

Examination of the Accounting Records of  
THE GENERAL STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

July 1, 1961 to June 30, 1962

Report No. 84

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

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 General Stores Department of the  
University of Arizona for the fiscal year ended June 30,  
1962.

Respectfully submitted,

*Alfred B. Nettleton*

Alfred B. Nettleton  
General Examiner

*C. R. Willison*

C. R. Willison  
Examiner

January 14, 1963

GENERAL STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1961 TO JUNE 30, 1962

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GENERAL STORES DEPARTMENT OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1961 TO JUNE 30, 1962

Financial Summary

Net loss of the General Stores Department for the fiscal year ended June 30, 1962 was \$388 (.2% of sales). This compares with net income of \$4,171 (2.28% of sales) for the preceding fiscal year ended June 30, 1961. The net loss for 1961-62 is after \$694 in patronage refunds received from Educational and Institutional Cooperative and the State Surplus Property Administration. The 1960-61 net income included \$696 in patronage refunds from Educational and Institutional Cooperative.

The General Stores Department surplus (fund balance) amounted to \$35,061 at June 30, 1962, compared with \$35,449 at June 30, 1961. The decrease in the surplus account represents the net loss for the 1961-62 fiscal year.

Comments on Operating Results (Exhibit A)

Exhibit A shows the income and expenses of the General Stores Department for the year 1961-62 and comparative figures for the year 1960-61. Supplementary comments related to amounts in Exhibit A appear below.

Net Sales \$ 189,271

Net Sales in 1961-62 were \$6,825 more than in 1960-61. This was an increase of approximately 3.74%. (Sales in 1960-61 increased 22.6% over 1959-60.)

Gross Margin on Sales \$ 25,594

Gross margin was 13.52% of sales in 1961-62 compared with 13.58% in 1960-61. These ratios indicate that the pricing policy of establishing a selling price for most items of merchandise yielding approximately 13% gross margin on sales has been adhered to.

Total Operating Expenses \$ 26,676

Total operating expenses increased \$5,383 in 1961-62. In 1961-62 total operating expenses were 14.1% of sales compared with 11.7% in 1960-61.

The increase of \$5,383 in total operating expenses occurred primarily in personal services (\$4,922) and new equipment (\$1,472). The increase in personal service expense was due to the addition of one stockman and other personnel adjustments to handle the increased work load, and to merit increases for existing personnel. The increase in equipment was caused mainly by purchase of a power lift and pallets to expedite the handling of merchandise into and out of the warehouse.

Miscellaneous Income \$ 694

In 1961-62 the General Stores Department received \$694 in patronage refunds compared with \$696 in 1960-61. Without inclusion of these credits the net loss in 1961-62 would have been \$1,082 (.57% loss on sales), and in 1960-61 net income would have been \$3,475 (1.9% 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 \$ 35,873

Accounts receivable at June 30, 1962 totaled \$3,307 more than at June 30, 1961. The increase was due to higher sales in May and June 1962 than in the corresponding months of 1960-61.

Inventory of Merchandise

\$ 77,126

Total inventory on hand June 30, 1962 amounted to \$7,589 more than total inventory on hand June 30, 1961. The increase was due to stocking some new items, to maintaining stocks in larger quantities in some instances, and to some increases in cost prices. The increasing sales volume of the General Stores Department necessitates carrying a larger inventory of numerous items.

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

Items of merchandise considered obsolete by the Department Manager were deleted from the inventory.

Deferred Charges

\$ 3,483

This item represents merchandise changed to General Stores as of June 30, 1962 which was not received until after the inventory was completed.

Cash Advance from Business Office

\$ 80,025

As of June 30, 1962 the General Stores Department owed the Business Office \$80,025 for cash advanced to finance the inventory and accounts receivable.

Accounts Payable

\$ 1,396

This item represents the amount owed by the General Stores Department for materials and services received but not paid for at June 30, 1962.

Surplus

\$ 35,061

Surplus (fund balance) of the General Stores Department represents the Department's accumulated net income through June 30, 1962.

Comments on Accounting Procedures

Our examination indicates that the records of the General Stores Department for 1961-62 are in very good condition. We have no recommendations concerning accounting procedures in this department at this time.

Exhibit A

The University of Arizona General Stores Department

Statement of Income and Expenses

for the Years Ended June 30, 1962 and 1961

	<u>1961-62</u>		<u>1960-61</u>		<u>Increase (Decrease)</u>
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	
<u>Net Sales</u>	<u>\$ 189,271</u>	100.00	<u>\$ 182,446</u>	100.00	<u>\$ 6,825</u>
<u>Cost of Goods Sold</u>					
Inventory, Beginning	69,537		55,101		
Purchases	<u>171,266</u>		<u>172,114</u>		
<u>Total</u>	<u>240,803</u>		<u>227,215</u>		
Inventory, Ending	<u>77,126</u>		<u>69,537</u>		
<u>Cost of Goods Sold</u>	<u>163,677</u>	<u>86.48</u>	<u>157,678</u>	<u>86.42</u>	<u>5,999</u>
<u>Gross Margin on Sales</u>	<u>25,594</u>	<u>13.52</u>	<u>24,768</u>	<u>13.58</u>	<u>826</u>
<u>Operating Expenses</u>					
Salaries	20,863	11.02	16,267	8.92	4,596
Wages	1,243	.66	917	.50	326
Supplies	232	.13	689	.38	( 457)
Telephone	141	.07	138	.08	3
Dues	-o-	-o-	50	.03	( 50)
Payroll Taxes & Retirement	1,374	.72	1,068	.59	306
Insurance	147	.08	210	.11	( 63)
Repairs and Maint.	122	.07	122	.07	-o-
Equipment	1,552	.82	80	.04	1,472
Bus. Off. Serv. Chg.	<u>1,002</u>	<u>.52</u>	<u>1,752</u>	<u>.96</u>	<u>( 750)</u>
<u>Total Operating Expenses</u>	<u>26,676</u>	<u>14.09</u>	<u>21,293</u>	<u>11.68</u>	<u>5,383</u>
<u>Net Operating Income</u>	<u>( 1,082)</u>	<u>( .57)</u>	<u>3,475</u>	<u>1.90</u>	<u>(4,557)</u>
<u>Misc. Income</u>	<u>694</u>	<u>.37</u>	<u>696</u>	<u>.38</u>	<u>( 2)</u>
<u>Net Income</u>	<u>\$( 388)</u>	<u>( .20)</u>	<u>\$ 4,171</u>	<u>2.28</u>	<u>\$(4,559)</u>

Exhibit B

The University of Arizona General Stores Department

Balance Sheet

June 30, 1962 and 1961

	<u>June 30,</u> <u>1962</u>	<u>June 30,</u> <u>1961</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Assets</u>			
<u>Current Assets</u>			
Accounts Receivable	\$ 35,873	\$ 32,566	\$ 3,307
Inventory of Merchandise	77,126	69,537	7,589
Deferred Charges	<u>3,483</u>	<u>74</u>	<u>3,409</u>
<u>Total Current Assets</u>	<u>116,482</u>	<u>102,177</u>	<u>14,305</u>
<u>Liabilities and Surplus</u>			
<u>Current Liabilities</u>			
Cash Advance from Business Office	80,025	65,157	14,868
Accounts Payable	1,396	1,354	42
Deferred Credits	<u>-0-</u>	<u>217</u>	<u>( 217)</u>
<u>Total Current Liabilities</u>	81,421	66,728	14,693
<u>Surplus</u>	<u>35,061</u>	<u>35,449</u>	<u>( 388)</u>
<u>Total Liabilities and Surplus</u>	<u>\$ 116,482</u>	<u>\$ 102,177</u>	<u>\$ 14,305</u>