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ACCOUNTING FOR AN AUCTION HOUSE

By MARY C. TONNA, CPA, San Francisco Chapter, ASWA

Do I hear five five five going! going! gone! Sold to Madam X in the blue hat. The auctioneer's hammer bangs denoting the sale of an antique, used furniture or other item.

Accounting for an auction house raises many problems. This article will attempt to describe briefly the problems peculiar to the auctioneering business.

Purchases of furniture or antiques are usually made from private individuals or estates. Each purchase or "buy" is tagged with a lot number and each article in that buy is assigned the same lot number. The buys are sold only at auction and the gross profit on each buy is computed as the difference between the sales price and the purchase price less any additional charges for freight or sterilizing—California law requires all upholstered articles and bedding be thoroughly sterilized before resale. Should articles in a lot number remain unsold at the end of the month, the inventory value is computed by the following method: Cost of buy (including sterilization and freight in) less amounts recovered from the sale of other articles on this buy, equals unrecovered cost or inventory value. It is impossible to apportion cost to each article in each buy as one buy may include an entire houseful of furniture and household articles.

While the auction is being conducted, the office is busy posting the charges to the customers' statements. The statements are headed up with the customers' initials only and as the lots are auctioned, the sales sheets are completed by the clerk and given to the bookkeeper. She posts immediately to customers' statements prepared in duplicate. The statements must be prepared immediately as customers come from all over the state and want to take their merchandise with them when they leave. Each statement is totaled, sales tax and sterilizing charges added. The auction business is a cash one, and the sold merchandise cannot be released to the customer without full payment of the bill. The warehouseman must have a paid bill to release merchandise to the delivery men.

Merchandise sold at auction may be held for seven days until payment is received. Failure to pay cancels the sale and merchan-

dise is then placed in the next auction for resale. Unclaimed merchandise is usually given the same lot number to distinguish it.

Prior to the auction day, previews are held where prospective customers have an opportunity to view the merchandise to be sold. A catalog listing lot number and description of the merchandise is available to the bidder. He may leave a bid and deposit for any lot number. The bookkeeper posts these deposits on the customer's statement to be returned if the bid is not high enough. If the customer fails to appear by the end of the seven day period, the deposits are forfeited.

The sales tax law in California has a section for merchandise sold at auction. The bang of the auctioneer's hammer constitutes a completed sale and sales tax must be paid on the merchandise sold unless the customer is a dealer, who is exempt to the sales tax provision. Sales tax must be paid whether or not the merchandise is claimed by the customer. Oftentimes customers change their minds and do not pick up the merchandise they bid on. Cancelled sales are not exempt under California sales tax law.

Failure to appear to claim deposits or to pick up merchandise requires the use of a Forfeited deposits and a Cancelled sales account. One is additional income, the other a charge against the auction sales account.

Expenses peculiar to the auction business are: catalog costs, postal card notices to prospective buyers and commissions for salesmen on buys. Other expenses are similar to any merchandising business or service business. If the auctioneer maintains his own truck, then a service charge must be made for delivery to customers and to the buy cost for freight in. It has been my experience that the auctioneer frequently uses an outside delivery firm to pick up his buys and the customer makes arrangements for the delivery of his merchandise to his home or business after the auction.

A sideline of the regular business is merchandise left on consignment. Here the customer retains title and agrees to pay the auctioneer a percentage of the auction price as a commission for selling the article.

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IDEA EXCHANGE

By MILDRED SWEM, Los Angeles, California

Where's that last report?

You have a good filing system, but somehow that last report is missing. Maybe you are using paper clips instead of staples. Paper clips used to fasten together related papers often pick up unrelated papers next to them, with the result that the papers may be buried in some unknown file. To eliminate the problem, use staples instead of paper clips. A small staple remover makes it easy to remove the staple when it is necessary to remove a paper or make additions or changes to the file.

—*Katherine McNamera, Grand Rapids*

Throw away those check stubs and vouchers!

To avoid the necessity of maintaining stubs of checks issued or the keeping of vouchers, have your checks prepared in an original and three copies in different colors with one time use carbon between the copies. In this way, you have the original check which is mailed out to the payee, the blue copy which is the bookkeeper's copy for posting (or the Tabulating Department's copy, if records are maintained on IBM), the green copy which is given to the Auditor, and the white copy which is kept as a permanent record and for checking off checks as they are paid, cancelled and returned to you. To further save time, have the checks printed four to the page, with the original and first two copies perforated for easy handling, leaving the last or permanent file copy unperforated for filing in a binder.

—*Ruby M. Crawford, Atlanta*

Now you see it, now you don't—

Did you ever leave your desk for a minute and come back to find your adding machine tape moved, under your desk, or floating around the office?

Anchor your tape on your desk in any position or angle by clipping a large paper clip to the top of the tape. This leaves your hands free for checking the tape or answering the phone. As you check down the tape you can loop it up under the clip without folding or creasing.

This is equally good for a long or a short tape. TRY IT!

—*Grace M. Berkley, Kansas City*

Retail Long-Term Contracts

We use the following helpful and time-saving method in handling long-term contracts.

One operation on our bookkeeping machine prepares the customer's payment book and the charges to the account card. Information entered pertains to customer's name and address, the amount of weekly or monthly payments and the due date.

Item, trade-in, contract carrying charge and the length of contract term are entered in the margin for remarks. These numbered cards and books are filed in numerical order.

A tickler file is kept in alphabetical order of 3x5 cards containing the customer's name, address and account number. This same information is kept with the contracts which are filed in alphabetical order in large envelopes.

In this way we always have a cross check on the identity of an account.

—*Wilma Beukema, Holland*

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The accounting records necessary to the auction business are: cash receipts, checks drawn, auction sales record and payroll records. A voucher check system is used and unpaid bills are accumulated for statement purposes. A voucher record is not necessary as checks are distributed when drawn. The total monthly sales are posted directly from the auction sheets, usually after a summary is made if more than one auction is held. An open Accounts Receivable file is kept alphabetically. If the auction date falls a few days before the month end, there may remain unpaid accounts receivable. At the end of seven days they are cancelled. Detailed customer accounts are not kept, but a duplicate statement as prepared on auction days is filed for each auction.

After each auction, the customer's duplicate statements are totaled and balanced with the auction sales sheets. This control checks each lot sold to a customer charge and posting to his statement.

The pressure on auction days is quite heavy and it takes a calm and level headed bookkeeper to answer questions, answer the telephone and keep statements posted all at the same time . . . but it is a fascinating business and all in a day's work!