

THE UNIVERSITY OF ARIZONA
STORES DEPARTMENT
REPORT OF EXAMINATION
JULY 1, 1968 TO JUNE 30, 1969

Report No. 157

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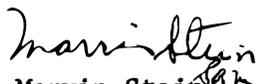
STORES DEPARTMENT

REPORT OF EXAMINATION

To the Arizona Board of Regents:

The report covering our examination of the accounts of the Stores Department of the University of Arizona for the fiscal year ended June 30, 1969, is presented herewith.

Respectfully submitted,


Marvin Stein
Supervising Examiner


C. R. Willison
Examiner

December 8, 1969

THE UNIVERSITY OF ARIZONA
STORES DEPARTMENT
REPORT OF EXAMINATION
JULY 1, 1968 TO JUNE 30, 1969

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THE UNIVERSITY OF ARIZONA
STORES DEPARTMENT
REPORT OF EXAMINATION
JULY 1, 1968 TO JUNE 30, 1969

FINANCIAL SUMMARY

The Stores Department had a net loss for the fiscal year ended June 30, 1969 of \$8,808 (.9%) of sales. This compares with net income of \$21,388 (2.5% of sales) for the fiscal year ended June 30, 1968. The net loss is after allowing for \$841 in patronage refunds received from the Educational and Institutional Cooperative.

COMMENTS ON OPERATING RESULTS (EXHIBIT A)

Exhibit A shows the income and expenses of the Stores Department for the years 1968-69 and 1967-68. Comment related to amounts in Exhibit A appear below.

Net sales \$973,476

Net sales in 1968-69 were \$101,723 more than in 1967-68. This is an increase of 11.7%. (Sales in 1967-68 increased 51% over 1966-67.)

The following table contains a summary of sales by categories for the year 1968-69 with comparative figures for 1967-68.

	Markup Percentage	1968-69	1967-68	Increase
General Supplies (Stock Items)	15%	\$ 444,695	\$ 417,475	\$ 27,220
Chemical and Laboratory Glassware (Stock Items)	15%	143,278	143,679	(401)
Commercial Gases	15%	48,634	46,797	1,837
Furniture, Floor Wax and Copy Paper	10% & 15%	80,713	58,208	22,505
Chemicals (Special Orders)	None 1968-69 10% 1967-68	58,648	46,887	11,761
General Supplies (Special Orders)	None	<u>197,508</u>	<u>158,707</u>	<u>38,801</u>
 Total Sales		 <u>\$ 973,476</u>	 <u>\$ 871,753</u>	 <u>\$ 101,723</u>

The Stores Department has for the past three years purchased items, not normally stocked, for various University departments. These items are billed to the departments at no markup. This procedure has resulted in considerable time saving and purchase costs for the University. The volume of these purchases has increased both in dollar amount and as a percent of total sales. Special order sales accounted for 26.3% of total sales in 1968-69 compared to 18.2% in 1967-68. The cost of this service is partially offset by cash discounts received

from vendors. Sales increased in all categories except chemical and laboratory glassware which had a very small decline.

Gross margin on sales \$102,659

The gross margin in 1968-69 was 10.5% of sales compared to 12.3% of sales in 1967-68. This reduction of gross margin was largely caused by the \$256,156 of items purchased for various departments and billed to them at no markup.

Total operating expenses \$112,308

Total operating expenses increased \$25,842. Salaries, wages, and related payroll taxes increased \$15,114, reflecting merit increases and additional personnel to handle the increased sales volume. In 1967-68 the Stores Department rented a billing and accounting machine to facilitate billing and inventory control. In 1968 the Stores Department exercised a purchase option in the rental agreement and are now buying the equipment over a three-year period, this accounts for most of the increase in equipment expense. A perpetual inventory system was put into operation in 1968-69 utilizing information developed on the accounting machine as part of the billing process. The data from the accounting machine is passed on to the computer for further processing. The additional computer time used for inventory control resulted in an increase of \$1,453 in data processing expense.

Miscellaneous income \$841

The Stores Department received \$841 in patronage refunds in 1968-69 compared with \$945 in 1967-68, a decrease of \$104.

COMMENTS ON THE BALANCE SHEET (EXHIBIT B)

The following comments are made with reference to the various balance sheet items.

Accounts receivable \$65,524

The accounts receivable at June 30, 1969 were \$49,004 less than at June 30, 1968. Improvements in the billing process on the accounting machine allowed Stores to stay on a current billing basis throughout the fiscal year.

Inventory of merchandise \$291,993

The inventory at June 30, 1969 increased only \$659 over June 30, 1968. The perpetual inventory system developed and put into operation in the second half of the fiscal year has and will continue to provide a very good tool for inventory control. The examiners were present during the annual physical inventory. Tests were made of quantities and prices recorded and the computer listings of inventoried items and values were examined for accuracy.

Cash advance from Business Office,

\$232,371

As of June 30, 1969, the Stores Department owed the Business Office \$232,371 for cash advanced to finance the inventory and accounts receivable. This was a decrease of \$61,133 from June 30, 1968. The \$49,004 decrease in accounts receivable and \$21,596 increase in accounts payable provided cash, the increase in inventory of \$659 and net loss of \$8,808 reduced cash.

Fund Balance

\$68,972

The Fund balance of the Stores Department decreased \$8,808 in 1968-69. Thus the above amount is the accumulated net earnings through June 30, 1969.

EXHIBIT A

THE UNIVERSITY OF ARIZONA
STORES DEPARTMENT
STATEMENT OF INCOME AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 1969 AND 1968

	1968-69		1967-68		Amount
	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Increase (Decrease)
NET SALES	<u>\$ 973,476</u>	<u>100.0</u>	<u>\$ 871,753</u>	<u>100.0</u>	<u>\$ 101,723</u>
COST OF GOODS SOLD					
Inventory, beginning	291,334		269,556		
Purchases	<u>871,476</u>		<u>786,622</u>		
Total	1,162,810		1,056,178		
Inventory, ending	<u>291,993</u>		<u>291,334</u>		
Cost of Goods Sold	<u>870,817</u>	<u>89.5</u>	<u>764,844</u>	<u>87.7</u>	<u>105,973</u>
GROSS MARGIN ON SALES	<u>102,659</u>	<u>10.5</u>	<u>106,909</u>	<u>12.3</u>	<u>(4,250)</u>
OPERATING EXPENSES					
Salaries	50,409	5.2	35,300	4.1	15,109
Wages	24,255	2.5	25,527	2.9	(1,272)
Supplies	7,278	.7	6,040	.7	1,238
Telephone	1,375	.1	1,151	.1	224
Dues & subscriptions	50	-	50	-	-
Payroll taxes and Retirement	6,657	.7	5,380	.6	1,277
Insurance, taxes	945	.1	887	.1	58
Repairs, maintenance	3,026	.3	1,039	.1	1,987
Equipment	10,820	1.1	1,172	.1	9,648
Business office service charge	4,790	.5	4,301	.5	489
Travel	45	-	25	-	20
Data processing	2,658	.3	1,205	.2	1,453
Equipment rental	<u>-</u>	<u>-</u>	<u>4,389</u>	<u>.5</u>	<u>(4,389)</u>
Total operating expenses	<u>112,308</u>	<u>11.5</u>	<u>86,466</u>	<u>9.9</u>	<u>25,842</u>
NET OPERATING INCOME (LOSS)	<u>(9,649)</u>	<u>(1.0)</u>	<u>20,443</u>	<u>2.4</u>	<u>(30,092)</u>
OTHER INCOME	<u>841</u>	<u>.1</u>	<u>945</u>	<u>.1</u>	<u>(104)</u>
NET INCOME (LOSS)	<u>\$ (8,808)</u>	<u>(.9)</u>	<u>\$ 21,388</u>	<u>2.5</u>	<u>\$ (30,196)</u>

EXHIBIT B

THE UNIVERSITY OF ARIZONA
STORES DEPARTMENT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1969 AND 1968

	<u>June 30</u> <u>1969</u>	<u>June 30</u> <u>1968</u>	<u>Increase</u> <u>(Decrease)</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Accounts receivable	\$ 65,524	\$114,528	\$ (49,004)
Inventory merchandise	<u>291,993</u>	<u>291,334</u>	<u>659</u>
Total Assets	<u>\$357,517</u>	<u>\$405,862</u>	<u>\$ (48,345)</u>
<u>LIABILITIES AND FUND BALANCE</u>			
CURRENT LIABILITIES			
Cash advanced from Business Office	\$232,371	\$293,504	\$ (61,133)
Accounts payable	<u>56,174</u>	<u>34,578</u>	<u>21,596</u>
Total current liabilities	288,545	328,082	(39,537)
Fund Balance	<u>68,972</u>	<u>77,780</u>	<u>(8,808)</u>
Total Liabilities and Fund Balance	<u>\$357,517</u>	<u>\$405,862</u>	<u>\$ (48,345)</u>