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THE APPLICATION OF COST ACCOUNTING IN THE OPERATION OF LOGGING TRUCKS

by

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G. H. H.

INTRODUCTION

It is the primary purpose of this thesis to give to the operators of logging trucks a background and plan whereby they can, with as little work as possible, set up and operate a complete cost accounting system. As the operator of logging trucks has very little time to give to bookkeeping, it has been endeavored to give a system that is complete, yet can be kept with a minimum of effort.

The apparent need for the introduction of cost accounting into the business of transporting logs by motor trucks is apparent by the fact that this mode of transportation has grown to the extent that it has become of major importance to the lumbering industry, and is yet not economically sound for there are many independent operators going bankrupt every year, due to operating at a loss. Cost accounting will give these operators a picture of their business and will show them in which direction they are traveling.

MEANING AND PURPOSE OF ACCOUNTING

The primary purpose of accounting is to provide records which permit an analysis and interpretation of business activities. Its purpose is primarily to enable the owner of a business to conduct his business more efficiently.

It may be said that accounting consists of our rather sharply defined parts, namely

(a) System-building. By system building is meant the devising and installing of a system of records adapted to the needs of the business.

(b) Bookkeeping. Bookkeeping is the recording of the financial information which the management may wish to have.

(c) Statement Preparation. Financial statements are the summarized and classified facts shown on the accounting records.

(d) Auditing. To audit the financial records is to inspect them and verify the results shown.

It has been said that accounting is a business man's "chart and compass". It tells him where he has come from, where he is, which way, and with what speed he is traveling.

DESIRABLE FINANCIAL DATA

What information would be helpful in conducting a business of log hauling? What facts should its records show, both at its beginning and after operations have begun?

Clearly one important list would include all of the property or asset items which the truck operator has title. If any conclusions are to be made as to the financial condition of the business, a complete statement of its assets must be available. An asset may be defined as anything of value or use owned by a specific business enterprise.

Let us now note some of the assets that would probably be owned by a logging truck concern.

Cash. A log hauling concern would undoubtedly have some cash which might consist of silver, currency, checks, etc. What information should be available about this cash? Not the amount of it, for this could be determined by counting. The information that would be useful would be the amount of cash that the business should have.

Accounts Receivable. Since a truck operator as a rule does not receive cash for his services he will have as an asset some accounts receivable, which is the accounting name for the amount owed to the business by employers who have purchased services with the privilege of paying for them at a later date.

Notes Receivable. When a debt is owed, the debtor may sign a written promise to pay the amount owed. This written promise is called a note, and is an asset to the man holding it, and in accounting terminology is called notes receivable.

<u>Equipment</u>. A log hauling concern would undoubtedly own a certain amount of log hauling equipment, e.g., trucks, trailers, garage, shop tools, etc. Information as to the cost and present value of the above named assets should be available in order that a possible loss by fire or storm might be adjusted, and in order that the effect of the depreciation of these assets on the amount of profits made might be determined.

How far these asset items would be divided when records are kept of them is purely a matter of convenience, and depends upon the information the management desires to have.

<u>Illustrative Statement of Assets</u>. Let us assume that the Hall Bros. Trucking Company has assets as follows: Cash $3,000; Acounts Receivable $2,000; Notes Receivable $500; Equipment $10,000; Building $1,000.

A financial statement of Hall Bros. Trucking Company would show the above list of assets as follows:

HALL BROS. TRUCKING COMPANY

STATEMENT OF ASSETS

Cash	3,000
Accounts Receivable	2,000
Notes Receivable	500
Equipment	10,000
Building	1,000
Total assets	$16,500

ADDITIONAL USEFUL FINANCIAL INFORMATION:---A bare statement of the <u>assets</u> would not be sufficient to give the owner of a business all of the information he would like to have. What is of equal or perhaps greater importance is information in regard to the <u>claims against</u> or <u>rights to</u> these assets. In legal terminology what are the <u>equities</u> in these assets?

<u>Illustrative Statement of Equities</u>. Let us assume that Hall Bros. Trucking Company has equities as follows: Accounts Payable $1,200 (this means that bills have accumulated on open accounts and have yet not been paid); Notes Payable $5,000 (this means that perhaps $5,000 has been borrowed at the bank, or has been given on the purchase of equipment); Mortgage Payable $1,000 (this means that the Hall Bros. Trucking Company has made a long time loan from someone and has presumably pledged the equipment and building to secure the loan). If there are no outside equities or claims against these assets, it is evident that the remainder of the equity belongs to the proprietor and amount to $9,300.

A statement of the equities may be listed in the same manner as the assets, thus:

HALL BROS. TRUCKING COMPANY

STATEMENT OF EQUITIES

Accounts Payable	1,200
Notes Payable	5,000
Mortgage Payable	1,000
W. Hall, Proprietor	9,300
Total equities	$16,000

In actual accounting practices these two statements are combined into one statement called a "Balance Sheet".

A very common form is to list the assets and equities in parallel column form as follows:

W. Hall
Balance Sheet, Jan. 1, 1941

Assets		Equities	
Cash	3,000	Accounts Payable	1,200
Accounts Receivable	2,000	Notes Payable	5,000
Notes Receivable	500	Mortgage Payable	1,000
Equipment	10,000	W. Hall, Proprietor	9,300
Building	1,000		
Total assets	$16,500	Total equities	$16,500

It is apparent that these two classes of financial facts, assets and equities, will always be numerically equal.

Inasmuch as the equities of a business may be divided between the owner of the business and outside parties called creditors, it is apparent that if the amount of the owners equities (proprietorship or capital) be deducted from the amount of the assets, the difference would be the creditors' equities, in accounting called liabilities.

Since there are but two basic business elements, Assets and Equities, it follows that the only changes a transaction can bring to a business is a change in one or both of these elements. A transaction can affect assets only. A transaction may affect equities only. A transaction may affect assets and equities.

The asset items are recorded on the left and the equity items on the right when a Balance Sheet is prepared, the same plan is followed when the record is made in the account. When the record of an asset is started, the amount of the asset is recorded on the left side of the account. An equity account is started with an entry on the right side.

In accounting terminology, the left side of an account is the debit side, and the right side of an account is the credit side. An entry on the left side of an account would be a debit entry, and an entry made on the right side of an account would be a credit entry.

The above gives the plan of any modern account: two columns; one for additions and one for subtractions, custom decreeing that in asset accounts the debit column shall be for additions and the credit column for subtractions, while for equity accounts, the credit column is used for additions and the debit column used for subtractions. These accounts are placed in one book known as a ledger in the same order that they would appear on the financial statements.

In order that the method to be followed may be clear a short set of illustrative transactions will be shown.

JANUARY TRANSACTIONS

Jan. 1. W. Hall started a trucking business by investing $3,000 in cash.
" 2. He rents a garage paying $20.00 in advance.
" 4. He purchases a truck for $1,000 cash and a trailer $1,800, paying $600 cash and giving his note for the remainder.

Jan. 5. He buys gas for $10. Truck earns $35.
" 6. Truck earns $35.
" 10. Truck earns $25.
" 12. Pays $5. for gas.
" 13. Truck earns $40.
" 16. Pays $20 rent for the remainder of January.
" 18. Buys gas for $10 and pays $10 for repairs to truck.
" 20. Truck earns $40.
" 22. Has truck repaired at Joe's garage at a cost of $20. He will pay his bill on May 20.
" 25. Truck earns $45.
" 26. Truck earns $25.
" 27. Pays $100 for truck driver's salary, $3 for telephone bill, $2 for lights, and $5 for water.

The following ledger will show how the W. Hall ledger will look after the balances of the accounts have been transferred to the "Profit and Loss" account and the balance of that account transferred to the Proprietorship account and all of the accounts closed and ruled.

1941 Cash Page 1

Jan.	1		3000 00	Jan.	2		20 00
"	5		35 00	"	4		1000 00
"	6		35 00	"	4		600 00
"	10		25 00	"	5		10 00
"	13		40 00	"	12		5 00
"	20		40 00	"	16		20 00
"	25		45 00	"	18		10 00
"	26		25 00	"	18		10 00
				"	27		100 00
				"	27		3 00
				"	27		2 00
				"	27		5 00
				"	31	Balance	1460 00
			3245 00				3245 00
Feb.	1	Balance	1460 00				

1941 W. Hall Page 2

Jan.	22		30 00				

1941			Equipment			Page 3
Jan.	4	1000 00				
"	4	1200 00				

1941			Joe's Garage			Page 4
			Jan.	22		25 00

1941			Notes Payable			Page 5
			Jan.	4		600 00

1941			W. Hall, Proprietor			Page 6
Jan.	31 Balance	3070 00	Jan.	1		3000 00
			"	31	Net pr.	70 00
		3070 00				3070 00
			Jan.	31	Pres. Worth	3070 00

1941			Trucking Income			Page 7
Jan.	31 To P & L	275 00	Jan.	5		35 00
			"	6		35 00
			"	10		25 00
			"	13		40 00
			"	20		40 00
			"	23		30 00
			"	25		45 00
			"	26		25 00
		275 00				275 00

1941			Salaries			Page 8
Jan.	31	100 00	Jan.	31	To P&L	100 00

1941			Repairs			Page 9
Jan.	18	10 00	Jan.	31	To P&L	30 00
"	22	20 00				
		30 00				30 00

1941		Gasoline			Page 10
Jan.	5	10 00	Jan.	31 To P&L	25 00
"	12	5 00			
"	18	10 00			
		25 00			25 00

1941		Rent			Page 11
Jan.	2	20 00	Jan.	31 To P&L	40 00
"	16	20 00			
		40 00			40 00

1941		Miscellaneous Expense			Page 12
Jan.	27	3 00	Jan.	31 To P&L	10 00
"	27	2 00			
"	27	5 00			
		10 00			10 00

1941		Profit and Loss			Page 13
Jan.	31 Salaries	100 00	Jan.	31 Truck Income	275 00
"	31 Repairs	30 00			
"	31 Gasoline	25 00			
"	31 Rent	40 00			
"	31 Misc.	10 00			
"	31 To prop.	70 00			
		275 00			275 00

Drawing Accounts. Usually the proprietor of a business will withdraw certain amounts from time to time, sometimes the withdrawals will be in cash and sometimes in merchandise. A good example of the latter would be gasoline or oil. If records are to be kept showing the financial condition of the business these withdrawals must be recorded.

Evidently the simplest way to record the withdrawal would be to debit the Proprietorship account for the amount.

If the withdrawal is for a large sum made with the intention of reducing the amount invested in the business, this would be the correct procedure, but if the amounts withdrawn are small, it is better to record the drawings in a separate account called a Drawing account. This would be necessary if the business were owned by two or more partners, each of whom frequently withdrew various amounts.

Although the Drawing account is really a part of the Proprietorship account, it is of entirely different nature from the operating expense and income accounts. Expense and income accounts record increases and decreases of the owner's equity due to the operation of the business, while drawings reduce Proprietorship because the owner has withdrawn a portion of his equity. For this reason the Drawing account is never closed into the Profit and Loss account.

At the time the "books are closed" the Drawing account may be closed into the Proprietorship account, into which the Profit and Loss account has also been closed.

SOURCE OF DATA FOR THE LEDGER

Transaction Not Recorded Directly in Ledger. Up to this point every transaction has been analyzed and the resulting debtis and credits at once recorded in the ledger. In actual business this is not the practice for three reaons:

1. In a large business it would impossible.
2. It would be difficult to locate an error if one were made.
3. Very little information in regard to the transaction can be recorded in the ledger account.

Primary Records. Because of the above reasons, instead of recording each transaction in the ledger as it occurs, a preliminary record is made of the transaction. Where the debits and credits of each transaction are shown, and in addition, any description of the transactions that may be desirable.

Because the transaction are recorded in these books of original entry in chronological order they are usually called Journals. In accounting practice it is common to use two types of Journals. In one of these types may be recorded any transaction that could occur, although usually there are recorded in it only miscellaneous transactions which cannot be recorded in the other type. This journal, because of the use that is made of it, is known as the General Journal.

In every business there are certain transactions of the same nature occurring frequently. By recording all of these transactions of like nature in a separate record, much time and labor can be saved in making the record, and additional time and labor can be saved in transferring the debits and credits to the ledger. These journals on which are recorded transactions of like nature are usually called special journals.

Illustration of the General Journal. In order to illustrate the use of the General Journal as a book of original entry, a few transactions are given and recorded:

JANUARY TRANSACTIONS

Jan.	1.	W. Hall started a trucking business by investing $3,000 in cash.
"	2.	He rents a garage paying $20.00 in advance.
"	4.	He purchases a truck for $1,000 cash and a trailer for $1,800, paying $600 cash and giving his note for the remainder.
"	5.	He buys gas for $10. Truck earns $35.

General Journal — Page 1

Jan.	1	Cash	3000	
		W. Hall, Proprietorship		3000
		H. Hall invests $3000 in trucking business.		
"	2	Rent Expense	20	
		Cash		20
		Pay garage rent $20 in advance.		
"	4	Equipment	1000	
		Cash		1000
		Purchase a truck for cash.		
"	4	Equipment	1800	
		Cash		600
		Notes Payable		1200
		Buy trailer for $1800. Give cash $600. Note for $1200.		
"	5	Gasoline Expense	10	
		Cash		10
		Bought gas for cash		
"		Cash	35	
		Trucking Income		35
		Received cash for trucking.		

Illustration of a Special Journal.

Recording Cash Payments. In most logging operations there are lots of transactions with cash payments. Since nothing but cash can be credited for each transaction the whole group of transactions are put in one Journal and the total of cash is credited for the whole amount. Eliminating the writing of cash for each entry, but still giving the correct results. Assume the following cash payment transactions:

May 2. Paid $50 rent for the month
" 10. Paid note for $500 due today.
" 16. Purchased a tire for cash $40.
" 20. Paid J. Jones on account $200.
" 31. Paid truck driver's salary, $135.

CASH PAYMENTS JOURNAL

		Account Debited		
May	2	Rent Expense	Rent for May	50
"	10	Notes Payable	Paid note due today	500
"	16	Tire Expense (2)	Purchased tire	40
"	20	J. Jones	Paid Jones on acct.	200
"	31	Salaries	Paid truck driver	135
		Cash credited as total		925

Special Purchase Records. A special Purchases Journal of the same form as the Cash Payments Journal can be used to record purchases. To illustrate, let the following transactions be assumed:

May 2. Bought of Ford Garage, on account, $400. Invoice dated May 1.
" 11. Bought of C & H Parts, on account, $1,000. Invoice dated May 10.
" 16. Bought of H. M. Small, on account, $300. Invoice dated May 13.

PURCHASES JOURNAL

		Account Credited		
May	2.	Ford Garage (1)	On account	500
"	11.	C & H Parts (4)	30 days	1000

May 16	H. M. Small	(3)	15 days	300
	Debit Purchases			1800

Purchases Discount. On the books of the buyer the discounts received would be recorded in an account called Purchases Discount. It would be an income account.

To illustrate the entires necessary to record discounts when a Purchases Journal is used, assume that G. White owes J. Long $1,000, on account, terms 2/10,n/30. White pays his bill within ten days and is allowed a discount of $20, Long receiving $980 cash.

The best plan might be as follows.

In the General Journal

J. Long	1,000	
Cash		980
Purchases Discount		20

In order that cash paid out may be included in the total of the cash payments, the $980 cash must be also placed in the Cash Payments Journal as a debit to Long, but as Long, will receive his total debit from the General Journal, this $980 debit on the Cash Payments Journal will not be posted, and should be checked when recorded to indicate that it was to be posted from the General Journal.

DEPRECIATION

Depreciation:--Fixed assets depreciate rapidly in some cases and slowly in others, depending on the kind of asset, the condition under which it is used, the care given to it, etc. Depreciation can be defined as the lessening of the value of an asset due to use, the action of the weather, and from obsolescence.

Depreciation an Expense. It should always be remembered that depreciation is an expense. It is just as much a cost of operation as is the money payed for various supplies or for fuel or wages.

Recording Depreciation. If the logging trucks of an operator has depreciated $200 during the past period, neither the Balance Sheet nor the Profit and Loss Statement will be correct unless the fact of this depreciation is taken into account. If this depreciation is to be recorded, it would seem most logical to make the following entry:

Depreciation Expense	$200	
Logging Truck		$200

While the above entry is correct in principle and is frequently made, the best accounting practice does not enter the amount of depreciation in the asset account, but in a special account commonly given the name of "Reserve for Depreciation".

When this method of recording depreciation is used, the adjusting entry necessary to record the depreciation of the above truck would be as follows:

Depreciation of Logging Truck	$200	
Reserve for Depreciation of Logging Truck		$200

The ledger accounts after the above entry was posted, would appear:

Logging Truck	
$XXXX	

Depreciation of Logging Truck	
$200	

Reserve for Depreciation of Logging Truck	
	$200

The reserve account should always immediately follow the asset account to which it applies. If this is done it is as easy to find the estimated value of an asset as it would be if the decreases had been recorded directly in the asset account.

Disposition of the Depreciation Reserve Account. The Depreciation Reserve account will, of course, remain on the books as long as the asset to which it applies remains. When the asset account to which the reserve account applies is removed from the books, either because the asset has been sold or discarded, the reserve account which belongs to this asset account must, of course be eliminated.

To illustrate, assume that a truck is purchased on January 1, 1940, for $1,000. It is estimated that it will last for 5 years. After the books have been closed for the third time since the purchase of the truck, the Asset account and its Depreciation Reserve account would appear as follows:

Logging Truck	
Jan. 1 1000	

Res. for Dep. of Log. Truck	
	Dec. 31'40 200
	Dec. 31'41 200
	Dec. 31'42 200

Assume that this truck is sold on January 1, 1942, for $400 which is exactly the book value of the truck. The following entries are perhaps the best ones to make:

Res. for Dep. of Log. Truck	600	
Logging Truck		600

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Cash	400	
Logging Truck		400

Assume that the truck is sold for $500. If this amount is obtained, one of two things is true. Either a profit of $100 is made, or the estimate of the depreciation is incorrect. If it is believed that profit is really made the following entries would properly record the sale:

Res. for Dep. of Log. Truck	600	
Logging Truck		600

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Cash	500	
Logging Truck		400
Profit on Sale of Log Truck		100

If it is assumed that the truck was really worth the amount obtained for it and that the depreciation for the past 3 years had been overestimated, various entries might be made. Perhaps the following would be as good as any:

Res. for Dep. of Log. Truck	100	
Proprietorship		100

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Res. for the Dept. of Log. Truck	500	
Logging Truck		500

Cash	500	
Logging Truck		500

If it is assumed that there had been three trucks purchased at the same time, estimated depreciation being as before, the truck account might look as follows:

Logging Trucks

Jan. 1, '40	1,000		
Jan. 1, '41	1,200		
Jan. 1, '42	1,800		

Res. for Dep. of Log Trucks

		Dec. 31, '40	800
		Dec. 31, '41	800
		Dec. 31, '42	800

Assume that on Jan. 1, 1943, truck number three is sold for $480, which is exactly its book value. The estimated depreciation on this truck, which is recorded in the Depreciation Reserve account must be $720, and inasmuch as the truck is being disposed of, this $720 must be removed from the Reserve account. An excellent plan is to transfer the cost of the truck and the estimated depreciation on it to another account called "Fixed Assets Disposed of".

The following journal entries would accomplish this:

Fixed Assets Disposed of	1,200	
Logging Trucks		1,200

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Res. for Dep. of Log Truck	720	
Fixed Assets Disposed of		720

When the above entries are posted, the cost of the truck disposed of will have been removed from the truck account and the estimated depreciation on the truck disposed of will have been removed from the Depreciation Reserve account, and the new account will have for a debit the cost of the truck and would appear as follows:

Fixed Assets Disposed Of

Jan. 1, '43	1,200	Jan. 1, '43	1,200

The entry to record the sale would be:

Cash	480	
Fixed Assets Disposed Of		480

Computation of Depreciation. There are several methods of computing the amount of depreciation, some of them necessitating the use of higher mathematics. The most common method is known as the straight line method. Using this method, the amount of the depreciation will be uniform throughout the life of the asset and is computed by dividing the difference between the cost and the estimated scrap value of the asset by the number of years it is estimated the asset will be used. This method is only one of the many that are used and perhaps the operator has a method that better fits his particular problem.

PREPAID EXPENSE

It is apparent that expenses might be paid for in one period, and not used until a later period. Gasoline costing $120 might be purchased on January 1 which would last until February 15. If the books were closed on January 31, it is evident that the whole amount of gasoline purchased on January 1 would not be an expense of the period closing on January 31, but part of the gasoline expense would belong to the next period.

Adjustments necessary:--Where any item of expense is prepaid, the whole amount of it at the time of payment is an asset. In the case of the gasoline there was an asset of $120 at the moment the gasoline was purchased. As fast as the gasoline is consumed it becomes an expense.

The entries to be made when the gasoline was purchasd would be:

Gasoline on Hand	120	
Cash		120

The adjusting entries to be made January 31, when the books are closed would be:

Gasoline Expense	80	
Gasoline on Hand		80

The amount of $80 being the amount of gasoline that was used of the original $120 worth.

ACCOUNTING PRINCIPLES IN PRACTICE

To acquaint the reader with the actual transactions that are encountered when a cost accounting system is used in the business of transportation of logs, the following problem is given. The transactions that are listed are purely hypothetical and have no relation to any actual situation, but are chosen with care so that as many different types of entries as possible can be illustrated. Every operator will have a different set of situations peculiar to that particular job and it has been endeavored in this set of transactions to give enough background of accounting principles to enable the operator to go ahead from these illustrations and from what has been said regarding accounting principles, with a set of books that will give the details which he desires.

W. Hall, Proprietor, having no accounting system, takes inventory of his assets and liabilities and records them as follows:

W. Hall, Proprietor
Balance Sheet January 1, 1940

Cash		800	Notes Payable	1,500
Equipment	15,000			
Res. for Dep.	3,888	11,112		
Gas tank and pump		300		
Garage		500		
Air Compressor		100		
Pick-Up		1,000		
Shop Tools		200		
Miscellaneous Equip.		93		
Parts on Hand		210		
Tires on Hand		480	W. Hall, Prop.	13,295
		14,795		14,795

Miscellaneous equipment includes three extra coupling poles and an extra "fifth wheel" valued at $75.00.

To make allowance for depreciation on the equipment for the elapsed period that Hall has been operating, and by a check up to find what the depreciation on his particular job amounts to. Hall finds that depreciation on his trucks amounts to $40.00 per month and for his trailers it is $14.00.

He has five trucks and trailers as follows:

Truck	Number	1	1937 Model	Depreciation	36	Months	1,440
"	"	2	1938 "	"	24	"	960
"	"	3	1939 "	"	12	"	480
"	"	4	1940 New				000
"	"	5	1940 "				000
Trailer	"	1	1937 Model	"	36	"	504
"	"	2	1938 "	"	24	"	336
"	"	3	1939 "	"	12	"	168
"	"	4	1940 New				000
"	"	5	1940 "				000
	Reserve for Depreciation of Equipment						3,888

January Transactions

Jan.	11	Bought 400 gallons of gasoline on account Shell Oil Co. $80.
"	12	Paid $6,00 for tire patches.
"	13	Bought extra parts for trucks $14.50 on account Ford Garage to be used as needed.
"	14	Bought 50 gallons of oil Veedol Oil Co. on account $40.00
"	15	Bought 12 truck tires on account Firestone Tire Co. $650.00.
"	16	Relined brakes on trailer #2 $80.00 on account Mike's Repair Shop.
"	17	Repaired truck #5 $12.00 Ford Garage on account.
"	18	Welding on trailer #2 Mike's Repair Shop on account $4.00.
"	19	Put 4 tires from stock on truck #3 $200.00.
"	20	Bought new gauge for Air Compressor $4.50 on account C & H.
"	21	Bought truck parts at Ford Garage on account $2.50 to be used as needed.

Jan.	22	Hauled wood logs for J. Buck on account $8.00.
"	23	Sold "fifth wheel" and bunk for $75.00.
"	24	Drew $500.00 from Company.
"	25	Received gasoline refund from state $280.00.
"	26	Paid P. U. C. permit $84.00.
"	27	Paid License $140.00 for ¼ year.
"	28	Hauled a load of plank for the Company $10.00.
"	29	Wrecked truck #4. Salvage value $250.00.
Feb.	1	Repaired truck #3 at Mike's Repair Shop on account $26.00.
"	2	Paid insurance on trucks $200.00
"	3	Removed load of logs from highway $40.00.
"	4	Hauled cedar to Davis Slough Lumber Co. $40.00 on account.
"	5	Put parts from stock in truck #1 $2.60.
"	6	Bought new truck paying $800.00 difference for trade in of #1.
"	7	Bought 400 gallons of gasoline of Shell Oil Co. on account $80.00.
"	8	Gasoline runs 60 gallons short of being 400 gallons.
"	9	Paid $100 on Notes Payable.
"	10	Paid labor $600.
"	10	Paid bill at the Ford Garage.
"	10	Paid bill at Mike's Repair Shop.
"	10	Received cash from J. Buck $8.00.
"	10	Received cash from the Davis Slough Lumber Co. $40.00
"	10	Received check from the Company, $4340.
"	10	Paid gas and oil bill.
"	10	Paid C & H bill for the month.
"	10	Paid Firestone Tire Co. $200.00 on account.

General Journal

Jan. 11	Gas & Oil on Hand	80	
	Shell Oil Co.		80
	Bought gasoline on account 400 gallon $80.		
Jan. 12	Tires on Hand	6	
	Cash		6
	Paid $6,00 for tire patches.		
Jan. 13	Parts on Hand	14.50	
	Ford Garage		14.50
	Bought extra parts for trucks.		
Jan. 14	Gas & Oil on Hand	40	
	Veedol Oil Co.		40
	Bought 50 gallons of oil $40.		

Jan. 15	Tires on Hand	650	
	Firestone Tire Company		650
	Bought 12 tires on account		
Jan. 16	Repair Expense	80	
	Mike's Repair Shop		80
	Relined brakes on trailer $80 on account		
Jan. 17	Repair Expense	12	
	Ford Garage		12
	Repaird truck $12.00 on account		
Jan. 18	Repair Expense	4	
	Mike's Repair Shop		4
	Welded trailer $4.00 on account		
Jan. 19	Tire Expense	200	
	Tires on Hand	200	200
	Put 4 tires from stock on truck $200.		
Jan. 20	Parts Expense	4.50	
	C & H	4.50	4.50
	Bought new gauge for compressor $4.50 on account		
Jan. 21	Parts on Hand	2.50	
	Ford Garage		2.50
	Put truck parts in stock		
Jan. 22	J. Buck	8	
	Trucking Income		8
	Hauled wood logs for J. Buck $8.00		
Jan. 23	Cash	75	
	Miscellaneous Equipment		75
	Sold "fifth wheel" for $75.00		
Jan. 24	Cash	500	
	Company		500
	Drew $500. from Company Accounts Receivable		
Jan. 25	Cash	280	
	Gas Refund Income		280
	Received gas refund from state $280		
Jan. 26	Miscellaneous Truck Expense	84	
	Cash	84	84
	P. U. C. permit $84.		

Jan. 28	Company Trucking Income Hauled plank for Company	10	10
Jan. 29	Loss by Wreckage Equipment Wrecked #4. Salvage $250.	950	950
Feb. 1	Repairs Expense Mike's Repair Shop Repaired #3 on account	26	26
Feb. 2	Miscellaneous Truck Expense Insurance Paid insurance on trucks $200	200	200
Feb. 3	Removal of Logs Expense Cash Paid $40 to have logs removed from highway	40	40
Feb. 4	Davis Slough Lumber Company Trucking Income Hauled cedar on account $40.	40	40
Feb. 5	Parts Expense Parts on Hand Put parts from stock in truck #1 $2.60.	2.60	2.60
Feb. 6	Reserve for Depreciation of Equipment Cash Trades in #1 for new truck paying $800	800	800
Feb. 7	Gasoline on Hand Shell Oil Company Bought 400 gallons of gas on account $80	80	80
Feb. 8	Loss of Gasoline Gasoline and Oil on Hand Gasoline runs 60 gallons short	12	12
Feb. 9	Notes Payable Cash Paid $100 on Notes Payable	100	100
Feb. 10	Salaries Cash Paid salaries due drivers $600	600	600

Feb. 10	Mike's Repair Shop	110	
	Cash		110
	Paid bill at Mike's Repair Shop		
Feb. 10	Ford Garage	29	
	Cash		29
	Paid bill at Ford Garage		
Feb. 10	Cash	8	
	J. Buck		8
	Received cash from J. Buck $8		
Feb. 10	Cash	40	
	Davis Slough Lumber Co.		40
	Received cash from Davis Slough Lumber Co.		
Feb. 10	Shell Oil Company	160	
	Cash		160
	Paid bill to Shell Oil Co.		
Feb. 10	Veedel Oil Company	40	
	Cash		40
	Paid bill to Veedol Oil Co.		
Feb. 10	C & H	4.50	
	Cash		4.50
	Paid bill to C & H		
Feb. 10	Firestone Tire Company	200	
	Cash		200
	Paid Firestone Tire Company on account $200		
Feb. 10	Gasoline and Oil Expense	4	
	Gasoline and Oil on Hand		4
	Used oil for the month $4		
Feb. 10	Gasoline and Oil Expense	96	
	Gasoline and Oil on Hand		96
	Used gasoline for month $96		
Feb. 10	Accounts Receivable	4,840	
	Trucking Income		4,840
	Company hauling for month		
Feb. 10	Cash	4,340	
	Company		4,340
	Received check from Company		
Feb. 10	Gas Refund Income	280	
	Profit & Loss		280
	To close Gas Refund into P & L		

Feb. 10	Depreciation	270	
	Res. for Dep. of Equipment		270
	Depreciation for the month		
Feb. 10	Depreciation	20	
	Res. for Dep. of Pick-Up		20
	Depreciation for the month		
Feb. 10	Trucking Expense	1,795.10	
	Tire Expense		200
	Parts Expense		7.10
	Repair Expense		122
	Misc. Truck Expense		424
	Gas and Oil Expense		100
	Removal of Logs Expense		40
	Salaries Expense		600
	Loss of Gas Expense		12
	Depreciation		290
	To close Expense into Trucking Expense		
Feb. 10	Profit & Loss	1,795.10	
	Trucking Expense		1,795.10
	To close Trucking Expense into Profit and Loss		
Feb. 10	Trucking Income		
	Profit and Loss	4,898	4,898
	To close Trucking Income into Profit & Loss		
Feb. 10	Profit & Loss	2,432.90	
	W. Hall, Proprietorship		2,432.90
	To close Profit & Loss into Proprietorship		

Cash P 1

Jan. 1	800	Jan. 12	6
23	75	26	84
24	500	27	140
25	280	Feb. 2	200
Feb. 10	8	3	40
10	40	6	800
10	4350	9	100
		10	600
		10	29
		10	110
		10	160
		10	40
		10	4 50

Cash

Feb.			Feb. 10		200
			10	Balance	3539 50
		6053			6053
Feb. 10	Balance	3539 50			

Equipment P 2

Jan. 1		15000	Jan. 29		952
			Feb. 10	Balance	14050
		15000			15000
Feb. 10		14050			

Reserve for Depreciation of Equipment P 3

Feb. 6		800	Jan. 1		3888
10	Balance	3358	Feb. 10		270
		4158			4158
			Feb. 10	Balance	3358

Gas Tank & Sump P 4

Jan. 1		300			

Garage P 5

Jan. 1		500			

Air Compressor P 6

Jan. 1		100			

Pick-Up P 7

Jan. 1		1000			

Reserve for Depreciation of Pick-Up P 8

			Feb. 10		20

Shop Tools — P 9

Jan. 1		200			

Miscellaneous Equipment — P 10

Jan. 1		93	Jan. 23		75
			Feb. 10	Balance	18
		93			93
Feb. 10	Balance				

Parts on Hand — P 11

Jan. 1		210	Feb. 5		2 60
13		14 50			
21		2 50	10	Balance	224 40
		227 00			227 00
Feb 10	Balance	224 40			

Tires on Hand — P 12

Jan. 1		480	Jan. 19		200 00
12		6			
15		650	Feb. 10		936
		1136			1136
Feb. 10	Balance	936			

Gas & Oil on Hand — P 13

Jan. 11		80	Feb. 8		12
14		40	10		96
Feb. 7		80	10		4
			10	Balance	88
		200			200

Notes Payable — P 14

Feb. 9		100	Jan. 1		1500

Shell Oil Company — P 15

Feb. 10		160	Jan. 11		80
			Feb. 7		80

Veedol Oil Company — P 16

Feb. 10	40	Jan. 14	40

Mike's Repair Shop — P 17

Feb. 10	110	Jan. 16	80
		18	4
		Feb. 1	26
	110		110

Ford Garage — P 18

Feb. 10	29	Jan. 13	14 50
		17	12
		21	2 50
	29		29

Firestone Tire Company — P 19

Feb. 10	200	Jan. 15	650

C & H — P 20

Feb. 10	4 50	Jan. 20	4 50

J. Buck — P 21

Jan. 22	8	Feb. 10	8

Davis Slough Lumber Company — P 22

Feb. 4	40	Feb. 10	40

Company (Accounts Receivable) — P 23

Jan. 28	10	Jan. 24	500
Feb. 10	4840	Feb. 10	4350
	4850		4850

W. Hall, Proprietor — P 24

		Jan. 1	13295
Feb. 10 Balance	15727 90	10	2432 90
	15727 90		15727 90

W. Hall, Proprietor P 24

		Feb. 10	Balance	15727 90

Trucking Expense P 25

Feb. 10	1795 10	Feb. 10	To P & L	1795 10

Tire Expense P 26

Jan. 19	200	Feb 10	To Tr. Exp.	200

Parts Expense P 27

Feb. 5	2 60	Feb. 10	To tr. Exp.	7 10
Jan. 20	4 50			
	7 10			7 10

Repair Expense P 28

Jan. 16	80	Feb. 10	To Tr. Exp.	122
17	12			
18	4			
Feb. 1	26			
	122			

Miscellaneous Truck Expense P 29

Jan. 26	84	Feb. 10	To Tr. Exp.	424
27	140			
Feb. 2	200			

Gas & Oil Expense P 30

Feb. 10	96	Feb. 10	To Tr. Exp.	100
10	4			
	100			100

Removal of Logs Expense P 31

Feb. 3	40	Feb. 10	To.Tr. Exp.	40

Salary Expense — P 32

Feb. 10		600	Feb. 10	To Tr. Exp.	600

Loss of Gasoline Expense — P 33

Feb. 8		12	Feb. 10	To Tr. Exp.	12

Loss by Wreckage — P 34

Jan. 29		950	Feb. 10	To P & L	950

Depreciation — P 35

Feb. 10		270	Feb. 10	To Tr. Exp.	290
10		20			
		290			290

Gas Refund Income — P 36

Feb. 10	To P & L	280	Jan. 25		280

Trucking Income — P 37

Feb. 10	To P & L	4898	Jan. 22		8
			28		10
			Feb. 4		40
			10		4840
		4898			4898

Profit & Loss — P 38

Feb. 10	Wreckage	950	Feb. 10	Tr. Inc.	4898
10	Trucking Exp.	1795 10	10	Gas Refund	280
	To Prop.	2432 90			
		5178 00			5178

COST PER UNIT
February 10, 1940

Item	Truck No. 1	Truck No. 2	Truck No. 3	Truck No. 4	Truck No. 5	Total
Tire Expense	$	$	$ 200.00	$	$	$ 200.00
Parts Expense	2.60 .90	.90	.90	.90	.90	7.10
Repair Expense		4.00 80.00	26.00		12.00	122.00
Miscellaneous Truck Expense	84.80	84.80	84.80	84.80	84.80	424.00
Gas & Oil Expense	20.00	20.00	20.00	20.00	20.00	100.00
Log Removal Expense	8.00	8.00	8.00	8.00	8.00	40.00
Salary Expense	120.00	120.00	120.00	120.00	120.00	600.00
Loss of Gasoline	2.40	2.40	2.40	2.40	2.40	12.00
Depreciation Expense	58.00	58.00	58.00	58.00	58.00	290.00
Wreckage Loss				950.00		950.00
	$296.70	$378.10	$520.10	$1244.10	$306.10	$2745.10

W. Hall, Proprietor

Profit & Loss Statement

February 10, 1940

Cash	3539	50	
Equipment	14050		
Reserve for Depreciation of Equipment			3358
Gas Tank and Pump	300		
Garage	500		
Air Compressor	100		
Pick Up	1000		
Reserve for Depreciation of Pick Up			20
Shop Tools	200		
Miscellaneous Equipment	18		
Parts on Hand	224	40	
Tires on Hand	936		
Gas & Oil	88		
Notes Payable			1400
Firestone Tire Company			450
W. Hall, Proprietor			13295
Trucking Income			4898
Tire Expense	200		
Parts Expense	7	10	
Repair Expense	122		
Miscellaneous Trucking Expense	424		
Gas & Oil Expense	100		
Log Removal Expense	40		
Salary Expense	600		
Depreciation Expense	290		
Loss by Wreckage	950		
Gas Refund			280
	23701		23701

W. Hall, Proprietorship

Balance Sheet

February 10, 1940

Cash		3539 50	
Equipment	14050		
Less: Res. for Dep. of Equip.	3358	10692	
Gas Tank and Pump		300	
Garage		500	
Air Compressor		100	
Pick Up	1000		
Less: Res. for Dep. Pick up	20	980	
Shop Tools		200	
Miscellaneous Equipment		18	
Parts on Hand		214 40	
Tires on Hand		936	
Gas & Oil on Hand		88	
Notes Payable			1400
Firestone Tire Company (Acct. Pay)			450
W. Hall, Proprietorship			15727 90
		17577 90	17577 90

CONCLUSION

From this system of cost accounting the reader may find that there is a method that will better suit his purpose and perhaps it should be mentioned that as soon as this system of accounting is understood, the background of the basic accounting principles will be mastered. From these principles it will be possible to choose any method that you desire for the same principles will still apply. For example, if there are a large number of cash payments to be recorded it would be better to have a Cash Payments Journal. There may be other special changes depending upon what is wanted and what there is to record.