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Accounting in the Peanut Industry*

BY W. S. TAYLOR

As an industry the cultivation and production of the humble peanut has in recent years reached such proportions as to astonish most of those not directly connected with it in a commercial way.

The peanut is essentially a product of the south and is most largely cultivated in the states of Virginia, North Carolina, Alabama, Oklahoma and Texas, with Alabama in the lead as to volume of production. It ranges in size and quality from the small, round Spanish to the enormous "Jumbo." The sale is, to the mind of the uninitiated, consummated through the channels of trade represented by the automatic selling devices, the corner peanut vendor with his portable roaster (invariably equipped with a steam whistle) and the quite as popular peanut butter.

The crop matures in the states of Virginia and North Carolina about the first of October and is harvested by plowing. The vines with the nuts clinging to them are then piled loosely around stakes in the field for the necessary process of drying, after which they are put through a unique and very capable machine similar to a threshing machine, run by a gasoline engine and called a peanut picker, which most thoroughly separates the vines and nuts which are then placed in sacks for market.

The producer is primarily dependent upon the cleaner and sheller (whose establishment is known as a factory) for his market, and the latter is usually located in close proximity to the producing sections.

Buyers representing the cleaners and shellers are the usual medium through which original sales are made. They are salaried employees, commission men or free lances who take the chances of the fluctuations of the market.

The crop is almost invariably bought for cash. If shipped by rail, sight draft accompanied by bill of lading is the usual

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method of settlement, while what are termed "door purchases," i. e., deliveries by team or motor truck to the factory, are paid for immediately at the factory office.

The sight draft purchases are of course handled through banks in the usual way. Door purchases in the factories which the writer has in mind are checked for weight and quality by a superintendent or foreman who issues to the seller a receipt carrying weight and price, which he presents for payment to a cashier, who in turn, at the end of each day, reports to the general office the amount of the purchases, attaching the receipts as evidence of the acquisition of the commodity for which payment has been made.

By arrangement with the banks, cashiers' cheques are drawn for these purchases, which are treated by the banks as sight drafts and as such are presented in the usual way to the general office of the factory to be taken up by cheque.

In both instances the payments become a charge to "peanut purchases," and the entry carries a memorandum of the number of bags.

The cleaning and shelling process is of course largely mechanical, such peanuts as are to be sold in the shell being treated to a polishing process into which enters the use of a fine gritty powder known to the trade as "cleaning product." This gives the peanuts an attractive appearance with a velvety surface and a suspicion of a powder similar to talcum which naturally disappears in the process of roasting.

With the exception of the sorters the employees are carried upon the regulation payroll. The sorters are usually negro women and children who are paid for piece work by brass checks redeemable once a week at the cashier's office and in some instances, by agreement, are accepted by merchants in lieu of cash and redeemed by the cashier at stated intervals.

The sorters are closely seated on either side of slowly moving belts on which the peanuts drop from the cleaning machines and certain sorters remove designated sizes as they pass. A foreman in charge of each gang furnishes each worker with a card on which denominations are printed conforming with and in multiples of the piece work price, on which as the work progresses he punches the accumulation. At the end of the day these

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cards are exchanged for brass checks equaling the largest amount or amounts punched.

The method of handling the brass checks is as follows:

All purchases of brass checks, which are in denominations of 5, 10, 25 and 50 cents and \$1.00, are charged in volume and at denomination values to a memorandum brass check account and are in the custody of the general office.

Requisitions in triplicate are issued by the factory superintendents, the original and duplicate being sent to the general office and the triplicate retained.

These requisitions are honored by the general office by the issuance of brass checks in the denominations desired, retaining the original and delivering the checks with the duplicate to the cashier, who, after verifying the count, records the volume and value, in a record provided for this purpose, and delivers them to the superintendent, who again verifies the count.

These checks are issued by a foreman to the workers at the end of each day and are presented by them to the cashier on a regular pay day for redemption or are used by them in trade with merchants.

On the morning of pay day the cashier notifies the general office of his cash needs for brass check redemption, accompanying his request with the duplicate requisitions. These are checked against the original requisitions and a check covering the required amount is issued and cashed for payroll purposes.

All brass checks cashed by the cashier are credited upon his record and the balance shown as outstanding should equal his cash balance.

The checks are then turned in to the general office, receipt is given to the cashier for their volume and value, and they are charged against the general office brass check account, the balance outstanding representing the amount of cash that should be in the hands of the cashier, the correctness of which is verified at irregular intervals.

In some circumstances the punched cards are presented to the cashier by the worker to be exchanged for brass checks. This necessitates the keeping of a record of cards thus redeemed for payroll purposes and the issuance of requisitions in duplicate to the general office.

One feature of the business which tends to simplify the

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accounting work is that settlement of customers' accounts can be required by invoice or invoices. Several factories that have come under my notice do require such payments.

This condition permits the elimination of the usual subsidiary accounts receivable ledger which requires the posting of all invoices and settlement items, such as cash, discounts, rebates, allowances, freight adjustments, etc., by the adoption of the following method:

Invoices are made in triplicate (unless the customer requires two or more copies) and are numbered consecutively.

The original goes to the customer with bill of lading.

The duplicate and triplicate invoices, which are perhaps an inch or two wider than the original (but all are of the same depth), are punched to fit binders and are provided with printed forms for recording date and nature of correspondence, such as request for payment or discussion of claims, as well as for the recording of the details of settlement.

The duplicate is filed daily in an indexed binder which becomes the account receivable ledger, invoices to each customer being grouped, with the one of the earliest date appearing first in each group.

As settlements arrive the proper entries are made in a cash journal and posted to the invoice or invoices included in the settlement. Such invoices are then removed to a transfer or paid accounts receivable binder, similarly indexed, for future reference.

As these transfer binders fill up they are marked on the binding end with the payment dates which they cover and are filed in consecutive order on shelves usually provided in the office vault.

The triplicate invoices are filed numerically in a separate binder and become records of sales, which are accumulated monthly, by adding machine, upon plain sheets, similar in size and punching—but of a distinct color—and the total of bags and value is recorded in a cash journal to the debit of accounts receivable control account and to the credit of sales account.

If desired, the bags and values may be segregated into grades and these totals may be accumulated for the cash journal entry.

By this method one operation on a typewriter produces an invoice, a ledger account and a record of sales quite as safe as

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and preferable to a ledger, because in this case the ledger contains only clearly defined open accounts and the sales record is most complete and comprehensive.

In addition to these forms and records there are also the usual office records for notes receivable and payable, payrolls, insurance policies and analysis of expense, including of course a general ledger. Because there is nothing unusual in the accounting work except as noted I have not gone into its further detail.

Until recent years it was the practice of many factories to use the peanut hulls for fuel, and the supply was in most cases equal to the needs.

About three years ago it was ascertained that the hulls after being ground into a fine meal made a most desirable and effective absorbent, which almost immediately attracted the attention of manufacturers of tin plate.

Among the finishing processes in the manufacture of tin plate is an oil bath. Removal of the surplus oil is not only desirable but necessary. The absorbent quality of peanut hulls appealed to the tin-plate manufacturers and created such a demand for hull meal that mills for its production came into being and contracts were entered into through which the factories were enabled to change their steam-producing medium from hulls to coal.

Some of these contracts were peculiar because of the fact that the purchase price of hulls was dependent upon the cost of the substituted fuel, adjustments in the billing price at stated intervals being provided. This arrangement seems to have worked to the material benefit of the factories, because of more economical conduct of the boiler room brought about by the reduction of volume of fuel handled. In some cases it became a source of net income.

When it is understood that a comparatively small factory whose invested capital does not exceed two hundred and fifty to three hundred thousand dollars is quite likely during the short, rush, buying season to make purchases for spot cash aggregating a million dollars or more, the question of finances becomes a most serious one and adequate bank accommodation is a stern necessity. This requires either collateral in the form of storage warehouse receipts or acceptable individual endorsement, and sometimes both.