHARGE SHOULD BE MADE TO THE DEPARTMENT USING THE RENTED FACILITIES. WHEN THE RENTED FACILITIES ARE USED BY MORE THAN ONE DEPARTMENT, AN EQUITABLE ALLOCATION SHOULD BE DETERMINED USING THE BASIC PRINCIPLES DESCRIBED ABOVE FOR OWNERSHIP COSTS.

MAINTENANCE AND REPAIRS - (DIRECT CHARGES)

LABOR AND MATERIAL COSTS FOR REPAIRS AND MAINTENANCE SHOULD BE TREATED AS DIRECT DEPARTMENTAL CHARGES. IN MOST INSTANCES THIS WILL NOT BE DIFFICULT, IF IT IS DONE AT THE TIME THE EXPENSE IS INCURRED. WHEN THE CHARGE IS, IN EFFECT, AN INDIRECT COST, IT WILL BE

NECESSARY TO MAKE AN ESTIMATE OR AN APPROXIMATION OF THE ALLOCATION AT THE TIME THE EXPENSE IS INCURRED. THIS PROCEDURE WILL BE SATISFACTORY FOR PRACTICAL COST ACCOUNTING PURPOSES BECAUSE THE TOTAL AMOUNT OF REPAIRS AND MAINTENANCE IS A RELATIVELY SMALL ELEMENT OF COST; AND, FURTHERMORE, THE ITEMS WHICH MUST BE ALLOCATED TO DEPARTMENTS BY MEANS OF AN ESTIMATE WILL BE ONLY A SMALL PART OF THIS SMALL ELEMENT OF COST.

THE REPAIRS AND MAINTENANCE EXPENSE APPLICABLE TO STORAGE FACILITIES SHOULD BE RE-ALLOCATED TO THE COOLER STORAGE AND THE FREEZER STORAGE DEPARTMENTS IN RELATION TO THE BASIC UNITS STORED, AS EXPLAINED ABOVE IN CONNECTION WITH THE SAME PROBLEM FOR DEPRECIATION AND FOR TAXES AND INSURANCE.

SUPERINTENDENCE, INDIRECT LABOR, AND LABOR BENEFITS

FOR COLD STORAGE WAREHOUSE COMPANIES THESE INDIRECT LABOR COSTS WILL BE A HIGH PERCENTAGE RELATIONSHIP TO DIRECT LABOR; THIS IS FOR THE REASON THAT DIRECT LABOR IS A RELATIVELY SMALL PART OF THE OPERATING COST. FOR A DEFINITION OF THE ACCOUNT "SUPERINTENDENCE AND INDIRECT LABOR" REFER TO THE DESCRIPTIVE CHART OF ACCOUNTS IN THE LAST SECTION OF THIS MANUAL. THE ACCOUNT FOR "LABOR BENEFITS" IS ALSO DEFINED IN THE DESCRIPTIVE CHART OF ACCOUNTS.

BOTH OF THE ABOVE-DESCRIBED LABOR COSTS WILL BE PRORATED TO DEPARTMENTS IN RELATION TO DIRECT LABOR. THIS METHOD IS BASED ON THE ASSUMPTION THAT THE TIME OF THE SUPERINTENDENT, HIS ASSISTANT, IF ANY, AND OTHER INCIDENTAL INDIRECT LABOR, WILL BE SOMEWHAT RELATED TO THE NUMBER OF EMPLOYEES WORKING IN EACH DEPARTMENT. WITH RESPECT TO "LABOR BENEFITS," MOST OF THESE COSTS ARE ACTUALLY INCURRED IN RELATION TO THE PAY ROLL COSTS FOR DIRECT LABOR.

THE SUPERINTENDENCE AND INDIRECT LABOR FOR THE REFRIGERATION DEPARTMENT WILL BE CHARGED DIRECTLY TO THAT DEPARTMENT AND WILL, THEREFORE, BE TREATED AS A DIRECT LABOR ITEM. HOWEVER, THE AMOUNT PAID FOR SUPERINTENDENCE MAY BE IDENTIFIED AS SUCH, IN THE REFRIGERATION LABOR ACCOUNT.

GENERAL OVERHEAD

IN THE DESCRIPTIVE CHART OF ACCOUNTS IN THE LAST SECTION OF THIS MANUAL THERE ARE EIGHT SEPARATE GENERAL OVERHEAD ACCOUNTS. THERE CAN BE A GREAT DEAL OF FLEXIBILITY AS TO THE NUMBER OF ACCOUNTS, ACCOUNT TITLES, AND SUBDIVISIONS OF ACCOUNTS, DEPENDING UPON THE PREFERENCE OF THE INDIVIDUAL COMPANY. HOWEVER, THERE SHOULD NOT BE ANY DEVIATION AS TO THE FUNCTIONAL GROUPING. THIS IS A WELL-DEFINED GROUP OF COSTS, ALL OF WHICH CAN BE PROPERLY DESCRIBED BY THE TERMS OF "GENERAL OVERHEAD," OR "GENERAL ADMINISTRATIVE." ALL OF THESE ACCOUNTS COVER MANAGEMENT, SELLING, AND FINANCIAL EXPENSES.

WHILE EACH OF THE GENERAL LEDGER ACCOUNTS MIGHT APPEAR SEPARATELY IN AN OVERALL OPERATING STATEMENT, OR PROFIT AND LOSS STATEMENT, THE DEPARTMENTAL OPERATING STATEMENT SHOULD COMBINE ALL OF THESE ACCOUNTS INTO ONE SINGLE ELEMENT OF COST. THE SAME IS TRUE OF THE UNIT COST STATEMENT. THIS ACCOUNTING PROCEDURE IS SHOWN IN THE ILLUSTRATIVE OPERATING STATEMENT IN SECTION IV OF THIS MANUAL.

THE TOTAL AMOUNT OF THIS FUNCTIONAL GROUP OF EXPENSES SHOULD BE PRORATED TO THE MAJOR OPERATING DEPARTMENTS IN RELATION TO THE OPERATING COST, BEFORE GENERAL OVERHEAD, FOR EACH DEPARTMENT. THIS METHOD RECOGNIZES THE "COST-FOLLOWS-COST" APPROACH RECOGNIZED BY THE P. U. C.

THE ABOVE-DESCRIBED PROCEDURE FOR MAKING EACH DEPARTMENT CARRY A PRO RATA SHARE OF THIS IMPORTANT ELEMENT OF COST IS ILLUSTRATED IN SECTION IV OF THIS MANUAL. THE PRORATION IS MADE IN THE DEPARTMENTAL OPERATING STATEMENT ONLY. THERE ARE NO ACCOUNTING PROCEDURES INVOLVED, EXCEPT IN THE PREPARATION OF THE STATEMENT ITSELF.

SECTION IV - OPERATING STATEMENTS AND GENERAL ACCOUNTING PROBLEMS

THIS MANUAL IS PRIMARILY CONCERNED WITH COST ACCOUNTING, BUT IN ORDER TO BE EFFECTIVE, UNIT COST FINDING MUST BE PROPERLY CORRELATED WITH GENERAL ACCOUNTING PROCEDURES. IT IS TRUE THAT GENERAL ACCOUNTING PROCEDURES EMBRACE "GOOD ACCOUNTING PRACTICES," IN THE PREPARATION OF THE BALANCE SHEET AND THE INCOME STATEMENT; AND THESE ACCOUNTING PRINCIPLES ARE SO WELL KNOWN THAT THEY NEED NOT BE TREATED IN THIS MANUAL. ON THE OTHER HAND, THERE ARE SOME ACCOUNTING PROBLEMS THAT ARE PECULIAR TO THIS INDUSTRY. THE SUGGESTED SOLUTIONS FOR THESE INDUSTRY PROBLEMS ARE DESIGNED TO CORRELATE THE GENERAL ACCOUNTING PROBLEMS WITH THE UNIT COST FINDING PROCEDURES, ALL WITHIN THE FRAMEWORK OF GOOD ACCOUNTING PRACTICE.

SEASONAL OPERATIONS

THE COLD STORAGE INDUSTRY HAS ALWAYS BEEN AND WILL ALWAYS BE A SEASONAL BUSINESS; THIS IS SO BECAUSE NATURE PRODUCES MANY OF THE PRODUCTS WHICH ARE STORED IN ONLY CERTAIN SEASONS OF THE YEAR. THIS PROBLEM IS MADE SOMEWHAT MORE COMPLEX BY THE FACT THAT EACH OF THE SEVERAL OPERATING DEPARTMENTS HAS ITS OWN INDIVIDUAL SEASONS OF ACTIVITY. FOR EXAMPLE, MANY COMPANIES WILL HAVE A COMPARATIVELY SHORT SEASON FOR COOLER STORAGE FRUITS, AND THIS ACTIVITY MAY NOT BE IN THE SAME PERIOD AS THE QUICK FREEZING OPERATION. FREEZER STORAGE IS USUALLY A YEAR-ROUND ACTIVITY, BUT THE VOLUME OF FREEZER STORAGE IS ALSO SUBJECT TO WIDE FLUCTUATIONS IN DIFFERENT SEASONS OF THE YEAR.

THE SUGGESTED ADJUSTMENTS DESCRIBED IN THE PARAGRAPHS BELOW ARE ALL NECESSARY TO BRING THE REVENUES AND EXPENSES FOR ANY INTERIM ACCOUNTING PERIOD INTO THEIR NORMAL OR ANNUALIZED RELATIONSHIP TO EACH OTHER. WHILE THIS CANNOT BE DONE IN A STRICTLY ACCURATE MANNER, THESE SUGGESTED ADJUSTMENTS WILL AVOID DISTORTIONS THAT WOULD OTHERWISE APPEAR IN THE DEPARTMENTAL OPERATING STATEMENTS AND UNIT COST STATEMENTS, DUE TO THE SEASONAL NATURE OF THE BUSINESS. THESE SUGGESTED ANNUALIZATION ADJUSTMENTS WILL BE SUFFICIENTLY ACCURATE FOR ALL PRACTICAL ACCOUNTING PURPOSES. FURTHERMORE, THE PROCEDURES FOR MAKING THESE ADJUSTMENTS ARE SIMPLE.

DIRECT COSTS NOT ANNUALIZED - LABOR

IT SHOULD BE AND HAS BEEN ASSUMED THAT ONLY THOSE EXPENSES WHICH ARE MORE OR LESS FIXED SHOULD BE ANNUALIZED. THE DIRECT CHARGES ARE AUTOMATICALLY INCURRED SOMEWHAT IN RELATION TO THE VOLUME HANDLED. FOR EXAMPLE, DIRECT LABOR IS QUITE CLOSELY RELATED TO THE NUMBER OF UNITS BEING HANDLED IN EACH OF THE SEVERAL OPERATING DEPARTMENTS. WHEN THE QUICK FREEZER IS CLOSED DOWN THERE ARE NO DIRECT LABOR CHARGES.

THE ABOVE STATEMENT DOES NOT APPLY TO THAT PART OF THE LABOR WHICH REPRESENTS SUPERINTENDENCE, BECAUSE THE SUPERINTENDENT HIMSELF AND HIS ASSISTANTS ARE EMPLOYED ON A YEAR-ROUND BASIS. HOWEVER, SINCE THIS ACCOUNT IS PRORATED TO ALL DEPARTMENTS IN RELATION TO THE DIRECT LABOR THERE WILL NOT BE ANY SERIOUS DISTORTIONS BY OPERATING DEPARTMENTS. EXCEPT IN VERY

UNUSUAL SITUATIONS, IT WILL PROBABLY BE SATISFACTORY NOT TO ANNUALIZE SUPERINTENDENCE AND INDIRECT LABOR. THE TEST WILL BE WHETHER OR NOT FAILURE TO ANNUALIZE CREATES A DISTORTED COST FOR THE CUMULATIVE PERIOD TO DATE.

ANNUALIZING FIXED CHARGES

IT IS A COMMON PRACTICE TO CHARGE TO OPERATING EXPENSES EACH MONTH APPROXIMATELY 1/12 OF THE TOTAL ESTIMATED ANNUAL COST FOR EACH OF THE ACCOUNTS WHICH ARE HEREIN DESIGNATED AS FIXED CHARGES, SUCH AS PROPERTY TAXES, PROPERTY INSURANCE, DEPRECIATION, REPAIRS AND MAINTENANCE, AND RENT. IF THIS WERE NOT DONE THERE WOULD BE A TENDENCY TO DISTORT THE OPERATING EXPENSES. FOR EXAMPLE, "PROPERTY TAXES" ARE PAID ONLY ONCE OR TWICE EACH YEAR, AND IN ORDER TO AVOID A DISTORTION FOR THE MONTH IN WHICH TAXES ARE PAID, THEY ARE ACCRUED MONTHLY AT THE RATE OF 1/12TH OF THE ESTIMATED ANNUAL AMOUNT.

IT WILL BE OBVIOUS THAT SPREADING THESE CHARGES OUT EVENLY FOR THE 12 MONTHS DOES NOT FULLY SOLVE THE PROBLEM BECAUSE THE VOLUME OF BUSINESS IS NOT EVENLY DISTRIBUTED OVER EACH OF THE 12 MONTHS. IN ORDER TO MINIMIZE DISTORTIONS IN MONTHLY OR OTHER PERIODIC OPERATING AND COST STATEMENTS, IT IS NECESSARY TO ACCRUE OR CHARGE THESE EXPENSES TO OPERATIONS IN RELATION TO THE VOLUME OF BUSINESS. IN ORDER TO DO THIS, IT IS NECESSARY TO (1) ESTIMATE THE TOTAL ANNUAL DOLLAR COST FOR EACH OF THESE ACCOUNTS AND (2) ESTIMATE THE TOTAL ANNUAL BUSINESS FOR EACH OF THE MAJOR OPERATING DEPARTMENTS IN TERMS OF THE NUMBER OF UNITS. THESE ESTIMATES WILL RESULT IN AN ESTIMATED RATE PER UNIT. THE MONTHLY CHARGE CAN THEN BE COMPUTED BY MULTIPLYING THE ACTUAL NUMBER OF UNITS HANDLED DURING THE MONTH BY THE ESTIMATED ANNUAL RATE.

THE ABOVE-DESCRIBED PROCEDURES ARE ILLUSTRATED IN THIS SECTION BY THE USE OF TWO ACCOUNTING FORMS. THE FIRST ONE WILL SHOW THE DETERMINATION OF THE ANNUAL RATE. THE SECOND WILL SHOW THE COMPUTATION OF THE CUMULATIVE CHARGE FOR THE PERIOD COVERED BY THE STATEMENT. THESE COMPUTATIONS SHOULD ALWAYS BE MADE CUMULATIVELY; THIS IS FOR THE REASON THAT IT MAY BE NECESSARY, DURING THE YEAR, TO REVISE THE ESTIMATES WHICH ENTER INTO THE COMPUTATION OF THE ANNUAL RATE FOR EACH SEPARATE DEPARTMENT. FOR THIS AND OTHER REASONS, THE CUMULATIVE OPERATING RESULTS WILL ALWAYS BE MORE RELIABLE AND MORE SIGNIFICANT THAN FOR A SINGLE MONTH. MANAGEMENT WILL USUALLY BE WELL SATISFIED WITH CUMULATIVE STATEMENTS IF THEY ARE PREPARED FREQUENTLY AND IN A RELIABLE MANNER.

THE PREPARATION OF THESE SCHEDULES RELATING TO THE ANNUALIZATION OF FIXED CHARGES IS FULLY JUSTIFIED BECAUSE THE TOTAL AMOUNT OF THESE ACCOUNTS REPRESENTS A VERY IMPORTANT ELEMENT OF COST. THE PROCEDURE IS VERY SIMPLE. IT IS TRUE THAT THE ACCURACY OF THE COMPUTATIONS IS DEPENDENT UPON THE JUDGMENT OF THE PERSON MAKING THE ESTIMATES. HOWEVER, ACTUAL RESULTS FOR THE PREVIOUS YEARS, MODIFIED BY ANY KNOWN DIFFERENCES FOR THE CURRENT YEAR, WILL ENABLE THE MANAGEMENT TO MAKE AN INTELLIGENT GUESS. FURTHERMORE, THESE ESTIMATES CAN AND SHOULD BE REVISED AS OFTEN AS NECESSARY THROUGHOUT THE YEAR. ALL ESTIMATES AND ALL REVISIONS OF ESTIMATES SHOULD BE

REVIEWED AND APPROVED BY MANAGEMENT BECAUSE THEY ENTER IMPORTANTLY INTO THE PREPARATION OF THE INTERIM STATEMENTS WHICH ARE MADE FOR THE MANAGEMENT.

REFRIGERATION COSTS ANNUALIZED

THE COST OF POWER USED WILL BE SOMEWHAT DIRECTLY RELATED TO THE VOLUME OF THE PRODUCTS BEING STORED AND/OR QUICK FROZEN. HOWEVER, POWER ITSELF IS ONLY ABOUT ONE-HALF OF THE REFRIGERATION COST. THE OTHER HALF REPRESENTS FIXED CHARGES. IN THIS CASE, EVEN THE LABOR IS A FIXED CHARGE BECAUSE THE LABOR CREW IS THE SAME REGARDLESS OF THE AMOUNT OF REFRIGERATION BEING PRODUCED. THIS MAKES IT NECESSARY AT TIMES TO ANNUALIZE THE REFRIGERATION COSTS.

THE PROCEDURE IS VERY SIMPLE. AFTER REFRIGERATION COSTS PER KWH HAVE BEEN COMPUTED, AS SHOWN IN THE SPECIAL FORM FOR THIS PURPOSE, IT WILL BE POSSIBLE TO DETERMINE WHETHER THE KWH COST TO DATE IS ABNORMAL. FOR EXAMPLE, THE ANNUAL RATE MAY BE ESTIMATED AT 2-1/2¢ PER KWH. IF THE CUMULATIVE COST TO DATE IS 3-1/2¢ PER KWH, IT WILL ALMOST CERTAINLY BE DUE TO A LOWER THAN NORMAL DEMAND FOR REFRIGERATION, CAUSED BY A LOW VOLUME OF BUSINESS. THE ADJUSTMENT TO ANNUALIZE, IN THIS CASE, WOULD BE A WORKSHEET JOURNAL ENTRY TO PREPAY REFRIGERATION COSTS, COMPUTED BY MULTIPLYING THE USAGE TO DATE BY THE EXCESSIVE COST OF 1¢ PER KWH. IN EFFECT, THE ADJUSTING JOURNAL ENTRY WILL BE

DR. PREPAID REFRIGERATION COSTS	\$	
CR. REFRIGERATION COSTS		\$

OR, THIS ENTRY WOULD BE REVERSED IF THE CUMULATIVE CHARGES TO DATE PRODUCE LESS THAN THE ANTICIPATED ANNUAL RATE.

GENERAL OVERHEAD ANNUALIZED

THIS GROUP OF EXPENSES, IN TOTAL, REPRESENTS A VERY IMPORTANT ELEMENT OF COST, AND SHOULD BE ANNUALIZED WHEN NECESSARY. SUBSTANTIALLY ALL OF THESE EXPENSES ARE FIXED, AND FURTHERMORE, THEY ARE ACTUALLY INCURRED AT THE RATE OF ABOUT 1/12TH OF THE TOTAL IN EACH OF THE 12 MONTHS. THE TOTAL AMOUNT OF THIS GROUP OF EXPENSES IS RELATED, PERCENTAGEWISE, TO THE OPERATING COSTS BEFORE GENERAL OVERHEAD, FOR THE PURPOSE OF PRORATING TO THE OPERATING DEPARTMENTS. THIS PERCENTAGE RELATIONSHIP WILL BE A CONVENIENT METHOD FOR DETERMINING THE NECESSITY FOR AND AMOUNT OF THE ANNUALIZATION ADJUSTMENT FOR ANY INTERIM ACCOUNTING PERIOD.

FOR EXAMPLE, ASSUME THAT THE ANNUAL BUDGET INDICATES THAT THE NORMAL RATE FOR GENERAL OVERHEAD IS 25% OF OPERATING COST BEFORE GENERAL OVERHEAD. IF THE TOTAL AMOUNT OF THESE EXPENSES AT THE END OF AN INTERIM ACCOUNTING PERIOD REPRESENTS 30% OF THE COST BEFORE GENERAL OVERHEAD, THEN AN AMOUNT EQUAL TO 5% OF THIS COST SHOULD BE PREPAID, AND ONLY 25% CHARGED TO THE PERIOD TO DATE. THERE WILL BE NO NEED FOR A SPECIAL FORM OR WORKSHEET FOR THIS PURPOSE. IN EFFECT, THE JOURNAL ENTRY ADJUSTMENT (ON THE WORKSHEET ONLY) WILL BE AS FOLLOWS:

DR. PREPAID GENERAL OVERHEAD	\$	
CR. GENERAL OVERHEAD EXPENSES		\$

OR, THIS ENTRY WOULD BE REVERSED IF THE ACTUAL EXPENSES FOR THE CUMULATIVE PERIOD TO DATE WERE LESS THAN THE AMOUNT APPLICABLE TO THE COST VOLUME FOR THE SAME PERIOD.

DEFERRED INCOME

CHARGES TO CUSTOMERS FOR STORAGE COVER A PERIOD OF 30 DAYS IN ADVANCE, FROM THE DATE OF BILLING, WHICH IS USUALLY THE DATE THE GOODS ARE RECEIVED. THIS MEANS THAT AS AT THE CLOSE OF ANY CALENDAR MONTH, OR CALENDAR YEAR, THERE ARE SOME UNEARNED REVENUES. SOME WAREHOUSE COMPANIES RECOGNIZE THIS FACT BY ESTIMATING THE AMOUNT OF UNEARNED STORAGE REVENUE AND MAKING AN ADJUSTMENT AT THE END OF EACH ACCOUNTING PERIOD. THE MOST COMMON PRACTICE, HOWEVER, IS TO IGNORE THIS ADJUSTMENT; THE JUSTIFICATION FOR THIS ACCOUNTING TREATMENT IS THAT THERE ARE OVERLAPPING AND OFF-SETTING UNEARNED REVENUES, AT THE BEGINNING AND AT THE END OF EACH MONTH, OR OTHER ACCOUNTING PERIOD. THIS IS THE MOST PRACTICAL ACCOUNTING APPROACH, AND SHOULD BE SATISFACTORY TO ANY WAREHOUSE COMPANY.

THE PROBLEM OF UNEARNED REVENUES IN THE HANDLING DEPARTMENT IS SOMEWHAT DIFFERENT. IN MANY CASES THIS PROBLEM CAN BE HANDLED BY NEGLECT IN THE SAME MANNER AND FOR THE SAME REASONS DESCRIBED ABOVE IN CONNECTION WITH STORAGE REVENUES. HOWEVER, THERE MAY BE SOME SITUATIONS IN WHICH THE REVENUES FOR THE PERIOD WOULD BE DISTORTED IF AN ADJUSTMENT WERE NOT MADE. THIS COMES ABOUT BY REASON OF THE FACT THAT WHEN THE CUSTOMER IS BILLED FOR HANDLING, THE CHARGE COVERS BOTH HANDLING IN AND HANDLING OUT. THIS SIMPLY MEANS THAT AS AT THE END OF ANY ACCOUNTING PERIOD THE HANDLING REVENUES APPLICABLE TO ALL OF THE GOODS STILL IN THE WAREHOUSE ARE APPROXIMATELY 50% UNEARNED.

THE SITUATIONS WHICH MAY REQUIRE AN ADJUSTMENT ARE THOSE IN WHICH THE END OF THE ACCOUNTING PERIOD WOULD FIND THE WAREHOUSE LOADED WITH A VERY HEAVY INVENTORY OF GOODS, BUT WITH A VERY SMALL INVENTORY AT THE BEGINNING OF THE PERIOD. THE SITUATION WOULD MAKE IT NECESSARY TO DEFER HANDLING REVENUE TO THE EXTENT OF APPROXIMATELY 50% OF THE HANDLING CHARGES APPLICABLE TO THE GOODS ON HAND AT THE END OF THE PERIOD. WHETHER OR NOT AN ADJUSTMENT IS NECESSARY WILL DEPEND UPON THE CIRCUMSTANCES IN EACH CASE. NO SUCH ANNUALIZATION ADJUSTMENT SHOULD BE MADE EXCEPT FOR THE PURPOSE OF AVOIDING A MATERIAL DISTORTION OF THE OPERATING STATEMENTS.

OVER-ALL OPERATING STATEMENT

FOR MANY COLD STORAGE COMPANIES IT WILL BE DESIRABLE TO PREPARE TWO TYPES OF OPERATING STATEMENTS - (1) AN OVER-ALL OPERATING OR PROFIT AND LOSS STATEMENT, PREPARED WITHOUT REGARD TO DEPARTMENTAL DETAILS OR COSTS, AND (2) A DEPARTMENTAL OPERATING STATEMENT SUPPLEMENTED BY A UNIT COST STATEMENT. BOTH TYPES OF STATEMENTS ARE ILLUSTRATED IN THIS SECTION AND DESIGNATED EXHIBITS B AND C.

THE VALUE OF THE OVER-ALL STATEMENT LIES IN THE FACT THAT IT ENABLES MANAGEMENT TO LOOK AT THE OPERATIONS AS A COMPOSITE WHOLE, AND TO EXAMINE THE PERCENTAGE RELATIONSHIPS OF THE PRINCIPAL ELEMENTS OF COST TO THE GROSS REVENUE. THESE PERCENTAGE FIGURES ARE VERY SIGNIFICANT; THIS WILL BE PARTICULARLY TRUE AFTER THEY HAVE BEEN USED FOR A FEW YEARS. THE EXAMPLE STATEMENT ON THE OPPOSITE PAGE INCLUDES OPERATING RESULTS FOR THE CURRENT MONTH IN ADDITION TO CUMULATIVE OPERATIONS FOR THE YEAR TO DATE. THIS TYPE OF STATEMENT LENDS ITSELF TO COMPARISONS WITH PREVIOUS PERIODS, AND THIS ENABLES THE MANAGEMENT TO DISCOVER SIGNIFICANT TRENDS IN THE OVER-ALL OPERATING RESULTS. IT IS TRUE, OF COURSE, THAT ALL OF THE ANSWERS ARE NOT AVAILABLE TO MANAGEMENT FROM SUCH STATEMENTS; THE DEPARTMENTAL STATEMENTS WILL USUALLY SERVE TO MORE FULLY EXPLAIN OR INTERPRET THE OVER-ALL PROFIT AND LOSS STATEMENT.

SINCE THE DETAILS OF OPERATING COSTS ARE SHOWN IN THE DEPARTMENTAL STATEMENT AND IN SUPPLEMENTAL SCHEDULES, IT WILL BE UNNECESSARY TO REPEAT THESE DETAILS IN EXHIBIT B. ON THE OTHER HAND, THE GENERAL OVERHEAD ACCOUNTS SHOULD BE SHOWN IN SOME DETAIL IN THIS STATEMENT BECAUSE THESE ACCOUNTS ARE TREATED AS ONE SINGLE ELEMENT OF COST IN THE DEPARTMENTAL STATEMENT. THERE CAN BE A GOOD DEAL OF FLEXIBILITY IN THE MANNER OF ARRANGING AND DETAILING THESE ACCOUNTS IN EXHIBIT B, DEPENDING UPON THE NEEDS OR THE PREFERENCES OF THE INDIVIDUAL COMPANY. IT WILL FACILITATE THE PREPARATION OF PERIODIC STATEMENTS IF THE ITEMIZATION OF THESE ACCOUNTS IN EXHIBIT B IS THE SAME AS IN THE GENERAL LEDGER ACCOUNTS.

THE ADJUSTMENT TO ANNUALIZE GENERAL OVERHEAD EXPENSE, AS DISCUSSED PREVIOUSLY IN THIS SECTION, SHOULD BE SHOWN IN THE FACE OF THE OVER-ALL OPERATING STATEMENT AS IS ILLUSTRATED IN EXHIBIT B. THIS IS THE VERY BEST PLACE TO SHOW THIS ADJUSTMENT TO MANAGEMENT, BECAUSE IT WILL SO CLEARLY REFLECT ITS EFFECT ON THE OPERATING RESULTS FOR THE PERIOD. IT ENABLES THE MANAGEMENT TO SEE THE OPERATING RESULTS BOTH BEFORE AND AFTER THE GENERAL OVERHEAD ANNUALIZATION ADJUSTMENT.

EXAMPLE COLD STORAGE CO.

STATEMENT OF NET EARNINGS

SIX MONTHS ENDED JUNE 30, 1959

	%	CURRENT MONTH	YEAR TO DATE	%
REVENUES:				
REFRIGERATION	-	\$ -	\$ -	-
NON-UTILITY	6.6	1,429	9,078	7.2
FREEZER STORAGE	46.2	10,047	56,276	44.8
COOLER STORAGE	4.5	971	5,088	4.0
HANDLING	11.5	2,504	12,649	10.1
SPECIAL SERVICES	3.5	759	4,437	3.5
QUICK FREEZING	27.7	6,014	38,190	30.4
	<u>100.0%</u>	<u>\$21,724</u>	<u>\$125,718</u>	<u>100.0%</u>
OPERATING COSTS	67.7%	\$14,712	\$ 82,141	65.3%
GENERAL AND ADMINISTRATIVE EXPENSES:				
ADMINISTRATIVE AND SELLING SALARIES		\$ 1,704	\$ 9,779	
GENERAL OFFICE SALARIES		1,401	8,190	
EMPLOYEE LABOR BENEFITS		679	4,025	
OFFICE SUPPLIES AND EXPENSE		471	2,704	
GENERAL AND SELLING EXPENSE		509	2,604	
TAXES, LICENSES AND PERMITS		-	15	
LOSS AND DAMAGE CLAIMS		-	2	
FINANCIAL EXPENSE		703	703	
	25.2%	\$ 5,467	\$ 28,022	22.3%
ADJUSTMENT TO ANNUALIZE	2.8	616	7,146	5.7
	<u>28.0%</u>	<u>\$ 6,083</u>	<u>\$ 35,168</u>	<u>28.0%</u>
TOTAL COSTS AND EXPENSES	95.7%	\$20,795	\$117,309	93.3%
PROFIT FROM OPERATIONS	4.3%	\$ 929	\$ 8,409	6.7%
OTHER INCOME - NET		-	525	
EARNINGS BEFORE TAXES ON INCOME		\$ 929	\$ 8,934	
FEDERAL AND STATE TAXES ON INCOME		483	4,646	
NET EARNINGS		\$ 446	\$ 4,288	
BASIC UNITS:	ANNUAL BUDGET	CWT	CWT	% TO BUDGET
FREEZER STORAGE	504,900	53,892	321,884	64
COOLER STORAGE	56,100	5,205	35,762	64
HANDLING	165,200	12,981	71,381	43
QUICK FREEZING	162,300	14,092	67,620	42

DEPARTMENTAL OPERATING STATEMENT

THE PRIMARY PURPOSE OF THIS STATEMENT IS, OF COURSE, TO SHOW THE FINAL NET OPERATING RESULTS BY DEPARTMENTS. THESE OPERATING RESULTS WILL BE SIGNIFICANT TO THE EXTENT THAT GOOD JUDGMENT IS EXERCISED IN MAKING THE DEPARTMENTAL ALLOCATIONS, AND IN MAKING THE ANNUALIZATION ADJUSTMENTS FOR INTERIM PERIOD STATEMENTS. THIS IS THE ULTIMATE OBJECTIVE OF A SATISFACTORY ACCOUNTING SYSTEM.

MANY OF THE ELEMENTS OF COST SHOWN IN THIS STATEMENT WILL COME FROM A GENERAL LEDGER ACCOUNT, WITHOUT ANY ADJUSTMENT. IN SOME INSTANCES, THERE WILL BE SUBSIDIARY SCHEDULES THAT WILL CONTAIN ADDITIONAL DETAILS AND/OR THE ALLOCATION TO DEPARTMENTS, OR EXPLANATIONS OF THE COMPUTATION OF THE ADJUSTMENTS TO ANNUALIZE. THE GENERAL LEDGER TRIAL BALANCE, TOGETHER WITH THESE SUBSIDIARY SCHEDULES, WILL BE THE SOURCE FROM WHICH EXHIBIT C WILL BE PREPARED.

ORDINARILY, THE DEPARTMENTAL OPERATING STATEMENTS SHOULD BE PREPARED CUMULATIVELY ONLY, BUT OCCASIONALLY IT MAY BE DESIRABLE TO PREPARE SUCH STATEMENTS FOR A SINGLE MONTH. THIS CAN BE DONE VERY CONVENIENTLY BY SUBTRACTING FROM THE CUMULATIVE TOTALS THE TOTALS SHOWN IN THE SAME STATEMENT AT THE END OF THE PREVIOUS MONTH; THE DIFFERENCES IN THESE CUMULATIVE TOTALS WILL REPRESENT THE RESULTS FOR THE CURRENT MONTH.

EXHIBIT C IS A DUAL STATEMENT. IT SHOWS THE DOLLAR AMOUNTS BY DEPARTMENTS IN THE TOP SECTION AND THE UNIT COSTS IN THE BOTTOM SECTION. THE UNIT COSTS ARE DETERMINED SIMPLY BY DIVIDING THE DOLLAR AMOUNTS (FOR EACH ELEMENT OF COST) BY THE NUMBER OF UNITS FLOWING THROUGH THE DEPARTMENT FOR THE CUMULATIVE PERIOD. THE JUXTAPOSITION OF DOLLAR AMOUNTS AND UNIT COSTS IN THE SAME STATEMENT IS A VERY EFFECTIVE WAY OF REPORTING OPERATING RESULTS TO MANAGEMENT. IT MUST BE KEPT IN MIND, OF COURSE, THAT THESE UNIT COSTS ARE AFTER THE ANNUALIZATION ADJUSTMENTS DISCUSSED ABOVE. THIS ALSO APPLIES TO THE ADJUSTMENT FOR DEFERRED INCOME, IF ANY.

	TOTAL	REFRIG- ERATION	OPERATING DEPARTMENTS						
			TOTAL	NON- UTILITY	FREEZER STORAGE	COOLER STORAGE	HANDLING	QUICK FREEZING	SPECIAL SERVICES
TOTAL REVENUE	125,718	-	125,718	9,078	56,276	5,088	12,649	38,190	4,437
COSTS:									
DIRECT LABOR	22,545	9,134	13,411	404	1,588	176	4,823	4,123	2,297
SUPT. & IND. LABOR	6,667	-	6,667	201	790	88	2,397	2,050	1,141
EMPLOYEE LABOR BENEFITS	7,393	794	6,599	199	781	87	2,373	2,029	1,130
SUBTOTAL LABOR	36,605	9,928	26,677	804	3,159	351	9,593	8,202	4,568
POWER	9,643	8,778	865	-	-	-	865	-	-
SUPPLIES AND EXPENSE	3,867	2,872	995	103	127	14	241	238	272
MAINT. & FIXED CHARGES	34,382	4,962	29,420	5,802	11,794	1,120	4,790	5,734	180
REFRIGERATION ALLOCATED	2,356*	(26,540)	24,184	354	12,277	619	-	10,914	20
SUBTOTAL	82,141	-	82,141	7,063	27,357	2,104	15,489	25,088	5,040
GENERAL & ADMIN. EXPENSE	35,168	-	35,168	3,024	11,713	901	6,631	10,741	2,158
TOTAL COST	117,309	-	117,309	10,087	39,070	3,005	22,120	35,829	7,198
OPERATING PROFIT (LOSS)	8,409	-	8,409	(1,009)	17,206	2,083	(9,471)	2,361	(2,761)
		NUMBER OF BASIC 100# UNITS		321,884		35,762		67,620	
		REVENUE PER BASIC UNIT		.1748		.1423		.5648	

EXAMPLE COLD STORAGE CO.

STATEMENT OF OPERATIONS AND UNIT COSTS

FOR THE 6 MONTHS TO JUNE 30, 1959

REMARKS:

*ADJUSTMENT TO ANNUALIZE REFRIGERATION

(PREPAID)

COSTS PER UNIT	
DIRECT LABOR	\$.0049
SUPT. & IND. LABOR	.0025
EMPLOYEE LAB. BENEFITS	.0024
SUBTOTAL LABOR	\$.0098
POWER	-
SUPPLIES AND EXPENSE	.0004
MAINT. & FIXED CHARGES	.0366
REFRIG. ALLOCATED	.0382
GENERAL & ADMIN. EXP.	.0364
TOTAL COST	\$.1214
PROFIT (LOSS) FROM OPERATIONS	\$.0534
	(\$.1327)
	\$.0350

REFRIGERATION USAGE

SUBSIDIARY SCHEDULE C-1 ON THE OPPOSITE PAGE IS DESIGNED TO BE A CONVENIENT TOOL OR WORK SHEET IN COMPUTING THE KWH OF POWER USED IN THE MANUFACTURE OF REFRIGERATION. THE PROCEDURES ARE FULLY EXPLAINED IN SECTION III. IT IS SUFFICIENT TO STATE AT THIS POINT THAT BY THE MOST ACCURATE ENGINEERING METHODS AVAILABLE TO EACH COMPANY, THE THEORETICAL POWER REQUIRED TO SUPPLY REFRIGERATION TO EACH AREA OF REFRIGERATED SPACE IS DETERMINED AND INSERTED IN THE COLUMN HEADED "KWH PER DAY."

THE THEORETICAL POWER USAGE TABLE SHOULD BE REVIEWED FROM TIME TO TIME AND REVISED AS NECESSARY. THE MARGIN OF ERROR INVOLVED IN THE COMPUTATIONS IS INDICATED BY THE PER CENT OF ACTUAL USAGE TO COMPUTED USAGE SHOWN AT THE BOTTOM OF THE FORM. THIS DIFFERENCE COVERS A NUMBER OF VARIABLES AND A SMALLER OR LARGER DIFFERENCE WOULD NOT NECESSARILY CHANGE THE ALLOCATION OF REFRIGERATION COST TO DEPARTMENTS. ANY DIFFERENCE DEFINITELY DOES NOT AFFECT THE TOTAL AMOUNT CHARGED TO OPERATIONS SINCE THE ACTUAL OR ANNUALIZED COST OF REFRIGERATION IS USED.

ALLOCATION OF POWER AND REFRIGERATION COSTS

SUBSIDIARY SCHEDULE C-2 ON THE OPPOSITE PAGE IS A SUBSIDIARY SCHEDULE IN WHICH A PART OF THE POWER CONSUMPTION IS ALLOCATED DIRECTLY TO OPERATING DEPARTMENTS AND TO CERTAIN OTHER LEDGER ACCOUNTS. THE REMAINING POWER USAGE IS CHARGED TO THE REFRIGERATION DEPARTMENT.

REFRIGERATION COSTS FOR THE MONTH, INCLUDING POWER, ARE DETAILED IN THE UPPER BLOCK AT THE RIGHT. THE COST OF REFRIGERATION PER KWH IS ALSO SHOWN. A COMPARISON OF THESE UNIT COSTS FROM MONTH TO MONTH WILL BE VERY SIGNIFICANT.

THIS SCHEDULE ALSO SHOWS THE ALLOCATION OF REFRIGERATION COSTS TO DEPARTMENTS FOR THE CURRENT MONTH ONLY. THE BASES OF ALLOCATION IS KWH, WHICH ARE OBTAINED FROM SCHEDULE C-1.

POWER COST AND ALLOCATION

FOR THE MONTH OF JUNE, 1959

REFRIGERATION COST AND ALLOCATION

SECTION IV- PAGE 12

DETAILS	K.W.H.	AMOUNT	PER K.W.H.	DETAILS	COST PER K.W.H.	AMOUNT
POWER COST - ALL METERS	184 340	1,923 05	.0104	DIRECT LABOR	.0096	1,617 91
LESS SOLD TO OTHERS				EMPLOYEE LABOR BENEFITS	.0007	122 41
NET POWER USED	184 340	1,923 05	.0104	TOTAL LABOR	.0103	1,740 32
LESS DIRECT CHARGES (BELOW)	14 822	154 19	.0104	POWER COST (SEE LEFT)	.0104	1,768 86
NET CHG.--REFRIGERATION	169 518	1,768 86	.0104	SUPPLIES	.0005	81 04
(SEE SCHEDULE RIGHT)				MAINTENANCE AND FIXED CHARGES	.0049	827 00
				TOTAL REFRIG. COST	.0261	4,417 22
				(SEE ALLOCATION BELOW)		
DIRECT POWER ALLOCATION	K.W.H.	AMOUNT	DEPT. ACCOUNT	ALLOCATION - REFRIG. COSTS	K.W.H.	AMOUNT
BATTERY CHARGING	4 454	46 33		FREEZER STORAGE	80 197	2,091 61
LIGHT-PLATFORM AND ROOMS	9 012	93 73		COOLER STORAGE	4 697	122 59
ELEVATORS	454	4 72		QUICK FREEZING	82 092	2,136 93
	13 920	144 78	HANDLING	SPECIAL SERVICES (LEASED SPACE)	800	20 88
LIGHT AND HEAT - OFFICE	902	9 41	930	LOCKERS (NON-UTILITY)	1 732	45 21
QUICK FREEZING EQUIPMENT				ICE (NON-UTILITY)		
RENTED SPACE						
NON-UTILITY						
TOTAL DIRECT CHARGES	14 822	154 19		TOTAL REFRIG. COSTS	169 518	4,417 22

ANNUALIZATION OF REFRIGERATION

SUBSIDIARY SCHEDULE C-3 ON THE OPPOSITE PAGE IS PRIMARILY FOR THE PURPOSE OF DETERMINING THE CUMULATIVE COST OF REFRIGERATION CHARGEABLE TO OPERATIONS FOR THE YEAR TO DATE BY DEPARTMENTS.

AS EXPLAINED IN SECTION IV THE SEASONAL NATURE OF THE COLD STORAGE BUSINESS MAKES IT NECESSARY TO CHARGE REFRIGERATION COST TO OPERATIONS ON THE BASIS OF THE ANNUALIZED RATE APPLIED TO THE KWH CONSUMED DURING THE ACCOUNTING PERIOD.

BOTH THE KWH TO DATE AND THE ACTUAL ALLOCATED REFRIGERATION COSTS TO DATE ARE ACCUMULATED FROM THE MONTHLY ALLOCATION SCHEDULES (C-2).

THE DIFFERENCE BETWEEN THE AMOUNT CHARGED TO OPERATIONS AND THE ACTUAL COST IS THE ADJUSTMENT TO ANNUALIZE. BY WORKSHEET ENTRY THE ADJUSTMENT, WHICH MAY BE EITHER A PREPAYMENT OR ACCRUAL, IS CARRIED TO THE BALANCE SHEET.

SINCE THE COST OF REFRIGERATION IS ALLOCATED MONTHLY AND FLUCTUATES DURING THE YEAR, THE CUMULATIVE ACTUAL RATE PER KWH IS DIFFERENT FOR EACH DEPARTMENT, AS INDICATED ON THE SCHEDULE. THESE ACTUAL RATES AND THE PERCENTAGE RELATIONSHIPS TO ANNUAL RATES SHOULD BE OBSERVED CLOSELY FROM MONTH TO MONTH.

EXAMPLE COLD STORAGE CO.

ANNUALIZATION OF REFRIGERATION COST

FOR SIX MONTHS ENDED JUNE 30, 1959

EST. ANNUAL KWH	2,100,000
EST. REFRIG. COST	\$52,700
EST. ANNUAL RATE	\$.0251

CHARGED TO OPERATIONS (EXHIBIT C):

	<u>K.W.H.</u> <u>TO DATE</u>	<u>ANNUALIZED</u> <u>RATE</u>	<u>AMOUNT</u> <u>TO DATE</u>
FREEZER STORAGE	489,130	\$.0251	\$12,277.16
COOLER STORAGE	24,648	.0251	618.67
QUICK FREEZING	434,843	.0251	10,914.55
SPECIAL SERVICES (LEASED SPACE)	800	.0251	20.08
NON-UTILITY:			
LOCKERS	14,106	.0251	354.07
ICE			

<u>963,527</u>	<u>\$.0251</u>	<u>\$24,184.53</u>
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<u>% TO</u> <u>ANNUAL</u> <u>RATE</u>	<u>ACTUAL</u> <u>RATE</u>	<u>AMOUNT</u> <u>TO DATE</u>
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ACTUAL COST - ALLOCATED (SCHEDULE C-2)

FREEZER STORAGE	118%	\$.0296	\$14,474.75
COOLER STORAGE	110	.0275	679.09
QUICK FREEZING	101	.0252	10,976.83
LEASED SPACE	104	.0261	20.88
NON-UTILITY:			
LOCKERS	110	.0275	388.67
ICE			

<u>110%</u>	<u>\$.0275</u>	<u>\$26,540.22</u>
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ADJUSTMENT TO ANNUALIZE - PREPAID

\$ 2,355.69

ALLOCATION OF FIXED CHARGES

SUBSIDIARY SCHEDULE C-4 ON THE OPPOSITE PAGE IS USED TO ASSEMBLE FIXED CHARGES AND TO ALLOCATE CERTAIN ITEMS OF INDIRECT COST TO DEPARTMENTS. THE UPPER PORTION OF THE FORM IS FOR RECORDING THE INVESTMENT IN FACILITIES AT COST (NOT DEPRECIATED COST), WHICH IS THE BASIS FOR ALLOCATING PROPERTY TAXES AND INSURANCE, AS INDICATED THEREON. DEPRECIATION, RENT, AND REPAIRS AND MAINTENANCE WILL ORDINARILY BE A DIRECT CHARGE TO DEPARTMENTS. STORAGE IS SHOWN IN TOTAL BECAUSE THE ROOMS ARE OFTEN INTERCHANGEABLE. THE TOTAL IS THEN RE-ALLOCATED TO FREEZER STORAGE AND COOLER STORAGE ACCORDING TO USAGE AS DETERMINED BY THE NUMBER OF BASIC UNITS STORED IN EACH DEPARTMENT.

A SCHEDULE WILL BE PREPARED AT THE BEGINNING OF EACH YEAR TO REFLECT THE ANNUAL BUDGET OF INDIRECT COSTS AND VOLUMES IN TERMS OF BASIC UNITS, AND REVISED DURING THE YEAR AS REQUIRED. ANNUAL RATES ARE COMPUTED FOR EACH DEPARTMENT AS SHOWN AT THE BOTTOM OF THE SCHEDULE. THESE RATES ARE USED IN SCHEDULE C-5 TO ANNUALIZE FIXED CHARGES DURING THE YEAR.

AT THE END OF THE YEAR A FINAL SCHEDULE WILL BE PREPARED FOR THE PURPOSES OF ALLOCATING ACTUAL COSTS FOR THE YEAR TO DEPARTMENTS.

EXAMPLE COLD STORAGE CO.

ALLOCATION OF FIXED CHARGES - 1959 BUDGET

INVESTMENT - FACILITIES	TOTAL		REFRIG-ERATION	NON-UTILITY		STORAGE	HANDLING		QUICK FREEZING	SPECIAL SERVICES	GENERAL OFFICE				
LAND (1)	26	168		13	216	12	168	-	-		520				
BUILDINGS	404	603	11	572	78	215	238	928	40	595	2	200			
MACHINERY AND EQUIPMENT	316	184	122	578	7	472	44	169	83	299	2	400			
FURNITURE AND FIXTURES		462						26		56		380			
SUBTOTAL BLDG. & EQUIP. (2)	721	249	134	150	85	687	283	997	123	950	4	980			
TOTAL INVESTMENT - GROSS	747	417	134	414	98	903	295	265	123	950	4	5	500		
% LAND TO TOTAL (1)	100%		1%		51%		46%		-%			2%			
% BLDG. AND EQUIP. TO TOTAL (2)	100%		18%		12%		39%		17%			1%			
FIXED CHARGES															
PROPERTY TAXES - LAND (1)	1	200		12		612		552				24			
PROPERTY TAXES - BLDG. & EQUIP. (2)	10	000	1	800	1	200	3	900	1	700	100	100			
PROPERTY INS. (2)	9	300	1	674	1	116	3	627	1	581	93	93			
DEPRECIATION (DIRECT)	31	950	4	043	6	576	10	013	5	075	110	960			
RENT (DIRECT)															
REPAIRS AND MAINTENANCE (DIRECT)	15	000	2	400	2	100	1	440	3	600	60				
TOTAL FIXED CHARGES	67	450	9	929	11	604	19	532	11	089	13	756	363	1	177
ANNUAL UNITS (ESTIMATED)/MONTHS	xxxxxxx	xxxxx	12	Mo.	12	Mo.	561	000	165	200	12	Mo.	(ALLOCATED		
ANNUAL RATE PER UNIT/MONTH	xxxxxxx	xxxxx	827		967		9348		9671		30		AS PART OF TOTAL G & A)		

ANNUALIZATION OF FIXED CHARGES

SUBSIDIARY SCHEDULE C-5 ON THE OPPOSITE PAGE IS PRIMARILY FOR THE PURPOSE OF DETERMINING THE CUMULATIVE AMOUNT OF FIXED COST CHARGEABLE TO OPERATIONS FOR THE YEAR TO DATE BY DEPARTMENTS.

AS EXPLAINED IN SECTION IV, THE SEASONAL NATURE OF THE COLD STORAGE BUSINESS MAKES IT NECESSARY TO CHARGE INDIRECT COSTS TO OPERATIONS ON THE BASIS OF ANNUALIZED RATES APPLIED TO BASIC 100# UNITS STORED OR HANDLED DURING THE ACCOUNTING PERIOD. THE PROCEDURE FOR DETERMINING THE ANNUAL RATES IS ILLUSTRATED AND EXPLAINED IN THE PRECEDING SCHEDULE AND RELATED COMMENTS.

THE BASIC UNITS FOR THE YEAR TO DATE IN THE FIRST COLUMN AT THE TOP OF THE SCHEDULE ARE THE RESULT OF CONVERTING THE ACTUAL VOLUME FLOWING THROUGH EACH DEPARTMENT TO A COMMON DENOMINATOR BY APPLYING COST RELATIONSHIP FACTORS RECOGNIZING DENSITY AND LOT SIZE. THESE ARE THE SAME UNITS DEVELOPED FOR UNIT COST PURPOSES.

ACTUAL COSTS, AT THE BOTTOM OF THE SCHEDULE, ARE TAKEN DIRECTLY FROM THE GENERAL LEDGER. THE DIFFERENCE BETWEEN THE AMOUNT CHARGED TO OPERATIONS AND THE LEDGER TOTAL IS THE ADJUSTMENT TO ANNUALIZE. BY WORKSHEET ENTRY THE ADJUSTMENT, WHICH MAY BE EITHER A PREPAYMENT OR ACCRUAL DEPENDING ON THE POINT IN THE FISCAL YEAR AND OTHER CONSIDERATIONS, IS CARRIED TO THE INTERIM BALANCE SHEET.

THE PERCENTAGES SHOWN IN THE COLUMN AT THE RIGHT ARE PARTICULARLY SIGNIFICANT. THEY INDICATE THE CURRENT STATUS OF EACH DEPARTMENT AS TO CUMULATIVE VOLUME IN RELATION TO ANNUAL BUDGET. LIKEWISE, THE PERCENTAGES FOR THE VARIOUS FIXED CHARGES REFLECT EXPENDITURES TO DATE IN RELATION TO THE ESTIMATED AMOUNT FOR THE YEAR.

EXAMPLE COLD STORAGE CO.

ANNUALIZATION OF FIXED CHARGES

FOR SIX MONTHS ENDED JUNE 30, 1959

	<u>% TO ANNUAL BUDGET</u>	<u>BASIC UNITS TO DATE</u>	<u>ANNUALIZED RATE (SCH. C-4)</u>	<u>AMOUNT YEAR TO DATE</u>
CHARGED TO OPERATIONS (EXHIBIT C):				
REFRIGERATION	50%	(6 mos.)	\$827.00	\$ 4,962
NON-UTILITY	50	(6 mos.)	\$967.00	5,802
FREEZER STORAGE)	64	321,884	.0348	11,794
COOLER STORAGE)		35,762	.0372	1,120
HANDLING	43	71,381	.0671	4,790
QUICK FREEZING	42	67,620	.0848	5,734
SPECIAL SERVICES	50	(6 mos.)	\$ 30.00	180
	<u>55%</u>	<u>496,647</u>		<u>\$34,382</u>
		<u>OPERATING DEPARTMENT</u>	<u>REFRIG- ERATION DEPARTMENT</u>	<u>TOTAL</u>
ACTUAL COST - PER GENERAL LEDGER				
PROPERTY TAXES	50%	4,694	\$ 906	\$ 5,600
PROPERTY INSURANCE	50	3,814	836	4,650
DEPRECIATION	50	13,955	2,020	15,975
RENT	-	-	-	-
MAINTENANCE	29	3,179	1,200	4,379
	<u>45%</u>	<u>25,642</u>	<u>\$4,962</u>	<u>\$30,604</u>
ADJUSTMENT TO ANNUALIZE - ACCRUED				<u>\$ 3,778</u>

SECTION V - UNIT COST FINDING

EACH OF THE MAJOR OPERATING DEPARTMENTS IS A SEPARATE BUT SIMILAR COST-FINDING PROBLEM. THE COST PER BASIC UNIT WILL BE DIFFERENT FOR EACH OF THE DEPARTMENTS, AND THE NUMBER OF UNITS FLOWING THROUGH EACH DEPARTMENT WILL BE ENTIRELY DIFFERENT. HOWEVER, THE UNIT COST-FINDING PROCEDURES WILL BE THE SAME FOR EACH OF THE FOUR MAJOR DEPARTMENTS.

THE TECHNICAL PROCEDURES FOR UNIT COST DETERMINATION ARE ILLUSTRATED AND EXPLAINED IN THE SCHEDULES AND RELATED COMMENTS AT THE END OF THIS SECTION, AS FOLLOWS:

	<u>PAGE</u>
SCHEDULE No. 1 - CONVERSION WORK SHEET.....	7
SCHEDULE No. 2 - TABLE OF COST ALLOCATION FACTORS.....	9
SCHEDULE No. 3 - ACTUAL UNIT COSTS BY LOT SIZE AND DENSITY - FREEZER STORAGE DEPARTMENT.....	11
SCHEDULE No. 4 - ACTUAL UNIT COSTS BY LOT SIZE AND DENSITY - COOLER STORAGE DEPARTMENT.....	13
SCHEDULE No. 5 - ACTUAL UNIT COSTS BY LOT SIZE AND DENSITY - HANDLING DEPARTMENT..	15
SCHEDULE No. 6 - ACTUAL UNIT COSTS BY LOT SIZE AND DENSITY - QUICK FREEZING DEPARTMENT.....	17
SCHEDULE No. 7 - COMPARATIVE UNIT REVENUES AND COSTS BY LOT SIZE AND DENSITY - FREEZER STORAGE DEPARTMENT.....	19

COMPLETE INSTRUCTIONS FOR INSTALLING AND OPERATING THE UNIFORM SYSTEM ARE CONTAINED IN THESE SCHEDULES AND IN THE PRECEDING SECTIONS OF THIS MANUAL. CERTAIN EXCEPTIONS AND SPECIAL PROBLEMS AFFECTING UNIT COSTS ARE DISCUSSED IN MORE DETAIL UNDER SPECIFIC CAPTIONS IN THE FOLLOWING PARAGRAPHS.

QUANTITIES HANDLED OR STORED

AS WAS STATED IN THE INTRODUCTORY SECTION, THE OTHER HALF OF ANY UNIT COST-FINDING SYSTEM IS THE ACCOUNTING FOR QUANTITIES. ALL OF THE GOODS HANDLED OR STORED IN EACH DEPARTMENT WILL BE FIRST RECORDED IN TERMS OF THE ACTUAL WEIGHT, OR IN TERMS OF CASES, CANS, BOXES, BARRELS, ETC; ALL OF WHICH CAN BE READILY CONVERTED INTO THE ACTUAL WEIGHT. WHEN SUCH A CONVERSION IS NECESSARY, THE NUMBER OF PACKAGES WILL BE MULTIPLIED BY THE STANDARD WEIGHT PER PACKAGE. THIS CONVERSION IS NOT ONLY SIMPLE, BUT IT IS SO STANDARDIZED AND SO WELL UNDERSTOOD, THAT THERE SHOULD NEVER BE ANY OCCASION FOR MISUNDERSTANDING OR CONTROVERSY WITH THE CUSTOMERS OF THE WAREHOUSE COMPANY. THUS, THE COMMON UNIT OF MEASURE FOR COST-FINDING PURPOSES WILL BE 100# OF MERCHANDISE.

COMMON DENOMINATOR UNITS WILL BE COMPUTED BY GIVING THE PROPER EFFECT TO COST DIFFERENTIALS FOR BOTH DENSITY AND LOT SIZE. THIS COST ACCOUNTING CONCEPT HAS ALREADY BEEN DISCUSSED IN SECTION I. THE IMPORTANCE OF THIS CONCEPT CANNOT BE OVEREMPHASIZED; ALL OF THE ACCOUNTING PROCEDURES REVOLVE AROUND THIS FUNDAMENTAL IDEA. THIS SAME COMMON DENOMINATOR UNIT OF MEASURE SHOULD ALSO BE USABLE FOR RATE-MAKING PURPOSES, AND THIS SUBJECT IS DISCUSSED IN A LATER PARAGRAPH OF THIS SECTION.

INCIDENTAL OR ACCESSORIAL REVENUES AND COSTS

THE GROSS DEPARTMENTAL REVENUES FROM WHICH THE REVENUE PER BASIC UNIT WILL BE COMPUTED ARE DERIVED FROM THOSE MAJOR SERVICES, THE COSTS OF WHICH ARE RELATED TO LOT SIZES AND DENSITY, AS EXPLAINED AND ILLUSTRATED IN THE FOREGOING PARAGRAPHS OF THIS SECTION. BUT, IN ADDITION TO THESE MAJOR REVENUES THERE WILL ALSO BE CERTAIN OTHER MORE OR LESS INCIDENTAL REVENUES FOR SERVICES THAT ARE NOT RELATED TO LOT SIZE OR DENSITY. THESE REVENUES ARE INCIDENTAL TO A CERTAIN PRODUCT, OR TO A PARTICULAR SERVICE WHICH INCREASES THE NORMAL COST OF HANDLING OR STORING. THESE SERVICES CREATE A SPECIAL PROBLEM BY REASON OF THE FACT THAT THEIR COST IS DIFFICULT TO IDENTIFY. THIS WILL BE EVIDENT FROM THE NATURE OF THE SERVICES WHICH ARE DESCRIBED HEREIN BELOW.

HOWEVER, MOST OF THESE INCIDENTAL SERVICES CAN BE IDENTIFIED WITH ONE OF THE THREE MAJOR OPERATING DEPARTMENTS: FREEZER STORAGE, COOLER STORAGE, OR HANDLING. BEING IDENTIFIED WITH A DEPARTMENT MEANS THAT THE COST OF PERFORMING THE SERVICE WILL, MORE OR LESS AUTOMATICALLY, BE INCLUDED IN THE DEPARTMENTAL OPERATING COST ACCOUNTS. FOR THIS REASON THE REVENUES FROM THESE INCIDENTAL SERVICES SHOULD FOLLOW THE COSTS AND BE CREDITED TO THE APPROPRIATE DEPARTMENTAL REVENUE ACCOUNTS ALONG WITH BUT SEGREGATED FROM REVENUES ARISING OUT OF CHARGES THAT ARE BASED UPON LOT SIZE AND DENSITY.

THIS ACCOUNTING TREATMENT IS JUSTIFIED BY THE FACT THAT THE INCIDENTAL REVENUES WILL OFTEN BE SO SMALL THAT THEY WILL HAVE LITTLE OR NO BEARING ON THE SIGNIFICANT CONCLUSIONS TO BE DRAWN BY MANAGEMENT FROM A COMPARISON OF THE COST PER BASIC UNIT WITH REVENUE PER BASIC UNIT. THIS PROCEDURE IS FURTHER JUSTIFIED BY THE INHERENT DIFFICULTY OF IDENTIFYING THE COST OF THESE INCIDENTAL SERVICES. IT DOES NOT PRECLUDE SPECIAL ANALYSES OR ACTUAL COST STUDIES APART FROM THE GENERAL RECORDS FOR THE PURPOSE OF JUSTIFYING OR INCREASING RATES FOR SPECIFIC FRINGE SERVICES.

ACCESSORIAL SERVICES INCLUDED IN THE CALIFORNIA P. U. C. TARIFF ARE CLASSIFIED ACCORDING TO DEPARTMENT BELOW:

FREEZER STORAGE

1. ADDITIONAL CHARGE FOR TEMPERATURE REDUCTION OF PARTIALLY DEFROSTED MERCHANDISE
2. ADDITIONAL CHARGE FOR SLACK PACKAGES
3. ADDITIONAL CHARGE FOR RACKING
4. ADDITIONAL CHARGE FOR TAKING PHYSICAL INVENTORY

COOLER STORAGE

1. ADDITIONAL CHARGE FOR HUMIDITY CONTROL OF COMMODITIES
2. ADDITIONAL CHARGE FOR SO₂ GASSING
3. ADDITIONAL CHARGE FOR SLACK PACKAGES
4. ADDITIONAL CHARGE FOR RACKING
5. ADDITIONAL CHARGE FOR TAKING PHYSICAL INVENTORY

HANDLING DEPARTMENT

1. ADDITIONAL CHARGE FOR SMALL LOT DELIVERIES
2. ADDITIONAL CHARGE FOR PACKAGES UNDER 22 POUNDS
3. OVERTIME CHARGES
4. ADDITIONAL CHARGE FOR TAKING AND RECORDING MARKED WEIGHTS
5. ADDITIONAL CHARGE FOR INCIDENTAL PACKING, GRADING, INSPECTION OR STENCILING
6. ADDITIONAL CHARGE FOR DELIVERIES EX DOCK OR CAR

GENERAL OFFICE SERVICES

1. ADDITIONAL CHARGE FOR PAPER WORK RE STORAGE IN TRANSIT
2. ADDITIONAL CHARGE FOR CASH ADVANCES OR COLLECTIONS
3. ADDITIONAL CHARGE FOR TRANSFERS IN STORAGE
4. ADDITIONAL CHARGE FOR BOOK INVENTORIES, BILLS OF LADING, AND NEGOTIABLE WAREHOUSE RECEIPTS

WHILE THIS IS NOT A COMPLETE LIST OF ALL INCIDENTAL OR ACCESSORIAL SERVICES, IT WILL BE SUFFICIENT TO MAKE CLEAR THE UNDERLYING PRINCIPLES AND PROCEDURES TO BE USED. IT WILL BE NOTED THAT SOME OF THESE INCIDENTAL REVENUES ARE ASSOCIATED WITH GENERAL OFFICE PERSONNEL AND SO ARE NOT IDENTIFIED WITH A PARTICULAR DEPARTMENT. HOWEVER, DUE TO THE SMALL AMOUNT INVOLVED, AND BECAUSE GENERAL OVERHEAD IS PRORATED TO ALL DEPARTMENTS, IT IS SUGGESTED THAT SUCH REVENUES BE CREDITED TO THE HANDLING DEPARTMENT.

A FLAT DELIVERY CHARGE REPLACING THE CHARGE FOR DELIVERIES UNDER A CERTAIN SIZE IS DISCUSSED BELOW.

PARTIAL LOT DELIVERY CHARGE

UNDER THE PRESENT CALIFORNIA PUBLIC UTILITIES COMMISSION TARIFF THE HANDLING CHARGE COVERS BOTH THE "IN" AND "OUT" HANDLING. AS A RESULT, RATES FOR HANDLING ARE MORE EQUITABLE FOR SOME COMPANIES THAN FOR OTHERS. THE SIZE OF THE INCOMING LOT DETERMINES THE CHARGE WHICH, IN EFFECT, ASSUMES THAT THE DELIVERIES WILL BE THE SAME SIZE. THIS ASSUMPTION DOES NOT MATERIALLY AFFECT THE COST-REVENUE RELATIONSHIP WHEN THE INCOMING AND OUTGOING QUANTITIES ARE MOSTLY FULL PALLET LOADS, BUT THIS IS FREQUENTLY NOT THE CASE. PARTICULARLY IN A DISTRIBUTION WAREHOUSE, PARTIAL LOT DELIVERIES ARE A MAJOR FACTOR.

IT WOULD BE POSSIBLE UNDER ENTIRELY NEW AND DIFFERENT TARIFF CONCEPTS TO PROVIDE FOR SEPARATE RATES FOR "IN" AND "OUT" HANDLING. IF THIS WERE DONE THERE SHOULD BE ONLY ONE DEPARTMENT FOR "HANDLING" BECAUSE COSTS CANNOT BE SO SEGREGATED. HOWEVER, QUANTITIES RECEIVED AND QUANTITIES DELIVERED WOULD BE CONVERTED SEPARATELY TO A COMMON DENOMINATOR FOR LOT SIZE AND DENSITY. THIS LARGELY WOULD SOLVE THE PROBLEM OF THE ADDITIONAL COST ATTACHED TO PARTIAL LOT DELIVERIES, BECAUSE THE LOT SIZE CATEGORY AT THE TIME OF DELIVERY WOULD BE BASED ON THE SIZE OF THE DELIVERY AND NOT THE INITIAL LOT SIZE.

TO FOLLOW THIS METHOD THROUGH, THE BASIC 100# UNITS FOR THE HANDLING DEPARTMENT AND CONSEQUENTLY THE BASIC UNIT COST WOULD REPRESENT MOVEMENT IN ONE DIRECTION; IN OR OUT AND NOT IN AND OUT. THE PREMISE IS THAT THE HANDLING COST FOR MOVING AN IDENTICAL QUANTITY INTO STORAGE IS THE SAME AS TAKING IT OUT.

THIS WOULD BE A MORE ACCURATE APPROACH TO RATE STRUCTURE AND UNIT COST DETERMINATION FOR HANDLING. HOWEVER, FROM A PRACTICAL STANDPOINT IT DOES NOT APPEAR TO BE FEASIBLE. BILLINGS FOR OUT-HANDLING WOULD HAVE TO COME FROM COUNTLESS DELIVERY TAGS, REVENUES WOULD NOT BE RECEIVED UNTIL THE GOODS WERE MOVED OUT, AND, THERE ARE OTHER DISADVANTAGES.

EXISTING REGULATIONS IN CALIFORNIA ATTEMPT TO COMPENSATE THE WAREHOUSEMAN FOR EXTRA CLERICAL COSTS BY PROVIDING FOR AN ADDITIONAL CHARGE FOR SMALL DELIVERIES. IT WILL BE ENTIRELY SATISFACTORY TO CONTINUE WITH AN EXTRA CHARGE, BUT THE PRESENT RATE FOR DELIVERIES UNDER A CERTAIN SIZE SHOULD BE REPLACED WITH A FLAT CHARGE PER DELIVERY AND INCREASED TO COVER OTHER COSTS INVOLVED IN PARTIAL-LOT DELIVERIES.

BASIC UNIT COSTS FOR THE HANDLING DEPARTMENT UNDER THE PROPOSED METHOD WILL TEND TO BE HIGHER TO THE EXTENT OF THE VOLUME OF PARTIAL LOT DELIVERIES. HOWEVER, THE UNIFORM SYSTEM AUTOMATICALLY ADJUSTS FOR DIFFERENCES IN LOT SIZE RECEIVED BY APPLYING COST RELATIONSHIP FACTORS WHICH RECOGNIZE THE VARIATIONS IN HANDLING COST RESULTING FROM LOT SIZE DIFFERENCES. THIS IS A MAJOR ACCOMPLISHMENT OVER PRESENT PRACTICE AND THE FACT THAT EXTRA COSTS OF PARTIAL LOT DELIVERIES ARE NOT ISOLATED AND ACCOUNTED FOR SEPARATELY IS NOT CONSIDERED TO BE SERIOUS. OF COURSE, THERE REMAINS THE PROBLEM OF ESTABLISHING A PROPER DELIVERY CHARGE. THIS, OF NECESSITY, WOULD BE AN AVERAGE CHARGE REPRESENTING THE DIFFERENCE BETWEEN THE COST OF DELIVERING A LOT INTACT AND THE EXTRA COST OF PARTIAL LOT DELIVERIES.

EACH TIME THERE IS A WITHDRAWAL FROM A LOT THE WAREHOUSE OFFICE IS REQUIRED TO PROCESS THE PAPER, THE LOADING DOCKS MUST SCHEDULE THE DELIVERY AND THE LIFT TRUCK OPERATOR HAS TO LOCATE THE STOCK AND MAKE THE INITIAL CONTACT WITH THE CARRIER; THEREAFTER, IT IS MORE OR LESS A SHUTTLE OPERATION. ASSEMBLING SMALL ORDERS FROM EACH OF SEVERAL LOTS ON ONE OR MORE FULL PALLETS IS ANOTHER EXTRA COST THAT WILL BE INCLUDED IN THE DELIVERY CHARGE. WITHDRAWAL OF LESS THAN A FULL PALLET LOAD ALSO INCREASES THE DELIVERY COST IN DIRECT PROPORTION, BECAUSE THE HANDLING TIME PER PALLET IS THE SAME REGARDLESS OF THE QUANTITY INVOLVED. OF COURSE, THIS FACTOR WOULD BE RECOGNIZED IN THE DELIVERY CHARGE ONLY TO THE EXTENT THAT LOTS RECEIVED ARE IN FULL PALLETS OR, PART PALLETS RECEIVED ARE WITHDRAWN IN EVEN SMALLER QUANTITIES. SOME WAREHOUSE COMPANIES PERFORM A BILLING FUNCTION FOR CUSTOMERS WHICH ADDS TO POSTAGE AND STATIONERY COSTS IN ADDITION TO TYPISTS. OBVIOUSLY, IT WILL NOT BE ENTIRELY EQUITABLE TO COMBINE ALL OF THE EXTRA COSTS LISTED ABOVE, AND ANY OTHERS NOT MENTIONED, IN ONE DELIVERY CHARGE. HOWEVER, A PRACTICAL APPROACH SHOULD BE ADOPTED AT THE OUTSET, WITH REFINEMENTS BEING INCORPORATED IN THE STRUCTURE AS EXPERIENCE DICTATES.

EXTRA COSTS OF STORING PARTIAL LOTS WILL AUTOMATICALLY BE INCORPORATED IN THE SYSTEM AND REFLECTED IN THE "BASIC" UNIT COSTS BY THE CONVERSION OF QUANTITIES IN STORAGE ON A DECLINING BALANCE BASIS. THIS IS EXPLAINED FOR FREEZER STORAGE IN THE COMMENTS OPPOSITE SCHEDULE No. 3.

SPACE UTILIZATION

IT HAS BEEN STATED SEVERAL TIMES IN THIS MANUAL THAT THE COLD STORAGE WAREHOUSE BUSINESS IS A MATTER OF SELLING SPACE. THE IMPORTANCE OF THIS STATEMENT CANNOT BE OVEREMPHASIZED. OTHER THINGS BEING EQUAL, UNIT COSTS FOR COLD STORAGE WILL DECREASE AS BETTER USE IS MADE OF AVAILABLE FACILITIES. OCCUPANCY STATISTICS ARE REGULARLY COMPILED WITHIN THE INDUSTRY TO MEASURE THIS COST VARIABLE AS BETWEEN COMPANIES AND DIFFERENT PERIODS. THE BASE POINT FOR PURPOSES OF THIS CALCULATION IS TOTAL OCCUPIABLE SPACE WHICH MAY BE INTERPRETED DIFFERENTLY, BUT GENERALLY REPRESENTS ACTUAL ROOM DIMENSIONS LESS ALLOWANCES FOR AISLES, BUNKER DUCTS, COLUMNS, WALL SPACING, AND MAXIMUM PILING HEIGHT TO CEILING. PER CENT OCCUPANCY IS THEN FIGURED AT REGULAR INTERVALS BY RELATING TOTAL OCCUPIED SPACE TO THIS BASE. IT IS APPARENT THAT CONSIDERABLE ESTIMATING IS INVOLVED DUE TO THE VARIATION IN LOT SIZE AND DENSITY.

QUANTITATIVE DATA ACCUMULATED FOR COST ACCOUNTING PURPOSES CAN BE USED TO ADVANTAGE IN DEVELOPING A MORE ACCURATE AND MEANINGFUL OCCUPANCY FIGURE. BASIC 100 POUND UNITS ARE IN TERMS OF A SPECIFIC LOT SIZE (10,000# TO 25,000#) AND DENSITY (25 TO 30 LBS./CU.FT.). TOTAL OCCUPIABLE SPACE CAN EASILY BE CONVERTED TO 100 POUND UNITS OF THE SAME DENSITY BY MULTIPLYING THE CUBIC FEET BY 27.5 POUNDS PER CUBIC FOOT (MID-POINT OF THE 25/30 RANGE). THE RESULT OF DIVIDING THE BASIC 100 POUND UNITS IN STORAGE BY THE BASIC 100 POUND UNITS THAT CAN BE STORED IN THE OCCUPIABLE SPACE IS A COMMON DENOMINATOR OCCUPANCY RATE. AS IN THE CASE OF BASIC UNIT COSTS, SIGNIFICANT MONTHLY COMPARISONS BY DEPARTMENT ARE THEN POSSIBLE REGARDLESS OF THE TYPE OF OPERATION BECAUSE DIFFERENCES DUE TO LOT SIZE AND DENSITY HAVE BEEN ELIMINATED. SPACE UTILIZATION COULD ALSO BE INDICATED IN OTHER TERMS FROM THE SAME DATA, SUCH AS BASIC 100 POUND UNITS PER 1,000 CUBIC FEET OF OCCUPIABLE SPACE.

BASIC 100 POUND UNITS

IN SCHEDULE NO. 1 ON THE OPPOSITE PAGE THE DETERMINATION OF COMMON DENOMINATOR UNITS IS ILLUSTRATED FOR THE FREEZER STORAGE DEPARTMENT. THE BILLINGS TO CUSTOMERS ARE ANALYZED AND CLASSIFIED IN TWO DIFFERENT WAYS: (1) ACCORDING TO LOT SIZE AND (2) ACCORDING TO DENSITY. IN EACH CASE THE ACTUAL WEIGHTS ARE CLASSIFIED INTO RANGE CATEGORIES. ALONG WITH THE QUANTITY ANALYSIS OF BILLINGS THERE IS ALSO A SEGREGATION OF THE DOLLAR AMOUNTS, BY OPERATING DEPARTMENTS. THUS, THE DOLLAR REVENUES ARE DETERMINED BY DEPARTMENTS AT THE SAME TIME THE QUANTITIES ARE DETERMINED; THIS CORRELATION OF THE ACCOUNTING FOR DOLLARS AND FOR QUANTITIES WILL INSURE ACCURACY. FURTHERMORE, THIS PROCEDURE MAKES IT POSSIBLE TO COMPUTE REVENUES PER BASIC UNIT IN THE SAME MANNER AS COSTS PER BASIC UNIT, SO THAT UNIT REVENUES CAN BE RELIABLY COMPARED WITH UNIT COSTS.

HAVING DETERMINED THE NUMBER OF ACTUAL 100# UNITS BY LOT SIZES, AND BY DENSITIES, THE NEXT STEP IS TO EXTEND THESE QUANTITIES BY THE COST RELATIONSHIP FACTORS FOR EACH CLASSIFICATION. THE RESULT OF THESE EXTENSIONS IS THE CONVERTED OR BASIC UNITS. THIS CONVERSION COULD BE MADE BY A SET OF COMBINED CONVERSION FACTORS REPRESENTING BOTH THE LOT SIZES AND THE DENSITIES. HOWEVER, THESE TWO CONVERSIONS ARE MADE SEPARATELY AND THEN COMBINED AT THE BOTTOM OF SCHEDULE NO. 1. THERE IS AN IMPORTANT REASON FOR THIS, WHICH IS TO PROVIDE INDEX FIGURES REFLECTING THE AVERAGE LOT SIZE AND THE AVERAGE DENSITY. THE LOT SIZE INDEX (.965 IN THE FACTOR COLUMN) INDICATES THAT THE AVERAGE LOT SIZE IS SLIGHTLY ABOVE THE "25,000# AND OVER" CATEGORY. LIKewise, THE DENSITY INDEX (.906 IN THE FACTOR COLUMN) INDICATES THAT THE AVERAGE DENSITY IS BETWEEN 25/30 AND 30/35. THE INDEX FIGURES WILL FLUCTUATE FROM PERIOD TO PERIOD AND VARY AS BETWEEN DEPARTMENTS AND COMPANIES, DEPENDING ON THE PARTICULAR TYPE OF OPERATION.

THE TWO CONVERSIONS COMBINED REPRESENT THE TOTAL BASIC UNITS FOR THE FREEZER STORAGE DEPARTMENT. THE PROCEDURE FOR DETERMINING UNIT COSTS IS ALSO SHOWN AT THE BOTTOM OF THE SCHEDULE. THESE TOTAL BASIC UNITS ARE DIVIDED INTO THE TOTAL DOLLAR COST FOR THE DEPARTMENT TO ARRIVE AT THE COST PER BASIC UNIT.

THE SAME FORM (SCHEDULE NO. 1) IS USED FOR THE COOLER STORAGE DEPARTMENTS. A SAMPLE CONVERSION SHEET FOR THE HANDLING DEPARTMENT, WHERE COMBINATION FACTORS ARE REQUIRED, IS PRESENTED IN SCHEDULE NO. 1A.

AS EXPLAINED IN SECTION 11 - PAGE 4, THE UNIT COST FOR QUICK FREEZING WILL BE IN TERMS OF ACTUAL WEIGHT. THE TOTAL WEIGHT FOR THE PERIOD CAN BE INSERTED DIRECTLY ON EXHIBIT C.

EXAMPLE COLD STORAGE CO.

CONVERSION WORK SHEET

FREEZER STORAGE DEPARTMENT

FOR THE SIX MONTHS ENDED JUNE 30, 1959

<u>LOT SIZE CODE</u>	<u>LOT SIZE RANGE (POUNDS)</u>	<u>ACTUAL WEIGHT (CWT)</u>	<u>FACTOR</u>	<u>CONVERTED WEIGHT (CWT)</u>
1	UNDER 500	41.66	6.00	249.96
2	500 - 1,000	97.19	3.00	291.57
3	1,000 - 2,000	215.08	1.50	322.62
4	2,000 - 5,000	1,948.86	1.25	2,436.08
5	5,000 - 10,000	14,842.91	1.05	15,585.05
6	10,000 - 25,000	59,371.66	1.00*	59,371.66
7	OVER 25,000	<u>291,649.30</u>	<u>.95</u>	<u>277,066.84</u>
		<u>368,166.66</u>	<u>.965</u>	<u>355,323.78</u>

<u>DENSITY CODE</u>	<u>DENSITY RANGE (LBS./CU.FT.)</u>	<u>ACTUAL WEIGHT (CWT)</u>	<u>FACTOR</u>	<u>CONVERTED WEIGHT (CWT)</u>
1	UNDER 15	-	2.00	-
2	15 - 20	699.05	1.50	1,048.58
3	20 - 25	45,491.71	1.25	56,864.64
4	25 - 30	112,947.92	1.00**	112,947.92
5	30 - 35	122,039.27	.85	103,733.38
6	35 - 40	25,435.80	.75	19,076.85
7	OVER 40	<u>61,552.91</u>	<u>.65</u>	<u>40,009.39</u>
		<u>368,166.66</u>	<u>.906</u>	<u>333,680.76</u>

* BASIC LOT SIZE - 10,000 TO 25,000 POUNDS.
 ** BASIC DENSITY RANGE - 25/30 POUNDS PER CUBIC FOOT.

COMPUTATION OF COST PER CWT. - FREEZER STORAGE

BASIC UNITS:

$368,166.66 \times (.965 \times .906) = \underline{321,884}$

COST PER BASIC UNIT:

TOTAL FREEZER DEPARTMENT COST PER EXHIBIT C \$39,070

COST DIVIDED BY UNITS PER EXHIBIT C - ($\$43,383 \div 321,884$) \$.1214

EXAMPLE COLD STORAGE COMPANY
 CONVERSION WORK SHEET
 HANDLING DEPARTMENT
 ACTUAL WEIGHT (CWT.)

SCHEDULE NO. 1-A

DENSITY LOT SIZE	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
UNDER 500#	5.60	5.60	5.60	5.60	5.60	5.60	5.60
500 - 1,000#	2.80	2.80	2.80	2.80	2.80	2.80	2.80
1,000 - 2,000#	2.35	2.35	2.35	1.40	1.40	1.40	1.40
2,000 - 5,000#	2.15	1.65	1.65	1.20	1.20	1.20	1.20
5,000 - 10,000#	2.00	1.60	1.25	1.05	1.05	.85	.85
10,000 - 25,000#	1.95	1.55	1.20	1.00	.90	.80	.70
OVER 25,000#	1.90	1.50	1.15	.95	.80	.70	.60
TOTALS							
						TOTAL WEIGHT	

BASIC WEIGHT (CWT.)

DENSITY LOT SIZE	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
UNDER 500#							
500 - 1,000#							
1,000 - 2,000#							
2,000 - 5,000#							
5,000 - 10,000#							
10,000 - 25,000#							
OVER 25,000#							
TOTALS							
						TOTAL BASIC UNITS	
						TOTAL COST (EX.C)	
						BASIC COST/CWT.	

COST ALLOCATION FACTORS

COST ALLOCATION FACTORS FOR STORAGE (FREEZER OR COOLER) ARE SHOWN IN THE TABLE ON THE OPPOSITE PAGE. THERE ARE TWO SETS OF FACTORS, EACH OF WHICH REPRESENTS COST DIFFERENTIALS. THE FINAL RESULTING UNIT COSTS WILL BE NO MORE AND NO LESS ACCURATE THAN THESE FACTORS.

WITH RESPECT TO THE DENSITY FACTORS, SHOWN HORIZONTALLY ACROSS THE TOP OF THE TABLE, THERE CAN BE LITTLE DOUBT AS TO THEIR SUBSTANTIAL ACCURACY. REFER TO DISCUSSIONS OF THIS CONCLUSION IN SECTION I OF THIS MANUAL. FOR EACH RANGE GROUP OF FIVE POINTS IT IS ASSUMED THAT THE AVERAGE DENSITY WILL BE APPROXIMATELY AT THE MID-POINT; FOR EXAMPLE, FOR THE 30 TO 35# DENSITY GROUP THE AVERAGE IS ASSUMED TO BE 32.5# PER CUBIC FEET.

THE LOT SIZE FACTORS SHOWN VERTICALLY IN THE TABLE ARE BELIEVED TO BE SUBSTANTIALLY CORRECT; HOWEVER, MORE ENGINEERING TESTS TOGETHER WITH ACTUAL EXPERIENCE IN THE USE OF THESE FACTORS MAY RESULT IN MINOR CHANGES.

ALL COMPANIES SHOULD START OUT WITH THE SAME TABLE OF FACTORS. WHILE IT MAY BE ADVISABLE AT A LATER DATE FOR A COMPANY TO DEVELOP A SET OF FACTORS APPLICABLE TO ITS PARTICULAR FACILITIES AND METHOD OF OPERATION, UNIFORM FACTORS DO HAVE CONSIDERABLE MERIT, PARTICULARLY FOR INDUSTRY CONSOLIDATION PURPOSES.

THERE WILL BE, OF COURSE, A WIDE RANGE IN THE COST LEVEL, OR THE COST EFFICIENCY FOR INDIVIDUAL COMPANIES, BUT THE DIFFERENTIALS MAY BE THE SAME OR SIMILAR FOR ALL COMPANIES. FOR EXAMPLE, THESE COST RELATIONSHIPS MAY OR MAY NOT VARY SUBSTANTIALLY BY REASON OF CEILING HEIGHTS, OR THE NUMBER OF FLOORS IN THE WAREHOUSE BUILDING. THERE WILL BE DIFFERENCES IN THE ACTUAL OPERATING PRACTICES IN THE UTILIZATION OF STORAGE SPACE; BUT THIS IS ALSO MOSTLY A MATTER OF EFFICIENCY. EVERY COMPANY THAT USES THIS MANUAL SHOULD, BY EVERY MEANS AVAILABLE, CHECK THESE FACTORS WITH THEIR OWN EXPERIENCE. IF THIS TABLE DOES NOT PROVE TO BE SUBSTANTIALLY ACCURATE, THEN A DIFFERENT AND MORE ACCURATE TABLE SHOULD BE SUBSTITUTED THEREFOR.

COST RELATIONSHIP FACTORS OF 1.00 WERE ASSIGNED TO THE LOT SIZE RANGE OF 10,000 TO 25,000 POUNDS AND THE DENSITY RANGE OF 20 TO 25 POUNDS PER CUBIC FOOT. ANY OTHER COMBINATION COULD HAVE BEEN SELECTED. IT IS ADVISABLE TO USE A PREDOMINANT CATEGORY BECAUSE THE UNIT COSTS ARE IN TERMS OF THE BASIC ITEM. HOWEVER, IT SHOULD BE RECOGNIZED THAT THE COST OF ANY LOT SIZE AND DENSITY RANGE GROUP CAN READILY BE DETERMINED FROM THE BASIC COST.

THE TOP PART OF THE SCHEDULE ON THE OPPOSITE PAGE SHOWS THE TWO SETS OF COST ALLOCATION FACTORS REFERRED TO ABOVE. THE BOTTOM HALF OF THE TABLE SHOWS THE COMBINED COST ALLOCATION FACTORS, REPRESENTING BOTH DENSITY AND LOT SIZE. AS PREVIOUSLY STATED, THESE COMBINED FACTORS ARE NOT USED FOR CONVERSION PURPOSES, BUT THEY DO HAVE OTHER IMPORTANT USES WHICH WILL BE EXPLAINED AND ILLUSTRATED LATER.

COST ALLOCATION FACTORS FOR THE HANDLING DEPARTMENT ARE SHOWN IN SCHEDULE No. 5

EXAMPLE COLD STORAGE CO.

TABLE OF STORAGE COST ALLOCATION FACTORS

LOT SIZE AND DENSITY

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
LOT SIZE	FACTOR	2.00	1.50	1.25	1.00	.85	.75	.65
UNDER 500#	6.00							
500 - 1,000#	3.00							
1,000 - 2,000#	1.50							
2,000 - 5,000#	1.25							
5,000 - 10,000#	1.05							
10,000 - 25,000#	1.00							
OVER 25,000#	.95							

COMBINED

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
LOT SIZE	FACTOR	2.00	1.50	1.25	1.00	.85	.75	.65
UNDER 500#	6.00	12.00	9.00	7.50	6.00	5.10	4.50	3.90
500 - 1,000#	3.00	6.00	4.50	3.75	3.00	2.55	2.25	1.95
1,000 - 2,000#	1.50	3.00	2.25	1.88	1.50	1.28	1.13	.98
2,000 - 5,000#	1.25	2.50	1.88	1.56	1.25	1.06	.94	.81
5,000 - 10,000#	1.05	2.10	1.58	1.31	1.05	.89	.79	.68
10,000 - 25,000#	1.00	2.00	1.50	1.25	1.00	.85	.75	.65
OVER 25,000#	.95	1.90	1.43	1.19	.95	.81	.71	.62

FREEZER STORAGE DEPARTMENT

A GENERAL EXPLANATION OF THE COST RELATIONSHIP FACTORS FOR FREEZER STORAGE DEPARTMENT (ON THE OPPOSITE PAGE) IS INCLUDED IN THE COMMENTS RELATING TO THE PRECEDING SCHEDULE. IN APPLYING THESE FACTORS IT IS NECESSARY TO CLASSIFY EACH LOT ACCORDING TO DENSITY RANGE. VARIOUS PRODUCT LISTINGS ARE AVAILABLE FOR INITIAL CODING OF IN-STORAGE LOTS. THEREAFTER, EACH LOT SHOULD BE CODED AS RECEIVED FOR STORAGE, WHICH MAY INVOLVE ACTUAL MEASUREMENT OF SOME PRODUCTS. IN ANY EVENT, DENSITY IS A MATHEMATICAL CALCULATION ACCEPTED IN THE INDUSTRY WITHOUT QUESTION.

IN THE CLASSIFICATION OF THE NUMBER OF 100# UNITS OF FREEZER STORAGE BY LOT SIZES THE SIZE CATEGORY WILL FIRST BE DETERMINED AT THE TIME THE CUSTOMER IS BILLED FOR THE FIRST MONTH'S STORAGE. EACH MONTH THEREAFTER THE CUSTOMER IS BILLED FOR ADDITIONAL STORAGE. THE LOT SIZE CATEGORY FOR SUBSEQUENT MONTHS MAY BE DETERMINED EITHER (1) ACCORDING TO THE ORIGINAL SIZE, OR (2) ACCORDING TO THE DECLINING BALANCE.

WHEN THE ORIGINAL LOT SIZE IS USED TO DETERMINE THE STORAGE RATE THERE IS A DISTORTION IN THE COST-REVENUE RELATIONSHIP. AS THE SIZE OF THE LOT DECREASES, THE COST INCREASES; THIS IS BECAUSE OF THE LESS ECONOMICAL USE OF STORAGE SPACE FOR SMALL LOTS. THE MONTHLY STORAGE CHARGE TO CUSTOMERS SHOULD ALWAYS BE BASED UPON THE LOT SIZE AS DETERMINED BY THE DECLINING BALANCE. WHEN THIS POLICY IS FOLLOWED THERE WILL BE AN AUTOMATIC ADJUSTMENT IN THE RATES, WHICH WILL INCREASE THE CHARGES PER 100# UNIT AS THE SIZE OF THE LOT DIMINISHES.

IN ACTUAL PRACTICE, THE CUSTOMER IS SOMETIMES PERMITTED TO INCLUDE SEVERAL SEPARATE RECEIPTS OF MERCHANDISE IN ONE STORAGE LOT; THE PURPOSE BEING TO INCREASE THE LOT SIZE AND THUS REDUCE THE STORAGE RATE. THIS INCREASES THE NEED FOR BASING THE THE SUBSEQUENT MONTHS' STORAGE ON THE DECLINING BALANCE.

LOT SIZE COST RELATIONSHIP FACTORS FOR FREEZER STORAGE ARE BASED ON THE FACT THAT SPACE UTILIZATION DECREASES IN DIRECT PROPORTION TO THE DECREASE IN SIZE OF LOTS IN STORAGE. THIS IS PARTLY A MATTER OF ADDITIONAL AISLE SPACE REQUIRED FOR DIRECT ACCESS TO SMALLER LOTS. THE ONLY ALTERNATIVE IS ADDITIONAL LABOR IN MOVING GOODS TO OBTAIN ACCESS, WHICH ALSO INCREASES STORAGE COSTS. LOST SPACE RESULTING FROM PART PALLETS RECEIVED OR FROM PARTIAL DELIVERIES FROM SMALLER LOTS IS ALSO A MAJOR CONSIDERATION IN THE CASE OF DISTRIBUTION WAREHOUSES. NUMEROUS OTHER SPACE RESTRICTIONS AND LIMITATIONS ASSOCIATED WITH PARTICULAR FACILITIES WERE DISREGARDED FOR THIS PURPOSE AND WILL BE REFLECTED IN OVER-ALL EFFICIENCY.

THE BASIC UNIT COST FOR FREEZER STORAGE OF \$.121 PER 100 POUNDS WAS TAKEN FROM EXHIBIT C AND EXTENDED AT THE RESPECTIVE FACTORS TO SHOW THE COST OF OTHER COMBINATIONS OF LOT SIZE AND DENSITY.

EXAMPLE COLD STORAGE CO.

TABLE OF COMBINED COST ALLOCATION FACTORS

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40	
LOT SIZE	FACTOR	2.00	1.50	1.25	1.00	.85	.75	.65	
UNDER 500#	6.00	12.00	9.00	7.50	6.00	5.10	4.50	3.90	
500 - 1,000#	3.00	6.00	4.50	3.75	3.00	2.55	2.25	1.95	
1,000 - 2,000#	1.50	3.00	2.25	1.88	1.50	1.28	1.13	.98	
2,000 - 5,000#	1.25	2.50	1.88	1.56	1.25	1.06	.94	.81	
5,000 - 10,000#	1.05	2.10	1.58	1.31	1.05	.89	.79	.68	
10,000 - 25,000#	1.00	2.00	1.50	1.25	1.00	.85	.75	.65	
OVER 25,000#	.95	1.90	1.43	1.19	.95	.81	.71	.62	

FREEZER STORAGE DEPARTMENT

STATEMENT OF ACTUAL UNIT COSTS - BY LOT SIZE AND DENSITY

SIX MONTHS TO JUNE 30, 1959

(PER 100 POUNDS)

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40	
LOT SIZE	FACTORS	2.00	1.50	1.25	1.00	.85	.75	.65	
UNDER 500#	6.00	1.452	1.089	.908	.726	.617	.544	.472	
500 - 1,000#	3.00	.726	.544	.454	.363	.309	.272	.236	
1,000 - 2,000#	1.50	.363	.272	.227	.182	.155	.137	.119	
2,000 - 5,000#	1.25	.302	.227	.189	.151	.128	.114	.098	
5,000 - 10,000#	1.05	.254	.191	.159	.127	.108	.096	.082	
10,000 - 25,000#	1.00	.242	.182	.151	.121	.103	.091	.079	
OVER 25,000#	.95	.230	.173	.144	.115	.098	.086	.075	

COOLER STORAGE DEPARTMENT

THE COST-FINDING PROCEDURES DESCRIBED FOR FREEZER STORAGE DEPARTMENT WILL APPLY WITHOUT EXCEPTION TO COOLER STORAGE DEPARTMENT. OTHER COMMENTS ARE INCLUDED AT THIS POINT FOR FURTHER CLARIFICATION.

THE LOT SIZE RANGE BRACKETS ARE EXPRESSED IN TERMS OF ACTUAL POUNDS. FOR THIS REASON THERE IS A MARGIN OF ERROR IN THE LOT SIZE CLASSIFICATION OF VERY HIGH AND LOW DENSITY PRODUCTS. THIS COULD BE CORRECTED BY PROPER IDENTIFICATION ON THE TABLE BUT THE DIFFERENCE INVOLVED DOES NOT WARRANT THIS COMPLICATION.

THE LOWEST LOT SIZE FACTOR AT 25/30 DENSITY IS .95 AND THIS IS FOR ALL LOTS IN EXCESS OF 25,000 POUNDS. THERE IS SOME INDICATION THAT BETTER UTILIZATION OF SPACE IS ACHIEVED ON LARGE LOTS RANGING TO 500,000 POUNDS, AS A RESULT OF FILLING AISLES OR REDUCING AISLE SPACE. IF THESE MEASURES WERE RECOGNIZED IN SETTING COST RELATIONSHIPS, THE BOTTOM OF THE SCALE WOULD BE LOWER AND PERHAPS ANOTHER BRACKET SHOULD BE INCLUDED.

TO THE EXTENT THAT THE ABOVE SITUATION IS ASSOCIATED WITH COOLER STORAGE THE BETTER SPACE UTILIZATION WILL BE REFLECTED IN A LOWER BASIC UNIT COST, ALTHOUGH THIS ADVANTAGE MAY BE OFFSET BY IDLE FACILITIES DURING CERTAIN SEASONS OF THE YEAR. THE BASIC UNIT COST FOR COOLER STORAGE DEPARTMENT, AS INDICATED IN THE TABLE ON THE OPPOSITE PAGE, IS FREQUENTLY LOWER THAN THE COST OF FREEZER STORAGE DEPARTMENT, DUE TO LOWER REFRIGERATION REQUIREMENTS; HOWEVER, THIS CONDITION IS OFFSET ON OCCASION BY THE HIGHER TEMPERATURES OF ITEMS RECEIVED FOR COOLER STORAGE.

EXAMPLE COLD STORAGE CO.

TABLE OF COMBINED COST ALLOCATION FACTORS

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40	
LOT SIZE	FACTOR	2.00	1.50	1.25	1.00	.85	.75	.65	
UNDER 500#	6.00	12.00	9.00	7.50	6.00	5.10	4.50	3.90	
500 - 1,000#	3.00	6.00	4.50	3.75	3.00	2.55	2.25	1.95	
1,000 - 2,000#	1.50	3.00	2.25	1.88	1.50	1.28	1.13	.98	
2,000 - 5,000#	1.25	2.50	1.88	1.56	1.25	1.06	.94	.81	
5,000 - 10,000#	1.05	2.10	1.58	1.31	1.05	.89	.79	.68	
10,000 - 25,000#	1.00	2.00	1.50	1.25	1.00	.85	.75	.65	
OVER 25,000#	.95	1.90	1.43	1.19	.95	.81	.71	.62	

COOLER STORAGE DEPARTMENT

STATEMENT OF ACTUAL UNIT COSTS - BY LOT SIZE AND DENSITY

SIX MONTHS TO JUNE 30, 1959

(PER 100 POUNDS)

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40	
LOT SIZE	FACTORS	2.00	1.50	1.25	1.00	.85	.75	.65	
UNDER 500#	6.00	1.008	.756	.630	.504	.428	.378	.328	
500 - 1,000#	3.00	.504	.378	.315	.252	.214	.189	.164	
1,000 - 2,000#	1.50	.252	.189	.158	.126	.108	.095	.082	
2,000 - 5,000#	1.25	.210	.158	.131	.105	.089	.079	.068	
5,000 - 10,000#	1.05	.176	.133	.110	.088	.075	.066	.057	
10,000 - 25,000#	1.00	.168	.126	.105	.084	.071	.063	.055	
OVER 25,000#	.95	.160	.120	.100	.080	.068	.060	.052	

HANDLING DEPARTMENT

COMBINATION FACTORS ARE NECESSARY FOR ALLOCATION OF HANDLING DEPARTMENT COSTS. A BASIC PREMISE IS THAT THE COST PER PALLET IS THE SAME REGARDLESS OF THE LOAD. CONSEQUENTLY THE COSTS PER CWT. FOR HANDLING THE SEVEN LOT SIZE CATEGORIES DO NOT FOLLOW A STRICT DENSITY PATTERN.

THE FACTORS FOR CONVERSION OF THE WEIGHT HANDLED TO COMMON DENOMINATOR UNITS ARE AT THE TOP OF SCHEDULE NO. 5. NOTE, FOR EXAMPLE, THAT THE FACTOR FOR A LOT UNDER 500 LBS. IS THE SAME AT ALL DENSITIES. THIS IS ALSO TRUE OF SIZES 2, AND SIZE 3 UP TO THE ASSUMED LIMIT OF 60 CU. FT. FOR ONE PALLET. THEREAFTER, THE FACTORS CHANGE IN SUCCESSIVE STEPS REFLECTING THE NUMBER OF PALLETS REQUIRED AT DIFFERENT DENSITIES AND STRAIGHT SHUTTLE TIME.

THE BOTTOM PART OF THE TABLE ON THE RIGHT IS AN ILLUSTRATIVE SCHEDULE OF ACTUAL UNIT COSTS FOR THE SIX MONTHS PERIOD. IT WILL BE NOTED THAT THE UNIT COSTS FOR THIS DEPARTMENT ARE ENTIRELY DIFFERENT THAN THOSE SHOWN ON THE PRECEDING PAGES FOR THE FREEZER STORAGE AND COOLER STORAGE. THE BASIC UNIT COSTS IN THE SMALL BLOCKED SPACE (10,000 TO 25,000# LOT SIZE - AND 25 TO 30# DENSITY) IS THE SAME UNIT COST AS SHOWN IN THE UNIT COST STATEMENT, EXHIBIT C, THE COMBINED FACTOR FOR THIS ITEM IS 1.00. THE UNIT COST FOR EACH LOT SIZE AND EACH DENSITY CATEGORY IS COMPUTED SIMPLY BY MULTIPLYING THE BASIC UNIT COST BY THE FACTORS SHOWN IN THE TABLE AT THE TOP OF THE PAGE.

THESE UNIT COSTS FOR HANDLING, BY LOT SIZE AND DENSITY, WILL NOT BE PREPARED REGULARLY, BECAUSE THE UNIT COST FOR THE BASIC ITEM SHOWN IN THE UNIT COST STATEMENT (EXHIBIT C) WILL REPRESENT A TRUE INDEX TO THE COST OF ALL OTHER ITEMS. THIS ILLUSTRATION OF UNIT COSTS FOR ALL OTHER ITEMS IS SHOWN MERELY AS AN AID TO A FULL UNDERSTANDING OF THE COST-FINDING PROCEDURES. THIS UNIT COST STATEMENT WILL ALSO SERVE ANOTHER PURPOSE, WHICH IS TO SHOW WHAT THE UNIT REVENUE SHOULD BE IN ORDER TO RESULT IN A PROFIT; THE REVENUES SHOULD BE SOMETHING MORE THAN THESE UNIT COSTS.

THE UNIT COSTS REPRESENT THE COMBINED TOTAL COST OF HANDLING A SPECIFIC SIZE LOT IN AND OUT OF STORAGE. THE ADDITIONAL COST OF PARTIAL LOT DELIVERIES IS ALSO INCLUDED IN THE TOTAL COST AND WILL BE RECOVERED BY AN EXTRA DELIVERY CHARGE AS EXPLAINED IN OTHER SECTIONS OF THIS MANUAL.

EXAMPLE COLD STORAGE CO.

TABLE OF COST ALLOCATION FACTORS

DENSITY LOT SIZE	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
UNDER 500#	5.60	5.60	5.60	5.60	5.60	5.60	5.60
500 - 1,000#	2.80	2.80	2.80	2.80	2.80	2.80	2.80
1,000 - 2,000#	2.35	2.35	2.35	1.40	1.40	1.40	1.40
2,000 - 5,000#	2.15	1.65	1.65	1.20	1.20	1.20	1.20
5,000 - 10,000#	2.00	1.60	1.25	1.05	1.05	.85	.85
10,000 - 25,000#	1.95	1.55	1.20	1.00	.90	.80	.70
OVER 25,000#	1.90	1.50	1.15	.95	.80	.70	.60

HANDLING DEPARTMENT

STATEMENT OF ACTUAL UNIT COSTS - BY LOT SIZE AND DENSITY

SIX MONTHS TO JUNE 30, 1959

(PER 100 POUNDS)

DENSITY LOT SIZE	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
UNDER 500#	1.736	1.736	1.736	1.736	1.736	1.736	1.736
500 - 1,000#	.868	.868	.868	.868	.868	.868	.868
1,000 - 2,000#	.728	.728	.728	.434	.434	.434	.434
2,000 - 5,000#	.666	.512	.512	.372	.372	.372	.372
5,000 - 10,000#	.620	.496	.388	.326	.326	.263	.263
10,000 - 25,000#	.604	.480	.372	.310	.279	.248	.217
OVER 25,000#	.589	.465	.356	.294	.248	.217	.186

COSTS AND REVENUES

UNIT COSTS FOR THE COLD STORAGE DEPARTMENT ARE REPEATED AT THE BOTTOM OF THE SCHEDULE ON THE OPPOSITE PAGE. BY APPLICATION OF APPROPRIATE FACTORS, ACTUAL ALLOCATED UNIT COSTS FOR 49 DIFFERENT COMBINATIONS OF LOT SIZE AND DENSITY ARE DEVELOPED. THE COST OF A PARTICULAR PRODUCT STORED IN A GIVEN QUANTITY (LOT SIZE), IS MERELY A MATTER OF KNOWING THE DENSITY, WHICH CAN BE OBTAINED FROM A DENSITY TABLE OR BY ACTUAL MEASUREMENT.

THESE ARE GRAND TOTAL UNIT COSTS WHICH CAN BE COMPARED SIGNIFICANTLY WITH CORRESPONDING UNIT REVENUES OR (IN THE CASE OF CALIFORNIA) WITH TARIFF RATES ESTABLISHED BY THE P. U. C. THE PRIMARY OBJECTIVE OF SUCH A COMPARISON IS TO DETERMINE THE PROFITABILITY OF INDIVIDUAL SERVICES. OF COURSE, IT DOES NOT NECESSARILY FOLLOW THAT ALL CHARGES TO CUSTOMERS CAN BE BASED ON COST PLUS A REASONABLE PROFIT. IT WILL BE NOTED THAT THE STORAGE COSTS ON LOW DENSITY SMALL LOTS ARE VERY SUBSTANTIAL; CONSIDERABLY ABOVE EXISTING RATES AND NO DOUBT HIGHER THAN THE CUSTOMER CAN BE EXPECTED TO PAY. EVEN THOUGH THESE REVENUES CANNOT BE INCREASED, THE INFORMATION IS ESSENTIAL TO MANAGEMENT FOR MAKING DECISIONS.

IN EXHIBIT C THE REVENUE PER BASIC 100 POUND UNIT IS DETERMINED BY DIVIDING THE TOTAL REVENUE FOR THE FREEZER STORAGE DEPARTMENT BY THE COMMON DENOMINATOR UNITS. THIS FIGURE OF \$.175 IS PLACED IN THE BLOCK ON THE UPPER TABLE AT THE RIGHT. THE DIFFERENCE BETWEEN THIS BASIC UNIT REVENUE AND THE \$.121 COST IN THE SAME POSITION IN THE LOWER TABLE IS THE UNIT PROFIT OF \$.054 FROM FREEZER STORAGE OPERATIONS.

BY APPLYING THE COST RELATIONSHIP FACTORS TO THE BASIC UNIT REVENUE THE TOTAL REVENUE FROM FREEZER STORAGE CAN BE RE-ALLOCATED TO THE SAME 49 DIFFERENT LOT-SIZE-DENSITY COMBINATIONS. AS ILLUSTRATED IN SCHEDULE No. 7, THIS MAKES IT POSSIBLE TO COMPARE UNIT REVENUES WITH UNIT COSTS IN A DIFFERENT MANNER. IN ACTUAL PRACTICE THIS IS NOT NECESSARY BECAUSE A COMPARISON OF THE BASIC UNIT COST PROVIDES A TRUE INDEX OF ALL ITEMS FLOWING THROUGH THE DEPARTMENT.

THE PRESENT RATE STRUCTURE IN CALIFORNIA, AND IN OTHER AREAS AS WELL, IS COMPLICATED AND IT IS OBVIOUS THAT MANY INEQUITIES EXIST. UNDER THE UNIFORM SYSTEM IT WOULD EVENTUALLY BE POSSIBLE TO SIMPLIFY THE PROCESS OF ESTABLISHING UNIT REVENUES TO THE POINT OF HAVING ONLY ONE BASIC RATE FOR EACH OF THE MAJOR OPERATING DEPARTMENTS. FOR PURPOSES OF BILLING THE CUSTOMER, QUANTITIES STORED OR HANDLED WOULD BE CONVERTED TO A COMMON DENOMINATOR AND EXTENDED AT THE BASIC RATE. CONSIDERATION OF RATE ADJUSTMENTS WOULD BE CONFINED TO A COMPARISON OF THE BASIC RATE AND THE BASIC UNIT COST, WHICH WOULD REFLECT THE ENTIRE VOLUME OF A COMPANY. BY PROPER CONSOLIDATION THE WEIGHTED AVERAGE BASIC UNIT COST WOULD BE REPRESENTATIVE OF A GROUP OF COMPANIES. OF COURSE, THE RATE FOR A SPECIFIC LOT SIZE AND DENSITY RANGE GROUP COULD BE DETERMINED WITH THE USE OF THE TABLE OF COST RELATIONSHIP FACTORS, AS REQUIRED.

EXAMPLE COLD STORAGE CO.
FREEZER STORAGE DEPARTMENT

SCHEDULE No. 7

STATEMENT OF COMPARATIVE UNIT REVENUES AND COSTS - BY LOT SIZE AND DENSITY

REVENUES PER CWT.

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
LOT SIZE	FACTOR	2.00	1.50	1.25	1.00	.85	.75	.65
UNDER 500#	6.00	2.100	1.575	1.313	1.050	.893	.788	.683
500 - 1,000#	3.00	1.050	.788	.656	.525	.446	.394	.341
1,000 - 2,000#	1.50	.525	.394	.329	.263	.224	.198	.172
2,000 - 5,000#	1.25	.438	.329	.273	.219	.186	.165	.142
5,000 - 10,000#	1.05	.368	.277	.229	.184	.156	.138	.119
10,000 - 25,000#	1.00	.350	.263	.219	.175	.149	.131	.114
OVER 25,000#	.95	.333	.250	.208	.166	.142	.124	.109

COSTS PER CWT.

RANGE GROUP	DENSITY	UNDER 15	15 20	20 25	25 30	30 35	35 40	OVER 40
LOT SIZE	FACTORS	2.00	1.50	1.25	1.00	.85	.75	.65
UNDER 500#	6.00	1.452	1.089	.908	.726	.617	.544	.472
500 - 1,000#	3.00	.725	.544	.454	.363	.309	.272	.236
1,000 - 2,000#	1.50	.363	.272	.227	.182	.155	.137	.119
2,000 - 5,000#	1.25	.302	.227	.189	.151	.128	.114	.098
5,000 - 10,000#	1.05	.254	.191	.159	.127	.108	.096	.082
10,000 - 25,000#	1.00	.242	.182	.151	.121	.103	.091	.079
OVER 25,000#	.95	.230	.173	.144	.115	.098	.086	.075

SECTION VI - DESCRIPTIVE CHART OF ACCOUNTS

THE GROUPING OF THE OPERATING ACCOUNTS LISTED AND DESCRIBED IN THIS SECTION IS A FUNCTIONAL ONE. THIS IS IMPORTANT BECAUSE A FUNCTIONAL GROUPING OF THE OPERATING COSTS IS NECESSARY IN ORDER TO ACHIEVE UNIFORMITY FOR THE COLD STORAGE WAREHOUSE INDUSTRY.

IT MUST NOT BE ASSUMED THAT THIS CHART OF ACCOUNTS WILL MEET THE NEEDS OF EVERY WAREHOUSE COMPANY. EACH INDIVIDUAL COMPANY WILL HAVE OPERATING AND ACCOUNTING PROBLEMS PECULIAR TO ITSELF. THEREFORE, THIS CHART OF ACCOUNTS WILL NEED TO BE MODIFIED TO MEET THESE NEEDS. THIS CAN BE DONE WITHIN THE FRAMEWORK OF THE FUNCTIONAL CLASSIFICATION OF THE ELEMENTS OF COST. FOR EXAMPLE, IF A COMPANY DOES NOT OPERATE A QUICK FREEZING FACILITY, THEN THE ACCOUNT FOR "DIRECT LABOR - QUICK FREEZING" WILL BE OMITTED. ANOTHER EXAMPLE: IF A COMPANY HAS AN "ASSEMBLY LINE OPERATION" CERTAIN GENERAL LEDGER ACCOUNTS MUST BE PROVIDED FOR THAT OPERATION.

THE GENERAL LEDGER ACCOUNTS ARE AN IMPORTANT PART OF THE ACCOUNTING PLAN WHICH PROVIDES FOR DEPARTMENTAL OPERATING STATEMENTS. REGARDLESS OF THE DEPARTMENTS OPERATED BY A PARTICULAR COMPANY, THE CHART OF ACCOUNTS SHOULD PROVIDE THE ACCOUNTING DATA NECESSARY TO PREPARE THESE OPERATING STATEMENTS IN A UNIFORM MANNER. THIS CHART OF ACCOUNTS IS FLEXIBLE ENOUGH TO MEET THE NEEDS OF MANY TYPES OF OPERATIONS AND AT THE SAME TIME ACHIEVE A DEGREE OF UNIFORMITY IN DETERMINING DEPARTMENTAL OPERATING RESULTS AND UNIT COSTS.

GENERAL LEDGER ACCOUNTS ARE CUSTOMARILY NUMBERED, AND A SUGGESTED NUMBERING SYSTEM HAS BEEN USED FOR THIS CHART OF ACCOUNTS. A NUMBERING SYSTEM IS MERELY A TOOL FOR THE USE OF THE ACCOUNTING DEPARTMENT. A DIFFERENT NUMBERING SYSTEM MAY BE USED WITHOUT, IN ANY WAY, AFFECTING THE IMPORTANT OBJECTIVES OF THE ACCOUNTING SYSTEM.

THE P. U. C. ACCOUNT NUMBERS SHOWN AT THE LEFT IN THE DESCRIPTIVE CHART OF ACCOUNTS PROVIDE A CROSS-REFERENCE FOR CALIFORNIA WAREHOUSES OPERATING UNDER THE PUBLIC UTILITIES COMMISSION. THE SUGGESTED SUB-ACCOUNTS INCLUDED IN THE DESCRIPTIVE CHART OF ACCOUNTS ARE OPTIONAL EXCEPT FOR THOSE REQUIRED OF CALIFORNIA WAREHOUSES BY THE P. U. C.

SUMMARY CHART OF ACCOUNTS

REVENUE ACCOUNTS

- 300 - NON-UTILITY REVENUES
- 310 - 350 - OPERATING DEPARTMENT REVENUES

OPERATING ACCOUNTS

- 400 - DIRECT LABOR - NON-UTILITY OPERATIONS
- 410 - 450 - DIRECT LABOR - OPERATING DEPARTMENTS
- 460 - DIRECT LABOR - REFRIGERATION DEPARTMENT

- 500 - SUPERINTENDENCE AND INDIRECT LABOR
- 510 - EMPLOYEE LABOR BENEFITS
- 520 - ELECTRIC POWER COST

- 600 - DIRECT SUPPLIES AND EXPENSE - NON-UTILITY
- 610 - 650 - DIRECT SUPPLIES AND EXPENSE - OPERATING DEPARTMENTS
- 660 - DIRECT SUPPLIES AND EXPENSE - REFRIGERATION DEPARTMENT

- 700 - REPAIRS AND MAINTENANCE - NON-UTILITY
- 710 - 750 - REPAIRS AND MAINTENANCE - OPERATING DEPARTMENTS
- 760 - REPAIRS AND MAINTENANCE - REFRIGERATION DEPARTMENT

- 800 - FIXED CHARGES - NON-UTILITY AND GENERAL
- 810 - 850 - FIXED CHARGES - OPERATING DEPARTMENTS
- 860 - FIXED CHARGES - REFRIGERATION DEPARTMENT

GENERAL AND ADMINISTRATIVE EXPENSE ACCOUNTS

- 900 - ADMINISTRATIVE AND SELLING SALARIES
- 910 - GENERAL OFFICE SALARIES
- 920 - EMPLOYEE LABOR BENEFITS - OFFICE AND ADMINISTRATIVE
- 930 - OFFICE SUPPLIES AND EXPENSES
- 940 - GENERAL AND SELLING EXPENSE
- 950 - TAXES, PERMITS AND LICENSES
- 960 - LOSS AND DAMAGE CLAIMS
- 970 - FINANCIAL EXPENSE

OTHER INCOME AND EXPENSE

- 980 - SUNDRY NON-OPERATING INCOME
- 990 - SUNDRY NON-OPERATING EXPENSE
- 995 - TAXES ON INCOME

DESCRIPTIVE CHART OF ACCOUNTS

P. U. C.
ACCOUNT

5500 ACCOUNT 300 - NON-UTILITY REVENUES

CREDIT THIS ACCOUNT WITH ALL REVENUES THAT ARE CLEARLY NON-UTILITY, INCLUDING SALE OF REFRIGERATION. IN MANY INSTANCES IT MAY BE NECESSARY OR DESIRABLE TO PROVIDE SEPARATE LEDGER ACCOUNTS TO PROPERLY SEGREGATE THE REVENUES FROM THIS SOURCE. THE NUMBER OF GENERAL LEDGER ACCOUNTS, OR SUBDIVISIONS OF THIS ACCOUNT, WILL DEPEND UPON THE CIRCUMSTANCES IN EACH CASE.

6710 ACCOUNT 310 - FREEZER STORAGE REVENUES

CREDIT THIS ACCOUNT WITH THE REVENUES BILLED FOR STORAGE OF MERCHANDISE AT FREEZER TEMPERATURES. FREEZER STORAGE IS CLEARLY DEFINED BY THE P. U. C. TARIFF RATES.

IN ADDITION TO THE BILLINGS FOR MONTHLY STORAGE, THIS ACCOUNT WILL BE CREDITED WITH THE FREEZER STORAGE PORTION OF BILLINGS FOR QUICK FREEZING. THIS SEGREGATION AS BETWEEN (1) FREEZER STORAGE, (2) HANDLING AND (3) QUICK FREEZING IS NECESSARY WHERE THE PRESENT TARIFF REGULATION ITSELF DOES NOT IDENTIFY THE CHARGES FOR EACH OF THESE THREE KINDS OF SERVICES. RECENTLY IN CALIFORNIA SEPARATE TARIFF RATES WERE ESTABLISHED FOR FIRST MONTH'S STORAGE AND FOR HANDLING; WHERE THIS IS NOT THE CASE IT WILL BE NECESSARY TO SEGREGATE THE COMBINED CHARGE.

311 - ACCESSORIAL FREEZER REVENUES - CREDIT THIS ACCOUNT WITH INCIDENTAL OR ACCESSORIAL REVENUES THAT ARE CLOSELY RELATED TO FREEZER STORAGE, AND FOR WHICH IT IS NOT PRACTICABLE TO IDENTIFY THE COSTS APPLICABLE THERETO.

6710 ACCOUNT 320 - COOLER STORAGE REVENUES

CREDIT THIS ACCOUNT WITH THE REVENUES BILLED FOR STORAGE OF MERCHANDISE AT COOLER STORAGE TEMPERATURES, AS DEFINED BY THE P. U. C. TARIFF REGULATIONS. THE PROBLEM OF SEGREGATING REVENUES AS BETWEEN COOLER STORAGE AND HANDLING IS THE SAME AS DESCRIBED ABOVE FOR FREEZER STORAGE REVENUES.

CREDIT THIS ACCOUNT WITH REVENUES FROM PRECOOLING; THESE REVENUES MAY BE TREATED AS A SUBDIVISION OF THIS ACCOUNT SO THAT, IF AND WHEN IT IS DESIRABLE TO DO SO, A SEPARATE DEPARTMENTAL OPERATING STATEMENT CAN BE PREPARED. WHEN THIS IS DONE IT ALSO WILL BE NECESSARY, OF COURSE, TO PRORATE THE COSTS AS BETWEEN COOLER STORAGE AND PRECOOLING. THIS SEGREGATION WILL NOT BE NECESSARY WHEN THE PRECOOLING IS ONLY A VERY SMALL AND INCIDENTAL ITEM.

321 - ACCESSORIAL COOLER REVENUE - CREDIT THIS ACCOUNT WITH ALL REVENUES FROM ACCESSORIAL SERVICES THAT ARE PURELY INCIDENTAL TO THE COOLER STORAGE OPERATION, AND FOR WHICH IT IS NOT PRACTICABLE TO IDENTIFY THE COSTS APPLICABLE THERETO.

P. U. C.
ACCOUNT

6730 ACCOUNT 330 - HANDLING REVENUES

CREDIT THIS ACCOUNT WITH ALL BILLINGS FOR THE HANDLING OF MERCHANDISE, WHICH WILL INCLUDE HANDLING IN AND HANDLING OUT, FOR BOTH COOLER STORAGE GOODS AND FOR FREEZER STORAGE GOODS. ALSO CREDIT THIS ACCOUNT WITH THE HANDLING PORTION OF A COMBINED CHARGE FOR QUICK FREEZING AS EXPLAINED UNDER QUICK FREEZING SERVICES.

331 - Accessorial Handling Revenues - CREDIT THIS ACCOUNT WITH REVENUES FOR ALL ACCESSORIAL SERVICES THAT ARE PURELY INCIDENTAL TO HANDLING, AND FOR WHICH IT IS NOT PRACTICABLE TO IDENTIFY THE COSTS APPLICABLE THERETO. SUCH REVENUES SHOULD BE ACCUMULATED IN A SUBSIDIARY RECORD OR SUBDIVISION FOR THE PURPOSES OF INFORMATION ONLY.

IT IS RECOGNIZED THAT THE CREDIT FOR HANDLING COVERS BOTH "HANDLING IN AND HANDLING OUT." THEREFORE, ONLY ABOUT ONE-HALF OF THIS CREDIT IS EARNED AT THE TIME THE BILLING IS MADE; THE BALANCE WILL BE EARNED WHEN THE GOODS ARE DELIVERED TO OR FOR THE ACCOUNT OF THE CUSTOMER. HOWEVER, FOR PRACTICAL ACCOUNTING PURPOSES, THIS TECHNICALITY CAN BE IGNORED AND THE ENTIRE AMOUNT CREDITED TO THIS ACCOUNT AT THE BILLING DATE. FOR A FURTHER DISCUSSION OF THIS ACCOUNTING PROBLEM REFER TO ANOTHER SECTION OF THIS MANUAL UNDER THE CAPTION "DEFERRED INCOME."

ACCOUNT 340 - SPECIAL SERVICES REVENUE

CREDIT THIS ACCOUNT WITH ALL REVENUES DERIVED FROM SPECIAL SERVICES, (PRIMARILY HOURLY LABOR CHARGES AND RENTAL REVENUE). DO NOT CHARGE THIS ACCOUNT WITH "ACCESSORIAL REVENUES"; THESE REVENUES WILL BE CREDITED TO SEPARATE ACCOUNTS UNDER STORAGE AND HANDLING, AS DESCRIBED ABOVE. IT WILL BE NECESSARY, OF COURSE, TO MAKE DIRECT CHARGES TO THIS DEPARTMENT, AND TO PRORATE CERTAIN INDIRECT EXPENSES.

EXAMPLES OF THE SPECIAL LABOR SERVICES, FOR WHICH INCOME WILL BE REFLECTED IN THIS ACCOUNT ARE: LOADING OR UNLOADING CARS AND TRUCKS, SPECIAL FORK LIFT OPERATIONS, WASHING, WEIGHING, AND CASING GOODS FROM THE QUICK FREEZING OPERATIONS.

FOR PURPOSES OF ANALYSIS, REVENUES DERIVED FROM CHARGING THE HOURLY RATES PRESENTED IN THE TARIFF SHOULD BE SEGREGATED FROM REVENUES ARISING FROM SERVICES BILLED ON OTHER BASES.

IF AND WHEN THESE UNUSUAL SERVICES ARE PURELY INCIDENTAL, OR SO SMALL THAT THEY ARE OF NO IMPORTANCE, THE SEGREGATION OF REVENUES AND EXPENSES MAY BE INGORNED AND INCLUDED WITH THE REGULAR HANDLING DEPARTMENT. TWO OF THE MORE FREQUENTLY USED

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CATEGORIES ARE INCLUDED AS SUB-ACCOUNTS BELOW:

6710 341 - LEASED SPACE REVENUE - CREDIT THIS ACCOUNT WITH REVENUE DERIVED FROM THE LEASING OF FREEZER AND COOLER STORAGE SPACE UNDER P. U. C. TARIFF RATES.

6730 342 - LOADING AND UNLOADING CARS AND TRUCKS - CREDIT THIS ACCOUNT WITH REVENUES DERIVED FROM HOURLY RATE CHARGES FOR THIS SERVICE.

6750 ACCOUNT 350 - QUICK FREEZING REVENUES

CREDIT THIS ACCOUNT FOR REVENUES FROM BILLINGS FOR QUICK FREEZING AS DEFINED BY THE P. U. C. TARIFF REGULATIONS. SOME TARIFF RATES COVER (1) QUICK FREEZING, (2) HANDLING IN AND OUT OF FREEZER STORAGE AND (3) FREEZER STORAGE. THEREFORE, IT IS NECESSARY TO MAKE A THREE-WAY ANALYSIS OR SEGREGATION OF BILLINGS FOR GOODS HANDLED BY THIS DEPARTMENT. THIS SEGREGATION IS NECESSARY AND SHOULD BE DONE CURRENTLY AS THE INVOICES ARE ISSUED. THE FOLLOWING IS AN EXAMPLE OF THIS ANALYSIS OF REVENUES:

TOTAL CHARGE PER 100# - PER TARIFF RATE		<u>\$0.75</u>
CHARGE FOR FREEZER STORAGE - PER MONTH	\$0.20	
CHARGE FOR HANDLING ONLY	0.15	
BALANCE - CHARGE FOR QUICK FREEZING	<u>0.40</u>	
TOTAL CHARGE		<u>\$0.75</u>

7000 ACCOUNT 400 - DIRECT LABOR - NON-UTILITY OPERATIONS

CHARGE THIS ACCOUNT WITH THE DIRECT LABOR INVOLVED IN THE COST OF THE FUNCTIONS AND SERVICES WHICH ARE DESCRIBED IN THE REVENUE ACCOUNT DESIGNATED NON-UTILITY REVENUES. THE SUBDIVISIONS OF THIS ACCOUNT WILL, OF COURSE, BE DEPENDENT UPON AND CLOSELY RELATED TO THE SUBDIVISIONS WHICH ARE PROVIDED FOR IN THE REVENUE ACCOUNT. THE NEED FOR SUBDIVISIONS WILL DEPEND ON THE CIRCUMSTANCES IN EACH CASE.

7000 ACCOUNT 410 - DIRECT LABOR - FREEZER STORAGE OPERATIONS

CHARGE THIS ACCOUNT WITH ALL DIRECT LABOR INVOLVED IN THE HANDLING OF MERCHANDISE WHILE IN THE FREEZER STORAGE ROOMS, SUCH AS MOVING FROM ONE LOCATION TO ANOTHER, RE-ARRANGING, CLEANING, DEFROSTING, ETC. ALL OF THIS KIND OF LABOR IS A NECESSARY PART OF THE SERVICE FOR WHICH THE CUSTOMER IS CHARGED A MONTHLY RATE FOR FREEZER STORAGE ONLY.

IT WILL BE NECESSARY TO PROVIDE TIME CARDS FOR EMPLOYEES SO THAT A DAILY RECORD OF MAN HOURS CAN BE MADE FOR SEGREGATING LABOR CHARGES AS BETWEEN THE MAJOR OPERATING DEPARTMENTS.

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7000 ACCOUNT 420 - DIRECT LABOR - COOLER STORAGE OPERATIONS

CHARGE THIS ACCOUNT WITH ALL DIRECT LABOR INVOLVED IN THE HANDLING OF MERCHANDISE WITHIN THE COOLER STORAGE ROOMS, SUCH AS MOVING FROM ONE LOCATION TO ANOTHER, RESTACKING, CLEANING UP, DEFROSTING, AND ANY OTHER SIMILAR LABOR WHICH IS FOR THE CONVENIENCE OF THE WAREHOUSE COMPANY, AND WHICH IS COVERED BY THE COLD STORAGE TARIFF RATE.

IT WILL BE NECESSARY TO PROVIDE DAILY TIME CARDS FOR EMPLOYEES WHO MAY WORK IN MORE THAN ONE DEPARTMENT, SO THAT LABOR CHARGES CAN BE PROPERLY SEGREGATED AS BETWEEN MAJOR OPERATING DEPARTMENTS.

7000 ACCOUNT 430 - DIRECT LABOR - HANDLING OPERATIONS

CHARGE THIS ACCOUNT WITH THE WAGES OF LIFT TRUCK OPERATORS AND/OR HAND TRUCK OPERATORS MOVING GOODS FROM THE RECEIVING DOCK OR QUICK FREEZER TO THE COOLER OR FREEZER STORAGE ROOMS. ALSO, CHARGE THIS ACCOUNT WITH THE WAGES OF THE SAME WORKERS MOVING GOODS OUT OF COOLER STORAGE AND/OR FREEZER STORAGE TO THE PLATFORM FOR DELIVERY TO THE CUSTOMER.

IT WILL BE NECESSARY TO PROVIDE DAILY TIME CARDS FOR THESE EMPLOYEES SO THAT LABOR CHARGES CAN BE PROPERLY SEGREGATED AS BETWEEN FREEZER STORAGE, COOLER STORAGE, AND HANDLING. NO SEGREGATION WILL BE NECESSARY AS BETWEEN HANDLING IN AND HANDLING OUT.

7000 ACCOUNT 440 - DIRECT LABOR - SPECIAL SERVICES OPERATIONS

THERE ARE CERTAIN SPECIAL LABOR OPERATIONS NOT COVERED BY THE REGULAR P. U. C. TARIFF RATES FOR REGULAR LIFT TRUCK HANDLING. CONSISTENT WITH THE DESCRIPTION OF REVENUE ACCOUNTS, THESE COSTS SHOULD BE ACCUMULATED IN SEPARATE LABOR COST ACCOUNTS. DEPENDING UPON THE NEED FOR AND THE TYPE OF THESE SERVICES, SUBSIDIARY ACCOUNTS MAY BE PROVIDED FOR SEGREGATING THIS ACCOUNT INTO SUBDIVISIONS SUCH AS THE FOLLOWING: (1) PREPARATION AND/OR SPECIAL HANDLING OF PRODUCTS IN CONNECTION WITH THE QUICK FREEZING OPERATIONS, (2) LOADING AND UNLOADING RAILROAD CARS OR TRUCKS, (3) SPECIAL FORK LIFT SERVICES.

THE SUBDIVISIONS OF THIS ACCOUNT SHOULD BE THE SAME AS THOSE PROVIDED FOR SPECIAL SERVICES REVENUE, AND THE NUMBER OF SUBDIVISIONS WILL DEPEND UPON THE CIRCUMSTANCES IN EACH CASE. SOME OF THESE SPECIAL SERVICES ARE COVERED BY P. U. C. TARIFF RATES, AND SOME MAY NOT BE COVERED. REGARDLESS OF THE TARIFF RATES ONLY THE MAJOR IDENTIFIABLE LABOR SERVICES WILL BE CHARGED TO THIS ACCOUNT. SUCH SUBDIVISIONS

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MAY BE IGNORED WHEN THE OPERATION IS INCONSEQUENTIAL.

441 - LOADING AND UNLOADING RAILROAD CARS AND TRUCKS - CHARGE THIS ACCOUNT WITH THE WAGES OF WORKERS PERFORMING THIS FUNCTION FOR WHICH P. U. C. HOURLY RATES ARE CHARGED.

7000 ACCOUNT 450 - DIRECT LABOR - QUICK FREEZING OPERATIONS

CHARGE THIS ACCOUNT WITH THE WAGES OF ALL WORKERS HANDLING PRODUCTS INTO AND OUT OF THE QUICK FREEZING TUNNELS AND WITH ALL OTHER LABOR DIRECTLY INVOLVED IN THE OPERATION OF THE QUICK FREEZING EQUIPMENT. THIS DEPARTMENT ENDS AT THE POINT WHERE THE GOODS ARE TURNED OVER TO THE CUSTOMER FOR CASING, ETC., OR TO LIFT TRUCK OPERATORS FOR TRANSFER TO COLD STORAGE.

THE LABOR CHARGES TO THIS ACCOUNT WILL BE STRICTLY LIMITED TO THOSE SERVICES WHICH ARE COVERED BY THE P. U. C. TARIFF RATES FOR QUICK FREEZING. DIRECT LABOR FOR SPECIAL SERVICES TO THE CUSTOMER, WHICH ARE OVER AND ABOVE THE P. U. C. TARIFF RATES, SUCH AS SPECIAL PREPARATION AND HANDLING OF GOODS, WILL NOT BE CHARGED TO THIS ACCOUNT, BUT RATHER TO THE ACCOUNT FOR DIRECT LABOR SPECIAL SERVICES DESCRIBED ABOVE.

DAILY TIME CARDS WILL BE NECESSARY IN ORDER TO MAKE A PROPER ALLOCATION OF DIRECT LABOR TO THIS DEPARTMENT BUT IN SOME CASES ALL OF THE TIME OF A PARTICULAR LABOR CREW WILL BE CHARGEABLE TO THIS DEPARTMENT.

7062 ACCOUNT 460 - DIRECT LABOR - REFRIGERATION DEPARTMENT

CHARGE THIS ACCOUNT WITH ALL DIRECT LABOR USED IN THE MANUFACTURE OF REFRIGERATION. THIS MEANS PRINCIPALLY ENGINE ROOM AND RELATED LABOR, SUCH AS OPERATING ENGINEERS, TEMPERATURE CONTROL PERSONNEL, WATCHMEN, ETC.

DAILY TIME CARDS WILL BE NECESSARY IN MAKING CHARGES TO THIS DEPARTMENT BECAUSE THE OPERATING EMPLOYEES ARE CUSTOMARILY ASSIGNED TO MAINTENANCE WORK FOR A PART OF THEIR TIME.

7004 ACCOUNT 500 - SUPERINTENDENCE AND INDIRECT LABOR

THE CHARGES TO THIS ACCOUNT WILL BE LIMITED TO THE SALARIES OR WAGES OF PLANT PERSONNEL THAT CANNOT BE DIRECTLY IDENTIFIED AS TO OPERATING DEPARTMENTS, SUCH AS THE GENERAL PLANT SUPERINTENDENT AND/OR PLANT MANAGER, ASSISTANT GENERAL SUPERINTENDENT OR GENERAL FOREMAN, PLANT CLERICAL STAFF, ETC. THE PLANT CLERICAL STAFF WILL CONSIST OF TIMEKEEPERS, RECORD KEEPING IN CONNECTION WITH CHECKING

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MERCHANDISE IN AND OUT, MAINTAINING STOCK RECORDS, PREPARATION OF BOOK INVENTORIES AND WAREHOUSE RECEIPTS, TAKING PHYSICAL INVENTORIES, BILLINGS (OR PREPARATION OF CHARGES WHERE BILLING IS DONE CENTRALLY), AND OTHER SIMILAR WORK THAT USUALLY IS DONE AT THE PLANT REGARDLESS OF THE LOCATION OF THE GENERAL OFFICE. FOR CERTAIN SMALLER COMPANIES IT MAY BE NECESSARY TO IDENTIFY AND CHARGE TO INDIRECT LABOR THE SALARIES OF GENERAL OFFICE EMPLOYEES PERFORMING THESE CLERICAL TASKS.

THIS ACCOUNT WILL BE PRORATED TO THE OPERATING DEPARTMENTS ONLY (NOT INCLUDING REFRIGERATION DEPARTMENT) IN RELATION TO THE AMOUNT OF DIRECT LABOR CHARGES. THIS WILL BE DONE IN THE OPERATING STATEMENT ONLY, AND NOT IN THE GENERAL LEDGER. THIS CAN BE DONE EITHER MONTHLY OR CUMULATIVELY TO DATE THROUGHOUT THE YEAR.

7100 ACCOUNT 510 - EMPLOYEE LABOR BENEFITS

CHARGE THIS ACCOUNT WITH ALL INCIDENTAL LABOR COSTS APPLICABLE TO THE PAY ROLLS FOR THE OPERATING DEPARTMENTS AND FOR THE REFRIGERATION DEPARTMENT; ALSO FOR SUPERINTENDENCE AND INDIRECT LABOR DESCRIBED IN THE PRECEDING ACCOUNT; AND FOR THESE EXPENSES APPLICABLE TO REPAIRS AND MAINTENANCE LABOR. THESE LABOR BENEFIT EXPENSES WHICH ARE APPLICABLE TO ADMINISTRATIVE, SELLING AND GENERAL OFFICE PAY ROLL WILL NOT BE CHARGED TO THIS ACCOUNT.

THE TOTAL AMOUNT OF THIS ACCOUNT WILL BE PRORATED TO THE OPERATING DEPARTMENTS AND TO THE REFRIGERATION DEPARTMENT IN RELATION TO DIRECT LABOR, IN THE SAME MANNER AS DESCRIBED ABOVE FOR SUPERINTENDENCE AND INDIRECT LABOR. THIS PRORATION WILL BE MADE ONLY IN THE OPERATING STATEMENTS, AND NOT IN THE LEDGER ITSELF.

FOR SOME COMPANIES IT MAY BE DESIRABLE TO DETERMINE THE AMOUNT APPLICABLE TO "REFRIGERATION" SEPARATELY, RATHER THAN TO PRORATE ON A FLAT PERCENTAGE BASIS.

7501 ACCOUNT 520 - ELECTRIC POWER COST

CHARGE THIS ACCOUNT WITH ALL ELECTRIC POWER COSTS REGARDLESS OF WHERE USED. THE PROBLEM OF ALLOCATING POWER IS DESCRIBED IN MORE DETAIL ELSEWHERE IN THIS MANUAL. ALSO REFER TO THE ILLUSTRATIVE SCHEDULES IN SECTION IV.

THE AMOUNT OF POWER COST ALLOCATED TO THE REFRIGERATION DEPARTMENT WILL BE RE-ALLOCATED TO OPERATING DEPARTMENTS, ALONG WITH AND AS A PART OF THE COST OF REFRIGERATION. THE TOTAL AMOUNT OF THE REFRIGERATION COST WILL BE ALLOCATED TO OPERATING DEPARTMENTS IN RELATION TO REFRIGERATION USAGE.

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THERE WILL NOT BE A GENERAL LEDGER ACCOUNT FOR "REFRIGERATION;" THIS IS A SERVICE DEPARTMENT CONSISTING OF A NUMBER OF ACCOUNTS. THE ALLOCATION OF REFRIGERATION COSTS WILL NOT BE SHOWN IN THE GENERAL LEDGER, BUT RATHER IN A SUBSIDIARY CUMULATIVE RECORD, AND ALSO IN THE DEPARTMENTAL OPERATING STATEMENT.

POWER COSTS PERTAINING TO NON-UTILITY OPERATIONS AND OFFICE SHOULD BE TAKEN FROM THE POWER ALLOCATION SCHEDULE (CSW-4). OFFICE ELECTRICITY (ACCOUNT 932) SHOULD BE TRANSFERRED BY JOURNAL ENTRY FROM THIS ACCOUNT. OTHER POWER ALLOCATIONS WILL BE MADE DIRECTLY FROM CSW-4 ON A WORKSHEET BASIS, AND WILL NOT INVOLVE JOURNAL ENTRIES.

ACCOUNT 600 - DIRECT SUPPLIES AND EXPENSE

CHARGE THIS SERIES OF ACCOUNTS WITH ALL ITEMS OF SUPPLIES, MATERIALS, OR EXPENSES, THAT CAN BE IDENTIFIED AS A DIRECT CHARGE TO NON-UTILITY OPERATIONS, OPERATING DEPARTMENTS, SUCH AS (A) FREEZER STORAGE, (B) COOLER STORAGE, (C) HANDLING, OR (D) QUICK FREEZING, OR (E) TO THE REFRIGERATION DEPARTMENT.

ALSO, CHARGE THIS ACCOUNT WITH ANY OTHER SIMILAR MISCELLANEOUS EXPENSES EVEN THOUGH THEY CANNOT BE EASILY IDENTIFIED WITH ONE OF THE OPERATING DEPARTMENTS. THE TOTAL AMOUNT OF THESE ITEMS WILL REPRESENT A RELATIVELY SMALL AMOUNT, AND MAY BE CHARGED TO OPERATING DEPARTMENTS IN SOME ARBITRARY MANNER THAT WILL REPRESENT A REASONABLY ACCURATE ESTIMATE. CONTRACT SERVICES, SUCH AS ADT OR WATCHMEN SHOULD BE CHARGED TO ACCOUNT 660 - DIRECT SUPPLIES AND EXPENSE - REFRIGERATION DEPARTMENT, SINCE IT IN TURN IS ALLOCATED TO OPERATING DEPARTMENTS.

SUB-ACCOUNTS ARE PROVIDED FOR RECORDING THESE CHARGES BY DEPARTMENTS AS FOLLOWS:

5600	600	DIRECT SUPPLIES AND EXPENSE - NON-UTILITY
	(610	DIRECT SUPPLIES AND EXPENSE - FREEZER STORAGE DEPARTMENT
	(620	DIRECT SUPPLIES AND EXPENSE - COOLER STORAGE DEPARTMENT
	(630	DIRECT SUPPLIES AND EXPENSE - HANDLING DEPARTMENT
7200	(640	DIRECT SUPPLIES AND EXPENSE - SPECIAL SERVICES DEPARTMENT
	(650	DIRECT SUPPLIES AND EXPENSE - QUICK FREEZING DEPARTMENT
	(660	DIRECT SUPPLIES AND EXPENSE - REFRIGERATION DEPARTMENT

ACCOUNT 700 - REPAIRS AND MAINTENANCE

CHARGE THIS SERIES OF ACCOUNTS WITH ALL MAINTENANCE COSTS APPLICABLE TO NON-UTILITY OPERATIONS, OPERATING DEPARTMENTS AND THE REFRIGERATION DEPARTMENT.

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THIS ACCOUNT SHOULD BE PROVIDED WITH A "TWO-WAY" ANALYSIS RECORD; (A) BY DEPARTMENT AND (B) BY KIND OF EXPENSE, SUCH AS (1) LABOR, (2) REPAIR PARTS AND MATERIALS, (3) SUNDRY SUPPLIES AND SERVICES.

ALL OF THE CHARGES TO THIS ACCOUNT FOR BOTH LABOR AND OTHER COSTS MUST BE EITHER CHARGED DIRECTLY OR ALLOCATED TO AN OPERATING DEPARTMENT IN SOME REASONABLY ACCURATE AND EQUITABLE MANNER. SUCH AN ALLOCATION CAN BE MADE IN A SATISFACTORY MANNER IF IT IS DONE AT THE TIME THE EXPENSE IS INCURRED.

IT WILL BE NECESSARY TO PROVIDE DAILY TIME RECORDS FOR MAINTENANCE PERSONNEL SO THAT LABOR CHARGES CAN BE ALLOCATED TO DEPARTMENTS IN A SUBSTANTIALLY ACCURATE MANNER.

SUB-ACCOUNTS ARE PROVIDED FOR RECORDING THESE CHARGES BY DEPARTMENTS AS FOLLOWS:

5600	700 - REPAIRS AND MAINTENANCE - NON-UTILITY
	701 - REPAIRS AND MAINTENANCE (LABOR) - NON-UTILITY
7300	710 - REPAIRS AND MAINTENANCE - STORAGE DEPARTMENT
7003	711 - REPAIRS AND MAINTENANCE (LABOR) - STORAGE DEPARTMENT
7300	730 - REPAIRS AND MAINTENANCE - HANDLING DEPARTMENT
7003	731 - REPAIRS AND MAINTENANCE (LABOR) - HANDLING DEPARTMENT
7300	740 - REPAIRS AND MAINTENANCE - SPECIAL SERVICES DEPARTMENT
7003	741 - REPAIRS AND MAINTENANCE (LABOR) - SPECIAL SERVICES DEPARTMENT
7300	742 - REPAIRS AND MAINTENANCE - LEASED STORAGE SPACE
7003	743 - REPAIRS AND MAINTENANCE (LABOR) - LEASED STORAGE SPACE
7300	750 - REPAIRS AND MAINTENANCE - QUICK FREEZING DEPARTMENT
7003	751 - REPAIRS AND MAINTENANCE (LABOR) - QUICK FREEZING DEPARTMENT
7300	760 - REPAIRS AND MAINTENANCE - REFRIGERATION DEPARTMENT
7003	761 - REPAIRS AND MAINTENANCE (LABOR) - REFRIGERATION DEPARTMENT

ACCOUNT 933 - GENERAL AND ADMINISTRATIVE EXPENSE, IS PROVIDED FOR REPAIRS AND MAINTENANCE APPLICABLE TO THE GENERAL OFFICE.

ACCOUNT 800 - FIXED CHARGES

CHARGE THIS SERIES OF ACCOUNTS WITH (A) PROPERTY TAXES, (B) INSURANCE, (C) DEPRECIATION, (D) AMORTIZATION, AND (E) RENT OF FACILITIES.

THESE CHARGES ORDINARILY WILL BE MADE EACH MONTH BY MEANS OF STANDING JOURNAL ENTRIES IN AMOUNTS EQUAL TO APPROXIMATELY 1/12 OF THE TOTAL ANNUAL COSTS.

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AS EXPLAINED IN SECTION III AND SECTION IV, FIXED CHARGES ALSO WILL BE PROPERLY ANNUALIZED SO THAT DISTORTED COSTS RESULTING FROM SEASONAL FLUCTUATIONS IN VOLUME CAN BE AVOIDED. HOWEVER, THE ADJUSTMENTS AND DEPARTMENTAL ALLOCATIONS WILL BE SHOWN IN SUBSIDIARY SCHEDULES SPECIALLY DESIGNED FOR THAT PURPOSE AND CAN BE CARRIED DIRECTLY TO THE INTERIM OPERATING STATEMENTS WITHOUT FORMAL ENTRY IN THE LEDGER UNTIL YEAR-END FOR P. U. C. REPORTING PURPOSES.

IT WILL NOT BE NECESSARY TO ANNUALIZE THE MONTHLY CHARGES TO THE REFRIGERATION DEPARTMENT ACCOUNT IN CONNECTION WITH THE PREPARATION OF INTERIM OPERATING STATEMENTS SINCE THE REFRIGERATION COST IN TOTAL WILL BE ANNUALIZED.

THE ALLOCATED AMOUNTS FOR PROPERTY TAXES AND INSURANCE ARE DETERMINED ON THE BASIS OF INVESTMENT IN FACILITIES (CSW-5). THE OTHER ELEMENTS OF COST IN THIS SERIES ARE CHARGED DIRECTLY TO DEPARTMENTS. WHEN DETERMINED, THESE ALLOCATIONS CAN BE CHARGED TO THE APPROPRIATE SUB-ACCOUNTS FOR P. U. C. PURPOSES.

SUB-ACCOUNTS PROVIDED FOR THESE CHARGES ARE AS FOLLOWS:

5600	801 - PROPERTY TAXES - NON-UTILITY
7404	802 - PROPERTY TAXES - UTILITY PLANT
5600	803 - INSURANCE - NON-UTILITY
7401	804 - INSURANCE - UTILITY PLANT
)	805 - DEPRECIATION - NON-UTILITY
5600)	806 - AMORTIZATION - NON-UTILITY
)	807 - RENT - NON-UTILITY
7412	815 - DEPRECIATION - STORAGE DEPARTMENTS
7413	816 - AMORTIZATION - STORAGE DEPARTMENTS
7509	817 - RENT - STORAGE DEPARTMENTS
7432	835 - DEPRECIATION - HANDLING DEPARTMENT
7433	836 - AMORTIZATION - HANDLING "
7509	837 - RENT - HANDLING "
7452	855 - DEPRECIATION - QUICK FREEZING DEPARTMENT
7453	856 - AMORTIZATION - QUICK FREEZING "
7509	857 - RENT - QUICK FREEZING "
7462	865 - DEPRECIATION - REFRIGERATION DEPARTMENT
7463	866 - AMORTIZATION - REFRIGERATION "
7509	867 - RENT - REFRIGERATION "

ACCOUNTS 815, 816, AND 817 (DEPRECIATION, AMORTIZATION, AND RENT APPLICABLE TO STORAGE) ARE INTENDED TO INCLUDE COOLER STORAGE, FREEZER STORAGE, AND LEASED SPACE. THESE FIXED CHARGES THEN SHOULD BE REALLOCATED ON A REASONABLE BASIS, SUCH AS CUBIC FEET, BETWEEN STORAGE (COOLER AND FREEZER) AND LEASED SPACE ON A WORKSHEET BASIS. (SEE FORM CSW-5).

ACCOUNTS 934-937 - GENERAL AND ADMINISTRATIVE EXPENSE - ARE PROVIDED FOR FIXED CHARGES APPLICABLE TO THE GENERAL OFFICE.

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ACCOUNT 900 - ADMINISTRATIVE AND SELLING SALARIES

CHARGE THIS SERIES OF ACCOUNTS WITH SALARIES AND BONUSES PAID TO OFFICERS, GENERAL MANAGERS, EXECUTIVE ASSISTANTS AND SOLICITORS. ALSO INCLUDE IN THIS ACCOUNT THE SALARIES OF GENERAL WAREHOUSE SUPERINTENDENTS AND THE CENTRAL ENGINEERING STAFF IN MULTIPLE PLANT OPERATIONS.

SUB-ACCOUNTS ARE PROVIDED AS FOLLOWS FOR P. U. C. PURPOSES:

8006 901 - ADMINISTRATIVE SALARIES
8005 902 - SOLICITATION SALARIES

8001 ACCOUNT 910 - GENERAL OFFICE SALARIES

CHARGE THIS ACCOUNT WITH THE SALARIES PAID TO CLERICAL PERSONNEL ASSIGNED TO THE GENERAL OFFICE, NAMELY: BOOKKEEPERS, COST ACCOUNTANTS, SECRETARIES, ETC. THIS ACCOUNT SHALL NOT BE CHARGED WITH THE SALARIES OF PLANT OFFICE CLERKS; SUCH SALARIES ARE CHARGED TO INDIRECT OPERATING LABOR DESCRIBED IN ACCOUNT 500, ABOVE. IN THE EVENT GENERAL OFFICE PERSONNEL PERFORM DUTIES RELATING TO LOADING DOCK OPERATIONS (MAINTENANCE OF INVENTORY LOCATION RECORDS, RECEIVING AND DELIVERY RECORDS, ETC.) THEIR SALARY COST SHALL BE CHARGED TO INDIRECT OPERATING LABOR.

8100 ACCOUNT 920 - EMPLOYEE LABOR BENEFITS - OFFICE AND ADMINISTRATIVE

CHARGE THIS ACCOUNT WITH SOCIAL SECURITY TAXES, COMPENSATION INSURANCE, PENSION PLAN CONTRIBUTIONS, AND ALL OTHER SIMILAR EMPLOYEE BENEFITS APPLICABLE TO ADMINISTRATIVE AND OFFICE PERSONNEL.

ACCOUNT 930 - OFFICE SUPPLIES AND EXPENSE

CHARGE THIS SERIES OF ACCOUNTS WITH EXPENSES INCURRED IN THE OPERATION OF THE GENERAL OFFICE, SUCH AS STATIONERY, PRINTING, POSTAGE, ELECTRICITY, TELEPHONE AND TELEGRAPH, OFFICE EQUIPMENT REPAIRS OR RENTALS, DEPRECIATION, INSURANCE, ETC.

SUB-ACCOUNTS PROVIDED FOR CLASSIFYING THE CHARGES TO THIS ACCOUNT ARE AS FOLLOWS:

8200 931 - OFFICE MATERIALS, SUPPLIES, AND SERVICES
8501 932 - OFFICE ELECTRICITY
8300 933 - MAINTENANCE AND REPAIRS - OFFICE
8401 934 - INSURANCE - OFFICE
8402 935 - DEPRECIATION - OFFICE
8403 936 - AMORTIZATION - OFFICE
8509 937 - RENT - OFFICE

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8506 ACCOUNT 940 - GENERAL AND SELLING EXPENSE

CHARGE THIS SERIES OF ACCOUNTS WITH THE COST OF AUTO AND TRAVEL EXPENSE, PROFESSIONAL SERVICES (INCLUDING MANAGEMENT FEES), ADVERTISING, BAD DEBT EXPENSE AND OTHER SIMILAR EXPENSES RELATED TO THE GENERAL MANAGEMENT OF THE BUSINESS, AS DISTINGUISHED FROM THE GENERAL OFFICE EXPENSES.

SUB-ACCOUNTS PROVIDED FOR CLASSIFYING THE CHARGES TO THIS ACCOUNT ARE AS FOLLOWS:

8502 941 - ADMINISTRATOR EXPENSES
8503 942 - SOLICITATION EXPENSES
8505 943 - REGULATORY EXPENSES
8401 944 - GENERAL INSURANCE

8407 ACCOUNT 950 - TAXES, LICENSES, AND PERMITS

CHARGE THIS SERIES OF ACCOUNTS WITH THE COSTS OF BUSINESS LICENSES, INSPECTION PERMITS AND TAXES OF A GENERAL OVERHEAD NATURE, OTHER THAN TAXES ON INCOME WHICH ARE CHARGEABLE TO ACCOUNT 995.

8504 ACCOUNT 960 - LOSS AND DAMAGE CLAIMS

CHARGE THIS ACCOUNT WITH ALL COSTS RELATING TO CLAIMS ARISING FROM LOSS OR DAMAGE TO MERCHANDISE CONSIGNED TO THE STORAGE COMPANY.

5805 ACCOUNT 970 - FINANCIAL EXPENSE

CHARGE THIS SERIES OF ACCOUNTS WITH ALL INTEREST AND SIMILAR COSTS RELATED TO CORPORATE DEBTS.

SUB-ACCOUNTS PROVIDED FOR CLASSIFYING THE CHARGES TO THIS ACCOUNT ARE AS FOLLOWS:

5801 971 - INTEREST ON LONG-TERM DEBT
5802 972 - AMORTIZATION OF DEBT DISCOUNT AND EXPENSE
5803 973 - AMORTIZATION OF PREMIUM ON DEBT
5804 974 - INTEREST ON DEBT TO ASSOCIATED COMPANIES

5700 ACCOUNT 980 - SUNDRY NON-OPERATING INCOME

CREDIT THIS ACCOUNT WITH SUNDRY ITEMS OF INCOME THAT ARE NOT RELATED TO THE COLD STORAGE WAREHOUSING BUSINESS, SUCH AS DIVIDENDS AND OTHER INCOME FROM INVESTMENTS, CAPITAL GAINS, ETC.

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5900 ACCOUNT 990 - SUNDRY NON-OPERATING EXPENSE

CHARGE THIS ACCOUNT WITH EXPENSES THAT ARE CLEARLY NOT RELATED TO THE
COLD STORAGE WAREHOUSING BUSINESS, SUCH AS CAPITAL LOSSES, ETC.

ACCOUNT 995 - TAXES ON INCOME

CHARGE THIS ACCOUNT WITH FEDERAL AND STATE TAXES ON INCOME, INCLUDING
THE CALIFORNIA FRANCHISE TAX.

SUB-ACCOUNTS FOR CLASSIFYING THE CHARGES TO THIS ACCOUNT ARE AS FOLLOWS:

8405	996 - STATE TAXES ON INCOME
8406	997 - FEDERAL TAXES ON INCOME