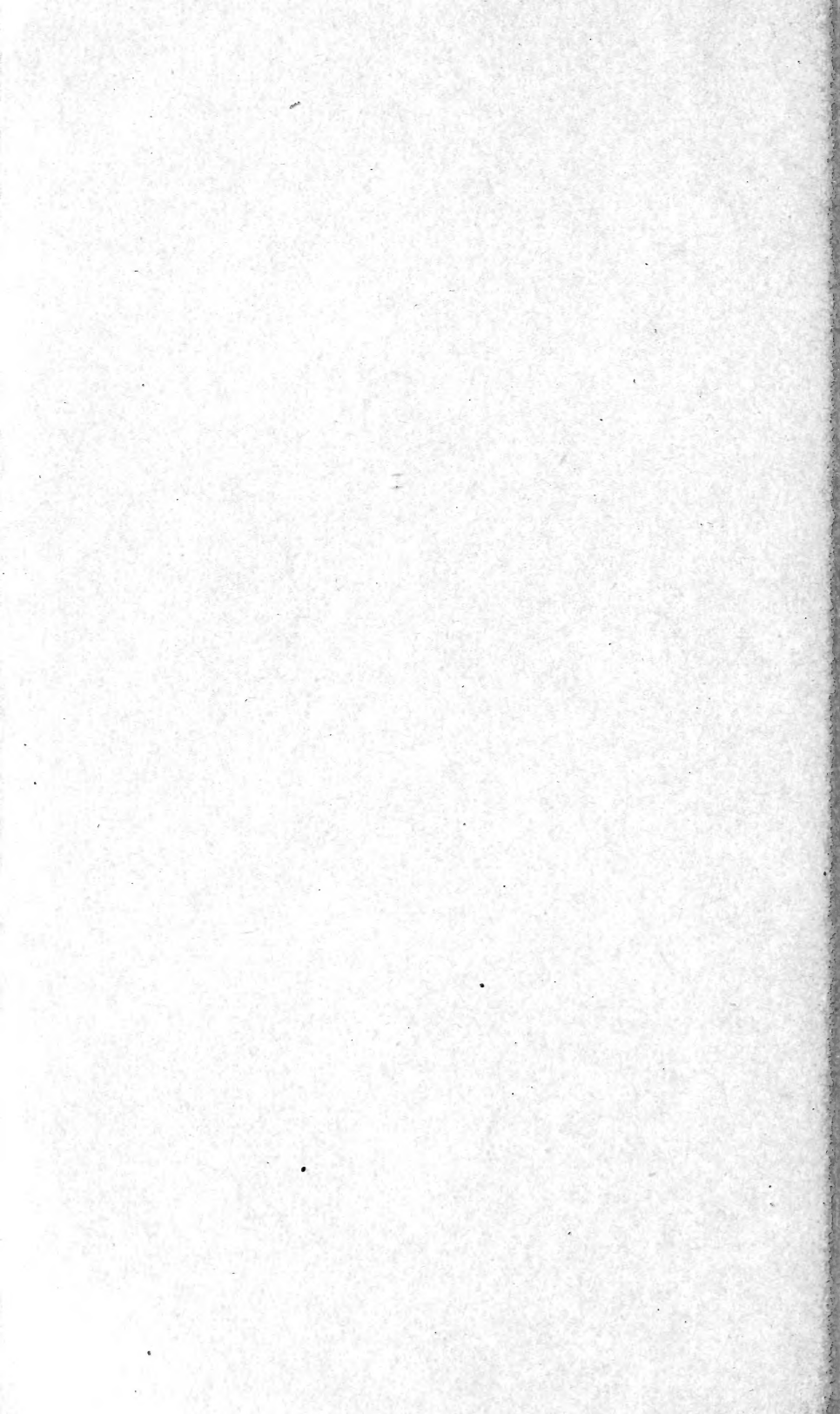


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UNITED STATES DEPARTMENT OF AGRICULTURE



BULLETIN No. 403



Contribution from the Office of Markets and Rural Organization  
CHARLES J. BRAND, Chief

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A SYSTEM OF ACCOUNTS FOR LIVE-STOCK SHIPPING ASSOCIATIONS.

By JOHN R. HUMPHREY and W. H. KERR, *Investigators in Market Business Practice.*

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INTRODUCTION.

The increase in the volume of business of individual cooperative live-stock shipping associations, as well as the growth in number of such associations, has made it generally practicable and in some cases urgent that a simple method of accounting be made available for their use.

The simplicity in operation of associations organized for the exclusive purpose of shipping live stock cooperatively has tended toward producing lax methods of accounting which give no general idea of the financial condition of the associations. It is possible in some instances to make a complete and final settlement to members after returns have been made by the commission merchant for each shipment; nevertheless it is important that these transactions be kept in an orderly way if for no other reasons than for the detection of errors and the furnishing of a permanent consecutive record of the business.

NOTE.—This bulletin is of interest to live-stock shipping associations and persons contemplating the organization of such associations.

While agricultural marketing organizations are founded primarily for the disposal of products of the farm to the central market, in a majority of cases they have found it necessary for the convenience of their patrons to handle certain lines of farm supplies. Many live-stock shipping associations are at present selling grains and prepared feeds to the farmers, and as this is done to some extent on credit accurate accounts receivable must be kept.

The system of accounts devised by the Office of Markets and Rural Organization and described in this bulletin has been so constructed as to meet the requirements of shipping associations under varying conditions at a minimum expenditure of time and bookkeeping effort,<sup>1</sup> and is the result of investigations made by the office in cooperation with several live-stock shipping associations in various States where the system is now in successful operation. Special care has been taken to make the method of application as direct as possible and to cut to a minimum the number of forms necessary to do the work properly. It is well understood that not all the forms included in the system will be needed under every condition of operation, but such forms as are suggested will be found practicable for use in every association attempting to keep an accurate account of the transaction of its business.

#### TYPES OF SHIPPING AGENCIES.

The efforts of farmers to market their own live stock where sufficient animals are available to support united efforts usually have resulted in the formation of a corporation or association equipped with the necessary establishment to do the work. This often includes a yard and scale and the employment of a buyer or manager, with provision for an office at or near the yard. Where such associations have been formed and have not had sufficient business to make it profitable to keep a manager, individual farmers have taken turns at shipping for the association. This method can not be recommended, however, as some one should have a continuous knowledge of the affairs of the association to insure proper service.

Individual buyers having an established business at a certain point frequently make it a practice to ship for farmers on commission on the same basis used in shipping associations. This arrangement is common only in places where but few farmers have the desire to sell at terminal market prices. In any case, the accounting records necessary would be similar.

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<sup>1</sup> For a further discussion of general subjects relating to live-stock shipping associations, see Doty, S. W., and Hall, L. D., "Cooperative Live-Stock Shipping Associations," U. S. Department of Agriculture, Farmers' Bul. 718, 1916.

**FINANCING SHIPPING ASSOCIATIONS.**

In order that a live-stock shipping association may conduct its business along safe lines it is advisable that the organization be incorporated. If organized under a law requiring capital stock, shares in the corporation may be sold at a price sufficient to bring in the necessary capital, but the amount which has been found most successful for the par value of shares has been from \$10 to \$25. In some associations it has been found feasible after incorporation to sell shares in order to procure capital and to issue memberships at \$5 each to all patrons not desiring to buy stock. In course of time many of the holders of memberships who have had a chance to test out the value of the shipping association desire to become stockholders, and it is therefore advisable to make the memberships convertible into stock at their face value.

Under the corporation laws of some States provision is made for the chartering of nonstock cooperative enterprises. Where incorporation is had under one of these laws, provision should be made for a membership fee large enough to bring into the treasury sufficient funds to conduct the business.

A live-stock shipping association in its simplest form would not require incorporation or an extensive capital, but if any considerable amount of business is done it will be found necessary to expend money on equipment, and this will require an outlay of capital before sufficient business can be done to lay aside a fund necessary for these purposes. It is not wise, therefore, to consider the formation of an association without adequate provision for meeting needed expenditures.

**ACCOUNT SALES.**

The account sales rendered by the commission merchant at the terminal market to the shipping association, an example of which is shown on page 4, furnishes all the original material from which the accounts dealing with live stock are derived. Account sales, when rendered with reference to mixed shipments, should show the number of animals of each kind and grade, together with weight, price, the amount sold for, and marks as applied to each kind and grade. In addition, it should furnish the total of expenses and deductions, which should be supported by an itemized list showing what items are charged for and the amount of each. The difference between the total sale value and the shipping expenses is the net proceeds to the association. From this must be taken the association expenses and deductions, leaving the amount to be distributed to the members represented in the shipment.





omission of such provisions, however, would make the system unsuitable to the requirements of many other associations, and their inclusion has been found to be of no disadvantage in any case.

In order to include all the necessary features required in live-stock shipping-association accounting, the system devised by the Office of Markets and Rural Organization and described in this bulletin is comprised of the following seven forms:

1. Cash journal.
2. Shipment record envelope.
3. Member's receipt.
- 3a. Member's account sales.
4. Manifest.
5. Sales ticket.
6. Cash receipt.

#### THE CASH JOURNAL.

The Cash Journal, Form No. 1, pages 6 and 7, is a multi-column cash book and journal combined, with provision for a detailed account of sales of supplies. This book and an ordinary form of loose-leaf ledger constitute the only books of record required.

#### SHIPMENT RECORD ENVELOPE.

The shipment record envelope, Form No. 2, page 8, is used for the double purpose of filing the papers relating to a certain shipment so that they will be easily accessible at any time, and of providing a form giving full information concerning the shipment. When an account sales has been received from the terminal market, the data which it contains are transferred to the form on the shipment envelope, where the number of each kind of animals represented in the shipment is set down, together with the home weight, the market weight, and the percentage of shrinkage. The amounts of the different items of expense are then set down opposite their respective items on the shipment envelope in the amount column and the charge per hundredweight on each of these is prorated under the respective kinds of animals in the shipment. An addition of these per hundredweight charges would then give the total per hundredweight charge against each class of animals, which is used as a basis of proration upon the member's account sales. At the bottom of this form are shown the net returns on the shipment and the home expenses and deductions. The difference between these gives the total amount to be remitted to members. A notation at the side shows the date of the remittance and the numbers of statements covered by the remittance.





**[Shipment record envelope.]**

Office of Markets and Rural Organization, Live Stock System Form No. 2.

**FARMERS LIVE STOCK SHIPPING ASSOCIATION.**

---

Date..... Shipment No.....

Routing..... Car initials.....

Consignee..... Car No.....

Address.....

Shipment covered by receipts No..... to No.....

| Kind.       | Number. | Home wt. | Market wt. | Per cent shrinkage. | Remarks. |
|-------------|---------|----------|------------|---------------------|----------|
| Hogs.....   |         |          |            |                     |          |
| Calves..... |         |          |            |                     |          |
| Cattle..... |         |          |            |                     |          |
| Sheep.....  |         |          |            |                     |          |
| Total.....  |         |          |            |                     |          |

| Charges.                  | Amount. | Charge per hundredweight. |         |         |        |
|---------------------------|---------|---------------------------|---------|---------|--------|
|                           |         | Hogs.                     | Calves. | Cattle. | Sheep. |
| Freight.....              |         |                           |         |         |        |
| Yardage and feed.....     |         |                           |         |         |        |
| Selling commission.....   |         |                           |         |         |        |
| Manager's commission..... |         |                           |         |         |        |
| Incidental expenses.....  |         |                           |         |         |        |
| Labor.....                |         |                           |         |         |        |
| Insurance fund.....       |         |                           |         |         |        |
| Total.....                |         |                           |         |         |        |

|                                   |                            |
|-----------------------------------|----------------------------|
| Net returns on shipment.....      |                            |
| Home expenses and deductions..... | Remittances date.....191   |
| Total remittances.....            | Statements No....to No.... |

**MEMBER'S RECEIPT AND ACCOUNT SALES.**

In order that there may be no duplication in the amount of work necessary to secure the original entries with reference to shipments, a form has been provided, whereby a carbon copy of the information contained on the member's receipt, Form No. 3, which is delivered to the farmer at the time of the delivery of his stock, is made upon the member's account sales (see page 9. Form No. 3A), and upon a dupli-

Office of Markets and Rural Organization, Live Stock System Form No. 3.

FARMERS SHIPPING ASSOCIATION.

MEMBER'S RECEIPT.

P. O. ....191

Received from.....

| No. | Article.. | Classification. | Home weight. | Remarks. |
|-----|-----------|-----------------|--------------|----------|
|     |           |                 |              |          |
|     |           |                 |              |          |
|     |           |                 |              |          |
|     |           |                 |              |          |
|     |           |                 |              |          |

Weigher.....

[To be made in duplicate.]

Office of Markets and Rural Organization, Live Stock System Form No. 3a.

Duplicate.]

FARMERS SHIPPING ASSOCIATION.

ACCOUNT SALES.

P. O. ....191

In account with.....

| No. | Article. | Classification. | Home weight. | Shrinkage. | Net weight. | Price. | Amount. |
|-----|----------|-----------------|--------------|------------|-------------|--------|---------|
|     |          |                 |              |            |             |        |         |
|     |          |                 |              |            |             |        |         |
|     |          |                 |              |            |             |        |         |
|     |          |                 |              |            |             |        |         |
|     |          |                 |              |            |             |        |         |

Weigher.....

| Freight. | Selling com. | Incidentals. | Ydg. and feed. | Labor. | Total expense (cwt.). |             | Total expense (net weight). |
|----------|--------------|--------------|----------------|--------|-----------------------|-------------|-----------------------------|
|          |              |              |                |        |                       | Hogs.....   |                             |
|          |              |              |                |        |                       | Veals.....  |                             |
|          |              |              |                |        |                       | Cattle..... |                             |
|          |              |              |                |        |                       | Sheep.....  |                             |

Inclosed find check No..... for balance due.....

cate of the account sales, which is held in the office. The percentage of shrinkage having been determined on the shipment record envelope, the amount of shrinkage for each member's animals is then obtain-





## ENTERING ACCOUNTS ON THE CASH JOURNAL.

Upon receipt of a check accompanying an account sales from the market, the amount of the check should be entered in the cash column in the cash journal to the debit of cash and credited to live-stock account in the general accounts column. The check covering such a shipment, together with other cash receipts for the period since the last bank deposit (all of which should be entered in the cash column), should then be deposited, and an entry for the amount of the deposit should be transferred to the bank deposits column. Further entries in the cash column will not be added to entries made previous to this deposit, since the cash column serves merely as a memorandum of the amount of receipts, and the various additions from day to day are transferred to the bank deposits column as the deposits are made. After having prorated the returns on the shipment on the members' account sales, the association checks to the members should be entered in consecutive order, giving the name of each patron with the number of the check. The amount of each check is entered in the bank withdrawals column and the total payments charged to the live-stock account in the general accounts column.

Journal entries covering home expenses and deductions relative to the shipment can then be entered. These would include such items as manager's commission and incidental supplies and would be credited to these respective accounts and charged to live stock. The inclusion of these items, together with the checks paid to members, should constitute the total charges to the live-stock account. When a check is issued to the manager for his services, the amount should be charged to the manager's commission account, showing the account balanced for a particular shipment. Such items as stationery, stamps, lumber for partitions, etc., when purchased can be charged to incidental supplies and credited off as used in the manner cited above. The rate charged in the proration of these materials should be such as to credit them off the books at their cost value.

In accounting for sales of supplies, the several columns should be headed according to requirements. All entries of sales may then be distributed under the appropriate headings, showing the pounds and amount of each sale. If the supplies are sold on account, the amount of sales should be charged in the accounts receivable column opposite the customer's name in the items column. The number of the sales ticket should in each case be entered in the sales ticket column. Cash sales should be credited to the proper commodity, as in the case of sales on account, a corresponding amount being entered to the debit of cash in the cash column. As the entries progress and the pages of the cash journal are filled, the various columns should be added and the totals carried forward to the next page. The two



sides of the cash journal should at all times be in balance, with the exception that the debit side should exceed the credit by the exact amount of the first entry of the month, which should be the amount of cash in the bank, this entry being made at the head of the bank deposits column. At the close of the last business day of the month the bank book should be balanced, so that the manager will be able to check up the correctness of his entries in respect to cash. If the difference between the totals of the bank deposits column and the bank withdrawals column of the cash journal is equal to the difference between the bank balance as shown in the passbook and the outstanding checks, this will prove that the entries as made in the cash journal correspond to the transactions with the bank, and the two balances therefore are considered reconciled.

#### POSTING OF THE LEDGER.

In associations which have been doing business over a period of time, it will be necessary before making postings to the ledger to set up the accounts representing the assets and liabilities of the associations.<sup>1</sup> These assets and liabilities will include such assets as cash in the bank, equipment for doing business, notes receivable, accounts receivable, inventory accounts, and such liabilities as bills payable and capital stock outstanding.

Since the cash journal is arranged with columns so that the several commodities may be accounted for in the proper columns, the number of necessary postings to the ledger is reduced. As the work progresses during the month, all the entries in the accounts receivable and general accounts columns, both debit and credit, should be made daily to their respective accounts in the ledger. Such postings as are necessary in respect to various commodities sold can be made at the end of the month in total, posting to the ledger both the amounts in pounds and the values of the commodities sold. In respect to purchases of supplies, the same procedure should be followed regarding posting both pounds and price, so that the ledger account not only will give the value and kind of goods on hand, but will serve also as a perpetual inventory of such commodities.

#### CONCLUSION.

As has been the practice of the office in relation to its other accounting systems, improvements will be made in the system for live-stock shipping associations described in this bulletin wherever it is shown that such changes will improve its adaptability to the business.

<sup>1</sup> For further discussion of opening books see Humphrey, John R., and Kerr, W. H., "Lumber Accounting and Opening Books in Primary Grain Elevators," U. S. Department of Agriculture, Markets Document No. 2, 1916.

In connection with its service through the publication of accounting forms and bulletins relating to accounting and business practice in marketing organizations, the office is rendering valuable personal assistance through field representatives. Where deemed advisable and necessary, assistance is furnished to associations in improving their accounting and business methods by assisting in the installation of bookkeeping systems and by advising the management on improved methods of operation.

The activities of the office are carried on in a spirit of thorough cooperation, and it is hoped that those who accept its services will feel free to become constructive critics of its work.

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- Cooperative Organization Business Methods (Department Bulletin 178).
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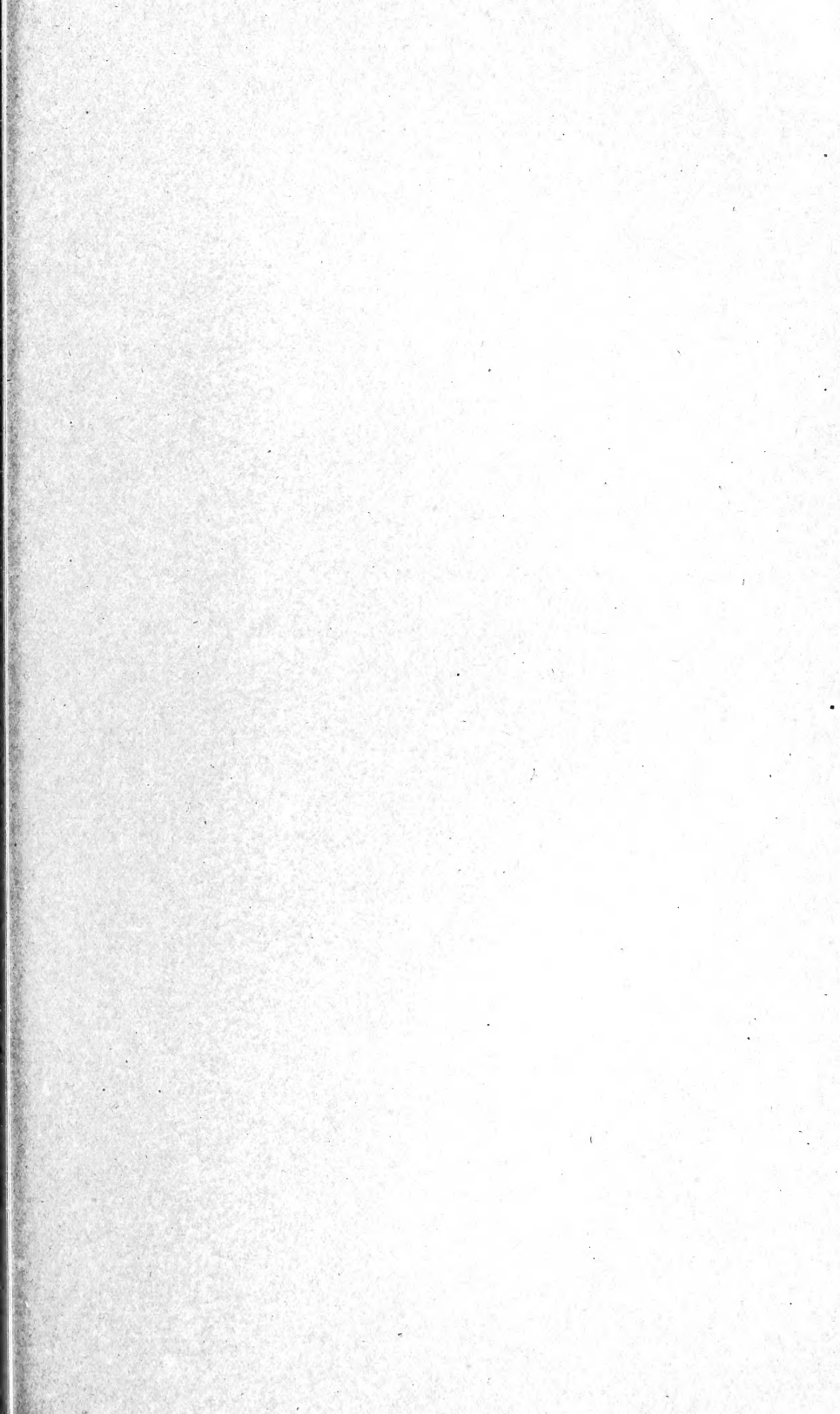
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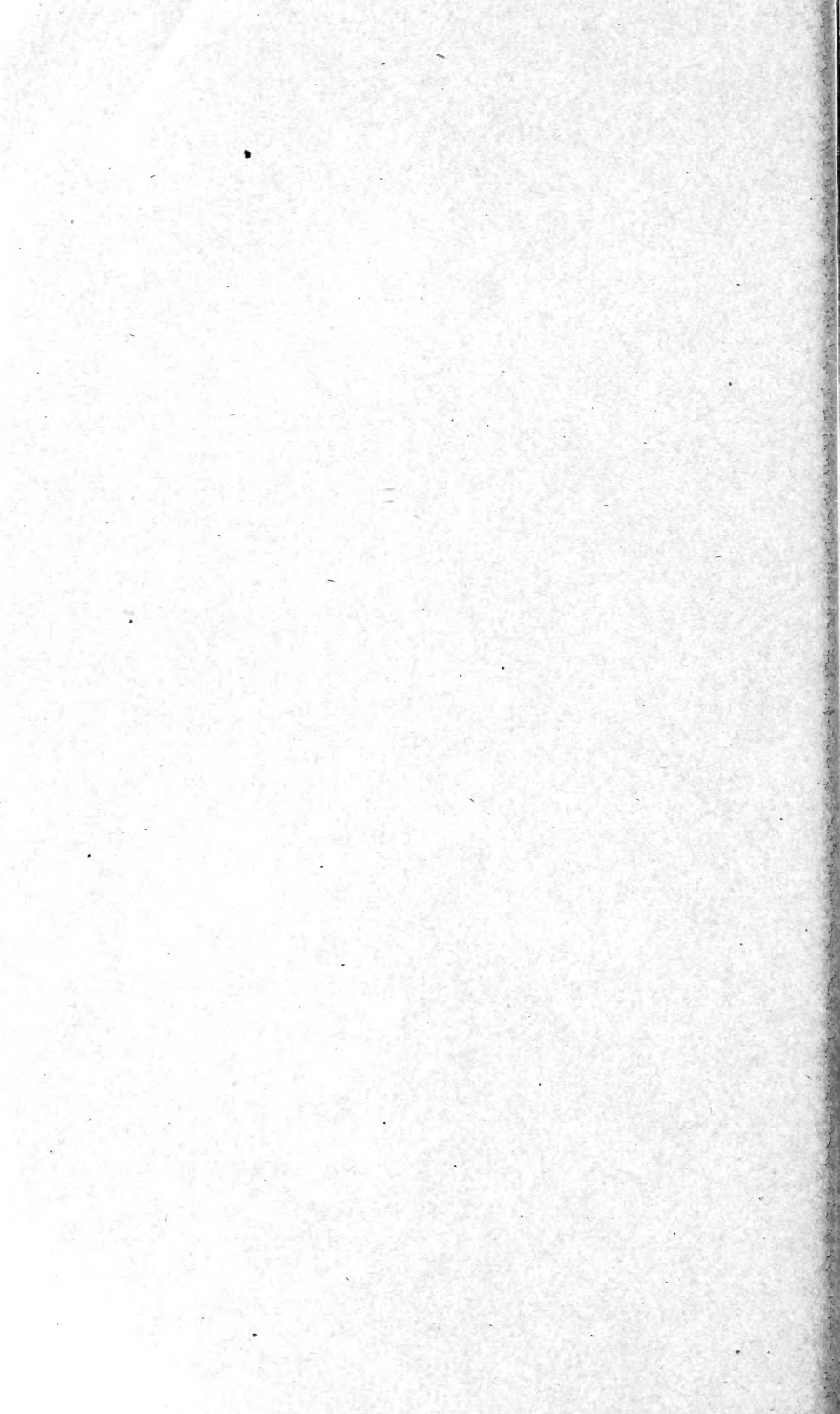
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