

ACCOUNTING PRINCIPLES  
FOR COOPERATIVE COTTON  
GIN ASSOCIATION.

By  
Otis T. Weaver.

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*Accounting Principles for*  
**COOPERATIVE  
COTTON GIN**  
*Associations*

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by  
**Otis T. Weaver**

**FARM CREDIT ADMINISTRATION**  
COOPERATIVE DIVISION  
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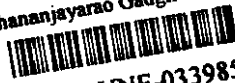
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Account Principles  
for

# Cooperative Cotton Gin Associations

By

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FARM CREDIT ADMINISTRATION  
Cooperative Division  
WASHINGTON, D. C.



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## APPENDIX

### COMBINING THE ACCOUNTS RECEIVABLE AND PATRONS' LEDGERS

**B**OOKKEEPERS with considerable training and experience in accounting should be able to eliminate much of the duplication of records in the procedure outlined in this bulletin. For example, the recording of each scale ticket in the journal is a duplication of the information entered in the Patrons' ledger; likewise the Accounts Receivable ledger duplicates much of the information in the Patrons' ledger. It is possible by following the method suggested below to combine the Patrons' ledger and Accounts Receivable ledger in one book, and also to eliminate the necessity for listing individual ginning scale tickets in the journal. No additional printed forms are necessary.

The principle involved may be summarized as follows: The patrons' or customers' account is charged with everything received from the association, and credited with everything received by the association. That is, all transactions with patrons and customers are handled through accounts receivable by posting directly to these individual accounts from duplicate copies of the memorandum or auxiliary records.

The following memorandum record forms will be needed in duplicate or triplicate:

- (1) Ginning scale tickets.
- (2) Sales invoices or tickets.
- (3) Purchase invoices.
- (4) Cash receipts.
- (5) Checks (only one form for all purposes).

#### *Ginning Scale Tickets*

- Scale tickets are made out for each bale ginned, in the customary way. Entries are made from the duplicate copies of the scale tickets at the end of each day, or for units of 50 or 100 bales, to the individual accounts in the Accounts Receivable ledger; that is, each patron's account is debited with the charges for ginning and wrapping; and is credited with the value of the cottonseed bought by the association, by posting directly from the scale ticket.

It will then be necessary to enter the sum of charges for ginning and wrapping as one total in the Accounts Receivable Debit column of the journal, with a corresponding credit entry to Ginning, Bagging, and

Ties. Likewise, the total value of cottonseed bought, as determined from the several ginning tickets which may be involved, will be entered as one total in the Accounts Receivable Credit column with an offsetting debit to Cottonseed Bought.

The total cottonseed bought from patrons and the total ginning charges may be determined by adding directly from the duplicate tickets. Greater accuracy may be obtained, however, if all desired information is listed from the scale tickets on columnar forms. The following form, which need not be printed, is suggested:

Bale no.	Pounds S/C	C/S bought		Charge for ginning, bagging, and ties	Amt. due patron	Amt. due association
		Lbs.	Amt.			
1	1,500	900	\$18.00	\$6.00	\$12.00	
2	1,600			6.25		\$6.00
3	1,400	800	16.00	5.75	10.25	
4	1,600	1,000	20.00	6.25	13.75	
Total	6,100	2,700	54.00	24.25	36.00	6.00

The name of the patron need not be entered on this form. The only purpose of this record is to obtain the total quantity and cost of cottonseed bought, and the total charges for ginning and wrapping. The last two columns are merely for balancing to prove the accuracy of copied figures, and are not entered in the books.

Totals of cottonseed bought, and charges for ginning and wrapping as determined by the above working sheet may be entered in the journal, daily, weekly, or in units of bales, by making the following entries in the proper columns:

Accounts Receivable, debit	\$24.25	
Ginning, Bagging, and Ties, credit		\$24.25
Cottonseed Bought, debit	54.00	
Accounts Receivable, credit		54.00

All four of the above entries, together with the weights of seed cotton ginned, and of cottonseed bought may be entered on one line of any columnar journal sheet similar to form 1.

#### Sales Invoices

A sales ticket or invoice is made out for every item sold to patrons or customers. From the duplicate of each sales invoice the amount of the sale is posted to the debit of individual accounts in the Accounts Receivable ledger. Sales invoices should then be summarized by products, either by adding the items direct from the invoices on a machine, or recording them first on columnar work sheets as illustrated on the following page.



Ticket no.	Total sales	Oil and gasoline	Coal	Meal and hulls	Fertilizer	Miscellaneous	
						Item	Amt.
1	\$1. 00	\$1. 00					
2	15. 00		\$15. 00				
3	10. 00			\$10. 00			
4	8. 00				\$8. 00		
5	2. 00					C/S 100#	\$2. 00
Total	36. 00	1. 00	15. 00	10. 00	8. 00		2. 00

The totals of these items should be entered in the journal in appropriate columns:

Accounts Receivable, debit	\$36. 00
Sales of oil and gasoline, credit	\$1. 00
Sales of coal, credit	15. 00
Sales of meal and hulls, credit	10. 00
Sales of fertilizer, credit	8. 00
Sales of cottonseed, credit	2. 00

#### Purchase Invoices

A purchase invoice is made for each product bought from customers; that is, bale cotton, seed cotton, cottonseed other than from regularly ginned bales, and similar items. From the duplicates of these purchase invoices the amount of each purchase is posted to the credit of individual accounts receivable. These purchases are then summarized as illustrated for sales. The purchase account of each product is debited with a total offsetting credit to Accounts Receivable, in the proper journal columns.

#### Cash Receipts

A cash receipt is prepared each time cash is received from a customer, whether for ginning, feed, coal, or other items, and regardless of whether or not the money is received by the association at the time the sale is made or at some later date. That is, the customer should be given a specific cash receipt, of which a duplicate is kept by the association, every time cash is received. These cash receipts are entered in the journal consecutively by name, number, and amount—debiting Cash Receipts and crediting Accounts Receivable. Items from the credit columns of the journal are then posted to the credit of the individual accounts in the Accounts Receivable ledger. It would, of course, be possible to post to the individual accounts from the duplicate copies and summarize the cash receipts each day, or periodically, on columnar working sheets as was done for scale tickets, purchase invoices, and sales invoices. If the latter method is used it will be necessary to make one entry in the journal, debiting Cash Receipts and crediting Accounts Receivable, for the total amount of the cash receipts involved, with explanation such as "Cash receipts Oct. 7, 1935, tickets 1 to 20."

*Checks Issued*

Each check should be entered in the journal by name of payee, number, and amount of the check in detail. The credit entry will be in the Checks Issued column. If issued for the purchase of any product from customers, such as cotton, or seed cotton, or as a rebate on the value of cottonseed above charges for ginning and wrapping, the debit will be in the Accounts Receivable column, and will be posted from there to the individual accounts. The debit entry for checks issued for expenses would, of course, be made in the expense column and for certain other purposes in the Sundry Debit column. In order to make the proper debit entry it will be necessary for the purpose of each check to be indicated on the carbon or stub. A summary of checks issued will not be needed, since a consecutive list of checks issued by name, number, and amount is necessary in reconciling the bank statement and the Bank account and this consecutive record can be made as easily in the journal as on a temporary work sheet. Only one form of check will be needed for all purposes.

*Other Journal Entries*

Sales of cottonseed, cotton, and any products sold other than to patrons are entered in the journal in the usual manner. Bank deposits also are entered in the journal in the regular manner.

*Sheets for Accounts Receivable Ledger*

Numerous variations are possible as regards the size and arrangement of ledger sheets to be used for this combined Patrons' and Accounts Receivable ledger. Three possible methods are described below:

1. Standard ledger sheets having debit, credit, and balance columns may be used. All explanations, such as bale number, weight of seed cotton, weight of seed, check number, ticket number, or invoice number, may be made for each entry in the regular explanation column. For example:

Name John Smith

Date	Item	Folio	Debit	Credit	Balance
Oct. 6	Bale #75. S/C 1,600 lbs. C/S 800 lbs. Ticket	75	\$6. 75	\$14. 00	
7	Rebate on C/S, Ck. No. 95	J16	7. 25		
7	1 ton coal-Sales Inv. No.	22	12. 00		
7	Cash Receipt No.	51		12. 00	
9	Bale #90. S/C 1,500 lbs. C/S caught Ticket	90	6. 60		
9	Cotton bought Wt. 500 @ 10¢. Purchase Invoice No.	35		50. 00	
9	Check No. 99	J17	43. 40		

2. The regular journal sheet may be ruled as follows:

Name..... *John Smith*

Date	Ginning		Seed	Bale cotton		Miscellaneous sales		Folio	Debit	Credit	Balance
	Bale no.	Lbs. S/C	Lbs.	Bales	Lbs.	Item	Quantity				
Oct. 6	75	1, 600	800					Scale ticket 75	\$6. 75	\$14. 00	
7						Coal	1 ton	J 26	7. 25		
7								Sales invoice 22	12. 00	12. 00	
9								Cash receipt 51			
9	90	1, 500	caught	1	500			Scale ticket 90	6. 60		
9								Purchase invoice no. 35		50. 00	
								J 17	43. 40		

3. A special Accounts Receivable sheet may be printed, having several debit and several credit columns for amounts of money as well as descriptive information.

The principal difficulty of attempting to handle all transactions with patrons through accounts receivable is that mistakes in posting will probably be made and the individual accounts may get out of balance with the control account. To avoid this difficulty, it will probably be found desirable to insert a marker in each account as the items are posted and then prove the accuracy of each day's posting by adding on the machine the items from the several individual accounts indicated by the markers in order to determine if the sum is the same as the amount entered in the corresponding control account through the journal. This will mean, for example, that as soon as the debits and credits to individual accounts have been posted from duplicates of the selected scale tickets, an adding machine tape will be run for the debits to these accounts to verify the total of ginning and wrapping tolls entered as a debit in the Accounts Receivable column of the journal, and a second tape of the credits to individual accounts to verify the total of Cottonseed Bought entered as a credit in the Accounts Receivable column of the journal. Other postings from sales invoices, purchase invoices, and cash receipts to individuals should be proved against corresponding totals as soon as posted. A few minutes' time to prove each step frequently saves hours later on.

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