



ACCOUNTING PROCEDURE for COOPERATIVE GRAIN ELEVATORS

by E. B. Ballow



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Accounting Procedure for Cooperative Grain Elevators

Part I

Outline of Procedure

THIS publication is prepared for bookkeepers in local cooperative grain elevators. It sets forth in detail a method of bookkeeping procedure that may be followed in operating accounting systems of local elevator companies and indicates a plan of accounting which will provide the type of information needed by officials in formulating administrative and operating policies.

It is composed largely of a classification of accounts needed by local elevators and a definition of the items that may logically be assigned as debits and credits to these accounts.

In pointing out the necessary bookkeeping procedure it is also a guide in the operation of the accounts indicated and in closing and reopening the books at the end and beginning of fiscal periods.

Value of Adequate Accounting

IN a business organization, administrative and operating policies are plans to accomplish expected results, and wise action depends largely upon recorded facts of past performances. Consequently detailed analyses of the various material factors influencing past operating results should be a valuable aid in the development of plans for the future. Such analyses, however, are possible only if complete information can be readily obtained from the records.

Therefore, sound business policies comprehend a detailed record of all transactions that set forth accurately the results obtained from the principal functions of the enterprise. From these recorded facts the executive and administrative officials can easily determine any

weaknesses and who or what is responsible for them. These data in turn may be used as a basis for comparisons with recognized standards of performance by which those responsible may more accurately determine the present status and the future possibilities of the business and decide a course of action.

The value of complete records, however, is limited to the knowledge officials have of the principles involved in the preparation of the records and the real meaning of the facts revealed. Obviously the records themselves will not set in motion a scheme of operation or a method of correcting past mistakes, but it is worth while to repeat that from a material standpoint they are the best sources of evidence by which a measurement of efficiency is provided. Actually their real value lies in the detailed and accurate information they make available, which may be used as a basis for administrative action by those responsible for operating policies and results. Any important variation in functional or unit results obtained in one period as compared with another must come from some definite causes, and the material factors can be explained only by a complete record of the facts.

In Management

Carefully formulated administrative and operating policies are essential and should not be ignored, but success in local elevator operations usually depends largely upon the ingenuity of one man—the manager. Results accomplished are generally a reflection of his ability and efficiency. Only through a well-developed accounting system, suitable to the needs of his particular enterprise, can a manager operate intelligently and keep himself accurately informed of the financial and operating status of his organization. The responsibilities and duties of his office cannot be fulfilled unless he is accurately informed of all phases of transactions that have a bearing on the success or failure of the undertaking.

Obviously a manager, who is willing to do extra bookkeeping to keep himself and his organization well and currently informed, has a keener interest in the success of the enterprise and is better equipped to achieve satisfactory results than one who does not have this information until the season is over and the annual audit made.

In Successful Operation

Observations, based on many contacts with local farmers' elevators, indicate that successful operation is usually associated with adequate accounting. While keeping records is no assurance of success, certainly the efficiency of management and the trends in operating results can be more accurately determined where the records currently reveal all the details of business transactions. On the

other hand, it is difficult to determine the true conditions or definitely place responsibility if the records are incomplete.

Although it is not specifically shown in the outline how accounting records may reveal inefficiency in elevator operations, the discussion of accounting principles emphasizes the importance and adequacy of records as a means to this end. The fact is that comparative statements of properly classified operating and financial data do provide valuable information concerning the efficiency and progress of any business, and such statements are possible only when complete records are available.

Audit Policy

IT is generally granted that a sound accounting policy provides for detailed audits of the company's books. The value of such audits lies not only in the picture of proven current operating and financial facts presented but also in their probable psychological effect in checking and preventing dishonesty. Figuratively speaking, it can well be said that the cost of an audit should be looked upon as an investment rather than an expense.

The frequency of the audit is determined somewhat by the volume of business and the number of activities engaged in by the business enterprise. Ordinarily an audit at the close of a fiscal period, usually 12 months, meets the needs of most local elevators. An outside and preferably a disinterested agency should be employed to perform this function.

Upon receipt of the audit report, the board of directors should carefully study the information contained therein. If any worthwhile improvements and corrections are suggested, a course of action should be promptly planned to bring about any desirable and needed changes. There is contained in an audit, furthermore, vital information about which no special comments are made by the auditor. This lack of special comment does not relieve officials of the responsibility of analyzing the financial and operating data to ascertain their significance in relation to the business and performance of management.

The audit report should include at least:

- (1) A balance sheet, showing the true assets and liabilities of the corporation;
- (2) An operating statement for the fiscal period under review, which shows the cost of and income from sales and the gross income or loss from each of the commodities handled during the period; and the gross income from each of the various services;
- (3) An itemized statement of all expenses for the period under review;

- (4) A statement of the market position of the elevator in all grains at the close of the fiscal period;
- (5) A statement of outstanding storage tickets at the close of the period;
- (6) A statement of weights and quantities of commodities received and accounted for, showing overages and shortages in each commodity handled; and
- (7) A certified statement of inventories.

Need for Double Entry Records

COMPLETE and systematic use of double entry records, that is, a system of accounting records requiring a credit entry for every debit entry and vice versa, is generally recognized as an essential function in conducting a business enterprise, large or small. Those business organizations whose bookkeeping records and operating practices are subject to inspection and regulation under State and Federal laws have a special need for adequate accounting records. This applies particularly to farmers' cooperative elevators because of laws pertaining to their operating practices and income; for example, the requirements for Federal income-tax exemption specify that a majority or all of their business must be with members and that certain provisions for distributing net income must be followed.

In a number of the important grain producing States it is a legal requirement that any local elevator accepting grain for storage shall keep certain records and submit reports of its operations. In some cases the laws prescribe the exact manner in which the local elevator must record its receipts of local grain even though the grain may not be placed in storage.

Financing institutions generally insist on the submission of financial and operating statements by grain marketing organizations to which they make loans. Under such circumstances, maintaining a complete set of records is of particular concern to local elevators, especially the bona fide cooperatives.

Accounting Forms Available

INADEQUATE bookkeeping by many farmers' elevators is not due to a scarcity of forms for such purposes. From the point of view of availability, no elevator should be without a single accounting form which it may need. A large variety of forms is available and some printing companies have developed and published complete accounting systems with, in a limited way, instructions outlining the necessary bookkeeping procedure. In their catalogs of forms some of these companies invite suggestions for other forms that may be

needed in a particular case and give assurances of their ability to make new forms available on reasonably short notice.

It would appear, therefore, that all accounting forms needed are available, and installation of an accounting system is dependent only upon the ability and bookkeeping knowledge of employees and the desires of the elevator companies.

Accounting Practices and Problems

IT CAN be said that most farmers' elevators keep some kind of record of their business transactions. Observations made in a recent study of these organizations, however, reveal that while many have complete accounting systems properly kept and used, a large number are without adequate records and some have nothing approaching a systematized set of books.

Managers of local elevators, on whom generally falls the responsibility of keeping the records, usually are not trained bookkeepers and quite frequently are reluctant or too busy to devote the time and effort that is required to learn to operate a complete set of books.

Under such circumstances, a forced conclusion is that systems now available may seem complicated to the average elevator manager merely because of his limited training in accounting principles and bookkeeping. If this is true, the prime task of interested agencies is to outline in detail and clarify by explanation the bookkeeping mechanics involved in the operation of an accounting system for local elevators which may be applied in operating any system now available. A corollary to successful accomplishment, however, is that the manager or bookkeeper must have some understanding of accounting principles and procedure.

Thus the problem is not that of developing an accounting system, but one of classifying the accounts needed and explaining in detail how they are operated. This should result in a clear outline of the necessary bookkeeping procedure and the accounting principles involved.

In keeping with the objective set forth above, the major part of this publication is largely a classification of accounts and the bookkeeping mechanics involved in their operation. While the material presented probably could be used as a basis in developing an accounting system suitable to the needs of local elevators, it is offered primarily as a guide in operating systems in use or available and in preparing statements. Another purpose of the publication is to emphasize the importance of adequate accounting as the best material means of accurately determining operating results and of measuring the efficiency of management.

In all cases the adequacy of an accounting system to the needs of a particular business depends upon its construction and operation.

Most local elevators do not need an elaborate system, but it should be designed to produce the facts in sufficient detail to serve their particular needs. From a practical standpoint, expansion, not only in the number of records but in the classification of accounts, is largely determined and limited by volume of business and the number and type of functions performed by local elevators.

The accounting systems for elevators now available, if fully installed and properly operated, should meet the needs in this field. These systems differ in arrangement, and because of the need for more or less detail, one may be more suitable than another in a particular case. But from an accounting standpoint, if properly operated, each would in the end provide the desired information. Therefore, the bookkeeping procedure outlined here is to improve the current accounting practices rather than the systems used.

The intention is to arrange the material, as nearly as possible, in the form and manner most easily understood and to give real assistance in carrying out the principles of double entry bookkeeping without regard to a particular system. A general use of cross reference in explaining the operations of the different accounts should forestall any possible confusion. *A number of accounts listed are not common to all local elevators but they are shown in case they may be needed.*

While the indicated classification of accounts and journal column headings may not be exactly the same as those used by many local elevators, that possibility should not materially affect the principles of bookkeeping procedure suggested in their operation which is believed to be sound, and, if carried out, will produce accurate and desirable information.

Accounting Forms and Records

A COMPLETE accounting system for local elevators may include numerous primary forms and records, books of original entry; the journal and its subdivisions, books of account; the general ledger and its subdivisions, and forms used in taking trial balances and in preparing operating and financial statements. The type and number of records needed in any given case is determined largely by the variety of functions performed, volume of business and the detailed information desired by administrative officials. In no case, however, can the system be considered adequate without some of the primary forms, a journal or journals and the ledgers. In the following chapters, a list and description is given of various forms

and books that may be needed by local elevators, the extent of need depending upon the activities of the particular enterprise. All forms illustrated and the bookkeeping procedure indicated in their operation are based on the classification of accounts and their operation as outlined in the Manual of Accounts presented in part II of this publication.

Primary Forms and Records

There are numerous printed forms available to local grain elevators for use as original records of business transactions. Some of these are of prime importance in maintaining a ready reference file of the details of all such transactions that have taken place. A record of the principal elements of these transactions is particularly important in the event of a dispute, as evidence in filing and prosecuting claims, locating possible errors, and when a detailed audit is needed.

The belief is that too many elevators are not using such records to the extent that they should. It is important that some of these forms be recognized as essential and necessary parts of the accounting system and used in all cases where they serve a practical purpose. In the absence of their use no elevator can consider its records complete. The variety of forms needed is determined by the diversity of functions of the enterprise and practically all types are readily available. The following is a list and description of forms most needed, many of which may act as original records for journalizing purposes.

1. *Scale ticket*.—This form is used in recording the details connected with receiving and buying local grain. They are usually printed in duplicate, the original going to the patron and the duplicate retained by the issuing agent.

Space is provided on the scale ticket for recording the name of the owner, driver, and weigher, the details as to kind of grain, grade, weights, bushels, tare and dockage, and price per bushel, also check number, storage ticket number, and on some for gross amount, deductions, and net amount paid to patron. It is not suggested that such detail is always essential or desirable but frequently the details are required under State laws. It can be assumed that some of it is provided to facilitate auditing of the records.

Often, because of legal requirements, scale tickets assume the importance of permanent records and in such cases become necessary adjuncts to the accounting system of a local elevator. Regardless of legal requirements, however, it is generally good accounting practice to issue a scale ticket for each load of grain received and to retain a duplicate or stub as part of the current year's records.

It is a law in some States that, when grain is received into a local public warehouse, a uniform scale ticket shall be issued for each load,

the original to be given to the person delivering the grain and a duplicate to remain at the elevator as a permanent record. Other legal requirements are that "such tickets shall state specifically whether the grain is received on contract, for storage or for shipment on consignment, or sold. If such grain is received on contract or sold, the price shall be indicated on such ticket. All such tickets shall be signed by the warehouseman, or his agent or manager."

A scale ticket is not a receipt or certificate of ownership. It is evidence only that the grain has been weighed and graded by the agent of the elevator. Printed on the face of some tickets is the statement: "This is a memorandum nonnegotiable, possession of which does not signify that settlement has or has not been consummated." On others: "This certificate is not a storage ticket and is not negotiable. It should be presented on day of issue for a lawful storage ticket or cash check." These or somewhat similar statements are required under the laws of some States. In certain States it is mandatory that the owner of the grain either obtain a storage ticket or sell the grain on day of issue of scale ticket.

Practically all types of scale tickets are obtainable from various printing companies that specialize in elevator accounting forms.

2. *Storage ticket.*—Under some State laws it is required that upon delivery of grain for storage a legal warehouse storage receipt shall be issued to the owner or his agent, which shall state the place and date the grain was received, the name of the owner, the kind and grade, according to the official terms established by the State board of grain appeals or by the Secretary of Agriculture of the United States, and the gross weight, dockage, and net weight of the grain as per the State's standard weight. In many cases such requirements make it necessary to issue separate tickets for each grade.

The storage ticket is a legal receipt for grain actually received into the elevator and placed in storage. It is legal evidence of a liability on the part of the elevator and is usually a negotiable instrument. Local elevators that store grain for their patrons operate as public warehouses under a license granted by the State. They must give bond equal to the value of grain in storage and are subjected to some supervision by the agency authorized to issue the license.

The face of the storage ticket, unless it is a combination storage and scale ticket, provides space only for recording kind of grain, grade, and the details of weights, bushels, and dockage. The back provides for recording the details of price, amount and deductions, the amount paid and date of consummation of the contract, and is also a form of receipt of payment. In signing the receipt the owner expressly states the conditions of his ownership of the grain, that it is free of liens, chattel mortgages, etc.

The combination storage and scale ticket provides for the additional information recorded on an ordinary scale ticket.

On the face of the grain storage ticket is printed, and is required by some State laws, the conditions under which the grain is received into storage. These conditions vary somewhat in keeping with the various State laws regulating storage grain operations, but in each case are based upon laws of the particular State in which the elevator is located.

Regulations pertaining to grain storage operations are usually specific and strict in most States having such regulations. For that reason a careful recording of storage receipts is necessary on the part of the local elevator. In fact, the laws of some States prescribe the methods by which such transactions shall be recorded, even specifying the types of records, and make it mandatory that these records be kept intact at the elevator for a period of time and always available for inspection by authorized agencies.

3. *Grain check.*—In the purchase of grain, many elevators prefer to use specially printed bank checks.

Some checks, as well as the stub or duplicate, are designed for recording the details of kind, grade, quantity, and price of the grain and scale ticket number, storage ticket number, or both; whereas on others provision is made for this information only on the check stub.

A further division of these checks is one series for cash grain purchases, and another for stored grain purchases. The classification is printed on each. Where an accounting system provides separate accounts for the purchases of cash and stored grains, it is probably advisable or at least desirable to maintain an unbroken series of checks for each.

When grain operations of the local elevator are financed by an outside agency, a specially printed check or draft is often used.

From an accounting standpoint, specially printed checks, although desirable, are not necessary unless required by financing agencies. An ordinary bank check can and does in many cases answer all purposes.

4. *Other checks.*—Some elevators have specially printed expense checks whereas others use ordinary checks provided by the local bank for this purpose. On the special checks the principal items of expense are printed on the stub and opposite each item is space for the amount. Special checks are also used sometimes in payment of invoices for certain kinds of merchandise handled as side lines. Many elevators, however, use an ordinary form of check in payment for all purchases, including purchases of grain.

Regardless of the form of check used, recording the transactions on the various records is in no way affected. Special checks and check stubs are used to facilitate bookkeeping and auditing and to provide a detailed record of the original transactions.

5. *Sales ticket.*—The sales ticket used by the elevator is in some cases a combination of scale and sales ticket and is devised to record both cash and credit or charge sales for any commodity, including local sales of grain. In other cases separate forms are used for the principal commodities handled. Special tickets are frequently used for coal.

6. *Assembling sheet.*—This is a recapitulation or summary sheet of scale tickets and is used where many loads are delivered by a patron on the same day and where settlement is deferred until a specified delivery is completed.

Scale tickets, however, are issued for each load. The use of this form where price has been agreed upon or where much of the grain is of uniform grade permits one calculation in settlement of many scale tickets, and in that form is used as a settlement sheet with patrons.

These forms can be obtained in duplicate or in bound books, a page reserved for each patron. Space is provided for listing each scale ticket by number and the details as to kind of grain, grades, weights, bushels, and dockage of each load and the names of the drivers. In the grand total provision is made for bushels and dockage and, where the grain is stored, price per bushel, amount paid to patron, check and storage ticket numbers.

7. *Record of grain delivered.*—This is a form that can be used where State laws do not require a scale ticket for each load. The form is convenient when a patron is hauling many loads and only one scale ticket or storage ticket is necessary for the quantity delivered. The forms are printed in duplicate and space is provided for the details of weights and tare, and in the grand total the details of bushels, dockage, storage ticket and check numbers.

8. *Grain purchase contract and confirmation.*—These forms are used where a contract is made with the producer for a given quantity of grain at a stated price, delivery to be made within a specified period. The conditions of the contract are printed on the face of both the original and duplicate contract forms. Space is provided for grade and price in cases where these specifications are required. The terms of a differential between grades bought and grades delivered may be stipulated or the contract may not indicate that another grade will be accepted.

Another form of contract may be used for grain that has been delivered to the elevator but price may be at seller's option within a specified period and based on a futures market at a specified discount. Space is provided on this form for ticket number and gross, dockage and net bushels of each load.

The form for confirmation of grain purchase is used where a written contract is impracticable, such as those made over the telephone, etc. It is stipulated on this form that unless the seller notifies

immediately of nonacceptance the confirmation becomes a contract and both parties are bound by the same.

9. *Contract grain purchases and performance record.*—This form is used as a recapitulation or summary sheet of deliveries made against a contract. It sometimes is in book form, an indexed page being assigned to each patron. Marginal space is provided for contract number price, date, kind of grain, bushels contracted, grade, and delivery period. In the body of the form space is provided for dates, load numbers, kind of grain driver's name, the details of weights and tare for each load delivered, total bushels, and amount of check. Actually it is so designed that it can be used for any patron whether or not his grain is purchased on contract. It makes readily available a very complete detailed statement and summary of grain delivered by each patron.

10. *Report of shipment or weighing and loading reports—Grain.*—This is a form used in reporting weights of carload shipments. In the case of Hopper scales the weight of each draft is reported separately by numbers, Draft No. 1, 2, 3, etc. Space is provided for a report of condition of car, inside measurement of grain loaded, railroad seal numbers, and kind of material used for car linings. It may also show condition of car when received, and repairing and patching done by the loader.

11. *Weight certificate.*—This form is used when a weight certificate is required of or a certificate of weight is issued by the shipper of a carload of grain. Provision is made for the shipper's certificate which is subscribed and sworn to in the presence of a notary public.

12. *Notice to weighmaster.*—This is a form used by grain shippers to serve notice on weighmasters at receiving stations that the grain has been carefully weighed; requests an immediate investigation and report of any shortage when car is unloaded. Space is provided on the form for car number, initial, contents, date, station, car seal numbers, individual draft weights and total weight.

13. *Shipment notice.*—This is a form used in notifying an agent or buyer that a car of grain is being shipped to him. The form provides for car number and initial, kind of grain, grade and dockage expected, weight and depth of load and, if draft is drawn, the amount of the draft.

14. *Bill of lading.*—This form is furnished by the railroads unless an elevator wants a bill of lading especially prepared for its use or uses a bill of lading furnished by the firm to whom it ordinarily ships its grain. All bills of lading should be made out in duplicate.

15. *Order for cars.*—This form is used in notifying railroad companies to place empty cars at specified loading stations, and should be made out in duplicate. Although very simple, it is a useful memorandum to have on file in the event of a dispute as to time and type of car

ordered. It is particularly useful when an elevator is faced with action to get cars placed within a reasonable time.

16. *Railroad claim.*—This is a very convenient form used in filing claims against railroad companies for leakage and damage in transit. The form provides captioned space for all information necessary in filing claims. (In addition to information provided on the claim sheet, the following supporting documents should be filed: Original invoice or certified copy, original bill of lading if not already in hands of carrier, original paid freight bill, certificate of weight by loader, certificate of inspection, state weighmaster's special report, certificate of weighmaster at destination, and certified copy of shipment report or weighing and loading report.)

17. *Notice of cancellation of storage contract.*—Under the laws of some States all storage contracts on grain stored in public local grain warehouses or elevators terminate on a specified date each year. It is required under the law that the local warehouse notify all storage ticket holders of the termination date beforehand. The form indicated above is used for this purpose. The law is quoted on the form and space is provided for listing storage tickets by numbers, the amount of grain held against each, and the amount of accrued storage.

18. *Radio quotation blank.*—This form is convenient for recording opening, hourly and closing price quotations on all grains in the principal terminal markets serving the local area. If properly kept and preserved they are useful as ready evidence in any disputes between the elevator manager and patrons as to price at time of sale or purchase.

19. *Remittance blank.*—This form is used in making remittances in settlement of invoices. (All invoices should be checked for errors and checked against the merchandise or items for any shortages. If discount is to be taken, the invoices should be filed under the last discount date.)

20. *Cleaning ticket.*—This form is used for releasing the elevator of responsibility for any damage to grain as a result of cleaning in event the buyer or owner uses the grain for seeding purposes.

21. *Seed release form.*—This form is used to release the elevator of any responsibility for the quality or fitness of grain sold for seeding purposes.

22. *Receipt for lost ticket.*—This form is used when a receipt is obtained for payment of grain covered by scale or storage tickets that have been lost. Provision is made on the ticket for a covenant and a surety to the elevator against a subsequent demand for payment.

23. *Duplicate deposit slip.*—This form is indicated merely to suggest the desirability of keeping duplicate deposit slips on which the details of deposits are recorded. Any ordinary deposit slip is suitable for the purpose.

Books of Original Entry— The Journal and Its Subdivisions

IN MODERN accounting a journal is always the book of original entry and the medium through which transactions in one form or another are recorded in the general ledger accounts. Usually the modern journal is a loose-leaf columnar record in which special columns are provided to record transaction of frequent occurrence. Other items are recorded in the "Sundry" or "Miscellaneous" columns, one of which is most commonly called the "General Ledger" column. Often in local elevator accounting, a single journal is adequate, whereas, in many cases, it may be necessary to separate the journal into two or more parts, keeping separate records, for example, for grain purchases, grain sales, or expenses. The need for separate journals is determined by the circumstances in each case; therefore, no attempt is made to define those conditions. In any event, when it is practical, special columns should be provided in all journals for items for which controlling accounts are maintained in the general ledger or if the monthly totals of the column can be posted to one account. In some instances, a special debit column may be desirable, whereas, a special credit column would not be needed, or vice versa. In case items for which controlling accounts are maintained in the general ledger are entered in a Miscellaneous column, these entries must be posted to both the control and individual accounts, thus necessitating two postings of each transaction.

In the development of the accounting scheme presented in this publication, the plan is not to indicate a particular type or set of journals. *The journal illustrated is only for the purpose of explaining bookkeeping procedure.* It is hardly practical to define the limits of a journal in an outline of this nature because possible expansion of that book is limited only by convenience and the needs in a given case. Specially ruled and printed journal sheets may answer temporarily, but, due to changes and expansion in the business, frequently become obsolete or inadequate. Quite often a sheet with many blank columns is a desirable feature.

In many elevator companies the following separate records are considered to be parts of the journal: Cash Journal and Purchases and Sales Record, Record of Grain Purchases, Record of Grain Shipments and Sales, Record of Storage Tickets Issued, Record of Sales to Arrive, and Record of Hedging Operations. It should be pointed out, however, that only the first three of these records would be used for posting to the general ledger accounts and the procedure involved in posting would depend on their construction and how they were

used. The other three are more or less auxiliary or memoranda records. As a matter of fact, the Cash Journal and Purchases and Sales Record, which is commonly called Cash Journal or Journal, is frequently arranged to carry all purchases and sales, at least the values involved. In such cases, the Journal would not have to be divided to provide a separate Record of Grain Purchases, and the Record of Grain Shipments and Sales mentioned above may be used as an auxiliary record to carry the details of the individual transactions, but entries to be posted to the general ledger accounts would be made in the Cash Journal or Journal.

Many different types of journals are currently available and presumably adequate to the needs of most local elevators. The prime objectives of this publication, as previously explained, are to present a classified list of accounts generally needed in local elevator accounting and to outline in detail the bookkeeping procedure involved in the operation of these accounts. *Therefore, as previously pointed out, the journal illustrated below was designed only as a tool to carry out the particular purposes of this publication. To point out the mechanics of account operation clearly, certain journal column headings were necessary.* The principles of bookkeeping and account operation, however, should not be affected by columnar arrangement or number of double entry journals used by local elevator companies. Any general outline of bookkeeping procedure is necessarily subject to some modification and changes to meet the needs in a particular situation, but these can be made without disturbing the basic principles involved.

Basically, a journal is a book of original entry for systematic and chronological recording of individual transactions in debit and credit terms, and a device through which these and the necessary adjusting and closing entries are properly explained and transferred to the general ledger accounts. As a practical proposition of promoting economy in bookkeeping and facilitating reference and analysis, development of the journal parallels that of the general ledger but stops at the point where further expansion serves no useful purpose. Therefore, as a bookkeeping device it lends itself to expansion, alteration, and modification to meet the particular accounting needs of all business enterprises, without disturbing its value as a book of original entry. Accordingly, its form and use would depend largely upon the kind and volume of information desired. In its simplest form it consists of a book, the pages of which are so ruled as to provide spaces for date, explanatory matter, posting reference, debit amount, and credit amount. While, theoretically, this simple book consisting of pages with two amount columns could answer all purposes of a journal and is now so used by some small business enterprises, it is doubtful if it would satisfactorily meet the needs of any local elevator association.

Postings from the journals should be as frequent as the circumstances permit. Usually the general ledger or sundry columns are posted in detail. Daily postings are desirable. Postings from the special columns, such as purchases and sales, as a rule, are the monthly totals of these columns and should be made as early as possible after the journal is proven to be in balance. All items, of which the totals are posted to controlling accounts, generally must be posted in detail to other accounts and these should, if possible, be kept up to date.

At the end of each month the journals should be proven to be in balance before the totals of the various special columns are posted to their respective accounts in the general ledger. This is accomplished by totaling all columns including the General Ledger and Miscellaneous or Sundry columns and summarizing the totals of both the debit and credit columns to see if the grand total of each is identical in amount.

Cash Journal and Purchases and Sales Record

THE FORM of journal illustrated below was designed merely to set forth the mechanics of bookkeeping involved in the operation of accounts, closing and reopening the books or ledgers as outlined in this publication. It is followed by an explanation of the purposes of the various journal columns and their use in carrying out the procedure suggested.

Numbering the columns serves no practical purpose. The numbers in the illustration shown are to facilitate reference. Skips in numbers indicate that special columns may be provided in between, such as would be necessary in the case of purchases and sales of the different grains. No significance should be attached to the amount of space indicated, for in practice more or less may be needed.

Column No. 1—Wheat Purchases.—The Wheat Purchases column is for illustrative purposes only. Usually separate columns are and should be provided in the journal for purchases of the principal grains.

Each column is used to record entries of all purchases of the particular grain for which the column is provided.

These columns are totaled at the end of each month and posted as debits to the particular grain purchases accounts concerned.

In case the volume or number of transactions in some of the grains does not warrant separate columns, all purchases of such grains may be entered in a column headed "Miscellaneous Grain Purchases" or the General Ledger column can be used.

If it is considered desirable, entries in the Miscellaneous Grain Purchases column may be so described that a recapitulation of the column can be made at the end of each month and summaries of like items posted to the respective grain-purchases accounts. When the General Ledger column is used, the same procedure should be followed, else each transaction must be posted separately to the particular account or accounts concerned. If separate accounts are not desirable the monthly total of the Miscellaneous Grain Purchases column and all such entries in the General Ledger column are posted to a Miscellaneous Grain Purchases account.

See Wheat—Purchases account in Part II for an explanation of how other debits and certain credits to the grain purchases accounts are handled.

CASH JOURNAL AND PURCHASES AND SALES RECORD

[Indicated for illustrative purposes only]

Sheet No.
Month of, 19....

(1) Wheat Purchases			(5) Coal Purchases		(7) Bank (Dr.)	(8) General Cash (Dr.)	(9) Expense (Dr.)	(10) Accounts Receivable (Dr.)	(11) Folio	(12) General Ledger (Dr.)		(13) Date
Bus.	Lbs.	Amt.	Quant.	Amt.	Amount	Amount	Amount	Amount		Quant.	Amt.	

(14) Name	(15) Item and Explanation	(16) Scale or Storage Ticket No.	(17) Check No.	(18) General Ledger (Cr.)		(19) Folio	(20) Accounts Receivable (Cr.)	(21) General Cash (Cr.)	(22) Bank (Cr.)	(23) Expense (Cr.)
				Quant.	Amt.					

(24) Misc. Operating Income		(25) Sales Tax	(26) Coal Sales		(28) Wheat Sales (Local)			(30) Wheat Sales (Shipments)			(31) Corn Sales (Shipments)		
Item	Amount	Amount	Quant.	Amt.	Bus.	Lbs.	Amt.	Bus.	Lbs.	Amt.	Bus.	Lbs.	Amt.

Theoretically the location or position of the different columns on the debit side or credit side of the Journal is of no real importance, but from a practical standpoint those from which entries are posted individually to the general ledger or subsidiary ledger accounts should be nearest to the item and explanation column.

Column No. 5—Coal Purchases.—The Coal Purchases column is for illustrative purposes only. Usually separate columns are and should be provided in the journal for purchases of the principal commodities handled.

Each column is used to record entries of all purchases of the particular commodity for which the column is provided.

Where special columns are provided, the monthly totals can be posted as debits to the particular merchandise purchases accounts concerned, thus avoiding the necessity of posting individual entries.

When the number of transactions in a commodity or commodities does not warrant separate columns in the journal, all purchases of such commodities may be entered in a column headed "Miscellaneous Merchandise Purchases" or the General Ledger column can be used.

If separate ledger accounts are desired for some items recorded in the Miscellaneous Merchandise Purchases column, the entries in this column may be so described that a recapitulation of the different items can be made and posted in summary form to the particular accounts concerned. Otherwise, the monthly total of the Miscellaneous Merchandise Purchases column is posted to a Miscellaneous Merchandise Purchases account. If the General Ledger column is used the same procedure may be followed, otherwise each transaction must be posted separately to these accounts. The latter procedure may prove to be more satisfactory in many cases.

See Coal—Purchases account in part II for an explanation of how other debits and certain credits to the merchandise purchase accounts are handled.

Column No. 7—Bank Deposits.—This column is used to record entries of all deposits and transfers of funds to the bank. It should also reflect entries of special items deposited for collection and any other credits made directly to the bank account by the bank as a result of loans, discounted notes, sales of securities, collections, interest earned, etc.

The column is totaled at the end of each month and posted as a debit to the Cash in Bank account.

See Cash in Bank account in part II.

Column No. 8—General Cash (Debits).—This column is used to record entries of all ordinary cash receipts, such as checks, currency, etc., that may be deposited collectively in the bank, and any cash overage resulting from a difference in the General Cash account and the amount of cash on hand.

Items such as drafts, bank loans, collections made by the bank, funds derived from discounted notes, etc., that usually are deposited directly and individually either by the manager or the bank, may or may not be entered in this column.

The column is totaled at the end of each month and posted as a debit to the General Cash account.

See General Cash and Cash in Bank accounts in part II for further explanation of entries in this column.

Column No. 9—Expense (Debits).—This column is used to record entries of all expense items. Ordinarily where a special column is provided for expense, it implies that an Expense (Control) account is maintained in the general ledger and that the various expense accounts are carried in a subdivision of that book. Under such circumstances, the monthly total of the column would be posted to the controlling account and the individual entries to the various expense accounts concerned. This, however, is not necessarily the case. The control account may or may not be opened under such circumstances. The Expense column can be treated in the same manner as the General Ledger column and is totaled only for the purpose of proving the journal to be in balance. On the other hand, a controlling account may be maintained and a special column provided for debits only. The credit items, because of infrequency, are entered in the General Ledger column and the entries posted individually to both the control and the particular expense account concerned. However, to avoid extra posting and as a means of minimizing errors, particularly in connection with entries transferring the debit balances in the various expense accounts to the Loss and Gain accounts, an Expense credit column also should be provided. In the journal outlined in this publication, both debit and credit Expense columns are provided and the monthly totals of each are posted to a controlling account and the individual entries to the various expense accounts concerned. It is recognized that many local elevators have no practical need for an Expense (Control) account. In such cases, all expense items could be handled through the General Ledger columns, and special columns for expense are unnecessary.

Column No. 10—Accounts Receivable (Debits).—This column is used to record debit entries of all transactions resulting from the extension of ordinary credit to patrons for merchandise and services.

The column is totaled at the end of each month and posted as a debit to the Accounts Receivable (Control) account in the general ledger. The individual entries are posted as debits to the various accounts carried in an Accounts Receivable Ledger.

See Accounts Receivable (Control) account in part II for other debit items that may possibly be entered in this column.

Column No. 11—Folio.—This is a reference column and is used to record the general ledger and subsidiary ledger accounts or page numbers to which individual debit entries are posted from the various debit journal columns; in this case columns 9, 10, and 12. In actual

practice it may be necessary to post from individual entries in other columns.

Column No. 12—General Ledger (Debits).—This column is used to record debit entries of all transactions and items for which no special columns are provided. Entries are posted individually as debits to the various accounts concerned and, in some instances, may have to be posted to both a control and an individual account. Often an entry in this debit column may and should be a summation of several items which necessarily are entered in detail on the credit side because more than one ledger account is concerned. Excepting those entries transferring balances in various accounts to other accounts, such as expenses to Loss and Gain, the details are not usually recorded on both the debit and credit sides of the journal.

The column is totaled at the end of each month but only for the purpose of proving the journal to be in balance. The total is not posted to any ledger account.

The heading "General Ledger" is used largely because of common usage of that classification. It properly could be called "Sundry" column and the column may be used for almost any purpose.

Column No. 13—Date.—This column is used to record the date of the transaction and in other instances for recording the date the entry is made.

Column No. 14—Name.—This column is used to record the names of the individuals or firms concerned in the transactions.

Column No. 15—Item and Explanation.—This column is used to record the items involved and explanations of the journal entry.

Column No. 16—Scale or Storage Ticket Number.—This column is used to record the grain scale or grain storage ticket number surrendered at time grain is purchased.

Column No. 17—Check Number.—This column is used to record the numbers of all checks issued by the company.

Column No. 18—General Ledger (Credits).—This column is used to record entries of all transactions and items for which no special credit columns are provided in the journal. The entries are posted individually as credits to the various accounts concerned and, in some instances, may have to be posted to both control and individual accounts. Often a credit entry in this column may and should be a summation of several debit entries which necessarily are entered in detail on the debit side because more than one account is involved. It usually is not necessary to enter the details of such entries on both the credit and debit sides of the journal.

The column is totaled at the end of each month, but only for the purpose of proving the journal to be in balance. The total is not posted to any ledger account.

Column No. 19—Folio.—This is a reference column and is used to record the general ledger and subsidiary ledger accounts or page numbers to which individual credit entries are posted from the various credit journal columns; in this case, the columns numbered 18, 20, 23, and 24 in the journal illustrated. In actual practice it may be necessary to post from individual entries in other columns.

Column No. 20—Accounts Receivable (Credits).—This column is used to record credit entries of all collections and other credits in settlement of only those items previously debited to the Accounts Receivable (Control) account, including such items actually charged off as uncollectible.

The column is totaled at the end of each month and posted as a credit to the Accounts Receivable (Control) account in the General Ledger. The individual entries are posted as credits to the various accounts carried in a subsidiary ledger commonly known as the "Accounts Receivable" or "Customers" Ledger.

See Accounts Receivable (Control) account in part II for further explanation in the use of this column.

Column No. 21—General Cash (Credits).—This column is used to record entries of all bank deposits of checks, drafts and cash previously debited in the General Cash column and any disbursements of such funds made in actual cash by employees; also entries of any shortage in cash resulting from a difference in the General Cash account and amount of cash on hand, excluding the petty cash fund.

The column is totaled at the end of each month and posted as a credit to the General Cash account.

See General Cash account in part II for further explanation.

Column No. 22—Bank (Withdrawals).—This column is used to record entries of all checks issued against the bank account, transfers of funds from and all items charged directly to this account by the bank, such as canceled notes, unhonored checks and drafts, interest, exchange, service charges, etc.

The column is totaled at the end of each month and posted as a credit to the Cash in Bank account.

See Cash in Bank account in part II for further explanation of journal entries.

Column No. 23—Expense (Credits).—This column is indicated only where an Expense (Control) account is maintained in the General Ledger. Most credits to expense are adjusting entries and those by which debit balances of the various expense accounts are transferred to Loss and Gain at the end of a fiscal period. Because these must be posted to both the control and individual accounts, it is deemed desirable to provide a credit expense column as a possible means of avoiding errors in posting. On the other hand, even though an Expense (Control) account is maintained and a debit Expense column is

provided in the journal, a credit Expense column is not necessary. Such items, because of infrequency, may be handled through the credit General Ledger column. Under the latter procedure, the fact that all entries must be posted to both the control and individual accounts should not be overlooked.

See the various expense accounts in part II for further explanation.

Column No. 24—Miscellaneous Operating Income.—This column is used only if the number of items of miscellaneous operating income, other than grain and merchandise trading, is large. Otherwise, such items may be entered in the credit General Ledger column in the same manner as nonoperating income such as interest, rent, and collections of bad debts. The Miscellaneous Operating Income column may be used to record entries of all such items as storage, handling, grinding, cleaning, seed treating, weighing, loading, livestock commissions, truck earnings, etc. The individual entries or summaries of like items are posted as credits to the various income accounts concerned. Under such circumstances the column is totaled only for the purpose of proving the journal to be in balance.

In the event that the number of transactions in an item is large or entries are frequent, such as may occur in storage, handling, and grinding, it may be desirable to provide special columns for these, and all other items can be entered in the Miscellaneous Operating Income column. If the number of transactions is small, the General Ledger column may be used.

Column No. 25—Sales Tax.—A separate column is provided for this item only where it occurs frequently; otherwise, the credit General Ledger column may be used.

See State Sales Taxes account in part II for further explanation.

Column No. 26—Coal Sales.—The coal sales column is for illustrative purposes only. Usually separate columns are and should be provided in the journal for sales of the principal commodities handled. Each column is used to record entries of all sales of the particular commodity for which the column is provided. The columns are totaled at the end of each month and posted as credits to the particular merchandise sales accounts concerned.

When the number of transactions does not warrant separate columns, all sales of such commodities may be entered in a column headed "Miscellaneous Merchandise Sales." If separate ledger accounts are desired for some of these items, the entries in the Miscellaneous Merchandise Sales column may be so described that a recapitulation of the column can be made and posted in summary form to the proper accounts. Otherwise, the monthly total of the Miscellaneous Merchandise Sales column is posted in a total to a Miscellaneous Merchandise Sales account.

Column No. 28—Wheat Sales—Local.—This column is indicated for illustrative purposes only. It could just as well have been headed "Corn, Oats, or Grain Sales—Local." It is used only where the volume of local grain sales warrants separation from grain shipment sales. However, due to the fact that local sales are handled on a different basis, it may be desirable to make this separation in all cases. It is believed that one column headed "Grain Sales—Local" will answer for the different grains sold locally. Entries may be so described that a recapitulation of the column can easily be made and posted in summary form to the different accounts maintained for local sales of grain.

On the other hand, where the volume of local grain sales is not large and transactions infrequent, these items may be entered in the columns provided for shipment sales. In that event, if separate ledger accounts are desirable for local sales of grain, entries should be described to make posting to the different grain sales accounts possible.

Column No. 30—Wheat Sales—Shipments.—The Wheat Sales column is for illustrative purposes only. Usually separate columns are and should be provided in the journal for sales of the principal grains. Each column is used to record entries of all sales of the grain for which it is provided.

The columns are totaled at the end of each month and posted as credits to the particular grain sales accounts concerned.

If the number of transactions does not warrant separate columns, such grain sales may be entered in a column headed Miscellaneous Grain Sales. If separate ledger accounts are desired for the different grains, a recapitulation of the entries in the Miscellaneous Grain Sales column may be made and posted in summary form to the grain sales accounts concerned, thus avoiding the necessity of posting transactions individually.

When it is desirable to maintain separate accounts for shipment sales and local sales, a local sales column is indicated, but these may be entered in the regular grain shipment sales columns and marked in such manner that postings can easily be made to the particular grain sales accounts concerned.

See Wheat—Sales account in part II for an explanation of how other credits and certain debits to grain sales are handled.

The form of Cash Journal and Purchases and Sales Record shown above, which is the only journal used in this outline to set forth book-keeping procedure in the operation of accounts, is for illustrative purposes only. It is not intended to indicate that a single type of journal sheet will answer under all circumstances or that the columnar arrangement is the most desirable. The purpose of numbering the columns was to facilitate reference and description.

Subdivisions of the Journal

The probability that the journal illustrated may not be satisfactory or suitable to the needs of all local elevators is recognized. Where the circumstances warrant a separation of the journal and separate records are required for grain purchases, grain shipments and sales, and expenses, those illustrated below are believed to be satisfactory for such purposes. If the following records are used the respective grain purchases, grain sales, and expense columns would not be needed in the Cash Journal and Purchases and Sales Record illustrated above. Any adjustments in the purchases, sales and expense accounts that would be impractical to make through the special journals can be made through the General Ledger columns in the cash or general journal.

RECORD OF GRAIN PURCHASES

[For illustrative purposes only]

(1) Date	(2) Storage Ticket No.	(3) Scale Ticket No.	(4) Name	(5) Check No.	(6) Price Per Bushel	(7) Bank or Com- mission Firm		(8) Item	(9) Accounts Receivable
						Name	Amt. of Check		Credits

Folio	(10) General Ledger	(12) Wheat				(18) Corn	
	Credits	Gross Bus.	Dockage Bus.	Net Bus.	Cost	Net Bus.	Cost

Column No. 1—Date.—This column is used to record the dates of all checks issued in the purchase of grain.

Column No. 2—Storage Ticket Number.—This column is used to record the numbers of the storage tickets surrendered at time storage grain is purchased.

Column No. 3—Scale Ticket Number.—This column is used to record the numbers of the scale tickets surrendered at time cash grain is purchased.

Column No. 4—Name.—This column is used to record the name of the person or firm from whom the grain is purchased.

Column No. 5—Check Number.—This column is used to record the number of each check issued in payment of grain purchases.

Column No. 6—Price.—This column is used to record the purchase price per bushel.

Column No. 7—Bank or Commission Firm.—This column is used to record the name of the bank or commission firm against which the checks are drawn and the actual amount of each check issued to the person or firm from which the grain is purchased. The column is totaled at the end of each month and posted as a credit to the account of the bank or firm against which the checks are issued. If checks are issued against more than one bank or commission firm, a recapitulation of the checks issued against each is made and the amounts posted in summary form as credits to the respective accounts, or separate columns may be provided.

Column No. 8—Item.—This column is used to record the deductible items, the amounts of which are recorded in the Accounts Receivable or General Ledger columns.

Column No. 9—Accounts Receivable.—This column is used to record the amounts of any deductions applied as credits on the accounts of the persons or firms from whom the grain is purchased. The entries in this column are posted as credits to individual accounts in the accounts receivable ledger and the monthly total of the column is posted as a credit to the Accounts Receivable (Control) account in the general ledger.

Where it is the practice to issue separate checks for deductible items the Accounts Receivable column is not necessary. The amount of both checks is recorded in the Bank and Cost of Grain columns but the check covering the deductible item is indorsed to the company and carried through the cash journal the same as other collections on accounts.

Column No. 10—Folio.—This column is used to record the General Ledger or subsidiary account or page number to which individual entries are posted from the Accounts Receivable and General Ledger columns.

Column No. 11—General Ledger.—This column is used to record the amounts of any deductions for items that are not applied as credits to the patron's account, such as accrued storage charges or his cash purchases. This will also apply to deductions for advances previously made to patrons if such items are not carried in the books as accounts receivable. The entries in this column are posted either individually or in summary form, if many entries are for the same kind of item, to the various ledger accounts concerned. The column is totaled only for the purpose of proving the purchase record to be in balance. This should be done before the totals of the other columns are posted to the ledger accounts.

Where it is the practice to issue separate checks for deductible items, the General Ledger column is not necessary. The amount of both checks is entered in the Bank and Cost of Grain columns, but the

check covering the deductible item is indorsed over to the company and is carried through the cash journal the same as other collections on accounts.

Column No. 12—Wheat.—This column is used to record the gross, dockage, and net bushels and odd pounds of wheat purchased and the total cost. The column is totaled at the end of each month and posted as a debit to the Wheat-Purchases account in the general ledger.

Columns Nos. 13-14, etc.—These columns answer the same purposes as column 12 except that they are used for other grains. It may not be necessary to provide columns for gross and dockage for some grains, such as corn, which are bought net.

RECORD OF GRAIN SHIPMENTS AND SALES

[For illustrative purposes only]

(1) Shipment No.	(2) Date shipped	(3) Car Initial	(4) Car No.	(5) Memo		(6) Shipped to—	(7) Date Sold	(8) Folio	(9) Net Proceeds		(10) Price per Bushel	(11) Kind of Grain	(12) Shipper's Grade	(13) Shipper's Weight		(14) Term, Grade
				Amount	Draft on Car				Amount					Pounds		

(15) Term, Weight	(16) Weight Long	(17) Weight Short	(18) Wheat				(19) Rye				(20) Corn	
			Gross	Dockage	Net	Net Proceeds	Gross	Dockage	Net	Net Proceeds	Net	Net Proceeds
Pounds	Pounds	Pounds	Bu. Lbs.	Bu. Lbs.	Bu. Lbs.	Amount	Bu. Lbs.	Bu. Lbs.	Bu. Lbs.	Amount	Bu. Lbs.	Amount

Column No. 1—Shipment Number.—This column is used to record shipment numbers, the first shipment in a new fiscal period being 1, the second shipment 2, etc. Frequently separate files bearing the numbers of the shipments are maintained, in which are filed all memoranda or information pertaining to the respective shipment.

Column No. 2—Date Shipped.—This column is used to record the date of shipment.

Columns Nos. 3 and 4—Car Initial and Car Number.—These columns are used to record the initial and number respectively of railroad cars in which the grain is shipped.

Column No. 5—Memo—Draft on Car.—This column is used to record the amount of draft drawn against each shipment. The column is for information purposes only. The draft is entered in the regular cash journal and posted from there to the ledger accounts concerned.

Column No. 6—Shipped to.—This column is used to record the name of the firm or person to whom the grain is sold or consigned.

Column No. 7—Date sold.—This column is used to record the actual date of sale.

Column No. 8—Folio.—This is a reference column and is used to record the general ledger account or page number to which individual entries in column No. 9 (Net Proceeds) are posted as debits.

Column No. 9—Net Proceeds—Amount.—This column is used to record the net amounts realized from sales of each and all shipments. These entries are posted individually as debits to the accounts of the various firms buying or handling the grain on consignment. If a controlling account is maintained in the general ledger for accounts with grain commission companies, the monthly total of this column must be posted as a debit to that account.

All money columns in the Record of Grain Shipments and Sales, except column No. 5, should be totaled monthly and the pages proven to be in balance before the totals are posted to the General Ledger accounts. The entries in column No. 5 are for information only since the drafts are carried to the ledger accounts through the cash journal.

If, at the end of the month, returns have not been received on a shipment or shipments, these should be ruled out and transferred to the subsequent month before the record for the current month is totaled and balanced. At the end of a fiscal period the same procedure is followed but these shipments are also inventoried as being in transit.

Column No. 10—Price per Bushel.—This column is used to record the sales price per bushel.

Column No. 11—Kind of Grain.—This column is used to record the kind of grain in each shipment.

Column No. 12—Shipper's Grade.—This column is used to record the grade of the grain at time of shipment.

Column No. 13—Shipper's Weight.—This column is used to record the weight of the grain at time of shipment.

Column No. 14—Terminal Grade.—This column is used to record the grade of the grain at time of sale or arrival at destination as determined by official grader at terminal station.

Column No. 15—Terminal Weight.—This column is used to record the weight of the grain on arrival at destination as determined by the official weighmaster at terminal station.

Column No. 16—Weight Long.—This column is used to record any overage as a result of a difference in weights shipped and unloaded or terminal weights.

Column No. 17—Weight Short.—This column is used to record any shortage as a result of a difference in weights shipped and unloaded or terminal weights. The information in this column is used as a basis in filing leakage in transit claims when the railroad company is responsible for the shortage.

Column No. 18—Wheat.—This column is used to record the gross, dockage, and net bushels, and odd pounds and net sales proceeds from shipment of wheat as evidenced by the accounts sales rendered by the grain firm to which the grain is shipped. The monthly total of the net bushels, if a quantity column is provided in the ledger, and net proceeds columns are posted as credits to the Wheat-Sales account in the general ledger.

In the event returns on a shipment are not received before the end of the month, such shipments are ruled out and transferred to the records of the following month. At the end of a fiscal period the same procedure is followed, but these shipments are also inventoried as being in transit.

Columns Nos. 19, 20, etc.—These columns answer the same purposes as column No. 18, except that they are used for other grains. It may not be necessary to provide columns for gross and dockage for some grains, such as corn, as they are bought and sold net.

The expense journal shown below is for illustrative purposes. It is not believed that the majority of local elevators have practical need of a separate journal for expense. On the other hand, where expense items of similar nature are numerous, it is a means of eliminating considerable book work. This results from posting monthly totals of special columns rather than individual entries as is the case when separate journals are not used.

Frequently special checks are used in payment of expense items. Where it is the practice to use a separate journal for expenses these checks are especially desirable because under such circumstances an unbroken series in check numbers is of some technical value.

EXPENSE JOURNAL

Year

General Ledger Accounts							
(1) Date		(2) Check or Draft No.	(3) Expense Control	(4) Bank	(5) Grain Commis- sion Com- pany	(6) General Cash	(7) Item and Explan- ation
Mo.	Day		Debit	Credit	Credit	Credit	

Distribution of Debits to Expense—Subsidiary Ledger Accounts

(8) Man- ager's Salary	(9) Other Salaries and Wages	(10)	(11) Power, Light Water and Heat	(12)	(13) Office Supplies	(14)	(15) Tele- phone and Tele- graph	(16)	(17) Truck Expense	(18)	(19) Miscel- laneous Expense
Debit	Debit	Debit	Debit	Debit	Debit	Debit	Debit	Debit	Debit	Debit	Debit

Credits to Expense

(20) Date		(21) Item and Explan- ation	(22) General Ledger	(23) Folio	(24) Expense
Mo.	Day		Debit		Credit

The following explanation is believed sufficient to eliminate any confusion in connection with the use of the various columns shown in the form illustrated above. Numbering the columns serves no practical purpose and it is done here only to facilitate reference.

Columns Nos. 1 and 2 are self-explanatory.

Column No. 3—Expense Control (Debit).—All debit items of expense are entered in this column. At the end of each month and fiscal period the total of the column is posted as a debit to the Expense (Control) account in the general ledger.

All entries in this column are also entered in one or the other credit columns numbered 4, 5, and 6, and in one or the other debit columns numbered 8 to 19, inclusive.

Column No. 4—Bank (Credit).—The amounts of all checks issued against the bank in payment of expense items are entered in this column. At the end of each month and fiscal period the total of the column is posted as a credit to the Cash in Bank account in the general ledger. If more than one bank is used, separate columns may be provided, else this column is blocked off for checks issued against different banks and postings made accordingly.

Column No. 5—Grain Commission Company (Credit).—This column is provided only when it is the practice to issue checks or drafts against a commission company in payment of expense items, or if the commission company makes direct payment of such items and renders debit memoranda to the local elevator. At the end of each month and fiscal period the total of the column is posted as a credit to the account of the commission company in the general ledger.

Column No. 6—General Cash (Credit).—This column is provided to care for those cases where the manager is authorized to use general cash funds in settlement of expense items. Generally a petty cash fund is and should be established for such purposes. At the end of each month and fiscal period the total of the column is posted as a credit to the General Cash account in the general ledger.

Column No. 7 is self-explanatory.

Columns numbered 8 to 19, inclusive, are self-explanatory. Blank columns merely indicate that space is provided for items other than those listed. The number of columns shown is of no significance for it is quite likely that more may be needed. At the end of each month the total of each column is posted to the account that it represents in the general ledger. If the journal is in balance the grand total of these columns is the same as the total of column No. 3.

At the end of each month and fiscal period the journal should be proven to be in balance before the column totals are posted to the ledger accounts.

Columns Nos. 20 and 21 are self-explanatory.

Column No. 22—General Ledger (Debit).—This column is provided to handle the contrariwise entries to credits recorded in column No. 24. The entries in this column are posted individually as debits to the various accounts concerned in the general ledger. The total of the column is not posted to any account.

Column No. 23—Folio.—This column is used in recording the ledger account or page number to which entries in columns Nos. 22 and 24 are posted.

Column No. 24—Expense (Credit).—This column is provided to care for any credits to expense. The total of the column is posted as a credit to the Expense (Control) account in the general ledger. The individual entries are posted as credits to the various expense accounts

concerned. All entries in this column are contrariwisely entered in debit column No. 22 for posting to the various accounts to be debited.

An Expense Journal is primarily for the purpose of recording the usual operating and administrative expenses connected with the general routine of the enterprise. It is not suggested that all expense items must be transferred to the ledger accounts through this journal. For practical reasons some items, especially those classified as deductions from income, should be recorded in and posted from the cash or general journal. It also may be more practical in the majority of cases to handle all credits to expense through that journal. Under those circumstances columns numbered 20 to 24, inclusive, in the above illustration, would not be needed in the Expense Journal. It should be noted, however, that all items affecting those expense accounts for which a control account is maintained in the general ledger must be posted to that account as well as the individual accounts.

Auxiliary and Memorandum Records

The following forms, which are subsidiary to the general books, may be found useful in the accounting systems of local elevator associations. They are presented for illustrative purposes only. Each form is followed by an explanation of its use.

In some cases such forms may be constructed to act as books of original entry, for posting purposes, but those illustrated, insofar as the general books are concerned, are designed only as auxiliary or memorandum records. Therefore, while most of them are necessary parts of the accounting records, they are used in this case only to provide a ready reference record of the details of the various transactions indicated. Under the bookkeeping procedure suggested in this outline, all general ledger items are transferred to the ledger accounts through the Cash Journal and Purchases and Sales Record illustrated.

RECORD OF SALES TO ARRIVE

Sales								Deliveries							
Date of Sale	To Whom Sold	Date to be Delivered	Kind of Grain	Grade and Protein	Net Bushels Sold	Selling Price	Discount or Premium	Date Shipped	Car Initial and Number	Bushels Loaded	Date Arrived	Net Bushels Unloaded	Terminal Grade	Price Received	Memo

The above form is for illustrative purposes only. It is a memorandum record or manifest used in recording all "sales to arrive" and deliveries against these sales. It is also a part of those records from which data are obtained to determine the market position of the elevator company in its grain operations. See Long and Short Statement (All Sales to Date—on which cash price has been fixed).

This record is not used in posting to the general ledger accounts. Under the bookkeeping procedure indicated in this outline all sales are transferred to the sales accounts through the Cash Journal and Purchases and Sales Record.

RECORD OF HEDGING OPERATIONS

Commission Company	Future Trades (Purchases)							Commission Company	Future Trades (Sales)							Memo		
	Date	Market	Option Month	Kind of Grain	Price	Bushels	Net Amount		Date	Market	Option Month	Kind of Grain	Price	Bushels	Net Amount	Commission Company Charges	Gross	
																	Loss	Gain

The above form is for illustrative purposes only. It is a memorandum record or manifest used in recording all options bought and sold for hedging purposes. It is also a part of those records from which data are obtained to determine the market position of the elevator company in its grain operations. See Long and Short Statement (Open Future Trades—Purchases) and (Open Future Trades—Sales).

This record is not used in posting to the general ledger accounts. Under the bookkeeping procedure indicated in this outline all losses and gains on options closed out are transferred to the commission companies' accounts and the grain sales accounts through the Cash Journal and Purchases and Sales Record.

LONG AND SHORT STATEMENT

At the close of business 19.....

Items	Wheat	Durum	Corn	Oats	Rye	Barley	Flax
	<i>Net Bushels</i>	<i>Net Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Net Bushels</i>	<i>Bushels</i>	<i>Net Bushels</i>
1. Beginning Inventory All Grain.....							
2. Receipts All Grain to Date.....							
3. Undelivered Purchase Contracts (On which cash price has been fixed).....							
4. Open Future Trades (Purchases).....							
5. Total—Items 1, 2, 3, and 4.....							
6. All Sales to Date (On which cash price has been fixed).....							
7. Transferred to Grinding or Feed Department.....							
8. Stored Grain Withdrawn by Owners.....							
9. Outstanding Storage Tickets.....							
10. Grain Destroyed by Fire and Flood.....							
11. Deliveries on Conditional Purchase Contracts (On which cash price has not been fixed).....							
12. Open Future Trades (Sales).....							
13. Total—Items 6, 7, 8, 9, 10, 11 and 12.....							
14. Long.....							
15. Short.....							

The above form is for illustrative purposes only. It is a memorandum record used in determining the daily market position of the elevator company in its grain operations. If the report is not prepared daily it can be made out as often as is necessary or desirable.

It is believed that the form is self-explanatory. To eliminate any possible confusion, however, the following is offered in explanation of the different items.

1. Beginning Inventory All Grain: This item is the inventory at the beginning of a fiscal period, in net bushels, of both owned and stored grain.

2. Receipts All Grain to Date: This item is the net bushels of all cash, stored and "conditional" contract grain weighed in up to and including the date of the statement. Receipts shown on this report are not affected or changed when stored and conditional contract grain is purchased. The effects of such transactions are reflected in other items.

3. Undelivered Purchase Contracts (On which cash price *has* been fixed): This item is the undelivered bushels of all grain that the company has contracted to buy at a fixed cash price.

4. Open Future Trades (Purchases): This item is the bushels involved in all open option purchases as of the date of the statement.

6. All Sales to Date (On which cash price *has* been fixed): This item is the net bushels of all sales and sales contracts, including local sales but excluding future trades, regardless of whether delivery *has* or *has not* been made.

7. Transferred to Grinding or Feed Department: This item is the net bushels of all grain purchased for resale that is withdrawn and converted into feed.

8. Stored Grain Withdrawn by Owners: This item is the net bushels of stored grain withdrawn from storage by the owners of the grain.

9. Outstanding Storage Tickets: This item is the net bushels represented by outstanding storage tickets as of the date of the statement.

10. Grain Destroyed by Fire and Flood: This item is the net bushels of all grain destroyed by fire or flood as of the date of the statement.

11. Deliveries on Conditional Purchase Contracts (On which cash price *has not* been fixed): This item is the net bushels delivered to the elevator company on conditional purchase contracts when the cash price is to be fixed at some future date.

12. Open Future Trades (Sales): This item is the bushels involved in all open option sales as of the date of the statement.

14. Long: This item is the difference between the bushels shown as items 5 and 13, if item 5 is the larger. It represents the net bushels of cash grain and purchase contracts, on which the cash price has been fixed, unhedged as of the date of the statement.

15. Short: This item is the difference between the bushels shown as items 5 and 13, if item 13 is the larger. It represents the net bushels of sales and sales contracts including open option sales, in excess of cash grain and purchase contracts, on which the cash price has been fixed, unhedged as of the date of the statement.

RECORD OF UNCONDITIONAL GRAIN PURCHASE CONTRACTS

[Contracts on which cash price is fixed at time contracts are made]

Contract No.	Purchased of--	Date	To be Delivered	Delivery Date Extended	Contract Price	Contract Grade	Kind of Grain	Bushels Contracted	Contracts Canceled			Deliveries												
			Days	Days					Date	Kind of Grain	Bushels	Kind of Grain	Date	Bushels	Date	Bushels	Date	Bushels						

The above form is for illustrative purposes only. It is a memorandum record or manifest used in recording all "unconditional" grain purchase contracts entered into by the elevator company and bushels delivered against these contracts. It is also a part of those records from which data are obtained to determine the market position of the company in its grain operations. See Long and Short Statement (Undelivered Purchase Contracts).

This record is not used in posting to the general ledger accounts. Under the bookkeeping procedure indicated in this outline all purchases are transferred to the purchases accounts through the Cash Journal and Purchases and Sales Record.

RECORD OF CONDITIONAL GRAIN PURCHASE CONTRACTS

[Contracts on which the price basis, but not the cash price, is fixed at the time contracts are made]

Contract No.	Purchased of—	Date	Price Basis and Explanation	Contract Grade	Kind of Grain	Bushels Contracted	Contracts Cancelled			Deliveries					Contracts Closed Out				
							Date	Kind of Grain	Bushels	Kind of Grain	Date	Bushels	Date	Bushels	Total Bushels Delivered	Date	Price Paid	Kind of Grain	Bushels

The above form is for illustrative purposes only. It is a memorandum record or manifest used in recording all grain purchase contracts entered into by the elevator company, on which the price basis is fixed at date of contract but the actual purchase price is to be fixed on or before a specified future date. Space is also provided to record the bushels received against these contracts and the details of performance at time the contracts are closed out.

It is also a part of those records from which data are obtained to determine the market position of the company in its grain operations. See Long and Short Statement (Deliveries on Conditional Purchase Contracts—on which cash price has not been fixed.)

This record is not used in posting to the general ledger accounts. Under the bookkeeping procedure indicated in this outline all purchases are transferred to the purchases accounts through the Cash Journal and Purchases and Sales Record.

Books of Final Entry— The General Ledger and Its Subdivisions

THE BOOKS of final entry are the general ledger proper and its subdivisions.

The outline of bookkeeping procedure presented in this publication does not include a detailed description of the physical aspects of the ledgers; it is mainly an explanation of the accounts to be employed in these books and instructions as to their operation. No special type of ledger, with the possible exceptions of a Stockholders' Ledger and a Patronage Ledger, is required in the bookkeeping systems of local elevators; any ordinary loose-leaf ledger page or sheet should be adequate. Other special types, however, may be useful and desirable. Space is usually provided on the ordinary ledger sheet for explanation and columns for dates, entry reference, debit and credit amounts. It also may have a column to reflect the balance at any given date and in some forms separate columns are provided for debit and credit balances, and a column for quantities. The latter type may better serve the purposes of local elevators. There are available patronage ledger forms especially designed for local cooperative elevators.

Regardless of the adequacy and completeness of other constituent parts of the accounting system, the general ledger is the principal and usually the only periodic source of information providing summarized evidence of operating results and the changes in values that have taken place. It is primarily from summarized information contained in this book and the details contained in its subdivisions that all financial and operating statements are prepared.

While no specific methods of opening a new set of books or making a change from one system to another are given, the chart of accounts and the explanation of these accounts in part II of this outline provide a basis for organizing a set of books. In part II, the bookkeeping mechanics involved in closing and reopening these accounts is described under each account heading and the procedure outlined for each account is the basis for operating the ledgers.

Organization of the general ledger may follow the arrangement indicated in the chart of accounts. The usual arrangement is the sequence in which the accounts appear in the financial statements. The general practice is to place the balance sheet accounts first, starting with the assets arranged in the order of their liquidity; these are followed by the accounts reflecting liabilities arranged in the order of primary payment and the accounts denoting net worth with capital

contributions first, followed by the reserves and surplus. The second section is composed of the nominal or operating accounts, the revenue accounts first, followed by the expense accounts, each arranged in the order of group and individual importance.

In some cases, the bookkeeping procedure is such that no doubt a number of the accounts listed in the chart will be placed in subdivisions of the general ledger and the details of others will be carried in those books. The arrangement of the subdivisions may be based on convenience of operation.

General Ledger

The general ledger proper, for practical reasons, is composed of controlling and certain individual accounts that cannot practically be consolidated or grouped together. As a means to that end it is a general practice to maintain a number of subsidiary books, most of which usually are subdivisions of the general ledger set forth by tabular devices. The individual accounts in the subsidiary records carry the details of transactions which are shown in summary form in the general ledger controlling accounts.

General Ledger Controlling Accounts

The use of controlling accounts is largely to facilitate the mechanics of operation and physical arrangement of the general ledger proper. They are designed to carry in summary form information of which the details are carried in individual accounts in subdivisions of the general ledger or subsidiary records. This tends to avoid cumbersome in the general ledger proper and eliminates a vast amount of detail in trial balance and balance sheet preparation.

A study of the explanations of each account listed in the chart of accounts should indicate when a control account is needed and the required bookkeeping procedure.

Although special debit and credit expense columns are provided in the journal illustrated, a controlling account for expenses may not generally be essential in local elevator accounting, though it often is desirable. In the event such an account is maintained in the general ledger, the monthly totals of the debit and credit expense columns are posted to it and the individual entries are posted to the various expense accounts in a subdivision of that book.

Usually, postings to the controlling accounts in the general ledger are summaries of individual transactions, such as monthly totals of special journal columns, of which the details are carried in accounts maintained in a subsidiary record. The exceptions are when for practical reasons the physical arrangement of the journal requires posting in detail to both the controlling account and individual accounts in the subsidiary ledgers. This is often justified if the under-

lying accounts are inactive and an account may warrant a special debit but not a special credit journal column, or vice versa.

Below is a list of controlling accounts indicated or implied in the classification of accounts (see pp. 77-82). It is recognized that some of these may not be needed and there will be no need for others to act as controlling accounts in the bookkeeping systems of many local elevators under present circumstances. It is doubtful if any one elevator has need for all these accounts. In the explanations of account operation presented in the detailed descriptions of the accounts in part II, the circumstances under which controlling accounts are considered desirable are given under each account heading. Generally the activity in similar transactions would indicate whether or not a controlling account is warranted.

*General Ledger Controlling Accounts Indicated in the
Classification of Accounts*

Acct. No.

- 1. 21 Accounts Receivable—Grain Commission Companies.
- 1. 24 Notes Receivable—Trade (Control).
- 1. 25 Notes Receivable—Officials and Employees.
- 1. 26 Accounts Receivable—Trade (Control).
- 1. 31 Seed Liens.
- 1. 32 Advances—Stored Grain.
- 1. 52 Advances—Contract Grain.
- 2. 12 Mortgage Notes—Receivable.
- 2. 21 Capital Stock Notes Receivable—Subscriptions.
- 2. 22 Capital Stock Subscriptions—Receivable.
- 2. 23 Capital Stock Assessments—Receivable.
- 2. 24 Assessment Notes Receivable—Capital Stock.
- 3. 31 Prepaid Salaries and Wages.
- 4. 11 Notes Payable—Trade.
- 4. 12 Notes Payable—Banks (Current).
- 4. 13 Notes Payable—Officials and Members.
- 4. 14 Accounts Payable—Trade.
- 4. 15 Accounts Payable—Other.
- 4. 16 Individual Deposits—Members and Patrons.
- 4. 26 Dividends Payable—Capital Stock.
- 4. 27 Dividends Payable—Patronage.
- 5. 11 Time Certificates—Members and Patrons.
- 5. 12 Certificates of Indebtedness—Loans.
- 5. 22 Reserves for Dividends Deferred.
- 6. 13 Capital Stock—Outstanding.
- 6. 14 Certificates of Indebtedness—Capital.
- 6. 15 Capital Stock Credits—Payable.
- 8. 00 Expense (Control).

Subdivisions of the General Ledger

While the need for subdivisions of the ledger varies with the nature and practices of the different enterprises and the number of transactions in a particular item, the following is a list of those most frequently used by local elevator companies:

1. *Accounts Receivable ledger.*—This record, commonly called "Customers' Ledger," is composed of individual accounts with patrons, control of which is represented in the general ledger proper by the Accounts Receivable (Control) account. Postings to patrons' accounts are made from individual entries in the debit and credit Accounts Receivable columns in the journal and monthly totals of these columns are posted to the controlling account. Also when the journal is separated and a separate record is maintained for grain purchases, postings of credit items are made to these accounts from the Accounts Receivable column provided in that record.

If the Accounts Receivable ledger is to be considered accurately in balance the summation of the balances of the individual accounts and the balance shown in the controlling account should be identical.

In the accounting practices of local elevators, accounts for items other than those representing charged sales are often maintained in the customers' ledger. *See Accounts Receivable (Control) account for further explanation of such accounts and items, and also the illustration and explanation of the Record of Grain Purchases.*

2. *Notes Receivable ledger or register.*—This subdivision of the general ledger may be further subdivided to segregate the different types of notes receivable, namely: trade notes, mortgage notes, capital stock notes, assessment notes, etc. On the other hand, it may very well be a separate book and provide for both notes receivable and notes payable. It answers the same purpose for notes receivable as the Accounts Receivable ledger does for open accounts with patrons. Separate controlling accounts, however, may be maintained in the general ledger for different types of notes.

This book may be designed to provide a ready reference of the details of all notes, and further reference to the notes themselves is unnecessary. Generally transactions involving notes are not sufficiently frequent or numerous to warrant special columns in the journal. Postings to both the individual and controlling accounts are made from individual entries in the debit and credit general Ledger columns. Where such items are infrequent or are not numerous, individual accounts in the general ledger proper will answer the same purpose as a subdivision of that book. *See the various notes receivable accounts.*

3. *Inventory record.*—Quite often in local elevators this record is composed merely of work sheets which may be filed temporarily for reference and auditing. A better plan is to carry the details of the

inventories in a bound book which may be treated as a part of the permanent records. While this book carries the details of all inventories, separate inventory accounts may be maintained in the general ledger for grain, merchandise, elevator supplies, office supplies, and power and heat fuel. It is very important that the quantities and value of inventories be determined accurately and that the liability for stored grain be correctly stated. The value of the operating and financial statements is materially affected by these items.

4. *Property record*.—This record may be needed only by companies having a large investment in land, buildings, equipment, trucks, etc. As a means of preserving the original purchase cost and accurately determining depreciation of the various properties owned, such a record is essential. The usual property accounts in the general ledgers of local elevators do not for long maintain the details that may be carried permanently in a separate record designed and used for that purpose.

5. *Accounts Payable ledger*.—This subdivision of the general ledger answers in principle the same purposes as other subdivisions. It may not be needed by many elevators. Frequently accounts payable are few and may be carried in individual accounts with the creditors in the general ledger proper.

It is not often that transactions are sufficiently numerous to warrant special columns in the journal for accounts payable. Postings, therefore, are usually made from individual entries in the debit and credit General Ledger columns.

6. *Notes Payable ledger or register*.—This subdivision of the general ledger may be further subdivided to segregate the different types of notes payable, namely: trade and short-term bank notes; notes payable to directors, officials, and members; mortgage notes; etc. On the other hand, it may very well be a separate book and provide for both notes payable and notes receivable. See explanation of *Accounts Payable ledger above and the various notes payable accounts*.

7. *Certificates of Indebtedness (Loans) ledger*.—This subsidiary ledger is provided to carry individual accounts with holders of certificates of indebtedness where the company uses this type of paper in obtaining loans. This ledger is represented in the general ledger proper by the controlling account *Certificates of Indebtedness—Loans*.

8. *Dividends Payable ledger*.—This subsidiary record is frequently a part of the Patronage ledger, which is a separate book from the general ledger. It often provides for both patronage dividends and dividends on capital stock. Patronage dividends due each patron and member can very easily be computed from information contained in the individual memorandum accounts kept with patrons in this book. The amount of dividend due each member and patron is

PATRONAGE AND DIVIDEND RECORD

Summary of Patronage Dividends

Dividends		Distribution				Capital Stock Credits	
Year	Amount	Date	Paid	Applied on Account	Applied on Capital Stock	Total to Date	Par Value Stock Issued
			Amount	Amount	Amount		

Name..... Shares Owned.....
 Address..... Par Value.....

Sales			Purchases				Summary of Sales and Purchases		Patronage Dividends		Dividend on Capital Stock						
Date	Item	Quantity or Amount	Date	Item	Credit Purchases	Cash Purchases	Item	Quantity or Amount	Rate	Amount	Date	Rate	Amount	Distribution			
					Quantity or Amount	Quantity or Amount								Date	Paid	Applied on Account	

The above form is for illustrative purposes only. It is used in recording all patronage of a member or nonmember and dividends. A separate sheet is needed for each patron. These can be bound in a loose-leaf binder and in that manner it forms the Patronage Ledger. When the details of a customer's patronage, in both quantities and amounts are kept in other records, the above form may be used to carry only summaries of the different items. In those circumstances, the Sales and Purchases columns, except the Summary column, would not be needed.

credited respectively to the individual accounts, and a summation of these may be the basis of the journal entry to record the liability in the Dividends Payable—Patronage and Dividends Payable—Capital Stock accounts in the general ledger. These latter accounts thus act in the general ledger as controlling accounts of the Patronage ledger.

9. *Stockholders' ledger.*—This book is provided to carry individual accounts with stockholders in which are recorded the details of their transactions in the capital stock of the company. It may be a part of the secretary's records. Ordinarily, the general ledger control of these accounts is represented by the Capital Stock—Outstanding account. See Capital Stock—Outstanding and Capital Stock—Subscribed accounts.

STOCKHOLDERS' LEDGER

Name

Address

Subscriptions or Transfers			From Whom Transferred	Value	Method of Payment			Notes Paid	
Date	Original Issue	Transferred			Date	Cash	Notes		
	No. of Shares	No. of Shares				Amt.	Amt.	Amt.	Date

Certificate Issued or Transferred			Certificate Turned In or Transferred					
Date	Certif. No.	No. of Shares	Date	Certif. No.	Purchased by Co.	Donated to Co.	Transferred	
					No. of Shs.	No. of Shs.	No. of Shs.	To Whom

Balance Held		
Date	Certif. No.	No. of Shares

The above ledger page is for illustrative purposes only. It is a subsidiary ledger form and is not used in posting to the general ledger accounts. Under the bookkeeping procedure indicated in this outline all transactions are transferred to the ledger accounts through the Cash Journal and Purchases and Sales Record.

If used in bound form the book will contain the names of all stockholders and the details of their transactions in the capital stock of the company. Keeping a corporation stock book is a legal requirement in some States and in a degree the laws prescribe how and where this book must be kept.

10. *Certificates of Indebtedness (Capital) ledger.*—This book is provided to carry individual accounts with holders of certificates of indebtedness, in which are recorded the details of transactions in certificates issued for capital purposes. This ledger is represented in the general ledger proper by the controlling account Certificates of Indebtedness—Capital.

11. *Capital Stock Credits ledger.*—This book or subdivision of the general ledger is provided to carry individual accounts with patrons whose patronage dividends are being applied as credits on the purchase of capital stock in the company. Control of the accounts in this ledger is represented in the general ledger proper by the Capital Stock Credits—Payable account.

Other subdivisions.—In some cases it may be desirable to carry individual accounts in subdivisions of the ledger for the following:

- A. Capital Stock Assessments Receivable.
- B. Individual Deposits (Members and Patrons).
- C. Time Certificates.

These subdivisions will be operated in the same manner and will answer in principle the purposes of the subdivisions explained above.

Entry Routing and Bookkeeping Procedure

In the discussion of accounting principles and bookkeeping procedure presented in this publication, the primary plan is to explain the principles and mechanics of procedure under each account heading or title. This is accomplished by routing individual transactions in debit and credit terms through the journal to the various ledger accounts and explaining how each of these accounts is treated in the process of closing and reopening the books. A study of the procedure outlined for each account will provide the necessary procedure in posting to, balancing, closing, and reopening all of the general ledger accounts, including those opened temporarily for adjusting and closing purposes. It will also be observed that classification and routing of most contrariwise entries are explained under the debit and credit items assigned to the various accounts.

While the sources of original entries are not specified in the detailed explanations of the accounts, the descriptions given of the important primary records in another part of the report should suggest the original record of the different transactions.

Closing and Reopening Books

In the plan developed in this outline, the prime scheme is to give a complete description of the underlying elements and bookkeeping procedure necessary in the operation of each and all accounts in the general ledger proper and its subdivisions. Under this plan, the

mechanics of bookkeeping involved in recording all entries are explained under the respective account headings. Therefore, in the practical application of the bookkeeping procedure outlined for operating these accounts, the processes of balancing, closing, and reopening the general ledger are accomplished. The use of cross reference in explaining the operations of the different accounts should forestall any possible confusion. The indicated procedure provides for closing at the end of a fiscal period only. In elevator operations this usually is the end of the business year. If *actual* closings are made oftener the same procedure would be followed.

The indicated methods of actually closing, ruling, and reopening the accounts that reflect balances (balance sheet accounts) after they are technically closed at the end of a fiscal period for statement purposes, which, when carried out, necessarily close and reopen the books, suggest no hard-and-fast rule. Where the balance is not transferred to another account, the procedure is simply to record the balance on the debit or credit side, as the case may be, ruling the account and bringing down the balance on the opposite side. On the other hand, if the account is inactive it is not required that the account be ruled and the balance brought down at the beginning of each fiscal period. If the balance in any account must be transferred to another account, as in the case of transferring the inventory accounts to the purchases accounts, this is accomplished by a journal entry. After the journal entries are posted, the matter of ruling such accounts is left to the judgment of the bookkeeper. Ordinarily, if an account is active, ruling is considered desirable.

The above discussion refers mainly to the detailed description and explanation of each account that is presented in part II of this publication, which is, from a practical standpoint, believed to be the most important part of the outline. In the following chapters, a more general explanation is given of the necessary procedure in closing and reopening the books.

Preclosing Trial Balance

Generally, it is desirable and should be the practice to prove the accuracy of postings to the general ledger accounts at the end of each month and prior to recording the various adjusting entries at the close of a fiscal period. This is accomplished by taking a trial or test balance of the general ledger after all transactions at the end of each month and fiscal period have been posted. The proof of the ledger by trial balance is determined by listing on a columnar form the summations of debits and credits or the debit balances and credit balances of all open accounts in the general ledger. If the ledger is in balance, the totals of these columns will be identical. Special books or forms

are available for trial balance purposes. They can be made a part of the permanent records; otherwise, any columnar sheet of paper may be used. While proof of the general ledger may be obtained or indicated by the trial balance, before it can be considered accurately in balance, the various controlling accounts in the general ledger should be in balance with the subsidiary ledgers which they represent and the Cash in Bank account should be reconciled with that of the bank. After this proof has been obtained, all necessary adjusting entries, such as those to record inventories, depreciation, accruals, and certain prepayments and expirations should be properly journalized and posted to the ledger accounts in order to prepare the books for the closing entries.

Adjustments for Inventories, Expired, Accrued, and Deferred Items

If the operating results of a fiscal period are to be accurately determined, it is necessary that adjustments in some accounts be made and others opened. Generally, it should be the practice to charge off all actual and prospective losses currently and not to anticipate profits. For this purpose accounts must be opened temporarily to carry the inventories and all expired, accrued, and prepaid items of expense and income, and losses in values applicable to the period before the books are closed.

As a means to this end it will be necessary to prepare schedules of the different items that must be considered. After these are completed they are journalized and the entries posted to the respective accounts in the ledgers. The following is a detailed outline of the bookkeeping procedure involved in preparing the ledger accounts for the closing entries.

Preclosing Journal Entries

As indicated above, there are certain preclosing steps to be taken preparatory to closing the books, or "the ledgers," at the end of a fiscal period. The procedure is briefly as follows:

A. Determine the amounts of losses and gains on "open trades" and enter these in the journal and post to the proper accounts in the general ledger.

B. Determine the amounts to be set up as reserves for doubtful notes and accounts receivable, investments, railroad claims, etc.; enter these in the journal and post to the proper accounts in the general ledger.

C. Prepare a schedule of inventories of owned grain, screenings and merchandise and enter these in the journal and post to the proper accounts in the general ledger.

D. Prepare a schedule of inventories of stored grain; enter in the journal and post to the Grain Inventory—Stored Grain and Storage Grain Liability accounts in the general ledger.

E. Determine the amounts of accrued income; record these in the journal and post to the proper accounts in the general ledger.

F. Prepare a schedule of depreciation on all physical facilities; enter in the journal and post to the respective reserves and expense accounts in the general ledger.

G. Determine the amounts of prepaid expense, excluding prepaid salaries and wages and prepaid insurance and bonds; enter in the journal and post to the proper accounts in the general ledger. (See Prepaid Salaries and Wages and Prepaid Insurance and Bonds accounts.)

H. Determine the amounts of accrued expense and enter in the journal and post to the proper accounts in the general ledger.

I. Prepare a schedule of losses and gains from unusual shortages and overages in weights of grain and merchandise, as shown by the weight statements; record in the journal and post to the proper accounts in the general ledger.

J. Determine the amounts of notes and accounts receivable, investments, railroad claims, etc., to be actually charged off as worthless; enter in the journal and post to the proper accounts in the general ledger.

In keeping with the classification of accounts indicated in this outline, which in practice is not likely to include as much or the same detail, the above schedules, when completed, should provide the information needed to make the following journal entries:

A. Losses and Gains, "Open Trades":

Debit	(1)	Credit
000	Open Trades—Gain:	
	Grain Purchases Accounts Concerned.....	000

To record this item on the books as a deferred asset and to offset the losses reflected in hedged grain inventoried at market value. This entry is made merely to establish on the books the asset value of this item at the time the books are closed or at the end of a fiscal period. Upon reopening the books, the Open Trades-Gain account is immediately closed by a journal entry transferring its balance to the Grain Purchases accounts concerned in the new period.

Debit	(2)	Credit
000	Grain Purchases Accounts Concerned:	
	Open Trades—Loss.....	000

To record this item on the books as a contingent liability and as an offset to the gains reflected in hedged grain inventoried at market value. See journal entry No. 1 above.

B. Reserves for Doubtful Notes and Accounts Receivable, Investments, Railroad Claims, etc.:

Debit	(1)	Credit
000	Loss from Bad Debts:	

	Reserve for Doubtful Notes Receivable.....	000
--	--	-----

To record the estimated loss from notes taken in the fiscal period on the books as an expense or deduction from income, and to establish a book reserve to carry these probable losses.

Debit	(2)	Credit
000	Loss from Bad Debts:	
	Reserve for Doubtful Accounts Receivable, Advances, etc.....	000
	(See entry No. 1)	

Debit	(3)	Credit
000	Extraordinary Losses:	
	Reserve for Doubtful Investments.....	000
	(See entry No. 1)	

Debit	(4)	Credit
000	Extraordinary Losses:	
	Reserve for Funds in Closed Bank.....	000
	(See entry No. 1)	

Debit	(5)	Credit
000	Loss from Leakage and Damage in Transit—Grain:	
	Reserve for Doubtful Railroad Claims.....	000
	(See entry No. 1)	

Debit	(6)	Credit
000	Loss from Leakage and Damage in Transit—Merchandise:	
	Reserve for Doubtful Railroad Claims.....	000
	(See entry No. 1)	

C. Inventories Owned Grain, Screenings and Merchandise:

Debit	(1)	Credit
000	Grain Inventory—Owned Grain:	
	Wheat—Purchases.....	000
	Durum—Purchases.....	000
	Corn—Purchases.....	000
	Oats—Purchases.....	000
	Rye—Purchases.....	000
	Barley—Purchases.....	000
	Flax—Purchases.....	000
	Spelt—Purchases.....	000
	Sorghum—Purchases.....	000

To record the grain inventory on the books as an asset and to allocate the resulting credits to the various grain purchase accounts as a step in preparing these accounts for closing. (This entry should be posted in detail to the Grain Inventory account.)

Debit	(2)	Credit
000	Screenings Inventory:	
	Screenings.....	000

To record the screenings inventory on the books as an asset and to allocate the resulting credit to the fiscal period in which the screenings originated.

C. Inventories Owned Grain, Screenings and Merchandise—Continued.

Debit	(3)	Credit
000	Merchandise Inventory:	
	Coal—Purchases.....	000
	Wood—Purchases.....	000
	Feed—Purchases.....	000
	Seed—Purchases.....	000
	Flour—Purchases.....	000
	Twine and Bags—Purchases.....	000
	Livestock—Purchases.....	000
	(See entry No. 1)	

D. Inventory of Stored Grain:

Debit	(1)	Credit
000	Grain Inventory—Stored Grain:	
	Storage Grain Liability.....	000

This entry shows unpurchased stored grain momentarily on the books as an asset and contrariwise as a contingent liability. It is made because the laws in some states require that evidence of this liability be shown on the books and financial statements at the end of an accounting period.

E. Accrued Income:

Debit	(1)	Credit
000	Accrued Storage—Receivable:	
	Storage—Income.....	000

To record this item on the books as an asset and to reflect an uncollected earning in the income of the fiscal period to which it is applicable.

Debit	(2)	Credit
000	Accrued Sundry Operating Income—Receivable:	
	Sundry Operating Income.....	000
	(See entry No. 1)	

Debit	(3)	Credit
000	Accrued Interest—Receivable:	
	Interest Earned.....	000
	(See entry No. 1)	

Debit	(4)	Credit
000	Accrued Refunds—Receivable:	
	Refunds Received.....	000
	(See entry No. 1)	

Debit	(5)	Credit
000	Accrued Dividends—Receivable:	
	Dividends Earned.....	000
	(See entry No. 1)	

Debit	(6)	Credit
000	Accrued Sundry Nonoperating Income:	
	Sundry Nonoperating Income.....	000
	(See entry No. 1)	

F. Depreciation on Physical Facilities:

Debit	(1)	Credit
000	Income and Expenses—Dwellings:	
	Reserve for Depreciation—Dwellings.....	000
To reflect the loss from wear and tear as an expense of operation in the fiscal period to which it is applicable and to establish a book reserve for replacements.		
Debit	(2)	Credit
000	Depreciation—Elevator Buildings, Machinery and Equipment:	
	Reserve for Depreciation—Elevator Buildings, Machinery and Equipment.....	000
(See entry No. 1)		
Debit	(3)	Credit
000	Depreciation—Other Buildings, Machinery and Equipment:	
	Reserve for Depreciation—Other Buildings, Machinery and Equipment.....	000
(See entry No. 1)		
Debit	(4)	Credit
000	Depreciation—Office Furniture and Equipment:	
	Reserve for Depreciation—Office Furniture and Equipment... ..	000
(See entry No. 1)		
Debit	(5)	Credit
000	Automobile Expense:	
	Reserve for Depreciation—Automobiles.....	000
(See entry No. 1)		
Debit	(6)	Credit
000	Truck Expense:	
000	Tank Wagon Expense:	
000	Transport Expense:	
	Reserve for Depreciation—Trucks, Tank Wagons and Transports.....	000
(See entry No. 1)		

Note: Under the procedure outlined depreciation on autos and trucks is charged directly to auto and truck expense accounts.

Debit	(7)	Credit
000	Depreciation—Sundry Fixed Assets (Excluding Autos and Trucks):	
	Reserve for Depreciation—Sundry Fixed Assets.....	000
(See entry No. 1)		

G. Prepaid Expenses:

Debit	(1)	Credit
000	Elevator Supplies—Inventory:	
	Elevator Supplies Expense.....	000
To record the inventory of elevator supplies on the books as an asset and to reduce the expense account to its proper amount.		

G. Prepaid Expenses—Continued.

Debit	(2)	Credit
000	Office Supplies and Postage—Inventory:	
	Office Supplies and Postage Expense.....	000
	(See entry No. 1)	
Debit	(3)	Credit
000	Power and Heat Fuel—Inventory:	
	Power, Light, Water, and Heat Expense.....	000
	(See entry No. 1)	
Debit	(4)	Credit
000	Prepaid Miscellaneous Operating Expense:	
	Miscellaneous Operating Expense.....	000
	(See entry No. 1)	
Debit	(5)	Credit
000	Prepaid Miscellaneous Administrative Expense:	
	Miscellaneous Administrative Expense.....	000
	(See entry No. 1)	
Debit	(6)	Credit
000	Insurance and Bonds Expense:	
	Prepaid Insurance and Bonds.....	000

To reflect the expired insurance and bond premiums on the books as an expense of operations and to establish the current asset value of prepaid insurance and bonds.

H. Accrued Expenses:

Debit	(1)	Credit
000	Salaries and Wages Expense Accounts Concerned:	
	Accrued Salaries and Wages.....	000
	To reflect accrued or unpaid salaries and wages as an expense in the fiscal period to which they are applicable and to record these items on the books as a liability.	
Debit	(2)	Credit
000	Interest Paid:	
	Accrued Interest—Payable.....	000
	(See entry No. 1)	
Debit	(3)	Credit
000	Insurance and Bonds Expense:	
	Accrued Insurance and Bonds (Only where all insurance and bond premiums are charged directly to an Insurance and Bonds Expense account).....	000
	(See Prepaid Insurance and Bonds account)	
	(See entry No. 1)	
Debit	(4)	Credit
000	Social Security Taxes:	
	Accrued Social Security Taxes (Payable).....	000
	(See entry No. 1)	

H. Accrued Expenses—Continued.

Debit	(5)	Credit
000	Other Taxes and Licenses and Other Expense Accounts Concerned (excluding these items on trucks): Accrued Other Taxes and Licenses (excluding these items on trucks)-----	000
	(See entry No. 1)	
Debit	(6)	Credit
000	Power, Light, Water, and Heat Expense: Accrued Power, Light, and Water-----	000
	(See entry No. 1)	
Debit	(7)	Credit
000	Telephone and Telegraph Expense: Accrued Telephone and Telegraph-----	000
	(See entry No. 1)	
Debit	(8)	Credit
000	Rent and Leases Expense: Accrued Rent and Leases-----	000
	(See entry No. 1)	
Debit	(9)	Credit
000	Miscellaneous Operating and Other Expense Accounts Concerned (See Terminal Storage Expenses): Accrued Miscellaneous Operating Expense-----	000
	(See entry No. 1)	
Debit	(10)	Credit
000	Miscellaneous Administrative and Other Expense Accounts Con- cerned (See Auditing, Special Bookkeeping, and Legal Fees): Accrued Miscellaneous Administrative Expense-----	000

I. Losses and Gains from Unusual Shortages and Overages in Weights:

Debit	(1)	Credit
000	Shrinkage and Scale Loss—Grain: Grain Purchases Accounts Concerned-----	000
	To account for all the grain received into the elevator and to show this loss as an expense of operation. (If an overage is shown in a particular grain the purchase account for that grain is debited and the Shrinkage and Scale Loss account is credited with the value of the overage.)	
Debit	(2)	Credit
000	Shrinkage and Scale Loss—Merchandise: Merchandise Purchases Accounts Concerned-----	000
	To account for all merchandise purchased and to show this loss as an expense of operation.	

NOTE.—It is recognized that not many elevators attempt to reflect on the books the money loss resulting from shrinkage and scale loss but are content to show only the shortage or overage in weights as disclosed by the weight statement. See Shrinkage and Scale Loss accounts for an explanation as to why and when it is desirable to open this account.

J. Notes and Accounts Receivables, Investments, Railroad Claims, Etc., Charged Off as Worthless:

Debit	(1)	Credit
000	Reserve for Doubtful Notes Receivable:	
	Notes Receivable Account Concerned.....	000

To charge any notes receivable considered worthless to the reserve previously established for this purpose and to reflect the asset account on the books at its current value.

Debit	(2)	Credit
000	Reserves for Doubtful Accounts, Advances, Etc.:	
	Accounts Receivable, Advances, Etc.....	000

To charge any accounts receivable, advances, etc., considered worthless, to the reserves previously established for this purpose and to reflect the asset accounts on the books at their current value.

NOTE.—If no reserves have been established for items 1 and 2 the amounts charged off are debited to Loss from Bad Debts.

Debit	(3)	Credit
000	Reserve for Doubtful Investments:	
	Investment Account Concerned.....	000

To charge any investment considered worthless to the reserve previously established for this purpose and to reflect the asset account on the books at its current value.

Debit	(4)	Credit
000	Reserve for Funds in Closed Bank:	
	Funds in Closed Bank.....	000

To charge any portion of the funds in closed bank considered worthless to the reserve previously established for this purpose and to reflect the asset account on the books at its current value.

NOTE.—If no reserves have been established for items 3 and 4 the amounts charged off are debited to an extraordinary loss account.

Debit	(5)	Credit
000	Reserve for Doubtful Railroad Claims:	
	Railroad Claims.....	000

To charge any railroad claims considered worthless to the reserve previously established for this purpose and to reflect the asset account on the books at its current value.

NOTE.—If no reserve has been established for the above item the amount charged off is debited to Loss from Leakage and Damage in Transit or other accounts concerned.

Closing Journal Entries

Upon completing the foregoing journal entries and postings to the ledger accounts, it will be necessary to take the following steps in preparing the books for closing.

A. Close all grain purchase and grain sales accounts, including screenings, by journal entries transferring their balances to the Gross Trading Income—Grain account.

B. Close all merchandise purchase and merchandise sales accounts by journal entries transferring their balances to the Gross Trading Income—Merchandise account.

C. Close all gross trading and sundry operations income accounts by journal entries transferring their balances to the Net Trading and Sundry Operations—Loss and Gain account.

D. Close all administrative and operating expense accounts by journal entries transferring their balances to the Net Trading and Sundry Operations—Loss and Gain account.

E. Close the Net Trading and Sundry Operations—Loss and Gain, all nonoperating income, nonoperating expense and deductions accounts by journal entries transferring their balances to the Net Income and Loss account. (See journal entry on p. 58 for explanation of State and Federal income taxes.)

F. Close the Net Income and Loss account by a journal entry transferring its balance to Undistributed Income or Surplus as the case may be.

Under the classification of accounts listed in this outline, to carry out in detail the procedure indicated above, which in practice is not likely to include as much or the same detail, the following journal entries are necessary:

Debit	(1)	Credit
000	Gross Trading Income—Grain:	
	Wheat—Purchases.....	000
	Durum—Purchases.....	000
	Corn—Purchases.....	000
	Oats—Purchases.....	000
	Rye—Purchases.....	000
	Barley—Purchases.....	000
	Flax—Purchases.....	000
	Spelts—Purchases.....	000
	Sorghum—Purchases.....	000

To close the grain purchases accounts and to transfer their balances to the Gross Trading Income—Grain account as a step in determining the gross trading income from grain operations. (This entry should be posted in detail to the Gross Trading Income—Grain account.)

Debit	(2)	Credit
000	Wheat—Sales:	
000	Durum—Sales:	
000	Corn—Sales:	
000	Oats—Sales:	
000	Rye—Sales:	
000	Barley—Sales:	
000	Flax—Sales:	
000	Spelts—Sales:	
000	Sorghum—Sales:	
000	Screenings—Sales:	
	Gross Trading Income—Grain.....	000

To close the grain sales accounts and to transfer their balances to the Gross Trading Income—Grain account as a step in determining the gross trading income from grain operations. (This entry should be posted in detail to the Gross Trading Income—Grain account.)

Debit	(3)	Credit
000	Gross Trading Income—Merchandise:	
	Coal—Purchases.....	000
	Wood—Purchases.....	000
	Feed—Purchases.....	000
	Flour—Purchases.....	000
	Seed—Purchases.....	000
	Twine and Bags—Purchases.....	000
	Livestock—Purchases.....	000

(See entry No. 1)

Debit	(4)	Credit
000	Coal—Sales:	
000	Wood—Sales:	
000	Feed—Sales:	
000	Flour—Sales:	
000	Seed—Sales:	
000	Twine and Bags—Sales:	
000	Livestock—Sales:	
	Gross Trading Income—Merchandise.....	000

(See entry No. 2)

Upon completing the above journal entries they are posted to the proper accounts in the general ledger. It will then be necessary to record the following entries:

Debit	(1)	Credit
000	Gross Trading Income—Grain:	
	Net Trading and Sundry Operations—Loss and Gain.....	000

To close the Gross Trading Income—Grain account and to transfer its balance to the Net Trading and Sundry Operations—Loss and Gain account as a step in determining the net operating loss or gain.

NOTE.—The above entry is reversed if the balance in the Gross Trading Income—Grain account reflects a loss.

Debit	(2)	Credit
000	Gross Trading Income—Merchandise:	
	Net Trading and Sundry Operations—Loss and Gain.....	000

(See entry No. 1)

Debit	(3)	Credit
000	Storage—Income:	
000	Handling—Incomes:	
000	Grinding—Income:	
000	Cleaning—Income:	
000	Handling Government Feed and Seed:	
000	Livestock—Commissions:	
000	Sundry Operating Income:	
000	Truck—Gross Earnings:	
000	Tank Wagon—Gross Earnings:	
000	Transport—Gross Earnings:	
	Net Trading and Sundry Operations—Loss and Gain.....	000

To close the sundry operations gross income accounts and to transfer their balances to the Net Trading and Sundry Operations—Loss and Gain account as a step in determining the net loss or gain from operations. (This entry should be posted in detail to the Net Trading and Sundry Operations—Loss and Gain account.)

income is subject to state and Federal income taxes, the amount of the tax should be estimated and recorded by the following journal entries:

(Debit)	(1)	(Credit)
000	Net Income and Loss:	
	Reserve for State Income Tax.....	000
	Reserve for Federal Income Tax.....	000

To record the estimated tax on the books as a deduction from net income and to establish book reserves to carry these liabilities.

NOTE.—If it is desirable the reserves for income taxes may be established out of Undistributed Income or Surplus after the Net Income and Loss has been transferred to one or the other of those accounts.

After the above journal entries have been posted to the ledger accounts it will be necessary to record the following entry to close the Net Income and Loss account:

Debit	(1)	Credit
000	Net Income and Loss:	
	Undistributed Income—Current Period or Surplus (as the case may be).....	000

To close the Net Income and Loss account and to transfer its balance to the Undistributed Income—Current Period or Surplus accounts, as the case may be.

NOTE.—If the balance shown in the Net Income and Loss account reflects a loss, that account is credited and Surplus is debited with the amount.

After Closing Trial Balance

From the viewpoint of operations, after the above journal entries are completed and posted to the proper accounts in the general ledger, the books are technically closed. The only accounts now showing balances should be those reflecting assets, liabilities, capital, surplus and reserves. The remaining steps are (1) take a second or "after closing" trial balance of the general ledger to prove the ledger to be properly in balance, and (2) record the necessary entries in actually closing and reopening the books.

Special Reserves and Reserve Adjustments

On the other hand, if any action is taken to establish further reserves or to adjust any reserves previously established or dividends before the books are actually closed, the following are indicated as possible journal entries. In the event any of these or other entries are necessary, the after closing procedure indicated above is not undertaken until these entries are posted to the respective accounts in the general ledger.

Debit	(1)	Credit
000	Undistributed Income or Surplus (As the case may be):	
	Reserves for Sinking Fund.....	000

Debit	(2)	Credit
000	Undistributed Income or Surplus (As the case may be):	
	Statutory Reserves	000
Debit	(3)	Credit
000	Undistributed Income or Surplus (As the case may be):	
	Reserves for Educational Funds	000
Debit	(4)	Credit
000	Undistributed Income or Surplus (As the case may be):	
	Reserves for Sundry Contingencies	000
Debit	(5)	Credit
000	Undistributed Income or Surplus (As the case may be):	
	Reserves for Uncompleted Contracts	000
Debit	(6)	Credit
000	Undistributed Income or Surplus (As the case may be):	
	Reserves for Liability on Purchase Contracts	000
Debit	(7)	Credit
000	Undistributed Income—Current Period or Surplus (As the case may be):	
	Dividends Payable—Capital Stock	000
	Dividends Payable—Patronage	000

To debit the Undistributed Income—Current Period or Surplus account, as the case may be—with the amounts of the dividend declarations, and to record these payables on the books as a liability. The entry may represent the estimated rather than actual amount of the dividends.

NOTE.—The above entry is recorded only when the dividends are declared but not paid before the books are actually closed. If dividends are not declared before but will be declared after the books are closed, reserves for the approximate amount should be established and recorded on the books in the period to which the dividends are applicable. If the dividends are actually paid before the books are closed they are debited to the Undistributed Income—Current Period or Surplus account, as the case may be.

Debit	(8)	Credit
000	Undistributed Income or Surplus (As the case may be):	
	Reserves for Dividends Deferred	000

To record on the books an estimated amount earmarked as a contingent liability reserve when actual payment of the dividend is undetermined.

Debit	(9)	Credit
000	Dividends Payable:	
	Unclaimed Dividends	000

To transfer any unclaimed dividends out of the current to a contingent liability account. This is a temporary account and is transferred to Surplus when payment of the dividends seems unlikely.

It also may be necessary to record adjusting entries because of action taken to reduce reserves previously established or to transfer balances in reserves to other reserves or to Surplus. Such entries should be made in keeping with the treatment of such items under rulings of Federal and State income tax agencies.

Financial and Operating Statements

AFTER the second or "closing" trial balance has been taken and the ledgers are proven to be in balance, the usual next step is to prepare the Balance Sheet and Income and Expense Statement.

All nominal accounts, such as purchases, revenue, expenses, and losses and gains, with the exception of the Undistributed Income account, are closed at this stage and should not reflect balances. Technically the books are closed. The only steps needed to complete the process are (1) actually recording the debit and credit balances in the columns that are deficient, and (2) ruling the accounts.

It is obvious, however, that those accounts showing balances at this stage are only technically closed for accounting purposes and cannot remain closed; also, that for practical accounting reasons in reopening the books for a new fiscal period, some of these accounts are actually closed by transferring their balances to other accounts. It is also recognized that the processes of actually recording balances, ruling the accounts and bringing down the balances as debits or credits in the new fiscal period are carried out simultaneously, but technically they accomplish separate and distinct steps in accounting procedure. On the other hand, although serving two purposes in a going enterprise, these steps are primarily concerned with the procedure involved in reopening the books, which is explained in a following chapter.

The Balance Sheet, or financial statement, is the only statement in which the financial position and the elements composing the financial structure are set forth in summary form. In preparing this statement, it is necessary to refer only to the accounts in the general ledger proper. The accounts in this book now carry only those balances reflecting the assets, liabilities and net worth of the company.

Balance Sheet

The following form of Balance Sheet is based on the accounts listed in the chart of accounts outlined in this publication. It will be noted that in preparing the form, certain accounts have been consolidated. It is believed, however, that the items are presented in sufficient detail for all practical purposes. If, in actual practice, more or less detail is desirable, this can be readily obtained by breaking down the summary accounts into more detail, or by further consolidation.

While the reserves for depreciation and estimated losses appear on the credit side of the ledger and theoretically would appear on the liability side of the Balance Sheet, they are shown here as deductions from the respective assets.

BALANCE SHEET

ASSETS

Current Assets

Cash:

Cash on Hand.....
 Cash in Bank.....
 Total.....

Trade Notes and Accounts Receivable:

Accounts Receivable—Grain Commission
 Companies.....
 Margins and Open Trades.....
 Notes Receivable—Trade.....
 Notes Receivable—Officials and Employees.....
 Accounts Receivable—Trade.....
 Judgments.....
 Sundry.....
 Total.....
 Less—Reserves for Doubtful Notes and
 Accounts.....
 Total—Less Reserves.....

Advances—Secured:

Seed Liens.....
 Advances—Stored Grain.....
 Total.....

Inventories:

Grain—Owned.....
 Grain—Stored.....
 Screenings.....
 Merchandise.....
 Total.....

Advances—Unsecured:

Advances—Employees.....
 Advances—Contract Grain.....
 Other.....
 Total.....
 Less—Reserve for Doubtful Advances.....
 Total—Less Reserves.....

Accrued Items:

Accrued Storage.....
 Accrued Interest.....
 Sundry.....
 Total.....
 Total Current Assets.....

FARM CREDIT ADMINISTRATION

BALANCE SHEET—Continued

ASSETS—Continued

Investments and Other Assets

Investments:

Government Bonds.....	-----	-----
Mortgage Notes.....	-----	-----
.....	-----	-----
Sundry.....	-----	-----
Total.....	-----	-----
Less—Reserve for Doubtful Investments.....	-----	-----
Total—Less Reserves.....	-----	-----

Other Assets:

Capital Stock Notes Receivable.....	-----	-----
Capital Stock Subscriptions.....	-----	-----
Capital Stock Assessments.....	-----	-----
Funds in Closed Bank.....	-----	-----
Railroad Claims.....	-----	-----
Sundry.....	-----	-----
Total.....	-----	-----
Less—Reserves for Doubtful Items.....	-----	-----
Total—Less Reserves.....	-----	-----
Total Investments and Other Assets.....	-----	-----

*Fixed Assets and Deferred
Charges*

Land, Buildings and Equipment:

Land.....	-----	-----
Dwellings.....	-----	-----
Elevator Buildings, Machinery and Equip- ment.....	-----	-----
Other Buildings, Machinery and Equip- ment.....	-----	-----
Office Furniture and Equipment.....	-----	-----
.....	-----	-----
Total.....	-----	-----
Less—Reserves for Depreciation.....	-----	-----
Total—Less Reserves.....	-----	-----

Other Fixed Assets:

Trucks and Automobiles.....	-----	-----
Sundry.....	-----	-----
Total.....	-----	-----
Less—Reserves for Depreciation.....	-----	-----
Total—Less Reserves.....	-----	-----

Deferred Charges:

Prepaid Salaries and Wages.....	-----	-----
Prepaid Insurance and Bonds.....	-----	-----
Prepaid Sundry Items.....	-----	-----
Elevator Supplies—Inventory.....	-----	-----
Office Supplies and Postage—Inventory.....	-----	-----
Power and Heat Fuel—Inventory.....	-----	-----
Miscellaneous.....	-----	-----
Total.....	-----	-----
Total Fixed Assets and Deferred Charges.....	-----	-----
Total Assets.....	-----	-----

BALANCE SHEET—Continued

LIABILITIES AND CAPITAL

Current Liabilities

Trade Notes and Accounts Payable:

Outstanding Checks.....	-----
Bank Overdraft.....	-----
Accounts Payable—Grain Commission Co.....	-----
Open Trades—Loss.....	-----
Credit Balances—Accounts Receivable.....	-----
Drafts on Cars in Transit.....	-----
Notes Payable—Trade.....	-----
Accounts Payable—Trade.....	-----

Total.....

Sundry Current Liabilities:

State Sales Taxes.....	-----
Social Security Taxes.....	-----
Reserve for Federal Income Taxes.....	-----
Reserve for State Income Taxes.....	-----
Notes Payable—Officials and Members.....	-----
Individual Deposits—Members and Patrons.....	-----
Dividends Payable—Capital Stock and Patronage.....	-----
Storage Grain Liability.....	-----
Notes Receivable Discounted (Payment Guaranteed).....	-----

Total.....

Accrued Items:

Accrued Interest.....	-----
Accrued Salaries and Wages.....	-----
Accrued Taxes and Licenses (Excluding Sales and income taxes and social security taxes collected from employees).....	-----
Accrued Other Expenses.....	-----

Total.....

Total Current Liabilities.....

Deferred, Fixed and Contingent Liabilities

Deferred Liabilities:

Time Certificates.....	-----
Certificate of Indebtedness—Loans.....	-----

Total.....

Fixed Liabilities:

Mortgage Notes.....	-----
---------------------	-------

Total.....

FARM CREDIT ADMINISTRATION

BALANCE SHEET—Continued
 LIABILITIES AND CAPITAL—Continued
*Deferred, Fixed and Contingent
 Liabilities—Continued*

Contingent Liabilities:	
Unclaimed Dividends.....	-----
Dividends Deferred.....	-----
-----	-----
Total.....	-----
Contingent Reserves:	
Reserve for Uncompleted Contracts.....	-----
Reserve for Liability on Purchase Con- tracts.....	-----
Reserve for Educational Fund.....	-----
Reserve for Sundry Contingencies.....	-----
-----	-----
Total.....	-----
Total Deferred, Fixed and Contingent Liabilities.....	-----

Capital and Surplus

Capital:	
Capital Stock Subscribed.....	-----
<i>Less:</i>	
<i>Capital Stock—Treasury Stock.....</i>	-----
Capital Stock—Outstanding.....	-----
Certificates of Indebtedness—Capital.....	-----
Capital Stock Credits.....	-----
Total.....	-----
Surplus Reserves and Surplus (or Deficit):	
Statutory Reserves.....	-----
Reserves for Sinking Fund.....	-----
Surplus (or Deficit).....	-----
Undistributed Income (Previous Periods).....	-----
Undistributed Income (Current).....	-----
Total.....	-----
Total Net Worth.....	-----

 Total Liabilities and Capital.....
 =====

INCOME, EXPENSE, AND LOSS STATEMENT—Continued

Item	Inventory Owned Grain and Merchandise Beginning of Period	Purchases	Total	Inventory Owned Grain and Merchandise End of Period	Cost of Goods Sold	Sales	Loss	Gain
Merchandise:								
Coal.....								
Feed.....								
.....								
.....								
Total Merchandise.....								
Total Grain and Merchandise.....								

Other Operating Income:

Storage.....	
Grinding.....	
Truck Earnings.....	
.....	
Miscellaneous.....	
Total Other Operating Income.....	
Total Trading and Other Operating Income.....	

OPERATING AND ADMINISTRATIVE SALARIES, WAGES AND EXPENSES

Salaries and Wages:

Salaries and Wages—Manager.....	
Salaries and Wages—Elevator.....	
.....	

Maintenance and Supplies Expense:

Power, Light, Water and Heat.....	
Rent and Leases.....	
Repairs.....	
Depreciation.....	
.....	
Miscellaneous.....	

Sundry Operating Expense:

Express, Freight and Drayage.....	
Loss from Leakage in Transit (Claims Charged Off).....	
Shrinkage and Scale Loss.....	
.....	
Miscellaneous.....	

Trucking Expense:

Truck Expense.....	
Tank Wagon Expense.....	
Transport Expense.....	
.....	
.....	

OPERATING AND ADMINISTRATIVE SALARIES, WAGES AND EXPENSES—Contd.

Administrative Expense:

Auditing, Special Bookkeeping and Legal Fees.....	-----
Directors' Fees and Expense.....	-----
Office Supplies and Postage.....	-----
Telephone and Telegraph.....	-----
Insurance and Bonds.....	-----
Taxes and Licenses (Excluding sales and income taxes).....	-----
-----	-----
Miscellaneous.....	-----

Total Operating and Administrative Salaries, Wages
and Expense.....

Net Operating Income.....

Nonoperating Income:

Interest Earned.....	-----
Discounts Earned.....	-----
Dividends Earned.....	-----
Extraordinary Gains.....	-----
-----	-----
Miscellaneous.....	-----

Total Nonoperating Income.....

Total Net Operating and Other Income.....

Deductions from Income:

Interest Paid.....	-----
Extraordinary Losses.....	-----
-----	-----
Miscellaneous.....	-----

Total Deductions from Income.....

Net Income and Loss.....

Distribution of net Income:

Federal Income Taxes (Estimated).....	-----
State Income Taxes (Estimated).....	-----
Special Reserves.....	-----
Dividends on Capital Stock.....	-----
Dividends on Patronage.....	-----

Total.....

Undistributed Income or Surplus.....

In determining shortages and overages in weights, it is desirable that the various items affecting these be shown separately on the Weight Statement.

WEIGHT STATEMENT¹ (No. 1)

	Wheat	Durum	Rye	Oats
Inventory—All grain (Beginning of period).....	<i>Bushels</i> 5, 000	<i>Bushels</i> 5, 000	<i>Bushels</i> 5, 000	<i>Bushels</i> 5, 000
Less: Stored grain to be accounted for (Beginning of period).....	2, 000	2, 000	2, 000	2, 000
Inventory—Owned grain (Beginning of period).....	3, 000	3, 000	3, 000	3, 000
Purchases—All grain (Current period).....	125, 000	125, 000	125, 000	125, 000
Total purchases and inventory of owned grain (Beginning of period).....	128, 000	128, 000	128, 000	128, 000
Inventory—All grain (End of period).....	8, 000	8, 000	8, 000	8, 000
Less: Stored grain to be accounted for (End of period).....	3, 000	3, 000	3, 000	3, 000
Inventory—Owned grain (End of period).....	5, 000	5, 000	5, 000	5, 000
Total—Owned grain to be accounted for (End of period).....	123, 000	123, 000	123, 000	123, 000
Shipments and sales of owned grain (Current period).....	122, 000	123, 500	123, 000	122, 250
Book shrinkage or overage.....	-1, 000	+500	0	-750
Adjustments:				
(a) Leakage in transit for which claims are filed.....	150	150	150	150
(b) Shrinkage, in excess of dockage, due to cleaning operations.....	100	100	100	100
(c) Grain destroyed by fire, flood, etc.	200	200	200	200
(d) Grain shortage, due to dishonesty of employees.....	100	100	100	100
(e) Grain purchased for resale withdrawn, ground, and sold as feed.....	200	200	200	200
Total.....	750	750	750	750
Shrinkage or overage unaccounted for.....	-250	+1, 250	+750	0

¹ This statement is for illustrative purposes. The weights shown are net weights after dockage has been deducted.

WEIGHT STATEMENT ¹ (No. 2)

Commodity	Inventory Owned Grain Beginning of Period	Purchases All Grain During Period	Stored Grain to be Accounted For End of Period	Total to be Accounted For End of Period	Shipments and Sales Owned Grain During Period	Inventory All Grain End of Period	Total Accounted For	Over	Short
Wheat:	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Net.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Dockage.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Gross.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Durum:									
Net.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Dockage.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Gross.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Rye:									
Net.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Dockage.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Gross.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Flax:									
Net.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Dockage.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Gross.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Corn.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Barley.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Oats.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Coal.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Feed.....	-----	-----	-----	-----	-----	-----	-----	-----	-----

¹ This statement is for illustrative purposes only.

Reopening the Ledgers

Upon completion of the Balance Sheet and Income, Expense and Loss Statement and before the accounts or the ledgers are actually closed or ruled, it will be necessary to take certain steps which in effect are the steps by which the accounts or the ledgers are reopened in the new fiscal period.

Journal Entries to Reopen Ledgers

In keeping with the classification of accounts indicated in this outline, which in practice is not likely to include as much or the same detail, to reopen the books it is necessary that the following journal entries be made and posted to the accounts in the ledgers.

OPENING ENTRIES

Debit	(1)	Credit
000 Grain Purchases Accounts Concerned:		
Open Trades—Gain		000

To close the asset account and to debit the estimated gain, credited to the preceding fiscal period, to the new fiscal period in which the actual gain is realized.

Debit	(2)	Credit
000 Open Trades—Loss:		
Grain Purchases Accounts Concerned		000

To close the liability account and to credit the estimated loss, charged to the preceding fiscal period, to the new fiscal period in which the actual loss is sustained.

Debit	(3)	Credit
000 Wheat—Purchases:		
000 Durum—Purchases:		
000 Corn—Purchases:		
000 Oats—Purchases:		
000 Rye—Purchases:		
000 Barley—Purchases:		
000 Flax—Purchases:		
000 Spelt—Purchases:		
000 Sorghum—Purchases:		
Grain Inventory—Owned Grain		000

To close the Grain Inventory account by transferring the inventories to the various grain purchase accounts in the new fiscal period.

Debit	(4)	Credit
000 Storage Grain Liability:		
Grain Inventory—Stored Grain		000

To close both the Storage Grain Liability and Grain Inventory (Stored Grain) accounts. This entry is the reverse of the entry by which these accounts were opened.

Debit	(5)	Credit
000 Screenings—Sales:		
Screenings Inventory		000

To close the Screenings Inventory account by transferring the inventory to the Screenings Sales account in the new fiscal period.

OPENING ENTRIES—Continued

Debit	(6)	Credit
000	Coal—Purchases:	
000	Wood—Purchases:	
000	Feed—Purchases:	
000	Flour—Purchases:	
000	Seed—Purchases:	
000	Twins and Bags—Purchases:	
000	Livestock—Purchases:	
	Merchandise Inventory.....	000
	(See entry No. 3)	
Debit	(7)	Credit
000	Storage—Income:	
	Accrued Storage—Receivable.....	000
	To close the asset account and to charge the income account in the new fiscal period with the accrued storage credited to income in the preceding fiscal period.	
Debit	(8)	Credit
000	Sundry Operating Income:	
	Accrued Sundry Operating Income—Receivable.....	000
	(See entry No. 7)	
Debit	(9)	Credit
000	Interest Earned:	
	Accrued Interest—Receivable.....	000
	(See entry No. 7)	
Debit	(10)	Credit
000	Refunds Received:	
	Accrued Refunds—Receivable.....	000
	(See entry No. 7)	
Debit	(11)	Credit
000	Dividends Earned:	
	Accrued Dividends—Receivable.....	000
	(See entry No. 7)	
Debit	(12)	Credit
000	Sundry Nonoperating Income:	
	Accrued Sundry Nonoperating Income.....	000
	(See entry No. 7)	
Debit	(13)	Credit
000	Elevator Supplies Expense:	
	Elevator Supplies—Inventory.....	000
	To close the inventory account by transferring the inventory to the expense account in the new fiscal period.	
Debit	(14)	Credit
000	Office Supplies and Postage Expense:	
	Office Supplies and Postage—Inventory.....	000
	(See entry No. 13)	
Debit	(15)	Credit
000	Power, Light, Heat, and Water Expense:	
	Power and Heat Fuel—Inventory.....	000
	(See entry No. 13)	

OPENING ENTRIES—Continued

Debit	(16)	Credit
000	Miscellaneous Operating Expense:	
	Prepaid Miscellaneous Operating Expense	000
	(See entry No. 13)	
Debit	(17)	Credit
000	Miscellaneous Administrative Expense:	
	Prepaid Miscellaneous Administrative Expense	000
	(See entry No. 13)	
Debit	(18)	Credit
000	Accrued Salaries and Wages:	
	Salaries and Wages, and Other Expense Accounts Concerned	
	(See Truck Expense)	000
	To close the Liability account and to show the accrued expense charged to the previous period as a credit to the new period in which it will be paid.	
Debit	(19)	Credit
000	Accrued Interest—Payable:	
	Interest Paid	000
	(See entry No. 18)	
Debit	(20)	Credit
000	Accrued Insurance and Bonds:	
	Insurance and Bonds Expense (Only where all insurance and bond premiums are charged directly to an Insurance and Bonds Expense account. See Prepaid Insurance and Bonds account)	000
	(See entry No. 18)	
Debit	(21)	Credit
000	Accrued Social Security Taxes:	
	Social Security Taxes	000
	(See entry No. 18)	
Debit	(22)	Credit
000	Accrued Other Taxes and Licenses:	
	Other Taxes and Licenses, and Other Expense Accounts Concerned (See Truck Expense)	000
	(See entry No. 18)	
Debit	(23)	Credit
000	Accrued Power, Light, and Water:	
	Power, Light, Water, and Heat Expense	000
	(See entry No. 18)	
Debit	(24)	Credit
000	Accrued Telephone and Telegraph:	
	Telephone and Telegraph Expense	000
	(See entry No. 18)	
Debit	(25)	Credit
000	Accrued Rent and Leases:	
	Rent and Leases Expense	000
	(See entry No. 18)	

OPENING ENTRIES—Continued

Debit	(26)	Credit
000	Accrued Miscellaneous Operating Expense: Miscellaneous Operating and Other Expense Accounts Con- cerned (See Terminal Storage Expense).....	000
	(See entry No. 18)	
Debit	(27)	Credit
000	Accrued Miscellaneous Administrative Expense: Miscellaneous Administrative and Other Expense Accounts Con- cerned (See Auditing, Special Bookkeeping and Legal Fees) .	000
	(See entry No. 18)	

The balances shown in all other accounts, if the accounts are ruled, are brought down without the use of the journal. The inactive accounts, which for practical reasons are not ruled, remain as they were at the time the books were closed. See method of handling these accounts given in the explanation of bookkeeping procedure under each account title in part II.

Chart of Accounts and Symbols

Chart of accounts.—In constructing the chart of accounts shown in this outline, effort was made to list all accounts appropriate to the needs of local elevators.

The Group and Sub-Group Classifications, which are not represented in the general ledger by corresponding accounts, merely indicate possible and logical tabular separations or the arrangement of the general ledger. In other words, they function as guides in separating or allocating the Ledger or Detail accounts in that book.

The Ledger or Detail accounts are those accounts likely to be needed in the general ledger proper or its subdivisions, which are usually represented in the general ledger by controlling accounts.

The classification of the Ledger or Detail accounts as shown in the chart is merely to indicate the purpose of the accounts or the elements or items of which they are composed. In practice many of the accounts will appear in the ledger under different classifications. To illustrate: The Cash in Bank account is carried in the ledger under the name of the bank or banks in which deposits are made; the same is true of the Funds in Closed Bank account; the Accounts Receivable—Grain Commission Companies account may appear in the ledger under the name or names of the commission companies indebted to the local elevator; the Mortgage Notes—Receivable account is carried in the ledger under the name of person or firm giving the mortgage. Obviously, similar differences will be reflected in other accounts.

While the sequence followed in the chart is the order in which the accounts may logically appear in the ledgers, it is not necessarily the

arrangement to be used. Generally, the plan to follow is the arrangement most convenient in the preparation of financial and operating statements.

Although some accounts in the chart are not regularly or commonly used, the intention has been to list those of which there has been a known need by some local elevator company. It is practically impossible to compile a complete list; yet the belief is that the field covered is sufficiently broad to furnish a guide in all probable cases.

It is to be assumed that the operations and needs of an elevator will, to a large extent, determine the number and classification of accounts in the general ledger. In many cases, all prepaid items may very well be carried in one account, accrued items might be handled likewise, and many of the indicated expense accounts may be consolidated under one heading without disturbing their value or the bookkeeping procedure outlined here. The extensive classification used in this outline facilitate explanation of entry routing and bookkeeping procedure.

Frequently, elevator companies engage in functions and services either directly or through subsidiaries that are not technically a part of elevator operations, yet all transactions are recorded in a single set of books. In those cases where such functions warrant separate books, which often is highly desirable and frequently a practical necessity, some of the accounts listed in the chart of accounts would naturally serve as a part of those records.

Following the chart proper are certain account titles which would appear on the Balance Sheet only. These are not represented by corresponding accounts in the general ledger and obviously are not incorporated in the system of symbols.

Account symbols.—The system of symbols used is ordinarily referred to as the "Decimal System." It is designed to permit considerable expansion in the number of accounts without disarranging the general scheme of classification. The actual use of the decimal point in this illustration was for the purpose of vividly setting forth the principal keys to the system, but it would serve no useful purpose in practice. In practice the numbers would be 11, 111, 12, 121, etc., rather than 1.1, 1.11, 1.2 and 1.21, etc.

It is not the intention to suggest that account symbols are desirable in all cases. It is recognized that in many local elevators the use of symbols may be not only undesirable but impractical. Under such circumstances, the titles of the group and subgroup headings may be used as a basis for tabular separations of the accounts in the general ledger. In this manner, journalizing and posting reference is made and directed by titles and ledger page numbers.

The suggestion is that when account symbols can be used in local elevator accounting systems, they are devices by which considerable economy in journalizing and posting can be effected. Once the symbols of the more important and most used accounts are learned, book-keeping can be carried out with greater ease and a saving of time.

Summary accounts.—The symbol numbers 1 to 9 inclusive, representing the summary accounts, are not represented in the general ledger by corresponding accounts. They are merely symbols used in allocating accounts under general group headings and indicate the principal tabular separations of the general ledger accounts.

Balance sheet accounts.—The symbol numbers 1.1 to 1.9 up to and including 6.1 to 6.9, representing Balance Sheet accounts, also are not represented in the general ledger by corresponding accounts. These symbols are used in allocating accounts under subgroup headings and can be used in locating, by tabular separations, subdivisions of the accounts falling under the summary or general group headings.

Nominal or operating accounts.—The symbol numbers 7.1 to 7.9 up to and including 9.1 to 9.9, representing the Purchases, Sales, Income, and Expense accounts, serve in principle the same purposes as the subgroup symbols 1.1 to 6.9 explained above.

Ledger or detail accounts.—The symbol numbers 1.11 to 1.99 up to and including 9.11 to 9.99, representing the ledger or detail accounts, are represented in the general ledger or its subdivisions by corresponding accounts. These symbols are the keys used to definitely locate the individual accounts. In other words, only those accounts represented by three digits indicate corresponding accounts in the general ledger.

While the full range of three digit numbers is shown above, such expansion in the accounts was not reached in the classification of accounts presented in this outline. By indicating the full range, it shows the possibilities of expansion in the number of accounts under the system of symbols used. As a matter of fact, the system is sufficiently flexible to provide for further analysis or break-down in the accounts without a change in the key numbers of existing accounts. This is carried out by merely adding a third digit to the right of the decimal point, as 1.111, 1.112, etc.

Group Classification and Symbols

(Summary Accounts 1 to 9, inclusive)

1. Current Assets.
2. Investments and Other Assets.
3. Fixed Assets and Deferred Charges.
4. Current Liabilities.
5. Deferred, Contingent, and Fixed Liabilities.
6. Capital Stock, Reserves and Surplus.
7. Trading and Sundry Operations.
8. Operating and Administrative Salaries, Wages, and Expense.
9. Nonoperating Income and Deductions from Income.

Subgroup Classification and Symbols

(Balance Sheet Accounts 1.1 to 1.9 up to and including 6.1 to 6.9)

1. Current Assets

- 1.1 Cash.
- 1.2 Trade Notes and Accounts Receivable.
- 1.3 Advances—Secured.
- 1.4 Inventories.
- 1.5 Advances—Unsecured.
- 1.6 Accrued Income.

2. Investments and Other Assets

- 2.1 Investments.
- 2.2 Other Assets.

3. Fixed Assets and Deferred Charges

- 3.1 Land, Buildings, and Equipment.
- 3.2 Other Fixed Assets
- 3.3 Deferred Charges.

4. Current Liabilities

- 4.1 Trade Notes and Accounts Payable.
- 4.2 Other Current Liabilities.
- 4.3 Accrued Items.

5. Deferred, Contingent, and Fixed Liabilities

- 5.1 Deferred Liabilities.
- 5.2 Contingent Liabilities.
- 5.3 Fixed Liabilities.

6. Capital Stock, Reserves, and Surplus

- 6.1 Capital Stock.
- 6.2 Reserves and Surplus.

Subgroup Classification and Symbols

(Nominal or Operating Accounts 7.1 to 7.9 up to and including 9.1 to 9.9)

7. Trading and Sundry Operations

- 7.1 Grain Purchases.
- 7.2 Grain Sales.
- 7.3 Merchandise Purchases.
- 7.4 Merchandise Sales.
- 7.5 Sundry Operations.

Subgroup Classification and Symbols—Continued

(Nominal or Operating Accounts 7.1 to 7.9 up to and including 9.1 to 9.9)

8. Operating and Administrative Salaries, Wages, and Expense

- 8.0 Expense (Control).
- 8.1 Salaries and Wages.
- 8.2 Maintenance and Supplies Expense.
- 8.3 Sundry Operating Expense.
- 8.4 Trucking Expense.
- 8.5 Administrative Expense.

9. Nonoperating Income and Deductions from Income

- 9.1 Nonoperating Income.
- 9.2 Deductions from Income.

Detail Classification and Symbols

(Ledger Accounts 1.11 to 1.99 up to and including 9.11 to 9.99)

1. Current Assets

- 1.1 Cash:
 - 1.11 General Cash.
 - 1.12 Petty Cash.
 - 1.13 Cash in Bank.
- 1.2 Trade Notes and Accounts Receivable:
 - 1.21 Accounts Receivable—Grain Commission Companies.
 - 1.22 Margins—Hedging Operations.
 - 1.23 Open Trades—Gain.
 - 1.24 Notes Receivable—Trade (Control).
 - 01.24 Reserve for Doubtful Trade Notes Receivable.
 - 1.25 Notes Receivable—Officials and Employees.
 - 1.26 Accounts Receivable—Trade (Control).
 - 01.26 Reserve for Doubtful Accounts Receivable.
 - 1.27 Judgments.
- 1.3 Advances—Secured:
 - 1.31 Seed Liens.
 - 1.32 Advances—Stored Grain.
- 1.4 Inventories:
 - 1.41 Grain Inventory—Owned Grain.
 - 1.42 Grain Inventory—Stored Grain.
 - 1.43 Screenings Inventory.
 - 1.44 Merchandise Inventory.
- 1.5 Advances—Unsecured:
 - 1.51 Advances—Employees.
 - 1.52 Advances—Contract Grain.
 - 1.53 Advances—Other.
 - 01.5A Reserve for Doubtful Advances.
- 1.6 Accrued Income:
 - 1.61 Accrued Storage—Receivable.
 - 1.62 Accrued Sundry Operating Income—Receivable.
 - 1.63 Accrued Interest—Receivable.
 - 1.64 Accrued Refunds—Receivable.
 - 1.65 Accrued Dividends—Receivable.
 - 1.66 Accrued Sundry Nonoperating Income.

Detail Classification and Symbols—Continued

(Ledger Accounts 1.11 to 1.99 up to and including 9.11 to 9.99)

2. Investments and Other Assets

2.1 Investments:

- 2.11 Government Bonds.
- 2.12 Mortgage Notes—Receivable.
- 2.13 Capital Stock in Bank for Cooperatives.
- 2.14 Capital Stock Credits—Receivable.
- 2.15 Sundry Investments.
- 02.1A Reserve for Doubtful Investments.

2.2 Other Assets:

- 2.21 Capital Stock Notes Receivable—Subscriptions.
- 2.22 Capital Stock Subscriptions—Receivable.
- 2.23 Capital Stock Assessments—Receivable.
- 2.24 Assessment Notes Receivable—Capital Stock
- 2.25 Meter Deposit.
- 2.26 Funds in Closed Bank.
- 02.26 Reserve for Funds in Closed Bank.
- 2.27 Railroad Claims.
- 02.27 Reserve for Doubtful Railroad Claims.
- 2.28 Shortages—Employees.
- 2.29 Bad Checks—Held for Collection.
- 2.2A Claims—Contract Grain not Delivered.

3. Fixed Assets and Deferred Charges

3.1 Land, Buildings, and Equipment:

- 3.11 Land.
- 3.12 Dwellings.
- 03.12 Reserve for Depreciation—Dwellings.
- 3.13 Elevator Buildings.
- 03.13 Reserve for Depreciation—Elevator Buildings.
- 3.14 Elevator Machinery and Equipment.
- 03.14 Reserve for Depreciation—Elevator Machinery and Equipment.
- 3.15 Other Buildings.
- 03.15 Reserve for Depreciation—Other Buildings.
- 3.16 Other Machinery and Equipment.
- 03.16 Reserve for Depreciation—Other Machinery and Equipment.
- 3.17 Office Furniture and Equipment.
- 03.17 Reserve for Depreciation—Office Furniture and Equipment.
- 3.18 Automobiles.
- 03.18 Reserve for Depreciation—Automobiles.

3.2 Other Fixed Assets:

- 3.21 Trucks, Tank Wagons and Transports.
- 03.21 Reserve for Depreciation—Trucks, Tank Wagons and Transports.
- 3.22 Sundry Fixed Assets.
- 03.22 Reserve for Depreciation—Sundry Fixed Assets.

3.3 Deferred Charges:

- 3.31 Prepaid Salaries and Wages.
- 3.32 Prepaid Insurance and Bonds.
- 3.33 Elevator Supplies—Inventory.
- 3.34 Office Supplies and Postage—Inventory.
- 3.35 Power and Heat Fuel—Inventory.
- 3.36 Prepaid Miscellaneous Operating Expense.
- 3.37 Prepaid Miscellaneous Administrative Expense.

Detail Classification and Symbols—Continued

(Ledger Accounts 1.11 to 1.99 up to and including 9.11 to 9.99)

4. Current Liabilities

- 4.1 Notes and Accounts Payable:
 - 4.11 Notes Payable—Trade.
 - 4.12 Notes Payable—Banks (Current Loans).
 - 4.13 Notes Payable—Officials and Members.
 - 4.14 Accounts Payable—Trade.
 - 4.15 Accounts Payable—Other.
 - 4.16 Individual Deposits—Members and Patrons.
 - 4.17 Notes Receivable Discounted (Payment Guaranteed).
 - 4.18 Open Trades—Loss.
- 4.2 Sundry Current Liabilities:
 - 4.21 Storage Grain Liability.
 - 4.22 State Sales Taxes.
 - 4.23 Social Security Taxes—Collected from Employees.
 - 4.24 Reserve for Federal Income Taxes.
 - 4.25 Reserve for State Income Taxes.
 - 4.26 Dividends Payable—Capital Stock.
 - 4.27 Dividends Payable—Patronage.
- 4.3 Accrued Items:
 - 4.31 Accrued Salaries and Wages.
 - 4.32 Accrued Interest—Payable.
 - 4.33 Accrued Social Security Taxes.
 - 4.34 Accrued Other Taxes and Licenses (Excluding Income, Sales and Social Security Taxes).
 - 4.35 Accrued Power, Light, and Water.
 - 4.36 Accrued Telephone and Telegraph.
 - 4.37 Accrued Rent and Leases.
 - 4.38 Tank Wagon Commissions.
 - 4.39 Accrued Miscellaneous Operating Expense.
 - 4.3A Accrued Miscellaneous Administrative Expense.

5. Deferred, Contingent, and Fixed Liabilities

- 5.1 Deferred Liabilities:
 - 5.11 Time Certificates—Members and Patrons.
 - 5.12 Certificates of Indebtedness—Loans.
- 5.2 Contingent Liabilities:
 - 5.21 Unclaimed Dividends.
 - 5.22 Reserves for Dividends Deferred.
 - 5.23 Reserves for Uncompleted Contracts.
 - 5.24 Reserves for Liability on Purchase Contracts.
 - 5.25 Reserves for Educational Fund.
 - 5.26 Reserves for Sundry Contingencies.
- 5.3 Fixed Liabilities:
 - 5.31 Mortgage Notes—Payable.

6. Capital Stock, Reserves and Surplus

- 6.1 Capital Stock:
 - 6.11 Capital Stock—Subscribed.
 - 6.12 Capital Stock—Treasury Stock.
 - 6.13 Capital Stock—Outstanding.
 - 6.14 Certificates of Indebtedness—Capital.
 - 6.15 Capital Stock Credits—Payable.

Detail Classification and Symbols—Continued

(Ledger Accounts 1.11 to 1.99 up to and including 9.11 to 9.99)

6. Capital Stock, Reserves and Surplus—Continued

6.2 Reserves and Surplus:

- 6.21 Statutory Reserves.
- 6.22 Reserves for Sinking Fund.
- 6.23 Surplus (or Deficit).
- 6.24 Undistributed Income (Previous Periods).
- 6.25 Undistributed Income (Current Period).

7. Trading and Sundry Operations

7.A Loss and Gain Accounts:

- 7.A1 Net Income and Loss.
- 7.A2 Net Trading and Sundry Operations—Loss and Gain.
- 7.A3 Gross Trading Income—Grain.
- 7.A4 Gross Trading Income—Merchandise.

7.1 Grain Purchases:

- 7.11 Wheat.
- 7.12 Durum.
- 7.13 Corn.
- 7.14 Oats.
- 7.15 Rye.
- 7.16 Barley.
- 7.17 Flax.
- 7.18 Spelt.
- 7.19 Sorghum.

7.2 Grain Sales:

- 7.21 Wheat.
- 7.22 Durum.
- 7.23 Corn.
- 7.24 Oats.
- 7.25 Rye.
- 7.26 Barley.
- 7.27 Flax.
- 7.28 Spelt.
- 7.29 Sorghum.
- 7.29A Screenings.

7.3 Merchandise Purchases:

- 7.31 Coal.
- 7.32 Wood.
- 7.33 Feed.
- 7.34 Flour.
- 7.35 Seed.
- 7.36 Twine and Bags.
- 7.37 Livestock.

7.4 Merchandise Sales:

- 7.41 Coal.
- 7.42 Wood.
- 7.43 Feed.
- 7.44 Flour.
- 7.45 Seed.
- 7.46 Twine and Bags.
- 7.47 Livestock.

Detail Classification and Symbols—Continued
(Ledger Accounts 1.11 to 1.99 up to and including 9.11 to 9.99)

7. Trading and Sundry Operations—Continued

7.5 Sundry Operations—Gross Income:

- 7.51 Storage.
- 7.52 Handling.
- 7.53 Grinding.
- 7.54 Cleaning.
- 7.55 Handling Government Feed and Seed.
- 7.56 Livestock Commissions.
- 7.57 Sundry Operating Income.

7.6 Trucking Operations—Gross Earnings:

- 7.61 Truck—Gross Earnings.
- 7.62 Tank Wagon—Gross Earnings.
- 7.63 Transport—Gross Earnings.

8. Operating and Administrative Salaries, Wages and Expense

8.0 Expense (Control)

8.1 Salaries and Wages:

- 8.11 Salary and Allowances—Manager.
- 8.12 Salaries and Wages—Elevator.
- 8.13 Salaries and Wages—Office.
- 8.14 Salaries and Wages—Other Operating.

8.2 Maintenance and Supplies Expense:

- 8.21 Power, Light, Water and Heat.
- 8.22 Rent and Leases.
- 8.23 Repairs—Elevator Buildings, Machinery and Equipment.
- 8.24 Repairs—Other Buildings, Machinery and Equipment.
- 8.25 Elevator Supplies.
- 8.26 Depreciation—Elevator Buildings, Machinery and Equipment.
- 8.27 Depreciation—Other Buildings, Machinery and Equipment.
- 8.28 Depreciation—Office Furniture and Equipment.
- 8.29 Depreciation—Sundry Fixed Assets (Excluding Trucks).

8.3 Sundry Operating Expense:

- 8.31 Express, Freight and Drayage.
- 8.32 Terminal Storage Expense.
- 8.33 Loss from Leakage and Damage in Transit—Grain.
- 8.34 Loss from Leakage and Damage in Transit—Merchandise.
- 8.35 Shrinkage and Scale Loss—Grain.
- 8.36 Shrinkage and Scale Loss—Merchandise.
- 8.37 Miscellaneous Operating Expense.

8.4 Trucking Expense:

- 8.41 Truck Expense.
- 8.42 Tank Wagon Expense.
- 8.43 Transport Expense.

8.5 Administrative Expense:

- 8.51 Auditing, Special Bookkeeping and Legal Fees.
- 8.52 Directors' Fees and Expenses.
- 8.53 Office Supplies and Postage.
- 8.54 Office Expense—Miscellaneous.
- 8.55 Telephone and Telegraph.
- 8.56 Insurance and Bonds (Excluding Autos and Trucks).

Detail Classification and Symbols—Continued

(Ledger Accounts 1.11 to 1.99 up to and including 9.11 to 9.99)

8. Operating and Administrative Salaries, Wages, and Expense—Continued
- 8.5 Administrative Expense—Continued.
- 8.57 Social Security Taxes (Excluding Taxes Collected from Employees).
 - 8.58 Other Taxes and Licenses (Excluding Autos and Trucks).
 - 8.59 Bank Service Charges and Exchange (Excluding Interest and Discounts).
 - 8.5A Advertising.
 - 8.5B Automobile Expense.
 - 8.5C Miscellaneous Administrative Expense.
 - 8.5D Loss from Bad Debts.

9. Nonoperating Income and Deductions from Income

- 9.1 Nonoperating Income:
- 9.11 Interest Earned.
 - 9.12 Discounts Earned.
 - 9.13 Dividends Earned.
 - 9.14 Refunds Received.
 - 9.15 Rent Income.
 - 9.16 Bad Debts Collected.
 - 9.17 Income and Expense—Dwellings (Loss and Gain) (Gain).
 - 9.18 Cash Overage and Shortage (Overage).
 - 9.19 Sundry Nonoperating Income.
 - 9.1A Extraordinary Gains.
 - Loss and Gain—Elevator Buildings Sold or Destroyed (Gain)
(for illustrative purposes only).
- 9.2 Deductions from Income:
- 9.21 Interest Paid.
 - 9.22 Sundry Nonoperating Charges.
 - 9.23 Extraordinary Losses.
 - Cash Shortage (See Cash Overage and Shortage Account).
 - Income and Expense—Dwellings (Loss) (See Income and Expense—Dwellings—Loss and Gain).
 - Loss and Gain—Elevator Buildings Sold or Destroyed (Loss)
(for illustrative purposes only).

Deductions from Net Income:

See—Reserve for Federal Income Tax (4.24).

See—Reserve for State Income Tax (4.25).

Balance Sheet Items (for which no corresponding accounts are opened or are necessary in the General Ledger).

- Bank Overdraft.
 - Checks Outstanding.
 - Drafts on Cars in Transit.
 - Credit Balances—Accounts Receivable.
 - Accounts Payable—Grain Commission Companies (This applies only in those cases in which an open account is maintained with a commission company).
 - Surplus (Deficit).
- Also Seed Liens, Judgments, Advances, etc., may be shown separately on the Balance Sheet but carried in the Accounts Receivable account in the General Ledger rather than in separate accounts.

Part II

Manual of Ledger Accounts

The following is a complete description of all ledger or detail accounts listed in the foregoing chart of accounts. The purpose of this section of the publication is to set forth in detail the bookkeeping mechanics involved in operating, balancing, closing, and reopening each account. A careful study of these should disclose the nature and distribution of all items that must be considered and the necessary bookkeeping procedure in recording all entries. If the indicated procedure is followed, the bookkeeper should experience no real difficulty in operating the average set of books or accounting systems used by local elevators. Also the general use of cross reference should eliminate the possibility of confusion in handling contrariwise entries.

It has been pointed out that no local elevator is likely to need all of these accounts, and the list may not include others that may be desired. Those classified, however, are believed sufficient to present the principles involved in the operation of all accounts that may be employed in the accounting systems of local elevator companies.

The mechanics of bookkeeping procedure is based on the journal illustrated and the accounts as classified in the preceding section. When the columns of a journal and the classification of accounts are not the same as those illustrated or more than one journal is used, the mechanics of procedure may be somewhat different but the basic principles involved would not be affected.

Current Assets

GENERAL CASH (I.11)

[This account in effect is the same as a Cash on Hand account]

Debit:

1. The amounts of all checks, drafts, and currency received for local cash sales, collections on accounts, and other checks and currency ordinarily received by the manager.

(Credit Sales, Accounts Receivable, or other accounts concerned.)

NOTE.—Items such as drafts, bank loans, collections made by the bank, and funds obtained from discounted notes, etc., that are deposited singly and directly may be debited to General Cash. Entering these items, however, directly in the debit Bank column in the Journal saves some bookkeeping and they frequently are handled that way.

See Cash in Bank account.

2. The amounts of any overages in cash resulting from a difference in the General Cash account and the amount of cash actually on hand excluding Petty Cash fund.

(Credit Cash Overage and Shortage.)

Postings of debit entries are made from the monthly totals of the debit General Cash column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance of the opposite side.

Credit:

1. All bank deposits of checks, drafts, and currency previously debited to this account as described in debit No. 1, and any current disbursements made in cases of emergency.

(Debit Cash in Bank or other accounts concerned.)

2. Any shortage in cash resulting from a difference in the General Cash account and the amount of cash actually on hand excluding Petty Cash fund.

(Debit Cash Overage and Shortage.)

See Shortages—Employees account for other cash shortages.

NOTE.—Although the procedure outlined under credit No. 1 above permits entries for disbursements of currency, this should be done only in cases of emergency or necessity where banking facilities are not convenient. The Petty Cash fund should be sufficient to meet the needs in ordinary situations.

Postings of credit entries are made from the monthly totals of the credit General Cash column in the journal.

The operation of this account involves the same principles as the Cash in Bank account. As a means of carrying out these principles provision is made in the journal for both debit and credit General Cash columns.

In effect the General Cash account is the same as a Cash on Hand account, but it is more flexible and from an accounting standpoint preferable to the latter.

Under the procedure outlined it is not required that all transactions involving cash be reflected in the General Cash account. This does not affect the value or accuracy of the account, and such procedure is condoned from the viewpoint of expediency and minimizing book work. Ample and satisfactory provisions have been made for handling all other cash items. (*See debit No. 2 and note above and Cash in Bank account.*)

PETTY CASH (1.12)

Debit:	Credit:
<p>1. The amount of the check issued to establish the fund and the amounts of checks issued to increase it. (Credit Cash in Bank account.)</p> <p>NOTE.—Checks issued to reimburse the Petty Cash fund are merely replenishments and the Petty Cash account in the General Ledger is not affected; Cash in Bank is credited and the various accounts concerned—usually expense—are debited.</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>1. The amounts transferred out of the fund when it is decreased or discontinued. (Debit General Cash.)</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>

This account is opened to show this asset on the books and to establish a cash on hand fund as a convenient device by which small disbursements can be made in cash.

The fund is established by issuing a check, payable to "Petty Cash" and indorsed either by the manager or secretary, for an amount considered adequate for the purpose.

When the fund becomes depleted and always at the end of a fiscal period it is restored to its original amount by a check drawn to cover all disbursements as evidenced by receipts or memoranda on file with the fund. As stated above, these restorations are debits to the accounts concerned in these transactions, usually expense, and the Petty Cash account as such is not affected.

CASH IN BANK (1.13)

[Deposit and Checking Account]

Debit:

1. The amounts of all deposits.
(Credit General Cash or other accounts concerned.)

NOTE.—The debit bank column in the journal should reflect entries of all deposits or transfers of funds, drafts deposited for collection, and any credits made directly by the bank as a result of loans, discounted notes, sales of securities, collections, interest, etc.

See General Cash account.

2. The amounts of all necessary debit adjustments.
(Credit accounts concerned.)

Postings of debit entries are made from the monthly totals of the debit Bank column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amounts of all checks issued and other withdrawals and transfers of funds from this account.

(Debit accounts concerned.)

NOTE.—The credit bank column in the journal should reflect entries of all checks issued against the bank, transfers of funds, and all items charged directly to the account by the bank, such as canceled notes, unhonored checks and drafts, interest, exchange, service charges, etc.

2. The amounts of all necessary credit adjustments.
(Debit accounts concerned.)

Postings of credit entries are made from the monthly totals of the credit Bank column in the journal.

This account is opened to carry all transactions that are cleared through the bank deposit and checking account.

Under the procedure outlined above the debit and credit postings are made from the monthly totals of individual entries in the special debit and credit Bank columns in the journal. Therefore, all debits

and credits made directly to the account by the bank should be properly journalized before the books are closed. Possible items may be loans, discounted notes, collections, unhonored drafts and checks, canceled notes, interest, exchange, service charges, etc. Before closing the books at the end of a fiscal period, the balance should be reconciled with that of the bank. The amount debited to the bank account should agree with the total deposits and other items on the statements rendered by the bank covering the same periods, allowance being made for any items deposited for collection that may be in transit. Likewise, the credits should agree, allowance being made for checks outstanding.

ACCOUNTS RECEIVABLE—GRAIN COMMISSION COMPANIES (1.21)

[A credit balance in this account represents a liability and is shown on the Balance Sheet as an account payable]

Debit:

1. The proceeds of each car sold, less freight and terminal charges, as shown by the accounts sales rendered.
(Credit the grain sales accounts concerned.)
2. *Realized* option gains reported by grain firms.
(Credit the grain sales accounts concerned.)
NOTE.—If hedging operations are not carried in this account see Margins—Hedging Operations account.
3. Any other credits reported by grain firms, such as interest, etc.
(Credit Interest Earned or other accounts concerned.)
NOTE.—Debits for estimated gains on *open trades* and *accrued interest* receivable on balances at the end of a fiscal period not reported by grain firms. See special accounts for these items.

Credit:

1. The amounts of drafts drawn against shipments of grain.
(If drafts are deposited directly in the bank for collection, debit Cash in Bank.)
2. The amounts of drafts withdrawing funds where an open account is maintained.
(If drafts are deposited directly in the bank for collection, debit Cash in Bank.)
3. The amounts of draft checks drawn against grain commission companies for local grain purchases and operating expense where an open account is maintained.
(If draft checks are for purchase of grain, debit grain purchase accounts concerned. If for expense, debit expense accounts concerned.)

ACCOUNTS RECEIVABLE—GRAIN COMMISSION COMPANIES (1.21)—
Continued

[A credit balance in this account represents a liability and is shown on the Balance Sheet as an account payable]

Debit:

4. The amounts of any remittances made to grain commission companies.
(Credit Cash in Bank.)
5. The amount of any mortgage note given as security for open account indebtedness.
(Credit Mortgage Notes—Payable.)

Postings of debit entries are usually made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

4. The amounts of any checks received from grain commission companies.
(Debit General Cash.)
5. *Realized* option losses reported by grain firms.
(Debit the grain sales accounts concerned.)

See note under debit No. 2.

6. The amounts of any other charges, such as interest, commissions for handling hedges, accounting services, etc., reported by grain firms.

NOTE.—Credits for estimated losses on *open trades* and *accrued interest payable* on balances at end of a fiscal period not reported by grain firms. See special accounts for these items.

Postings of credit entries are usually made from individual entries in the credit General Ledger column in the journal.

The bookkeeping procedure outlined for this general ledger account applies mainly in those cases where grain operations are financed by commission firms through the open account method. Generally under this plan of financing all grain is shipped to one firm; under those circumstances the account is with that particular firm. Where the local elevator ships to several firms, the account is operated as a controlling account and individual accounts are kept in a subsidiary record. Otherwise, individual accounts are opened in the general ledger proper. In both cases the bookkeeping procedure is the same.

A debit balance in the account represents an asset, whereas a credit balance is a liability. If, however, some individual accounts show credit balances and others show debit balances, in preparing the Balance Sheet these should be so recorded.

All realized gains and losses from options and interest reported by the grain firms during the fiscal period are debited or credited to the account, as the case may be, whereas estimated gains and losses on *open trades* and *accrued interest* not reported at the end of a fiscal period are handled through special accounts opened in the General Ledger to carry these items. When these latter items are reported the grain firms are either debited or credited, and the grain sales and interest accounts concerned are credited or debited, as the case may be. If hedging transactions are not carried in this account, see Margins—Hedging Operations account.

If a special margin fund is deposited with a grain commission company, a separate general ledger account to carry option transactions is desirable.

In the event that the elevator becomes indebted to a grain company to such an extent that a mortgage note is given as security, the open account is debited and Mortgage Notes—Payable is credited with the amount of the mortgage.

MARGINS—HEDGING OPERATIONS (1.22)

Debit:

1. The amounts transferred to this account.
(Credit Cash in Bank or other accounts concerned.)
2. The amount of any gains realized on options carried in this account as reported by the commission company.
(Credit the grain sales account concerned.)
3. The amounts of any interest on balances and other credits to the account reported by the commission company.
(Credit Interest Earned or other accounts concerned.)

Postings of debit entries are usually made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amount of any losses sustained on options carried in this account as reported by the commission company.
(Debit the grain sales accounts concerned.)
2. The amounts of any charges to the account, such as interest on balances and commissions reported by the commission company.
(Debit Interest Paid, Commissions or other accounts concerned.)
3. The amounts of any withdrawals or transfers of funds from the account.
(Debit General Cash or Cash in Bank account.)

NOTE.—See Accounts Receivable—Grain Commission Companies account.

Postings of credit entries are usually made from individual entries in the credit General Ledger column in the journal.

This account is opened to show these funds on the books as an asset and to carry transactions connected with the company's hedging operations.

Where the fund is maintained merely as a guarantee against losses and the option transactions are handled through another account the only entries to this account are the debits for amounts deposited and credits for amounts of withdrawals.

OPEN TRADES—GAIN (1.23)

<p>Debit:</p> <p>At the end of each fiscal period the amount of estimated gain is entered in the debit General Ledger column in the Journal and posted from there to the debit side of this account.</p> <p>(Credit the grain purchases accounts concerned.)</p> <p>NOTE.—The gains for the different grains should be posted to the account individually to facilitate preparation of the journal entry in reopening the books.</p>	<p>Credit:</p> <p>At the beginning of each fiscal period, the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the Journal and posted from there to the credit side of this account, thus closing it.</p> <p>(Debit the grain purchases accounts concerned in the new fiscal period.)</p> <p>NOTE.—This entry is exactly the reverse of the entry shown on the debit side.</p>
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This account is opened to show this estimated gain as an asset on the books at the end of a fiscal period and as a bookkeeping device to offset the losses reflected in hedged grain inventories computed on basis of market value. The balance shown in the account at the end of a fiscal period is debited to the grain purchases accounts concerned in the subsequent fiscal period as a means of adjusting hedged grain inventories, debited to these accounts at market value, to a cost basis. Any gains realized on closed trades are credited to the grain sales accounts concerned. (See Accounts Receivable—Grain Commission Companies, and Wheat—Purchases and Wheat—Sales accounts.)

NOTES RECEIVABLE—TRADE (CONTROL) (1.24)

<p>Debit:</p> <p>1. The face value of all notes taken in settlement of sales, services, and any trade debts owed the company.</p> <p>(Credit accounts concerned.)</p> <p>NOTE.—Only those notes taken in settlement of sales, services, accounts, advances, etc., are debited to this account. See other accounts</p>	<p>Credit:</p> <p>1. The amounts collected on any notes debited to this account.</p> <p>(Debit accounts concerned.)</p> <p>2. The face value of any of these notes discounted without recourse.</p> <p>(Debit General Cash or Cash in Bank account with proceeds. The discount is debited to Interest Paid.)</p>
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NOTES RECEIVABLE—TRADE (CONTROL) (1.24)—Continued

Debit:

- for capital stock subscription notes, mortgage notes, etc.
2. The face value of renewal notes taken in cancellation of old notes.

(Credit this account. See credit No. 4.)

NOTE.—This entry does not affect any other account. The new note merely replaces the old note. It is necessary, however, that the transaction be recorded on the books.

Postings of debit entries are usually made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

3. The face value of any of these notes discounted where liability is assumed by the company only when such notes are reported paid or are past due and no notice of default has been received from the discounting agency.

(Debit General Cash or Cash in Bank account with the proceeds. The discount is debited to Interest Paid.)

4. The uncollected balance of any of these notes canceled by renewal notes.

(Debit this account. See debit No. 2.)

5. The amount of any judgments obtained as a consequence of nonpayment by the makers of these notes.

(Debit Judgments.)

6. The uncollected balance of any of these notes otherwise disposed of, charged off as uncollectible, etc.

(Debit Reserve for Doubtful Notes or other accounts concerned.)

Postings of credit entries are usually made from individual entries in the credit General Ledger column in the journal.

NOTE.—In connection with notes discounted in the manner indicated under credit No. 3, a Trade Notes Receivable—Discounted account must be opened in the general ledger and the face value of the notes discounted credited to that account. Establishing this liability on the books is necessary because the company guarantees payment and the discounted notes are still carried on the books as an asset, as are also the proceeds from them. The asset account, Notes Receivable—Trade, is not credited until the company is notified that the notes have been paid. If and when payments are reported by the discounting agency, the Notes Receivable—Trade account is credited and Trade Notes Receivable—Discounted account is debited with the face value of the notes. If payment is defaulted and so reported by the discounting agency, a check is issued for the face value of such notes. This will result in a credit to the Cash in Bank account and a debit to the Trade Notes Receivable—Discounted account of the amount of the check; the Notes Receivable—Trade account is not affected by this transaction because it is credited only when the notes are actually paid.

The account as outlined above is operated as a controlling account in the general ledger and implies that individual accounts are kept with the makers of the notes in a subsidiary record or ledger. Where the controlling account is used and no special journal columns are provided, the individual entries must be posted to both the control and individual accounts. This, of course, implies that in most elevators the number of notes receivable is too small to warrant special journal columns for this item. Where any or all of these notes are discounted and payment is guaranteed, both the control and individual accounts should be marked to indicate the amount and fact of this transaction.

If the controlling account is to be considered accurately in balance, the balance must equal in amount the sum total of all outstanding notes as shown by the balances in the individual accounts in the subsidiary record or ledger.

Where the number of notes handled is negligible, neither a control account nor a subsidiary ledger is necessary. Individual accounts may be carried in the general ledger either on separate pages or all may be carried on the same page under a general heading, such as Miscellaneous Notes Receivable, but a separate and properly described entry is made for each note. In preparing the Balance Sheet a summation of the balances of the individual accounts will answer the same purpose as the balance in a controlling account.

RESERVE FOR DOUBTFUL TRADE NOTES RECEIVABLE (01.24)

Debit:

1. The uncollected balance of trade notes receivable charged off as uncollectible.

(Credit Notes Receivable—Trade.)

2. The amounts of any transfers to surplus decreasing the reserve.

(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the Journal.

Credit:

1. The amounts appropriated to the reserve.
(Debit Loss from Bad Debts.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the Journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

This account is operated the same as the Reserve for Doubtful Accounts and in practice may well be combined with that account. An adequate amount should be appropriated each fiscal period to cover the probable loss from notes taken in the period.

NOTES RECEIVABLE—OFFICIALS AND EMPLOYEES (1.25)

See Notes Receivable—Trade (1.24).

ACCOUNTS RECEIVABLE—TRADE (CONTROL) (1.26)

Debit:

1. The amounts of credit extended for any items that are usually classified under Trade Accounts Receivable.

(Credit accounts concerned.)

NOTE.—The debit Accounts Receivable column in the Journal should reflect

Credit:

1. The amounts of checks and currency collected on these accounts.

(Debit General Cash.)

2. The amounts of deductions from grain purchase checks and other credits allowed on these accounts.

(Debit accounts concerned.)

ACCOUNTS RECEIVABLE—TRADE (CONTROL) (1.26)—Continued

Debit:

all sales, services (grinding, storage, cleaning, etc.), and other similar items for which credit has been extended. Any accruals, such as storage set up as such at the end of a fiscal period, are not carried in this account. See separate accounts for these.

Postings of debit entries are made from the monthly totals of the debit Accounts Receivable column in the journal. (The individual entries in this column are posted, daily if possible, to the various accounts kept with customers in a subsidiary ledger.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

3. The amounts of any judgment obtained as a consequence of nonpayment by trade debtors.

(Debit Judgments.)

4. The amounts of notes taken in settlement of these accounts.

(Debit Notes Receivable—Trade.)

5. The amounts of any of these accounts charged off as uncollectible.

(Debit Reserve for Doubtful Accounts.)

NOTE.—The credit Accounts Receivable column in the journal should reflect all collections, other credits, judgments and notes taken in settlement of items previously debited to this controlling account, including such items actually charged off as uncollectible. Subsequent collections of accounts charged off are credited to the Bad Debts Collected account.

Postings of credit entries are made from the monthly totals of the credit Accounts Receivable column in the journal. (The individual entries in this column are posted, daily if possible, to the various accounts kept with customers in a subsidiary ledger.)

This account is operated as a controlling account in the general ledger and implies that individual accounts are opened in a subsidiary record—usually a Customers' ledger, with the patrons to whom credit is extended.

If postings are accurately made, the summation of balances of the individual accounts will always equal the balance shown in the controlling account. Proof of this should be made periodically and always at the end of a fiscal period.

It is obviously impossible to set a hard and fast rule as to how flexible this account should be. Many companies consider warrants, advances to patrons, both secured and unsecured, advances to employees and officials, and seed sales for which seed liens are taken, as ordinary accounts receivable and handle such transactions through the Accounts Receivable account, whereas other companies maintain separate accounts in the general ledger for transactions of this nature. If the volume of such transactions is large, the latter method is preferable and manifestly desirable in cases of advances to employees, officials, and directors. Under the latter procedure such transactions are handled either through the general ledger columns in the journal and posted in detail to the general ledger accounts opened to carry them, or they may be handled through the Accounts Receivable columns in the journal, and so described that a recapitulation of the entries can be made and posted in totals to the different controlling accounts in the general ledger and separately to the individual accounts in the subsidiary record. If the latter procedure is followed, the summation of the balances in the individual accounts should equal the summation of the balances in the controlling accounts.

In preparing the Balance Sheet at the end of a fiscal period credit balances of individual accounts are shown as a liability rather than deductions from Accounts Receivable. See Balance Sheet account—Credit Balances—Accounts Receivable.

Although a controlling account for suspended accounts receivable to carry the slow and inactive accounts is not indicated, it is considered good accounting practice to segregate these accounts and show them as a separate item on the Balance Sheet. It may be even more desirable to transfer such accounts out of the active accounts receivable to a separate subdivision of the general ledger to be designated Suspended Accounts Receivable.

RESERVE FOR DOUBTFUL ACCOUNTS RECEIVABLE (01.26)

<p>Debit:</p> <ol style="list-style-type: none"> 1. The amounts of trade accounts receivable charged off as uncollectible. (Credit Accounts Receivable.) 2. The amounts of decreases in the reserve by transfers to Surplus. (Credit Surplus.) <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <ol style="list-style-type: none"> 1. The amounts appropriated to the reserve. (Debit Loss from Bad Debts.) <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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This account is opened to carry the amounts appropriated to a reserve for probable losses that may result from extension of credit on open accounts, and as a means to avoid excessive losses in a fiscal period for credit extended in another. An adequate amount should be appropriated each fiscal period to cover the probable loss from extension of credit during the period.

JUDGMENTS (1.27)

Debit:

1. The face value of any judgments obtained by the company against trade debtors.

(Credit accounts concerned.)

NOTE.—If the judgment is for a note credit Notes Receivable. If it is for an account credit Accounts Receivable, etc.

2. The face value of any judgment obtained by the company as a consequence of damages sustained.

(Credit accounts concerned.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts of checks and currency collected on judgments.

(Debit General Cash.)

2. The amounts of deductions from grain purchase checks and other credits applied on judgments.

(Debit accounts concerned.)

3. The unpaid balance of any judgment charged off as uncollectible.

(Debit Reserve for Doubtful Accounts.)

NOTE.—If no reserve has been established debit Loss from Bad Debts.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this asset on the books separately from accounts and notes receivable. Some of these items, however, may be carried on the books in the accounts or notes receivable accounts, but judgments should be shown as a separate item on the Balance Sheet. If they are carried as accounts receivable, postings are made from the Accounts Receivable columns in the journal; otherwise, the General Ledger columns are used.

SEED LIENS (1.31)

<p>Debit:</p> <ol style="list-style-type: none"> The face value of any seed liens taken as security for seed sold. (Credit Seed Sales or other accounts concerned.) <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal. (Where individual accounts are kept with the debtors in a subsidiary ledger, these entries are also posted to those accounts.)</p>	<p>Credit:</p> <ol style="list-style-type: none"> The amounts of checks and currency collected on seed liens. (Debit General Cash.) The amounts of deductions from grain purchase checks and other credits applied on seed liens. (Debit accounts concerned.) The unpaid balance of any seed liens charged off as uncollectible. (Debit Reserve for Doubtful Accounts.) <p>NOTE.—If no reserve has been established, debit Loss from Bad Debts.</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. (Where individual accounts are kept with the debtors in a subsidiary ledger, these entries are also posted to those accounts.)</p>
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The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary

This account is opened to show this asset on the books separately from accounts receivable. These items, however, may be carried on the books in the Accounts Receivable account but seed liens should be shown as a separate item on the Balance Sheet. If they are carried as accounts receivable, postings are made from the Accounts Receivable columns in the journal; otherwise, the general ledger columns are used.

ADVANCES—STORED GRAIN (1.32)

Debit:

1. The amounts advanced on stored grain for which storage tickets are held as collateral.
(Credit accounts concerned.)
2. The amounts advanced on stored grain for which storage tickets are marked but not held.
(Credit accounts concerned.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal. (Where individual accounts are kept with the debtors in a subsidiary ledger, these entries are also posted to those accounts.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts of checks and currency collected on advances.
(Debit General Cash.)
2. The amounts of deductions from grain purchase checks and other credits applied on advances.
(Debit accounts concerned.)
3. The amounts of any of these advances charged off as uncollectible.
(Debit Reserve for Doubtful Accounts.)

NOTE.—If no reserve has been established, debit Loss from Bad Debts.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. (Where individual accounts are kept with the debtors in a subsidiary ledger, these entries are also posted to those accounts.)

This account is opened to show this asset on the books separately from accounts receivable and unsecured advances. These items, however, may be carried on the books as accounts receivable but secured advances should be shown as a separate item on the Balance Sheet. If they are carried as accounts receivable, postings are made from the Accounts Receivable columns in the journal; otherwise, the General Ledger columns are used.

GRAIN INVENTORY—OWNED GRAIN (1.41)

Debit:

At the end of each fiscal period the total market value of owned grain on hand and in transit is entered in the debit General Ledger column in the journal and posted from there as a debit to this account.

(Credit the various grain purchase accounts.)

NOTE.—It is a good practice to post inventories of the different grains separately and describe the entries in the Grain Inventory account. This facilitates preparation of journal entries in reopening the books.

Credit:

At the beginning of each fiscal period the debit balance of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there as a credit to this account, thus closing it.

(Debit the various grain purchase accounts in the new fiscal period.)

This account is opened to show this asset on the books at the end of a fiscal period. A separate account for grain inventory is preferable to a mixed inventory account of both grain and merchandise. The details of the inventories are frequently recorded on ordinary work sheets, but a better practice is to have an Inventory Register which can be preserved as a permanent record.

Grain inventories are computed on the basis of market value in some areas because—

1. Cost is not always easily determined;
2. A large number of elevators hedge their cash grain and reflect the loss or gain on *open trades* outstanding against inventories, in the current fiscal period.

Where cash grain is not hedged, the cost or market value, whichever is the lowest, may be used in determining the value of grain inventories, but the market value most frequently is the basis.

GRAIN INVENTORY—STORED GRAIN (1.42)

Debit:

1. At the end of each fiscal period the market value of all unpurchased stored grain, as indicated by outstanding storage tickets, is entered in the debit General Ledger column in the journal and posted from there as a debit to this account.

(Credit Storage Grain Liability.)

Credit:

1. At the beginning of each fiscal period the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.

(Debit Storage Grain Liability.)

NOTE.—The above entry is exactly the reverse of debit No. 1.

This account is opened to carry the contrariwise entries to the Storage Grain Liability account. Such procedure is necessary only in those States where the laws require that evidence of this liability be shown on the books. At the beginning of a fiscal period both the Inventory and Storage Liability accounts are closed out by a journal entry just the reverse of the entry by which they were opened.

SCREENINGS INVENTORY (1.43)

Debit:

- At the end of each fiscal period the estimated market value of screenings on hand is entered in the debit General Ledger column in the journal and posted from there to the debit side of this account.

(Credit Screenings—Sales.)

Credit:

- At the beginning of each fiscal period the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.

(Debit Screenings—Sales in the new fiscal period.)

There is no technical reason for not carrying screenings in the grain inventory account, but a separate account on the books may promote a more careful consideration of this item. Although it is not a general practice of elevator companies to inventory screenings, it seems advisable that this income, as a partial recovery of losses due to shrinkage, be reflected in the fiscal period in which the screenings originated.

MERCHANDISE INVENTORY (1.44)

<p>Debit:</p> <p>At the end of each fiscal period the total cost or market value, whichever is the lower, of the various merchandise on hand is entered in the debit General Ledger column in the journal and posted from there to the debit side of this account.</p> <p>(Credit the various merchandise purchase accounts.)</p>	<p>Credit:</p> <p>At the beginning of each fiscal period, the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.</p> <p>(Debit the various merchandise purchase accounts in the new fiscal period.)</p>
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As outlined above the account is operated in principle the same as a controlling account and implies that the details of the various inventories are recorded in a subsidiary record, preferably an Inventory Register.

The inventory of any merchandise, for which separate purchase accounts are opened in the general ledger, should be posted separately in the Merchandise Inventory account. In this manner if the entries are properly described, the value of the different merchandise inventories can easily be obtained from the general ledger account and it facilitates preparation of the journal entries in reopening the books.

ADVANCES—EMPLOYEES (1.51)

Debit:

1. The amounts of any advances to employees.
(Credit Cash in Bank or other accounts concerned.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts collected either in the form of cash or services rendered.
(Debit General Cash, Salaries and Wages or other accounts concerned.)
2. The amounts of any advances to employees charged off as uncollectible.
(Debit Reserve for Doubtful Accounts.)

NOTE.—If no reserve has been established debit Loss from Bad Debts.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this asset on the books as a separate item from other advances and receivables. These items, however, may be carried on the books as accounts receivable, but advances to employees should be shown as a separate item on the Balance Sheet. If they are carried as accounts receivable, postings are made from the Accounts Receivable columns in the journal, otherwise the General Ledger columns are used.

ADVANCES—CONTRACT GRAIN (1.52)

See Advances—Stored Grain (1.32).

ADVANCES—OTHER (1.53)

See Advances—Employees (1.51).

RESERVE FOR DOUBTFUL ADVANCES (01.5A)

See Reserve for Doubtful Accounts Receivable (01.26).

ACCRUED STORAGE—RECEIVABLE (1.61)

Debit:

At the end of each fiscal period the total amount of accrued storage, computed from outstanding storage tickets, is entered in the debit General Ledger column in the journal and posted from there to the debit side of this account.

(Credit Storage—Income account.)

Credit:

At the beginning of each fiscal period the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.

(Debit Storage—Income account in the new fiscal period.)

This account is opened at the end of a fiscal period to show this item on the books as an asset and as a device by which an accrued earning is reflected in the income of the fiscal period to which it is applicable.

Under the procedure outlined above the storage accrued in a current fiscal period is collected and credited to Storage—Income in a subsequent fiscal period. Therefore, to properly reflect the actual storage income of the new fiscal period, it is debited with the amount of accrued storage carried over.

ACCRUED SUNDRY OPERATING INCOME—RECEIVABLE (1.62)

See Accrued Storage—Receivable (1.61).

NOTE.—Where a company has need for accrued accounts receivable other than Accrued Interest and Accrued Storage, it is believed that the accounting procedure outlined for them will apply.

ACCRUED INTEREST—RECEIVABLE (1.63)

Debit:

1. At the end of each fiscal period the amount of accrued interest on all interest-bearing funds and receivables is entered in the debit General Ledger column in the journal and posted from there to the debit side of this account.
(Credit Interest Earned.)

NOTE.—Interest-bearing items may include trade and mortgage notes receivable, trade accounts and advances receivable, credit balances with grain firms, time deposits, etc.

Credit:

1. At the beginning of each fiscal period the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.
(Debit Interest Earned account in the new fiscal period.)

This account is opened to show this asset on the books at the end of a fiscal period and as a device by which an earned but uncollected item of income is reflected in the proper fiscal period.

Under the procedure outlined above all collections of interest are credited to Interest Income. For that reason, in reopening the books for a new fiscal period, accrued interest receivable carried over is immediately debited to that account.

ACCRUED REFUNDS—RECEIVABLE—GAS TAX, ETC. (1.64)

See Accrued Storage—Receivable (1.61).

DIVIDENDS—RECEIVABLE (1.65)

Debit:

1. The amounts of any earned dividends that have been declared but have not been collected.
(Credit Dividends Earned.)
- NOTE.—See Capital Stock Credits—Receivable account.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of dividends receivable collected.
(Debit General Cash.)
2. The amounts of any dividends receivable charged off as worthless.
(Debit an appropriate loss account.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this asset on the books and to reflect any earned dividends that have not been collected in the income of the period to which they are applicable.

ACCRUED SUNDRY NONOPERATING INCOME (1.66)

See Accrued Interest—Receivable (1.63).

Investments and Other Assets

GOVERNMENT BONDS (2.11)

Debit:

1. The cost value, including accrued interest, of all government bonds purchased.
(Credit Cash in Bank.)
See Note under credit No. 1.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The cost value of all government bonds surrendered at maturity or sold.
(Debit General Cash. Any difference in the cost and value at maturity or at time of sale, less interest accrued after purchase, is posted to an appropriate loss or gain account as the case may be. Any interest accrued after purchase is credited to the Interest Earned account.)

NOTE.—In the case of government discount bonds the discount is the same as interest and is treated as such on the books.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

MORTGAGE NOTES—RECEIVABLE (2.12).

<p>Debit:</p> <ol style="list-style-type: none"> 1. The face value of any notes taken by the company that are secured by mortgages. (Credit accounts concerned.) 2. The face value of renewal mortgage notes taken in cancellation of old mortgage notes. (Credit this account. See credit No. 2.) <p>NOTE.—This entry does not affect any other account. The new note merely replaces the old note. It is necessary, however, that the transaction be recorded on the books.</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <ol style="list-style-type: none"> 1. The amounts collected on mortgage notes. (Debit accounts concerned.) 2. The uncollected balance on any mortgage notes canceled by renewal notes. (Debit this account.) 3. The uncollected balance on any mortgage notes otherwise disposed of. (Debit accounts concerned.) <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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This account is opened to carry the more or less long-term notes secured by mortgages as distinguished from the current unsecured notes carried in the Notes Receivable—Trade account. It is considered desirable to separate the different types of notes in the ledger accounts.

Under the procedure outlined above, the account is operated as a controlling account and implies that individual accounts are opened with the makers of the notes in a subsidiary record. Postings, however, are made from individual entries in the journal and where the number of notes is small, it is not necessary to open individual accounts.

When an old note is canceled by a renewal note, this account is debited and credited with the amount because no other account is affected by this transaction.

If any of the mortgage notes are discounted, see Notes Receivable—Discounted account for bookkeeping procedure.

CAPITAL STOCK IN BANK FOR COOPERATIVES (2.13)

Debit:

1. The face value of stock purchased.
(Credit accounts concerned.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The face value of stock surrendered for cancellation.
(Debit accounts concerned.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

CAPITAL STOCK CREDITS—RECEIVABLE (2.14)

Debit:

1. The amounts of any earned dividends declared in the form of capital stock credits.
(Credit Dividends Earned account.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The face value of capital stock received in lieu of earned dividends.
(Debit Sundry Investments.)
2. The amount of capital stock credits charged off as worthless.
(Debit Reserve for Doubtful Investments.)

NOTE.—If no reserve has been established close this loss to Surplus through an appropriate loss account.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry any dividends due the company that are declared in the form of capital stock credits and to show this asset on the books pending the issuance of stock when fully earned.

SUNDRY INVESTMENTS (2.15)

Debit:

1. The purchase cost of any investments that are not carried in special accounts. (Credit the accounts affected by terms of payment.)
2. The face value of capital stock and certificates of indebtedness received from other cooperatives in lieu of dividends earned. (Credit Capital Stock Credits—Receivable.)

NOTE.—If stock credits are not recorded on the books at time stock or certificates are received credit Surplus or close to Surplus through an appropriate gain account.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The value, as shown on the books, of any investments sold that are carried in this account. (Debit the account affected by terms of sale.)

NOTE.—If the value carried on the books is more or less than the amount received, debit the loss or credit the gain, as the case may be, to appropriate loss and gain accounts.

2. The value shown on the books of any investments carried in this account that are charged off as worthless.

(Debit Reserve for Doubtful Investments.)

NOTE.—If no reserve has been established, debit this loss to an appropriate loss account.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry any investments for which special accounts are not indicated. In most cases, however, an elevator is not likely to have many different types of investments. Separate accounts can be opened in the general ledger for the different types or the items can be posted separately and described under the general heading indicated above.

RESERVE FOR DOUBTFUL INVESTMENTS (02.1A)

See Reserve for Doubtful Accounts Receivable (01.26).

CAPITAL STOCK NOTES RECEIVABLE—SUBSCRIPTIONS (2.21)

Debit:

1. The face value of all notes taken in payment of subscriptions to and purchase of capital stock.

(Credit Capital Stock Subscriptions Receivable.)

NOTE.—In some States a note is recognized as the equivalent of cash payment and capital stock purchased with a note is considered as issued and outstanding. Under these circumstances, if the note is given at the time stock is subscribed and covers payment in full, the credit entry may be directly to Capital Stock—Outstanding. Thus, the accounts Capital Stock Subscriptions Receivable and Capital Stock—Subscribed are not involved.

2. The face value of renewal notes taken in cancellation of old capital stock notes.
(Credit this account. See credit No. 3.)

Credit:

1. The amounts collected on these notes.

(Debit General Cash.)

2. The amounts of any dividends credited on these notes.

(Debit Dividends Payable.)

NOTE.—Upon completion of payments and delivery of stock, another journal entry is made by which Capital Stock—Subscribed is debited and Capital Stock—Outstanding is credited with the par value of the stock. See note under debit No. 1.

3. The uncollected balances on any of these notes canceled by renewal notes.

(Debit this account. See debit No. 2.)

4. The uncollected balance on stock notes otherwise disposed of.

(Debit Capital Stock—Subscribed or other accounts concerned.)

CAPITAL STOCK NOTES RECEIVABLE—SUBSCRIPTIONS, (2.21)—Con.

Debit:

NOTE.—This entry does not affect any other account. The new note merely replaces the old note. It is necessary, however, that the transaction be recorded on the books.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal. These entries are also posted as debits to the individual accounts kept with makers of the notes in a subsidiary ledger.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

NOTE.—In the event that any part of a note is defaulted and no refunds are made, credit the Capital Stock Notes Receivable account with the *amount defaulted* and debit Capital Stock—Subscribed with the *face value* of the note; in those States where a note is considered the equivalent of cash, the debit may be to Capital Stock—Outstanding. Any difference between the face value and amount defaulted is transferred by a journal entry debiting Capital Stock Notes Receivable and crediting an appropriate gain account. On the other hand, if a refund is made, the procedure is the same except that the Bank account rather than a gain account is credited.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. These entries are also posted as credits to the individual accounts kept with makers of the notes in a subsidiary ledger.

Under the procedure outlined above, this account is operated as a controlling account in the general ledger and implies that individual accounts are kept with the makers of the notes in a subsidiary record. Where the number of such notes is small they can be carried in detail and described in the General Ledger account, thus eliminating the

need for the individual accounts. In the event that any of these notes are discounted, see Notes Receivable—Discounted account for book-keeping procedure.

CAPITAL STOCK SUBSCRIPTIONS—RECEIVABLE (2.22)

Debit:

1. The par value of all capital stock subscriptions.

(Credit Capital Stock—Subscribed.)

See comments below.

Credit:

1. The amounts collected on capital stock subscriptions. (Debit General Cash or other accounts concerned.)

NOTE.—In those cases where subscriptions to capital stock paid by notes are considered fully paid, it will be necessary under such circumstances to make the following journal entries: (1) Debit Capital Stock Notes Receivable and credit Capital Stock Subscriptions—Receivable; (2) Debit Capital Stock—Subscribed and credit Capital Stock—Outstanding with the par value of the stock covered by the notes. Otherwise the first entry is made at the time the note is taken and the second entry is not made until the note is paid.

2. The uncollected balance on any subscriptions canceled by agreement.

(Debit Capital Stock—Subscribed with the *par value* of stock covered by the subscription. If a partial payment has been received and is not refunded, the amount of the payment is transferred by a journal entry debiting Capital Stock Subscriptions and crediting an appropriate gain account.)

CAPITAL STOCK SUBSCRIPTIONS RECEIVABLE (2.22)—Continued

Debit:

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal. These entries are also posted as debits to the individual accounts kept with subscribers in a subsidiary ledger.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

3. The uncollected balance on any subscriptions charged off as uncollectible.

(Debit Capital Stock—Subscribed with the *par value* of stock covered by the subscription. If a partial payment has been received and is not refunded, the amount of the payment is transferred by a journal entry debiting Capital Stock—Subscriptions and crediting an appropriate gain account.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. These entries are also posted as credits to the individual accounts kept with subscribers in a subsidiary ledger.

This account is opened to carry subscriptions to capital stock on the books as an asset and is a contra account to Capital Stock—Subscribed. Under the procedure outlined above it is operated as a controlling account in the general ledger and implies that individual accounts are maintained with the various subscribers in a subsidiary stock subscription ledger or the stubs of stock certificates may frequently answer this purpose. A subscription receivable account is particularly useful where capital stock is purchased on the partial or deferred payment plan.

If stock is fully paid for at the time it is subscribed, the Subscriptions Receivable and Capital Stock—Subscribed accounts may be considered not involved and some economy in bookkeeping is realized by carrying the resulting credit entry directly to the Capital Stock—Outstanding account. In some States payment may be in the form of a note, yet the stock can be treated on the books as fully paid and issued. (See Capital Stock Notes Receivable account.)

When the total authorized capital stock is fully paid and issued, there will be no further need for this account, and it usually disappears from the books.

CAPITAL STOCK ASSESSMENTS—RECEIVABLE (2. 23)

Debit:

1. The amounts of assessments made against holders of capital stock.
(Credit Surplus.)

NOTE.—Only where a company is so organized that its stock may be assessed.

Postings of debit entries are made from the totals of individual entries in the debit General Ledger column in the journal. (The individual entries are posted to the accounts kept with stockholders in a subsidiary ledger.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts collected on assessments.
(Debit General Cash.)
2. The amounts of any notes taken in settlement of assessments.
(Debit Assessment Notes Receivable—Capital Stock.)
3. The uncollected balance on assessments charged off as uncollectible.
(Debit Surplus.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. (These entries are also posted to the accounts kept with stockholders in a subsidiary ledger.)

This account is opened to show assessments on the books as an asset until final disposition is determined. Under the procedure outlined above it is operated as a controlling account in the general ledger of the individual accounts kept with stockholders in a subsidiary ledger.

ASSESSMENT NOTES RECEIVABLE—CAPITAL STOCK (2. 24)

Debit:

1. The amount of notes taken in settlement of capital stock assessments.
(Credit Capital Stock Assessments—Receivable.)
2. The face value of renewal notes taken in cancellation of old assessment notes.
(Credit this account. See credit No. 2.)

NOTE.—This entry does not affect any other account. The new note merely replaces the old. It is necessary, however, that the transaction be recorded on the books.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal. (When individual accounts are kept with the makers of the notes in a subsidiary ledger these entries are also posted to those accounts.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts collected on assessment notes.
(Debit General Cash.)
2. The uncollected balances on any of these notes canceled by renewal notes.
(Debit this account. See debit No. 2.)
3. The amounts of any assessment notes charged off as uncollectible.
(Debit Surplus.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. (When individual accounts are kept with the makers of the notes in a subsidiary ledger these entries are also posted to those accounts.)

Under the procedure outlined above this account is operated as a controlling account in the general ledger and implies that individual accounts are kept with the makers of the notes in a subsidiary ledger.

METER DEPOSIT (2.25)

<p>Debit:</p> <ol style="list-style-type: none"> The amounts deposited with utility companies as a guarantee of payment of electric, gas, and water bills. (Credit Cash in Bank.) <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <ol style="list-style-type: none"> The amounts of any withdrawals. (Debit General Cash.) <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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This account is opened to carry any deposits necessary for the company to make as a guaranty of electric, gas, and water bills and to maintain this asset on the books until it is canceled by withdrawals.

Where interest is allowed on meter deposits it should be collected annually and credited to the Interest Earned account.

FUNDS IN CLOSED BANK (2.26)

[Funds on deposit in closed bank]

<p>Debit:</p> <ol style="list-style-type: none"> The amount of funds on deposit at time bank is closed. (Credit Cash in Bank account.) <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <ol style="list-style-type: none"> The amounts collected from the closed bank. (Debit General Cash.) Amount of funds in closed bank charged off as uncollectible. (Debit Reserve for Funds in Closed Bank.) <p>NOTE.—If no reserve has been established, debit this loss to an appropriate loss account.</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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This account is opened to show this deferred asset on the books until final disposition is determined. In the event the bank resumes operations the bookkeeping procedure in handling the account depends on the terms under which the bank is reopened.

RESERVE FOR FUNDS IN CLOSED BANK (02.26)

Debit:

1. The amount of funds in closed bank charged off as uncollectible.
(Credit Funds in Closed Bank.)
2. The amounts transferred to Surplus when it is desirable to decrease the reserve.
(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts appropriated to the reserve.
(Debit an appropriate loss account.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry on the books appropriations from earnings to cover possible losses resulting from impaired bank account due to closure of bank. The amounts appropriated to this reserve should be sufficient to cover the probable loss. When the affairs of the bank are liquidated, any balance remaining in the reserve should be transferred to Surplus.

RAILROAD CLAIMS (2.27)

Debit:

1. The amounts of any claims filed against railroads for leakage and damaged grain or merchandise in transit and for delayed delivery.
(Credit the grain or merchandise sales account concerned.)

Credit:

1. The amounts collected on claims.
(Debit General Cash.)
2. The amounts of loss as a consequence of claims compromised or charged off.
(Debit Reserve for Doubtful Railroad Claims.)

NOTE.—If no reserve has been established debit Loss from Leakage and Damage in Transit.

See explanation below.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show current railroad claims on the books as an asset and as a means of crediting the various grain and merchandise sales accounts with the recoverable losses due to leakage and damaged grain or merchandise in transit. Any claims filed to cover losses due to delayed delivery are also carried in this account.

When many claims are filed and the probable loss from uncollectibles is large, it is advisable to establish a reserve for doubtful claims to be operated in the same manner as a reserve for bad debts. Under that procedure the losses actually sustained are debited to the reserve account, thus avoiding an inequitable charge to any one fiscal period. If at the end of a reasonable period collection seems improbable, claims should be charged off. It is not desirable to carry them on the books indefinitely.

Elevator managers should be diligent in filing claims in all warrantable cases. Losses resulting from leakage alone may be considerable.

RESERVE FOR DOUBTFUL RAILROAD CLAIMS (02.27)

Debit:

1. The amounts of railroad claims charged off as uncollectible.
(Credit Railroad Claims.)
2. The amounts transferred to Surplus when it is desirable to decrease the reserve.
(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. Amounts appropriated to the reserve.
(Debit Loss from Leakage and Damage in Transit.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

This account is opened to carry on the books a reserve created for the purpose of allocating to the proper fiscal periods the losses from uncollectible leakage and damage in transit claims.

SHORTAGES—EMPLOYEES (2.28)

Debit:

1. The amounts of any determined shortages chargeable to employees.

(Credit accounts concerned.)

NOTE.—The nature of the shortage should indicate the accounts involved and therefore the necessary bookkeeping procedure. If merchandise is the item short the particular merchandise purchase account should be credited. If it is a shortage in cash a contingent reserve should be established pending final determination of the accounts that may be involved.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts collected from the employee or bonding agencies.

(Debit General Cash or other accounts concerned.)

2. The amounts of shortages otherwise disposed of.

(Debit Reserve for Sundry Contingencies or other accounts concerned. If no reserve has been established, debit a special loss account.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this asset on the books until final disposition has been made of the matter. A special account in the general ledger is preferable to having this item handled in the accounts receivable.

BAD CHECKS (2.29)

<p>Debit:</p> <ol style="list-style-type: none"> The amounts of checks cashed for others and those taken in payment of cash purchases which are un-honored. (Credit Cash in Bank or other accounts concerned.) <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <ol style="list-style-type: none"> The amounts collected on bad checks. (Debit General Cash.) The amounts of any un-honored checks charged off as uncollectible. (Debit Reserve for Doubtful Accounts.) <p>NOTE.—If no reserve has been established, debit Loss from Bad Debts.</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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This account is opened to show this asset on the books as a separate item from other receivables. These items, however, may be carried on the books as accounts receivable but bad checks should be shown as a separate item on the Balance Sheet. If they are carried as accounts receivable, postings are made from the Accounts Receivable columns in the journal, otherwise the General Ledger columns are used.

CLAIMS—CONTRACT GRAIN NOT DELIVERED (2.2A)

<p>Debit:</p> <ol style="list-style-type: none"> The amounts of any damage claims filed for failure to perform on grain purchase contracts. (Credit accounts concerned.) <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <ol style="list-style-type: none"> The amounts of any collections on these claims. (Debit accounts concerned.) The amounts of any of these claims charged off as uncollectible. (Debit Surplus or close to Surplus through an appropriate loss account.) <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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Fixed Assets and Deferred Charges

LAND (3.11)

Debit:

1. The purchase cost of any land used in connection with elevator operations.
(Credit accounts affected by terms of payment.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The value as shown on the books of any land carried in this account that is sold.
(Debit accounts affected by terms of sale.)

NOTE.—Any loss or gain resulting from sale of land is debited or credited, as the case may be, to an appropriate Loss or Gain account.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

Unless a separate property record is kept in which the details of all transactions affecting property are recorded it is desirable to have a separate land account in the general ledger. Separate property accounts are also desirable from the point of view of valuation and determining proper charges for depreciation.

Only the land acquired in connection with the business operations of the company are carried in this account. Separate accounts should be opened for any farm or other land, coming into possession of the company, that is for sale.

DWELLINGS (3.12)

See bookkeeping procedure outlined for Elevator Buildings account.

NOTE.—It is desirable that a separate account be maintained in the general ledger for dwellings owned by the company.

RESERVE FOR DEPRECIATION—DWELLINGS (03.12)

See Reserve for Depreciation—Elevator Buildings (03.13).

ELEVATOR BUILDINGS (3.13)

Debit:

1. The purchase or construction cost of elevator buildings (including freight, express, and any labor employed by the company in this connection.)
(Credit accounts affected by terms of payment.)
2. The cost of all additions and permanent improvements (including freight, express, and any labor employed by the company in this connection).
(Credit accounts affected by terms of payment.)
3. The cost of replacements (including freight, express, and any labor employed by the company in this connection)
(Credit accounts affected by terms of payment.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The total cost of elevator buildings sold.
(Debit Loss and Gain—Elevator Buildings Sold or Destroyed.)
2. The cost of elevator buildings destroyed.
(Debit Loss and Gain—Elevator Buildings Sold or Destroyed.)
3. The original cost of parts of elevator buildings destroyed.
(Debit Loss and Gain—Elevator Buildings Sold or Destroyed.)
4. The original cost of parts of elevator buildings replaced.
(Debit Loss and Gain—Elevator Buildings Sold or Destroyed.)

NOTE.—The Loss and Gain account in this connection is opened as a means of clearing all the necessary bookkeeping entries and determining the net book loss or gain to be closed to Surplus.

For bookkeeping procedure in handling book losses and gains resulting from the above transactions see explanation of bookkeeping procedure below and the Loss and Gain — Elevator Buildings Sold or Destroyed account.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The indicated bookkeeping procedure for the above account is based on the theory that buildings are carried on the books at total cost value and all depreciation is properly reflected in a reserve account. In the event only the book value is reflected the amount of the write-off should be restored by a journal entry with a corresponding credit to the depreciation reserve.

The procedure outlined above explains the original entries affecting only this General Ledger account. Obviously two or more accounts may be affected by such transactions. Therefore, to determine, reflect, and clear the net results in and through the book accounts, several journal entries are necessary. The following is a more detailed explanation of the necessary bookkeeping procedure:

Debit No. 1: The account is debited with the cost of all elevator buildings. If the purchase is a cash transaction, credit Cash in Bank. If straight notes are given, credit Notes Payable. If mortgage notes are given, credit Mortgage Notes Payable.

Debit No. 2: The procedure is the same as for debit No. 1.

Debit No. 3: While the procedure for handling this debit is the same as for debit No. 1, other entries are necessary to remove the original cost of the part replaced from the account. Credit the account with the original cost and debit Loss and Gain—Elevator Buildings Sold or Destroyed. See credit No. 4.

Credit No. 1: This credit entry is the total cost of elevator buildings sold as shown by the account. The contrariwise entry is a debit to Loss and Gain—Elevator Buildings Sold or Destroyed. These entries are purely bookkeeping devices used as a means to clear the account. Other entries are necessary to record the actual transactions and to complete the necessary bookkeeping procedure. The proceeds from the sale are debited to the account concerned. If it is a cash transaction, debit General Cash. If straight notes are taken, debit Notes Receivable. If mortgage notes are taken, debit Mortgage Notes—Receivable. The contrariwise entry is a credit to Loss and Gain—Elevator Buildings Sold or Destroyed.

Credit No. 2: The bookkeeping procedure is practically the same as for credit No. 1. The account is credited and Loss and Gain—Elevator Buildings Sold or Destroyed debited with the total cost of elevator buildings destroyed as shown by the books. If the buildings are insured, the terms of settlement with the insurance company should indicate the necessary procedure of recording and clearing the transaction on the books. Any insurance collected is credited to Loss and Gain—Elevator Buildings Sold or Destroyed.

Credit No. 3: The procedure is the same as for credit No. 2.

Credit No. 4: See explanation of debit No. 3.

In the event it becomes desirable to show on the books the market rather than the cost value of elevator buildings, the adjusting entries should be handled in the same manner as loss and gain entries shown above.

If considered desirable, extraordinary losses from fire, etc., not covered by insurance, can be treated as a deferred item and spread over a period of years.

RESERVE FOR DEPRECIATION—ELEVATOR BUILDINGS (03.13)

Debit:

1. The amounts of the reserve applicable where building is sold or any part is replaced, discarded or destroyed.

(Credit Loss and Gain—Elevator Buildings Sold or Destroyed.)

NOTE.—See Elevator Buildings account.

2. The amounts whereby the reserve is decreased by adjustments or transfers to Surplus.

(Credit Surplus or other accounts concerned.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amounts appropriated to the reserve.

(Debit Depreciation—Elevator Buildings.)

NOTE.—The amounts appropriated to the reserve should be based on the probable useful life of the elevator buildings, and depreciation should be set up for each fiscal period.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry the amounts appropriated to Reserves for Depreciation—Elevator Buildings that are or should be reckoned for each fiscal period, and as a means by which the original cost of elevator buildings may be shown and maintained on the books at all times.

NOTE.—Separate accounts for the various reserves for depreciation of fixed assets are indicated for the purpose of reflecting on the books the amounts applicable to the different properties. This practice serves a very useful accounting purpose in cases of property destroyed by fire and storm, replacements, and where the property is sold.

ELEVATOR MACHINERY AND EQUIPMENT (3.14)

See bookkeeping procedure outlined for Elevator Buildings account (3.13).

RESERVE FOR DEPRECIATION—ELEVATOR MACHINERY AND EQUIPMENT (03.14)

See Reserve for Depreciation—Elevator Buildings (03.13).

OTHER BUILDINGS (3.15)

See bookkeeping procedure outlined for Elevator Buildings account (3.13).

NOTE.—Where several buildings are owned and used for separate and distinct functions, an account for each should be opened in the General Ledger. This is particularly desirable where the details of property owned are not recorded in a subsidiary record.

RESERVE FOR DEPRECIATION—OTHER BUILDINGS (03.15)

See Reserve for Depreciation—Elevator Buildings (03.13).

OTHER MACHINERY AND EQUIPMENT (3.16)

See bookkeeping procedure outlined for the Elevator Buildings account (3.13).

RESERVE FOR DEPRECIATION—OTHER MACHINERY AND EQUIPMENT (03.16)

See Reserve for Depreciation—Elevator Buildings (03.13).

OFFICE FURNITURE AND EQUIPMENT (3.17)

See bookkeeping procedure outlined for the Elevator Buildings account (3.13).

RESERVE FOR DEPRECIATION—OFFICE FURNITURE AND EQUIPMENT (03.17)

See Reserve for Depreciation—Elevator Buildings (03.13).

AUTOMOBILES (3.18)

See bookkeeping procedure outlined for Elevator Buildings account (3.13).

RESERVE FOR DEPRECIATION—AUTOMOBILES (03.18)

See Reserve for Depreciation—Elevator Buildings (03.13).

TRUCKS, TANK WAGONS, AND TRANSPORTS (3.21)

See bookkeeping procedure outlined for Elevator Buildings account (3.13).

RESERVE FOR DEPRECIATION—TRUCKS, TANK WAGONS, AND TRANSPORTS (03.21)

See Reserve for Depreciation—Elevator Buildings (03.13).

SUNDRY FIXED ASSETS (3.22)

See bookkeeping procedure outlined for Elevator Buildings (3.13).

RESERVE FOR DEPRECIATION—SUNDRY FIXED ASSETS (03.22)

See Reserve for Depreciation—Elevator Buildings (03.13).

PREPAID SALARIES AND WAGES (3.31)**Debit:**

1. The amounts of all salaries and wages paid in advance.

(Credit Cash in Bank.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts of prepaid salaries and wages at the time they are earned.

(Debit salary and wages expense account concerned.)

2. The amounts of prepaid salaries and wages that are charged off as uncollectible.

(Debit Loss from Bad Debts.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this asset on the books at the end of each fiscal period and at any given time the amount due from employees for salaries and wages paid in advance. It is also a bookkeeping device by which such items of expense are allocated to the fiscal period to which they are applicable. Under the procedure outlined above, it is operated as a controlling account in the general ledger and implies that separate accounts with the employees are kept in a subsidiary record. This is considered desirable where such transactions are numerous. If, however, the number is small the items may be posted separately and described in the account. In this manner it will at all times reflect the amounts due from each employee and a subsidiary record is not necessary.

It is the custom of some companies to consider prepaid salaries as advances to employees and record the transactions along with accounts receivable. It is believed a better practice, however, to show prepaid salaries in a separate account.

PREPAID INSURANCE AND BONDS (3.32)

Debit:

1. The amounts of all insurance and bond premiums.

(If payment is postponed, credit the insurance company; otherwise credit Cash in Bank account.)

NOTE.—All unpaid insurance and bond premiums should be recorded in this account before the amount of expired premiums is determined at the end of a fiscal period.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amounts of any refunds on canceled policies.
(Debit General Cash.)

NOTE.—If the refund is in the form of a credit memorandum, the insurance company rather than General Cash is debited.

2. The amounts of expired insurance and bond premiums applicable to a fiscal period.

(Debit Insurance and Bonds Expense.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry all insurance and bond premiums and to show the unexpired portion on the books as an asset at the end of each fiscal period and as a bookkeeping device by which this expense is properly allocated to the periods in which it is incurred. The debit balance at the end of a fiscal period reflects the amount of the unexpired insurance and bond premiums. Separate postings should be made of premiums for different types of insurance and bonds and the type of coverage described in the ledger account.

Where payments of all insurance and bond premiums are debited directly to an Insurance and Bonds *Expense* account, the bookkeeping procedure is somewhat different. In such cases the necessary procedure is: (1) At the end of each fiscal period credit Insurance and Bonds Expense and debit Prepaid Insurance and Bonds with the amount of the unexpired insurance premiums; and (2) in reopening the books for a subsequent fiscal period the Prepaid Insurance and Bonds account is immediately closed out by crediting that account and debiting Insurance and Bonds Expense in the new fiscal period with the debit balance. Under this method it may also be necessary to open an Accrued Insurance and Bonds account which would be operated in the same way as any other accrued expense account.

ELEVATOR SUPPLIES—INVENTORY (3.33)

Debit:	Credit:
<p>At the end of each fiscal period the cost of elevator supplies on hand is entered in the debit General Ledger column in the journal and posted from there to the debit side of this account.</p> <p>(Credit Elevator Supplies Expense account.)</p>	<p>At the beginning of each fiscal period the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.</p> <p>(Debit Elevator Supplies Expense account in the new fiscal period.)</p>

This account is opened to show this asset on the books and as a bookkeeping device to allocate such items of expense to the proper fiscal periods.

OFFICE SUPPLIES AND POSTAGE—INVENTORY (3.34)

Debit:

At the end of each fiscal period the cost of office supplies and postage on hand is entered in the debit General Ledger column in the journal and posted from there to the debit side of this account.

(Credit Office Supplies and Postage—Expense account.)

Credit:

At the beginning of each fiscal period the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.

(Debit Office Supplies and Postage Expense account in the new fiscal period.)

This account is opened to show this asset on the books and as a bookkeeping device to allocate this expense to the proper fiscal periods.

Where such items are negligible this account may not be necessary and therefore is not opened.

POWER AND HEAT FUEL—INVENTORY (3.35)

Debit:

At the end of each fiscal period the cost of power and heat fuel on hand is entered in the debit General Ledger column in the journal and posted from there to the debit side of this account.

(Credit Power, Light, Water, and Heat account.)

Credit:

At the beginning of each fiscal period the debit balance shown in this account at the end of the preceding fiscal period is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account, thus closing it.

(Debit Power, Light, Water, and Heat account in the new fiscal period.)

This account is opened to show this asset on the books at the end of each fiscal period and as a bookkeeping device by which the cost of these items is allocated to the proper fiscal periods. Where heat fuel is drawn from fuel purchased for resale, there will not, of course, be any inventory of that item.

In connection with the various inventories indicated in this report, other than grain and merchandise, it should be explained that all of

them may very easily be, and often are, carried in one inventory account. Under such procedure, although not necessary, it is a good practice to post separately and describe each item for which separate purchase accounts are opened in the general ledger. This procedure facilitates preparation of statements and journal entries in reopening the books and is desirable for analysis purposes.

PREPAID MISCELLANEOUS OPERATING EXPENSE (3.36)

See Prepaid Salaries and Wages (3.31).

PREPAID MISCELLANEOUS ADMINISTRATIVE EXPENSE (3.37)

See Prepaid Salaries and Wages (3.31).

Current Liabilities

NOTES PAYABLE—TRADE (4.11)

Debit:

1. The amounts of all payments made on these notes.
(Credit Cash in Bank.)
2. The unpaid balance of old trade notes canceled by renewal notes.
(Credit this account. See credit No. 2.)

Postings of debit entries are usually made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The face value of all trade notes issued.
(Debit accounts affected at time notes are issued.)
2. The face value of renewal notes issued in cancellation of old trade notes.
(Debit this account. See debit No. 2.)

NOTE.—This entry does not affect any other account. The new note merely replaces the old. It is necessary, however, that the transaction be recorded on the books.

Postings of credit entries are usually made from individual entries in the credit General Ledger column in the journal.

This account is opened to show on the books the current liability for notes issued by the company in settlement of ordinary accounts payable. See other accounts for notes issued for other purposes.

Under the procedure outlined above, the account is operated as a controlling account in the general ledger and implies that individual accounts are kept with the holders of the notes in a subsidiary record. Under the indicated procedure, however, all entries are postings of single items; thus, where the number of such transactions is negligible and entries are properly described, a subsidiary record is not required.

NOTES PAYABLE—BANKS (CURRENT LOANS) (4.12)

See Notes Payable—Trade (4.11).

NOTES PAYABLE—OFFICIALS AND MEMBERS (4.13)

Debit:

1. The amounts of all payments made on these notes.
(Credit Cash in Bank.)
2. The unpaid balance of old notes canceled by renewal notes.
(Credit this account. See credit No. 2.)

Postings of debit entries are usually made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is inactive, this procedure will not be necessary.

Credit:

1. The face value of all notes issued to officials and members.
(Debit accounts concerned.)
2. The face value of renewal notes issued in cancellation of old notes.
(Debit this account. See debit No. 2.)

NOTE.—This entry does not affect any other account. The new note merely replaces the old note. It is necessary, however, that the transaction be recorded on the books.

Postings of credit entries are usually made from individual entries in the credit General Ledger column in the journal.

It is desirable that a separate notes payable account be opened to carry notes issued to officials and members of the company.

Under the procedure outlined above, the account is operated as a controlling account in the general ledger and implies that individual accounts are kept with the holders of the notes in a subsidiary notes

payable ledger. Postings to the account, however, usually are entries of individual items; thus, where the number of such transactions is small and entries are properly described, a subsidiary ledger is not needed.

ACCOUNTS PAYABLE—TRADE (4.14)

Debit:

1. The amounts of all payments made on these accounts.
(Credit Cash in Bank. If any notes are given in payments of accounts, credit Notes Payable—Trade.)
2. The amounts of any recorded invoices where the articles are returned.
(Credit grain, merchandise or supply purchases accounts concerned.)
3. The amounts of any allowances and refunds on invoices previously credited to this account.
(Credit grain, merchandise, or supply purchases accounts concerned.)
4. The amounts of any cash and trade discounts deducted from invoices previously credited to this account.
(Credit Discounts Earned.)

Postings of debit entries are usually made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amounts of all invoices of grain, merchandise, and supplies purchased on credit.
(Debit grain, merchandise or supply purchase accounts concerned.)

NOTE.—All invoices should be checked against the items and verified before they are entered in the journal.

Postings of credit entries are usually made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry the amount of invoices for grain, merchandise, and supplies purchased on credit. Another account is opened to carry other types of accounts payable. Under the indicated procedure, the account is operated as a controlling account in the

general ledger and implies that individual accounts are kept with creditors in a subsidiary ledger. As outlined, however, postings are entries of single items; thus, where such entries are few and are properly described, a subsidiary record is not necessary. A better plan, in such cases, may be separate accounts in the general ledger proper with the different firms.

ACCOUNTS PAYABLE—OTHER (4.15)

This account is opened to carry items that could not be classified as trade accounts payable. See Accounts Payable—Trade.

INDIVIDUAL DEPOSITS—MEMBERS AND PATRONS (4.16)

Debit:

1. Amounts withdrawn by depositors.
(Credit Cash in Bank or other accounts concerned.)
2. The amounts of purchases and other items charged to depositors' accounts.
(Credit accounts concerned.)

Postings of debit entries are usually made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. Amounts deposited or left with the company on open account by members and patrons.
(Debit General Cash or other accounts concerned.)
- NOTE.—See Time Certificates—Members and Patrons and Certificates of Indebtedness—Loans for handling other monies that may be deposited with the company by members and patrons.

Postings of credit entries are usually made from individual entries in the credit General Ledger column in the journal.

This account is opened for the purpose of properly classifying the amount due members and patrons, for money deposited with the company on open account, as a liability on the books at the close of a fiscal period. In many cases it is a regular accounting practice of local elevators to handle deposits of members and patrons in the same manner as payments on accounts. The result of this procedure is that frequently at the end of a fiscal period many individual accounts receivable show credit balances. This is often responsible for an

erroneous statement of accounts receivable in the Balance Sheet. A better practice is to show credit balances as liabilities and the correct amount for accounts receivable.

Under the procedure outlined above the account is operated as a controlling account in the general ledger and implies that individual accounts are kept with members and patrons in a subsidiary ledger. Under this method the individual entries must be posted to both the control and individual accounts.

If these items are carried on the books as accounts receivable, postings are made from the Accounts Receivable columns in the journal rather than the General Ledger columns as indicated above.

NOTES RECEIVABLE DISCOUNTED (4.17)

[Payment Guaranteed]

Debit:	Credit:
<p>1. The face value of all discounted notes when reported paid by the discounting agency. (Credit Notes Receivable.)</p> <p>2. The amount of any discounted notes redeemed by the company. (Any interest that has accrued between dates of maturity and redemption is debited to Interest Paid.) (Credit Cash in Bank. This transaction merely transfers the note back to the company and the Notes Receivable asset account is not affected.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>1. The face value of all notes discounted where payment is guaranteed by the company. (Debit Cash in Bank with the proceeds. The discount is debited to Interest Paid account.)</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>

This account is opened to carry any discounted notes receivable, payment of which is guaranteed by the company, as a contingent liability on the books until such notes are paid or redeemed. It is not necessary to open this account if notes are discounted without recourse. Under such circumstances, the Notes Receivable account is credited with the face value of the notes discounted and the discount is debited to the Interest Paid account.

OPEN TRADES—LOSS (4.18)

Debit:

At the beginning of each fiscal period the credit balance at the end of the preceding fiscal period is entered in the debit General Ledger column in the Journal and posted from there as a debit to this account—thus closing it.

(Credit the grain purchases accounts concerned in the new fiscal period.)

NOTE.—This entry in the new fiscal period is exactly the reverse of the credit entry at the end of the preceding fiscal period.

Credit:

At the end of each fiscal period the estimated loss on open trades is entered in the credit General Ledger column in the Journal and posted from there as a credit to this account.

(Debit the grain purchase accounts concerned.)

NOTE.—The different grains should be posted separately to facilitate preparation of reopening entries.

See Accounts Receivable—Grain Commission Companies.

See Wheat—Purchases, and Wheat—Sales accounts.

This account is opened to show this estimated loss as a contingent liability on the books at the end of each fiscal period and as a book-keeping device to offset the gains reflected in hedged grain inventories, computed on basis of market value, which are credited to purchases. The balance shown at the end of a fiscal period is credited to the grain purchases accounts concerned in the subsequent fiscal period as a means of adjusting hedged grain inventories, debited to these accounts at market value, to a cost basis. Any losses sustained on *closed* trades are debited to the grain sales accounts concerned.

STORAGE GRAIN LIABILITY (4.21)

Debit:

At the beginning of each fiscal period the credit balance shown in this account at the end of the preceding fiscal period is entered in the debit General Ledger column in the Journal and posted from there to the debit side of the account, thus closing it.

(Credit Grain Inventory—Stored Grain. This entry is exactly the reverse of the entry shown on the credit side.)

Credit:

At the end of each fiscal period the market value of any un-owned stored grain is entered in the credit General Ledger column and posted from there to the credit side of this account.

(Debit Grain Inventory—Stored Grain.)

This account is opened to show this contingent liability on the books at the end of a fiscal period. Such procedure is necessary only in those states where the laws require that evidence of this liability be shown on the books. See Grain Inventory—Stored Grain account.

STATE SALES TAXES (PAYABLE) (4.22)

Debit:

1. The amounts of all sales taxes forwarded to the State tax collecting agency.

(Credit Cash in Bank.)

2. The amounts of any taxes refunded on account of the return of a previously recorded sale.

(Credit Accounts Receivable or other accounts concerned.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all sales taxes for which the company is liable.

(Debit General Cash, Accounts Receivable or other accounts concerned.)

Postings of credit entries are made from the monthly totals of the credit Sales Tax column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

This account is opened to show this liability on the books until these taxes are forwarded to the tax collecting agency. The credit balance in the account at the close of a fiscal period reflects a current liability and is so shown on the financial statements.

It should be the practice to segregate sales taxes from sales regardless of the terms of sale and the amount of the tax should be entered in a journal column separate from that provided for the commodity. Where the number of sales is small, credit entries may be handled through the General Ledger column, thus eliminating the need for a special column.

This item has no place in the operating accounts because the purchaser pays the tax and the company from an accounting standpoint is concerned only as an intermediary collecting agency. Where the company pays a sales or business tax out of proceeds from sales, such a tax is chargeable to expense and is so handled in the book accounts. See other Taxes and Licenses account.

SOCIAL SECURITY TAXES—COLLECTED FROM EMPLOYEES (4.23)

Debit:

1. The amounts of these taxes forwarded to the tax-collecting agency.
(Credit Cash in Bank.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amounts of social security taxes collected or due from employees.
(Debit General Cash or other accounts concerned.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this liability on the books until these taxes are forwarded to the tax-collecting agency. No operating account is involved in connection with the taxes contributed by employees. In other words, from an accounting standpoint the company is concerned only as an intermediary collecting agency. See separate account for that part of the social security tax that is paid by the company.

RESERVE FOR FEDERAL INCOME TAXES (4.24)

Debit:

1. The amounts of all payments of Federal income tax for which the reserve was created.
(Credit Cash in Bank.)
2. Any excess in the amount currently appropriated to the reserve and the amount of tax actually paid—thus closing the account.
(Credit Undistributed Income or Surplus as the case may be.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts currently appropriated to the reserve.
(Debit Net Income and Loss.)
2. The amount of any deficiency in the appropriation to the reserve and the amount of tax actually paid—thus closing the account.
(Debit Undistributed Income or Surplus as the case may be.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this liability on the books and to reflect the probable tax as a deduction from net income in the fiscal period to which it is applicable.

In the event that the amount appropriated to the reserve in a current period is more than the actual tax payment, the balance should be transferred as a credit to the Undistributed Income or Surplus accounts and contrariwise these accounts are debited with any deficiency. In other words, the amounts appropriated to the reserve account for the different fiscal periods should be treated independently. In this manner, the reserve account is always closed out before an appropriation for a subsequent period is made or else the reserves appropriated for the different periods should be carried in separate accounts.

RESERVE FOR STATE INCOME TAXES (4.25)

See Reserve for Federal Income Taxes (4.24).

DIVIDENDS PAYABLE—CAPITAL STOCK (4.26)

Debit:

1. The amounts paid in cash or applied as credits on accounts.

(If paid by check, credit Cash in Bank. If applied on accounts, credit Accounts Receivable.)

2. The amounts of dividends unclaimed.

(Credit Unclaimed Dividends or Surplus.)

See explanation below.

Postings of debit entries are usually made from the totals of individual entries in the debit General Ledger column in the journal.

(The individual entries are posted to the accounts kept with stockholders in a subsidiary ledger.)

Credit:

1. The amounts of all dividends declared on capital stock.

(Debit Undistributed Income or Surplus, as the case may be.)

NOTE.—It is preferable that the dividend be computed and entered before the books are closed for the current fiscal period.

Postings of credit entries are usually made from the totals of individual entries in the credit General Ledger column in the journal.

(The individual entries are posted to the accounts kept with stockholders in a subsidiary ledger.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

This account is operated as a controlling account in the general ledger accounts kept with stockholders in a dividends payable ledger or register. Frequently, the Patronage ledger is so devised that it can be used for this purpose.

Unclaimed dividends should not remain on the books as a current liability beyond a reasonable period of time; generally at the end of the subsequent fiscal period, they should be transferred either to an Unclaimed Dividends account. This account, in turn, may be transferred later to Surplus.

Separate accounts should be opened for dividend declarations of different fiscal periods.

DIVIDENDS PAYABLE—PATRONAGE (4.27)

Debit:

1. The amounts paid in cash or applied as credits on accounts and capital stock. (If paid in cash, credit Cash in Bank. If credited to patron's account, credit Accounts Receivable. If applied on purchase of capital stock, credit Capital Stock Credits.)
2. The amounts of dividends unclaimed. (Credit Unclaimed Dividends or Surplus.)
See explanation below.

Postings of debit entries are made from the totals of individual entries in the debit General Ledger column in the journal. The individual entries are posted to the accounts kept with patrons in the Patronage ledger.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amounts of all patronage dividends declared. (Debit Undistributed Income.)

NOTE.—It is preferable that the dividend be computed and entered on the books before the books are closed for the current fiscal period.

Postings of credit entries are made from the totals of individual entries in the credit General Ledger column in the journal. The individual entries are posted to the accounts kept with patrons in the Patronage ledger.

This account is operated as a controlling account in the general ledger of the individual accounts kept with patrons in a subsidiary record, usually a Patronage ledger. The account should at any given time reflect the current liability for all patronage dividends that have been actually declared. See Reserves for Dividends Deferred and Unclaimed Dividends accounts.

Unclaimed dividends should not remain on the books as a current liability beyond a reasonable period; generally at the end of the subsequent fiscal period they should be transferred to an Unclaimed Dividends account. This account, in turn, may be transferred later to Surplus. It is also desirable to open separate accounts to carry the dividend declarations of different fiscal periods, particularly where detailed postings are made to the general ledger account.

ACCRUED SALARIES AND WAGES (4.31)

Debit:	Credit:
<p>At the beginning of each fiscal period the credit balance shown in the account at the end of the preceding fiscal period is entered in the debit General Ledger column in the journal and posted from there to the debit side of the account, thus closing it.</p> <p>(Credit the salaries and wages expense accounts concerned in the new fiscal period. This entry is exactly the reverse of the entry shown on the credit side.)</p>	<p>At the end of each fiscal period the amount of accrued salaries and wages is entered in the credit General Ledger column in the journal and posted from there to the credit side of this account.</p> <p>(Debit the salaries and wages expense accounts concerned.)</p> <p>NOTE.—Where individual accounts are carried with employees for unpaid salaries, the amount should be shown on the Balance Sheet as Accrued Salaries and Wages rather than Accounts Payable.</p>

This account is opened to show this liability on the books and as a bookkeeping device by which this expense is reflected in the fiscal period in which it was incurred. Upon reopening the books the account is closed by transferring the balance to the salaries and wages accounts concerned in the new fiscal period.

ACCRUED INTEREST—PAYABLE (4.32)

Debit:

At the beginning of each fiscal period the credit balance shown in this account at the close of the preceding fiscal period is entered in the debit General Ledger column in the Journal and posted from there to the debit side of the account, thus closing it.

(Credit Interest Paid account in the new fiscal period. This entry is exactly the reverse of the entry shown on the credit side.)

Credit:

At the end of each fiscal period the amount of accrued interest owed by the company is entered in the credit General Ledger column in the Journal and posted from there to the credit side of this account.

(Debit Interest Paid account.)

NOTE.—The account should reflect interest accrued on trade and ordinary notes payable, bonds, mortgage notes payable, balances due grain firms, balances due members, members' time deposits, certificates of indebtedness, and any other interest-bearing debt of the company.

This account is opened to show this liability on the books and as a bookkeeping device by which unpaid interest is reflected in the fiscal period in which it was incurred.

Upon reopening the books, the account is closed by transferring the balance to the Interest Paid account in the new fiscal period.

ACCRUED SOCIAL SECURITY TAXES (4.33)

See Accrued Interest—Payable (4.32).

ACCRUED OTHER TAXES AND LICENSES (EXCLUDING INCOME, SALES,
AND SOCIAL SECURITY TAXES) (4.34)

See Accrued Interest—Payable (4.32).

ACCRUED POWER, LIGHT, AND WATER (4.35)

See Accrued Interest—Payable (4.32).

ACCRUED TELEPHONE AND TELEGRAPH (4.36)

See Accrued Interest—Payable (4.32).

ACCRUED RENT AND LEASE (4.37)

See Accrued Interest—Payable (4.32).

NOTE.—The various accrued expense accounts are opened to show these liabilities on the books at the end of each fiscal period and as devices by which these expenses are reflected in the fiscal period in which they were incurred. Usually the only postings to these accounts are the opening and closing entries; therefore, it is practical to carry all of these items in one appropriate general ledger account. Separate accounts are listed primarily to direct attention to the various items that must be considered and to define more clearly the necessary journal entries. Where only one account is carried in the General Ledger, all entries should be described to facilitate preparation of the reopening journal entry by which the balances are transferred to the various expense accounts in the subsequent fiscal period.

Under the procedure indicated, all payments of accrued expense items are debited directly to the various expense accounts concerned and, for that reason, upon reopening the books, the balances shown in the accrued accounts are transferred to the proper expense accounts in the new fiscal period.

Where an analysis of the expense account is desirable and to facilitate preparation of the reopening entry, the amounts of dissimilar accrued items should be entered separately. Thus, in establishing the Accrued Taxes account, separate entries should be made for accrued property tax, accrued corporation tax, etc.

TANK WAGON COMMISSIONS—PAYABLE (4.38)

Debit:

1. The amounts of all payments of accrued or withheld commissions.

(Credit Cash in Bank or other accounts concerned.)

2. The amounts of any accounts receivable charged off for which commissions are withheld as a guarantee of payment.

(Credit Accounts Receivable.)

Postings of credit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

Credit:

1. The amounts of all commissions accrued or withheld during a current fiscal period.

(Debit Tank Wagon Expense.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to show this liability on the books and as a bookkeeping device by which this expense is charged to the fiscal period in which it was incurred. If properly operated, it will at any given time reflect the amount of tank wagon commissions owed by the company. Frequently, the credit balance shown in this account reflects commissions withheld as a protection against possible losses from credit extended by the tank wagon driver for which he is held responsible. Under these circumstances, the account is always active; therefore, upon reopening the books for a new fiscal period, it is not closed out to the corresponding expense account as is usually the case with accrued expense accounts.

ACCRUED MISCELLANEOUS OPERATING EXPENSE (4.39)

See Accrued Interest—Payable (4.32).

ACCRUED MISCELLANEOUS ADMINISTRATIVE EXPENSE (4.3A)

See Accrued Interest—Payable (4.32).

Deferred, Contingent, and Fixed Liabilities

TIME CERTIFICATES—MEMBERS AND PATRONS (5.11)

Debit:

1. The amounts of all payments on these certificates.
(Credit Cash in Bank.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the Journal.

(Where individual accounts are kept with the holders of these certificates in a subsidiary ledger these entries are also posted to those accounts.)

Credit:

1. The amounts of all time certificates issued.
(Debit accounts concerned.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the Journal.

(Where individual accounts are kept with the holders of these certificates in a subsidiary ledger these entries are also posted to those accounts.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

CERTIFICATES OF INDEBTEDNESS (LOANS) (5.12)

Debit:

1. The amounts of all payments on these certificates.
(Credit Cash in Bank.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

(Where individual accounts are kept with the holders of these certificates in a subsidiary ledger, these entries are also posted to those accounts.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts of all certificates issued.
(Debit accounts concerned.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

(Where individual accounts are kept with holders of these certificates in a subsidiary ledger, these entries are also posted to those accounts.)

This account is opened to show on the books the liability for certificates of indebtedness, for money borrowed, separately from certificates of indebtedness issued as evidences of capital contributions by members.

UNCLAIMED DIVIDENDS (5.21)

Debit:

1. The amounts of all payments of dividends transferred to this account.
(Credit accounts concerned.)
2. The amounts of all unclaimed dividends transferred to surplus because of improbability of payment.
(Credit Surplus.)

Postings of debt entries are made from individual entries in the debit General Ledger column in the journal. These entries are also posted to the accounts kept with patrons in a subsidiary ledger.

Credit:

1. The amounts of all dividends payable which are unclaimed at the end of the period subsequent to the dividend declaration.
(Debit Dividends Payable.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

This account is opened to show unclaimed dividends, payment of which appears doubtful, temporarily on the books as a contingent liability. If, at the end of the period of legal liability, payment of a dividend is highly improbable, the amount should be transferred to Surplus. See debit No. 2.

RESERVES FOR DIVIDENDS DEFERRED (5.22)

Debit:	Credit:
<ol style="list-style-type: none"> 1. The amounts of all payments of dividends for which the reserve was created. (Credit accounts concerned.) 2. The amounts of the reserve transferred to Surplus. (Credit Surplus.) <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<ol style="list-style-type: none"> 1. The amount appropriated to a reserve for dividends, payment of which is deferred. (Debit Undistributed Income or Surplus, as the case may be.) <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

This account is opened to carry a reserve for dividends, payment of which is probable but deferred until some future date. It is operated as a control account in the General Ledger and implies that individual accounts will be kept with the stockholders and patrons in a subsidiary ledger. Frequently, the Patronage Ledger is used for this purpose. Under such circumstances the entries are also posted to those accounts.

Where the action of the board of directors represents an unqualified dividend declaration and payment is temporarily deferred, such dividends are carried in the Dividends Payable account and are shown on the Balance Sheet as a current liability. On the other hand, if it merely represents an earmarking of Surplus to cover payment of a probable dividend, the dividends are carried in the above account and are shown on the Balance Sheet as a contingent liability.

RESERVES FOR UNCOMPLETED CONTRACTS (5.23)

See Reserves for Sundry Contingencies (5.26).

RESERVES FOR LIABILITY ON PURCHASE CONTRACTS (5.24)

See Reserves for Sundry Contingencies (5.26).

RESERVES FOR EDUCATIONAL FUND (5.25)

Debit:

1. The amounts of any disbursements for purposes for which the fund was created.
(Credit accounts concerned.)
2. Amounts transferred to Surplus when it is desirable to decrease the fund.
(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. Amounts appropriated to the fund.
(Debit Undistributed Income or Surplus, as the case may be.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

RESERVE FOR SUNDRY CONTINGENCIES (5.26)
(Income Taxes in Dispute, Etc.)

Debit:

1. The amount of any disbursements for purposes for which the reserve was created.
(Credit accounts concerned.)
2. Amounts transferred to Surplus when it is desirable to decrease the reserve.
(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. Amounts appropriated to the reserve.
(Debit Surplus or Undistributed Income, as the case may be.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

MORTGAGE NOTES—PAYABLE (5.31)

Debit:

1. The amounts of all payments made on mortgage notes.
(Credit Cash in Bank.)
2. The amounts of old notes canceled by renewals.
(Credit this account.)

NOTE.—No other account is affected by this transaction. The entry merely removes the old note with a corresponding credit for the new. (See credit No. 2.) It is necessary, however, that the transaction be recorded on the books.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all mortgage notes issued.
(Debit accounts concerned.)
2. The amounts of all new notes issued in cancellation of old notes.
(Debit this account. See debit No. 2.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Capital Stock, Reserves, and Surplus

CAPITAL STOCK—AUTHORIZED

Except in those cases where the total authorized capital stock is subscribed and fully paid at time of opening the books, it is not necessary to record the money value of authorized capital stock in the books. The par value per share and the number of shares authorized can be recorded, for statement purposes, in memorandum form in the Capital Stock—Outstanding account.

Where the total authorized capital stock is subscribed, fully paid and issued at time of opening the books, the account may be captioned "Capital Stock—Authorized, Fully Issued and Outstanding." Under these circumstances, it will not at this time be necessary to open accounts for Capital Stock Subscriptions—Receivable, and Capital Stock—Subscribed.

CAPITAL STOCK—SUBSCRIBED (6.11)

Debit:

1. The par value of all shares of capital stock fully paid and issued.

(Credit Capital Stock—Outstanding.)

2. The par value of any stock canceled as a result of capital stock subscriptions charged off as uncollectible.

(Credit Capital Stock Subscriptions—Receivable with any *unpaid* balance. Any difference in the par value and the unpaid balance, if no refunds are made, is posted to an appropriate gain account.)

3. The par value of any stock canceled as a result of capital stock notes receivable charged off as uncollectible. (In those cases where Capital Stock—Subscribed is debited and Capital Stock—Outstanding credited for stock paid for by notes, Capital Stock—Outstanding is debited with the par value of stock covered by such notes that are charged off.)

(Credit Capital Stock Notes Receivable with any unpaid balance. Any difference in the par value and the unpaid balance, if no refunds are made, is posted to an appropriate gain account.)

Credit:

1. The par value of all shares of capital stock subscribed.

(Debit Capital Stock Subscriptions—Receivable.)

CAPITAL STOCK—SUBSCRIBED (6.11)—Continued

Debit:

4. The par value of stock covered by capital stock subscriptions canceled by agreement.

(Credit Capital Stock Subscriptions—Receivable with any unpaid balance. Any difference in the par value and the unpaid balance, if no refunds are made, is posted to an appropriate gain account.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side.

This account is opened for the purpose of carrying subscribed stock, purchased on the partial or deferred payment plan, pending final payment and issuance of stock certificates. (See explanation of book-keeping procedure for Capital Stock Subscriptions—Receivable.)

When the total authorized capital stock is fully paid and issued, there may be no further need for this account and it usually disappears from the books.

CAPITAL STOCK—TREASURY STOCK (6.12)

Debit:

1. The par value of fully paid and issued shares of capital stock reacquired by purchase, donations, or taken in payment of a debt and held for resale.

(If stock is purchased with a check, credit Cash in Bank. If taken in payment of a debt, credit the receivable account concerned. If do-

Credit:

1. The par value of fully paid and issued shares of capital stock reacquired as treasury stock subsequently canceled and reissued.

(Debit accounts concerned.)

2. The par value of fully paid and issued shares of capital stock reacquired as treasury stock subsequently canceled and not reissued.

CAPITAL STOCK—TREASURY STOCK (6.12)—Continued

Debit:

nated to the company, credit Surplus or close to Surplus through a special gain account.) These entries are also posted as debits to the individual accounts kept with stockholders in a stock ledger or register.

NOTE.—When treasury stock is used for collateral purposes notation of this fact should be recorded in the account.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

This account is opened to carry fully paid and issued capital stock reacquired by the company and held pending resale or cancellation. Treasury stock is shown on the books as an asset but ordinarily is shown on the Balance Sheet as a deduction from Capital Stock—Outstanding. Any difference between par value and cost of shares reacquired is carried to Surplus or closed to Surplus through a special loss or gain account. Where stock is reacquired and resale is not contemplated, it is not carried in this account but should be immediately canceled and Capital Stock—Outstanding is credited with the par value. The transactions involving purchase and resale of capital stock are also recorded in the individual accounts kept with stockholders in a subsidiary record.

CAPITAL STOCK—OUTSTANDING (6.13)

Debit:

1. The par value of fully paid and issued shares of capital stock reacquired by purchase and immediately canceled.
(Credit Cash in Bank.)

Credit:

(Debit Capital Stock—Outstanding.)

3. The amount of depreciation in the value of treasury stock as a result of a reduction in the par value of shares.

(Debit Surplus.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

Credit:

1. The par value of all shares of capital stock fully paid and issued.
(Debit Capital Stock—Subscribed. If any stock is sold at a price higher than

CAPITAL STOCK—OUTSTANDING (6.13)—Continued

Debit:

2. The par value of fully paid and issued shares of capital stock donated to the company and immediately canceled.

(Credit Surplus or close to Surplus through a special gain account.)

3. The par value of any stock reacquired as treasury stock and subsequently canceled.

(Credit Treasury Stock.)

4. The par value of fully paid and issued shares of capital stock taken in payment of a debt and immediately canceled.

(Credit accounts concerned.

If par value of stock is greater than the debt and no refund is made, credit the difference to Surplus or close to Surplus through a special gain account. If the debt has previously been charged off as uncollectible, credit Bad Debts Collected.)

5. The amount of depreciation in the value of capital stock outstanding resulting from a reduction in the par value of shares.

(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal. (With the exception of debit No. 3, these entries are also posted to the individual accounts kept with stockholders in a subsidiary ledger.)

Credit:

par value, the difference is credited to Surplus.)

2. The par value of all shares of capital stock issued in lieu of patronage dividends withheld as capital stock credits.

(Debit Capital Stock Credits.

If the amount of stock credits required is greater than the par value of a share of capital stock, credit the difference to Surplus.)

3. The par value of all shares of capital stock issued as stock dividends.

(Debit Surplus.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. (These entries are also posted to the individual accounts kept with stockholders in a subsidiary ledger.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side.

This account is opened to show on the books the amount of capital stock fully paid, issued, and outstanding. Under the procedure outlined, credit postings to this account are Journal entries made at time stock becomes fully paid and stock certificates actually issued. Where full payment is made at time stock is subscribed, the procedure permits posting of the credit entry directly to this account and such transactions do not have to be cleared through the Capital Stock Subscriptions—Receivable and Capital Stock—Subscribed accounts. (See explanation of Capital Stock Subscriptions—Receivable account.)

CERTIFICATES OF INDEBTEDNESS—CAPITAL (6.14)

Debit:

1. The face value of all certificates redeemed.
(If it is a cash transaction credit Cash in Bank. If it is a settlement of a debt credit account concerned.)
2. The face value of any certificate donated to the company.
(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal. (These entries are also posted to the individual accounts kept with holders of certificates in a subsidiary ledger.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The face value of all certificates issued.
(The terms under which the certificates are issued should indicate the account or accounts to be debited.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal. (These entries are also posted to the individual accounts kept with holders of certificates in a subsidiary ledger.)

This account is opened to carry those certificates of indebtedness that are issued for capital purposes. Under the procedure outlined above it is operated as a controlling account in the general ledger and implies that individual accounts are kept with the holders of certificates in a subsidiary ledger.

CAPITAL STOCK CREDITS—PAYABLE (6.15)

Debit:

1. The par value of capital stock issued against these credits. (Credit Capital Stock—Outstanding. If the amount of stock credits required is greater than the par value of the stock, the difference is credited to Surplus.)
2. The amounts of stock credits otherwise disposed of. (Credit accounts concerned.) See explanation below.

Postings of debit entries are made from individual entries in the debit General Ledger column in the Journal. (These entries are also posted as debits to the various accounts kept with patrons in a subsidiary ledger.)

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts of dividends withheld as capital stock credits. (Debit Dividends Payable—Patronage.)
NOTE.—These dividends may be carried directly to the Capital Stock Credits account without first recording them as patronage dividends payable.

Postings of credit entries are made from individual entries in the credit General Ledger column in the Journal. (These entries are also posted as credits to the various accounts kept with patrons in a subsidiary ledger.)

Under the procedure outlined above the account is operated as a controlling account in the general ledger of the various accounts kept with patrons in a subsidiary record. The Patronage ledger may be suitable for this purpose.

Stock credits should not be carried on the books for an indefinite period of time. If, at the end of the period of legal liability, it is ascertained that a former patron has moved away or has discontinued his patronage before accumulating the amount of credits required to purchase a share of stock, the amount to his credit should be transferred to Surplus. See debit No. 2.

STATUTORY RESERVES (6.21)

Debit:

1. The amounts of any disbursements for purposes for which the reserve was created.

(Credit accounts concerned, usually Surplus.)

2. The amounts transferred to Surplus when it is desirable to decrease the reserve.

(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

Credit:

1. The amounts appropriated to the reserve.

(Debit Undistributed Income or Surplus, as the case may be.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry these reserves on the books until they have answered the purposes for which they were created. See Reserves for Sinking Fund (6.22).

RESERVES FOR SINKING FUND (6.22)

Debit:

1. The amount of any disbursements for purposes for which the fund was created.

(Credit Surplus.)

2. Amounts transferred to Surplus when it is desirable to decrease the fund.

(Credit Surplus.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. Amounts appropriated to the reserve.

(Debit Surplus or Undistributed Income, as the case may be.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The process of balancing and closing this account at the end of a fiscal period and reopening it at the beginning of the next is carried out simultaneously. This is accomplished simply by recording the necessary balancing amount on the side that is deficient, ruling the account, and bringing down the balance on the opposite side. If the account is not active, this procedure will not be necessary.

This account is opened and other sinking fund accounts may be opened to carry on the books allocations of surplus or undistributed income for which special funds are being withheld for specific purposes. Each sinking fund account should be classified to indicate the specific purpose for which the fund was created, viz: Reserve for Sinking Fund—Building Expansion; Reserve for Sinking Fund—Capital Stock Retirement, etc. Generally, a sinking fund denotes that money is actually held in a special deposit account or is properly invested in revenue-producing securities and is not used as working capital. Therefore, when a Reserve for Sinking Fund account is opened on the books, it is necessary to open an appropriate asset account to carry the actual funds withheld or invested until utilized for the purpose for which the reserve was created.

SURPLUS (OR DEFICIT) (6.23)

Debit:

1. The amounts paid in excess of par value of capital stock reacquired.
(Credit accounts concerned.)
2. The par value of capital stock issued as a stock dividend.
(Credit Capital Stock—Outstanding.)
3. The amounts appropriated out of surplus for sinking fund and reserves.
(Credit the reserves and funds concerned.)
4. The amounts appropriated out of Surplus for dividend purposes.
(Credit accounts concerned.)
See Undistributed Income account.
5. The amounts of any adjustments by which the gains of previous fiscal periods are decreased.
(Credit accounts concerned.)
6. The amounts of any extraordinary losses that are not closed to Surplus through the Net Income and Loss account.
(Credit accounts concerned.)
7. The amounts of excessive charge-offs applicable to previous fiscal periods for which no reserves have been created.
(Credit accounts concerned.)
8. The amounts of losses on any sales of treasury stock.
(Credit accounts concerned.)
9. At the end of a fiscal period, the amount of net loss of the period.

Credit:

1. The amounts disbursed for purposes for which sinking funds and statutory reserves have been established.
(Debit funds and reserves concerned.)
2. The amounts of any gains on capital stock reacquired at less than par value.
(Debit Capital Stock—Outstanding.)
3. The amounts of any gains resulting from sales of capital stock at prices higher than par value.
(Debit accounts concerned.)
4. The amounts of any excess in the amount of capital stock credits required and the par value of stock issued in lieu thereof.
(Debit Capital Stock Credits—Payable.)
5. The amounts of any assessments above the par value of shares of capital stock.
(Debit accounts concerned.)
6. The amounts of any collections on defaulted subscriptions to capital stock that are not refunded.
(Debit accounts concerned.)
7. The amounts of any gains on sales of treasury stock.
(Debit accounts concerned.)
8. The par value of any capital stock donated to the company.
(Debit accounts concerned.)
9. The amounts of any donations by which the assets

SURPLUS (OR DEFICIT) (6.23)—Continued

Debit:	Credit:
<p>(Credit Net Income and Loss.)</p>	<p>of the company are increased or the liabilities reduced. (Debit accounts concerned.)</p> <p>10. The amounts of any adjustments by which the gains of previous fiscal periods are increased. (Debit accounts concerned.)</p> <p>11. The amounts of any extraordinary gains that are not closed to Surplus through the Net Income and Loss account. (Debit accounts concerned.)</p> <p>12. The amounts previously set aside as reserves that are transferred to Surplus. (Debit accounts concerned.)</p> <p>13. The amounts of depreciation in the value of capital stock outstanding resulting from a reduction in the par value of shares. (Debit accounts concerned.)</p> <p>14. The amounts of any dividends and capital stock credits payable where payment or redemption is improbable. (Debit accounts concerned.)</p> <p>15. The amount of undistributed income of a fiscal period when closed to Surplus. (Debit accounts concerned.)</p>
<p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>

The procedure in handling extraordinary gains and losses and transferring previously established reserves to Surplus should be determined in the light of income tax rulings.

UNDISTRIBUTED INCOME—PREVIOUS PERIODS (6.24)

Debit:

1. The amounts of any dividends or charges applicable to this undivided income.

(Credit accounts concerned.)

2. The amounts transferred to reserves or Surplus.

(Credit reserve accounts concerned or Surplus as the case may be.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. At the end of each fiscal period, any credit balance shown in the Undistributed Income account of the preceding fiscal period.

(Debit the Undistributed Income account.)

2. The amounts of any transfers from Surplus.

(Debit Surplus.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry on the books undistributed income of previous fiscal periods that may be subject to further disbursements as such.

Ordinarily, before the close of the subsequent fiscal period, the amount still subject to disbursement should be set up as a liability or a reserve for contingencies and the balance transferred to Surplus, thus closing the account. If for practical reasons this is not desirable, a separate account should be opened for undistributed earnings of the current fiscal period.

UNDISTRIBUTED INCOME—CURRENT PERIOD (6.25)

Debit:

1. The amounts transferred to Statutory or other special reserves.

(Credit the reserve account concerned.)

2. The amounts of any dividend declarations on capital stock applicable to this undistributed income.

(Credit Dividends Payable—Capital Stock.)

3. The amounts of any patronage dividend declarations applicable to this undistributed income.

Credit:

1. Any credit balance shown in the Net Income and Loss account at the end of a fiscal period.

(Debit Net Income and Loss.)

2. The amounts of any transfers from reserves or Surplus.

(Debit the reserve account concerned or Surplus as the case may be.)

UNDISTRIBUTED INCOME—CURRENT PERIOD (6.25)—Continued

Debit:	Credit:
<p>(Credit Dividends Payable—Patronage. In the event that an amount is earmarked for a probable dividend payment, credit Reserves for Dividends Deferred.)</p> <p>4. The amounts of any adjustments or charges applicable to this undistributed income.</p> <p>(Credit accounts concerned.)</p> <p>5. Any credit balance shown in this account at the end of the subsequent fiscal period—thus closing it.</p> <p>(Credit Undistributed Income—Previous Periods or Surplus.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Postings of credit entries are made from individual entries in the credit General Ledger Column in the journal.</p>

This account is opened to carry on the books undistributed income of a current fiscal period that may be subject to further disbursements as such. Before the close of the subsequent fiscal period the balance shown in this account should be transferred to the Undistributed Income—Previous Periods or Surplus account, thus closing it.

Trading and Sundry Operations

NET INCOME AND LOSS (7.A1)

Debit:	Credit:
<p>1. Any debit balance shown in the Net Trading and Sundry Operations—Loss and Gain account at the end of a fiscal period.</p> <p>(Credit Net Trading and Sundry Operations—Loss and Gain account.)</p>	<p>1. Any credit balance shown in the Net Trading and Sundry Operations—Loss and Gain account at the end of a fiscal period.</p> <p>(Debit Net Trading and Sundry Operations—Loss and Gain account.)</p>

NET INCOME AND LOSS (7.A1)—Continued

Debit:

2. The debit balances shown in the following accounts at the end of a fiscal period: Interest Paid, Cash Shortage, Income and Expense—Dwellings, Sundry Nonoperating Charges and Extraordinary Losses. (Credit the same accounts indicated above.)

NOTE. — Before recording the journal entries to transfer the balances shown in the above accounts see preclosing journal entries illustrated on pages 46-57.

3. The amounts appropriated to Reserves for Federal and State Income Taxes. (Credit Reserves for Federal Income and State Income Taxes.)

NOTE.—The above entry is not made until the net income has been determined and the approximate amounts of the taxes properly computed. These taxes are considered deductions from rather than charges to net income.

4. Any credit balance shown in this account at the end of a fiscal period—thus closing it. (Credit Undistributed Income—Current Period.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

2. The credit balances shown in the following accounts at the end of a fiscal period: Interest Earned, Discounts Earned, Dividends Earned, Rent Income, Bad Debts Collected, Cash Overage, Income and Expense — Dwellings, Sundry Nonoperating Income, and Extraordinary Gains.

(Debit the same accounts indicated above.)

NOTE. — Before recording the journal entries to transfer the balances shown in the above accounts see preclosing journal entries illustrated on pages 46-57.

3. Any debit balance shown in this account at the end of a fiscal period—thus closing it. (Debit Surplus.)

Postings of credit entries are made from individual entries in the credit general Ledger column in the journal.

NET TRADING AND SUNDRY OPERATIONS—LOSS AND GAIN (7.A2)

Debit:

1. Any debit balance shown in the Gross Trading Income—Grain account at the end of a fiscal period. (Credit Gross Trading Income—Grain.)
2. Any debit balance shown in the Gross Trading Income—Merchandise account at the end of a fiscal period. (Credit Gross Trading Income—Merchandise.)
3. The debit balances shown in all operating and administrative expense accounts at the end of a fiscal period. (See note below.) (Credit the various operating and administrative expense accounts.)

NOTE.—The following items are not to be treated as operating and administrative expenses: Interest Paid, Extraordinary Losses, Federal and State Income Taxes.

Before recording the journal entries to transfer the balances shown in the expense accounts see preclosing journal entries illustrated on pages 46-57.

4. The amount of any credit balance shown in this account at the end of a fiscal period—thus closing it. (Credit Net Income and Loss.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. Any credit balance shown in the Gross Trading Income—Grain account at the end of a fiscal period. (Debit Gross Trading Income—Grain.)
2. Any credit balance shown in the Gross Trading Income—Merchandise account at the end of a fiscal period. (Debit Gross Trading Income—Merchandise.)
3. Any credit balances shown in all miscellaneous operations income accounts at the end of a fiscal period. (See note below.) (Debit the various operations income accounts.)

NOTE.—The balances shown in the nonoperating income accounts are not transferred to this account.

Before recording the journal entries to transfer the balances shown in the miscellaneous operations income accounts see preclosing journal entries illustrated on pages 46-57.

4. The amount of any debit balance shown in this account at the end of a fiscal period—thus closing it. (Debit Net Income and Loss.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened as an intermediary loss and gain account to determine the net income or loss from trading and sundry operations to be carried to the Net Income and Loss account.

GROSS TRADING INCOME—GRAIN (7.A3)

Debit:

1. The debit balances shown in all grain purchase accounts at the end of a fiscal period, after all debit and credit items have been posted to those accounts.

(Credit the various grain accounts.)

NOTE.—Before recording the journal entries to transfer the balances shown in the above accounts see preclosing journal entries illustrated on pages 46-57.

2. The amount of any credit balance shown in this account at the end of a fiscal period — thus closing it.

(Credit Net Trading and Sundry Operations—Loss and Gain.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The credit balances shown in all grain sales accounts at the end of a fiscal period, after all debit and credit items have been posted to those accounts.

(Debit the various grain sales accounts.)

2. The credit balance in the Screenings account at the end of a fiscal period, after all debit and credit items have been posted to that account.

(Debit Screenings.)

NOTE.—Before recording the journal entries to transfer the balances shown in the above accounts see preclosing journal entries illustrated on pages 46-57.

3. The amount of any debit balance shown in this account at the end of a fiscal period—thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened as an intermediary income account to determine the gross gain on all grains to be carried to the Net Trading and Sundry Operations—Loss and Gain account. If purchases and sales of the different grains are posted separately, in preparing the operating statements the gross losses or gains on the various kinds of grains can be compiled from this account.

GROSS TRADING INCOME—MERCHANDISE (7.A4)

See Gross Trading Income—Grain (7.A3).

WHEAT—PURCHASES (7.11)

Debit:

1. At the beginning of each fiscal period, with the value of the inventory of owned wheat at the end of the preceding fiscal period.
(Credit Grain Inventory account.)
2. At the beginning of each fiscal period, with the amount shown in the Open Trades—Gain account at the close of the preceding fiscal period that is applicable to wheat.
(Credit *Open Trades—Gain.*)
3. The amount of all purchases of wheat.

Postings are made from the monthly totals of the Wheat—Purchases column in the Journal. (If a separate journal is used for grain purchases the postings will be made from that record.)

- (Credit accounts concerned.)
4. The amount of loss shown on *open* wheat trades at the close of a fiscal period.
(Credit *Open Trades—Loss.*)
NOTE.—See explanation below.
 5. At the end of a fiscal period, with the market value of any unusual excess weight of the physical over the book inventory.

Credit:

1. At the beginning of each fiscal period with the amount shown in the *Open Trades—Loss* account at the close of the preceding fiscal period that is applicable to wheat.
(Debit *Open Trades—Loss.*)
2. The cost of wheat purchased for resale that is withdrawn, ground, and sold as feed.
(Debit Feed—Purchases account.)
3. The amount of gain shown on *open* wheat trades at the close of a fiscal period.
(Debit *Open Trades.*)
NOTE.—See explanation below.
4. The cost of wheat damaged or destroyed by fire, floods, etc.
(Debit an extraordinary loss account.)
NOTE.—The amount of any claims collected from the insurance company in this connection is credited to the Extraordinary Loss account.
5. The amounts of loss from leakage and damage in transit for which no claims are filed.
(Debit Loss from Leakage and Damage in Transit account.)

WHEAT—PURCHASES (7.11)—Continued

Debit:

(Credit Shrinkage and Scale
Loss—Grain.)

Postings of debit entries, with the exception of purchases, are made from individual entries in the debit General Ledger column in the journal.

Credit:

6. At the end of a fiscal period, the market value of owned wheat on hand and in transit.

(Debit Grain Inventory account.)

NOTE.—See explanation below.

7. The cost of any determined shortages in wheat due to dishonesty of employees.

(Debit Shortages—Employees.)

8. At the end of a fiscal period the cost of indicated shrinkage and shortage, based on net shortage in weights in excess of normal.

(Debit Shrinkage and Scale Loss—Grain.)

NOTE.—See explanation below.

9. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Gross Trading Income—Grain.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The Wheat—Purchases account is shown for illustrative purposes. Usually separate purchase accounts are opened for the principal grains. It is believed that the procedure outlined for this account will apply in all other grain purchase accounts.

A separate account for purchases rather than a joint purchases and sales account is opened for the purpose of facilitating the determination of net cost of wheat purchases and cost of sales, and to avoid the confusion resulting from debit and credit entries to a joint account. Under the procedure outlined, if all proper entries are reflected in the account, the debit balance is the cost of wheat sold.

Estimated losses and gains on *open* trades at the end of a fiscal period are posted to the purchase account to offset losses and gains reflected in inventories of hedged wheat computed on basis of market value. They are not reflected in the Accounts Receivable—Grain Commission Companies account because no tangible claim exists until the transaction is completed. Upon completion of the contract, the net result is posted to the accounts concerned. See Accounts Receivable—Grain Commission Companies and Wheat—Sales accounts.

While, as indicated above, the value of hedged wheat inventories is computed on the basis of market value, unhedged inventories may be valued at cost or market, whichever is the lower, but most frequently grain inventories are valued on the basis of current market prices.

Where wheat is damaged or destroyed by fire or floods, the loss may be carried temporarily in a special loss account. After proceeds of settlement with the insurance company are credited, the net loss or gain is closed to the Net Income and Loss account.

In computing net weight shortage for the purpose of determining cost of wheat unaccounted for, the following should be reckoned in the calculations:

1. Some allowance should be made for quantity and value of screenings.
2. Natural shrinkage, in excess of dockage, and increased value resulting from cleaning.
3. Any loss from leakage and damage in transit that is either covered by railroad claims or by offsetting entries in the Loss from Leakage and Damage in Transit account.
4. The quantity of wheat purchased for resale withdrawn, ground and sold as feed.
5. Wheat destroyed by fire, flood, etc.
6. Any wheat dishonestly disposed of by employees.

After the above calculations have been reckoned and, if the net shortage in weights shows only a normal shrinkage, it is not necessary to open an account to carry the money loss on the books. Any loss resulting from excessive shortage, however, should be calculated and the value properly recorded. In the same way the accounts should reflect the value of any unusual overage.

DURUM—PURCHASES (7.12)

See Wheat—Purchases (7.11).

CORN—PURCHASES (7.13)

See Wheat—Purchases (7.11).

OAT—PURCHASES (7.14)

See Wheat—Purchases (7.11).

RYE—PURCHASES (7.15)

See Wheat—Purchases (7.11).

BARLEY—PURCHASES (7.16)

See Wheat—Purchases (7.11).

FLAX—PURCHASES (7.17)

See Wheat—Purchases (7.11).

SPELT—PURCHASES (7.18)

See Wheat—Purchases (7.11).

SORGHUM—PURCHASES (7.19)

See Wheat—Purchases (7.11).

WHEAT—SALES (7.21)

Debit:

1. The amounts of *realized* losses on hedging transactions.
(Credit Accounts Receivable—Grain Commission Companies, or Margin and Hedging account, if hedging operations are carried in a separate account.)
2. The amounts of unfavorable adjustments due to errors, returned sales, etc.
(Credit account concerned.)
3. The credit balance shown in this account at the end of a fiscal period, thus closing it.
(Credit Gross Trading Income—Grain.)

Credit:

1. The amounts of all sales of wheat.
Postings are made from the monthly totals of the Wheat—Sales column in the Journal.
(Debit accounts concerned.)
2. The amounts of *realized* gains on hedging transactions.
(Debit Accounts Receivable—Grain Commission Companies, or Margin and Hedging account, if hedging operations are carried in a separate account.)
3. The amounts of any railroad claims filed to cover losses from leakage and damage in transit and for delayed delivery.

WHEAT—SALES (7.21)—Continued

Debit:

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

(Debit Railroad Claims.)

NOTE.—In all justifiable cases, claims should be filed for losses due to leakage and damage in transit. See Loss From Leakage and Damage in Transit and Shrinkage and Scale Loss accounts.

Postings of credit entries, with the exception of sales, are made from individual entries in the credit General Ledger column in the journal.

The Wheat—Sales account is shown for illustrative purposes. Usually separate sales accounts are opened for the principal grains. It is believed that the procedure outlined for this account will apply in all other grain sales accounts.

A separate account for sales rather than a joint purchase and sales account is opened for the purpose of facilitating the determination of net trading proceeds and to avoid the confusion resulting from debit and credit entries to a joint account. If all proper entries are reflected in the account, the credit balance represents the proceeds from sales and trades in wheat.

Separate accounts are not indicated for sales of grain sold locally for feed and seed purposes to distinguish from grain shipments, although this may be desirable, where such sales are significant or carry higher prices and margins. A separate account, however, is necessary where grain purchased for resale is converted by grinding and sold as feed. See credit No. 3 in the Wheat—Purchases account.

DURUM—SALES (7.22)

See Wheat—Sales (7.21).

CORN—SALES (7.23)

See Wheat—Sales (7.21).

OATS—SALES (7.24)

See Wheat—Sales (7.21).

RYE—SALES (7.25)

See Wheat—Sales (7.21).

BARLEY—SALES (7.26)

See Wheat—Sales (7.21).

FLAX—SALES (7.27)

See Wheat—Sales (7.21).

SPELT—SALES (7.28)

See Wheat—Sales (7.21).

SORGHUM—SALES (7.29)

See Wheat—Sales (7.21).

SCREENINGS (7.29A)**Debit:**

1. At the beginning of each fiscal period, with the inventory at the close of the preceding fiscal period.
(Credit Screenings Inventory.)
2. The credit balance shown in this account at the close of a fiscal period, thus closing it.
(Credit Gross Trading Income—Grain.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all sales of screenings.
(Debit accounts concerned.)
2. The market value of screenings on hand at the end of a fiscal period.
(Debit Screenings Inventory.)

NOTE.—If a Miscellaneous Sales column is provided in the journal, postings of screenings sales may be made from that column.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

If it is practical to credit sales of screenings directly to the grain from which they originated, it would not be necessary to have an account for screenings in the general ledger.

Frequently, it is not a practice of elevator companies to inventory screenings. In cases of large volume, it seems advisable, in order that the net income from this source is reflected in the earnings of the fiscal period in which the screenings originated.

COAL—PURCHASES (7.31)

Debit:

1. At the beginning of each fiscal period with the value of the coal inventory at the end of the preceding fiscal period.
(Credit Merchandise Inventory.)
2. The amounts of all purchases of coal.
Postings are made from the monthly totals of the Coal Purchases column in the journal.
(Credit accounts concerned.)
3. The amounts of freight, express, extra unloading labor and other direct charges to coal purchases.
(Credit accounts concerned.)
4. The value of any unusual excess of the physical over the book inventory at the end of a fiscal period.
(Credit Shrinkage and Scale Loss.)

Credit:

1. The amounts of recorded invoices where the coal is subsequently returned or refused.
(Debit Accounts Payable.)
2. The cost of coal donated, allowed employees or used for operating purposes.
(Debit accounts concerned.)
NOTE.—If coal is donated, debit Donations. If allowed manager, debit Salary and Allowances—Manager. If used for heating office, debit Power, Light, Water and Heat.
3. The amounts of all allowances and trade discounts received on purchases.
(This does not include cash discounts.)
(Debit accounts concerned.)
4. The cost of coal destroyed or damaged by fire, floods, etc.
(Debit an extraordinary loss account.)
NOTE.—The amounts collected from insurance companies on losses are credited to the extraordinary loss account.
5. The amounts of loss from leakage and damage in transit for which claims are filed.
(Debit Railroad Claims.)
6. The amounts of loss from leakage and damage in transit on incoming coal for which claims are not filed.

COAL—PURCHASES (7.31)—Continued

Debit:

Postings of debit entries, with the exception of purchases, are made from individual entries in the debit General Ledger column in the journal.

Credit:

- (Debit Loss from Leakage and Damage in Transit.)
7. The cost of any determined shortages in weights due to dishonesty of employees. (Debit Shortages—Employees.)
 8. At the end of a fiscal period with the cost value of coal on hand. (Debit Merchandise Inventory.)
 9. The cost of any *unusual* shortage in weights unaccounted for at the end of a fiscal period. (Debit Shrinkage and Scale Loss—Merchandise.)
 10. The debit balance shown in this account at the end of a fiscal period—thus closing it. (Debit Gross Trading Income—Merchandise.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

The Coal—Purchases account as classified here is for the purpose of outlining bookkeeping procedure for merchandise purchases accounts. Separate accounts should be opened in the General Ledger for the principal commodities handled.

While all of the merchandise purchases accounts may not be operated exactly as outlined above, it is believed that the bookkeeping procedure generally will apply. There may be provided in the Journal as many separate merchandise purchases columns as deemed practical from a bookkeeping standpoint. Usually, where purchases of the commodity are frequent, a special column is provided; otherwise a column captioned "Merchandise—Purchases" or the General Ledger column may be used.

If merchandise is taken out of stock and used, donated, or allowed employees, which often happens in the case of coal, the merchandise

purchases account concerned should be credited and the various expense accounts debited with the cost value of the quantity involved. The cost value of unusual shortages should also be computed and credited to the merchandise purchases accounts.

WOOD—PURCHASES (7.32)

See Coal—Purchases (7.31).

FEED—PURCHASES (7.33)

See Coal—Purchases (7.31).

FLOUR—PURCHASES (7.34)

See Coal—Purchases (7.31).

SEED—PURCHASES (7.35)

See Coal—Purchases (7.31).

TWINE AND BAGS—PURCHASES (7.36)

See Coal—Purchases (7.31).

LIVESTOCK—PURCHASES (7.37)

See Coal—Purchases (7.31).

COAL—SALES (7.41)

Debit:

1. The amounts of any recorded sales subsequently returned.
(Credit account concerned.)
2. The amounts of any unfavorable adjustments due to allowances and errors.
(Credit account concerned.)
3. The credit balance shown in this account at the end of a fiscal period, thus closing it.
(Credit Gross Trading Income—Merchandise.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all sales of coal.
(Debit General Cash, Accounts Receivable, or other accounts concerned.)
2. The amounts of any railroad claims filed to cover losses from leakage and damage in transit of merchandise shipped out.
(Debit Railroad Claims.)

Postings are made from the monthly totals of the Coal—Sales column in the journal.

The Coal—Sales account as classified above is for the purpose of outlining bookkeeping procedure. Separate sales accounts should be opened in the general ledger for the principal commodities handled. It is believed that the procedure outlined for this account will apply for all other merchandise sales accounts.

Generally, separate sales columns are provided in the Journal for the principal commodities sold. In cases where this is not warranted, a column captioned "Merchandise—Sales" or the General Ledger column may be used. Under the latter procedure, postings to the various merchandise sales accounts will be made from individual entries in those columns.

WOOD—SALES (7.42)

See Coal—Sales (7.41).

FEED—SALES (7.43)

See Coal—Sales (7.41).

FLOUR—SALES (7.44)

See Coal—Sales (7.41).

SEED—SALES (7.45)

See Coal—Sales (7.41).

TWINE AND BAGS—SALES (7.46)

See Coal—Sales (7.41.)

LIVESTOCK—SALES (7.47)

See Coal—Sales (7.41).

STORAGE—INCOME (7.51)

Debit:

1. At the beginning of each fiscal period the balance shown in the Accrued Storage account at the end of the preceding fiscal period.
(Credit Accrued Storage.)
2. The credit balance shown in this account at the end of a fiscal period, thus closing it.
(Credit Net Trading and Sundry Operations—Loss and Gain.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all storage collected and all storage set up as accrued which is later debited to the accounts of patrons.

Postings are made from the monthly totals of the Storage column or from individual entries in the credit General Ledger column in the journal.

(Debit General Cash, Accounts Receivable, or other accounts concerned.)

NOTE.—Accrued storage should not be charged off as uncollectible until it has been debited to patrons' accounts. It is then treated the same as an accounts receivable.

2. The amount of accrued storage at the close of a fiscal period.

(Debit Accrued Storage.)

If no special column is provided for storage income, postings of credit entries are made from individual entries in the credit General Ledger column or the Miscellaneous Operating Income column in the journal.

This account is opened to reflect on the books all storage income. The credit balance shown in the account at the end of a fiscal period represents the current income from storage.

HANDLING—INCOME (7.52)

See Storage—Income (7.51).

GRINDING—INCOME (7.53)

Debit:

1. The credit balance shown in this account at the end of a fiscal period, thus closing it.

(Credit Net Trading and Sundry Operations—Loss and Gain.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all grinding fees.

(Debit accounts concerned.)

Postings of credit entries are usually made from individual entries in the Miscellaneous Operating Income column or the credit General Ledger column in the journal.

CLEANING—INCOME (7.54)

See Grinding—Income (7.53).

HANDLING GOVERNMENT FEED AND SEED (7.55)

See Grinding—Income (7.53).

LIVESTOCK—COMMISSIONS (7.56)

Debit:

1. The amounts of any direct costs connected with shipping and prorating proceeds of sales.

(Credit accounts concerned.)

2. The credit balance shown in this account at the end of a fiscal period, thus closing it.

(Credit Net Trading and Sundry Operations—Loss and Gain.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all commissions and fees.

(Debit accounts concerned.)

NOTE.—These entries originate from the checks issued against the proceeds of shipments deposited in a special bank account.

See explanation below.

Postings of credit entries are usually made from individual entries in the Miscellaneous Operating Income column or the credit General Ledger column in the journal.

When livestock is shipped on a commission basis and proceeds from shipments are prorated by the company, it is not deemed necessary or desirable that accounts be opened in the general books to clear these transactions. The proceeds from sales can be deposited in a special bank account not carried in the general books and disbursements can be made by ordinary checks and recorded on special settlement sheets that are available for handling transactions of this nature. The general ledger should reflect only the amounts earned by the company for its services and the expenses connected therewith.

Sales information, if desired, for the annual report or other purposes can be compiled from the settlement sheets.

SUNDRY OPERATING—INCOME (7.57)

(Seed Treating, Weighing, Loading, etc.)

The income from the sundry services can be posted separately and described in such manner that an analysis of the General Ledger account can easily be obtained.

See Grinding—Income (7.53).

TRUCK—GROSS EARNINGS (7.61)

Debit:

1. The credit balance shown in this account at the end of a fiscal period, thus closing it.

(Credit Net Trading and Sundry Operations—Loss and Gain.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all truck earnings.
(Debit accounts concerned.)

Postings of credit entries are usually made from individual entries in the Miscellaneous Operating Income column or the credit general ledger column in the journal.

This account is opened to carry earnings of trucks where they are operated as revenue producing services, such as fees charged for hauling livestock, merchandise, etc.

TANK WAGON—GROSS EARNINGS (7.62)

See Truck—Gross Earnings (7.61).

In many cases this account may be carried in a separate set of books maintained for gas and oil station operations.

TRANSPORTS—GROSS EARNINGS (7.63)

See Truck—Gross Earnings (7.61).

In many cases this account may be carried in a separate set of books maintained for gas and oil station operations.

Operating and Administrative Salaries, Wages, and Expense

EXPENSE (CONTROL) (8.00)

Debit:

1. At the beginning of a fiscal period the amounts of all prepaid operating and administrative expenses at the end of the preceding fiscal period, excepting Prepaid Salaries and Wages, and Prepaid Insurance and Bonds.
(Credit accounts concerned.)
2. The amounts of payments of all operating and administrative expenses, excepting Prepaid Salaries and Wages and Prepaid Insurance and Bonds.
(Credit accounts concerned.)
3. At the end of a fiscal period the amounts of all accrued operating and administrative expenses.
(Credit accounts concerned.)

Postings of debit entries are made from the monthly totals of the debit expense column in the Journal. (The individual entries in this column are posted to the various expense accounts concerned.)

Credit:

1. At the beginning of a fiscal period, the balances shown in all accrued operating and administrative expense accounts at the end of the preceding fiscal period.
(Debit accounts concerned.)
2. The amounts of all refunds and sundry credits to operating and administrative expenses.
(Debit accounts concerned.)
3. At the end of a fiscal period the amounts of all prepaid operating and administrative expenses, excepting Prepaid Salaries and Wages and Prepaid Insurance and Bonds.
(Debit accounts concerned.)
4. At the end of a fiscal period the amounts of all debit balances in operating and administrative expense accounts transferred to Net Trading and Sundry Operations—Loss and Gain.
(Debit accounts concerned.)

Postings of credit entries are made from the monthly totals of the credit expense column in the Journal. (The individual entries in this column are posted to the various expense accounts concerned.)

NOTE.—A credit Expense column in the journal may not be of any practical value unless credit items are numerous. The General Ledger column is frequently used for this purpose. In those circumstances, if an expense controlling account is maintained, the individual entries must be posted to both the controlling and the expense account concerned.

Under the indicated bookkeeping procedure all debits and credits to the *operating* and *administrative* expense accounts are entered in the expense columns in the journal. These include all adjusting entries for accrued and prepaid items, excepting Prepaid Insurance and Bonds and Prepaid Salaries, at the end and beginning of fiscal periods and transfers of balances, shown in the expense accounts, to Net Trading and Sundry Operations—Loss and Gain. Therefore in posting the totals of these columns at the end of each month and fiscal period to the above controlling account, it is automatically closed. The only other step to be considered is that of ruling the account.

Those items carried in accounts that are listed as deductions from income such as Interest Paid, Cash Shortage, etc., are not entered in the expense columns in the journal. Those items are routed through the General Ledger columns, and this fact must be taken into consideration in reconciling the controlling account with the various expense accounts that it represents.

· SALARY AND ALLOWANCES—MANAGER (8.11)

Debit:

1. The amount of any prepaid manager's salary that is earned in a current fiscal period.
(Credit Prepaid Salaries and Wages.)
See Prepaid Salaries and Wages account.
2. The amounts of all payments of earned salary.
(Credit Cash in Bank.)
3. The amount of all payments of bonus to manager.
(Credit Cash in Bank.)
NOTE.—The bonus should if possible be determined and recorded on the books in the fiscal period in which it is earned.
4. The cost of all fuel furnished manager.
(Credit merchandise purchase account concerned.)

Credit:

1. At the beginning of each fiscal period, the balance shown in the Accrued Salaries and Wages account at the close of the preceding fiscal period that is applicable to manager's salary.
(Debit Accrued Salaries and Wages.)
See Accrued Salaries and Wages account.
2. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)
NOTE.—In the event no credit Expense column is provided in the Journal, postings are made from individual entries in the credit General Ledger column.

SALARY AND ALLOWANCES—MANAGER (8.11)—Continued

Debit:	Credit:
<p>5. The cost of all electric light furnished manager. (Credit Power, Light, Water, and Heat.)</p> <p>6. The estimated rental value of living quarters furnished manager. (Credit Income and Expense—Dwellings.)</p> <p>7. The amount of accrued manager's salary and bonus at the close of a fiscal period. (Credit Accrued Salaries and Wages.) See Accrued Salaries and Wages account.</p>	<p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>
<p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	

This account is opened to carry all items pertaining to management cost.

Estimated rental value of living quarters and the cost of fuel and light furnished the manager by the company are proper charges to management cost. Inclusion of these items is not only for the purpose of determining total management cost but to place this cost on a comparable basis with other companies where the equivalent of such services is included in the salary paid. Under the plan outlined here, these charges do not affect net income because of offsetting credit entries to income and other expense accounts.

If the manager is employed on a commission basis or guaranteed salary and commission, withdrawals by the manager are handled the same as salary payments. At the close of a fiscal period, the amount of commission should be determined and posted to this account before the books are closed. Any unpaid bonus should be handled in the same manner. If the account is overdrawn after this entry has been made the balance should be treated as a prepaid item.

It should be a practice to pay all salaries by checks, and collections of amounts due from employees should be in the nature of payments rather than as deductions from their salaries.

Where only one account is maintained in the general ledger to carry all salaries and wages, postings should be in sufficient detail

and described so that an analysis of salaries and wages can be easily obtained from the ledger account.

Under the procedure outlined above, accrued salary at the close of a fiscal period is credited to this account in the subsequent period because all payments of earned salary are debited directly to expense.

SALARIES AND WAGES—ELEVATOR (8.12)

(Excluding Salary of Manager and Office Employees)

<p>Debit:</p> <ol style="list-style-type: none"> 1. The amounts of any prepaid elevator salaries and wages earned in a current fiscal period. (Credit Prepaid Salaries.) See Prepaid Salaries and Wages account. 2. The amounts of all payments of earned elevator salaries and wages. (Credit accounts concerned.) NOTE.—See other accounts for certain direct labor costs. 3. The amount of accrued elevator salaries and wages at the end of a fiscal period. (Credit Accrued Salaries and Wages.) See Accrued Salaries and Wages account. <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>Credit:</p> <ol style="list-style-type: none"> 1. At the beginning of each fiscal period, the balance shown in the Accrued Salaries and Wages account at the close of the preceding fiscal period that is applicable to elevator salaries and wages. (Debit Accrued Salaries and Wages.) See Accrued Salaries and Wages account. 2. The debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Trading and Sundry Operations—Loss and Gain.) <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>
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This account is opened to carry all elevator salaries and wages other than those of the manager, office employees, and the secretary and treasurer of the company.

The cost of labor employed temporarily for special work such as unloading and loading merchandise, repairing buildings and equipment is debited directly to the particular merchandise, repair, and building accounts concerned.

SALARIES AND WAGES—OFFICE (8.13)

(Bookkeepers, Stenographers, and Secretary and Treasurer)

Debit:

1. The amounts of any prepaid office salaries and wages earned in a current fiscal period.
(Credit Prepaid Salaries.)
See Prepaid Salaries and Wages.
2. The amounts of all payments of earned office salaries and wages.
(Debit Cash in Bank.)
3. The amounts of all accrued office salaries and wages at the close of a fiscal period.
(Credit Accrued Salaries and Wages.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the beginning of each fiscal period, the balance shown in the Accrued Salaries and Wages account at the close of the preceding fiscal period that is applicable to office salaries and wages.
(Debit Accrued Salaries and Wages.)
2. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

This account is opened to carry all office salaries including that of the secretary and treasurer of the company. Postings to the account can be described in such manner that an analysis for operating statement purposes can be easily obtained.

Fees paid to attorneys and public auditors, commission companies, and central offices for special bookkeeping services are not posted to this account.

SALARIES AND WAGES—OTHER OPERATING (8.14)

(Does Not Include Elevator Salaries and Wages or Office Salaries)

See Salaries and Wages—Elevator. (8.12.)

POWER, LIGHT, WATER, AND HEAT (8.21)

(Electricity, Gas, Oil, Water, and Coal)

Debit:

1. At the beginning of each fiscal period, with the balance shown in the Power and Heat Fuel—Inventory account at the close of the preceding fiscal period.

(Credit Power and Heat Fuel—Inventory.)

2. The amounts of all payments of power, light, and water bills.

(Credit Cash in Bank.)

3. The cost of all fuel used for power and heating.

(Credit accounts concerned.)

NOTE.—The cost of fuel taken out of regular merchandise stock and used for heating should be calculated and debited to this expense account and credited to the merchandise purchases account concerned.

4. The amounts of accrued power, light and water at the close of a fiscal period.

(Credit Accrued Power, Light and Water.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the beginning of each fiscal period the balance shown in the Accrued Power, Light and Water account at the close of the preceding fiscal period.

(Debit Accrued Power, Light and Water.)

2. The cost value of power and heat fuel on hand at the close of a fiscal period.

(Debit Power and Heat Fuel—Inventory.)

3. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

NOTE.—In the event no credit Expense column is provided in the Journal, postings are made from individual entries in the credit General Ledger column.

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

RENT AND LEASES—EXPENSE (8.22)

Debit:

1. The amounts of all payments of rent and leases.
(Credit accounts concerned.)
2. The amounts of accrued rent and leases at the end of a fiscal period.
(Credit Accrued Rent and Leases.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the beginning of each fiscal period with the accrued rent and lease payable at the close of the preceding fiscal period.
(Debit Accrued Rent and Leases.)
2. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

REPAIRS—ELEVATOR BUILDINGS, MACHINERY AND EQUIPMENT (8.23)

(Includes Grain Cleaning Equipment and Scale Testing)

Debit:

1. The cost of ordinary repairs.
(Including any extra labor employed by the elevator in this connection.)
(Credit accounts concerned.)
NOTE.—See Elevator Building account for handling replacements and alterations.

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)
NOTE.—In the event no credit Expense column is provided in the Journal, postings are made from individual entries in the credit General Ledger column.

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

REPAIRS—OTHER BUILDINGS, MACHINERY, AND EQUIPMENT (8.24)

(Coal Sheds, Lumber Sheds, Grinding Machinery, etc.)

See Repairs—Elevator Buildings, Machinery, and Equipment (8.23).

For repairs on trucks, tank wagons, transports, and automobiles, see Trucks, Tank Wagons, Transports, and Automobiles Expense accounts.

For repairs on office equipment, see Office Supplies and Postage account.

For repairs on dwellings, see Income and Expense—Dwellings account.

ELEVATOR SUPPLIES (8.25)**Debit:**

1. At the beginning of each fiscal period with the balance shown in the Elevator Supplies—Inventory account at the close of the preceding fiscal period.

(Credit Elevator Supplies—Inventory.)

2. The amounts of all purchases of elevator supplies, such as car linings, fumigants, etc.

(Credit accounts concerned.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. The cost value of elevator supplies on hand at the close of a fiscal period.

(Debit Elevator Supplies—Inventory.)

2. The debit balance shown in this account at the end of the fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

DEPRECIATION—ELEVATOR BUILDINGS, MACHINERY, AND EQUIPMENT (8.26)

(Includes Cleaning Equipment)

<p>Debit:</p> <p>1. At the end of each fiscal period the amount currently set up as a reserve for depreciation on elevator buildings, machinery, and equipment.</p> <p>(Credit Reserve for Depreciation—Elevator Buildings, Machinery, and Equipment.)</p> <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>Credit:</p> <p>1. The debit balance shown in this account at the end of a fiscal period, thus closing it.</p> <p>(Debit Net Trading and Sundry Operations—Loss and Gain.)</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>
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In some cases it may be desirable to have separate depreciation reserve accounts for elevator buildings, machinery, and equipment. Under that procedure, the debit to the above account would be the summation of the amounts appropriated to the reserves for each fiscal period or separate postings could be made and described in the account.

DEPRECIATION—OTHER BUILDINGS, MACHINERY, AND EQUIPMENT (8.27)

(Includes Grinding Machinery)

See Depreciation—Elevator Buildings, Machinery, and Equipment (8.26).

DEPRECIATION—OFFICE FURNITURE AND EQUIPMENT (8.28)

See Depreciation—Elevator Buildings, Machinery, and Equipment (8.26).

DEPRECIATION—SUNDRY FIXED ASSETS (EXCLUDING TRUCKS) (8.29)

See Depreciation—Elevator Buildings, Machinery, and Equipment (8.26).

For depreciation on trucks, tank wagons, transports, and automobiles, see Trucks, Tank Wagons, Transports, and Automobiles Expense accounts.

For depreciation on dwellings, see Income and Expense—Dwellings account.

EXPRESS, FREIGHT, AND DRAYAGE (8.31)

Debit:

1. The amounts of all express, freight, and drayage charges that are not directly allocable to any other account.

(Credit accounts concerned.)

NOTE.—All charges for express, freight, and drayage where practicable should be debited directly to the account concerned—Merchandise—Purchases, Repairs, etc.

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

TERMINAL STORAGE EXPENSE (8.32)

Debit:

1. The amount of all costs connected with grain stored in terminal elevators.

(Credit accounts concerned.)

2. The amount of accrued terminal storage expense at the end of a fiscal period.

(Credit Accrued Miscellaneous Operating Expense.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the beginning of each fiscal period the amount of accrued terminal expense at the close of the preceding fiscal period.

(Debit Accrued Miscellaneous Operating Expense.)

2. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

This account is opened to carry all costs of storing grain in terminal elevators. It is recognized that not many local elevators store grain in terminals. The account is opened only by those that do.

LOSS FROM LEAKAGE AND DAMAGE IN TRANSIT—GRAIN (8.33)

Debit:

1. The amounts appropriated to the Reserve for Doubtful Railroad Claims filed to cover losses from leakage and damage in transit.

(Credit Reserves for Doubtful Railroad Claims.)

2. The amounts of railroad claims for leakage and damage of grain in transit actually charged off as uncollectible for which no reserve has been established.

(Credit Railroad Claims.)

3. Losses resulting from leakage and damage of grain in transit for which claims were not filed.

(Credit grain purchase accounts concerned.)

NOTE.—The total leakage of many shipments that individually do not warrant filing claims may justify an entry reflecting this loss on the books at the end of a fiscal period. In such cases, purchase accounts rather than sales accounts are credited with the losses.

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

NOTE.—The various debit entries to this account should be properly described to facilitate analysis.

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

This account is opened on the books for the purpose of carrying losses arising from uncollectible claims filed for leakage and damage of grain in transit and such losses for which no claims were filed.

LOSS FROM LEAKAGE AND DAMAGE IN TRANSIT—MERCHANDISE (8.34)
 See Loss from Leakage and Damage in Transit—Grain (8.33).

SHRINKAGE AND SCALE LOSS—GRAIN (8.35)

Debit:

1. At the end of a fiscal period the estimated cost of all grain unaccounted for.
 (Credit grain purchase accounts concerned.)

NOTE.—In determining weight shortage for the purpose of establishing the money loss, consideration should be given to shrinkage due to leakage in transit, particularly that for which railroad claims have been or should be filed, natural shrinkage resulting from cleaning, part of which is sold as screenings, grain destroyed by fire and floods, and any grain taken from stock, ground and sold as feed.

See Wheat—Purchases account.

2. Any credit balance shown in this account at the end of a fiscal period, thus closing it.

(Credit Net Trading and Sundry Operations—Loss and Gain.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the end of a fiscal period the value, on basis of inventory prices, of any excess weight of the physical over the book inventory of grain.

(Debit grain purchase accounts concerned.)

2. Any debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

This account is opened mainly to show on the books the net money loss arising from abnormal shrinkage in weights. However, in the event that the value of weight overage in some grains is greater than the value of the shrinkage in others, the resulting credit balance in the account reflects a gain. This is treated in the same manner as a debit balance except that the journal entries are reversed. See debit No. 2 and credit No. 2 above.

SHRINKAGE AND SCALE LOSS—MERCHANDISE (8.36)

Debit:

1. The cost of all merchandise unaccounted for.

(Credit merchandise purchase account concerned.)

NOTE.—Any merchandise taken out of stock and used, such as coal for heating, should be accounted for on the books before shrinkage is calculated.

2. Any credit balance shown in this account at the end of a fiscal period, thus closing it.

(Credit Net Trading and Sundry Operations—Loss and Gain.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The value, on basis of inventory prices, of any excess of the physical over the book inventory of merchandise.

(Debit merchandise purchase account concerned.)

2. Any debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the Expense column in the journal.

See Shrinkage and Scale Loss—Grain (8.35).

TRUCK EXPENSE (8.41)

Debit:

1. The amounts of all payments of expense items connected with truck operations.

(Credit accounts concerned.)

NOTE.—Expense items include drivers' and helpers' wages, commissions, oil and gas, accessories and ordinary repairs, license, taxes and insurance, etc. Extraordinary repairs should be capitalized or debited to reserve for depreciation.

2. The amount of accrued truck expense at the end of a fiscal period.

(Credit the various accrued expense accounts concerned. See Accrued Other Taxes and Licenses account.)

3. The amount currently appropriated to the reserve for depreciation of trucks.

(Credit Reserve for Depreciation—Trucks.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the beginning of each fiscal period the amounts of any accrued truck expense at the close of the preceding fiscal period.

(Debit accrued expense accounts concerned. See Accrued Other Taxes and Licenses account.)

2. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

NOTE.—See Truck Earnings account.

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

Under the procedure outlined above, all costs connected with truck operations, including taxes, insurance, repairs, and depreciation, are charged directly to this account. This is particularly desirable in cases where trucks are operated as revenue-producing services; otherwise these items of expense may be carried in the regular expense accounts. Postings to the account should be in sufficient detail and described to provide a clear analysis in the ledger account for statement purposes.

TANK WAGON EXPENSE (8.42)

See Truck Expense (8.41).

TRANSPORT EXPENSE (8.43)

See Truck Expense (8.41).

 AUDITING, SPECIAL BOOKKEEPING, AND LEGAL FEES (8.51)

Debit:

1. The amounts of all payments for auditing, special bookkeeping, and legal services and expense.
(Credit accounts concerned.)
2. The amount of accrued auditing and legal fees at the end of a fiscal period.
(Credit Accrued Auditing, Special Bookkeeping, and Legal Fees.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the beginning of each fiscal period the amounts of accrued auditing, special bookkeeping, and legal fees at the close of the preceding fiscal period.
(Debit Accrued Auditing, Special Bookkeeping, and Legal Fees.)
2. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

Postings to this account can be described so that auditing, special bookkeeping, and legal costs can be separately determined. Special bookkeeping applies to those cases where the company uses a reporting system and most of the bookkeeping is done by outside agencies, such as a commission company or central office for cooperatives, for which they make a monthly charge.

DIRECTORS' FEES AND EXPENSES (8.52)

Debit:

1. The amounts of fees and expenses paid directors.
(Credit accounts concerned.)
2. The amount of accrued directors' fees and expenses at the end of a fiscal period.
(Credit Accrued Miscellaneous Administrative Expense.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. At the beginning of each fiscal period the accrued directors' fees and expenses at the close of the preceding fiscal period.
(Debit Accrued Miscellaneous Administrative Expense.)
2. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

OFFICE SUPPLIES AND POSTAGE (8.53)

(Printing, Stationery, Office Equipment, Repairs, etc.)

See Office Supplies and Postage—Inventory (3.34).

Debit:

1. At the beginning of each fiscal period, the balance shown in the Office Supplies and Postage—Inventory account at the close of the preceding fiscal period.
(Credit Office Supplies and Postage—Inventory.)
2. The amounts of all purchases of printing, stationery, office supplies, postage, post office box rent and office equipment repairs.
(Credit accounts affected by terms of purchase.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. The cost value of office supplies and postage on hand at the end of fiscal period.
(Debit Office Supplies and Postage—Inventory.)
2. The debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Trading and Sundry Operations—Loss and Gain.)

NOTE.—In the event no credit Expense column is provided in the Journal, postings are made from individual entries in the credit General Ledger column.

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

OFFICE EXPENSE—MISCELLANEOUS (8.54)

Debit:	Credit:
<p>1. The amounts of all payments for periodicals, collection expense, renewal of charter, mortgage reports, abstracts, credit reports, notary fees, filing fees, and other similar items. (Credit accounts concerned.)</p> <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>1. The debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Trading and Sundry Operations—Loss and Gain.)</p> <p>NOTE.—In the event no credit Expense column is provided in the Journal, postings are made from individual entries in the credit General Ledger column.</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>

This account is opened to carry those office expenses which individually are not of sufficient importance or significance to warrant separate accounts. Postings, however, are individual entries and if properly described in the general ledger account, an analysis is easily obtainable for statement purposes.

TELEPHONE AND TELEGRAPH (8.55)

(Includes Radio Expense, Market Services, and Reports)

Debit:	Credit:
<p>1. The amounts of all payments of telegraph charges, market services and reports, and expense of radio. (Credit accounts concerned.)</p> <p>2. The amount of accrued telephone and telegraph charges at the end of a fiscal period. (Credit Accrued Telephone and Telegraph.)</p> <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>1. At the beginning of each fiscal period the balance shown in the Accrued Telephone and Telegraph account at the close of the preceding fiscal period. (Debit Accrued Telephone and Telegraph.)</p> <p>2. The debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Trading and Sundry Operations—Loss and Gain.)</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>

INSURANCE AND BONDS (EXPENSE) (8.56)

Debit:

1. At the end of each fiscal period, the amount of insurance and bond premiums that has expired during the period.

(Credit Prepaid Insurance and Bonds.)

Postings of debit entries are made from individual entries in the debit Expense column in the journal.

Credit:

1. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the journal.

In transferring the expired premiums out of the Prepaid Insurance and Bonds account, the journal entry should be in sufficient detail to make an analysis of such expenses easily obtainable from the above ledger account. Accrued insurance and bond premiums are carried in the Prepaid Insurance and Bonds account. See Prepaid Insurance and Bonds account.

SOCIAL SECURITY TAXES (8.57)

(Excluding the Taxes Collected from Employees)

Debit:

1. The amounts of all payments of social security taxes paid by the company.

(Credit Cash in Bank.)

2. The amount of social security taxes payable by the company that is accrued at the end of a fiscal period.

(Credit Accrued Social Security Taxes.)

Postings of debit entries are made from individual entries in the debit Expense column in the Journal.

Credit:

1. At the beginning of each fiscal period the balance shown in the Accrued Social Security Taxes account at the end of the preceding fiscal period.

(Debit Accrued Social Security Taxes.)

2. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the Journal.

This account is opened to carry only the social security taxes paid or payable by the company. See separate account for the taxes collected from employees.

OTHER TAXES AND LICENSES (8.58)

(Excluding Federal and State income, sales, and social security taxes, taxes on dwellings, and taxes and licenses on trucks and automobiles)

Debit:

1. The amounts of all property, corporation, capital stock and business taxes and licenses paid by the company. See exceptions listed below.

(Credit Cash in Bank.)

2. The amounts of all taxes and licenses indicated in debit No. 1 that are accrued at the end of a fiscal period.
- (Credit Accrued Other Taxes and Licenses.)

NOTE.—For taxes and licenses on trucks and automobiles, see Truck and Automobile Expense accounts. On dwellings, see Income and Expense—Dwellings account. See separate accounts for Federal and State income, State sales and social security taxes.

Postings of debit entries are made from individual entries in the debit Expense column in the Journal.

Credit:

1. At the beginning of each fiscal period the balance shown in the Accrued Other Taxes and Licenses account at the close of the preceding fiscal period.

(Debit Accrued Other Taxes and Licenses.)

2. The amounts of all refunds on taxes and licenses.

(Debit accounts concerned.)

3. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Trading and Sundry Operations—Loss and Gain.)

Postings of credit entries are made from individual entries in the credit Expense column in the Journal.

Postings to this account should be, if practicable, in sufficient detail and described in the ledger to provide a clear analysis for statement purposes. In cases where more than one tax expense account is desirable, the bookkeeping procedure outlined for this account will apply.

The Accrued Other Taxes and Licenses account at the close of a fiscal period is closed to this account in the subsequent period because, under the procedure outlined, all payments are debited directly to expense.

BANK SERVICE CHARGES AND EXCHANGE (8.59)

(Does not include Interest and Discounts)

<p>Debit:</p> <p>1. The amounts of all charges for handling bank account, drafts, collections, and other service charges made by the bank. (Credit accounts concerned.)</p> <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>Credit:</p> <p>1. The debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Trading and Sundry Operations—Loss and Gain.)</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>
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This account is opened to carry all bank service charges but not interest and discounts which are debited to special accounts.

Frequently, banks debit service charges directly to the checking account of the company. Therefore, any such charges appearing on the bank statements should be journalized and properly recorded in the accounts concerned. All such charges should be ascertained and properly recorded monthly and before closing the books at the end of a fiscal period.

ADVERTISING (8.5A)

<p>Debit:</p> <p>1. The cost of all advertising. (Credit Cash in Bank.)</p> <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>Credit:</p> <p>1. The debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Trading and Sundry Operations—Loss and Gain.)</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>
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AUTOMOBILE EXPENSE (8.5B)

See Truck Expense (8.41).

MISCELLANEOUS ADMINISTRATIVE EXPENSES (8.5C)

Debit:	Credit:
<p>1. The amounts of all costs of traveling, association dues, donations, convention and annual meetings, picnics, and other similar administrative expense items for which separate accounts are not opened in the ledger.</p> <p>(Credit accounts concerned.)</p> <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>1. The debit balance shown in this account at the end of a fiscal period, thus closing it.</p> <p>(Debit Net Trading and Sundry Operations—Loss and Gain.)</p> <p>NOTE.—In the event no credit Expense column is provided in the Journal, postings are made from individual entries in the credit General Ledger column.</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>

This account is opened to carry miscellaneous administrative expenses which individually are not of sufficient importance or significance to warrant separate accounts. Postings, however, are individual entries and if properly described in the general ledger account an analysis is easily obtainable for statement purposes.

LOSS FROM BAD DEBTS (8.5D)

Debit:	Credit:
<p>1. The amounts appropriated to the reserves for doubtful accounts, notes and other receivables. (See explanation below.)</p> <p>(Credit the reserve account concerned.)</p> <p>2. The amounts of the above type of receivables actually charged off as uncollectible for which no reserves were created.</p> <p>(Credit receivable accounts concerned.)</p> <p>See Reserve for Doubtful Accounts.</p> <p>Postings of debit entries are made from individual entries in the debit Expense column in the journal.</p>	<p>1. The debit balance shown in this account at the end of a fiscal period, thus closing it.</p> <p>(Debit Net Trading and Sundry Operations—Loss and Gain.)</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>

This account is opened to carry the losses from doubtful receivables represented by the amounts appropriated to the various reserves, as well as receivables actually charged off for which no reserves were created. It should be the practice to establish reserves adequate to cover all probable losses of this nature. The following are items to be considered: Notes receivable, accounts receivable, mortgages receivable, judgments, seed liens, advances, accrued storage receivable, accrued interest receivable, accrued miscellaneous receivable, etc. The accrued items considered uncollectible are not treated as bad debts unless these items have actually been debited to the patrons' accounts. See credit No. 1, Storage—Income account.

Losses on investments, closed bank account and uncollectible railroad claims are not carried in this account. See Extraordinary Losses and Loss from Leakage and Damage in Transit accounts.

Nonoperating Income and Deductions from Income

INTEREST EARNED (9.11)

Debit:	Credit:
<ol style="list-style-type: none"> 1. At the beginning of each fiscal period, the balance in the Accrued Interest—Receivable account at the close of the preceding fiscal period. (Credit Accrued Interest—Receivable.) 2. The amounts of any interest paid out of interest received. (Credit accounts concerned.) <p>NOTE.—This applies in cases of interest paid to members on funds left with the company that are on deposit with grain commission companies and on which the company receives a higher interest than it pays. It does not include any other interest paid by the company. See Interest Paid Account.</p>	<ol style="list-style-type: none"> 1. The amounts of all interest actually collected and interest credits reported by banks, commission companies, etc. (Debit Cash in Bank, Accounts Receivable—Commission Companies, or other accounts concerned.) 2. The amount of interest set up as accrued which is later debited to the account of the debtor. (Debit the receivable account concerned.) 3. The amount of interest receivable that is accrued at the end of a fiscal period. (Debit Accrued Interest—Receivable.) <p>NOTE.—Obviously, any accrued interest reported by the bank, commission companies</p>

INTEREST (EARNED) (9.11)—Continued

Debit:

- The credit balance shown in this account at the end of a fiscal period, thus closing it.

(Credit Net Income and Loss.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

or others, which has been debited to those accounts before the books are closed, will not be included in credit No. 2 above.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry all interest earned by the company and should not be debited with any interest paid out except under certain unusual circumstances where interest earned happens to be on funds that belong to members and patrons rather than to the company. Interest income and interest paid should be shown separately in the operating statement.

DISCOUNTS EARNED (9.12)

Debit:

- The credit balance shown in this account at the end of a fiscal period, thus closing it.

(Credit Net Income and Loss.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

- The amounts of cash discounts taken on discountable invoices.

(Debit accounts concerned.)

- The amounts of trade discounts earned because of quantity purchased.

(Debit accounts concerned.)

NOTE.—Credit No. 2 does not include discounts on merchandise regularly invoiced at a discount off basis. These discounts are treated as deduction from the cost of the particular merchandise concerned and should not be recorded in the ledger accounts.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

DIVIDENDS EARNED (9.13)

<p>Debit:</p> <p>1. The credit balance shown in this account at the end of a fiscal period, thus closing it. (Credit Net Income and Loss.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <p>1. The amounts of any dividends earned by the company. (Debit accounts concerned.)</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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REFUNDS RECEIVED (9.14)

<p>Debit:</p> <p>1. The credit balance shown in this account at the end of a fiscal period, thus closing it. (Credit Net Income and Loss.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <p>1. The amounts of refunds received by the company. (Debit accounts concerned.)</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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RENT INCOME (9.15)

<p>Debit:</p> <p>1. The credit balance shown in this account at the end of a fiscal period, thus closing it. (Credit Net Income and Loss.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>Credit:</p> <p>1. The amounts of rent received by the company. (Debit accounts concerned.)</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>
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BAD DEBTS COLLECTED (9.16)

Debit:

1. The credit balance shown in this account at the end of a fiscal period, thus closing it.
(Credit Net Income and Loss.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts collected on receivables previously charged off as uncollectible.
(Debit Cash or other accounts concerned.)
See Loss from Bad Debts account.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

INCOME AND EXPENSE—DWELLINGS (9.17)
(Loss and Gain)

Debit:

1. The amounts appropriated to the reserve for depreciation of dwellings.
(Credit Reserve for Depreciation—Dwellings.)
2. The cost of any repairs, insurance, taxes, and other expenses in connection with dwellings owned by the company.
(Credit accounts concerned.)
3. Any credit balance shown in this account at the end of a fiscal period, thus closing it.
(Credit Net Income and Loss.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amount of the estimated monthly rental value of dwelling owned by the company and furnished free to the manager.
(Debit Salary and Allowances—Manager.)
2. The amounts of any income from dwellings owned by the company and rented out to others.
(Debit General Cash.)
3. Any debit balance shown in this account at the end of a fiscal period, thus closing it.
(Debit Net Income and Loss.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry all expenses and income connected with dwellings owned by the company, including the estimated rental value where the building is occupied by the manager. See Salaries and Allowances—Manager.

CASH OVERAGE AND SHORTAGE (9.18)

Debit:	Credit:
<p>1. The amounts of any shortages in cash as a result of differences in the General Cash account and the amount of cash on hand, excluding petty cash fund. (Credit General Cash.)</p> <p>NOTE.—See Shortages—Employees account for other cash shortages.</p> <p>2. Any credit balance shown in this account at the end of a fiscal period, thus closing it. (Credit Net Income and Loss.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>1. The amounts of any overages in cash as a result of differences in the General Cash account and the amount of cash on hand, excluding the petty cash fund. (Debit General Cash.)</p> <p>2. The amounts of any recoveries or adjustments by which previous shortages are reduced. (Debit accounts concerned.)</p> <p>3. Any debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Income and Loss.)</p> <p>Postings of credit entries are made from individual entries in the credit Expense column in the journal.</p>

This account is opened to carry any unexplainable overages and shortages indicated by differences between the General Cash account and the amount of cash on hand. At the close of a fiscal period, a debit balance represents an item of expense whereas a credit balance is treated as miscellaneous income.

SUNDRY NONOPERATING INCOME (9.19)

Debit:

1. The credit balance shown in this account at the end of a fiscal period, thus closing it.
(Credit Net Income and Loss.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of all nonoperating income for which no special account has been opened.
(Debit accounts concerned.)

NOTE.—Items credited to this account may include rent, dividends received, refunds, and other sundry nonoperating income if separate accounts are not provided or warranted for these items in the ledger.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry various income items which individually are not of sufficient importance or significance to warrant separate accounts in the general ledger. Postings, however, are individual items and if properly described, an analysis is easily obtainable from the ledger account for statement purposes.

EXTRAORDINARY GAINS (9.1A)

(This account is shown for illustrative purposes)

Debit:

1. The amounts of any refunds or adjustments in connection with items credited to this account.
(Credit accounts concerned.)
2. The credit balance shown in this account at the end of a fiscal period.
(Credit Net Income and Loss or Surplus as the case may be.)

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of any unusual nonoperating gain.
(Debit accounts concerned.)
NOTE.—See Loss and Gain—Elevator Buildings Sold or Destroyed account.
See explanation of Extraordinary Loss account.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

An extraordinary gain account is opened for the purpose of evidencing on the books in a separate account any nonoperating gain of unusual nature that it is desirable to show in the operating statements or may be subject to income taxes. If the gain is definitely a capital gain and not subject to income taxes it may be carried directly to Surplus.

The following are possible items for which an extraordinary gain account may be opened on the books:

Collections on defaulted subscriptions receivable to capital stock that are not refunded.

Collections on defaulted capital stock notes receivable that are not refunded.

Gains resulting from buildings, equipment, and land sold or destroyed.

Capital stock donated to the company.

Gains realized from sales of investments.

Gains resulting from a reduction in the par value of capital stock outstanding.

LOSS AND GAIN—ELEVATOR BUILDINGS SOLD OR DESTROYED

(This account is shown for illustrative purposes)

Debit:	Credit:
1. The total cost of elevator buildings sold. (Credit Elevator Buildings.)	1. The amounts realized from sale of elevator buildings. (Debit accounts concerned.)
2. The total cost of elevator buildings destroyed. (Credit Elevator Buildings.)	2. The amount of reserve for depreciation applicable to elevator buildings sold. (Debit Reserve for Depreciation—Elevator Buildings.)
3. The original cost of parts of elevator buildings destroyed. (Credit Elevator Buildings.)	3. The amounts of insurance collected on elevator buildings destroyed. (Debit accounts concerned.)
4. The original cost of parts of elevator buildings replaced. (Credit Elevator Buildings.)	4. The amount of reserve for depreciation applicable to elevator buildings destroyed. (Debit Reserve for Depreciation—Elevator Buildings.)
5. Any credit balance shown in this account at the end of a fiscal period, thus closing it. (Credit Net Income and Loss or Surplus as the case may be.)	5. The amount of any salvage value of elevator buildings destroyed. (Debit accounts concerned.)

LOSS AND GAIN—ELEVATOR BUILDINGS SOLD OR DESTROYED—Con.

(This account is shown for illustrative purposes)

Debit:

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

6. The amount of reserve for depreciation applicable to parts of elevator buildings replaced.

(Debit Reserve for Depreciation—Elevator Buildings.)

7. The amount of any salvage value of parts of elevator buildings replaced.

(Debit accounts concerned.)

8. Any debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Income and Loss or Surplus as the case may be.)

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

This account is opened to carry all entries necessary to determine the net *book* loss or gain resulting from the indicated transactions, and as a medium by which these results are cleared to Net Income and Loss or Surplus. If, at the end of a fiscal period, insurance claims are not settled, the insurance company should be debited and this account credited with the estimated amount of the claims. Any necessary adjustments following settlement are cleared through this account and the other accounts concerned. See Elevator Buildings account.

INTEREST PAID (9.21)

Debit:

1. The amounts of all payments of interest.

(Credit accounts concerned.)

2. The amounts of all adjustments of interest payable items that are adjusted by journal entries, such as credits to Grain Commis-

Credit:

1. At the beginning of each fiscal period, the balance shown in the Accrued Interest—Payable account at the close of the preceding fiscal period.

(Debit Accrued Interest—Payable.)

INTEREST PAID (9.21)—Continued

Debit:	Credit:
<p>sion Company and Bank accounts for interest charges reported by these agencies. (Credit accounts concerned.)</p> <p>3. The amounts of discounts on notes and other receivables discounted. (Credit account concerned.)</p> <p>4. The amount of accrued interest payable at the end of a fiscal period. (Credit Accrued Interest—Payable.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>2. The debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Income and Loss.)</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>

Under the procedure outlined above, all payments of interest are debited to the Interest Paid account; therefore, the balance shown in the Accrued Interest—Payable account is always transferred as a credit to this account at the beginning of a new fiscal period.

SUNDRY NONOPERATING CHARGES (9.22)

Debit:	Credit:
<p>1. The amounts of any nonoperating cost items for which separate accounts are not opened. (Credit accounts concerned.)</p> <p>Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.</p>	<p>1. The amounts of any credits to nonoperating cost items. (Debit accounts concerned.)</p> <p>2. The debit balance shown in this account at the end of a fiscal period, thus closing it. (Debit Net Income and Loss.)</p> <p>Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.</p>

EXTRAORDINARY LOSSES (9.23)

(This account is shown for illustrative purposes)

Debit:

1. The amounts of any unusual nonoperating losses.

(Credit accounts concerned.)

NOTE.—The nature and amount of the loss should determine the bookkeeping procedure. See Loss and Gain—Elevator Buildings Sold or Destroyed account.

Postings of debit entries are made from individual entries in the debit General Ledger column in the journal.

Credit:

1. The amounts of any recoveries applicable to the losses debited to this account if collected before the account is closed. Later recoveries are handled through a special gain account.

(Debit accounts concerned.)

NOTE.—Generally this loss account is opened to carry only the unrecoverable loss. There is always, however, a possibility of a further recovery; thus provision is made for the above credit entry.

2. The debit balance shown in this account at the end of a fiscal period, thus closing it.

(Debit Net Income and Loss or Surplus as the case may be.)

NOTE.—See explanation below relative to losses that are direct charges to Surplus.

Postings of credit entries are made from individual entries in the credit General Ledger column in the journal.

An extraordinary loss account is opened for the purpose of evidencing on the books in a separate account any nonoperating loss of unusual nature that it is desirable to show in the operating statements, or may be a deductible item in computing income taxes. Where such accounts are opened they should be classified to indicate the nature of the loss or if one account is used to carry all such losses, entries should be clearly described to permit an analysis. If the loss

is definitely a capital charge and should not be deducted from income, the account may be closed directly to Surplus rather than to the Net Income and Loss account. Large losses may be treated as deferred items and charged off over a period of years.

The following are possible items for which an extraordinary loss account may be opened on the books:

Unrecoverable loss resulting from closed bank.

Losses resulting from sales of investments.

Losses resulting from investments charged off as worthless.

Losses on buildings, equipment, and land sold or destroyed.

Losses on grain and merchandise destroyed.

Adjudicated liability and damage claims against the company not covered by insurance.

Losses due to dishonesty of employees.

Capital stock credits receivable charged off as worthless.

Patronage dividends receivable charged off as worthless.

BALANCE SHEET ITEMS

(For which no corresponding account is opened in the general ledger)

BANK OVERDRAFT

This liability indicates a credit balance in the bank account and obviously would not be set up as a separate account in the general ledger.

CHECKS OUTSTANDING

The appearance of this item on the Balance Sheet under this classification is due to a method of bookkeeping peculiar to local elevators in certain areas. It is a result of local producers holding checks, received in payment of grain, over a long period. Often these checks are issued in the form of drafts against grain firms with whom the local elevator has an open credit account; it may also apply to checks issued against the local bank, but the local elevator shows on its Balance Sheet the balance reported by the grain firm or the bank rather than the balance reflected in these accounts on its own books, thus making it necessary to reflect Outstanding Checks on the Balance Sheet as a liability.

Recognition of this account is indicated here because of the general practice of elevator accountants to record these items on the Balance Sheet under this classification. Manifestly, the elevator company is liable for ultimate payment of these checks and drafts, but from an accounting standpoint, particularly in cases where financing arrangements are evidenced by written agreements, these items should be reflected in the account or accounts against which the checks are drawn.

DRAFTS ON CARS IN TRANSIT

This item appears on the Balance Sheet merely for the purpose of recording the liability under this classification, rather than in the actual book balance shown in the account with the grain firm against whom the drafts are drawn or as a deduction from the inventory of grain in transit. It results from drafts drawn against shipments in transit which have been debited to the Cash in Bank account but are outstanding at the close of the fiscal period. The grain in transit is carried in the inventory account at full value.

CREDIT BALANCES—ACCOUNTS RECEIVABLE

In many cases it is a common practice for producer patrons to refrain from taking payment for grain at time of sale to the company. Instead, the proceeds often are credited to the patrons in the Accounts Receivable ledger in the same manner as payments on accounts. This frequently results in credit balances in these accounts at the end of a fiscal period and in the summation of accounts receivable, they are treated as deductions. As a result of this method of book-keeping, accounts receivable are often inaccurately presented in the Balance Sheet. Obviously, this does not reflect the facts because such balances are definitely liabilities and bear no relation to debit balances in the regular accounts receivable.

It is not necessary to reflect these liabilities in a general ledger account but it is desirable that they be shown as such in the Balance Sheet, thus promoting a correct statement of the asset Accounts Receivable.

ACCOUNTS PAYABLE—GRAIN COMMISSION COMPANIES

See Accounts Receivable—Grain Commission Companies.

The above item reflects a credit balance in the grain commission companies accounts, which generally are operated in the general ledger as accounts receivable.

It is a common practice of local elevators to finance their operations by the device of an open credit account with grain commission firms. Usually such arrangements are not made with more than one firm during a fiscal year. Thus, the account with the commission company, in principle, is operated in the same manner as the Bank account. Under this plan, the account is credited with checks or drafts drawn against the commission company and debited with the proceeds from shipments. Obviously, under this arrangement it is not necessary to maintain both receivable and payable accounts in the general ledger. Regardless of financing arrangements, it is a customary practice to draw drafts against all shipments of grain; therefore, the accounting procedure in operating all grain commission company ac-

counts is generally the same. The balances shown in the accounts at the end of a fiscal period reflect assets or liabilities, as the case may be.

In cases where the local elevator ships grain to many firms during a season, it may be advisable that the general ledger account be operated as a control of the separate accounts kept with the grain firms in a subsidiary ledger. Under this arrangement, the summation of debit balances in the accounts will be shown on the Balance Sheet as an asset and contrariwise the summation of credit balances will be reflected as a liability.

(See Shipment and Sales Journal.)

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Other Publications Available

In addition to this bulletin, the following publications on farmers' cooperative organizations are published by the Farm Credit Administration:

Cooperative Purchasing of Farm Supplies

Bulletin No. 1, *Joseph G. Knapp and John H. Lister*

Accounting Principles for Cooperative Cotton Gin Associations

Bulletin No. 2, *Otis T. Weaver*

Cooperative Marketing of Agricultural Products

Bulletin No. 3, *Ward W. Fetrow*

Cooperation in Agriculture, a Selected and Annotated Bibliography, Bulletin No. 4, *Chastina Gardner*

Organization and Operation of the Illinois Livestock Marketing Association, Bulletin No. 5, *H. H. Hulbert*

Statistics of Farmers' Cooperative Business Organizations, 1920-1935, Bulletin No. 6, *R. H. Elsworth*

Cooperative Marketing of Range Livestock

Bulletin No. 7, *L. B. Mann*

***Mutual Irrigation Companies in California and Utah**

Bulletin No. 8, *Wells A. Hutchins*, Superintendent of Documents, Washington, D. C. 25 cents.

Membership Relations of Cooperative Associations

Bulletin No. 9, *J. W. Jones*

***Marketing Policies of the California Walnut Growers Association**

Bulletin No. 10, *Harry C. Hensley and Neil H. Borden*, Superintendent of Documents, Washington, D. C. 20 cents.

Organization and Operating Problems of Nebraska Cooperative Creameries, Bulletin No. 11, *T. G. Stitts and Gordon C. Laughlin*

Analysis of the Business Operations of Cooperative Cotton Gins in Oklahoma, 1933-34, Bulletin No. 12, *Otis T. Weaver and Omer W. Herrmann*

Transportation of Milk in the Philadelphia Milkshed

Bulletin No. 13, *John J. Scanlan*

Cooperative Organization of Iowa Farmers' Creameries

Bulletin No. 14, *Frank Rebotka and Gordon C. Laughlin*

Contract Feeding and Pasturing of Lambs and Cattle

Bulletin No. 15, *C. G. Randell*

Milk Cooperatives in Four Ohio Markets

Bulletin No. 16, *W. C. Weldon and T. G. Stitts*

Commercial Trucking of Fruits and Vegetables in Nine Atlantic Coast States, Bulletin No. 17, *Nephtus Fogelberg and Herbert W. Mumford, Jr.*

Use of Motortrucks in Marketing Fruits and Vegetables

Bulletin No. 18, *Marius P. Rasmussen*

Business Analysis of the Utah Poultry Producers' Cooperative Association, Bulletin No. 19, *John J. Scanlan*