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Report of Examination of the Accounts of

THE ASSOCIATED STUDENTS BOOKSTORES

OF THE UNIVERSITY OF ARIZONA

July 1, 1965 to June 30, 1966

Report No. 124

Office of the General Examiner
for the Arizona Board of Regents

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EXAMINATION OF BOOKSTORE ACCOUNTS

AT THE UNIVERSITY OF ARIZONA

To the Arizona
Board of Regents:

The report covering our examination of the accounts of the Associated Students Bookstores of the University of Arizona for the fiscal year ended June 30, 1966 is presented herewith.

The Bookstore opened a branch operation in the Park Student Center during 1965-66. The records and accounts for the branch are maintained separately from those of the parent store. Our examination has included the operation of both stores and the statements contained herein include the combined operating results as well as individual results for the Campus store and the Park store.

Respectfully submitted,


Marvin Stein
Supervising Examiner


S. A. Morey
Examiner

November 2, 1966

THE ASSOCIATED STUDENTS BOOKSTORES

OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1965 TO JUNE 30, 1966

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THE ASSOCIATED STUDENTS BOOKSTORES

OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1965 TO JUNE 30, 1966

Financial Summary

The consolidated net income of the Associated Students Bookstores for the fiscal year ended June 30, 1966 was \$117,083, a decrease of \$23,356 from that of the preceding fiscal year. The Campus store had net income of \$126,675 for 1965-66 and the Park store suffered a net loss of \$9,592 for its first half years operation.

The consolidated retained earnings of the Bookstores at June 30, 1966 was \$998,857 up \$117,083 from that of the Campus store alone at June 30, 1965.

The Park store was opened for business the first of February, 1966 in a totally new facility. The opening date was delayed several times due to construction delays. Personnel was hired and trained at the Campus store and the delays in the opening date caused additional payroll expense. The mid-year opening date decreased the sales potential because buying habits of the students had already been established to utilize other facilities. Based on the results to date, the outlook for 1966-67 is more favorable.

Comments on Operating Results (Exhibits A, C, and E)

Comparison of 1965-66 Results with 1964-65

The Consolidated Bookstores' operating results, shown in detail in Exhibit A and Schedule 1, are summarized as follows:

	<u>1965-66</u>		<u>1964-65</u>	
	<u>Amount</u>	<u>Per Cent</u>	<u>Amount</u>	<u>Per Cent</u>
Net Sales	\$ 1,372,776	100.0	\$ 1,190,276	100.0
Cost of Goods Sold	<u>1,019,919</u>	<u>74.3</u>	<u>880,483</u>	<u>74.0</u>
<u>Gross Margin on Sales</u>	352,857	25.7	309,793	26.0
Operating Expenses	<u>216,622</u>	<u>15.8</u>	<u>166,188</u>	<u>14.0</u>
<u>Net Operating Income from Sales</u>	136,235	9.9	143,605	12.0
Interest Income	<u>848</u>	<u>.1</u>	<u>834</u>	<u>.1</u>
<u>Total Net Operating Income</u>	137,083	10.0	144,439	12.1
Transfer to Activities	<u>20,000</u>	<u>1.5</u>	<u>4,000</u>	<u>.3</u>
<u>Added to Retained Earnings</u>	\$ <u><u>117,083</u></u>	<u>8.5</u>	\$ <u><u>140,439</u></u>	<u>11.8</u>

The following comments are made with respect to the items in the above table and related items in Exhibit C and E:

1. Net sales increased \$132,500 (15.3%) in 1965-66 over 1964-65. The Campus store's sales increased \$121,915 or 10.2% and the Park store had sales of \$60,585, 5.1% of the total increase.
2. Gross margin on consolidated sales less consolidated cost of goods sold was 25.7%. The Campus store's gross margin was 25.9%, a decrease of .1% from 1964-65. The Park store's gross margin was only 21.9% because a much larger portion of its total sales was textbooks. Textbooks have a much lower mark-up than supplies and other items handled.
3. Total operating expenses increased \$50,434 (1.8%) in 1965-66 over 1964-65. Expenses of the Campus store increased \$27,571 (1.7%) and total expenses of the Park store were \$22,863. (Further discussion of operating expenses appears in a later paragraph.)
4. Total net income decreased \$23,356 (3.3%), reflecting the .3% decrease in gross margin and a 1.8% increase in total operating expenses. The transfer to activities increased 1.2% because a much larger amount was transferred in 1965-66.

Operating Expenses

The following expense categories have changed enough to require further comment:

Salaries increased \$9,281 as the result of normal merit increases and the new position of accountant filled in July, 1965.

Wages increased \$23,731 in 1965-66 over 1964-65. This increase was caused in part by normal merit increases and some new positions to handle the increased sales at the Campus store. More significant was the new positions created by the opening of the Park store and the necessary duplication of some personnel during the training period. Construction delays made this training period somewhat longer than planned.

Office expense and operating supplies increased \$7,260 because of the necessary initial supply of all forms and supplies for the Park store. The increased area to maintain and increased sales were also partially responsible for the increase.

Depreciation of the building increased \$2,064 and is totally due to the new Park bookstore. The examiners have set the building up on an estimated forty year life. The depreciation expense of \$2,064 is five-twelfths of the estimated annual depreciation.

The increase of \$2,281 in the depreciation of equipment is almost all due to the Park store. The examiners have used a life of 10 years for fixtures and most other equipment. The charge for the Park store represents five-twelfths of the estimated annual charge.

Comments on Statement of Financial Position (Exhibits B, D, and F)

Those items in the statement of financial position believed to require comment are discussed below.

Cash on Deposit with the Business Office \$ 91,324

The cash on deposit at the Business Office increased \$52,036 in 1965-66. This increase reflects the net income of \$117,083 reduced by other factors effecting cash funds. The Business Office maintains separate accounts for the Campus store and the Park store. The Campus store had a balance of \$104,294 at June 30, 1966 and the Park store had an overdraft of \$12,970. The consolidated cash balance was \$91,324 at June 30, 1966.

Due from Vendors for Returned Merchandise \$ 35,334

The balance in this account represents credit memos on hand or due at June 30, 1966 for merchandise returned to vendors. It is normal practice to return any over-stock of textbooks to the publisher for credit. These credits are normally used in the following semester against new purchases. The Campus store had \$30,363 of the credits and the Park store \$4,971.

Inventory of Merchandise \$ 350,024

The estimated cost of merchandise on hand at June 30, 1966 was \$60,290 more than that of June 30, 1965. The increase was almost all in the \$55,122 inventory at the Park store.

Construction Fund Cash \$ -0-

Construction in Process \$ -0-

Building \$ 456,958

At June 30, 1965 the Park bookstore was under construction and a separate cash account was maintained in the Business Office. That portion of the cost of construction that had been paid at June 30, 1965 was shown in the construction in process account. Upon completion of construction the appropriate asset was debited and the special accounts closed. The total cost of the Park Bookstore building was \$198,156.

Furniture and Equipment \$ 147,513

The total cost of fixtures and equipment for the Park Bookstore was \$50,381. Additions to the Campus store equipment amounted to \$3,592.

Retained Earnings \$ 998,857

The increase in retained earnings in 1965-66 of \$117,083 is the consolidated net income from 1965-66 operations.

Comments on Accounting Procedures

Our examination of the accounting records of the Bookstores found them to be in good condition for examination. A few minor procedural problems were discussed with the manager during the course of the examination.

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONA

BOOKSTORE

Consolidated Statement of Income and Expenses
for the Years Ended June 30, 1966 and 1965

	<u>1965-66</u>		<u>1964-65</u>		<u>Amount Increase (Decrease)</u>
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	
<u>Net Sales</u>	\$ <u>1,372,776</u>	100.00	\$ <u>1,190,276</u>	100.00	\$ 182,500
<u>Cost of Goods Sold</u>					
Inventory, Beginning	289,734		273,552		
Purchases (Incl. Trans.)	<u>1,080,209</u>		<u>396,665</u>		
<u>Total</u>	<u>1,369,943</u>		<u>1,170,217</u>		
Inventory, Ending	<u>350,024</u>		<u>289,734</u>		
<u>Cost of Goods Sold</u>	<u>1,019,919</u>	<u>74.30</u>	<u>880,483</u>	<u>73.97</u>	<u>139,436</u>
<u>Gross Margin on Sales</u>	352,857	25.70	309,793	26.03	43,064
<u>Total Operating Expenses</u> <u>(See Schedule 1)</u>	<u>216,622</u>	<u>15.78</u>	<u>166,188</u>	<u>13.96</u>	<u>50,434</u>
<u>Net Operating Income</u> <u>from Sales</u>	136,235	9.92	143,605	12.07	(7,370)
Interest Income	<u>848</u>	<u>06</u>	<u>834</u>	<u>07</u>	<u>14</u>
<u>Total Net Operating Income</u>	137,083	9.98	144,439	12.14	(7,356)
Transfer to Activities	<u>20,000</u>	<u>1.45</u>	<u>4,000</u>	<u>.34</u>	<u>16,000</u>
<u>Added to Retained</u> <u>Earnings</u>	\$ <u>117,083</u>	<u>8.53</u>	\$ <u>140,439</u>	<u>11.80</u>	\$ (<u>23,356</u>)

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONABOOKSTOREConsolidated Schedule of Operating Expenses
for the Years Ended June 30, 1966 and 1965

	<u>1965-66</u>		<u>1964-65</u>		Amount Increase (Decrease)
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	
<u>Operating Expenses</u>					
Salaries	\$ 44,781	3.26	\$ 35,500	2.98	\$ 9,281
Wages	105,494	7.68	81,763	6.88	23,731
Office Exp. & Oper.Sup.	14,532	1.06	7,322	.62	7,260
Utilities	3,104	.23	2,831	.24	223
Dues & Subscriptions	294	.02	260	.02	34
Insurance	1,475	.11	938	.08	537
Payroll Taxes & Retire.	7,623	.56	5,669	.48	1,954
Advertising	7,238	.53	6,851	.58	437
Repairs & Maintenance	3,208	.23	2,274	.19	934
Travel	1,192	.09	690	.06	502
Rent	467	.03	660	.05	(193)
Depreciation of Bldg.	9,611	.70	7,547	.63	2,064
Depreciation of Equip.	9,050	.66	6,769	.57	2,281
Bus. Office Service Chg.	6,723	.49	5,245	.44	1,478
High School Senior Day	1,385	.10	1,341	.11	44
Bad Dept Expense	66	.01	264	.02	(198)
Other Expenses	279	.02	214	.01	65
<u>Total Operating Expenses</u>	<u>\$216,622</u>	<u>15.78</u>	<u>\$166,188</u>	<u>13.96</u>	<u>\$ 50,434</u>
(To Exhibit A)					

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONABOOKSTOREConsolidated Statement of Financial Position
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>			
Cash on Deposit at Business Office	\$ 91,324	\$ 39,288	\$ 52,036
Change Funds	2,600	1,600	1,000
Accounts Receivable	19,285	15,326	3,959
Due from Vendors for Returned Merchandise	35,334	21,757	13,577
Prepaid Purchases and Expenses	134	3,259	(3,125)
Inventory of Merchandies	<u>350,024</u>	<u>289,734</u>	<u>60,290</u>
<u>Total Current Assets</u>	<u>498,701</u>	<u>370,964</u>	<u>127,737</u>
<u>Investments</u>			
U.S. Gov't. Bonds for Building and Equipment Replacement	<u>25,935</u>	<u>25,935</u>	<u>-0-</u>
<u>Fixed Assets</u>			
Construction Fund Cash	-0-	49,213	(49,213)
Construction in Process	-0-	191,458	(191,458)
Building	456,958	258,802	198,156
Furniture and Equipment	<u>147,513</u>	<u>93,540</u>	<u>53,973</u>
<u>Total</u>	<u>604,471</u>	<u>593,013</u>	<u>11,458</u>
Less: Accumulated Depreciation	<u>115,063</u>	<u>96,401</u>	<u>18,662</u>
<u>Net Fixed Assets</u>	<u>489,408</u>	<u>496,612</u>	<u>(7,204)</u>
<u>Total Assets</u>	<u>1,014,044</u>	<u>893,511</u>	<u>120,533</u>
<u>Liabilities and Retained Earnings</u>			
<u>Current Liabilities</u>			
Accounts Payable	12,461	10,029	2,432
Due to Business Office for Change Funds	2,600	1,600	1,000
Special Order Deposits	126	108	18
<u>Total Current Liabilities</u>	<u>15,187</u>	<u>11,737</u>	<u>3,450</u>
<u>Retained Earnings</u>	<u>998,857</u>	<u>881,774</u>	<u>117,083</u>
<u>Total Liabilities and Retained Earnings</u>	<u>\$1,014,044</u>	<u>\$ 893,511</u>	<u>\$ 120,533</u>

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONACAMPUS BOOKSTOREStatement of Income and Expenses
for the Years Ended June 30, 1966 and 1965

	<u>1965-66</u>		<u>1964-65</u>		<u>Amount Increase (Decrease)</u>
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	
<u>Net Sales</u>	\$ <u>1,312,191</u>	100.00	\$ <u>1,190,276</u>	100.00	\$ 121,915
<u>Cost of Goods Sold</u>					
Inventory Beginning	289,734		273,552		
Purchases (Inc. Trans.)	<u>977,773</u>		<u>896,665</u>		
<u>Total</u>	<u>1,267,507</u>		<u>1,170,217</u>		
Inventory, Ending	<u>294,902</u>		<u>289,734</u>		
<u>Cost of Goods Sold</u>	<u>972,605</u>	<u>74.12</u>	<u>880,483</u>	<u>73.97</u>	<u>92,122</u>
<u>Gross Margin on Sales</u>	339,586	25.88	309,793	26.03	29,793
<u>Total Operating Expenses</u> <u>(See Schedule 2)</u>	<u>193,759</u>	<u>14.77</u>	<u>166,188</u>	<u>13.96</u>	<u>27,571</u>
<u>Net Operating Income</u> <u>from Sales</u>	145,827	11.11	143,605	12.07	2,222
Interest Income	<u>848</u>	<u>.06</u>	<u>834</u>	<u>.07</u>	<u>14</u>
<u>Total Net Operating Income</u>	146,675	11.17	144,439	12.14	2,236
Transfer to Activities	<u>20,000</u>	<u>1.52</u>	<u>4,000</u>	<u>.34</u>	<u>16,000</u>
<u>Added to Retained Earnings</u>	<u>\$ 126,675</u>	<u>9.65</u>	<u>\$ 140,439</u>	<u>11.80</u>	<u>\$ (13,764)</u>

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONACAMPUS BOOKSTORESchedule of Operating Expenses
for the Years Ended June 30, 1966 and 1965

	<u>1965-66</u>		<u>1964-65</u>		<u>Amount Increase (Decrease)</u>
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	
<u>Operating Expenses</u>					
Salaries	\$ 42,031	3.20	\$ 35,500	2.98	\$ 6,531
Wages	94,123	7.17	81,763	6.88	12,360
Office Exp. & Oper. Sup.	13,040	.99	7,322	.62	5,718
Utilities	2,276	.17	2,881	.24	(605)
Dues & Subscriptions	266	.02	260	.02	6
Insurance	1,081	.08	938	.08	143
Payroll Taxes & Retire.	6,906	.53	5,669	.48	1,237
Advertising	7,288	.56	6,851	.58	437
Repairs & Maintenance	3,080	.23	2,274	.19	806
Travel	1,112	.08	690	.06	422
Rent	467	.04	660	.05	(193)
Depreciation of Building	7,547	.58	7,547	.63	-0-
Depreciation of Equip.	6,951	.53	6,769	.57	182
Bus. Off. Serv. Chg.	5,861	.45	5,245	.44	616
High School Senior Day	1,385	.11	1,341	.11	44
Bad Debt Expense	66	.01	264	.02	(198)
Other Expenses	<u>279</u>	<u>.02</u>	<u>214</u>	<u>.01</u>	<u>65</u>
<u>Total Operating Expenses</u>	<u>\$ 193,759</u>	<u>14.77</u>	<u>\$ 166,188</u>	<u>13.96</u>	<u>\$ 27,571</u>
(To Exhibit C)					

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONACAMPUS BOOKSTOREStatement of Financial Position
June 30, 1966 and 1965

<u>Assets</u>	<u>June 30,</u> <u>1966</u>	<u>June 30,</u> <u>1965</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Current Assets</u>			
Cash on Deposit at Business Office	\$ 104,294	\$ 39,288	\$ 65,006
Change Funds	1,600	1,600	-0-
Accounts Receivable	19,283	15,326	3,957
Due from Vendors for Returned Merchandise	30,363	21,757	8,606
Prepaid Purchases and Expenses	57	3,259	(3,202)
Inventory of Merchandise	<u>294,902</u>	<u>289,734</u>	<u>5,168</u>
<u>Total Current Assets</u>	<u>450,499</u>	<u>370,964</u>	<u>79,535</u>
<u>Investments</u>			
U.S. Gov't Bonds for Building and Equipment Replacement	<u>25,935</u>	<u>25,935</u>	<u>-0-</u>
<u>Fixed Assets</u>			
Construction Funds Cash	-0-	49,213	(49,213)
Construction in Process	-0-	191,458	(191,458)
Advance to Park Bookstore	299,132	-0-	299,132
Building	258,802	258,802	-0-
Furniture and Equipment	<u>97,132</u>	<u>93,540</u>	<u>3,592</u>
<u>Total</u>	<u>655,066</u>	<u>593,013</u>	<u>62,053</u>
Less: Accumulated Depreciation	<u>110,900</u>	<u>96,401</u>	<u>14,499</u>
<u>Net Fixed Assets</u>	<u>544,166</u>	<u>496,612</u>	<u>47,554</u>
<u>Total Assets</u>	<u>1,020,600</u>	<u>893,511</u>	<u>127,089</u>
<u>Liabilities and Retained Earnings</u>			
<u>Current Liabilities</u>			
Accounts Payable	10,436	10,029	407
Dues to Bus. Office for Change Funds	1,600	1,600	-0-
Special Order Deposits	<u>115</u>	<u>108</u>	<u>7</u>
<u>Total Current Liabilities</u>	<u>12,151</u>	<u>11,737</u>	<u>414</u>
<u>Retained Earnings</u>	<u>1,008,449</u>	<u>881,774</u>	<u>126,675</u>
<u>Total Liabilities and Retained Earnings</u>	<u>\$ 1,020,600</u>	<u>\$ 893,511</u>	<u>\$ 127,089</u>

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONA

PARK BOOKSTORE

Statement of Income and Expenses
for the Year Ended June 30, 1966

	<u>Amount</u>	<u>% of</u> <u>Net Sales</u>
<u>Net Sales</u>	\$ <u>60,585</u>	100.00
<u>Cost of Goods Sold</u>		
Purchases (Incl. Trans.)	102,436	
Inventory, Ending	<u>55,122</u>	
<u>Cost of Goods Sold</u>	<u>47,314</u>	<u>78.10</u>
<u>Gross Margin on Sales</u>	13,271	21.90
Total Operating Expenses (See Schedule 3)	<u>22,863</u>	<u>37.73</u>
<u>Net Operating Income (Loss) from Sales</u>	\$ <u>(9,592)</u>	<u>(15.83)</u>

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONA

PARK BOOKSTORE

Schedule of Operating Expenses
for the Year Ended June 30, 1966

	<u>Amount</u>	<u>% of</u> <u>Net Sales</u>
<u>Operating Expenses</u>		
Salaries	\$ 2,750	4.54
Wages	11,371	18.77
Office Expense and Operating Supplies	1,542	2.55
Utilities	828	1.37
Dues and Subscriptions	28	.04
Insurance	394	.65
Payroll Taxes and Retirement	717	1.18
Repairs and Maintenance	128	.21
Travel	80	.13
Depreciation of Building	2,064	3.41
Depreciation of Equipment	2,099	3.46
Business Office Service Charge	<u>862</u>	<u>1.42</u>
<u>Total Operating Expenses (To Exhibit E)</u>	<u>\$ 22,863</u>	<u>37.73</u>

THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF ARIZONA

PARK BOOKSTORE

Statement of Financial Position
June 30, 1966

Assets

Current Assets

Change Fund	\$ 1,000
Accounts Receivable	2
Due from Vendors for Returned Merchandise	4,971
Prepaid Purchases and Expenses	77
Inventory of Merchandise	<u>55,122</u>
<u>Total Current Assets</u>	<u>61,172</u>

Fixed Assets

Building	198,156
Furniture and Equipment	<u>50,381</u>
<u>Total</u>	<u>248,537</u>
Less: Depreciation	<u>4,163</u>
<u>Net Fixed Assets</u>	<u>244,374</u>

Total Assets

305,546

Liabilities and Retained Earnings

Current Liabilities

Accounts Payable	2,025
Due to Business Office for Operating Funds	12,970
Due to Business Office for Change Funds	1,000
Special Order Deposits	<u>11</u>
<u>Total Current Liabilities</u>	<u>16,006</u>

Advance from Campus Bookstore

299,132

Retained Earnings (Deficit)

(9,592)

Total Liabilities and Retained Earnings

\$ 305,546