

9-1919

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Recommended Citation

Dohr, James L. (1919) "Some Aspects of Flour Mill Accounting," *Journal of Accountancy*. Vol. 28: Iss. 3, Article 1.

Available at: <https://egrove.olemiss.edu/jofa/vol28/iss3/1>

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The Journal of Accountancy

Official Organ of the American Institute of Accountants

Vol. 28

SEPTEMBER, 1919

No. 3

Some Aspects of Flour Mill Accounting

By JAMES L. DOHR, C.P.A.

During the last few years considerable improvement has been effected in the financial records of flour millers by reason of two facts: the control exercised over the milling industry by the United States food administration and the regulations of the bureau of internal revenue on income, excess profits and war profits taxes.

Control by the food administration was evidenced in three principal directions, namely (a) in an apportionment, on the basis of pre-war grind of the available wheat supply, (b) in regulation of price and (c) in the development of wheat flour substitutes. The conservation of wheat resulting from the apportionment was a notable achievement coming as it did in a time of shortage, and particularly inasmuch as the apportionment was effected in a most efficient and equitable manner. Hardly less far-reaching and beneficial in its results, however, was the improvement brought about in financial procedure and accounting by the regulation of price. From September 1 (or 10), 1917, to June 30, 1918, the industry operated under the following regulation (*Milling Division Circular No. 1 b*):

No miller shall hereafter take any profits upon the business of milling flour and feed in excess of the following maximum, unless such maximum is terminated by action of the United States food administration after thirty days' notice; that is, a maximum average profit of twenty-five (25) cents per barrel on flour and fifty (50) cents per ton on feed; and in calculating such profits the cost of flour bulk at the mill shall be determined as the cost of clean wheat used multiplied by the actual amount of wheat used (which in no event shall be in excess of 285 lbs. of cleaned sixty pounds per bushel wheat to the barrel) less the amount secured from the sale of feed (excluding the profit derived from the sale of feed not to exceed fifty (50) cents per ton as above), plus the actual proved cost of production (which shall not include interest on investment) and marketing.

Under the above regulation monthly financial and statistical reports were required under oath, the forms for the report being supplied by the food administration and requiring, in effect, a uniform system of profit and loss accounts on the part of flour millers. The reports were based on the best available financial and statistical procedure taken from the better accounting systems in existence with a result that the average flour miller received a course of training in accounting, the benefits of which can scarcely be overestimated. Since June 30, 1918, representatives of the food administration have been auditing the accounts of all flour millers. Profits in excess of the prescribed amount must be paid over to the food administration grain corporation.

In so far as the regulations of the bureau of internal revenue are concerned, the flour industry has experienced the same changes as have occurred in our entire business organization. The government's entrance to a partnership with industry made necessary better accounting procedure than heretofore was practised, and, particularly since the passage of the 1916 and 1917 revenue acts, the question of correct accounting procedure has been one of vital importance to every business enterprise. The flour miller in common with other business men must be familiar with the internal revenue regulations and must keep his accounts in accordance therewith.

It is the purpose of this article to discuss some of the aspects of flour mill accounts as viewed by one who spent some time in auditing under the food administration rulings.

In order properly to appreciate the various phases of its accounts some knowledge of the practical workings of the flour milling industry is essential. The business has its peculiarities which may be briefly summarized as follows:

(a) The product is a necessity for which there is a constant and continuous demand. In order to insure a steady out-flow of flour through the distribution system, contracts of sale are made for future delivery.

(b) The raw material upon which the industry depends is produced in seasons involving periods during which no grain is available and regional shortage, in the event of complete or partial crop failures. In order to insure a steady in-flow of grain, contracts of purchase are made for future delivery.

Some Aspects of Flour Mill Accounting

(c) The raw material cost forms the principal part of the selling price, varying from 75 per cent. to 80 per cent. in the case of patent flour.

(d) In grain growing regions farmers find it convenient to bring grain to a mill and take away flour and offal or feed on their return journey. This feature has led to the development of numerous small country mills which will probably continue to exist in spite of competition from the large and growing companies.

(e) The trading in futures involves speculation and, while the conservative miller avoids as much as possible any semblance of gambling, there are millers who combine the speculative feature with their milling business.

(f) The industry may be classed with the so-called by-product industries in which the production of one article (flour) is attended by the production of certain by-products (offal or feed).

For those who are not familiar with the workings of the industry the following summary is included:

The farmer brings his grain to the elevator where it is graded. The amount he receives for it depends (in the case of wheat, for example), first, on the kind of wheat, whether dark northern spring, northern spring, red spring, etc.; second, on the condition of the wheat which determines whether it shall be classed as number 1, 2, 3, 4 or 5 northern spring, for example; and, third, on the amount of dockage or foreign material in the wheat, since the price paid is so much per bushel of sixty pounds of gross weight less dockage.

In computing the bushel price to be paid the farmer, the elevator takes the current price at the nearest terminal market, say Minneapolis or Duluth, and deducts therefrom the freight charge from point of purchase to terminal market. In case the farmer does not want to part with his wheat at the current price, he can store it in the elevator at a certain storage and handling charge. The wheat in either case remains with the elevator until sold for milling. Country mills usually operate their own elevators, though as a whole the elevator business is distinct from that of milling.

The Journal of Accountancy

At this early stage of the procedure complications arise. The grain business is a seasonal one, so the elevators will have more grain available than is required at one time, while later no grain will be available until another crop year. In our northwest, wheat begins to come in during September and continues until June, after which none is available for delivery. There are times, then, when the elevator must store grain. This involves a risk on the part of the elevator owner. In order to relieve him of the risk and to stabilize wheat prices throughout the year, there has arisen the practice of dealing in futures, the buying and selling of options. The elevator owner fills his elevator and sells an option—agrees to deliver at a future date. When he later contracts to sell his wheat or having shipped it out on consignment is rendered an account sales, he buys an option to offset the one sold at the outset. In this buying and selling of options the miller plays the reciprocal part. Looking to future requirements he buys an option when the wheat is stored in the elevator. When later he contracts for grain he sells an offsetting option. Unfortunately, at the same time the speculator has had his hand in the game—his gains increasing flour costs; his losses reducing them.

The grain moves from the elevators to the mills in accordance with the miller's purchases, which are a very important part of his activities. Bearing in mind that the grain business is a seasonal one with constantly fluctuating prices determined (in normal times) by a world market, and that the dealing in futures involves a careful study of market conditions, his problem becomes apparent. He must keep an evenly regulated flow of grain to his mill, in keeping with his storage and milling capacity, with due allowance for the period between crop years when no grain is available. His purchases must be of the proper grades and kinds, since it is of the utmost importance in the flour business to maintain a constant "mixture"—that is, mixing of such grades and kinds of grain as produce each miller's particular brand of patent flour. He must correlate his purchases with his advance sales. So important is the problem that each day a statement is made up, usually known as the long and short statement, which shows the amount of flour sold in advance and the amount of wheat on hand or purchased on contract or option

Some Aspects of Flour Mill Accounting

to manufacture the flour. Conservative millers buy sufficient wheat to manufacture every pound of flour sold in advance immediately after the sales are made.

On arrival at the mill, the wheat is stored in the mill elevator until required for milling. The first process in milling is a rough separation, in which foreign material such as oats, barley, etc., is taken out and sold as screenings. The wheat then passes a scouring machine, which cleans it thoroughly and passes it on to the tempering bins, where it is soaked in water for a number of hours. It is then ready for grinding machines known as breaks. These grinding machines consist of steel corrugated rollers revolving in opposite directions, which grind the kernels of wheat to various degrees of fineness. The usual type of mill has five breaks and between breaks the flour goes to various types of separating machines, known as purifiers, which extract the various grades of offal, returning the separated feed and flour for further breaks. In general it may be said that about $4\frac{1}{2}$ bushels of wheat are required for a 196-pound barrel of flour, running, say, 85% high grade, 10% first clear (a lower grade) and 5% second clear (low grade), while a by-product of 74 lbs. of offal is divided between various grades of feed known as red dog, middlings, bran and shorts.

The flour after leaving the breaking machines passes on to sifters and reels, where a further grading and separating occurs by the use of silk bolting cloths. In many mills some type of maturing system is used to mature flour prior to sacking, which constitutes the last process of milling. Various sizes and kinds of sacks are used, ranging from 6 lbs. up to 140 lbs.

In shipping flour an interesting development is met with, known as the milling-in-transit privilege, extended to millers by the railroads. Under this privilege the miller purchases wheat for shipment to his mill, paying the local freight rate from point of purchase to the mill. The flour when milled is shipped at the through rate from point of purchase to selling point, credit being extended by the carrier against the freight computed at the through rate for the amount already paid at the local rate less a small penalty for using the privilege. The result of the privilege may be a saving of 15 to 25 cents on a barrel of flour and is very important to the country miller.

The Journal of Accountancy

Sales are made either by traveling salesmen or through brokers on a commission basis. Practically all millers sell for future delivery and are apt to consider a profit made as soon as a sale for future delivery is booked. Generally sales are made on a wholesale basis, though some millers conduct a jobbing department for local retail sales. Advertising is an important feature—the larger companies spending large sums every year in developing their business through outdoor and magazine display.

II

In exhibit A, which follows hereunder, will be found a schedule of accounts such as might be used by a medium sized flour mill grinding wheat only (no coarse grains), having its own elevator and selling at wholesale exclusively. Larger or smaller mills would require greater or less detail in the various groups of accounts. In so far as they are similar to those used in other businesses the accounts require no explanation. The unusual items and the manner in which they are used may be outlined as follows:

Milling-in-transit. This account will be charged with the excess of the local rate paid in shipping grain to the mill over the proportionate part of the through rate (from shipping point of grain to destination of flour) paid in shipping flour applicable to the distance over which the grain was shipped. Suppose grain at point A is shipped to a mill at point B from which flour is later shipped to point C, these points lying along a railroad in the order named. The local rate A to B is 11c. per hundred; the through rate A to C is 33c. per hundred; the through rate B to C is 28c. per hundred. When the grain is shipped from A to B the 11c. rate is paid; and 5c. (the difference between 33c. and 28c.) should be charged to infreight on wheat—the remaining 6c. to milling-in-transit. When the flour is shipped from B to C the through rate from A to C of 33c. is paid minus the 11c. rate already paid or 22c. (plus a penalty of 2c. in some cases), and this amount is charged to freight outward. At the same time a journal entry will be made transferring the 6c. previously charged to milling-in-transit to the freight outward account. The balance in the milling-in-transit at any time represents a deferred charge to the

Some Aspects of Flour Mill Accounting

freight outward account—except that adjustment will be necessary from time to time for inaccuracies in the amounts charged and credited.

Contracts for future delivery. Various methods are used by flour millers by which entry is made on the books of account for advance sales. In many cases the profit on such sales is thrown into the profit and loss account when the sale is made. This procedure is, of course, indefensible, inasmuch as no profit should be taken until shipment is made, even though the sale be on written contract, the necessary wheat purchased and number of contracts so great that an occasional cancellation would only affect the profits to a slight degree. It is difficult, however, to convince a flour miller that only a memorandum record is required for these contracts. An account is provided therefor which may be charged with the selling price on advance sales. A special liability account is also provided to carry the amount on advance sales until delivery is made, when the amount can be cleared to sales. In stating the balance-sheet at any particular time, both these accounts should be written in short.

Claims. Numerous claims are made against carriers for shortages and damage in transit. Pending final action on such claims by the carriers they should be carried as a contingent asset.

Reserve for sacks. During the war prices on sacks increased by leaps and bounds, reaching a peak in May and June, 1918. Sacks on hand, June 30, 1918, were priced at cost or market, whichever was lower. It became evident that soon after June 30, 1918, sack prices were rapidly declining and that costs would be inflated if the inventory prices were used on sacks filled, as compared with costs where current purchase prices on sacks were used. Millers were permitted then to include a charge against profits earned prior to June 30, 1918, based on the excess of June 30, 1918, sack inventory prices over sack prices obtaining September 1, 1917, when control was inaugurated. The reserve so built up is regarded here as appropriated surplus rather than as a deduction from the sack inventory account.

Reserve for reduced output and inactivity. During the control period (September 1, 1917, to June 30, 1918) the available wheat supply was allotted to the various millers on the basis of their

average pre-war grind—the amount supplied being about 90% of such grind. It was not possible, of course, to give every miller exactly 90%—some receiving more, others less. To equalize these differences a reserve charge was allowed in the income account of the control period based on the number of barrels of flour which could have been produced had the miller received his full allotment. In computing the allowance profit (at 25c. per barrel) an additional 25c. per barrel was allowed for under-receipt of allotment. In the classification of accounts this reserve represents appropriated surplus. It merely prevents the payment of dividends during the season of all profits earned without allowance for the loss to be sustained at the close of the season due to inactivity.

Gains on options. In order to insure an adequate supply of wheat the miller purchases options, charging them to an option account. As the price of futures fluctuates, periodical settlements are made, in which the miller receives his profits if the price advances and pays his loss if the price declines. The amounts so paid or received are carried to appropriate profit or loss accounts. When the option is sold the option account will be balanced.

Income and excess profits taxes. Federal taxes are regarded here as dispositions of profits, though the flour miller often prefers to regard them as expenses of doing business. It should be noted that the food administration in computing allowable profits did not include income and excess profits taxes as business expenses, holding that they must be paid from the 25c. per barrel profit.

Elevator operations. When a flour miller operates his own wheat elevator it becomes necessary to segregate the items pertaining to elevator operations. Frequently the miller will arrange his accounts so that wheat is turned over to the mill at a profit to the elevator. This is not a sound procedure, since a profit is realized only where a sale is made to an outsider. The classification of accounts submitted here merely segregates elevator operations. In comparing the accounts and particularly the costs of a miller who operates his own elevator with one who does not, due allowance will be made for the integration.

Laboratory expense. Many millers maintain laboratories for testing wheat, experimenting in mixing wheat for flour and studying the baking qualities of their particular brands. This expense is uniformly included as a milling expense.

Some Aspects of Flour Mill Accounting

Bad debts. These are treated in the food administration's classification as a selling expense.

Jobbing accounts. Where millers act as jobbers as well as millers, a separate series of selling accounts will be provided in order to segregate these operations and show unit costs thereon. The food administration allowed millers to take a paper profit (in addition to the 25c.) in turning flour over from their milling to their jobbing departments; but such procedure is not in accord with good accounting principles.

III

Several methods are used by flour millers in computing their costs for various purposes including the determination of selling price, the pricing of inventories and the computing of profit and loss. The best of these is the so-called by-product method, based on the theory that the miller is engaged primarily in the production of patent flour and that low grade flours and offal are by-products. The procedure followed is one whereby all costs are charged against the high grade flour and the concomitant production of by-products is credited to cost of high grade flour at selling price. Exhibit B below shows the workings of the method in a typical case.

The bases of the computation are the statistical data on production which in this supposititious case indicate that 4.4 bushels (264 lbs.) of cleaned wheat are required to produce one barrel (196 lbs.) of flour; that flour production runs 75% patent or high grade, and 25% low grade (divided into 15% first clear and 10% second clear); that with one barrel of flour there was produced 68 lbs. of offal; that the offal was divided into 14.7 lbs. of flour middlings, 13.5 lbs. of standard middlings, 35.5 lbs. of bran and 4.3 lbs. screenings. (See 1-a, 1-b and 1-c on exhibit B.)

Assuming that wheat costs \$2.20 per bushel (being the weighted average price of the grades used) the total wheat cost in producing one barrel of flour is \$9.68, to which is added the milling cost (as shown by the production records) of 60c, making a total cost of \$10.28. Against this cost (which is now assumed to be the cost of .75 of a barrel of patent flour) is credited the selling price of the by-products—low grade flour and feed—totaling (see exhibit B 2-d) \$3.13, leaving a net cost

of \$7.15 for .75 of a barrel of patent flour or \$9.53 for one barrel. A comparison of this figure with the selling price (bulk f.o.b. mill, since sacks, selling and administrative costs and freight are ignored in computing cost) indicates the profit per barrel of high grade flour produced.

This method can be used in computing costs for any purpose, though the statistical and selling price bases will have to be determined in accordance with the purpose of the computation. In the fixing of selling prices from day to day, the statistics on yield should be those which will obtain when the flour will be produced, and the prices on by-products those which will obtain when the flour is sold. This may sound paradoxical, but it can be worked out as follows: production yield at various times during a season bears a close relationship to the yield at the same time in previous seasons when similar grades and kinds of wheat are ground from season to season. By scrutinizing current yields together with those of similar periods in past seasons a basis will be found for estimating the future yield. Great care must be exercised since sales are made in a highly competitive market and on a very close margin. A small error may wipe out the entire profit. The selling price of the by-products will be the current selling price if future sales of a proportionate quantity can be made at once; if not, allowance will have to be made for the trend in prices up to the time when sales of the by-products can be effected. The price of wheat in the computation will be the current one on future delivery and an option should be purchased immediately to cover the sale.

In pricing inventories under the rule of cost or cost or market, whichever is lower, the cost of patent flour can be determined as outlined. The statistical basis here will be the actual yield at the time when the patent flour was produced and the selling prices will be those obtaining when the proportionate by-product production was marketed. The inventory of by-products will be priced at market as of the inventory date.

In determining milling cost per unit of production the method will also be used as above. The statistical basis will be the actual production during the cost period and the selling prices of by-products will be those actually received during that period. In addition to the milling costs, unit cost of sacking, selling and administration can be computed on the basis of barrels produced.

Some Aspects of Flour Mill Accounting

If elevator and jobbing costs are segregated, unit costs for these functions can be similarly determined. These unit costs are used as a guide in passing on the efficiency of the producing organization and form a basis for comparison of different cost periods.

IV

In the accounts of a flour mill statistical records of purchases, production and sales are of great importance, particularly the records concerning the purchasing of wheat and selling of flour, the daily consumption of wheat and the daily production of flour and by-products.

A close relationship must be maintained between sales of flour, on the one hand, and purchases of wheat from which the flour is made, on the other. The sales indicate the amount of wheat which will be required. Conservative milling practice demands that purchases be made "to cover" as soon as the sale is consummated. If this is not done, sales may be made on a certain basis from which the profit may be eliminated by subsequent increase in wheat prices. The relationship of purchases and sales is shown daily by a long and short statement on which sales are translated to a bushel basis and made comparable with purchases.

The sales side of the statement is made up from reports of sales and shows the number of barrels sold as follows:

	<i>Barrels</i>	<i>Wheat equivalent</i>
(a) Required for current orders.....	* * *	* * *
(b) Required for future delivery.....	* * *	* * *
	* * *	* * *
Total sales booked	* * *	* * *

Against this total will be shown the available wheat and flour manufactured as follows:—

	<i>Barrels</i>	<i>Wheat equivalent</i>
(c) Flour in stock (from stock reports)...	* * *	* * *
(d) Wheat in elevator (from stock reports)		* * *
(e) Wheat in transit (from shipping notices)		* * *
(f) Wheat contracts (from purchase reports)		* * *
(g) Wheat options (from purchase reports)		* * *
		* * *
Total wheat available		* * *
(e) Excess of wheat over requirements		

The Journal of Accountancy

In examining this statement the mill manager will make notations for directing purchase and sale. The purchasing department will be instructed to purchase at once or for future delivery in accordance with sales made, as shown by items (a) and (b), and in accordance with elevator capacity and incoming wheat, as shown by items (d) and (e). Further analysis will be made as to the grades of wheat in order that the mixture required for the miller's patent flour may be maintained. Instructions will be issued covering the sale of by-products, since the production of patent flour necessarily involves a proportionate production of by-products (low grade flour and feed) which must be sold. The general consideration of the statement involves at the same time a detailed study of market prices and tendencies in wheat, flour and by-products, as well as crop conditions, imports and exports, alternative production of coarse grains, etc. A type of long and short statement in use is presented in exhibit C.

Important as an instrument of administrative guidance is the record of daily consumption and output. From mill reports made up at the close of each day there will be compiled a statement showing—

1. Wheat used:
 - a. Gross wheat—bushels.
 - b. Mill screenings—bushels.
 - c. Net wheat—bushels.
2. Flour produced:
 - a. Patent or high grade—pounds and per cent. of total flour.
 - b. First clear—pounds and per cent. of total flour.
 - c. Second clear—pounds and per cent. of total flour.
3. Offal produced:
 - a. Standard middlings—pounds and per cent. of total offal.
 - b. Flour middlings—pounds and per cent. of total offal.
 - c. Bran—pounds and per cent. of total offal.
 - d. Screenings—pounds and per cent. of total offal.
 - e. Over-run or under-run.

Some Aspects of Flour Mill Accounting

This statement is kept on a monthly basis, one sheet a month, with one line for each day. At the end of each month totals and monthly averages are computed.

Generally it will be found that the wheat (in pounds) is not entirely realized in flour or offal, the difference being called under-run (invisible loss). In some cases, however, the tempering process will so increase the moisture of the wheat as to result in a gain in pounds of production or an over-run (invisible gain).

From the daily output and consumption record will be computed the statistics of yield and percentages for cost purposes.

Further records will be kept of sacks purchased, on hand and used (by sizes and kinds); drafts drawn and paid; wheat received, shipped and used; flour produced, stored and shipped; flour sold and unit selling costs by salesmen; customers' accounts showing barrels of flour as well as dollars; other ledger accounts showing bushels and pounds as well as dollars—these in addition to the usual records and accounts found in any commercial enterprise.

The present complicated organization of the milling industry with its purchasing, milling and selling divisions reflects our progress in civilization when compared with the old system where every farmer made his own flour by grinding wheat between two stones; and like our progress in civilization, the change has been a gradual one requiring a long period of time. It is only recently, however, that the question of accounts and records has assumed serious proportions. The flour miller, in common with other business men, has only in the last few years learned the value of good accounts. At the present time the miller has no choice; a good system of records has become absolutely essential, and there can be little question as to the future. Beset on all sides with rising costs, increased burdens of taxation and keener competition, the miller must learn to depend more and more upon his accounts. His accountant must be called upon frequently for advice and information. The result will be reflected in better business and better accounts.

The Journal of Accountancy

Exhibit A

Schedule of accounts.

*Adapted to a medium sized flour mill having its own elevator,
grinding wheat only and selling at wholesale exclusively.*

1. Assets.

11 Current assets.

111 Cash.

112 Accounts receivable.

1121 Customers' ledger.

1122 Reserve for bad and doubtful accounts.

113 Notes receivable.

114 Inventories.

1141 Flour.

1142 Offal.

1143 Other products.

1144 Wheat.

1145 Flour packages.

1146 Offal packages.

1147 Mill supplies.

115 Temporary investments.

116 Options.

117 Other.

12 Deferred assets.

121 Insurance prepaid.

122 Discount.

123 Expenses prepaid.

124 Milling-in-transit.

13 Fixed assets.

131 Land.

132 Elevator.

1321 Buildings and equipment.

1322 Reserve for depreciation.

133 Mill.

1331 Mill buildings.

1332 Reserve for depreciation.

1333 Mill equipment.

1334 Reserve for depreciation.

Some Aspects of Flour Mill Accounting

- 134 Office.
 - 1341 Building and equipment.
 - 1342 Reserve for depreciation.
- 135 Storage and delivery.
 - 1351 Building and equipment.
 - 1352 Reserve for depreciation.
- 136 Permanent investments.
- 137 Other.
- 14 Special assets.
 - 141 Contracts for future delivery—flour.
 - 142 Contracts for future delivery—offal.
- 15 Contingent assets.
 - 151 Claims.
- 2 Liabilities.
 - 21 Current liabilities.
 - 211 Accounts payable.
 - 212 Bills payable.
 - 213 Accrued liabilities.
 - 2131 Taxes.
 - 2132 Interest.
 - 2133 Wages.
 - 2134 Other.
 - 22 Fixed.
 - 221 Mortgage payable.
 - 222 Bonds.
 - 23 Contingent.
 - 231 Notes receivable discounted.
 - 232 Claims.
 - 24 Special.
 - 241 Contracts for future delivery.
- 3. Proprietorship.
 - 31 Capital stock.
 - 32 Unappropriated surplus.
 - 33 Appropriated surplus.
 - 331 Reserve for contingencies.
 - 332 Reserve for sinking funds.
 - 333 Reserve for sacks.
 - 334 Reserve for reduced output and inactivity.

The Journal of Accountancy

- 34 Profit and loss—current year.
 - 341 Dividends.
 - 342 Income and excess profits taxes.
 - 342 Appropriations of net profits.
 - 3431 Contingencies.
 - 3432 Sinking fund instalment.
 - 3433 Sack price fluctuations
 - 3434 Reduced output and inactivity charge.
- 4. Revenues.
 - 41 Sales.
 - 411 Flour.
 - 412 Returns and allowances on flour sales.
 - 413 Offal.
 - 414 Returns and allowances on offal sales.
 - 415 Other.
 - 416 Freight outward.
 - 42 Gains on options.
 - 43 Other income.
 - 431 Interest.
- 5. Expenses.
 - 51 Cost of sales.
 - 511 Elevator.
 - 5111 Wheat purchases.
 - 5112 Handling.
 - 5113 Freight and insurance.
 - 5114 Repairs.
 - 5115 Depreciation.
 - 5116 Other elevator expense.
 - 512 Milling.
 - 5121 Mill labor.
 - 5122 Heat, light and power.
 - 5123 Mill supplies.
 - 5124 Repairs.
 - 5125 Depreciation.
 - 5126 Insurance.
 - 5127 Taxes.
 - 5128 Other.
 - 5129 Laboratory expenses.

Some Aspects of Flour Mill Accounting

- 513 Packages.
 - 5131 Flour.
 - 5132 Offal.
- 52 Selling.
 - 521 Salesmen's salaries.
 - 522 Traveling expenses.
 - 523 Commissions.
 - 524 Advertising.
 - 525 Bad debts.
 - 526 Others.
- 53 Warehouse and delivery.
 - 531 Salaries.
 - 532 Other expenses.
 - 533 Depreciation.
- 54 Administration.
 - 541 Office salaries.
 - 542 Office expenses.
 - 543 Depreciation.
- 55 Interest and exchange.
- 56 Loss on options.

Exhibit B

Schedule showing determination of flour cost by by-product method

1. Statistical basis:
 - (a) 4.4 bushels (264 lbs.) of wheat per 196 lbs. of flour and 68 lbs. of offal.
 - (b) 196 lbs. of flour divided as follows:
 - 75% patent.
 - 15% 1st clear.
 - 10% 2nd clear.
 - (c) 68 lbs. of feed divided as follows:
 - 14.7 lbs. flour middlings.
 - 13.5 " standard middlings.
 - 35.5 " bran.
 - 4.3 " screenings.

The Journal of Accountancy

2. Computation of cost of patent flour.	
(a) Wheat cost 4.4 bushels @ \$2.20.....	\$ 9.680
(b) Add milling cost 60c per barrel600

(c) Total cost per barrel of flour	\$10.280
(d) Credit for 1st and 2nd clear and offal at selling prices.	
.15 bbl. 1st clear @ \$9.80 per bbl....	1.470
.10 bbl. 2nd clear @ \$7.50 per bbl....	.750
14.7 lbs. flour middlings @ \$39.00 per ton286
13.5 lbs. standard middlings @ \$27.00 per ton182
35.5 lbs. bran @ \$22.50 per ton399
4.3 lbs. screenings @ \$20.00 per ton..	.043

Total credit for by-products	3.130

(e) Cost of .75 barrel of patent	\$ 7.150
(f) Cost of one barrel of patent	\$ 9.530
3. Determination of profit on advance sales.	
(a) Selling price (bulk f.o.b. mill)	\$10.50
(b) Cost as determined above	9.53

(c) Profit per barrel.....	\$.97

Some Aspects of Flour Mill Accounting

Exhibit C

19

THE CENTURY MILLS

SPRING WHEAT							
Wheat futures bought							
Wheat bought to arrive							
Wheat in transit							
Wheat in elevator							
Flour on hand	Bbls.						
Warehouse stocks	Bbls.						
Wheat futures sold							
Flour sold	Bbls.						
Long							
Short							
DURUM WHEAT							
Wheat futures bought							
Wheat bought to arrive							
Wheat in transit							
Wheat in elevator							
Flour on hand	Bbls.						
Warehouse stocks	Bbls.						
Wheat futures sold							
Flour sold	Bbls.						
Long							
Short							
Net long							
Net short							