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Examination of the Accounting Records of

THE GENERAL STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

July 1, 1964 to June 30, 1965

Report No. 112

Office of the General Examiner
for the Board of Regents of
the Universities and State College of Arizona

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

To the Board of Regents of the

Universities and State College of Arizona:

The report presented herewith covers our examination of the accounts of the General Stores Department of the University of Arizona for the fiscal year ended June 30, 1965.

Respectfully submitted,

A. B. Nettleton
General Examiner

C. R. Willison
Examiner

September 14, 1965

GENERAL STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1964 TO JUNE 30, 1965

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GENERAL STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1964 TO JUNE 30, 1965

Financial Summary

Net income of the General Stores Department for the fiscal year ended June 30, 1965 was $4,891 (1.95% of sales). This compares with net income of $4,112 (1.79% of sales) for the preceding fiscal year ended June 30, 1964. The net income for 1964-65 includes $1,516 in patronage refunds received from Educational and Institutional Cooperative and the State Surplus Property Administration. The 1963-64 net income includes $3,458 in patronage refunds from Educational and Institutional Cooperative and State Surplus Property Administration.

The General Stores Department fund balance amounted to $45,362 at June 30, 1965 compared with $40,471 at June 30, 1964. The increase in the fund balance represents the net income for the 1964-65 fiscal year.

Comments on Operating Results (Exhibit A)

Exhibit A shows the income and expenses of the General Stores Department for the year 1964-65 and comparative figures for the year 1963-64. Supplementary comments related to amounts in Exhibit A appear below.

Net Sales $250,917

Net sales in 1964-65 were $22,322 more than in 1963-64. This was an increase of approximately 9.8%. (Sales in 1963-64 increased 2.5% over 1962-63.)

Gross Margin on Sales $36,841

Gross margin was 14.68% of sales in 1964-65 compared with 13.94% in 1963-64. The 1964-65 percentage of gross margin was 1.68% more than the planned 13% gross margin on which selling prices are based. The increase of .74% in the 1964-65 percentage compared with 1963-64 was caused in part by greater cash discounts taken for prompt payment of purchases in the fiscal year 1964-65.

Total Operating Expenses $33,466

Total operating expenses increased $2,247 in 1964-65. In 1964-65 total operating expenses were 13.33% of sales compared with 13.66% in 1963-64. The .33% reduction was the result of a proportionately greater increase in sales in 1964-65 than in total operating expenses.

The increase of $2,247 in total operating expenses occurred primarily in personal services ($807), supplies ($601), and equipment ($564), with smaller increases and decreases in other expense items.

Miscellaneous Income

In 1964-65 the General Stores Department received $1,516 in patronage refunds compared to $3,458 in 1963-64. Without inclusion of these credits the net income in 1964-65 would have been $3,375 (1.35% of sales), and in 1963-64 the net income would have been $654 (.28% 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 $41,555

Accounts receivable at June 30, 1965 totaled $9,922 more than at June 30, 1964.

Inventory of Merchandise $98,275

Total inventory on hand June 30, 1965 amounted to $11,315 more than the total inventory on hand June 30, 1964. The increase was caused by the desire of the General Stores Department to meet the demands of the fast growing university departments. Also, sales in May and June 1965 were below expectations.

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 $22,330

This represents merchandise charged to General Stores at June 30, 1965 which was not received until after the inventory was completed.

Cash Advance from Business Office $115,246

As of June 30, 1965 the General Stores Department owed the Business Office $115,246 for cash advanced to finance the inventory and accounts receivable. This was $29,033 greater than at June 30, 1964.

Accounts Payable $1,552

This item represents the amount owed by the General Stores Department for material and services received but not paid for at June 30, 1965.

Fund Balance $45,362

The fund balance of the General Stores Department represents the Department's accumulated net income through June 30, 1965.

Comments on Accounting Procedures

Our examination indicates that the records of the General Stores Department for 1964-65 are in very good condition. We have no recommendations concerning accounting procedures in this department at the present time.

Exhibit A

The University of Arizona - General Stores Department

Statement of Income and Expenses

For the Years Ended June 30, 1965 and 1964

	1964-65		1963-64		
	Amount	% of Sales	Amount	% of Sales	Increase (Decrease)
Net Sales	$ 250,917	100.00	$ 228,595	100.00	$ 22,322
Cost of Goods Sold					
Inventory, Beginning	86,960		73,042		
Purchases	225,391		210,640		
Total	312,351		283,682		
Inventory, Ending	98,275		86,960		
Cost of Goods Sold	214,076	85.32	196,722	86.06	17,354
Gross Margin on Sales	36,841	14.68	31,873	13.94	4,968
Operating Expenses					
Salaries	23,050	9.18	24,100	10.54	(1,050)
Wages	4,957	1.97	3,100	1.36	1,857
Supplies	1,217	.48	616	.27	601
Telephone	146	.06	138	.06	8
Dues & Subscriptions	-o-	-o-	50	.02	(50)
Payroll Taxes and Retirement	1,722	.69	1,527	.67	195
Insurance	210	.09	245	.11	(35)
Reparis & Maintenance	141	.06	189	.08	(48)
Equipment	564	.22	-o-	-o-	564
Bus. Office Serv. Chge.	1,352	.54	1,245	.55	107
Travel	107	.04	9	-o-	98
Total Operating Expenses	33,466	13.33	31,219	13.66	2,247
Net Operating Income	3,375	1.35	654	.28	2,721
Other Income	1,516	.60	3,458	1.51	(1,942)
Net Income	$ 4,891	1.95	$ 4,112	1.79	$ 779

Exhibit B

The University of Arizona - General Stores Department

Balance Sheet

June 30, 1965 and 1964

	June 30, 1965	June 30, 1964	Increase (Decrease)
Assets			
Current Assets			
Accounts Receivable	$ 41,555	$ 31,633	$ 9,922
Inventory of Merchandise	98,275	86,960	11,315
Deferred Charges	22,330	11,609	10,721
Total Current Assets	162,160	130,202	31,958
Liabilities and Fund Balances			
Current Liabilities			
Cash Advance from Business Office	115,246	86,213	29,033
Accounts Payable	1,552	2,631	(1,079)
Deferred Income	-o-	887	(887)
Total Current Liabilities	116,798	89,731	27,067
Fund Balance (Earned Surplus)	45,362	40,471	4,891
Total Liabilities and Surplus	$ 162,160	$ 130,202	$ 31,958