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Accounting for a Taxi-cab Transfer and Storage Business

BY CHARLES F. SCHLATTER *

In many smaller cities the transfer business and the taxi-cab business are carried on together, and often the business of storage is added to these. While the accounting problems involved in such a combination are not particularly difficult, it seems that few such concerns make any attempt to allocate expenses in such a way as to enable them to determine the approximate profit or loss of each part of the business. The trade journals have many good suggestions for keeping accounts for the transfer business alone, and at least one manufacturer of taxi-cabs maintains a service department to assist the owners and operators of their cabs to keep adequate accounting records for the taxi-cab business; but few suggestions have been offered for accounting for the combination of transfer, taxi-cab and storage.

The following is offered as a practicable system for a concern which carries on all three of the above-named businesses. The business of such a concern may be divided into five departments:

1. *Taxi-cab.* This includes all carrying of passengers whether in the well-known cabs or in touring cars and sedans for longer trips than are made with the usual cabs.
2. *Freight hauling.* This consists of the transfer of the incoming freight for the local merchants, from the railroad to the stores.
3. *Baggage and light hauling.* This department, using light trucks, hauls baggage and other light-weight loads not coming under other divisions of the business.
4. *Moving.* This department, using the large trucks, is engaged chiefly in the moving of household goods, but its activities include also the hauling of heavier articles not included in division 3 above, both inter-city and intra-city.
5. *Storage.* As the term implies this department receives goods for storage for which a charge is made according to the amount of space used.

* With suggestions from Professor Hiram T. Scovill, University of Illinois.

BOOKS KEPT

General ledger	Freight-charge record
Accounts receivable ledger, general	Received-on-account record
Accounts receivable ledger, storage	Storage tickler
Cash journal	
No subsidiary ledger need be kept with accounts payable.	

FORMS USED

Daily trucking report	Statement of losses and gains (columnar)
Daily trucking summary	
Monthly trucking summary	Analysis of taxi-cab expense and income (columnar)
Daily taxi summary	
Monthly taxi summary	Analysis of trucking business
Distribution of expenses	Miscellaneous: Baggage tags, Order tickets

CLASSIFICATION OF ACCOUNTS

Assets

Cash on hand	Cabs and cars
Bank	Auto-trucks
Accounts receivable	Horses, wagons and harness
Miscellaneous supplies (gasoline, oil and alcohol)	Service car
Office supplies—inventory	Office furniture and fixtures
Licenses prepaid	Miscellaneous equipment
Taxi-cab tires	Goodwill and contracts
Truck tires	Miscellaneous investments

Liabilities

Freight clearing (may have a credit balance)	Accounts payable
Accrued liabilities	Notes payable
	Mortgages payable

Capital

Capital stock
Surplus

Accounting for a Transfer Business

Expenses

Taxi wages	Miscellaneous team expense
Taxi repairs	Rent
Taxi oil and gasoline	Insurance taxi
Taxi licenses and taxes	Insurance truck
Taxi depreciation	Light, water and telephone
Depreciation of tires	Advertising
Truck wages	Salaries
Truck repairs	General and office expense
Truck oil and gasoline	Depreciation of office furniture
Truck licenses and taxes	and fixtures
Truck depreciation	Depreciation of service car
Depreciation of miscellaneous equipment	Interest
Depreciation of horses, wagons and harness	Loss on bad debts

Incomes

Taxi income	Storage income
Baggage and hauling income	Interest
Freight income	Miscellaneous income
Moving income	

CASH JOURNAL

The columns are arranged to the right and to the left of the explanation column. The columns found most convenient are as follows:

Debits (from right to left)

Sundry	Taxi repairs
Cash	Truck wages
Bank	Truck repairs
Accounts receivable	General and office expense
Freight clearing	Salaries
Taxi wages	Miscellaneous team expense

Credits (from left to right)

Sundry	Taxi income
Cash	Freight income
Bank	Baggage and hauling income
Accounts receivable	Storage income
Freight clearing	

Entries

All cash payments, except payments from petty cash, are entered in the cash journal as paid, the entries being made from the cheque stubs. Payments from the petty-cash fund are entered in the usual way when the fund is replenished.

Cash receipts from cash sales are entered daily from the daily taxi summary and the daily trucking summary, which will be explained later.

Cash receipts from accounts receivable are first entered upon the received-on-account record, from which the items are posted to the subsidiary ledgers. The total of this record is brought daily upon the cash journal.

At the end of the month the total of the taxi and trucking business charged to customers is brought into the cash journal from the monthly taxi summary and the monthly trucking summary, respectively.

The charges to storage customers, being few in number, are entered in the cash journal daily from the statements sent out.

As invoices are received for purchases, they are filed in an unpaid-invoice file and are entered in the cash journal during the month only as paid. As practically all purchases in a business of this type are for cash, or for payment on the first of the month, there will be few unpaid bills to be brought on the books at the end of the month. The few that run longer are entered in the cash journal at the end of the month, crediting accrued liabilities. On the first day of the following month the entry is reversed to obviate keeping these invoices separate from other unpaid invoices coming in.

ACCOUNTING FOR INCOME

Taxi

Each cab is provided with a fare-meter. As each driver goes off duty and turns in his cab the manager removes from the fare-meter the record of the driver's run. This record shows the total miles run, the pay miles run and the fare which should have been collected. In the smaller towns a charge account for taxi-cab patrons is quite common. The driver carries with him a record sheet, usually in an aluminum folder, on which he may enter all fares if he wishes, but on which he must enter all charge fares. He also enters on this sheet the quantity of gasoline and oil put

into the cab during his run. This sheet and the cash collected are turned over to the manager, who sees that the total cash and charges turned in equal the total fares recorded by the fare-meter. The summary of the driver's business is then entered upon the daily taxi summary sheet, the charge accounts being posted to the accounts receivable ledger—general from the sheet which the driver turned in. The daily taxi summary sheet should be large enough to allow one line for each driver employed in the twenty-four hours.

On the morning of the following day the totals of the columns on the daily taxi summary are transferred to the monthly taxi summary. Only one line a day is needed on the monthly summary, unless the manager desires to enter a day summary and a night summary for each twenty-four hours, in which case two lines will be used. The monthly summary is not reproduced here, because its ruling is the same as that of the daily summary. The differences are only in the headings of the sheets and in the use and heading of the first column at the left. This column is headed "driver's name" on the daily summary, but is headed "dates" on the monthly summary. The headings indicate the difference in use.

As explained under the cash journal, the total of the cash column of the daily summary is carried to the cash journal daily. The total of the charge column of the monthly summary is carried to the cash journal monthly.

Trucking

Each day each driver makes out a report on the daily-trucking-report form. This report shows what was done, for whom it was done, how long it took, the number and names of the men helping, and the amount of gasoline and oil put into the truck. If any cash was collected, the amount is shown in the proper column. The cash turned in is checked against the cash shown on this report. The charge items are extended in the office and the total charge and cash business on the report is brought upon the daily trucking summary, one line to each driver. The charge accounts are posted to the accounts receivable ledger—general, directly from the driver's daily report.

The deliveries made by the drivers and helpers engaged in freight hauling are so numerous that a plan of summarizing different from that of the other drivers is advisable. The only

items entered by such drivers upon the regular daily report sheets are the time in hours of himself and helpers and the amounts of gasoline and oil put into the trucks. The following plan has been found to work very well. The transfer concern sends the freight foreman to the freight warehouse each morning. He pays the freight on the goods of the merchants or other citizens with whom his employers have delivery contracts, gets the freight bill, and sees that the goods are loaded and sent on the way to the customers to whom they are addressed. In the late afternoon, when the freight house closes, he returns to the office of his employers and turns his freight bills over to the bookkeeper who makes an entry in the cash journal debiting freight-clearing account and crediting cash for the amount of the freight paid by the foreman. Next, the bookkeeper sorts the bills by names of customers and enters them in the freight charges record. This book is in two-column journal form. The first column is for the charge for hauling the goods, which is based on weight, with a minimum depending upon the contract with the customer. The second column is for the freight which has been paid for the customer.

When all the bills for the day have been recorded in this book, the columns are totaled and the amounts are entered upon the daily trucking summary. The charge for hauling is entered in the freight-income column and the charge for the freight paid for the customer in the freight-clearing column. The entry will take only one line on this summary, without regard to the number of drivers and helpers engaged in the work. The hours engaged on this work are brought to the summary from the regular daily trucking reports.

The columns of the daily trucking summary are now totaled and are carried to similar columns in the monthly trucking summary on which one day's business occupies one line. The monthly summary is not reproduced here, because its ruling is the same as that of the daily summary. The differences are only in the headings of the sheets and in the use and heading of the first column at the left. This column is headed "driver's name" on the daily summary, but is headed "dates" in the monthly summary. The difference in the headings indicates clearly enough the difference in use.

As was explained under the cash journal, the totals of the cash columns of the daily trucking summary are carried daily to the

cash journal; and the totals of the charge (money) columns of the monthly trucking summary are carried to the cash journal monthly.

Storage

Storage income is presumed to be collected in advance. Since storage charges fall due on any day of the month, some of the income applies to the following month. To compute the amount to be deferred is tedious and usually unnecessary. The amount of goods in storage is not subject to extreme changes and there are, in the average concern at least, no marked peaks and valleys in the amount of storage throughout the year. Therefore, the amount of income to be taken any month as deferred from the prior month and the amount to be deferred to the following month are about the same. The difference between the two being so small, it is considered sufficiently accurate to take storage collections as income in the month in which the charges fall due.

A tickler is kept showing under each day of the month the names of the customers whose accounts fall due on that day. The name is indexed to the accounts-receivable ledger—storage. The bookkeeper sends out statements, enters the charge to accounts receivable with a credit to storage income in the cash journal, and posts daily to the accounts-receivable ledger—storage. Since statements for storage are sent out nearly every day of the month, it is thought best to keep the accounts with storage customers separate from the accounts of those customers to whom monthly statements are sent on the first day of the month only; therefore the two accounts-receivable ledgers are suggested.

ACCOUNTING FOR EXPENSES

Expenses are charged as incurred or accrued directly to the following accounts:

Miscellaneous team expense	Advertising
Salaries	Telephone, light and water
Truck wages	Interest
Taxi wages	Taxes—property
Truck repairs	Rent
Taxi repairs	Liability insurance
General and office expense	

Supplies and prepaid items are charged to the following asset accounts as paid:

Miscellaneous supplies (gasoline, oil and alcohol)	Prepaid licenses—taxi
Prepaid insurance—property	Prepaid licenses—trucks

Adjusting Entries

Monthly adjusting entries are made to bring the accrued items to the debit of the expense accounts named above, the reversing entry being made immediately after distribution. Adjusting entries are also made monthly to the debit of the following accounts, the credits being to the prepaid accounts named above:

Taxi—gasoline and oil expense	License expense—taxi
Trucks—gasoline and oil expense	License expense—truck
	Insurance expense—taxi
	Insurance expense—truck

The amounts for the above entries to the debits of the gasoline and oil expense accounts are found as follows: The totals of the gasoline and oil columns of the monthly taxi summary multiplied by the average prices paid for gasoline and oil during the month give the figures for the taxi—gasoline and oil expense; and the totals of the columns for gasoline and oil on the monthly trucking summary multiplied by the average cost of gasoline and oil for the month give the figures for the trucks—gasoline and oil expense.

The monthly license expense is one-twelfth of the annual license payment. The insurance figures are found by taking one-twelfth of the annual property insurance and of the personal and property liability insurance, and adding the amount of compensation insurance based on the payroll.

The depreciation expense is entered monthly, the debits being to the depreciation expense accounts, and the credits to their respective reserve accounts as shown in the classification of accounts. The taxi-cab depreciation may be taken at two per cent a month, but a rate of two to two and one-half cents a mile run is more satisfactory. The depreciation of touring cars and sedans is about two per cent a month. A mileage basis of depreciation on such cars is not very satisfactory. Depreciation of trucks must usually be taken on a percentage basis as most trucks

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are not supplied with mileage meters. Twenty-five to thirty per cent annually has been found to be satisfactory. Depreciation on taxi-cab tires is found to be about one and one-fourth cents a mile run if the cabs are operated in the larger cities; but in the smaller towns where the number of miles run per day per cab is not so high as in the larger places, the rate is somewhat higher, due to the fact that the tires depreciate by the passage of time as well as by use. One and one-half to one and three-fourths cents a mile has been found to be about right in such cases. Depreciation on truck tires is about eight to ten per cent a month.

Miscellaneous equipment consists of tire-changing equipment, air pumps and tanks, oil pumps and oil containers, gasoline pumps and gasoline tanks, furniture pads used in moving household goods, ropes, block and tackle, etc. Most of these items depreciate rapidly and the rate to apply in any particular case must be based upon circumstances. Two and one-half per cent a month has been found to be very satisfactory.

At the end of the month all expenses except interest and bad debts are distributed to the following income accounts:

Taxi income	Moving income
Freight income	Storage income
Baggage and hauling income	

A form, "distribution of expenses," shows the method and bases of distribution. The totals of columns 4, 5, 6, 7, and 8 show the charges to the respective income accounts. Instead of crediting the different expense accounts from columns 1 and 2, the total of column 2 is credited to the distributed-expense account. By this method the various expense accounts accumulate totals and at the end of the year supply information for the analysis-of-expense statement. The monthly journal entry to distribute the expenses is as follows:

Taxi income	xxxx	
Freight income	xxxx	
Baggage and hauling income	xxxx	
Moving income	xxxx	
Storage income	xxxx	

Distributed expenses		xxxxxx
To distribute the expenses for the month of		

Form No. 1

Date 192...
 Helper

Daily truck report
 Driver

Done for	Charge to customers			Cash business			To whom charged
	Baggage and hauling	Freight	Moving	Baggage and hauling	Freight	Moving	

Totals

Hours
 Gas consumed gals. Frt.
 Oil consumed qts. B. & H.
 Moving

Form No. 2
 Date 192...

Daily Trucking Summary

Driver's Name	Gas put in		Oil put in		Hours		Charge Customers			Cash Collected				
	Gals.	Cost	Qts.	Cost	F. B. M.		Freight income	Baggage income	Moving income	Freight clearing	Baggage income	Moving income	Freight clearing	On account

Totals

Form No. 4
 Date 192...

Daily Taxi Summary

Driver's Name	Pay miles run	Total miles run	Dead miles run	Gas put in		Oil put in		Charge accounts	Cash collected	Total earnings
				Gals.	Cost	Quarts	Cost			

Totals

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Form No. 6

Distribution of expenses for the month of 192...

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Total	Basis of distribution	Taxi	Freight	Baggage and hauling	Moving	Storage
TAXI:							
Taxi wages	xxxx	Direct	xxxx				
Taxi repairs	xxx	"	xxx				
Oil and gas	xxx	"	xxx				
Licenses	xxx	"	xxx				
Depreciation	xxx	"	xxx				
Depr. tires	xxx	"	xxx				
Insurance	xxx	"	xxx				
TRUCKS:							
Wages	xxxx	Man hours		xxx	xxx	xxx	
Repairs	xxx	" "		xx	xx	xx	
Oil and gas	xxx	" "		xx	xx	xx	
Licenses	xxx	" "		xx	xx	xx	
Depreciation	xxx	Percentage		xx	xx	xx	
Depr. tires	xxx	"		xx	xx	xx	
Depr. misc. equipment ..	xxx	"		xx	xx	xx	
Depr. horses, wagons and har.	xxx	Direct		xxx			
Misc. team exp.	xxx	"		xxx			
Insurance	xxx	Man hours		xx	xx	xx	
OVERHEAD:							
Light, water and telephone	xx	Percentage	xx	xx	xx	xx	xx
Advertising	xxx	"	xx	xx	xx	xx	xx
Salaries	xxxx	"	xxx	xxx	xxx	xxx	xx
Gen'l and off. expense.	xx	"	xx	xx	xx	xx	xx
Depr. off. fur. and fixtures	xx	"	xx	xx	xx	xx	xx
Depr. service car	xx	"	xx	x	x	x	x
Rent	xxx	"	xx	xx	xx	xx	xx
Totals							

(At the end of the year, a form similar to the above shows the distribution of each expense for the entire year.)

STATEMENTS

At the close of the month a statement showing losses and gains is prepared as follows on a columnar sheet for comparative purposes:

Form No. 7.

Statement of Profit and Losses

(Columns here for each month and one for year total)

	August
Taxi income	\$ 2,500.00
Less costs	2,600.00
gain (loss in red)	<u>\$ 100.00 (red)</u>
Freight income	\$ 1,800.00
Less costs	1,400.00
gain	<u>\$ 400.00</u>

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(Columns here for each month and one for year total)	
August	
Baggage and hauling income.	\$3,200.00
Less costs.	2,600.00
gain.	<u>\$ 600.00</u>
Moving income.	\$1,200.00
Less costs.	1,000.00
gain.	<u>\$ 200.00</u>
Storage income.	\$ 800.00
Less costs.	200.00
gain.	<u>\$ 600.00</u>
Total operating gains.	\$1,800.00
Less total operating losses.	100.00
Net operating profit.	<u>1,700.00</u>
ADD: Other income:	
Interest, etc.	50.00
	<u>\$1,750.00</u>
DEDUCT: Other expenses	
Interest, etc.	250.00
Net profit for the month.	<u>\$1,500.00</u>

Form No. 8.

Analysis of Taxi-cab Expense and Income

(A column here for each month
and one for the year)

		Sept.
Total miles run.		8,000
Pay miles run.		<u>3,600</u>
Dead mileage, per cent.		<u>55%</u>
Operating costs per mile run:		
Wages.15	
Repairs.05	
Oil.0025	
Gasoline.015	
License.0025	
Depreciation of cabs.025	
Depreciation of tires.015	
Insurance.01	
Fare-meter rent.012	
Total operating.		<u>.2820</u>

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		(A column here for each month and one for the year)
		Sept.
Overhead per mile run.....	.0280	<u> </u>
Total.....	.3100	<u> </u>
Income per mile run.....	.3000	<u> </u>
Profit or loss per mile run (Loss in red) ..	.0100 (red)	<u> </u>
Cost per pay mile.....	.69	<u> </u>
Income per pay mile.....	.67	<u> </u>
Profit or loss per pay mile.....	.02 (red)	<u> </u>

(These figures are not intended to be representative)

Analysis of Trucking Business *Form No. 9.*

		(A column here for each month and one for the year)
		Nov.
Truck wages paid and accrued.....	\$1,200.00	<u> </u>
Man hours, trucking.....	2,000.00	<u> </u>
Cost per hour worked.....	60¢	<u> </u>
Wage rate.....	40¢	<u> </u>
Cost of idle time on basis of hour worked . . .	20¢	<u> </u>
Man hours paid for.....	3,000	<u> </u>
Productive man hours.....	2,000	<u> </u>
Man hours idle.....	1,000	<u> </u>
1000 hours at 40¢, cost of idle time.....	\$400.00	<u> </u>
Men were idle, of time paid for.....	33 1/3%	<u> </u>
Total cost of trucking.....	\$1,800.00	<u> </u>
Truck hours.....	1,000.00	<u> </u>
Cost per truck hour.....	\$1.80	<u> </u>
Total income from trucking.....	\$2,000.00	<u> </u>
Income per truck hour.....	2.00	<u> </u>
Profit per truck hour.....	.20	<u> </u>

(These figures are not intended to be representative)