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Examination of the Accounting Records of

THE STORES DEPARTMENT OF THE

UNIVERSITY OF ARIZONA

July 1, 1965 to June 30, 1966

Report No. 123

**Office of the General Examiner
for the Arizona Board of Regents**

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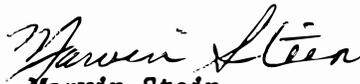
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EXAMINATION OF THE ACCOUNTING RECORDS OF
THE STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

To the Arizona Board of Regents:

The report presented herewith covers our examination of the accounts of the Stores Department of the University of Arizona for the fiscal year ended June 30, 1966.

Respectfully submitted,


Marvin Stein
Supervising Examiner


C. R. Willison
Examiner

October 13, 1966

STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1965 TO JUNE 30, 1966

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STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1965 TO JUNE 30, 1966

Financial Summary

Net income of the Stores Department for the fiscal year ended June 30, 1966 was \$3,556 (.98% of sales). This compares with net income of \$4,891 (1.95% of sales) for the fiscal year ended June 30, 1965. The net income for 1965-66 includes \$1,831 in patronage refunds received from Educational and Institutional Cooperative. The 1964-65 net income includes \$1,516 in patronage refunds from Educational and Institutional Cooperative.

In July, 1965, the Stores Department moved into new quarters containing double their previously available floor area.

This enabled the Stores Department to expand and extend their lines of merchandise and to establish a Chemical Department and a Compressed Gasses Department. These two new departments accounted for approximately 10% of the increase in sales in 1965-66 over 1964-65.

Comments on Operating Results (Exhibit A)

Exhibit A shows the income and expenses of the Stores Department for the year 1965-66 and comparative figures for the year 1964-65. Supplementary comments related to amounts in Exhibit A appear below.

Net Sales \$363,937

Net sales in 1965-66 were \$113,020 more than in 1964-65. This was an increase of approximately 45%. (Sales in 1964-65 increased 9.8% over 1963-64.) The large increase in sales was caused by the new lines added and the general volume increase.

Gross Margin on Sales \$ 50,038

Gross margin was 13.75% of sales in 1965-66 compared with 14.68% in 1964-65. The 1965-66 percentage of gross margin was .75% more than the planned 13% gross margin on which selling prices are based.

Total Operating Expenses \$ 48,313

Total operating expenses increased \$14,847 in 1965-66. Due mainly to Stores moving into larger quarters and the addition of personnel to handle the increased inventory and sales. In 1965-66, total operating expenses were 13.28% of sales compared with 13.33% in 1964-65. The .05% reduction was the result of a proportionately greater increase in sales in 1965-66 than in the total operating expenses.

The increase of \$14,847 in total operating expenses occurred in personal services (\$7,531), payroll taxes & retirement (\$814), supplies (\$1,470), telephone (\$540), insurance (\$494), and equipment (\$3,357), with smaller increases in other expense items.

Miscellaneous Income

\$ 1,831

In 1965-66 the Stores Department received \$1,831 in patronage refunds compared to \$1,516 in 1964-65. Without inclusion of these credits the net income in 1965-66 would have been \$1,725 (.47% of sales), and in 1964-65 the net income would have been \$3,375 (1.35% of sales).

Comments on the Balance Sheet (Exhibit B)

The following supplemental comments are offered with respect to the various balance sheet items.

Accounts Receivable

\$ 60,046

Accounts Receivable at June 30, 1966 totaled \$18,491 more than at June 30, 1965.

Inventory of Merchandise

\$169,469

Total inventory on hand June 30, 1966 amounted to \$71,194, more than the total inventory on hand June 30, 1965. The increase was caused by the Stores ability in its new larger quarters to stock a more complete line of merchandise in order to more adequately serve the needs of the fast growing University departments.

The examiners were present during the taking of the annual inventory and made extensive tests of quantities and prices listed for merchandise. We also tested the extensions on the inventory sheets and verified all sheet totals and the summarization of totals.

Deferred Charges

\$ 6,610

This represents merchandise charged to Stores at June 30, 1966, which was not placed in stock until after the inventory was completed.

Cash Advance from Business Office

\$164,335

As of June 30, 1966, the Stores Department owed the Business Office \$164,335. for cash advanced to finance the inventory and accounts receivable. This was \$49,089. greater than at June 30, 1965.

Accounts Payable

\$ 22,872

This item represents the amount owed by the Stores Department for materials and services received but not paid for at June 30, 1966.

Fund Balance

\$ 48,918

The fund balance of the Stores Department represents the Department's accumulated net income through June 30, 1966.

Comments on Accounting Procedures

Our examination indicates that the records of the Stores Department for 1965-66 are in good condition. We have no recommendations concerning accounting procedures in this department at the present time.

Exhibit A

The University of Arizona - Stores Department

Statement of Income and Expenses

For the Years Ended June 30, 1966 and 1965

	1965-66		1964-65		Increase (Decrease)
	Amount	% of Sales	Amount	% of Sales	
<u>Net Sales</u>	\$ 363,937	100.00	\$ 250,917	100.00	\$113,020
<u>Cost of Goods Sold</u>					
Inventory Beginning	98,275		86,960		
Purchases	385,093		225,391		
<u>Total</u>	483,368		312,351		
Inventory Ending	169,469		98,275		
<u>Cost of Goods Sold</u>	313,899	86.25	214,076	85.32	99,823
<u>Gross Margin on Sales</u>	50,038	13.75	36,841	14.68	13,197
<u>Operating Expenses</u>					
Salaries	19,769	5.43	23,050	9.18	(3,281)
Wages	15,769	4.34	4,957	1.97	10,812
Supplies	2,687	.74	1,217	.48	1,470
Telephone	686	.19	146	.06	540
Dues-Subscriptions	50	.01	-0-	.00	50
Payroll Taxes and Retirement	2,536	.70	1,722	.69	814
Insurance	704	.19	210	.09	494
Repairs-Maintenance	390	.11	141	.06	249
Equipment	3,921	1.08	564	.22	3,357
Bus. Office Serv. Chg.	1,689	.46	1,352	.54	337
Travel	112	.03	107	.04	5
<u>Total Operating Expenses</u>	48,313	13.28	33,466	13.33	14,847
<u>Net Operating Income</u>	1,725	.47	3,375	1.35	(1,650)
<u>Other Income</u>	1,831	.51	1,516	.60	315
<u>Net Income</u>	\$ 3,556	.98	\$ 4,891	1.95	\$ (1,335)

Exhibit B

The University of Arizona - Stores Department

Balance Sheet

June 30, 1966 and 1965

	<u>June 30,</u> <u>1966</u>	<u>June 30,</u> <u>1965</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Assets</u>			
<u>Current Assets</u>			
Accounts Receivable	\$ 60,046	\$ 41,555	\$ 18,491
Inventory of Merchandise	169,469	98,275	71,194
Deferred Charges	<u>6,610</u>	<u>22,330</u>	<u>(15,720)</u>
<u>Total Current Assets</u>	236,125	162,160	73,965
<u>Liabilities and Fund Balances</u>			
<u>Current Liabilities</u>			
Cash Advanced from Business Office	164,335	115,246	49,089
Accounts Payable	<u>22,872</u>	<u>1,552</u>	<u>21,320</u>
<u>Total Current Liabilities</u>	187,207	116,798	70,409
<u>Fund Balance (Earned Surplus)</u>	<u>48,918</u>	<u>45,362</u>	<u>3,556</u>
<u>Total Liabilities and Surplus</u>	<u>\$ 236,125</u>	<u>\$ 162,160</u>	<u>\$ 73,965</u>