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THRESHOLD TO BUSINESS

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THE COLLEGE SWINDON

SOMETIME EXAMINER IN COMMERCE
TO THE UNION OF EDUCATIONAL INSTITUTIONS

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With many illustrations and diagrams



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COMPLETE CONFORMITY WITH THE
AUTHORIZED ECONOMY STANDARDS

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PREFACE

THERE are in existence many text-books on various aspects of commerce, and the addition of another to the number may call for some justification.

Criticism has been levelled against books on this subject in the past on the ground that they were superficial, or that they contained no central body of knowledge. The authors of *Threshold to Business* have tried to forestall any accusation of this kind by building their book round the activities of the retail trade. In doing this they have also had in mind the well-worn maxim of proceeding from the known to the unknown. Everybody, from the youngest to the oldest, has contacts with the retail trade. It is hoped that on this experience it may be possible to build a structure of sound business knowledge. Most examination syllabuses in commerce exhort teachers to make use of local illustrations; they will find much encouragement and many suggestions as to how this may be done.

This book is not only an attempt to deal with an aspect of commerce as that word is generally understood. Descriptions of the organization and transactions of the retail trade are reinforced by arithmetical examples and appropriate accounts, though it is not the intention of the authors to present the book as a treatise on formal book-keeping. Calculations and accounts separated from the transactions which give rise to them lose much of their meaning. Questions have accordingly been designed with the dual purpose of giving practice in arithmetic and of illustrating matter already mentioned in the text. It is hoped, therefore, that the book may be found to provide all the material necessary for the study of commercial calculations. The authors also trust that the introduction of many tables, diagrams, and illustrations will add to the interest evoked in the mind of the average student.

Every attempt has been made to bring the information contained in the book up to date. The authors' debt to Neal's

Retailing and the Public and to Henry Smith's *Retail Distribution* is obvious throughout; grateful acknowledgment is made to these sources. In addition, official statistics have been made use of, and annual reports of large-scale retail firms have been studied. Thanks are due to those business-men who have willingly provided information on points of detail.

It is hoped that the book will be of service in the new commercial secondary schools—it contains ample material for a two-year course—and as a text-book for a one-year course in senior commercial schools. It may also be used in J 1, J 2, and S 1 evening classes, in County Colleges and works schools, in preparation for the elementary grades of the various examining bodies, and the Diploma in Retail Distribution of the City and Guilds of London Institute.

The authors desire to express their gratitude to the Royal Society of Arts, the Union of Lancashire and Cheshire Institutes, the Union of Educational Institutions, the City and Guilds of London Institute, and the Co-operative Union, Ltd., for permission to reproduce examination questions; and to Messrs Cadbury Bros., Ltd., Messrs Littlewoods Mail Order Stores, Ltd., the Editor of *The Manchester Guardian*, Boots Pure Drug Company, Ltd., Mr W. C. Crabtree, F.R.I.B.A., the F. W. Woolworth Company, the Editor of *The Board of Trade Journal*, and the Topical Press Agency, Ltd., for permission to reproduce illustrations.

E. S.
R. A. M.

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CHAPTER I

THE ESTABLISHMENT OF A RETAIL BUSINESS—I

RAISING THE CAPITAL

WHEN Greek meets Greek they invariably open a cigarette shop." This was one of the witticisms in *The Meanderings of Monty*, a music-hall turn popular some years ago. Of course, many British people open shops for the sale of all kinds of goods, and it is now generally possible for any kind of shop to be opened in any part of Great Britain. What are the reasons which prompt the starting of these businesses? Obviously they would not be set up unless their owners thought that there was some chance of meeting a demand, or that there was an opening for some particular type of trade. It may be that some men become tired of working for a wage and desire to be independent; again, it may be that there is a desire to add to the family income; or, again, trade depression and the loss of livelihood may decide a man to start a business, in however humble a way.

Whatever the reason may be, no business can be started without capital. The amount required varies according to the size and type of business: a hawker needs very little, an average radio dealer will need from a thousand to twelve hundred pounds, while a department store such as Selfridge's or Barker's needs hundreds of thousands of pounds. The amount to be raised should be sufficient to allow for possible expansion, and for the granting of credit, if that is the intention of the business-man. The method of raising the capital will vary according to whether the prospective retailer intends to run the business himself or in association with others.

THE SOLE TRADER

When a man runs a business on his own account he is termed a 'sole trader' or the business is sometimes spoken of as a 'one-

man business.' Such a trader, broadly speaking, has two methods of raising any capital necessary for his business: he may provide it from his own resources, or he may borrow it.

A thrifty man may be able to save enough money to give himself a start in a small way. If he is ambitious, and does not spend the whole of his profits, he may be able to extend his business out of his own savings; this is termed 'putting the profits back into the business,' and is a practice followed by small and large firms alike. If the budding retailer is a young man, however, he is not likely to have much capital of his own, unless some relative has left him a legacy. He may have to borrow all or part of the money required to set himself up in business.

The sources of his borrowing may be a bank, a building society, or a solicitor. In the majority of cases the lender will require something in the way of security for his loan—that is, something of value or representing value which he may realize in the event of the borrower's failing to repay the loan. Rights to property, rather than the property itself, are the commonest examples of security for loans—for instance, title-deeds to land or buildings, share certificates, and life-assurance policies. The lender will also invariably require the borrower to pay interest on the money borrowed; it must be remembered that the payment of this interest does not reduce the principal, or capital sum borrowed. Banks prefer to lend money for short periods only, but it is the business of building societies to lend money for longer periods. Solicitors may put investing clients in touch with business-men who need capital. If the retailer is buying an existing business he may arrange with the seller that part of the purchase price shall be paid in cash, while the remainder is allowed to stay as a loan from the former owner of the business, interest being payable on the outstanding balance until the whole is settled.

When a man is in business on his own account he has unlimited liability for his business debts—that is, if his business fails and his business property is not enough to pay the debts of the concern, his private property (his house or his motor-car) may be sold to make up the deficiency. The sole trader has independence; within a limited sphere he is monarch of all he surveys; he need

consult no other person in arriving at his business decisions; and he alone is entitled to the business profits. On the other hand, if he relies exclusively on his own resources he lacks the ability to expand his business; he needs to have a many-sided personality to cope with the various aspects of his work, and his unlimited liability is a handicap.

THE PARTNERSHIP

The prospective retailer may decide not to go into business by himself, but to seek a partner or partners. The Partnership Act, 1890, which contains all the law relating to this type of business organization, enacts that there must not be more than twenty partners. The actual number of partners rarely approaches this figure. Many partnerships are family concerns—a father and his son or sons, or two or more brothers.

The capital of a partnership is raised in very much the same way as that of a sole trader, the chief difference being that in the former case it is possible to raise larger sums. Partners may also make loans to the firm as distinct from the amount they contribute as capital. The celebrated brothers Adam, the architects who designed some of London's finest buildings, raised £218,500 by means of a lottery in 1774, a method of raising capital which would not be possible to-day.

When a partnership is entered upon an obvious precaution is to have an agreement in writing setting forth the terms on which the partnership is to be conducted and ended. Such a document is called a Partnership Agreement, or Articles of Partnership. The most important items in the agreement will be those relating to the nature of the business, the incidents which will bring the partnership to an end, the proportions in which capital is to be contributed, and the interest on such capital, the management of the business and any salary to be paid therefor, partners' drawings for personal expenses, and the sharing of profits and losses.

At the end of the financial year, after all business expenses have been provided for, including those mentioned in the preceding paragraph, the remaining profits may be divided among the partners according to the agreed proportions. First of all,

however, the partners may decide to place a certain sum to reserve, and then divide the remainder as agreed.

The Division of Profits in the Case of a Partnership

Three partners, A, B, and C, had contributed respectively as capital £5000, £4000, and £3000. The Partnership Agreement provided that C, as working partner, was to have a salary of £400 per annum. Interest on capital was to be allowed at the rate of 5 per cent. per annum. The remaining profits in any year were to be allocated as follows: one-tenth to reserve, two-fifths to A, three-tenths to B, and one-fifth to C. At the end of 1945 the profit before salary or interest had been paid was £3000. Show how this amount was dealt with.

Total profit		£3000
Less C's salary		£400
		£2600
Less interest on capital		
A (5 per cent. on £5000)	£250	
B („ „ „ £4000)	£200	
C („ „ „ £3000)	£150	£600
		£2000
Less allocation to reserve (one-tenth of £2000)		£200
		£1800
A's share of the remainder (two-fifths of £2000)	£800	
B's share of the remainder (three-tenths of £2000)	£600	
C's share of the remainder (one-fifth of £2000)	£400	£1800

A gets altogether £800 plus £250, making £1050
B „ „ £600 „ £200, „ £800
C „ „ £400 „ £150 plus £400, „ £950

The partnership provides an opportunity for the various members to make themselves responsible for some particular aspect of the management; for example, one partner may look after the buying, another may supervise the shop, while a third may keep the accounts. Or the specialization may take the form of a divi-

sion into active and sleeping, or dormant, partners, the active partners contributing capital and taking an active part in the management of the business, the others merely contributing capital and sharing in the profits or losses. The retailer who has a partner gets the benefit of that partner's advice and counsel; he may find his business revitalized by the introduction of another member into the firm. As in the case of the sole trader, the small size of the business enables the owners to supervise personally the working, and close personal contact with customers is secured.

On the other hand, the retailer who has a partner has to place a certain degree of trust in his associate, and he may find that trust misplaced. Friction may develop between them. The Partnership Agreement frequently provides that a new partner may not be introduced without the consent of all existing partners, and this is sometimes a cause of disagreement, when, say, one partner wishes to bring in his daughter's husband, but the other partner will not agree. Time may be lost in making decisions when partners take widely opposing views on business policy. Of course, there is the same drawback as in the case of the sole trader—namely, unlimited liability for the firm's debts.

The 'limited partnership' is a not very popular type of business organization in Great Britain. It was first permitted by law in 1907. The maximum number of partners is the same as in the case of the general partnership. Of these at least one must be a general partner, contributing capital, having unlimited liability, and sharing in the management of the business. At least one more must be a limited partner, contributing capital, but not being responsible for the firm's debts beyond the amount of capital contributed by him, and taking no part in business management.

THE PRIVATE LIMITED COMPANY

The disadvantage of unlimited liability in the case of sole traders and partnerships has already been referred to; the private limited company offers a means of overcoming this drawback. It is possible to found such a company with not more than two members; on the other hand, the maximum is fifty, exclusive of

employees and ex-employees who may have been allowed to become members. Provided that the legal formalities are complied with—for example, registration with the Registrar of Joint-stock Companies, as required by the Companies Act, 1929—the retailer may proceed at one stroke from unlimited to limited liability. The capital of a limited company is divided into shares, each with a distinctive number, and a retailer who wishes to convert his business into a limited company need merely issue a small number of shares to another person—say, his wife or a friend—make himself managing director, and the business, in all essentials, continues as before. Most private limited companies are family concerns which have commenced as such or have been converted into this form to secure the advantage of limited liability, which means that no member is liable for the debts of the firm beyond the amount he has agreed to contribute in share capital. Continuity of the existence of the firm is secured by this means; whereas a partnership comes to an end on the death of a partner, such is not the case with a limited company when any member, even the principal shareholder, dies.

THE PUBLIC LIMITED COMPANY

Larger retail businesses, such as multiple stores and department stores, adopt this form of business organization. They require much more capital than one man or even several men could provide; therefore they have to call for the assistance of the investing public, people who have small or large sums of money which they wish to employ profitably, and which they are willing to entrust to business experts for that purpose.

The first stage in the gathering together of capital for a public company is the issue of a 'prospectus.' This is a document which sets out the objects of the company, the names of its officers, the amount of capital required, and how it is to be contributed. Here we may mention that the shares are usually paid for by instalments termed 'calls.'

Unlike the capital of a sole trader or partnership, which is all of the same nature, the capital of limited companies, both public and private, may be of different kinds, each carrying a different

degree of risk. For investors who wish to minimize their risks there are 'preference' shares, bearing a fixed rate of dividend, which is paid first out of the profits of the company when all expenses have been met. Should the company cease to exist preference shareholders are entitled to receive back their capital before any other shareholders. Preference shares are usually cumulative—that is, any arrears of dividend caused by lack of profits are carried forward until such time as the company again earns profits and can manage to pay the arrears. Then there are 'ordinary' shares, the dividend on which is paid after that on the preference shares. But the ordinary shareholders are entitled to all the remaining profits, so that the rate of dividend, if the company is a successful one, may be very high. This statement is subject to the proviso that if there are 'deferred' shares these rank last of all, either being entitled to all remaining profits or sharing them with the ordinary shares when the latter have had a fixed amount. The diagram at page 18 illustrates the manner in which the profits of a limited company may be divided.

THE DIVISION OF PROFITS IN THE CASE OF A LIMITED COMPANY

MULTIPLE RETAILERS, LTD.

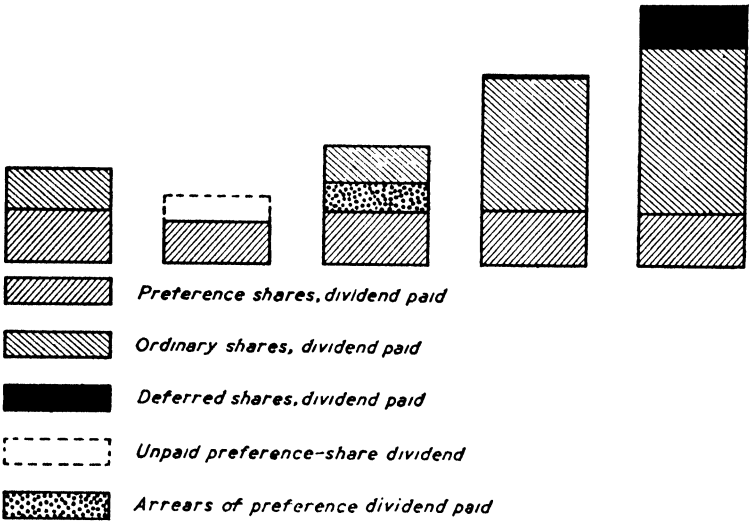
Year	*Profits Available for Distribution*
1940	£4,260
1941	£1,320
1942	£5,468
1943	£8,746
1944	£12,320

Capital

50,000 5 per cent. cumulative preference shares at £1 each fully paid.

80,000 ordinary shares of £1 each, 15*s.* paid up.

100,000 deferred shares at 2*s.*, sharing profits equally with ordinary shares when the latter have been paid 10 per cent. on paid-up capital.



Limited companies, both public and private, often wish to raise more capital than they have the right to get by means of shares. Then they borrow money from the investing public, issuing 'debentures' as evidence of the loans. Interest is paid to the debenture-holders, who are entitled to receive this whatever the financial position of the company may be. Such investors are in a privileged position, as their loans are usually secured by a charge or mortgage on the company's property, so that in the event of the company's ceasing to do business (being 'wound up') their claims are satisfied before those of any other creditors and before those of the shareholders. A summarized comparison of shares and debentures is given in the table opposite.

Control of a limited company is exercised by a board of directors elected by the shareholders. The directors hold regular meetings, and some of their number, particularly the managing director, may give their whole time to the business of the company. Each year the directors issue a report to the shareholders, describing the year's working, stating the profits made and how they propose to deal with them—for example, whether they mean

to save a portion (place so much to reserve), and what dividends they propose shall be paid. Then the annual general meeting of shareholders is held; the shareholders either approve or amend the recommendations of the directors.

A Comparison of Shares and Debentures

Preference Shares	*Ordinary Shares*	*Debentures*
Dividend has first call on profits	Nothing paid until preference dividend has been paid	Interest paid irrespective of profit made
Fixed payment if sufficient profit	Payment varies with profits	Fixed payments
Evidence of ownership	Evidence of ownership	Loan
Usually restricted voting rights	Main voting rights	No voting rights
Preference on company's being wound up	Last charge on property	First charge on property

The public limited company is the most powerful type of business organization we have yet mentioned, but it is the least flexible, as it cannot quickly and easily adapt itself to changing business conditions. It enables great enterprises to be carried out, and the principle of limited liability has permitted the accumulation of the large sums necessary for the carrying out of the enterprises.

Now let us make a comparison of the four types of business organization already dealt with—namely, sole traders, partnerships, public and private limited companies.

BUSINESS ORGANIZATION

Type of Business	*Ownership*	*Control*	*Sharing of Profits*	*Liability*
Sole trader	One person	By owner	All profits belong to owner	Unlimited
Partnership	From two to twenty partners	Divided among active partners	Divided among partners according to agreement	Unlimited
Public limited company	Any number of shareholders[1]	By board of directors elected by shareholders	Divided among shareholders according to number of and type of shares held	Limited to amount each shareholder has agreed to contribute to share capital

Exercise 1 A

1. Answer the following as briefly as possible:
   (*a*) Give two reasons why a person might establish a shop.
   (*b*) Why does any business require capital?
   (*c*) Name three sources of supply of capital for a small retailer.
   (*d*) Give three advantages and three disadvantages of the sole trader.
   (*e*) Name three retailers who are sole traders.
   (*f*) Give two advantages and two disadvantages of a partnership.
   (*g*) Name three business partnerships in your town.
   (*h*) What does a Partnership Agreement contain?

[1] A private limited company may have from two to fifty shareholders.

(*i*) How are the profits of a partnership divided?
(*j*) What is a 'limited partnership'?

2. Write a letter to a friend who has asked your advice about obtaining the capital to establish a retail business in your town.

3. (*a*) Describe the various ways in which a sole trader may obtain his capital.

(*b*) Albert Ashton estimated that he would require a capital of £850 to establish a hardware store. He had £250 of his own, and the bank agreed to lend him one-third of the remainder at 4 per cent. per annum. The rest he borrowed through a solicitor, and paid 6 per cent. per annum. How much did he pay in interest per annum?

(*c*) A retailer started with a capital of £2100. Two-thirds of this was provided by a building society; two-fifths of the remainder was provided through a solicitor, and one-quarter of what still remained by a private loan. How much did the retailer provide himself?

4. Madame Louise borrowed from a bank one-eighth of the capital she used to establish her hat shop, one-third through a solicitor, one-sixth from a building society, and one-twelfth from a friend. She provided the remainder, £140, herself. How much did she borrow from the various sources? List your answers, and show her total capital.

5. Imagine you are about to open a shop. Would you prefer to be a sole trader or a partner? Give full reasons for your answer.

6. The profits of a partnership are usually divided among the partners in one of three ways: (*a*) equally, (*b*) in proportions according to the capital invested, (*c*) according to some agreed proportion. In what circumstances would you suggest that each method should be used?

7. L, M, and N were partners, and shared profits according to the fractions shown. Make a list showing how much each received in each of the following cases:

	L	M	N	*Profits*
(*a*)	$\frac{2}{5}$	$\frac{2}{5}$	$\frac{1}{5}$	£1000
(*b*)	$\frac{2}{3}$	$\frac{1}{6}$	—	£180
(*c*)	$\frac{3}{16}$	—	$\frac{1}{8}$	£320
(*d*)	—	$\frac{5}{12}$	$\frac{1}{7}$	£420

8. X, Y, and Z represent partners. Profits are divided according to the proportions shown. How much did the partners receive in each of the following cases:

X	Y	Z	*Profits*
2	4	1	£420
3	2	1	£800
3	1	1	£450
6	3	1	£730
8	7	5	£400

9. The following figures show the amount contributed in capital by R, S, and T, three partners in retail partnerships in a certain town. In each case the profit was divided in proportion to the capital. Show how much each partner received in each case.

	Capital Provided			*Total Profits*
	R	S	T	
(*a*)	£4000	£2000	—	£600
(*b*)	£1000	£500	£250	£700
(*c*)	£1500	£750	£250	£100
(*d*)	£900	£400	£100	£280

10. Find the profits paid to each partner in each of the following cases:

(*a*) £5600 divided so that A receives one-third, B one-quarter of the remainder, and C the rest.

(*b*) £1000 divided so that A receives one-fifth, B one-eighth of the remainder, and C the rest.

(*c*) £1400 divided so that A receives twice as much as B, and B twice as much as C.

(*d*) £600 divided so that A receives three times as much as B, and B twice as much as C.

(*e*) £990 divided so that A receives four times as much as B, B three times as much as C, and C twice as much as D.

11. Punch and Judy, retailers, shared profits in proportion to their respective capitals of £1000 and £2000. The profits for the years 1943, 1944, and 1945 were respectively £600, £420, and £500. They put £100, £60, and £100 into their reserve fund in these years. How much did each receive each year?

12. Brown and Jones provided capitals of £5000 and £7000, and shared profits in proportion to the capital of each. In 1945 from a profit of £1000 Jones was paid a salary of £200, £50 was placed to reserve, and interest was paid on capital at 5 per cent. per annum. How much did each receive?

13. Reid, Gibb, and Addison shared profits in proportion to their capitals of £4000, £2000, and £1000 respectively. From

a total profit of £1300 Reid was paid a salary of £100, £150 was placed to reserve, and interest on capital was paid at 4 per cent. How much did each receive?

14. Write an essay on "The Pitfalls of Partnership."

[*Royal Society of Arts.*]

Exercise 1 B

1. Answer the following as briefly as possible:
   - (*a*) What is 'limited liability'?
   - (*b*) What are the advantages of limited liability?
   - (*c*) Name any private limited companies you know.
   - (*d*) What is a 'public limited company'?
   - (*e*) Name two types of retail organization which are usually public limited companies.
   - (*f*) Name three types of share issued by limited companies.
   - (*g*) Why are different types of share issued?
   - (*h*) Give two advantages and two disadvantages of a public limited company.
   - (*i*) Give two differences between a share and a debenture.
   - (*j*) Give two functions of the board of directors of a limited company.

2. Describe briefly the advantages which a private limited company has over a partnership.

3. What kinds of retail organization are usually public limited companies? What advantages does this give them over other types of business organization in the retail trade?

4. A friend of yours who is a retailer wishes to expand his business and form a public limited company. Write to him and describe the various steps he would have to take.

5. Describe the advantages to the shareholders of holding the various types of share issued by limited companies.

6. The County Stores, Ltd., has issued 5000 ordinary shares of £1 each. A profit of £500 was made in 1945. If £100 was placed to reserve what percentage dividend could be paid on the shares?

7. The capital of the Model Fashion Co., Ltd., consisted of 4000 ordinary shares of £1 each and 2000 6 per cent. preference shares of £1 each. Five hundred pounds was placed to reserve from a profit of £1000. What was the maximum dividend on the ordinary shares which the directors could recommend for payment?

8. Refer to the table at page 17 and to the diagram at page 18 and answer the following questions:

(*a*) What was the amount paid to each type of share in each year?

(*b*) Draw up a table showing the percentage returns on each of the three types of share for each year (to the second decimal place).

(*c*) Which shares showed (i) the steadiest return, (ii) the most variable return? Why was this so?

(*d*) Why did the preference shares receive more in 1942 than in any other year?

(*e*) What amount of profit must be available for distribution before the deferred shares receive anything?

9. The following figures show the profits made by the Retail Trading Co., Ltd., in each of six years: 1940, £400; 1941, £100; 1942, £150; 1943, £80; 1944, £800; 1945, £1000.

The capital consisted of 3000 ordinary shares at £1 each fully paid and 2000 5 per cent. cumulative preference shares at £1 each fully paid.

(*a*) What actual payment could be made on the ordinary shares in each year?

(*b*) What percentage dividend could be paid on the ordinary shares in each year?

(*c*) Using your figures as illustrations, say, with reasons, when it is best to hold (i) ordinary shares, (ii) preference shares, in limited companies.

10. (*a*) The National Stores, Ltd., multiple grocers, have as capital 5000 6 per cent. preference shares at £1 each, 52,000 ordinary shares at 5*s*. each, and 4000 deferred shares at 2*s*. each. The deferred shares receive nothing until the ordinary shares have been paid 10 per cent. on the capital invested. Any profits above this are to be divided equally between the ordinary and deferred shares. How much did all three types of share receive in the following years, when the profits were: 1942, £1500; 1943, £250; 1944, £1450; 1945, £2800?

(*b*) Draw a chart illustrating the distribution of profits among the various shares in each year.

11. (*a*) In three columns headed "Sole Trader," "Partnership," and "Limited Company" list the names of all the retailers in a particular part of the town in which you live.

(*b*) Mark with M (multiple) those shops which have at

least one other branch, and with D (department) those shops divided into separate departments.

(*c*) Why are multiple and department stores usually limited companies?

(*d*) What (i) fraction, (ii) percentage, of the shops you have listed belongs to each of the three main types of business organization?

12. In a certain town there are 1880 shops. Of these 1480 belong to sole traders, 220 to partnerships, and the remainder to limited companies.

(*a*) What fraction of the shops is represented by each of of the three classes of business organization?

(*b*) Convert these fractions to percentages (to the nearest whole number).

CHAPTER II

THE ESTABLISHMENT OF A RETAIL BUSINESS—II

UNDER WHAT NAME?

HAVING secured the necessary capital, the retailer may turn his attention to other problems. It is, of course, perfectly permissible for him to carry on a business under his own name, but he may wish to adopt some other name, or, as it is usually called, a trade name. For example, a greengrocer and florist may call his shop "The Broadway Nurseries"; a milliner may adopt the style of "Madame Louise." Generally speaking, any name may be chosen which does not lead customers to believe that the shop is that of some other firm.

The question of the name or style of the business is bound up with the problem of whether to start an entirely new business or to purchase an existing business. The procedure adopted will depend to a large extent on the amount of capital which the retailer has got together; another factor will be the energy and enterprise of the retailer himself. If capital is scarce, and the retailer is young and energetic, he may decide to begin entirely 'from scratch.' Conversely, he may buy an existing business either by a private bargain or at an auction sale. You may have seen a notice to the effect that a certain business will be sold, "including premises, fixtures, stock, and goodwill." 'Fixtures' includes counters, shelves, and showcases.

If the retailer does decide to buy an existing business he should make careful inquiries beforehand. He should either inspect the accounts himself or engage an accountant to do this for him. He should examine the stock, making sure that it is what it purports to be, and that it really belongs to the man who is selling the business.

With regard to goodwill, if the retailer desires to go into a business which is already established, one which has provided a

good living for many years, he must be prepared to pay for the privilege. Much patient work will have been done to get together the regular custom which has made the shop a success. This regular custom, on which the reputation of the shop depends, is called 'goodwill,' and the portion of the purchase price paid for it is called a 'premium for goodwill.' After all, the intending retailer has a choice; he can either build up a business himself, denying himself in the early years in order to secure a regular trade, or he can take advantage of the efforts of some one else in this respect. In the former case he will pay nothing for goodwill; in the latter case it is only fair that the efforts already expended should be rewarded. If the retailer does buy an existing business and pays for the goodwill he will have the further advantage of being able to carry on the business under the old name. This makes it probable that the regular customers will continue to shop there as before; the seller of the business will usually have undertaken not to compete by using the name in question.

The amount paid for goodwill is generally based on the average profits for a given number of years. The buyer will probably get an accountant to inspect the books and discover if the amount asked is reasonable. The longer the period chosen as the basis of calculating the premium for goodwill the better, as in this case fluctuations in the profits of the business will cancel out. The following example illustrates the manner in which the amount to be paid may be worked out:

An old-established grocery business was sold, the premium for goodwill being fixed at two years' purchase of the average profits for the previous five years. The figures were as follows: £560 (profit), £720 (profit), £690 (profit), £120 (loss), £480 (profit). The amount payable for goodwill was therefore computed as follows:

$$\frac{£560 + £720 + £690 + £480 - £120}{5} \times 2 = £932.$$

POSITION

The retailer must consider the type of locality in which his shop is to be situated. A district which is likely to develop is obviously

better than one which is stagnant or declining. The character of the population is another factor to be borne in mind; residential towns such as Bath and Harrogate demand a different type of shop from industrial towns such as Swindon and Halifax.

A choice may have to be made between the centre of the town and the side-streets or outskirts. If the former is chosen the density of traffic will make for a larger and quicker sale of goods—that is, the rate of turnover will be speedier. On the other hand, overhead expenses—for example, rates, rent, and taxes—will be higher. Small shops may open in the neighbourhood of the large store and share in its reflected glory.

The type of business to be carried on will also affect the siting. Certain streets have gained a name for exclusiveness as far as shops are concerned. Bond Street, Jermyn Street, and Savile Row in London, and Lord Street in Southport, are instances of thoroughfares possessing shops catering for the fashionable crowd. Conversely, the humble tobacconist or confectioner may open almost anywhere, though even in these cases the actual site chosen counts for a great deal; a tobacconist will do well near a factory, while a confectioner will flourish near a cinema or school. The importance of a good 'stand' is illustrated by the case of seaside pitches; in one year between the two Great Wars £570 was paid for the right to have a kiosk selling fruit and lemonade near the pier at a Southern seaside resort.

The particular side of the street and the actual position in the street itself are also of importance. Shops sometimes do well on one side, but not on the other. Some years ago a well-known department store opened a new shop in Oxford Street, London, on the opposite side of the street from Selfridge's. The venture was not a success; the shop was not on the 'shopping' side of the street. Corner sites are of considerable value, since they offer a double frontage and attract two streams of traffic; they are very much sought after by multiple-shop firms, banks, and public houses. A site near a stopping-place for buses or trams is better than one which is passed by these vehicles.

To be the sole type of a particular shop in the neighbourhood —to have the monopoly of the market—is a great advantage.

Yet we sometimes find shops deliberately planting themselves close to competitors; perhaps they intend to pursue a policy of price-cutting, in order to drive the other fellow out of business, or it may be that the neighbourhood is a recognized centre for a certain type of business, and if they opened elsewhere they would get less trade.

LAYOUT OF PREMISES

A good deal will depend on the size of the shop. We shall keep our remarks on this point as general as possible, though they probably apply more especially to the large shop.

Some part of the floor space will have to be devoted to passages, stairs, possibly lifts, and heating and lighting equipment. The rest of the floor space will be used, first, for displaying the goods. If there are several floors the goods will be distributed as experience directs: probably the quick-selling goods on the ground floor, and the slower, 'shopping' lines on the other floors. Secondly, there must be provision for storerooms or warehouses, offices, and staff cloak-rooms. In all this planning some thought should be given to the possibility of future expansion.

CASH AND CREDIT

If the retailer decides to sell his goods on a cash basis he will be able to pay cash for his supplies, and will thus get better terms from his suppliers. The custom of the neighbourhood or the desire to attract trade, however, may lead him to offer credit to his customers, either sending out his bills every month or quarter, or allowing customers to have goods on hire-purchase terms. In granting credit he will have to exercise caution so that he is not saddled with bad debts. He must also bear in mind that this procedure on his part will make it necessary for him to have more capital than if he were dealing on a cash basis. The granting of credit increases the amount of work to be done, either through extra book-keeping or the collecting of debts, or both these.

OTHER CONSIDERATIONS

The granting of credit is not the only service which a retailer may render to his customers apart from actually selling goods.

He probably delivers goods, so that the question of the purchase of delivery vehicles may have to be faced. Of course, the cost of delivery will be included in the price of the goods sold.

He must also consider the type of building in which he intends to conduct his business. Some buildings are leasehold property —that is, the retailer has the use of them for a period of years only. The lease may be a short one or a long one, and ground rent is payable annually to the ground landlord. For the lease itself the retailer may either pay a lump sum at the commencement or make an annual payment. Premises may, on the other hand, be freehold, when no question of ground rent arises, and the property belongs absolutely to the retailer—that is, if he chooses to buy. Of course, freehold premises may be rented to a shopkeeper by the owner.

The retailer must take into account the structure of the premises which he has in view. If his business is not of the same type as the one previously conducted on that site alterations may have to be made to the front or to the interior of the shop. In any case, office furniture and facilities for displaying the goods will be needed, and sometimes service equipment as well.

Much useful information on all these points is contained in *A Booklet for those contemplating entering the Radio Retail Trade*, issued by the Radio and Television Retailers' Association.

Exercise 2

1. Answer the following as briefly as possible:
   (*a*) Name three retailers trading under (i) their own names, (ii) trade names.
   (*b*) Give one advantage and one disadvantage of (i) buying an established business, (ii) establishing a new business.
   (*c*) Define in your own words 'goodwill.'
   (*d*) What is the usual basis for calculating the value of goodwill?
   (*e*) Why is the site of a shop important?
   (*f*) What kinds of shop (or stall) are usually found on railway stations? Why?
   (*g*) In your own town name one good and one bad site

for (i) a confectioner's, (ii) a furniture shop, (iii) a fashionable gown shop.

(*h*) Why was the rent for the kiosk mentioned at page 28 so high?

(*i*) Why does a newspaper-boy usually stand at a street-corner?

(*j*) Give one advantage and one disadvantage that a retailer has who trades on (i) a cash, (ii) a credit, basis.

(*k*) What is meant by a retailer's 'overhead expenses'? Name three such items.

2. Advise a friend who wishes to open either a confectioner's or a gown shop in your own town whether to establish a new business or to buy one which was recently advertised as for sale.

3. (*a*) What factors in a retail business will enable a high price for goodwill to be charged when the business is sold?

(*b*) Two businesses, A and B, were sold during 1946. The price paid for goodwill was respectively twice and three times the average annual profit for the previous six years (see table below). What was the goodwill premium in each case?

Annual Profits or Losses

	1940	1941	1942	1943	1944	1945
A	£240 (loss)	£320	£466	£694	£640	£820
B	£346	£200	£28	£86 (loss)	£180	£560

4. A recently established business where profits had been £220, £460, £640, £880, and £1200 for the previous five years was advertised for sale. The premium for goodwill was £2000. Give your reasons for considering whether or not this was a reasonable price to ask.

5. Describe in full the factors which a retailer must take into consideration in selecting a site for his shop. Illustrate your answer by examples taken from the sites of shops in your own town.

6. Describe, and draw a diagram of, a shop which you know, and which you consider to be (i) well laid out, (ii) badly laid out. Give reasons for your answer.

7. (*a*) Peter Riley opened a hardware shop measuring 45 feet by 50 feet. Two counters each measured 3 feet by 20 feet; a third counter measured 3 feet by 30 feet. He estimated that he required 900 square feet for

general floor space. What area was available for display purposes?

(*b*) Draw a diagram showing how you suggest Peter Riley might lay out his shop.

8. (*a*) The Scottish Tweeds Co., Ltd., had an area 50 feet long and 60 feet wide available for a special floor display. What was the maximum number of display stands measuring 10 feet by 4 feet which could be placed in this area so as to leave a minimum passage of 6 feet between all the stands?

(*b*) What area was occupied by (i) the stands, (ii) the passages?

(*c*) Draw a diagram showing a possible layout of this display area.

9. (*a*) What total area was covered by circular display stands whose diameters were (i) 14 feet, (ii) 20 feet, (iii) 3 feet 6 inches, (iv) 9 feet?

(*b*) What were the circumferences of these stands?

10. (*a*) Advise a newly established retailer in your district as to whether he should give credit or trade on a cash basis.

(*b*) Make a list of some of the retailers in your district who allow credit and some who deal solely on a cash basis.

11. The following figures give details of the daily sales of Gleaves and Lord, house furnishers, for a recent week: *Cash sales:* Monday, £21; Tuesday, £64; Wednesday, £13; Thursday, £78; Friday, £67; Saturday, £110. *Credit sales:* Monday, £48; Tuesday, £64; Wednesday, £20; Thursday, £92; Friday, £69; Saturday, £254.

(*a*) Make out a table showing the total cash and credit sales for the week and the daily total sales.

(*b*) What percentage of the sales was on credit?

(*c*) What percentage of the weekly sales was made on each day?

(*d*) Can you suggest any reasons for the difference shown in these figures?

12. A person proposes to open a retail shop. What are the considerations he should bear in mind before choosing the type of shop and the locality in which he intends to trade?

[*Union of Lancashire and Cheshire Institutes.*]

13. Select three types of retail business, and describe what you consider to be a suitable site for each one, giving reasons for your choice. [*Union of Educational Institutions.*]

CHAPTER III

SOME NOTIONS CONCERNING CAPITAL

In Chapter I we dealt with the methods by which capital was got together. There we used the expression in the sense of the money which was necessary in order to start a business or to expand it. In Chapter II we gave a description of the manner in which that finance, money power, or capital would generally be employed. We must now look a little more closely at the various meanings which may be placed upon the term 'capital.'

Let us imagine a retailer commencing business on January 1, 1930, and let us draw up a statement of his financial position at that date, showing how he has obtained the capital with which to begin business, and how that capital has been laid out. Such a statement is usually termed a 'balance-sheet.'

BALANCE-SHEET OF TOM LONG AS AT JANUARY 1, 1930

Sources of funds used in the business, generally termed 'liabilities'		*Uses to which funds have been put, generally termed 'assets'*	
Capital from Long's own resources	£3000	Freehold premises	£1500
Borrowed from bank	£500	Fixtures	£200
		Stock	£1600
		Cash	£200
	£3500		£3500

The total of £3500 represented by the four items on the right-hand side is termed the 'capital used in the business.' Of this total outlay of £3500 the sum of £3000 has been provided by Long himself; this amount is termed the 'capital owned.' The difference of £500, the amount borrowed from the bank, we should term an 'outside liability.' The first two assets, the freehold premises and the fixtures, have been procured for permanent use in the business, and are not intended to be resold. We call these items of capital used 'fixed capital,' or 'fixed assets.' The

remaining two, stock and cash, are termed 'floating capital,' or 'floating assets.' The term 'circulating' is sometimes used instead of 'floating.' These items consist either of cash or of things that are intended very shortly to be converted into cash.

It would be imprudent for the retailer to allow too large a proportion of the funds obtained to be locked up in the form of fixed capital. The business must be kept going from day to day; wages and other expenses must be paid; fresh stock must be obtained, and suppliers of goods and services must be periodically paid. Hence a proportion of the funds must be maintained in the form of 'working capital.' To arrive at the measure of the working capital in the case of any business take the total of the sums which will shortly have to be paid (the floating liabilities) from the total of the floating assets (or floating capital). In Tom Long's case it will be seen that the amount is £1300—stock, £1600, plus cash, £200, minus amount borrowed from bank, £500. We may conclude, then, that Tom Long is fairly well provided with working capital. When a business has a good supply of cash it is said to be in a 'strong liquid position.'

Let us now imagine that Tom Long's business prospers, and that in course of time he takes a partner, Bill Short, in order to expand still further. After they had worked together for several years in partnership the balance-sheet of the firm Long and Short might look something like this:

BALANCE-SHEET OF LONG AND SHORT AS AT DECEMBER 31, 1939

Liabilities		*Assets*	
Capital subscribed by partners		Freehold premises	£4000
Long	£3000	Delivery vehicles	£800
Short	£2000	Fixtures	£460
Profits previously put to reserve	£1000	Stock	£3250
		Trade debtors	£592
Profit for year, not yet shared out	£890	Cash	£84
Bank overdraft	£540		
Trade creditors	£1756		
	£9186		£9186

In this case the capital used in the business amounts to £9186. The capital owned by the partners is £6890—that is, £3000 plus £2000 plus £1000 plus £890. The value of the fixed capital, or fixed assets, is £5260 (the values of the premises, vehicles, and fixtures). The floating, or circulating, capital is £3926 (stock plus debtors plus cash). The floating liabilities amount to £2296 (bank overdraft plus creditors). It should be clear that the creditors as well as the overdraft represent an addition to the resources of the business. It makes no difference in principle whether a business borrows money directly, or indirectly through obtaining goods on credit. The working capital is £1630—that is, the floating assets, £3926, less the floating liabilities, £2296.

Let us suppose that the business goes from strength to strength, opening new shops in the town and district. The time may come when Long and Short are unable to finance their growing concern themselves, and they may decide to form a limited company in which they will still be the largest shareholders, and which they will still control through their status of managing directors. In such circumstances the balance-sheet of the business would eventually take the following form:

BALANCE-SHEET OF LONG AND SHORT, LTD., AS AT DECEMBER 31, 1945

Liabilities		*Assets*	
Capital issued to shareholders		Freehold premises	£10,500
10,000 5 per cent. preference shares of £1 each	£10,000	Delivery vehicles	£1,000
2000 ordinary shares of £1 each	£2,000	Fixtures	£1,400
4 per cent. debentures	£1,000	Stock	£5,782
Profits previously put to reserve	£3,000	Trade debtors	£814
Profit for year, not yet distributed	£1,764	Cash at bank	£900
Trade creditors	£2,645	Cash in hand	£13
	£20,409		£20,409

Capital owned in this case is equal to the total of capital issued to shareholders, profits put to reserve, and profits not yet distributed. Capital in use, fixed capital, and floating capital are calculated on the same basis as previously. In reckoning working capital, however, you must bear in mind that debentures are fixed liabilities and not floating liabilities.

Exercise 3

1. Answer the following as briefly as possible:
   (*a*) Give two meanings of the term 'capital.'
   (*b*) What does a balance-sheet show?
   (*c*) In what way does 'capital owned' differ from 'capital used'?
   (*d*) What are the two main divisions of 'capital used in the business'?
   (*e*) Give two examples of items owned by a retailer which might be included under (i) 'fixed capital,' (ii) 'circulating capital.'
   (*f*) Separate the following items in a retailer's balance-sheet into 'fixed' and 'circulating' capital: premises, counter, debtors, bank balance, motor delivery van, cash in hand.
   (*g*) What is 'working capital'?
   (*h*) How much working capital did Long and Short, Ltd., have at December 31, 1945?
   (*i*) What is the advantage to a retailer of having a 'strong liquid position'?
   (*j*) When is a retailer not likely to have a strong liquid position?
2. Describe in full the various meanings of the term 'capital.' Illustrate your answer with examples taken from a retail business.
3. Quoting examples from any retail business with which you are familiar, distinguish carefully between 'fixed' and 'circulating' assets.
4. Referring to the balance-sheet of Long and Short, Ltd., at page 35, answer the following questions:
   (*a*) What is the value of the 'fixed' assets?
   (*b*) What is the value of the 'floating' assets?
   (*c*) What percentage of the total assets is 'fixed'?
   (*d*) Calculate the profit for the year as a percentage of capital used.

5. The following figures show the assets of various retailers on December 31 last:

Retailer	*Cash in Hand*	*Cash at Bank*	*Stock*	*Debtors*	*Fittings*	*Other Equipment*	*Premises*
A	£280	—	£420	£640	£420	£600	£2300
B	£20	£146	£82	—	£44	£60	—
C	£63	£212	£210	£24	£68	£10	£850

In each case calculate the percentage of the total assets represented by (i) fixed capital, (ii) circulating capital (to the nearest whole number).

6. The following figures show the liabilities on December 31 last of the retailers mentioned in Question 5:

Retailer	*Capital Subscribed*	*Profits for Distribution*	*Loans*	*Bank Overdraft*	*Trade Creditors*	*Payments Due*
A	£3000	£460	£100	£50	£800	£250
B	£200	£60	—	—	£62	£30
C	£577	£125	£250	—	£410	£75

Calculate the floating liabilities in each case.

7. (*a*) Explain fully what you understand by 'working capital,' and show why this is important to a retailer.
   (*b*) Using the figures in Questions 5 and 6, calculate the working capital of the three retailers.
   (*c*) Which of the retailers in Questions 5 and 6 is in the strongest liquid position? Give reasons for your choice.

8. BALANCE-SHEET OF A RETAILER AS AT DECEMBER 31, 1939

Liabilities		*Assets*	
Creditors	£1500	Cash in hand	£50
Loan on premises	£1000	Cash at bank	£600
Capital	£3000	Debtors	£400
		Stock	£1000
		Motor-van	£150
		Fittings and fixtures	£300
		Premises	£3000
	£5500		£5500

From the balance-sheet above calculate (*a*) the value of the fixed assets, and (*b*) the value of the circulating assets.

By reference to figures in this balance-sheet distinguish between the capital owned and the capital used by the retail business, and state for what purpose the balance-sheet is prepared.

[*Union of Educational Institutions.*]

9. What do you understand by the capital of a retail trader? What forms may such capital take, and how may they alter in the course of business? (You may draw up a simple balance-sheet from which to illustrate.)

[*Union of Educational Institutions.*]

CHAPTER IV

THE DEVELOPMENT OF THE RETAIL TRADE

In very early times and during the Middle Ages—say, from the twelfth to the sixteenth century—shops as we know them to-day scarcely existed. There were towns and villages, it is true, but poor communication kept them largely isolated from one another, and, in any case, a very great part of the population lived on small farms. The result of all this was that households had to be mainly self-sufficient, growing their own food and making their own clothes.

There was, however, some trade, especially in goods of foreign make, and this was carried on at the great fairs which were held yearly or half-yearly at certain centres. Among the most important were the fairs of Stourbridge, Boston, Chester, Winchester, and Bartholomew Fair in London. These fairs were generally held at Church festivals or on saints' days, either in the spring or in the autumn; they were established by royal grant, and were open to all traders who paid the necessary tolls. In addition to the fairs there were regular markets held in most towns for the sale of goods, especially provisions; these again were free of restrictions. The Domesday survey mentions fifty such markets. Originally held on Sundays, and generally clustering round the church, the markets later came to be held on other days of the week, and in the streets of the town. They served as a centre for exchanging the produce of the neighbourhood, and were often the means of increasing the importance of the towns in which they were held.

Such permanent shops as existed in the Middle Ages belonged to members of the merchant or craft guilds. The main object of these guilds was to control local trade, to ensure that it was confined to their own members, and to collect tolls and fines. The shops themselves were open to the street, generally centred in the

same locality, and carrying above the shop a sign to indicate the kind of goods dealt in. Though there were some shops which confined themselves to retail trade pure and simple, many of them were run by craftsmen who made goods to order; examples of these guildsmen were the weavers, the shoemakers, and the glovers. They were the forerunners of what we term the 'bespoke' trade to-day. They carried little stock, and therefore had not much risk of loss. Even a century ago it was quite common to have boots and shoes made to measure.

Another type of retail dealer existed side by side with those already mentioned. This was the itinerant vendor known as the pedlar, 'travelling Scotchman,' or hawker. He flourishes to-day, though now he does not go round on foot quite so much, but relies on a motor-van; he may be butcher, draper, or oilman, or, again, the pedlar popularly known as 'Wallsie.' In former days such a man was very useful to country people, and his coming was quite an event in the humdrum life of farm or village. In addition to bringing with him a selection of goods he was often relied upon for news of the world outside. Autolycus, the pedlar in *The Winter's Tale*, "a snapper-up of unconsidered trifles," cries his wares thus:

> Lawn as white as driven snow;
> Cyprus black as e'er was crow;
> Gloves as sweet as damask roses;
> Masks for faces and for noses;
> Bugle-bracelet, necklace-amber,
> Perfume for a lady's chamber;
> Golden quoifs and stomachers,
> For my lads to give their dears;
> Pins and poking-sticks of steel;
> What maids lack from head to heel:
> Come buy of me, come; come buy, come buy;
> Buy, lads, or else your lasses cry: Come buy.[1]

The improvement of communications gradually broke down the exclusiveness of the guild system. New towns sprang up, where there was freedom from regulation, and shops began to take on the appearance of modern times. One type of shop which emerged, and which we can still see to-day, was the village

[1] Act IV, Scene 3.

general shop, not only a source which supplied the needs of the villagers from calico to bulls'-eyes, but a centre of village gossip as well.

The industrial era, besides increasing the number and range of shops, brought about large-scale or integrated shopkeeping on the one hand and specialization on the other. The former is exemplified by the department store, the multiple shop, the mail-order business, and the co-operative store; the latter by the gown shop, the stocking shop, and the electrical-appliance shop. New wants have created new trades, and the growth in the income of the community has made it possible for shopkeepers to concentrate on satisfying one particular want only.

The names of many present-day types of shop can be traced back to the early days of trading. The word 'retail' itself comes from the French verb *tailler*, meaning 'to cut'; hence *retaille*, a 'paring' or a 'clipping,' a small piece that has been cut from a larger one. We get the same derivation in the word 'tailor,' which was originally *tailleur*. A 'grocer' was formerly a man who sold *en gros*—that is, wholesale. 'Draper' comes from the French word *drap*, meaning 'cloth.' A 'merchant' in the old form of the word was a 'mercer,' one who dealt particularly in silks and textiles, while a 'milliner' was a shopkeeper who sold silks and ribbons from 'Milan.'

It is often argued that there are to-day too many shops in relation to the size of the population. When people talk like this they are usually thinking of the large number of small shops. The multiple stores, the co-operative societies, and the department stores, although they have extended their activities in recent years, escape criticism because they are large. It is true that the number of insured persons engaged in the distributive trades more than doubled between the two Great Wars, and that in 1939, when licensing of retailers began, there were 330,000 applications for confectionery licences alone; most of these applicants were on a small scale, and very few sold confectionery alone. Here are some reasons usually given for this state of affairs:

(1) The public demand greater service than formerly, and insist on a larger variety of goods.

(2) Increased work for retailers cannot be done mechanically to the same extent as in manufacturing; hence a larger number of people are needed.

(3) Increased competition among manufacturers wishing to attract the custom of retailers has led to the manufacturers' offering greater gross margins to the retailers. This has made retailing more attractive, and has caused more people to enter the occupation.

There is a strong movement in some quarters to-day in favour of continuing the war-time system of licensing. Later, it is said, the town-planning and industrial-location schemes being undertaken will permit the establishment of fewer and more efficient shops, working on a smaller rate of profit per unit of trade because they are larger than the average run of shops now, but bringing in a greater total income for the owners. Some form of planning for shops may be a good thing, so long as it applies to all types of shop alike, and does not discriminate against the efficient independent shopkeeper; so long as it is carried out by the representatives of the community as a whole, and not of traders themselves; and so long as it does not result in a small number of firms gaining a monopoly of retail trade.

Exercise 4

1. Answer the following as briefly as possible:
   - (*a*) What is a 'retailer'?
   - (*b*) Give two reasons why shops were scarce in early times.
   - (*c*) What is a 'fair'?
   - (*d*) Can you name any fairs which are still held?
   - (*e*) In what ways does a 'market' differ from a 'shop'?
   - (*f*) What towns or villages do you know which have regular markets?
   - (*g*) In what trades do we still find 'bespoke' retailers?
   - (*h*) Give some examples of 'up-to-date' pedlars.
   - (*i*) Name three large-scale retailers you know.
   - (*j*) Name three specialist retailers.

2. Describe the development of the retail trade from the Middle Ages until the present day.

3. Indicate briefly how the following types of retail organization originated: the multiple store, the market, the specialist, the unit retailer, the department store, the mail-order house. In your answer give examples of each type of retail organization known to you.

4. Find out what you can about chambers of commerce, and compare these with the merchant and craft guilds of the Middle Ages.

5. The structure of the retail trade in England and Wales in a recent year was estimated as follows:

	Number	*Total Sales*
Unit retailers	600,000	£1,650,000,000
Co-operative societies	1,000	£260,000,000
Multiple stores	30,000	£490,000,000
Department stores	1,000	£150,000,000
Markets and others	88,000	£100,000,000

(*a*) Find the percentage of the total number of shops for each type of retail organization (to the nearest whole number).

(*b*) Find the percentage of the total sales for each type (to the nearest whole number).

(*c*) Tabulate the results of (*a*) and (*b*). Explain what the differences are in the two percentages for each type.

6. In Question 5 find, to the nearest hundred pounds, the average sales for each type of retail organization in England and Wales.

7. (*a*) What types of retail shop are met with in this country? Can you state why each of these types still continues to exist?

[*Royal Society of Arts.*]

(*b*) What are the main differences between retailing to-day and retailing fifty years ago? Give the main causes which lie behind these changes.

[*City and Guilds of London Institute.*]

8. The following figures relate to the retail trade of a certain town during 1945:

Types	*Number*	*No. of Branch Shops, etc.*	*No. of Assistants employed*	*Total Sales*
Unit retailers (general) . .	450	450	220	£517,500
Unit retailers (specialist) .	1050	1050	1620	£3,255,000
Multiple stores .	50	95	520	£423,000
Department stores	7	11	1122	£832,480
Co-operative societies . .	1	54	378	£1,032,896
Markets . .	2	75	95	£136,500

(*a*) Find the average annual sales for each branch or shop for each type of retail organization (to the nearest pound).

(*b*) Find the percentage of the total number of shops or branches, etc., possessed by each type.

(*c*) Find the percentage of the total trade done by each type.

(*d*) Find the average number of assistants employed per shop and branch for each type.

(*e*) Make up a table which includes all the answers to the previous parts of this question.

9. Study the figures in the table you have compiled for 8 (*e*), and say what they reveal regarding the structure of the retail trade in this town.

10. A recent estimate of the number of retail establishments in England and Wales was 720,000. The total value of the retail trade for 1938 was £2,650,000,000. The estimated number of retail workers was 1,500,000.

(*a*) Find the average sales per shop (to the nearest hundred pounds).

(*b*) Find the average number of workers per shop.

(*c*) Find the average sales per worker (to the nearest pound).

11. The following table shows some estimated figures for certain kinds of retail outlet in England and Wales in 1931:

Kind of Shop	*Number of Retail Outlets*	*Average Number of Assistants*	*Estimated Turnover*
Confectionery (sweets)	31,500	0·8	£43,150,000
Meat . . .	49,400	1·8	£142,100,000
Greengrocery . .	40,900	0·8	£78,000,000
Boots and shoes .	12,900	2	£63,700,000

(*a*) How do you account for the fact that the average number of assistants was less than 1 in some kinds of shop?

(*b*) Why does the average number of assistants differ between the various kinds of shop?

(*c*) What was the total number of assistants employed in each kind of shop?

(*d*) What was the average annual trade (to the nearest pound) per shop in each group?

(*e*) If the population of England and Wales in 1931 was 39,952,377, find the average amount spent (to the nearest shilling) per person in each kind of shop during that year.

CHAPTER V

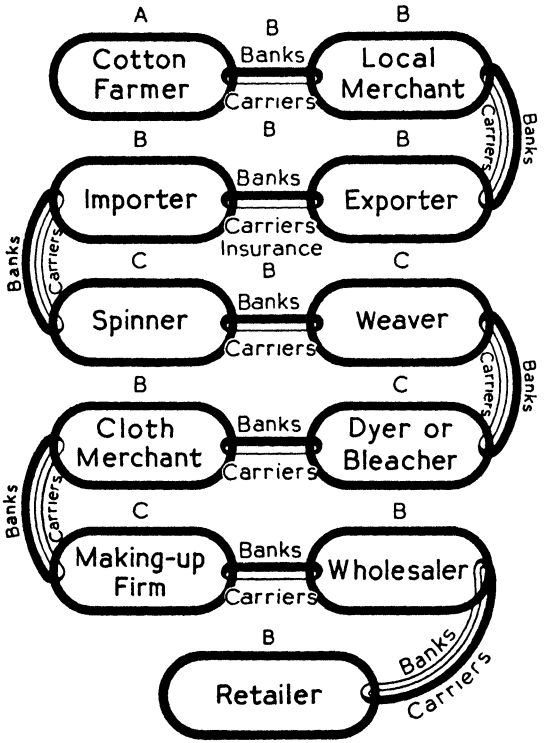
THE POSITION OF THE RETAILER IN THE CHAIN OF PRODUCTION

THE CHAIN OF PRODUCTION

EVERY person in a country such as Great Britain requires a certain number of necessities, comforts, and luxuries varying with his income or financial position. The business of supplying these wants is, in the majority of cases, extremely complicated, goods having to pass through many hands before they reach the ultimate consumer. Raw materials are extracted from nature by people termed 'primary producers' or 'extractive workers'; the raw materials are converted into finished goods by 'manufacturing workers.' Then begins the process of distributing the finished goods so as to satisfy the wants of individual consumers. The work of distribution or commerce is performed by such persons as traders, transport workers, banks, and insurance companies. These people are also instrumental in getting the raw materials from the primary producers to the manufacturers. Workers such as doctors, policemen, solicitors, and postmen—direct-service workers—give their assistance to all the other producers and to the general public.

An example may help to make this clearer. Everybody knows that cotton is grown in the U.S.A. After the farmer and his helpers have picked the cotton it is baled, and the bales are dispatched to a trader in the nearest town. This trader in his turn sells to an export merchant, who arranges for the transport of the bales by steamer to Liverpool, where officials of the Government Cotton Buying Commission take charge of them. The cotton is then sold to a cotton spinner, and the raw material goes through the processes of spinning, weaving, dyeing, and bleaching. The resultant cloth is sold to merchants, who may dispatch it overseas or may sell it to firms who will make it up into sheets, pillow-

LINKS IN THE CHAIN OF PRODUCTION OF COTTON GOODS



A = Extractive Worker

B = Commercial Worker

C = Manufacturing Worker

slips, handkerchiefs, or garments of different kinds. These products are then passed on to wholesale textile firms, who will supply retail shops. At each stage in the evolution of the finished goods carriers are needed to transport them, banks provide means of payment between seller and buyer, and insurance companies safeguard the owners against loss.

It may be pointed out that the picture of the process of distribution presented above does not always correspond with actual fact. In some cases manufacturing, wholesaling, and retailing are carried on by the same firm; in others wholesaling and retailing may be combined; again, some retailers—especially those selling perishable foodstuffs—may buy direct from growers, and not through wholesalers. Still, the process of retailing, whether carried on separately or by association with one or other of the remaining stages, is substantially the same. The chart at page 47 further illustrates the position of retailing in the chain of production.

THE FUNCTIONS OF THE RETAILER

It is thus seen that the retailer comes at the end of a long chain of production. He is the last person to handle the goods before we, the consumers, buy them. His main function may therefore be described as that of bridging the gap between the primary producer and the consumer. It has been said that he "has the right goods, in the right quantity, in the right place, at the right time." We may add that he must be able to supply the goods at a price which will suit his customers. He must satisfy local demand by having the right goods; different localities demand different kinds of tea, for example. The quantities he supplies will invariably be small, as customers depend on the retailer to keep stocks from which they may choose; they do not wish to keep stocks of their own, and they rely on the retailer to supply their wants at a moment's notice. In many cases he must supply customers with a choice of goods, and must see that they are fresh. It has been pointed out that, whereas a manufacturer brings many different things to one place and puts them together to make one product, a retailer brings together often an enormous

number of things of the same general description in order to give potential customers a choice. Ninety per cent. of retail customers are women, each one having highly individual wants.

Since it is the retailer's business to supply the wants of a particular community, he must see that his shop is situated in a convenient position. Here, however, the matter of price must be considered. Consumers may be prepared to travel from the country into the town to obtain the benefit of lower prices, the excitement of an outing being weighed against the expense of travelling and loss of time.

In addition to performing the above functions, which constitute the main justification for his existence, the retailer helps the public in other ways. He will advise his customers on their purchases, especially in the case of 'shopping' goods—that is, goods which are not bought every day and the choosing of which generally takes time. He has catalogues which have been prepared by manufacturers, and if a customer wishes to obtain goods which are not in stock the retailer will get them if they are obtainable. Many retailers will deliver goods for customers. If the latter take advantage of this convenience they must understand that the price of goods is bound to be raised. Some retailers will grant credit, sending out their bills monthly or quarterly, or allowing customers to have goods on hire-purchase terms. Jewellers, cycle and radio dealers, and ironmongers will repair goods. In the radio trade the volume of repair work is said to be about 10 per cent. of the total business done. Confectioners and cycle dealers will make goods as well as sell them to the public. Gown shops and shoe shops will allow customers to have goods on approval. Village shops and fish-and-chip shops provide a social centre.

In addition to the functions which the retailer performs for the general public, he also has work to do for those who precede him in the chain of distribution. Manufacturers rely upon him to advise them what goods to produce, in what quantities, and, to a certain extent, where they shall be produced.

The period of the Second Great War brought other tasks for retailers. A quotation from *The Observer* of September 16, 1945,

shows us how grocers were affected by emergency rules and regulations:

> Every month the grocer makes detailed returns to the Ministry of Transport listing each journey taken by his vans. Every month he must make returns to the Ministry of Food for fish, tea, points and personal points, and for animal feeding-stuffs. Every two months he makes further returns for rationed foods, flour, and bread.
>
> Every month he must work out his staff returns and, both weekly and monthly, his P.A.Y.E. records. To the Ministry of Agriculture he returns monthly his carrot and potato sales and, quarterly, a census of garden-grown crops.
>
> And he has to find time, week by week, to keep up with new orders and price changes.

LARGE-SCALE AND SMALL-SCALE RETAILING COMPARED

Retail businesses conducted by private traders are, in the main, small businesses. Those conducted by multiple stores, department stores, mail-order houses, and co-operative societies are large concerns. Each of these will be dealt with in detail, but we may include here a general consideration of the relative merits of large and small businesses.

The large business gains because:

(1) It can employ the principle of specialization to a greater extent. The work is subdivided, and there is a better chance of fitting individual capabilities to the tasks which have to be performed.

(2) It has greater financial resources—more capital—and can employ aids to efficiency beyond the reach of the small shop—for example, calculating machines in the office. It can also provide services to customers with which the small shop cannot compete.

(3) It can afford to employ experts with the highest commercial, technical, and administrative qualifications, and to pay them salaries adequate to the work they have to do.

(4) Working expenses are spread over a large volume of business.

(5) It is not dependent for its success on the prosperity of a small area; its customers may be found all over the country.

(6) Specially favourable terms are obtainable when goods and transport are bought on a large scale.

(7) The shareholders of limited companies and the members of co-operative stores have every inducement to shop with these businesses.

(8) The size and variety of stock are much greater than in the case of the small shop.

(9) The chain of distribution is shortened, since large businesses are their own wholesalers, and in many cases manufacture as well.

On the other hand, the small shop gains in the following ways:

(1) Large-scale shopkeeping is dependent on there being a large and steady demand for the goods sold. Goods for which there is a small, local demand are better dealt with through the small shop—for example, household pets and saddlery.

(2) Specialization among shops themselves gives an opportunity to the small trader. When the demand for a certain article has become sufficiently widespread it is likely that shops will be opened to sell that article alone—for example, gowns and stockings.

(3) A small shop is easily supervised by the owner. The large business is in comparison difficult to supervise; its very size makes it necessary for much of the work to be done by routine methods, and there is a considerable amount of form-filling, which takes time.

(4) The handy situation of many small shops adds greatly to their attractiveness.

(5) The small shop is often a family business which has been in the hands of the same people for many years. The owner knows his customers intimately, and can give effect to their personal wishes.

Exercise 5

1. Answer the following as briefly as possible:
   (*a*) Name the three main groups of worker in the chain of production.

(*b*) What is meant by 'distribution'?
(*c*) What is the position of the retailer in the chain of production and distribution?
(*d*) Name three important functions of a retailer.
(*e*) What is meant by a retailer's 'granting credit'?
(*f*) Name one way in which the retailer may help the manufacturer.
(*g*) What types of shop would be classed as 'large-scale' retailers?
(*h*) Name three large-scale retailers.
(*i*) Why are there many 'small-scale' shops?
(*j*) What is the biggest advantage of the small-scale shop?

2. "The retailer is the last link in a long chain." Explain fully what is meant by this, and, using the diagram at page 47 as a guide, trace the course of any article from its production until it reaches the retailer.

3. (*a*) What is meant by saying that the "links in the chain of distribution vary in number"?
(*b*) Make out a list of (i) wholesalers who also have retail outlets, (ii) manufacturers who deal directly with retailers, (iii) manufacturers who have retail outlets.

4. A certain town had a population of 120,000. Of these 55 per cent. were workers. Of the workers one-fifth were extractive, and two-thirds of the remainder were manufacturing. One-quarter of those still remaining were engaged in direct service. Of the commercial workers 60 per cent. were engaged in the retail trade. How many workers were engaged in (*a*) commerce, (*b*) the retail trade?

5. (*a*) Show in diagram form the principal divisions and subdivisions of commerce.
(*b*) Explain the connexion of the retailer with each of these divisions.

6. In a certain chamber of commerce the membership was made up as follows:

Wholesalers	20	Advertising agents	6
Bankers	18	Solicitors	12
Insurance workers, etc.	16	Unit retailers	48
Transport workers	16	Other retailers	16
		Other members	28

(*a*) What percentage of the members were retailers?
(*b*) What fraction of retailers were unit retailers?

7. (*a*) Distinguish carefully between 'wholesale trade' and 'retail trade.' Set out carefully the reasons why, in your opinion, each exists.

[*Royal Society of Arts.*]

(*b*) In what various ways can the retailer assist the manufacturer and the wholesaler?

8. (*a*) Illustrate the quotation that the retailer "has the right goods, in the right quantity, in the right place, at the right time" by reference to the activities of a particular retailer.

(*b*) What services does a retailer perform which are not included in the above quotation?

9. (*a*) Describe the various reasons for the development of large-scale retailing.

(*b*) In a typical town of 988 shops 868 are small-scale retailers. What percentage of the total is this? How do you account for this large percentage?

(*c*) Do you consider that the small-scale retailer will eventually be eliminated? Give reasons for your opinion.

10. (*a*) Make a list of the services which (i) large-scale retailers, (ii) small-scale retailers, normally perform for their customers.

(*b*) How do you account for any differences in the two lists?

(*c*) In 1945 a certain department store spent £3800 and a unit retailer £120 in 'trade expenses.' Of these amounts £1800 and £45 were respectively for 'services to customers.' (i) What fraction of the trade expenses did this represent in each case? (ii) Convert these fractions to percentages (to the first decimal place).

(*d*) Who pays for the many services performed by large-scale retailers?

11. What effects do you think would result from the elimination of the smaller retail shops in favour of a restricted number of larger shops?

[*Union of Lancashire and Cheshire Institutes.*]

CHAPTER VI

THE UNIT RETAILER

THE unit retailer is the oldest-established type of retail undertaking in existence, and the most numerous. The term embraces the vendor of toys on the Holborn pavement in London, the hawker of fruit with his barrow, the general shop in the converted front room of a house, and the specialist shop complete with chromium-fronted premises and up-to-date fittings. Such shops may be run by sole traders, partnerships, or small private limited companies. The number of unit retailers in Great Britain in the thirties of this century was, as far as can be ascertained, between 500,000 and 600,000, doing between 50 and 60 per cent. of the total retail trade. Most of them were general shops, having on an average total annual sales of less than £2000. These were often family businesses, carried on as a side-line, one member of the family, probably the mother, looking after the shop while the rest went out to work. Such businesses are easy to start, requiring little capital or business experience; they are mostly to be found in the side-streets or suburbs of our towns.

Another type of the unit retailer is that sometimes termed the 'speciality shop,' the owner of which is something more than a mere trader. As the name implies, such shops confine themselves to one distinctive line of goods—for example, gowns, millinery, men's wear, hosiery, cycles and cycle accessories. The owner is a craftsman, and has an expert knowledge of the goods in which he deals. His premises and fixtures are of a distinctive character, betokening a more than usually intimate relationship between his customer and himself. Sometimes the scale of the business is enlarged, and we get such shops as Liberty's for fabrics of all kinds, and Heal's for furniture. The multiple shops also are entering this field, especially in trades where mass methods of producing the goods are allied with distribution on a large scale.

One of the great advantages of the unit retailer is the personal contact which he maintains with his customers. Having served them for many years, he knows their likes and dislikes. The tailor making suits to measure can accommodate the little idiosyncrasies of those who use his services. The grocer can suit equally Mrs Smith, who likes fat rashers, and Mrs Brown, who prefers lean rashers of bacon. Having a sound knowledge of the neighbourhood, he can give credit without much risk of bad debts. The ability to do this is a strong weapon in his struggle against the giants of retail trade, the multiple shops and department stores. His shop is often more conveniently situated than theirs are. He is independent, and can run his business in any way that he chooses.

This independence, however, is liable to be weakened if he becomes too closely tied to a particular wholesaler or manufacturer. His supplier will often provide window-dressing material, arrange demonstrations in the shop, furnish samples, frequently sending these direct to the retailer's customers. If, in addition to providing these services, the supplier gains financial control over the retailer by letting him have goods on credit, the latter's independence becomes a mere fiction.

Another threat to the retailer's independence is found in the activities of trade associations. These may be associations of retailers only, or may be jointly composed of retailers and manufacturers. Their activities include restricting entry to a particular trade—for example, newsagents—or in ensuring that retailers observe the fixed prices laid down by manufacturers for the resale of their products. Such is the case in the sale of chemists' goods, tobacco, and photographic material.

The unit retailer, working on a small scale, is handicapped in comparison with his larger competitors in that he cannot take advantage of the special discounts for large purchases which are offered by most suppliers. It must be said, however, that this drawback is sometimes overcome by joint buying. Two or more unit retailers will order, say, a dozen articles of ironmongery, and thus get them at a lower price than if each one had ordered a smaller quantity for himself.

Exercise 6

1. Answer the following as briefly as possible:
   (*a*) What is a 'unit' retailer?
   (*b*) Give one example each of a unit retail shop run by a sole trader, a partnership, and a limited company.
   (*c*) What are the two main types of unit retailer?
   (*d*) Name three general unit retailers.
   (*e*) Name three specialist unit retailers.
   (*f*) What is the main advantage of the unit retailer?
   (*g*) Why is 'independence' important to a unit retailer?
   (*h*) What is a retail trade association?
   (*i*) Can you give an example of such an association in your town?
   (*j*) In what way may unit retailers help one another?
2. (*a*) It was estimated that of 720,000 shops in England and Wales, with a total annual trade of £2,650,000,000, the number belonging to unit retailers was 600,000, with a trade of £1,650,000,000. What percentage of all retailers were unit retailers, and what percentage of the total retail trade did they do (to the nearest whole number)?
   (*b*) How can you account for the fact that such a large proportion of retailers were unit retailers?
3. (*a*) Compile a table of unit retailers in your town, or part of your town, under the headings "General" and "Specialist."
   (*b*) What is the advantage of specialization to (i) the retailer, (ii) his customers?
4. "The personal touch is the sure safeguard of the unit retailer." In explaining the meaning of this statement refer particularly to general unit retailers you know.
5. The following figures relate to the retail trade of a certain town at various dates:

Retailer	1900		1920		1930		1940	
	No.	*Average Weekly Trade*	*No.*	*Average Weekly Trade*	*No.*	*Average Weekly Trade*	*No.*	*Average Weekly Trade*
Unit . .	212	£5088	260	£8840	310	£12,090	315	£13,545
Other than unit . .	10	£864	18	£2210	40	£6,720	55	£11,550

(*a*) What percentage of the total number were unit retailers in each year?

(*b*) What percentage of the total trade was done by unit retailers in each year?

(*c*) What do these figures reveal concerning the general position of the unit retailer?

6. Do you consider that the large-scale retailer will ever depose the unit retailer completely? In your answer give your reasons and quote examples from shops you know.

7. Using *either* the figures in the table in Question 5 *or* your answer to Question 5 (*a*) and (*b*), draw on squared paper (*a*) a bar chart showing the proportions of unit and other retailers at the four dates, (*b*) a graph showing the average weekly trade of unit and other retailers.

8. What are the advantages and disadvantages from the customer's point of view in shopping at a speciality shop as compared with a general store?

[*City and Guilds of London Institute.*]

9. A town has 3850 shops. Of these 3257 are individual retailers. The total trade during a recent week was £182,875. The average trade of the unit retailers during the week was £31 10*s*. Find (*a*) the average trade for all the shops for the week, (*b*) the total trade of the unit retailers, (*c*) the percentage of (i) the total number of shops, (ii) the total trade, held by the unit retailers.

CHAPTER VII

THE MULTIPLE STORE

GENERAL

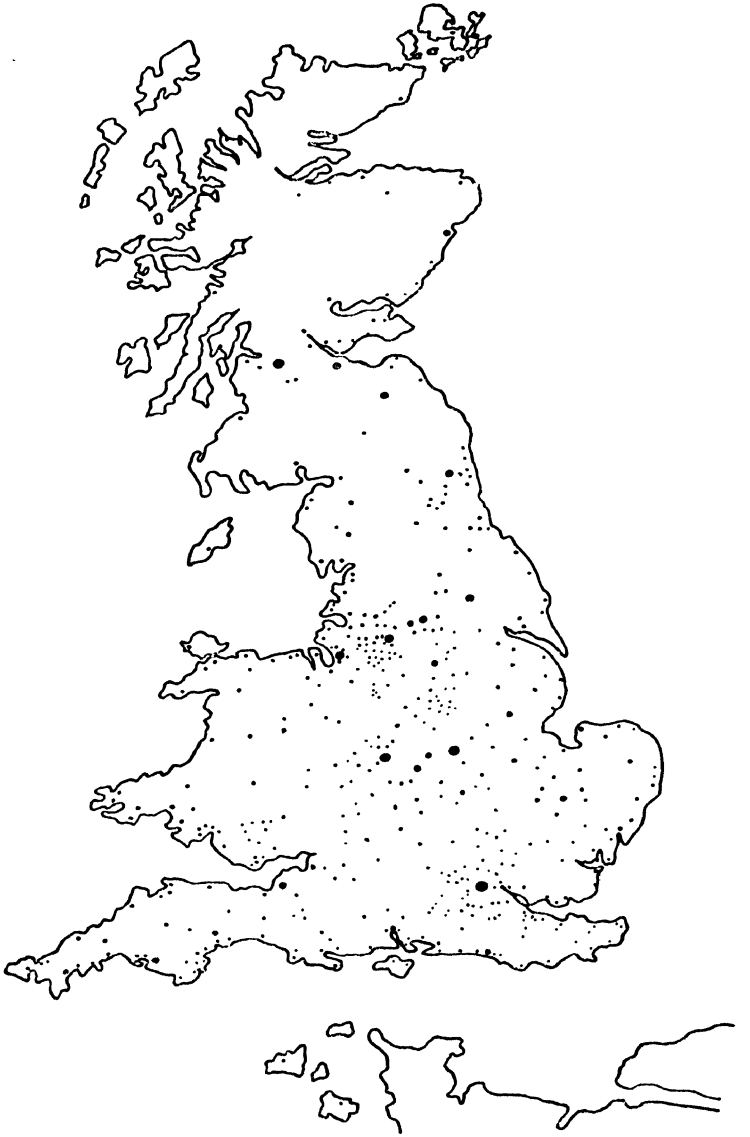
THE multiple store is an example of the way in which the enterprising unit retailer may expand his business, given sufficient capital. The multiplication of retail outlets from small beginnings is illustrated in the case of Boots, the chemists. The founder of the firm, Jesse Boot, who became the first Lord Trent, had a small shop in Goose Gate, Nottingham, in 1863; now the firm has about 1200 branches in Great Britain. (See the map on the opposite page.)

The first multiple stores were established in Great Britain about the middle of the last century; now these firms together control about 50,000 branches, doing 20 per cent. of the total retail trade. In August 1944 there were 22,630 branches dealing in food alone.

VARIETIES OF MULTIPLE STORE

Multiple stores may first be considered from the standpoint of the goods in which they deal. These comprise mainly groceries, tobacco, sweets, chemists' goods, tailoring, stationery, men's outfitting, meat, and fish.

Then they may be divided according to their respective types of business organization. First we have those which are retailing businesses pure and simple. Second there are concerns which are conducted as subsidiary businesses to manufacturing undertakings—that is, the retailing concern is set up as a separate limited company by the manufacturing company, which owns either the whole or a majority of the shares in the former, and is known as a parent or holding company. Then there are manufacturers who set up their own retail shops and sell direct to the public.



MAP SHOWING BRANCHES OF A NATIONAL MULTIPLE STORE
By courtesy of Boots Pure Drug Company, Ltd.

Special mention must be made of the fixed-price or chain store, such as Woolworth's, Marks and Spencer's, and the British Home Stores. Originating in the 'five- and ten-cent' stores of the U.S.A., they expanded rapidly in Great Britain between the two Great Wars. They confine themselves to selected selling lines of goods, which are arranged on open counters clearly labelled, so that the selling becomes almost automatic. Though they do not manufacture themselves, they are able to give substantial orders to independent makers, thus reducing the price to the consumer. The whole emphasis in the case of these stores is on price, the extra services provided by other types of retailer being eliminated, though some stores will deliver purchases over a certain value. They represent a combination of mass distribution with mass production.

ORGANIZATION

One of the main features of multiple-store organization is the centralization of control. The whole system is worked from a head office, with regional warehouses from which the branches may draw supplies. This regional system proved especially valuable during war-time, helping multiple retailers to cope with shifts of population and transport delays. Each branch is under the control of a manager, who must not order goods from any source but the head or regional warehouse. The goods themselves are invoiced to him at selling price. The object of this is to enable the head office to maintain a constant check on the stock held by any particular branch. Since the branch account with the head office is kept in terms of a constant selling value, then at any time opening stock plus goods invoiced less remittances from the branch should equal the value of the stock on hand, together with any cash in the manager's possession. In fact, the account can be treated in just the same way as an ordinary cash account. Of course, there must be a small allowance for leakage and waste, especially in the case of goods which have to be weighed out. The following example will illustrate the working of a branch account:

PURTON BRANCH ACCOUNT

Dr.				*Cr.*	
1945			1945		
Jan. 1	To stock on hand	£1200	Jan. 31	By cash sent to head office	£6360
„ 31	„ goods from head office during month	£6300		„ stock on hand	£1128
				„ leakage and waste	£12
		£7500			£7500

In all probability the branch manager will have to submit to head office a weekly stock return, showing on the left the daily cash takings for goods sold, any cash received from head office, stock received during the week, stock in hand, and stock required. On the right the return will show the amounts of cash paid to bank daily, any expenses which the manager may have been authorized to pay out of the funds at his disposal, and the balance of cash in hand. Generally speaking, however, the manager is not allowed to pay branch expenses out of takings. These are either paid direct from head office, as in the case of rent, or paid by the manager out of the proceeds of a special cheque cashed at the local bank, as in the case of wages. When goods are required the manager must fill in an order or requisition, giving the quantity and description of the goods and the selling price. Cash takings are paid to a local bank daily, and credited by that bank to the head office account at the particular branch bank where that is kept. The branches are supervised by inspectors, who make periodical visits to check and take stock. For his services in running the branch, supervising staff, and trying to attract customers the branch manager receives a salary plus a bonus or commission based upon the total sales for the year, or perhaps based upon the increase in sales over those for a given period. In the case of many multiple stores the branches vary in size, and the enterprising manager may expect to be promoted from a smaller to a larger shop.

ADVANTAGES

(1) Large-scale buying means cheaper buying, the advantage being passed on to the consumer in the form of lower prices. Close co-operation with manufacturers leads to improvement of manufacturing processes and lower costs in that sphere also. Manufacturers working for multiple stores need not spend so much money on advertising and travellers' salaries. Manufacturers are enabled to buy their raw materials in large quantities, and to engage in smooth and continuous production.

(2) More direct distribution of goods from manufacturer to consumer.

(3) Standardization of shop-fronts, fixtures, and selling methods. This ensures, for example, that people in a strange town will easily recognize the store; therefore it provides a cheap form of advertisement. This standardization also speeds up the construction of the shops themselves; an average store can be built and equipped in from twelve to thirteen weeks. It must be pointed out, however, that some multiple stores make a feature of providing a shop-front which fits in with the prevailing architecture of the street where the branch is situated.

(4) Unsold or idle stock is reduced to a minimum, since goods which do not sell well at one branch, or which are surplus to requirements, may be moved to another part of the country.

(5) Savings are effected through the fact that all the office work or administration is centred in one place.

DISADVANTAGES

(1) Lack of personal contact between shop-owner and customer, and between shop-owner and staff.

(2) Difficulty in adapting the working of the store to local circumstances.

Exercise 7

1. Answer the following as briefly as possible.
   (*a*) What is a 'multiple' store?
   (*b*) Name six national multiple stores.

(*c*) Name two multiple stores whose branches are limited to one district.

(*d*) Name one purely retailing multiple concern.

(*e*) Name two manufacturing concerns which have multiple retail outlets.

(*f*) What is a 'fixed-price' store?

(*g*) What is the main feature of the organization of multiple shops?

(*h*) Give one advantage of centralized administration.

(*i*) Why are all the branches of a multiple retail organization similar?

(*j*) What is the main duty of the manager of a multiple-store branch?

2. Describe the general organization of a large multiple retail-store business.

3. Make out a list of all the multiple stores you know, and place them in columns headed 'National,' 'Regional,' or 'District,' depending upon the situation of their branches.

4. (*a*) Explain the various ways in which the head office of a multiple-store organization can control the activities of its branches.

(*b*) The head office of British Woolmarks, Ltd., received information from its branches as follows:

Swindon branch: number of assistants, 80; sales for week, £2900; number of transactions, 28,000; total cost of goods sold, £2100.

The corresponding details from the Reading branch were 70, £2800, 30,000, £2050.

From the Oxford branch: 120, £4000, 55,000, £3000.

Make out a table which includes the above information as well as (i) the profits for each branch, (ii) the average sales per assistant, (iii) the percentage of the profits to the sales (to the first decimal place). Include a totals column.

5. (*a*) Imagine that you are the manager of any type of multiple-store branch. Write a letter to a friend describing your work.

(*b*) The branches of a multiple store returned the following particulars to head office at the end of November 1945:

Branch	A	B	C	*Totals*
Sales . . .	£4500	£8750	£2900	
Total costs . .	£4000	£7500	£2100	
Profit . . .				
Percentage of total profit . .				
Percentage of total sales . . .				

(i) Complete the table.
(ii) What was the average profit for all the branches?
(iii) If branch managers were paid a commission of 2 per cent. on sales, how much did each receive?
(iv) What percentage was the profit of each branch of its sales?
(v) How might you account for the differences in the answers to (iv)?

6. The branch managers of British Woolmarks, Ltd., multiple-department stores, receive a salary of £20 per month. They receive a monthly commission of $2\frac{1}{2}$ per cent. on sales above £1000 and an annual commission of $\frac{1}{4}$ per cent. on all sales. The following figures show the monthly sales for two branches during 1945:

Month	*Bristol*	*Leeds*	*Month*	*Bristol*	*Leeds*	*Month*	*Bristol*	*Leeds*
Jan.	£900	£1400	May	£960	£990	Sept.	£1200	£1100
Feb.	£1200	£1400	June	£1450	£1150	Oct.	£850	£950
Mar.	£1150	£940	July	£1875	£1550	Nov.	£1050	£1100
April	£1120	£1000	Aug.	£1625	£1400	Dec.	£2400	£1800

(*a*) Make out a table for each branch which includes for each month the sales and the commission received.
(*b*) What was the total amount received in salary and commission by each branch manager?

7. The head office of a multiple store invoiced the goods it sent to branches at selling price. The following details were contained in the monthly branch returns:

Branch	A			B			C			D		
	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*
Cash in hand on June 1 . .	—			—			20	0	0	14	3	8
Stock on June 1 .	50	0	0	48	7	6	60	10	0	84	1	6
Goods received from head office . .	250	0	0	420	12	6	180	5	0	326	7	6
Cash remitted to head office . .	260	0	0	380	7	6	200	10	0	330	4	6
Cash in hand on June 30 . .	—			20	12	6	10	0	0	16	1	8

(*a*) Calculate the value of the stock on hand at each branch on June 30.

(*b*) A head-office inspector took stock in one branch and found the value to be less than the amount calculated. How might you account for this?

8. Imagine that you are an inspector of branches for a multiple store. Give an account of your work.

9. The following figures give details of the four branches of a multiple-store firm during November 1945:

	Branch	A	B	C	D
(i)	Number of registered customers .	1400	280	1250	475
(ii)	Number of assistants	28	6	26	10
(iii)	Sales . . .	£5000	£1000	£4750	£2250
(iv)	Total costs . .	£4200	£820	£4175	£1950

(*a*) Find the totals of the lines (i), (ii), (iii), and (iv).

(*b*) What were the sales per registered customer for each branch (to the nearest penny)?

(*c*) What were the sales per assistant for each branch (to the nearest penny)?

(*d*) What was the profit of each branch?

(*e*) What was the percentage in each branch of profits to sales?

(*f*) Make out a table to include the information you have found in Sections (*b*) to (*e*).

10. Describe in some detail the advantages which a large multiple-grocery firm has over the unit retailer. Quote examples of firms which you know.

CHAPTER VIII

THE DEPARTMENT STORE

GENERAL

A DEPARTMENT STORE is a large-scale store, having anything from 10 to 200 departments, which are really like so many separate shops gathered together in a central building. Its staff may be round about 100 in the case of a provincial store, and as many as 5000 in the case of the London stores, and it numbers its customers by the million.

The department store is a comparatively modern institution. It dates from 1863, when William Whiteley, a young Yorkshire draper, set up a small store in Westbourne Grove, London. By 1906 the firm had 6000 employees, and its sales exceeded £1,000,000 a year.[1]

Some department stores have grown from small beginnings, such as the one just mentioned; others have been established on a large scale from the very commencement. The energetic sole trader who wishes to expand his business must do so either by adding extra departments or by opening new shops in other parts of the town or country.

When we remember that the department store depends for its success on its ability to attract large numbers of potential customers we shall also see that the site and style of the building are extremely important. These stores will be found at central points in the main shopping areas of our towns and cities. In London Barker's of Kensington, Harrod's of Knightsbridge, and Selfridge's of Oxford Street are instances of the commanding positions taken up. The buildings themselves are usually dignified and imposing. A picture of a modern department store is given at page 112.

[1] The rapid and romantic growth of Whiteley's business is described in *The Universal Provider*, by R. S. Lambert (Harrap).

The foundation of all department-store trade is the dealing in textiles—fabrics, clothing, and household linens. Next in importance come furniture, hardware, jewellery, and groceries. Though these are the most important lines of business, however, practically everything may be bought at one of these stores.

ORGANIZATION

A department store is usually owned by the shareholders of a limited company. The chart between pages 68 and 69 shows how the various activities of the employees are co-ordinated and brought under the control of the board of directors. Each department has a separate existence, and separate records of purchases and sales are kept in a central office. It is plain that the heads of the firm must be able to discover whether any individual department is working at a profit or a loss; it is not enough for them to know that the store as a whole is making a profit. From the records available the profit on trading, or gross profit, can be easily found. If it is desired to know the net profit—that is, gross profit minus business expenses—this is more difficult, as most expenses are incurred for the store as a whole. Some method of departmental allocation varying with the nature of the expense is usually adopted—for example, rent may be charged to departments on the basis of floor space occupied.

Each department is in charge of a 'buyer,' or sales manager, who occupies a well-paid, responsible position. He (or she) may have begun his career as an ordinary assistant, working up by way of 'first sales' to the post of under-buyer, and finally to that of buyer. It is his business to scour the markets in search of goods for his department. If fashion goods are included in his stock he may even have to visit foreign countries to obtain supplies. He is allowed to get goods where he wishes, so that he should know the best sources of supply, but this is subject to the rule that the general interest of the store must come first. He must not, for example, stock goods which come within the range of another department. The buyer controls the 'stock plan' for his department; he must not over-stock or under-stock; the amount which he may spend is usually fixed by arrangement with the

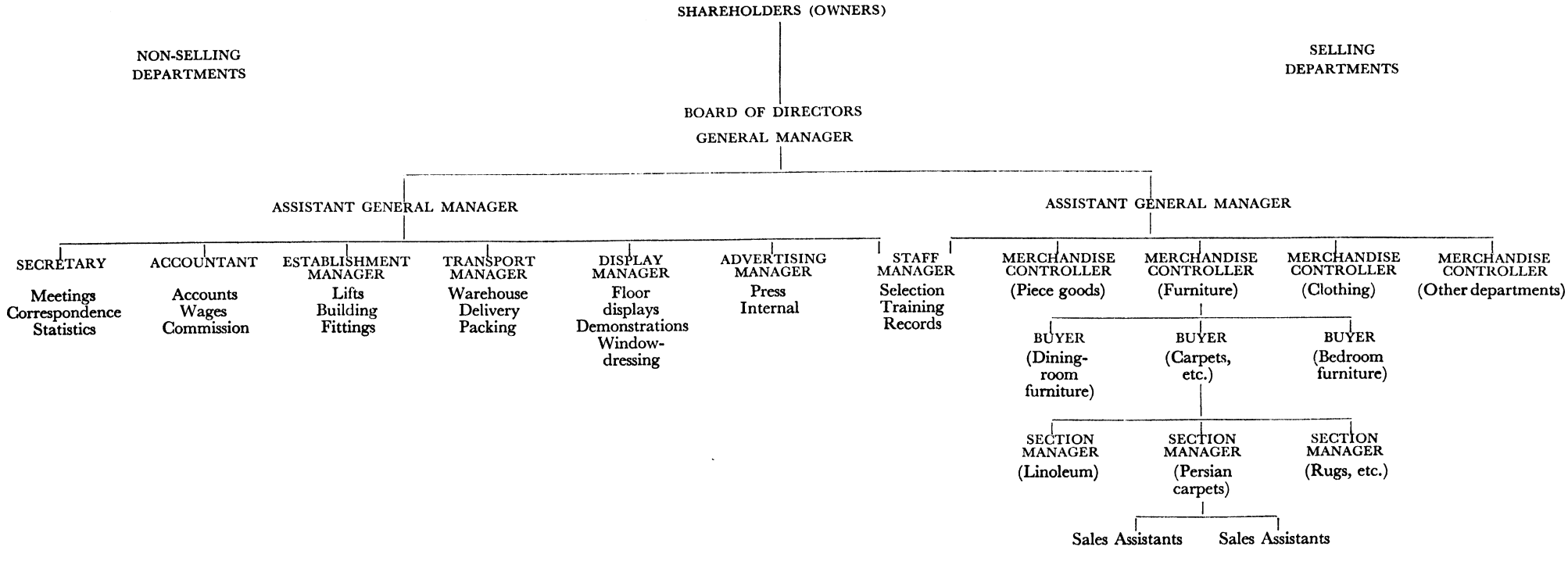
general manager, or, in the case of large stores, with the merchandise manager or controller, who usually countersigns the buyers' orders. Each department is expected to earn a certain rate per cent. of gross profit on its sales—not necessarily on each item, but on the sales as a whole. The 'marking-up' of fashion goods is a very delicate matter; a gown bought for three guineas may be marked to sell at anything from five to eight guineas; it may be sold for eight guineas, but if the public taste has been misjudged the gown will have to be sold at a price perhaps below cost.

It follows, therefore, that the buyer is frequently responsible for the selling as well as for the purchasing side of the department. (He may or may not be equally good at both jobs.) It is his duty to see that the goods are tastefully arranged, that his staff (selected in the case of a large store by the personnel manager) attend to their work and are civil to customers.

The buyer may be remunerated by a fixed salary plus a commission, calculated as a percentage either of the gross profit earned by his department or of the increase in sales over a basic figure, perhaps that of the previous year. Salesmen receive a weekly wage plus a commission on sales.

Trade is generally on a cash basis, though credit accounts may be opened with approved customers. A customer may have her purchases from various departments collected together and dispatched in one parcel to her address free of charge. Many department stores pride themselves on their free-delivery service. "Free delivery in 36 counties" used to be a well-known slogan of one firm. Another firm undertook to deliver any article anywhere, and on one occasion actually sent a dozen clothes-pegs 150 miles by post! It must be pointed out, however, that the progress of the firm's vans through the country is an effective and economical advertisement.

In addition to the branches of work already mentioned there is usually a department for dealing with goods returned, and another, a receiving department, engaged in checking invoices received with copies of the orders for incoming goods, and also an advertising department.



THE ORGANIZATION OF A DEPARTMENT STORE

ADVANTAGES

The special advantages of the department store compared with the private shop are as follows:

(1) Business expenses are proportionately lower; the rent for a department store with 200 departments would not be 200 times the rent for that number of separate shops. Again, the cost of advertising and other expenses and services is spread over a large volume of business. In normal times a store can afford to take the whole of the front page of a daily newspaper to advertise goods in many departments; such a page is said to cost £1400 for one issue.

(2) Buying in large quantities means a saving in price. The store can make direct contact with manufacturers, thus cutting out the wholesaler. Some department stores have formed a link with small factories which work solely for them, often producing special lines in large quantities.

(3) Each member of the staff is kept fully employed on the duties for which he or she is best fitted, and for which training has been given by the firm.

(4) Goods can be disposed of rapidly—that is, there is a quick turnover resulting in high sales. A London department store will have 100,000 transactions in a single day.

(5) The wide range or variety of goods stocked enables customers to do all their shopping under one roof. In 1937 it was said of a large store that it carried 200,000 different lines of goods altogether, including 10,765[1] different sorts of stockings. A day's shopping at a London department store is an outing for many provincial women. On the other hand, if a customer, on walking round the store, finds nothing which takes her fancy she need not be embarrassed, as she might be in a private shop, but can just go out without buying anything.

(6) It is possible to bring several stores under one management (Dickins and Jones in London and Kendal Milne and Co. in Manchester are controlled by Harrod's). This enables certain

[1] This figure is taken from an address by Mr Gordon Selfridge, Jun., to the Economic Section of the British Association in 1937.

expenses to be spread over a still wider field, while each store can specialize in the merchandise for which it has made its name.

DISADVANTAGES

(1) As the store is so large there is no direct personal contact between the general manager and his staff, such as is the case in a small shop. This results in a less personal interest in their work on the part of salesmen, and this in its turn is reflected in the attitude of the latter towards customers. The management are usually aware of this weakness, and try to overcome it by encouraging rivalry between the different departments. This they may do by offering a special bonus, or a cup to be held by the department showing the largest increase in sales.

(2) Although department stores have the advantage of being able to buy goods in large quantities, and therefore more cheaply, much of the saving under this head is swallowed up in the cost of the extra services which they offer to the public in order to attract the latter away from their competitors. Free-delivery service has already been mentioned; then there are rest-rooms, lounges, reading-rooms, and demonstrations in various departments. For instance, a famous cricketer will be 'on tap' in the sports department, and a well-known actress will demonstrate the worth of beauty preparations in the perfumery department.

Exercise 8

1. Answer the following as briefly as possible:
   - (*a*) What is the main characteristic of a department store?
   - (*b*) Name as many department stores as you can in your town.
   - (*c*) Name some department stores in London.
   - (*d*) Give two advantages of a department store over other types of retail organization.
   - (*e*) Give two disadvantages of a department store.
   - (*f*) What are the duties of a buyer?
   - (*g*) What is a 'merchandise controller' in a department store?
   - (*h*) Why are the assistants in department stores usually paid on commission?

(*i*) Give four services of a department store to its customers.

(*j*) Why can department stores usually afford to have commissionaires, lifts, free delivery, etc.?

2. "A department store is really a number of separate shops in the one building." Do you agree or disagree with this definition? Give reasons for your answer.

3. A department store had five main departments. The sales for May 1946 were as follows: furniture, £8456; hardware, £10,186; men's clothing, £12,416; women's clothing, £16,422; restaurant, £4115. Find (*a*) the total sales for the month, (*b*) the average sales per department.

4. In the furniture department of a department store the total sales for August 1946 were £18,500. Of this the carpet section contributed £2500, the dining-room section £5500, the kitchen-furniture section £4500, and the miscellaneous section the remainder.

(*a*) What fraction of the total was contributed by each section?

(*b*) What percentage of the total sales was contributed by the miscellaneous section?

5. In a department store A Department contributed one-third of the total sales, B Department two-fifths, and C Department one-tenth. The remaining department, D, contributed £4500. What were the total sales and the sales for each department?

6. What is meant by 'large-scale' retailing? In one day recently a certain large department store which had 2100 assistants in 70 different departments sold goods valued at £15,050 in 90,300 transactions. It was estimated that each customer made three purchases. Find (*a*) the average amount of sales per assistant, (*b*) the average amount of sales for each department, (*c*) the average amount per transaction, (*d*) the number of transactions per assistant, (*e*) the number of customers, (*f*) the average amount spent by each customer.

7. (*a*) Draw a diagram to illustrate the main factors in the organization of a department store.

(*b*) A certain department store which allows no credit has 2400 assistants. Of these 1250 are sales assistants. Another department store which allows credit trading has a total of 2650 assistants, of whom 1612 are concerned with sales. (i) In each department store what percentage of the staff are concerned with sales (to the nearest whole number)? (ii) What are the

others doing? (iii) How do you account for the differences in the percentages?

8. In a large department store which departments would you expect to find on the ground floor and which on the top floor? Give reasons for your answer.

9. Make out a list of the various services which a department store might offer to its customers. Can a unit retailer offer all of these services? If not, why not?

10. The sales for July 1946 in a department store were: A Department, £4800; B, £3600; C, £7200; and D, £2400. The total cost of all services to customers was £720. If the departments contributed to this in proportion to their sales how much was charged to each department?

11. The services of department stores are usually advertised as being 'free' to all customers. Do you think that this is true? How are these services paid for?

12. "We make shopping attractive" is the advertisement of a well-known department store. Why does it try to do this? Can you suggest any ways of making shopping more attractive?

13. Imagine you are a sales assistant in a department store. Describe a typical day's work.

14. Can you think of any schemes which would induce the assistants in a department store to sell as much as possible? Considering the monthly sales figures in Question 20, what would be the best time of the year to introduce any special schemes? Give your reasons.

15. Why do department stores arrange regular 'sales'? If you were a sales manager in a department store when would you arrange your 'sales,' and what preparations would you make for them?

16. "Our policy is to bring the people to our store. Once they are here we can sell them the goods." What different methods of advertising do department stores use to attract customers?

17. (*a*) Which would you prefer if you were an assistant in a department store: (i) a high salary with no commission, (ii) a fairly high salary with a low rate of commission, (iii) a low salary and a fairly high rate of commission, (iv) no salary and a high rate of commission?
Give full reasons for your answer.

(*b*) An assistant was allowed to choose his method of payment from the above methods, the details of which are as follows:

	Salary per Week	*Rate of Commission*
(1)	£5	*Nil*
(2)	£4	1*d.* in the pound
(3)	£2 10*s.*	3*d.* in the pound
(4)	*Nil*	1*s.* in the pound

His sales for the year were £5000. (i) How much would he receive under each method? (ii) If his sales had been £6000, which would then have been the best method for him?

18. (*a*) The department store in Question 3 pays commission at the rate of a penny in the pound. Find the total amount of commission paid in each department.

(*b*) If there were 220 assistants employed, find to the nearest penny the average amount of commission paid to each.

19. (*a*) In a department store there were 21 assistants in the clothing department and 6 in the furniture department. The sales for 1945 were £41,400 and £8500 respectively. If the rate of commission paid is twopence in the pound, find the average amount of commission to the nearest penny received by a salesman in each department.

(*b*) Do you think that the same rate of commission should be paid in all departments of a department store? Give reasons.

(*c*) In Departments A, B, and C the number of assistants employed is 100, 250, and 500 respectively, and the average sales per week are £4000, £15,000, and £15,000 respectively. In Department A the rate of commission is threepence in the pound. It is decided to adjust the commission rates in each department so that the average amount received by the assistants in each department shall be the same. What should be the rate of commission for B and C?

20. (*a*) The monthly sales of the clothing department in a department store were as follows: January, £8341; February, £4522; March, £6346; April, £6200; May, £5900; June, £7460; July, £7220; August, £3128, September, £4900; October, £5540; November, £6829; December, £10,186. The buyer received a monthly commission of 1 per cent. on all sales over £5000 and an annual commission of 3 per cent. on all sales over £60,000. How much commission did he receive during the year?

(*b*) What percentage of the total sales took place in (i) August, (ii) December (to the first decimal place)? How would you account for this big difference?

(*c*) Using a suitable scale, draw on squared paper a bar chart showing the monthly sales of the clothing department.

21. The sales for 1945 in the furniture, clothing, and hardware departments in a department store were £28,468, £148,465, and £19,476 respectively. The buyer received a commission of 5*s*. per cent. and the assistants a commission of a penny in the pound on sales. Find for each department the commission paid both to the buyer and to the assistants.

22. What advantages has a department store over the other types of retail organization?

23. Which would you prefer to be, a buyer in a department store or a manager of a multiple-store branch? Give full reasons for your answer.

CHAPTER IX

THE MAIL-ORDER HOUSE

ORGANIZATION

HERE is another distributive organization of American origin, the mail-order house having first appeared in the United States towards the end of the nineteenth century. The extensive rural areas of America favoured the development of this type of retailing. In Britain, on the other hand, mail-order houses are few in number, if one leaves out of account the department stores, which carry on postal selling in addition to catering for personal shoppers.

Starting as retailing businesses, most mail-order firms have gone on to develop into wholesalers and manufacturers. Where the mail-order house does not manufacture for itself it buys direct from manufacturers. Buying on a large scale, it can insist on good terms. Goods are dispatched direct to customers from the firm's own warehouses or factories, which are conveniently placed for transport by road, rail, or post, or from the manufacturers with which it has contracts. Some idea of the scale of operations will be gained when it is stated that one such firm receives on an average 10,000 letters from actual or potential customers on every working day of the year.

The appeal to customers is made chiefly through the medium of large and well-illustrated catalogues, reinforced by Press advertising and the distribution of samples. "Shop by your own fireside" is the slogan of one well-known mail-order house. Terms are either cash with order (C.W.O.) or cash on delivery (C.O.D.), and the mail-order house guarantees absolute satisfaction, or undertakes to return any money forwarded. It is said that the proportion of returns is not high. Credit may be extended to customers of proved standing for periods of from seven to fifteen months.

ADVANTAGES

(1) Savings are made in establishment charges: no expensive shop-fronts have to be provided, no high rents to be paid, and as the staff are mostly employed on routine matters their wages are comparatively low.

(2) The flow of business is more even than would be the case in an ordinary retail shop. There are no 'rush' periods (except at Christmas) and no slack times. This again means a saving in working expenses.

(3) Buying in bulk means cheaper buying.

(4) Advertising is spread over a large volume of business.

(5) A wider variety of goods is brought within the reach of customers in country districts.

(6) The mail-order house acts as a stimulus to retail trade generally.

(7) Even grown-ups get a thrill from opening a parcel of goods received by post.

DISADVANTAGES

(1) If certain operating expenses are reduced, others—for example, printing—are increased.

(2) Buying is very difficult, as catalogues must always be made up very much ahead of the time when the goods will be available for customers.

(3) Extensive stocks must be carried, thus creating a difficulty when changes of fashion occur or when prices fall.

(4) Trade is limited to the kinds of goods which may be described accurately in the catalogues, though the range of such goods is constantly widening.

(5) No inspection is possible before buying.

(6) The mail-order house cannot compete with the private trader in offering credit.

(7) Improved transport, particularly the extension of motor-bus services, makes it easier for country people to get to the nearest town and do their shopping there.

CLUB TRADING

This type of trading is frequently started by mail-order houses, who induce some person to set up a club and act as secretary. The secretary gets a number of others to join his club and to pay him a regular sum each week. Let us say he collects one shilling from each of twenty people. At the end of the week he pays one pound to the mail-order house, and receives a voucher for the same sum. This is balloted for by the members of the club, and the lucky winner can obtain one pound's worth of goods immediately. The collection and balloting go on week by week, until every member has had goods, and then the club comes to an end. The club secretary receives a commission from the mail-order house for his services.

Club trading is also conducted by such concerns as the Provident Clothing Club, operating through agents and issuing vouchers for goods on payment of a first instalment.

Exercise 9

1. Answer the following as briefly as possible:
   (*a*) What is a 'mail-order' house?
   (*b*) Name any retail store in London which has a mail-order department.
   (*c*) Name any mail-order house you know.
   (*d*) Why are mail-order houses more common in the U.S.A. than in Great Britain?
   (*e*) Name two ways in which mail-order houses differ from other large-scale retail enterprises.
   (*f*) Name two ways by which mail-order houses attract customers.
   (*g*) Where are mail-order houses normally situated?
2. Describe the general organization and methods of a retail mail-order house.
3. (*a*) Compare and contrast a department store and a mail-order house.
   (*b*) The following table shows some of the expenses for 1945 of a mail-order house and a department store which had similar turnovers:

Expenses	*Mail-order House*	*Department Store*
Rent, rates, etc. . . .	£320	£680
Display	£80	£320
Advertising . . .	£840	£500
Delivery expenses . .	£760	£210
Selling expenses . . .	£220	£840
Services to customers . .	£130	£550

(i) Indicate in table form for both types of business the percentage of total expenses represented by each separate expense (to the nearest whole number).

(ii) How do you account for the differences in each of these percentages?

4. (*a*) Describe from the customer's point of view the advantages and disadvantages of buying from a mail-order house rather than from a department store.

(*b*) Why, do you consider, have many department stores established a mail-order department?

5. A large mail-order house which allowed credit recently analysed the mail it received during one week. It received 10,920 direct orders, 5460 orders from club secretaries, 1456 complaints, 9282 direct payments from customers, 1820 payments from club secretaries, 3640 general inquiries, and 182 other letters.

(*a*) What fraction of the total number of letters received was represented by each type?

(*b*) The average value of the direct orders was 17*s.* 6*d.*, and of those from club secretaries £3 2*s.* 6*d.* What percentage of sales was made through the clubs?

(*c*) The amount received directly from customers was £7266 5*s.* 0*d.* and from club secretaries £4256 3*s.* 4*d.* Find to the nearest penny the average payments made in each case.

6. (*a*) Explain how mail-order houses might obtain an idea of the probable results of any special advertising.

(*b*) A mail-order house dispatched 10,000 catalogues containing a specially coded order-form. Of these 6200 forms were returned with orders averaging £1 3*s.* 4*d.* on each. Thirty per cent. of the selling price was trading profit. If the cost of each catalogue was 3¼*d.* and other expenses amounted to £680, find the profit resulting from the issue of the catalogue.

CHAPTER X

THE RETAIL CO-OPERATIVE SOCIETY

GENERAL FEATURES

RETAIL co-operation in its modern form dates from 1844, when twenty-eight Rochdale weavers started a store in Toad ("The Old") Lane. They raised the necessary capital by an individual subscription of twopence per week, opened the shop in the evenings only, and took turns at serving behind the counter. Other local societies followed in different parts of the country, and the appended table shows the growth of the co-operative oak-tree from the Rochdale acorn:

Year	*Number of Societies*	*Share and Loan Capital*	*Number of Members*	*Sales*
1844	1	£181	74	£710
1919	1357	£74,000,000	4,131,477	£199,000,000
1930	1210	£135,000,000	6,402,966	£216,000,000
1941	1059	£211,000,000	8,773,255	£302,000,000
1943	1057	£259,000,000	9,082,218	£332,000,000

The progressive decrease in the number of societies from 1919 is due to amalgamations of smaller societies with their larger neighbours.

Whereas their competitors, the multiple stores and the department stores, are limited companies governed by the Companies Act of 1929, forwarding returns to the Registrar of Joint-stock Companies, co-operative societies come under the Industrial and Provident Societies Acts of 1876 and subsequent years; they must forward information concerning their working to the Registrar of Friendly Societies.

The retail societies have provided the capital for the two wholesale societies, one operating in England and the other in Scotland. These wholesale societies carry on the manufacture of

foodstuffs, tobacco, furniture, etc., in addition to their warehousing activities. The retail societies receive a dividend on purchases from the wholesale bodies. In spite of this, the former concerns stock fairly large quantities of goods made by private manufacturers.

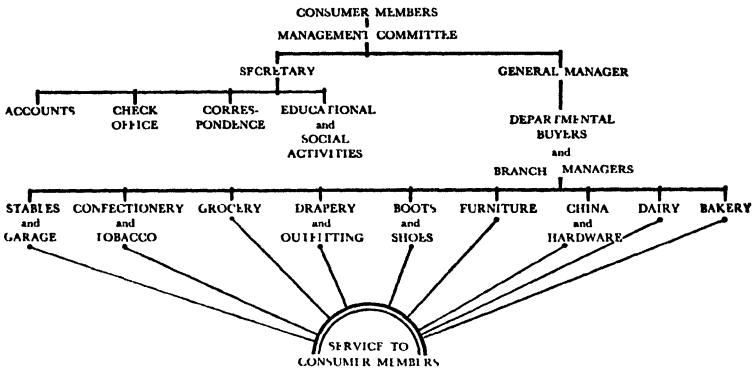
The trading of co-operative societies is mostly in goods of everyday requirement, and amounts altogether to about 15 per cent. of the trade done by all retail outlets. Their strongest lines are foodstuffs, with coal, drapery, and outfitting and furniture following. Yet, although their 'bread-and-butter' trade is their chief standby, the development of public taste, the competition of the multiple shops and department stores, and the Second World War, with its accompaniment of good employment at high wages, have all combined to expand the range of co-operative goods, so that one can see in the window of the drapery department, for example, expensive furs cheek by jowl with the humble jumper. These influences have also been at work in connexion with the buildings in which the trade is carried on. Large first-class premises have been built or acquired in the main shopping streets of such cities as York, Sheffield, and Bradford. The Liverpool society has bought a five-floor department store, and the London society has bought a big store in the West End.

ORGANIZATION

A retail co-operative society is owned by members who are also the customers of the store. Each member must have at least one pound share in the capital; no member may have more than 200 shares. Interest is paid on capital usually at a fixed rate, but sometimes at a rate varying with a member's purchases. Further finance is obtained through loans from members, on which interest is also paid.

Each society is controlled by a committee of management elected by the members at a general meeting usually held half-yearly. Every member is entitled to attend such a meeting, but in practice few do so. The management committee must, of course, be members of the society, but they are not necessarily chosen because of their business ability. Employees are generally

eligible to sit on the management committee, who are assisted in coming to their decisions by expert managers and a secretary.



THE ORGANIZATION OF A RETAIL CO-OPERATIVE SOCIETY

Educational and social activities may be controlled by a separate committee

The actual trading is carried on in main premises which are generally situated in the chief shopping centre of a town, and which take on a character similar to that of a department store, and at branches scattered about in the town itself and within a radius of from ten to twenty miles thereof. Each branch is in charge of a branch manager who is responsible to the head of his department. Most branches deal in groceries, though there are others which deal in meat, etc. The branch manager's work is somewhat similar to that of his colleague in a multiple-shop concern.

Each member is given a share number, and when a purchase is made the share number is usually quoted. The amount of the purchase and the share number are entered on a 'check,' one copy of which is given to the customer, while a duplicate is sent to the central office, so that a continuous record of the customer's half-yearly purchases may be kept. Trading is mostly for cash, though there are 'mutuality clubs,' which represent a form of credit dealing.

At the end of the half-year the checks of each customer are

totalled by the aid of adding-machines, and the customer's dividend is computed. This is reckoned at so much in the pound on the member's purchases. This dividend represents the profit made by the society in buying goods from the manufacturer or wholesaler and selling them at the current market price. The profit belongs to the customers as members. They may either take it in cash or have it added to their capital.

Before the rate of dividend on purchases is declared some portion of profits may be put to reserve, and an allocation may be made for social and educational purposes, formerly typified by tea-parties and concerts, but nowadays more ambitious in their scope. The Co-operative Union, the central organization of all British co-operative societies, has always concerned itself with education. Examinations are held for employees, and summer schools for the members generally. Country houses have recently been bought to serve as residential colleges; one of these mansions can house 200 people, and contains a theatre, marble bathrooms, lounges, a library, and writing-rooms, together with 275 acres of ground, with a swimming-pool, a cricket ground, and a nine-hole golf course. Some societies have bought cinemas, others hotels; others again produce plays and have acquired theatres; while yet others are developing travel facilities.

ADVANTAGES

(1) There is an assured demand for the goods sold because of the large membership, whose interest it is to buy as much as possible from the society; the larger the purchases, the greater the profits for the members.

(2) The 'divi' is an attraction in itself.

(3) The check system provides the society with valuable information concerning the shopping habits of the members, their regularity or otherwise, and the departments or branches which are proving most popular.

(4) Co-operation encourages the small saver of capital.

(5) Conditions of employment under a co-operative society are good, especially for the rank and file. Technical education

is encouraged by the provision of classes, either by the society itself or in association with the local education authority. A society will often pay employees' class fees, and may release them from duty to attend classes.

(6) To many people co-operation is a faith in which they believe.

DISADVANTAGES

(1) The management committee may lack business experience.

(2) While the management may be successful in supplying goods of everyday requirement where the work is standardized and the demand is regular, they are perhaps not so well fitted to deal with business which calls for flexibility and the anticipation of demand.

(3) Prices of goods are no lower than those in other shops, and may be slightly higher.

(4) Employees are recruited from a restricted field, as they or their parents must usually be members of a society; the majority have left school at the age of fourteen. On the other hand, there is a closer relationship between assistants and customers; there is no subservience on the part of the former towards the latter.

Exercise 10

1. Answer the following as briefly as possible:
   - (*a*) What is a 'retail co-operative society'?
   - (*b*) Name three retail co-operative societies.
   - (*c*) Give three ways in which a retail co-operative society differs from other retail organizations.
   - (*d*) Who are the members of the 'co-operative wholesale societies'?
   - (*e*) Name two ways by which a co-operative society is financed.
   - (*f*) Who (i) owns, (ii) controls, a co-operative society?
   - (*g*) Why is a record kept of the amount each member buys?
   - (*h*) What is the 'dividend'?
   - (*i*) What are the two sides of a co-operative society's activities?

(*j*) Name one non-trading activity of a co-operative society.

2. (*a*) Describe briefly the development of retail co-operative societies.

(*b*) At the beginning of 1937 there were 1107 retail societies in the British Isles. These societies had altogether 7,807,942 members. What was the average membership (to the nearest whole number)?

(*c*) The membership given above was an increase of 323,966 on the previous year, and an increase of 2,621,284 on the previous decade. Find the percentage increase in each case (to the first decimal place).

3. Describe in full the various ways in which co-operative societies differ from other retail organizations. Illustrate your answer with reference to the activities of your local society or any other one with which you are familiar.

4. "A co-operative society is a combination of a department store and a multiple store." Explain this statement, and illustrate your answer by reference to any co-operative societies you know.

5. Imagine you have been elected to the management committee of your local co-operative society. Describe in a letter to a friend what took place at a particular meeting.

6. (*a*) Describe the general organization of a co-operative society, and show how members can control the activities of their society.

(*b*) Recent general meetings of two retail co-operative societies with memberships of 23,850 and 42,146 attracted 145 and 224 members respectively. What percentage of the members (to the first decimal place) were present in each case?

(*c*) What do your answers in (*b*) indicate concerning the interest of members in the co-operative societies?

7. (*a*) The funds used by retail co-operative societies in 1936 were as follows: share capital, £142,623,105; reserve funds, £13,208,132; loan capital, £22,812,028 What was the total amount used by the societies?

(*b*) The societies used their funds as follows: property, £47,217,392; stock of goods, £18,791,923; members' debts, £6,683,118; the rest was invested in other co-operative undertakings. Find (i) the actual amount invested, (ii) the percentage of the total funds used in each different way (to the first decimal place).

8. (*a*) The trade of the societies in 1936 amounted to £233,844,350. This was an increase of £13,414,833 on the previous year. Find (i) the percentage increase, (ii) the average trade per society in 1936 if there were 1107 societies at this time (to the nearest pound).

(*b*) One-half of the increase in trade in 1936 was due to higher prices. What would the increase have been if prices had remained the same?

9. The following table shows the development of retail co-operative societies in Great Britain:

Year	*Membership*	*Number of Societies*	*Total Sales*
1881	547,212	971	£15,411,185
1891	1,044,675	1307	£30,599,401
1901	1,793,167	1438	£52,761,171
1911	2,640,429	1403	£74,812,469
1921	4,548,557	1352	£218,780,384
1931	6,590,020	1188	£207,888,385
1941	8,773,255	1059	£302,246,329

(*a*) During which decade was there the greatest increase in (i) membership, (ii) sales? What were these increases?

(*b*) What was the average membership of the societies in 1881, 1911, and 1931?

(*c*) What were the average sales per member in 1881, 1911, and 1931 (to the nearest shilling)?

(*d*) What clue does the general trend of the figures give regarding the average size of retail co-operative societies?

(*e*) In 1921 there were 26,852,000 adults in Great Britain. What percentage of these were members of the co-operative societies (to the nearest whole number)?

10. The profit made by the 1107 societies during 1936 was £28,391,100. Of this interest on share capital took £4,878,742; £268,013 was allocated to education; £98,377 was allocated to charity; and £169,776 was paid as bonus on wages; the rest was distributed as dividend on purchases. Find (i) the amount actually distributed as dividend, (ii) the average dividend per pound of sales (£233,844,350).

11. Set out what you consider to be (*a*) the advantages, (*b*) the disadvantages, of a retail co-operative store as compared with a small private shop.

[*Union of Educational Institutions.*]

12. The following figures relate to a certain retail co-operative society:

Year	1942	1943	1944	1945
Members	10,000	10,200	10,100	10,500
Sales	£220,000	£260,000	£260,000	£320,000
Purchases	£180,000	£200,000	£210,000	£260,000
Wages	£4,000	£4,000	£4,500	£5,000
Other expenses	£3,000	£2,500	£3,500	£4,000
Reserve	£5,000	£4,000	—	£5,000
Grants	—	£1,000	£1,000	£3,000

Find (*a*) the rate of dividend paid in each year, (*b*) the average sales per member for each year (to the nearest shilling), (*c*) the percentage increase in sales between 1942 and 1945, (*d*) the percentage increase in members between 1942 and 1945.

13. In 1945 the members' purchases in a co-operative society amounted to £554,467, and the dividend paid amounted to £69,308 7*s.* 6*d.* How much in the pound did this represent?

14. A co-operative society with 14,250 members paid out as dividend at the end of a quarter the sum of £12,825. The dividend was at the rate of 2*s.* in the pound. Find (*a*) the average amount paid per member and (*b*) the total purchases made during the quarter.

[*Co-operative Union.*]

15. The total sales of a co-operative society for a year amounted to £602,000. Sixty per cent. of these sales were in the grocery department, 20 per cent. in the drapery department, one-eighth in the boot department, and the balance in the butchering department. What was the value of sales in each department?

[*Co-operative Union.*]

CHAPTER XI

BUYING THE GOODS

GENERAL PRINCIPLES

WHEN buying something for yourself in a retailer's shop you may have seen the retailer ordering goods from a traveller employed by a wholesaler or manufacturer. No doubt it looked a very simple affair. The traveller displayed a few samples, described them; perhaps the retailer asked questions, then gave an order for a quantity of the articles shown. It might appear to be even simpler than this. The traveller might ask the retailer how he was situated for stock in regard to a particular article. The trader might say that he was well supplied or that he would like a few more. It all seemed very easy, especially if the orders were merely 'repeat' orders.

The importance of buying must not be underrated, however. The retailer's success in business depends on sound buying, and obviously the larger the business the more important it is to show skill in this art.

The requisites of sound buying may be set out as follows:

(1) The retailer must study his customers' needs. He must place himself in the position of the customer, and try to gauge what the customer is thinking about the goods which are offered for sale. He must bear in mind the class of customer he serves most regularly.

(2) He must show sound judgment in his buying. He should have a good knowledge of figures. He should understand human nature, and should use observation and imagination in his dealings. In his buying he should be guided by his past experience. Those retailers are likely to be most successful who have a 'flair' for trading and a 'nose' for bargains. It must be remembered that stock represents so much capital locked up for the time being; it is not earning the retailer any money. He should be

careful, therefore, not to strain his capital resources by purchasing too much. On the other hand, of course, as he holds himself out as being willing to supply the needs of his customers at a moment's notice, he should not allow his stock to get too low. In buying, too, he should have in mind the capacity of his premises for storage.

(3) He should study prices, and be on the look-out for any influences which are likely to cause booms or slumps in trade. Some goods are subject to seasonal variations in price; here the retailer should try to stock his shop during the off-season. Generally speaking, the trader should buy heavily if he expects prices to rise, and should hold off or adopt a 'hand-to-mouth' policy when he thinks they will fall.

(4) It is a good thing for a retailer to look ahead, to have foresight. If he is a draper his summer goods will be ordered in January or February. A chain store of the Woolworth or Marks and Spencer type will order its Christmas goods the previous Easter. Such factors as the weather, a strike, an epidemic, a general election, and the death of a prominent person are all likely to affect a retailer's business. Naturally he cannot foresee them all, but the more he can foresee and plan for such events the more successful his buying will be.

(5) It stands to reason that a retailer must have a sound knowledge of the goods in which he deals, the sources of supply, and the methods by which the goods can be delivered to his shop. Buying has been made easy in some trades by the modern practice of packing goods in convenient tins, cartons, or packets, and selling them under a trademark or brand. Such goods are termed 'proprietary' articles. On the other hand, in the case of fashion goods, such as hats, clothing, furnishing fabrics, and textiles generally, there are so many different colours and qualities that considerable skill is needed in buying.

(6) Willingness to take an occasional risk may be of advantage to the retailer. He may have an opportunity to obtain a bargain, perhaps a 'job lot,' and if he has the necessary capital may turn the transaction to advantage.

(7) The retailer has a part to play in creating demand for new

articles which manufacturers are anxious to put on the market. Pullovers, 'Tom Thumb' umbrellas, safety razors, and patent lighters are examples of goods which retailers have helped to make familiar to the general public.

SOURCES OF SUPPLIES

The particular source from which the retailer will get his supplies will depend somewhat on the size of his business and the kind of goods in which he deals. It has already been pointed out that large retail businesses such as multiple-shop firms and department stores deal direct with manufacturers. The small retailer will probably deal with a wholesaler, for the following reasons:

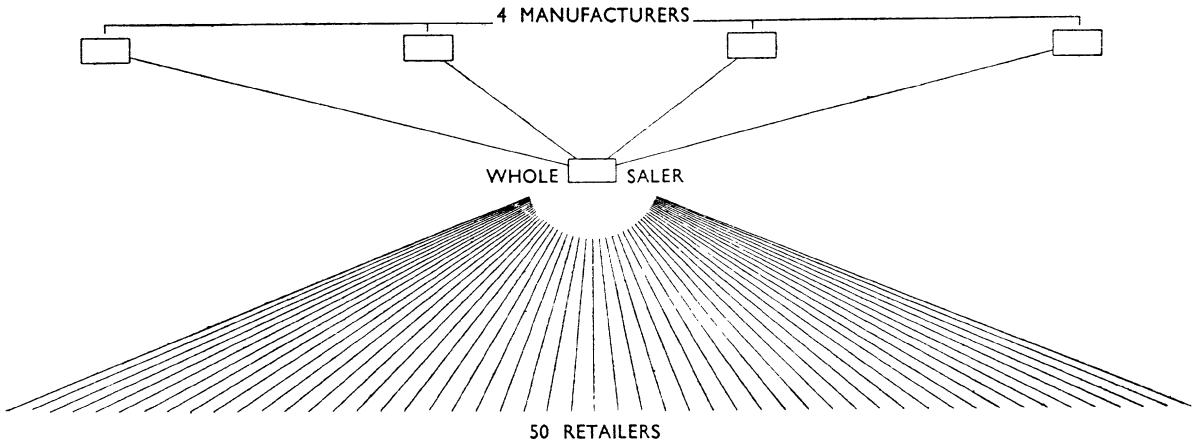
(1) It is the wholesaler's business to keep a large and varied stock of goods; this is especially important when the goods are manufactured by a number of competing firms. The retailer has a wide choice, and can, if he wishes, satisfy all his requirements through one wholesale house. This saves his time.

(2) The wholesaler will sell in quantities to suit the retailer. For example, a draper may buy goods in quarter-dozens at the same rate as he would buy a dozen. Thus the retailer need not keep excessive stocks, since they may be replenished quickly from the warehouse.

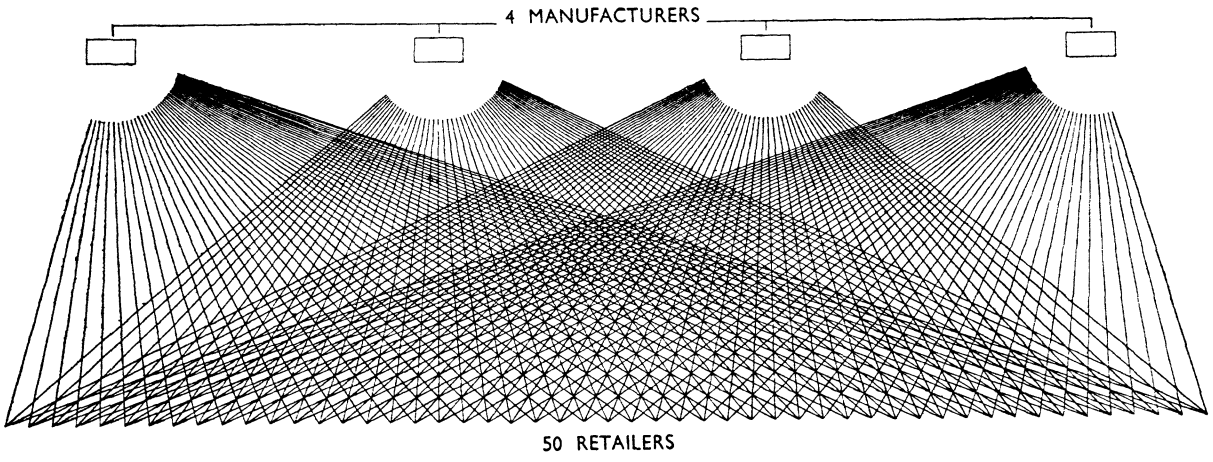
(3) The wholesaler conducts a wide range of business; he is in touch with retailers all over the country. By this means he gains valuable information as to the goods that are popular or otherwise; this information he passes on to the retailer through his salesmen. He also helps the retailer by providing him with material for window display.

(4) The wholesaler is also, to some extent, a financier. He will let the retailer have goods on fairly long credit, so that the latter need not pay for them until all or most of the goods have been sold. This means that the retailer can carry on his business with a smaller capital than if he had to pay cash for goods as soon as he received them. There is another side to this, however. If a retailer allows a wholesaler to finance him extensively and exclusively he may become 'tied' to that particular middleman, and may lose his power to buy freely from other firms.

1. WHERE ALL TRANSACTIONS ARE PASSED THROUGH A WHOLESALER.



2. WHERE ALL TRANSACTIONS ARE DIRECT



The Place of the Wholesaler

Although in certain trades and districts there may be too many wholesalers and overlapping may occur between the wholesalers, or between manufacturers and wholesalers, these diagrams of two extreme cases illustrate the essential function of the middleman in the chain of distribution.

By courtesy of Messrs Cadbury Bros., Ltd.

(5) Commercial travellers go out from wholesale houses to visit retail shops.

(6) The wholesale warehouse is usually more conveniently situated than the factory as far as the retailer is concerned. The wholesaler may have his own transport vehicles; if not, his warehouse is generally easily accessible to rail or road transport, and the retailer can rely on having his orders dealt with quickly.

Manufacturers, generally speaking, prefer to sell in bulk to wholesalers. They do not wish to store large quantities of goods on their premises, choosing rather to leave the risks of storage to the wholesalers. Further, they are not so desirous of giving long credit as the wholesalers; the latter act as financiers to the manufacturers by taking the whole of their product and paying prompt cash, or even paying in advance.

Nevertheless, direct dealing between manufacturers and retailers is on the increase. At the beginning of the century it was the exception. Nowadays we see the vans of manufacturers standing outside retail shops every day of the week. It may be thought that one reason for this change is the saving of price which occurs when the services of the wholesaler are dispensed with. There may be some saving, but this of itself is not enough to account for the increase in direct dealing. If we assume that the wholesaler's business expenses are 12 per cent. of his selling price, and that he requires 8 per cent. for his profit, this gives us a total distribution cost of 20 per cent. reckoned on selling price. Now suppose that the manufacturer sells direct to the retailer. He will have to set up his own selling department, send out his own travellers, increase his office staff in order to deal with the greater number of small accounts. It cannot be expected that the whole of the middleman's 8 per cent. profit will be saved; probably 2 per cent. is as much as can be hoped for.

We must look elsewhere, then, for the cause of the manufacturer's 'by-passing' the wholesaler. The chief reason is probably the manufacturer's desire to follow the fortunes of his goods until they are in the hands of the general public. Once the goods are in the hands of a wholesaler the latter treats them all on the same footing. This does not suit the majority of manu-

facturers. Competition between them has led to the branding of goods and to their sale at fixed retail prices. Such goods are known as 'price-maintained' or 'proprietary' articles. Manufacturers advertise them widely by every possible method—on hoardings, in the Press, and by means of travellers. They desire the public to ask for their particular brand. ("Take that back—I asked for Buyem's!") So retailers are compelled to stock such goods, which the manufacturer supplies direct. Other influences promoting direct dealing are the larger average size of factories —it is easier for a large manufacturer to set up his own selling department than it would be if he worked on a small scale—and the improvement in transport, chiefly the growth of road transport, which makes it possible for manufacturers to replenish retailers' stocks very quickly.

You will also find that direct distribution from manufacturer to retailer occurs in the newer industries, such as the one supplying radio sets. Here the prevailing practice is for the individual manufacturer to appoint a retailer as his agent for a particular district. Such a retailer becomes known as a specialist in the supply and repair of a particular make of set; he has thus a chance of making the business worth while. The manufacturer is helped by the reduction of costs which results through the limitation in the number of his retail outlets.

Some manufacturers have even opened their own retail shops in their desire to maintain the closest possible contact with the general public. Barratt's, the boot and shoe firm, furnishes a good example of this procedure. Such firms get all the advantages of multiple shops, together with a direct channel for securing knowledge of what the public wants. On the other hand, some retailers have reached back to become manufacturers—for example, Boots, the chemists.

METHODS BY WHICH ORDERS ARE GIVEN

When the retailer wishes to get in touch with his supplier, whether it be wholesaler or manufacturer, he has a choice of several methods. The most satisfactory method is for him to pay a visit to the supplier's warehouse. He will probably choose

early-closing day in his own town as the time for this visit. By adopting this method he actually sees the goods of his choice, and he talks to the salesmen, whom he has in all likelihood known for many years. They tell him what goods are selling well, and bring special lines to his notice.

It may be inconvenient for the retailer to leave his business, or he may find frequent journeys expensive. In any case, he will be visited regularly by commercial travellers employed by his supplier. Each of these travellers has a certain area in which to operate. For example, a Provincial firm of wholesale boot and shoe dealers employs four travellers—one for Southern England, one for the Midlands and Wales, one for Northern England and Scotland, and a fourth for Ireland. The area covered by a traveller is known as his 'ground.' A traveller's duty is to call on retailers in his area, showing them samples of his firm's wares, listening to their complaints, taking orders for further goods, and sometimes collecting payment for the last lot of goods delivered, though it is really better that he should not have this duty, but that money due should be sent direct to the firm. The traveller carries with him an order book, each page of which is in triplicate. When he takes an order he leaves one copy with the retailer, keeps one copy for himself, and sends the remaining copy to his firm so that the order may be executed. It is important that he should keep a copy, as his income often depends on the extent of the orders he receives. In some cases he may have to depend for his income entirely on commission, reckoned as a percentage of the value of orders taken. More probably, however, he gets a fixed wage or salary plus a commission, which may be calculated at the same rate on all orders, or may not start until a certain figure has been reached. Again, the rate may vary, a higher rate being given for all orders over a certain figure. The traveller will also receive an expense allowance to cover the cost of hotel bills and travelling. In modern times he usually has a car, for which he receives a mileage allowance.

The retailer benefits by the traveller's visits inasmuch as he is enabled to stay in his shop, and can rely on the traveller to secure prompt execution of his orders. On the other hand, it must be

remembered that the main business of the traveller is to push the sales of his firm's goods, and he may be tempted to paint too rosy a picture of their qualities. His visits may not come frequently enough, especially if he has a wide area to cover; he has not always got a thorough technical knowledge of the goods he sells; and he may not be able to carry sufficient samples with him.

Another method by which retailers may keep in touch with suppliers is through the reading of trade journals. A number of these are published, each catering for a particular trade. Examples are *The Hardware Trade Journal*, *The Electrician*, and *The Leather Trades' Review*.

In the case of well-standardized goods the retailer may safely order by means of catalogues or price-lists. These give the whole range of the supplier's goods, and, where necessary, are well illustrated. Prices may be given along with the descriptions of the goods, or they may be issued separately in a folder or leaflet, which is superseded when prices change. Another device which suppliers use for altering prices is to add to or deduct from a basic price a certain percentage.

In cases of urgency the retailer may order goods by telegram or telephone. If he does this he should always confirm the order in writing at the earliest possible moment.

A BUYING TRANSACTION—DOCUMENTS AND RECORDS

As we have already pointed out, orders may be given verbally by the retailer either at the warehouse or to the traveller on one of his visits. It may be, however, that the retailer wishes to have information about a new line of goods, or wishes to make contact with a fresh supplier, or it may happen that his stock of a particular kind of goods is running low and he desires to replenish it. In any of these events he will probably write to the supplier concerned. When making an inquiry concerning goods, in addition to constructing the letter in a businesslike fashion and with regard to the requirements of good English, the retailer should bear in mind the following points:

(1) If information concerning the goods inquired about has been obtained from some particular source—let us say, from a trade journal—then that source should be mentioned in order that the supplier may be able to test the efficacy of his publicity methods.

(2) The retailer should give full information regarding the goods—that is, he should state the description precisely, and should say when he wishes the goods to be delivered. If he doesn't do this, and the supplier has to write in return asking for further information, time is wasted.

An example of such a letter of inquiry is given below:

THE CIRCLE
HURST GREEN
GLOUCESTER
May 9, 1945

MESSRS ADAMS AND BLACK
8 FOUNTAIN STREET
LONDON, E.C.2

DEAR SIRS,

I am looking out for a good line in play-boxes or tuck-boxes and in cabin trunks suitable for school or holiday use. According to your advertisement in the current issue of *The Hardware Trade Journal*, you are able to supply these goods. I shall be glad to have details of what you have available for immediate delivery, together with your terms of business.

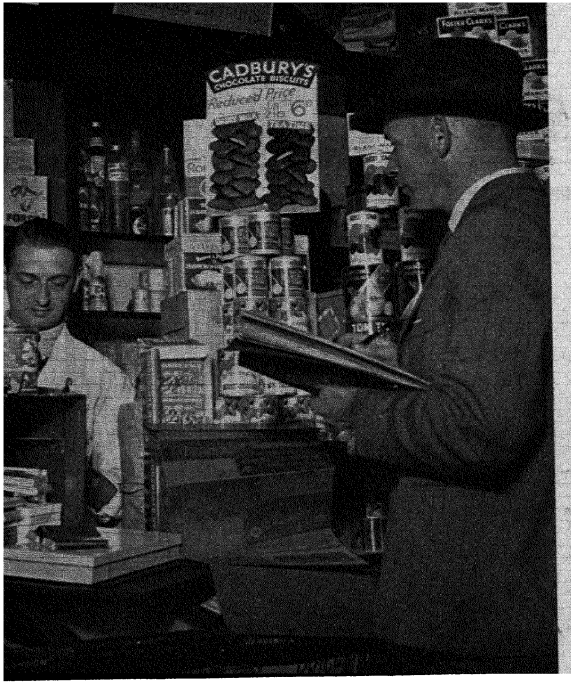
Yours faithfully,

THOMAS JONES

Thomas Jones may send similar letters to other firms, so that he may be in a position to compare the offers which he receives.

Adams and Black will reply to the above letter, either giving the information asked for in the letter itself, or enclosing a catalogue to which reference is made in a covering letter. In special cases a printed quotation form may be used.

Jones may accordingly expect to receive the following letter from Adams and Black:



THE TRAVELLER TAKES THE RETAILER'S ORDER
See page 87.

ensure him a continuance of those favours it will ever be his study to deserve.

Birmingham, March 1, 1824.

TEA AND COFFEE WAREHOUSE,
No. 93, BULL-STREET.

JOHN CADBURY, Tea Dealer and Coffee Roaster, most respectfully announces to his Friends and the Public in general, that he intends commencing business on the 4th of the present month in the above line, and he trusts, by assiduous attention to the interest of those who may favour him with their commands, to merit their support, conscious that this can only be obtained by the sale of pure and genuine articles, which it will be his constant endeavour to supply them with.

Having had the advantage of residing a considerable time in a wholesale tea warehouse of the first eminence in London, and of examining the teas in the East India Company's warehouses, and attending the sales, likewise of frequenting the Coffee-market, he is enabled to procure these articles equal to any house in the trade, and consequently can offer them on the most advantageous terms.

He will regularly be furnished with Coffees of the finest quality, and a supply will be kept fresh roasted, which alone can insure a fine and delicate flavour.

J. C. is desirous of introducing to particular notice Cocoa Nibs, prepared by himself, an article affording a most nutritious beverage for breakfast.

☞ Chocolate, Patent Cocoa, Hops, Mustard, &c. of very superior quality.

No. 93, Bull-street, 1st of 3d mo. 1824.

THE ROYAL LEWISIAN SYSTEM OF *WRITING*,

AN EARLY NEWSPAPER ADVERTISEMENT
See page 119.

By courtesy of Messrs Cadbury Bros., Ltd.



MODERN WINDOW-DRESSING

See page 119.

By courtesy of the Editor of "The Manchester Guardian"

8 FOUNTAIN STREET
LONDON, E.C.2
May 11, 1945

THOMAS JONES, ESQ.
THE CIRCLE
HURST GREEN
GLOUCESTER

DEAR SIR,

Thank you for your letter of May 9.

In reply thereto we have pleasure in quoting you as under:

Play-boxes, 18-inch, No. 1 quality, 25*s.* each.
" " No. 2 " 20*s.* "

You will find other sizes listed at page 34 of the enclosed catalogue.

Brown cabin trunks, 30-inch, No. 831, 30*s.* each.

We refer you to pages 47 and 48 of the catalogue for other sizes and qualities.

Play-boxes are subject to 20 per cent. trade discount, and cabin trunks to 33⅓ per cent.

Goods will be delivered to your nearest railway station, carriage paid. Accounts are sent out monthly, and 2½ per cent. is allowed for prompt payment, subject to satisfactory references being obtained.

We trust that we shall have the pleasure of doing business with you.

Yours faithfully,
p.p. ADAMS AND BLACK
T. ADAMS

Jones will compare this quotation with others which he may have received, and if he finds it satisfactory will give an order. If Adams and Black hear nothing from him for some time they will probably write again, or ask their traveller to call upon him.

On giving an order Jones would furnish Adams and Black with the name of his bank, from whom an inquiry might be made as to his financial position. Adams and Black would ask their bank to make the inquiry. Alternatively, Jones might forward the name of some other firm in the trade with which he had previously dealt, or Adams and Black might make an inquiry

through a mercantile inquiry agency, an organization which specializes in the collection of information concerning traders of all kinds. This information is made available to traders for a small fee, or, in the case of members of the organization, on payment of an annual subscription.

Let us assume that Jones gives an order. He may do this by sending an ordinary letter, or he may keep a special order book with carbon interleaves. In any case, it is important that he should keep a copy of the order for future checking. Some suppliers who deal in definite lines of standardized goods provide retailers with printed order forms giving description and retail price. The retailer fills in the quantity required, receiving the discount shown in a separate discount list.

ORDER FORM No. 123

THE CIRCLE
HURST GREEN
GLOUCESTER
May 15, 1945

MESSRS ADAMS AND BLACK
8 FOUNTAIN STREET
LONDON, E.C.2

Please deliver the undermentioned goods:

3 play-boxes, 18-inch, No. 1 quality, at 25*s.* each less 20 per cent.
3 „ „ No. 2 „ „ 20*s.* „ „ „
6 30-inch brown cabin trunks No. 831, at 30*s.* each less 33⅓ per cent.

Deliver to Gloucester Station, G.W.R.

Yours faithfully,
THOMAS JONES

Adams and Black would acknowledge receipt of this order immediately. When the goods were ready for dispatch they might send an 'advice note' informing Jones of the fact. This document simply contains a list of the goods, without prices, and states the date of dispatch. In large retail concerns with separate office and warehouse staff the advice note would go to the latter department, so that the goods might be checked on arrival; warehouse staff are concerned merely with quantities,

and not with prices. On the other hand, some suppliers dispense with the advice note, and as soon as the goods are ready forward an 'invoice.' Here is the invoice which Jones would receive from Adams and Black:

INVOICE No. 67

8 FOUNTAIN STREET
LONDON, E.C.2
May 20, 1945

MR THOMAS JONES
THE CIRCLE
HURST GREEN
GLOUCESTER

Dr. to **Adams and Black**

Monthly accounts. 2½ per cent. for prompt payment.

	£ s. d.	£ s. d.
3 play-boxes, 18-inch, No. 1 quality, at 25*s.* each	3 15 0	
3 play-boxes, 18-inch, No. 2 quality, at 20*s.* each	3 0 0	
	6 15 0	
Less 20 per cent. trade discount	1 7 0	5 8 0
6 30-inch brown cabin trunks, No. 831, at 30*s.* each	9 0 0	
Less 33⅓ per cent. trade discount	3 0 0	6 0 0
		11 8 0

Per G.W.R. Goods to Gloucester Station

The trade discount mentioned in the above invoice may be the measure of the gross profit which the retailer may make on the goods. Special discounts may be allowed for large orders. Another use of trade discount is as a means of adjusting catalogue or list prices to current or market prices. Suppliers often print expensive catalogues, with prices marked; actual prices may vary owing to changes in the cost of raw material or in workpeople's

wages. Then, instead of scrapping the catalogues, the supplier inserts a slip indicating that a certain percentage is to be added to or deducted from the marked price.

When the retailer receives an invoice he should check it with his copy of the order. He should also check the calculations on the invoice itself, and should compare the goods actually received with the list on the invoice. Afterwards the invoice should be used as the basis of an entry in the retailer's 'purchases day book.' This record is needed so that at the end of his financial year the retailer may compute his total purchases as a preliminary to finding out his annual gross profit.

A ruling of a purchases day book such as Thomas Jones would employ is given below. It contains an entry for the purchase from Adams and Black, together with other typical entries:

PURCHASES DAY BOOK

1945		£	s.	d.	£	s.	d.
May 4	George Dawson				27	17	11
„ 15	The Hardware Trading Co.				46	8	4
„ 23	Adams and Black				11	8	0
	Total transferred to debit of purchases account				85	14	3

The purchases day book is a preliminary record of trade goods bought on credit. Of course, a trader might buy goods for cash, but credit transactions are the rule. In order to get together the annual total of purchases the trader keeps an account under this heading in another book called the 'ledger.' This book is the final destination of all transactions, and from it the retailer can gain information as to his profit or loss for the year, and as to his financial position generally. In the ledger he will also keep an account for each person from whom he buys goods on credit, so that at any time he may see his indebtedness to each of his suppliers.

The ledger accounts for entries in the purchases day book are given below. Notice the difference in the ruling of the two books.

The ruling of the purchases day book is called a journal ruling. The words 'journal' or 'day book' indicate that such books are meant to be entered up regularly, day by day, while the permanent record in the ledger may be made less frequently.

LEDGER OF THOMAS JONES

Dr. *Cr.*

1. *George Dawson's account*

		£	s.	d.
1945 May 4	By purchases	27	17	11

2. *The Hardware Trading Co.'s account*

1945 May 15	By purchases	46

3. *Adams and Black's account*

1945 May 23	By purchases	11 8 0

4. *Purchases account*

		£	s.	d.
1945 May 31	To credit purchases for month	85	14	3

Placing the total of credit purchases on the left, or debit, side of the ledger indicates that these are a charge or an expense to the business. Placing the individual items from suppliers on the right, or credit, side indicates that these sums are owing; they are liabilities of the business.

It may be that Adams and Black, or one of their clerks, made a mistake in sending the invoice to Jones, and undercharged him for a particular item. In that case Adams and Black, when the error was discovered, would send a 'debit note' to Jones. This would be recorded by Jones in the same manner as the invoice previously received.

Here is a debit note such as might be used in the circumstances mentioned:

DEBIT NOTE No. 51

8 FOUNTAIN STREET
LONDON, E.C.2.
May 22, 1945

MR THOMAS JONES
THE CIRCLE
HURST GREEN
GLOUCESTER

Dr. to **Adams and Black**

Monthly accounts. 2½ per cent. for prompt payment.

	£	s.	d.
Invoice of *May* 20, 1945, *No.* 67			
3 play-boxes, 18-inch, No. 1 quality, charged at 20*s.* each instead of at 25*s.* each			
Undercharge		15	0
Less 20 per cent. trade discount		3	0
		12	0

On the other hand, it might be necessary for Adams and Black to make an allowance to Jones. The allowance might be made because the goods had been damaged during transit, because they did not correspond with the description given, or because too many goods had been sent and Jones did not wish to keep the excess quantity. In such circumstances Adams and Black would send Jones a 'credit note,' printed in red. An example of such a credit note is given below:

CREDIT NOTE No. 37

8 FOUNTAIN STREET
LONDON, E.C.2
May 25, 1945

MR THOMAS JONES
THE CIRCLE
HURST GREEN
GLOUCESTER

Cr. by **Adams and Black**

	£	s.	d.	£	s.	d.
Invoice of *May* 20, 1945, *No.* 67						
6 30-inch cabin trunks, No. 831, charged at 35*s.* each instead of at 30*s.* each						
Overcharge	1	10	0			
Less 33⅓ per cent. trade discount		10	0	1	0	0

Satisfied that the credit note represented the allowance to which he was entitled, Jones would proceed to enter its amount in another of his day books, the 'returns outwards' or 'purchases returns' day book. He would make this entry whether he had actually returned the goods or not; the important thing is that he has to receive an allowance. Here is a specimen of his purchases returns book:

PURCHASES RETURNS BOOK

		£	s.	d.	£	s.	d.
1945							
May 25	*Adams and Black. Overcharge*				1	0	0

This transaction would be transferred to the left-hand side of Adams and Black's account in the ledger, so as to show that the liability to that firm is lessened. The monthly total of returns outwards is transferred to the right-hand side of an account of that name, so that at the end of the year the total returns may be set against the total purchases, and the net purchases discovered. Here are the ledger entries for this credit note:

Dr. *Cr.*

3. *Adams and Black's account*

1945		£	s.	d.	1945		£	s.	d.
May 25	To returns	1	0	0	*May* 23	By purchases	11	8	0
	5. *Purchases Returns account*								
					1945				
					May 31	By total returns for month	1	0	0

Exercise 11 A

1. Answer the following as briefly as possible:
   (*a*) Give two reasons why sound buying is important to a retailer.
   (*b*) Give three requisites of sound buying.
   (*c*) Give two reasons why it is bad policy to buy too much at a time.

(*d*) When should a retailer buy larger quantities than usual?
(*e*) When should a retailer adopt a 'hand-to-mouth' policy in buying?
(*f*) At what time of the year should a sports outfitter order (i) cricket bats, (ii) hockey sticks?
(*g*) Name three unusual events which might affect the buying of a retailer.
(*h*) Give six examples of branded goods you have seen in a grocer's shop.
(*i*) Give one example of a retailer's taking a risk in buying.
(*j*) Name one retailer whose buying will be largely 'repeat orders' and one whose buying will vary with each order.

2. Imagine that you are either the manager of a hardware store or the manageress of a gown shop. Upon what considerations would your buying policy depend?

3. Are all retailers of the same kind likely to have a similar buying policy? Name two similar retailers in your town who are likely to have different buying policies. How do you account for this?

4. "My policy," said a retailer, "is to rely on the past to buy for the future." What did he mean? Would you say that this was always good policy? Give examples and reasons for your answer.

5. In August a sports outfitter bought ten dozen hockey sticks at 7*s.* 9*d.* each, two dozen footballs at 12*s.* 6*d.* each, and two dozen Rugby footballs at 14*s.* 6*d.* each.

(*a*) By November 30 he had sold three dozen hockey sticks, all the footballs, and one Rugby ball. What advice would you give him for buying next season?
(*b*) By February 28 he had sold a further six hockey sticks, but no more Rugby balls. What was the value of the 'dead stock' he had to carry during the summer months?
(*c*) What percentage of the value of his original stock was he able to dispose of during the winter season (to the first decimal place)?

Exercise 11 B

1. Answer the following as briefly as possible:

(*a*) What are the two main sources of supply of a retailer?

(*b*) Name three advantages to a retailer of buying from a wholesaler.
(*c*) What type of retailer is most likely to buy from a wholesaler?
(*d*) What is meant by the wholesaler's 'financing the retailer'?
(*e*) Name some of the services which a wholesaler performs for the retailer.
(*f*) Name some 'risks of storage' which the wholesaler undertakes.
(*g*) Name six manufacturers who deal directly with retailers.
(*h*) What type of retailer will normally deal with manufacturers?
(*i*) What type of manufacturer will normally deal with retailers?
(*j*) Name six 'branded' goods sold by retailers other than grocers.
(*k*) Give two reasons why some manufacturers will not deal with retailers.
(*l*) Name three manufacturers who have their own retail outlets.

2. Imagine that you own either a gown shop or a sports outfitters. Would you prefer to deal with wholesalers or manufacturers? Give full reasons for your answer.

3. A large-scale grocer when asked whether he dealt with wholesalers or manufacturers replied, "For some goods I deal with one, and for different goods the other." Make a list of some of the goods a grocer might buy from each of these two sources. Indicate briefly your reasons for placing the various items in their respective columns.

4. A manufacturer sold goods directly to a retailer for £135, and he sold the same quantity of goods in bulk to a wholesaler for £115. The latter's selling price was 20 per cent. greater than his buying price.

(*a*) Which was the cheaper method of buying for the retailer?
(*b*) Why did the manufacturer charge the retailer a higher price than he charged the wholesaler?
(*c*) What would the wholesaler do with the goods before he sold them to the retailer?

5. A wholesaler bought goods for £100 from a manufacturer. He made a profit of 20 per cent. on his buying price when he

sold them to a retailer, and the latter made a profit of 25 per cent. on his buying price.

(*a*) What was the retail price?

(*b*) By what percentage had the price increased between the manufacturer and the consumer?

6. Goods cost a manufacturer 1*s.* 3*d.* each. He sold 32,000 to a wholesaler in the course of a year, and made a profit of 3*d.* on each article. The wholesaler and the retailer made profits on their buying prices of 10 per cent. and $33\frac{1}{3}$ per cent. respectively.

(*a*) What was the total profit of the manufacturer?

(*b*) What was the total profit of the wholesaler?

(*c*) What was the retail price of the article?

7. Complete the following table:

	Manufacturer			Wholesaler		Retailer		
	Cost Price		*Profit*	*Buying Price*	*Profit*	*Buying Price*	*Profit*	*Selling Price*
	£	*s.* *d.*	per cent.		per cent.		per cent.	
(*a*)	250	0 0	10		20		25	
(*b*)	112	0 0	$12\frac{1}{2}$		$16\frac{2}{3}$		20	
(*c*)	40	0 0	8		$7\frac{1}{2}$		$33\frac{1}{3}$	
(*d*)	168	6 8	$12\frac{1}{2}$		$12\frac{1}{2}$		25	

In each case the profit is reckoned on the buying price.

8. Goods cost a wholesaler £40. He made a profit of 20 per cent. on his selling price, and the retailer made a profit of 25 per cent. on his selling price. How much did the customer pay?

9. A customer paid £60 for a suite of furniture. The retailer had made a profit of $33\frac{1}{3}$ per cent. on his buying price, and the wholesaler a profit of 20 per cent. on his buying price. For how much had the manufacturer sold the suite?

10. Goods cost manufacturer A £80. He sold them to a wholesaler at a profit of 20 per cent. on his selling price. The latter's expenses were 20 per cent. and his profit 15 per cent. of his buying price.

Manufacturer B had the same cost, but sold directly to a retailer. His distribution expenses were 30 per cent. and his profit 10 per cent. of his selling price.

(*a*) Which manufacturer's goods were the cheaper to a retailer?

(*b*) Whose distribution expenses were the greater, the manufacturer's or the wholesaler's? How do you account for this?

11. Explain fully what is meant by a wholesaler's 'financing

the retailer.' On March 1 a wholesaler sold to a retailer, on three months' credit, four dozen sets of carpenter's tools at £2 15*s.* 0*d.* per set. When the retailer paid for the goods on June 1 he had sold three dozen sets at £4 each.

(*a*) Who had paid for the goods while they were on display in the retailer's shop?

(*b*) Whence did the retailer obtain the money to pay the wholesaler?

12. What are the advantages to a manufacturer of having his own retail outlet?

Exercise 11 C

1. Answer the following as briefly as possible:

(*a*) Name four methods which a retailer might use in approaching his suppliers.

(*b*) What are the advantages to a retailer in visiting a supplier personally?

(*c*) Name three wholesalers in your town.

(*d*) Why do manufacturers and wholesalers employ commercial travellers?

(*e*) Why is a traveller frequently paid a commission on his sales?

(*f*) What are the advantages to a retailer of a visit from a traveller?

(*g*) What is meant by 'buying from sample'?

(*h*) What is a 'trade journal'? Name three trade journals.

(*i*) What are the disadvantages in buying through advertisements and catalogues?

2. Name three different kinds of retailer, and indicate, with reasons, which method of approaching suppliers would be most suitable in each case.

3. Imagine that you are a commercial traveller employed by a wholesaler dealing in either clothes or hardware. Describe your work and some of your experiences.

4. A, B, and C were commercial travellers employed by a manufacturer. A agreed to have a wage of £6 per week, B to have a wage of £4 and a commission of 2 per cent. on all sales, and C to have only a commission of 5 per cent. on all sales. By a coincidence their sales for 1942, 1943, and 1944 were all the same, being £4000, £6000, and £9000 respectively.

(*a*) What were the earnings of each traveller for each year?

(*b*) When is A likely to do best, and when is C likely to do best?

(*c*) What were the average annual earnings of each traveller?

5. A traveller was paid a wage of £4 10*s*. per week and a commission of 3 per cent. on weekly sales over £250. His car allowance was 3*d*. per mile. The following were his figures for one particular week:

Day	*Sales*	*Hotel Bill*	*Other Expenses*	*Mileage*
	£ *s*. *d*.	*s*. *d*.	*s*. *d*.	
Monday .	41 10 0	19 6	11 8	68
Tuesday .	69 15 9	18 0	9 4	74
Wednesday .	143 19 4	17 6	13 8	106
Thursday .	26 0 0	18 0	4 3	24
Friday .	49 10 0	—	9 8	48

Find (*a*) the total of his expenses (including the car allowance), (*b*) the amount received in wages and commission, (*c*) his average daily sales.

Exercise 11 D

1. Answer the following as briefly as possible:

(*a*) What is a 'letter of inquiry'?

(*b*) When will a retailer send a letter of inquiry?

(*c*) Mention three points which must be included in a letter of inquiry.

(*d*) What is a 'quotation'?

(*e*) What does "cabin trunks, 30-inch, No. 831" mean in the letter at page 97?

(*f*) What are the meanings of the following phrases in the letter at page 97: "catalogue," "trade discount," "carriage paid," "2½ per cent. is allowed for prompt payment," "satisfactory references"?

(*g*) What purpose does a mercantile inquiry agency serve?

(*h*) Why does Jones keep copies of the orders he sends?

(*i*) Why are commercial documents usually numbered?

2. Imagine that you are either (*a*) a retail sports outfitters (*b*) a fashionable gown dealer, or (*c*) a confectioner, and that you are about to restock for the summer season. Write a letter

of inquiry to either a wholesaler or a manufacturer. Insert all the details which you consider necessary.

3. Write the reply to one of the letters in Question 2, and quote suitable prices and appropriate terms.

4. In February a retailer in Reading sent inquiries concerning lawn-mowers to a number of wholesalers, and received the following replies:

Wholesaler	*Price*	*Trade Discount*	*Carriage*	*Delivery*
	Each			
	£ s. d.	per cent.		
Brown and Smith .	1 12 6	10	Paid	Prompt
Roberts Bros . .	1 15 6	12	Paid	One month
Allan and Sons . .	1 5 0	*Nil*	Forward	Two months
Carswell and Law .	1 7 6	5	F.O.R. London	Four months

(*a*) Which is the cheapest quotation?

(*b*) Which quotation would you advise the retailer to accept? Give your reasons in full.

5. Making up any necessary details, write out an order for (*a*) a retail tobacconist, (*b*) a bookseller, (*c*) a men's or women's outfitter.

What are the main differences you might expect between such orders?

Exercise 11 E

1. Answer the following as briefly as possible:

(*a*) What is an 'advice note'?

(*b*) What is an 'invoice'?

(*c*) Why are invoices usually numbered and copies kept?

(*d*) What are the essential points which must be on all invoices?

(*e*) What do the words "Dr. to . . ." mean on the invoice at page 99?

(*f*) Do the words "Dr. to . . . " appear on all invoices?

(*g*) When are invoices sent by wholesalers to retailers?

(*h*) When will the retailer not receive an invoice for purchases he makes?

(*i*) Is trade discount deducted from all invoices?

2. On July 10, 1945, Harold Armstrong, grocer, Mount Street, Blackpool, bought from the Fylde Wholesale Trading Co., Ltd., Fishergate, Preston, the following goods: twenty-five dozen eggs at 2*s.* 6*d.* per dozen, six cases of miscellaneous tinned goods

at £1 6*s*. 8*d*. per case, two hundredweights of Cheshire cheese at £1 6*s*. 0*d*. per 28-pound crate, six hundredweights of potatoes at £8 per ton. There was a trade discount of 10 per cent. Terms were: carriage paid, and 5 per cent. cash discount if paid within fourteen days.

Make out the invoice.

3. Adding all the details you consider necessary, make out the following invoices as they would be received by various retailers:

(*a*) Thirty hockey sticks at 14*s*. 6*d*. each, two dozen Size 5 footballs at 10*s*. 6*d*. each, four sets of corner-posts at 7*s*. 6*d*. per set. A purchase tax of 15 per cent. had to be added, and the delivery charge was 6*s*. 6*d*.

(*b*) One hundred and twenty yards of cotton material at 2*s*. 9*d*. per yard, forty yards of Harris tweed, Pattern 5A, at 7*s*. 6*d*. per yard, twenty-eight yards of Cumberland tweed at 7*s*. 3*d*. per yard, eighty-four yards of lining material at 2*s*. 1*d*. per yard. Trade discount, 15 per cent., carriage forward.

(*c*) Sixteen 24-pound bottles of boiled sweets at 30*s*. per bottle, six boxes of chocolate bars at 10*s*. 6*d*. per box, thirty-six boxes of assorted chocolates at 5*s*. 3*d*. per box, one and a half gross bottles of lemonade at 2*s*. 3*d*. per dozen. Terms, nett; delivery charge, 4*s*. 9*d*.

4. Harper and Power, music dealers, received the following invoices during July 1945.

Date	*Supplier*	*List Price*	*Trade Discount*
July 4	Jones and Co.	£46 13*s*. 4*d*.	10 per cent.
„ 10	Brown and Smith	£12 10*s*. 0*d*.	33⅓ per cent.
„ 16	Powell Bros.	£58 3*s*. 4*d*.	12½ per cent.
„ 24	J. R. Smith	£13 11*s*. 8*d*.	*Nil*
„ 30	Ellis and Sons	£24 8*s*. 4*d*.	10 per cent.

(*a*) What were the net invoice amounts in each case?

(*b*) What was the difference between the total of all the list prices and the total of the net invoice prices?

5. Messrs A. B. and Co., London, sold the following goods to Mr C. D., Oxford, on December 7, 1941: one gross of pencils, No. 82, H.B., at 10*s*. per gross, three dozen boxes of pen-nibs, No. 714, at 13*s*. per dozen, one gross of shorthand notebooks at 2*s*. per dozen. Twenty per cent. was to be added to the above list prices for

an advance in market prices. Terms were: monthly account, 5 per cent. discount. Make out the invoice for this transaction, and state how Mr C. D. will deal with this document when he receives it.

[*Union of Educational Institutions.*]

Exercise 11 F

1. Answer the following as briefly as possible:
   (*a*) What is the meaning of 'checking the goods against the invoice'?
   (*b*) What is a 'day book'?
   (*c*) What is entered in the 'purchases day book'?
   (*d*) From what documents is the purchases day book compiled?
   (*e*) Why do traders keep a purchases day book?
   (*f*) Which purchases of a retailer will not appear in the purchases day book?
   (*g*) What is a 'ledger'?
   (*h*) What are the two sides of a ledger called?
   (*i*) What are the abbreviations for 'debit' and 'credit'?
   (*j*) What is an 'account' in a ledger?
   (*k*) To which account will the total of the purchases day book be posted each month?
   (*l*) What entry will be made in Adams and Black's account in Jones's ledger for each set of purchases Thomas Jones makes from them?

2. The following were the purchases made on credit by Madame Louise, milliner, Leeds, during July:

July 4 Purchased from the Acme Fashion Co., eighteen ladies' hats at 15*s.* 6*d.* each, and twenty yards of assorted ribbon at 10½*d.* per yard.
„ 10 Purchased from Wholesale Hats, Ltd., four dozen scarves at 5*s.* 3*d.* each.
„ 20 Purchased from Mason and Jones, three dozen pairs of ladies' gloves at 6*s.* 8*d.* per pair, and miscellaneous hat decorations at £2 12*s.* 6*d.* Trade discount, 20 per cent.
„ 29 Purchased from the Acme Fashion Co., two dozen ladies' hats at 17*s.* 6*d.* each. Trade discount, 25 per cent.

   (*a*) Write up the purchases day book which Madame Louise would keep.
   (*b*) Post the entries in the day book to the purchases account and the various personal accounts in Madame Louise's ledger.

3. Byett and Sellit, furniture retailers, Liverpool, made the following purchases on credit in September last. Make out their purchases day book, and then post from this to their ledger.

September 3 Purchased from the Victoria Manufacturing Co., Ltd., three bedroom suites at 24 guineas each. Trade discount, $33\frac{1}{3}$ per cent.

„ 18 Purchased from Furniture Suppliers, Ltd., six dining-room suites at £22 10*s.* each and 64 yards of stair carpet at 4*s.* 6*d.* per yard. Trade discount, $12\frac{1}{2}$ per cent.

„ 26 Purchased from the Ace Carpet Co., three carpets $3\frac{1}{2}$ by 3 yards at £6 15*s.* 0*d.* each.

4. The following is a list of the invoices received by Owens and Hughes, greengrocers, Cardiff:

April 4	Wholesale Fruit Co.	£3 18*s.* 9*d.*
„ 10	Wallis and Atkins	£23 13*s.* 4*d.*
„ 23	H. Atkins	£8 2*s.* 6*d.*
„ 30	Wholesale Fruit Co.	£5 15*s.* 0*d.*

Make out the purchases day book of Owens and Hughes, and post the entries into the ledger.

5. From the following details make out the purchases day book and the ledger of Whitehead and Blackfoot:

Date	*Supplier*	*List Price*	*Trade Discount*
		£ *s.* *d.*	per cent.
November 4	Smith and Sons	43 8 4	10
„ 7	Cain and Abel	26 10 0	$12\frac{1}{2}$
„ 16	Williams and Thomas	13 0 0	*Nil*
„ 28	H. F. Webb	24 11 8	15

Exercise 11 G

1. Answer the following as briefly as possible:
   (*a*) Name four mistakes which it is possible to make in an invoice.
   (*b*) What would you advise a retailer to do if he told you that he had undercharged on an invoice he had already posted?



A Modern Department Store

See Chapter VIII.

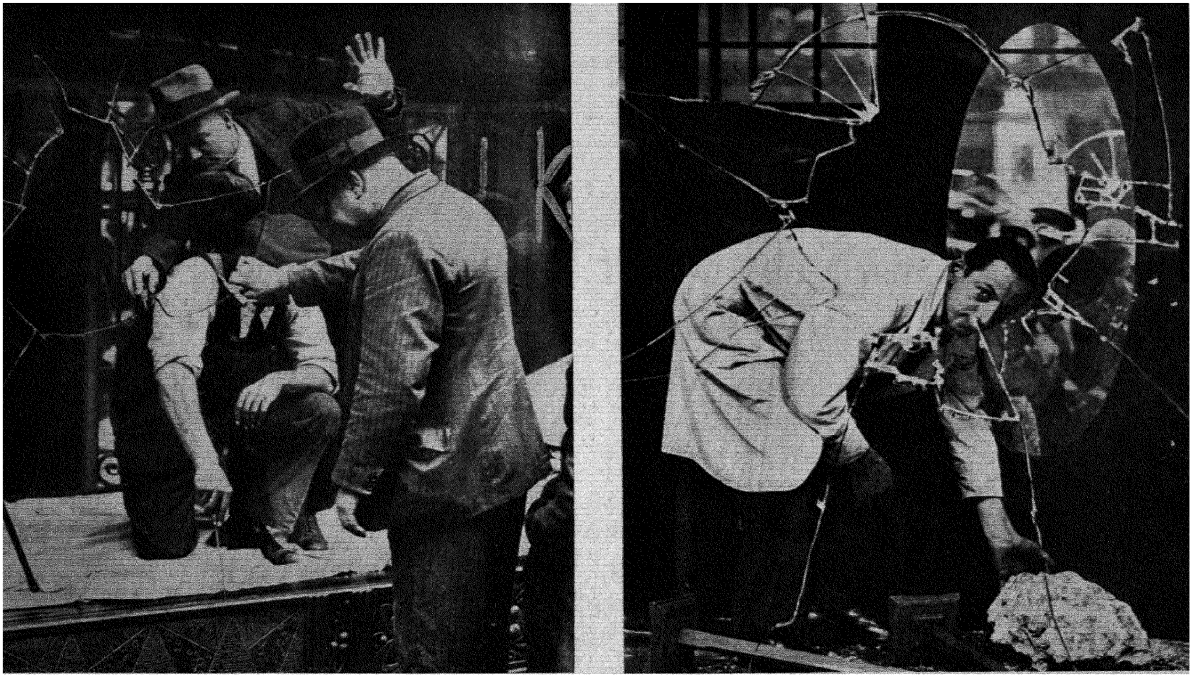
By courtesy of Mr William Crabtree, F.R.I.B.A. Photo Dell and Wainwright



Club Trading: Drawing for Turns

See page 77.

By courtesy of Messrs Littlewoods Mail Order Stores, Ltd.



ONE OF THE RISKS INSURED AGAINST: 'SMASH AND GRAB'

See page 177.

By permission of the Topical Press Agency, Ltd.

(*c*) What is meant by Adams and Black's 'making Thomas Jones an allowance'?
(*d*) Name four circumstances in which an allowance might be made by a wholesaler to a retailer.
(*e*) How did Adams and Black inform Jones that they would make him an allowance?
(*f*) Why are credit notes usually printed in red?
(*g*) What is the usual abbreviation for a debit note and a credit note?
(*h*) Name two differences between a debit note and a credit note.
(*i*) What will the total of the returns outwards book represent?
(*j*) Why was the returns outwards of £1 0*s.* 0*d.* debited to Adams and Black's account in Jones's ledger?
(*k*) How much did Jones owe to Adams and Black at the end of May 1945?

2. Define 'debit note' and 'credit note,' and explain the circumstances in which they are used in business.

3. On June 22 Morris and Ashton bought from Bradbury and Cope, wholesalers, eighteen chairs at 5*s.* 6*d.* each. The wholesalers discovered on June 30 that the real price should have been 6*s.* 6*d.* each. Make out the debit note which they would send. What was the amount owing by Morris and Ashton?

4. On February 11 James Law, stationer, bought from William Carswell and Sons, Llandudno, the following goods: one gross packets of envelopes at 3*s.* 9*d.* per dozen, five dozen bottles of ink at 3*s.* 4*d.* per dozen, two gross of writing-pads at 6*s.* 8*d.* per dozen. Trade discount, 16⅔ per cent.; delivery charge, 2*s.* 9*d.*

On February 20 Law returned the writing-pads, as they were not the type ordered.

(*a*) Make out the invoice which Law would receive. Add any necessary details.
(*b*) Make out the credit note which Carswell and Sons would send.
(*c*) How much was Law due to pay?

5. The Skippool Wholesale Trading Co., Fleetwood, had the following transactions during January:

(*a*) January 4. Evans and Jones returned 16 yards of cloth at 6*s.* 4*d.* per yard.
(*b*) January 7. Invoice sent on January 3 to T. C. Collins had been undercast by 10*s.*

(*c*) January 15. It was decided to make Andrews Bros. an allowance of 18*s.* 6*d.* because cloth invoiced on January 10 had been of inferior quality.

(*d*) January 27. B. Brown returned tweed sent on January 16 and invoiced at £12 15*s.* 0*d.* less 10 per cent. trade discount, since it was not the same as the sample he had been shown.

(*e*) January 30. Twenty-four yards of lining material sent to Miss C. Jackson, Preston, had been invoiced at 3*s.* 4*d.* per yard instead of at 4*s.* 3*d.* per yard.

Adding any details you consider necessary, make out the documents which the wholesaler would send to the retailers in each case.

6. The following is a summary of the various commercial documents received by A. Retailer and Sons during December last:

Supplier	Invoices		Debit Notes		Credit Notes	
	Date	*Amount*	*Date*	*Amount*	*Date*	*Amount*
		£ *s.* *d.*		£ *s.* *d.*		£ *s.* *d.*
A. Bell	Dec. 3	24 10 0	Dec. 6	4 0 0		
C. Dash	„ 6	12 3 4	„ 9	3 5 0		
E. Fell	„ 15	4 18 4			Dec. 19	2 8 4
G. Hay	„ 16	28 9 6			„ 20	4 7 6
I. Jones	„ 27	5 1 8	„ 30	3 1 6		

(*a*) How much was owing to each supplier at the end of the month?

(*b*) Make out the purchases day book of A. Retailer and Sons.

(*c*) Make out the returns outwards book of A. Retailer and Sons.

(*d*) Post both the day books into the ledger of A. Retailer and Sons.

CHAPTER XII

SELLING THE GOODS

PRICE POLICY

THERE are three things which help to determine the success or failure of a retail business: (*a*) skill in buying, (*b*) skill in controlling expenses, (*c*) skill in selling and fixing selling prices. The first of these was dealt with in Chapter XI; the second appears in Chapter XIII; the third is dealt with here.

It is obviously the desire of the retailer to make the largest possible income from his business—that is, to maximize his net revenue. In order to do this he should study the market for the goods he has to sell, estimating the probable quantities which may be sold at different prices. Then he should estimate his selling costs for these various quantities—some of these costs will be fixed, while others will vary with the amount of business done —and should finally decide which combination of sales and costs would give him the widest gross margin.

He should take into consideration the competition from other retailers, and should not charge for his goods prices that would cause his customers to patronize a rival shop. In a sense, therefore, he "charges what the traffic will bear." If he is thinking of altering his selling prices, either up or down, he must consider what the effect of this will be, not only on the goods which are to be the subject of the change, but also on the other goods which he sells. A price reduction may cause other retailers to retaliate. Periodically he should overhaul his stock and mark down in price goods which are 'sluggish'—that is, which do not sell quickly.

The extent of the difference in price which will cause custom to be diverted from one shop to another is difficult to determine. Some housewives are eager to take advantage of any such difference; others just don't bother, or have not the time in

which to make the necessary comparisons. Again, convenience and quality of service are factors which help to determine choice.

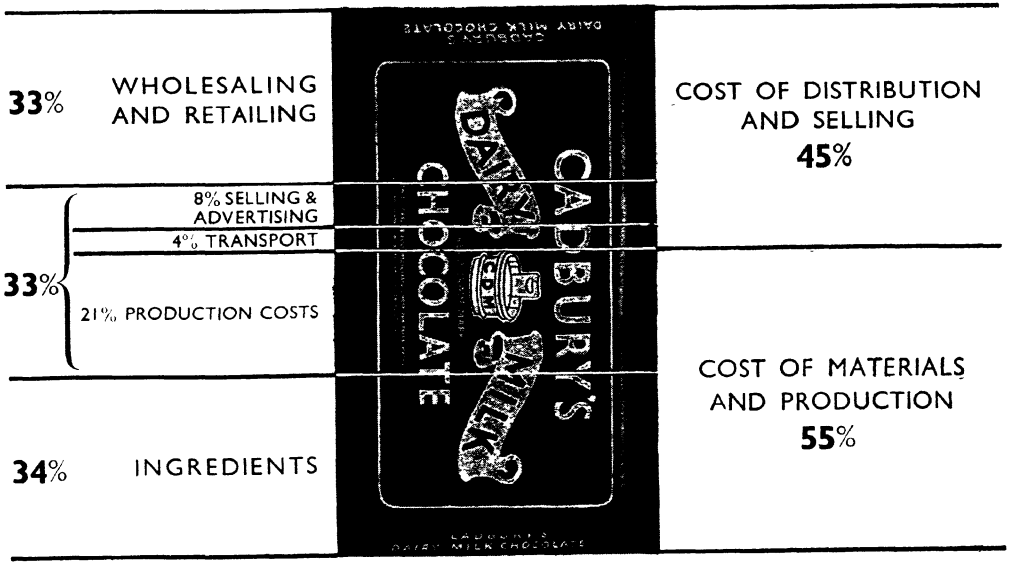
There is one class of goods where the price policy of the retailer is determined for him; that is the class of price-maintained goods, proprietary articles sold under the trademark or brand of a particular manufacturer at fixed prices, with or without the imposition of a condition that they must not be retailed under the standard price. It has been estimated that in the case of the grocery trade one-sixth of the goods are sold at fixed prices without any penalizing conditions as to resale, one-third are sold at fixed prices subject to such conditions, and the remaining half are free to be sold at the price chosen by the grocer himself.

When a manufacturer sells goods under a trademark or brand he secures for himself a high degree of monopoly, since it is illegal for any other manufacturer to infringe his trademark or brand. He is naturally anxious to sell as many of his goods as possible. To achieve this end he advertises the goods throughout the country, so that retailers are compelled to stock them. (In the ten years from 1932 to 1942 the manufacturers of Players, Kensitas, Ovaltine, Aspro, and Lux spent over £8,000,000 on Press advertising alone.) He also sells them to be retailed at fixed prices, less a fixed margin of gross profit for the retailer himself.

It is argued in favour of this practice that the manufacturer's good name or prestige demands that goods which are nationally advertised should be sold at fixed prices, that the profit margins fixed are sufficient to remunerate the retailer of average efficiency, and that if these were not fixed retailers would not provide service after sale. It is further argued that the withholding of supplies from retailers who sell below the fixed prices (the price-cutters) is necessary for the protection of manufacturers, wholesalers, and retailers. Price-cutting may be direct, or it may be indirect, through the granting of discounts to customers, or giving dividends on purchases. Complaint is made that the price-cutters sell branded goods below cost price as an inducement to the purchase of other goods.

On the other hand, it is contended that many retailers of more

COST OF DISTRIBUTION — MILK CHOCOLATE 1938



One-third of the cost of a block of chocolate is taken in wholesaling and retailing, and is, therefore, outside the control of the manufacturer. Including the manufacturer's costs, selling accounted in 1938 for not less than 45 per cent. of the cost of a twopenny block.

By courtesy of Messrs Cadbury Bros., Ltd.

than average efficiency would like to sell at prices below those fixed, and thus by increasing sales increase their profits and benefit consumers, but are unable to do so for fear of being deprived of supplies—boycotted or placed on the 'black list.' Another argument is that manufacturers, by granting generous profit margins to retailers, have made shopkeeping unduly attractive, and have thus increased the number of shops and the number of people engaged in distribution to an inordinate degree. It is also said that when prices generally are falling retailers' sales are decreased because the manufacturers try to maintain their selling prices at the former level. The same margin of profit is fixed for retailers in rural and town areas, though more business is done in the town than in the country. Preventing competition in prices drives competition underground, and retailers vie with one another in offering extra services in order to attract custom. It is hardly to be wondered at that this state of affairs leads to evasion, not only price-cutting, but also such practices as the making of allowances for old models in the motor-car and wireless trades, and selling books *ex libris*.

The chief trades in which price-maintained goods prevail are those in books, newspapers and periodicals, stationery, drugs, photographic goods, gramophones, motors and cycles, tobacco, confectionery, and groceries. It is noteworthy that the department stores and the multiple stores carry a smaller proportion of price-maintained goods than other shops do, as they prefer to develop their own special lines.

ADVERTISING

It has been estimated that in 1937 total expenditure on advertising in Great Britain amounted to £85,000,000, made up as follows: Press advertising, £35,000,000; direct mail advertising, £25,000,000; window display, £20,000,000; poster advertising, £4,000,000; and film, radio, and sky advertising, £1,000,000. This figure, of course, includes advertising by manufacturers and wholesalers as well as by retailers.

It is obvious that successful advertising is a potent factor in

attracting customers to a shop. The methods employed, which range themselves under the main headings of 'description' and 'display,' may be enumerated as follows:

(1) Window display. This is a comparatively inexpensive method, which can be extremely effective, especially if the shop is situated in a busy thoroughfare. It is employed to advantage by shops dealing in fashion goods and in furniture. Multiple shops and department stores employ expert window-dressers.

(2) Delivery vans belonging to the firm may display advertisements. This is a silent but effective and inexpensive method, as many people must see the vans as they go on their journeys.

(3) The use of 'loss leaders'—that is, the sale of a certain line of goods at a price below cost. The articles chosen are often those stocked by another type of retailer—for instance, a department store may advertise its intention to sell so many chairs on a certain day, or a multiple store may sell zinc buckets.

(4) Advertising in newspapers and magazines, which accounted for three-quarters of all Press advertising in 1942. The department stores which do a mail-order business utilize the national dailies in order to reach customers all over the country. In normal times it is no uncommon thing for a department store to take the whole of the front page of a daily paper. This, as stated in an earlier chapter, may cost as much as £1400 for one insertion. Advertisements are inserted in local papers chiefly by grocers and drapers. A wide public is reached by this means, but the method is relatively expensive.

(5) Periodical 'sales' may be held, especially when normal shopping is at its lowest. It is sometimes stressed that these are 'genuine,' when the retailer is anxious to get rid of surplus stock. The goods disposed of at sales, however, may consist of lines specially bought from manufacturers for the occasion. Drapers have 'white' sales, and most shops have 'trip' or 'holiday' sales; there are also January sales, to dispose of unsold Christmas stock.

(6) Catalogues are extensively used by department stores and mail-order houses.

(7) In the intervals of the cinema programme one may see

slides thrown on to the screen drawing one's attention to the merits of the shops in the vicinity.

(8) Wrapping-paper and bags bearing the retailer's name are widely used.

(9) When new residents come to a town the local grocer may send one of his staff to canvass for orders.

(10) When a retail business is newly established, or when special offers are to be made, the retailer may send round handbills or circulars.

(11) At Christmas-time the retailer often makes his regular customers a present of a calendar suitably illustrated.

(12) When darkness falls illuminated signs call attention to the goods which a retailer has on sale.

(13) Free gifts are distributed by such retailers as grocers and chemists, often in association with manufacturers. The grocer will give the manufacturer a list of his regular customers, and the gifts will be forwarded by the manufacturer direct.

(14) The platforms of railway stations and the sides of buses and tramcars may be utilized.

(15) Casual labourers may be hired to parade the streets as sandwich-men, the boards advertising special lines in grocery or drapery.

(16) The larger shops may arrange demonstrations of the use of certain articles—for example, patent foods or cleaning materials. This again is done in conjunction with the manufacturers. Gown shops hold mannequin parades.

(17) Posters on hoardings are mainly employed by manufacturers, but local retailers may employ this method to a limited extent.

One of the most powerful influences in the attraction of customers to a shop is the attitude adopted by the owner and his assistants. When people are made to feel that they are welcome, when the staff is pleasant, obliging, tactful, intelligent, and of good appearance, customers will come again. There are, of course, a few shopkeepers whose surly manner spreads alarm in the ranks of customers, especially if these happen to be rather diffident. Those who have read H. G. Wells's novel *Kipps*, or

who have seen the film based on the novel, will remember the scene in which Kipps is serving two elderly maiden ladies, very difficult to please. It is long past closing-time, and the rest of the staff wait on tenterhooks for Kipps to conclude the sale. In the end the two ladies depart without buying anything!

SALES RECORDS

In the case of many small shops it is doubtful if any records at all are kept. The day's takings are swept into a drawer underneath the counter, and from time to time the larger denominations of money are transferred to a vase or other receptacle on the mantelpiece of the living-room behind the shop. The more businesslike concerns, however, will have a cash register on which to record sales over the counter, and when weekly credit is allowed the customer is usually given a small book in which the amounts purchased are entered. The shopkeeper himself must keep a record, and when more extended credit is allowed a sales day book and ledger should be kept. Specimen transactions to illustrate the uses of these books are appended.

When a shopkeeper sells goods on credit he should send the buyer an invoice, which serves the same purpose between his customer and himself as the one which the retailer receives from his supplier when he buys goods. Let us suppose that Thomas Jones, whose purchases were dealt with in the last chapter, sells goods to a customer on credit and sends him an invoice as follows:

INVOICE No. 71

THE CIRCLE
HURST GREEN
GLOUCESTER
June 1, 1945

MR JOHN MILLS
THE ORCHARD
CHELTENHAM

Dr. to **Thomas Jones**

One 30-inch cabin trunk	£1 10*s.* 0*d.*
Delivered by own van	

Thomas Jones would record the sale in his sales day book, along with other credit sales, as follows:

SALES DAY BOOK

1945		£	s.	d.
June 1	John Mills	1	10	0
„ 17	Anthony Harber	3	0	0
„ 28	Margaret Price	7	6	0
	Total transferred to credit of sales account	11	16	0

For each of the customers whose names appear in the sales day book Jones will keep an account in his ledger, so that at any time he may easily discover the total indebtedness of any one of them. He will also transfer the monthly total to the sales account, where the amount inserted will increase until the end of the financial year, when it will be used to ascertain the amount of his profit or loss. Jones's ledger will be as follows for the items in the sales day book given above:

LEDGER OF THOMAS JONES

Dr.					*Cr.*
		1. *John Mills's account*			
1945 *June* 1	To goods	£1 10*s.* 0*d.*			
		2. *Anthony Harber's account*			
1945 *June* 17	To goods	£3 0*s.* 0*d.*			
		3. *Margaret Price's account*			
1945 *June* 28	To goods	£7 6*s.* 0*d.*			
		4. *Sales account*			
			1945 *June* 30	By monthly total	£11 16*s.* 0*d.*

If Jones undercharges a customer on an invoice he will send the customer a debit note which will be recorded in the sales book and ledger in the same way as the original invoice. If he overcharges a customer, or makes an allowance for any reason

whatsoever, whether the customer actually returns the goods or not, Jones will send a credit note, a copy of which he will record in his sales returns or returns inwards book, transferring the item to the ledger as shown below:

CREDIT NOTE NO. 14
[*Printed in red*]

THE CIRCLE
HURST GREEN
GLOUCESTER
June 4, 1945

MR JOHN MILLS
THE ORCHARD
CHELTENHAM

Credited by **Thomas Jones**

One 30-inch cabin trunk, not as ordered	£1 10*s*. 0*d*.

SALES RETURNS BOOK

1945		
June 4	John Mills	£1 10*s*. 0*d*.

Total transferred to the debit of sales returns account.

LEDGER OF THOMAS JONES

Dr.						*Cr.*
1945		1. *John Mill*	*s's acco*	*unt*		
June 1	To goods	£1 10*s*. 0*d*.	*June* 4	By returns	£1 10*s*. 0*d*.	
		5. *Sales Retu*	*rns acco*	*unt*		
1945						
June 30	To monthly total	£1 10*s*. 0*d*.				

John Mills is a debtor when he buys the goods, and does not pay for them at once; hence the item of June 1 appears on the debit side of his account in the ledger. When the credit note is sent John Mills is entitled to be allowed the amount, so that it is entered on the credit or 'allowing' side of his account. The allowances to all customers are transferred monthly to the sales returns account, and the total here mounts up until the end of the financial year, when it is also used to find the profit or loss.

TRANSACTIONS, DOCUMENTS, AND ENTRIES RELATING TO THE BUYING AND SELLING OF GOODS BY THE RETAILER

No.	*Transaction*	*Document*	*Day Book*	*Ledger*
(1)	Purchase on credit	Invoice received	Purchases day book	Dr. purchases account (monthly total). Cr. supplier
(2)	Under-charge by supplier	Debit note received	Purchases day book	as (1)
(3)	Allowance by supplier	Credit note received	Purchases returns book	Dr. supplier. Cr. purchases returns account (monthly total)
(4)	Sale on credit	Copy of invoice sent	Sales day book	Dr. customer. Cr. sales account (monthly total)
(5)	Undercharge to customer	Copy of debit note sent	Sales day book	as (4)
(6)	Allowance to customer	Copy of credit note sent	Sales returns book	Dr. sales returns account (monthly total). Cr. customer

HIRE PURCHASE AND DEFERRED PAYMENT

Hire purchase is a method of attracting customers and expanding sales which developed rapidly between the two World Wars, though statistics as to its actual extent are not easy to obtain. Old-fashioned people criticize it as a 'drug' or 'dope'; on the other hand, it has been described as "one of the biggest factors in our commercial history since the Industrial Revolution."

Generally speaking, there are two kinds of contract:

(1) Hire-purchase systems, by which the article is regarded as being on hire until the last payment is made. The customer pays a deposit on receiving the goods, and pays the remainder of the price over a period by weekly or monthly instalments. It is important to remember that the goods are in the ownership of the seller—that is, they belong to him—until the last instalment has been paid, although the buyer has actual physical possession of the goods.

(2) Deferred-payments systems, or instalment systems proper. Here the sale is made straight away, the goods becoming the property of the buyer at once; delivery is made on payment of the first instalment, and the remainder of the sum due is paid weekly or monthly. In this case, if the buyer does not keep up his payments the seller cannot reclaim the goods as he may do in the first case above, but must rely on his legal remedy of suing in a court of law.

The system is most suitable for goods of a durable nature, always provided that the period of credit will be exhausted before the survival value of the articles has gone. Goods most frequently sold under this plan are motors, wireless sets, electrical equipment, pianofortes, and furniture. In 1928 it was computed that there were 4,000,000 instalment agreements made annually, and that at that date 16,000,000 agreements were actually in existence in Great Britain. The future expansion of the system depends on the nature of the article sold, the type of public appealed to, the terms offered, and the state of trade competition.

A trader who undertakes to sell goods on hire purchase may find that his turnover is increased; mass consumption becomes

the counterpart of mass production. The case of portable typewriters affords an instance of the way in which sales may be expanded by instalment selling. In nine months, in the case of a particular firm which adopted the method, sales increased by 225 per cent. Obviously the price paid on instalment terms will be higher than that paid in the case of a cash sale. This higher price will include interest on the outstanding payments together with a certain allowance for risk. Instalment selling is usually financed by a wholesaler, manufacturer, or independent financial house. The financier may charge 5 to 8 per cent. for twelve months' accommodation; this is really 10 to 16 per cent. per annum, as the average amount on loan is only half the total amount due. A retailer using this system finds his stock turned over more rapidly, and therefore less likely to become out-of-date or old-fashioned. On the other hand, if the retailer has to take back goods he may find that they have suffered loss in value by wear and tear; alternatively he may be involved in legal expenses. Hire-purchase transactions require special records, so that extra staff will have to be employed. The retailer may have to employ some one to go round to customers' houses in order to collect instalments. Both these matters will necessitate the provision of extra working capital.

From the customer's point of view hire purchase enables him to acquire many articles which he would not be able to afford if he had to save the whole of the purchase price before buying them, while the small, regular payments are a great convenience to people in the lower-income groups. However, the desire of traders to increase their sales leads them to employ salesmen with high technical skill in salesmanship, against which the buyer can offer but poor 'sales resistance.' He may therefore be induced to buy goods which he does not really need. He may also be tempted to increase his commitments beyond his means, and if bad times come along he may not be able to keep up his payments. It is said, however, that in Great Britain the proportion of bad debts under hire-purchase trading has not been large. The customer suffers because of the rate of interest which is added to the cash purchase price. This represents a high price to pay

for the convenience of having the goods at once rather than waiting until he has saved enough to purchase them outright. Formerly abuses existed owing to the complexity of the hire-purchase agreement, which purchasers did not fully understand. The appearance of the finance company behind the trader with whom the original arrangement was made also caused misunderstandings. Now the Hire Purchase Act of 1938, which came into force on January 1, 1939, regulates the procedure for making agreements, and gives the purchaser certain minimum rights when only a proportion of the instalments has been paid. The Act, however, only applies to agreements where the purchase price, in the case of motors, does not exceed £50, and in any other case £100.

Exercise 12 A

1. Answer the following as briefly as possible:
   (*a*) Give two examples of a retailer's costs which will be fixed.
   (*b*) Give two examples of a retailer's costs which will vary with his turnover.
   (*c*) What is meant by "charging what the traffic will bear"?
   (*d*) Give two reasons why 'competition' is important to retailers.
   (*e*) Name six fixed-price branded goods.
   (*f*) What is meant by a 'price-cutter' in the retail trade?
   (*g*) Why do retailers advertise?
   (*h*) Name the two main types of advertising.
   (*i*) Give two kinds of advertising used by (i) multiple stores, (ii) unit retailers.
   (*j*) Why do retailers have periodic 'sales'?
2. Write a brief account of the selling problems confronting a retailer.
3. (*a*) What points must a retailer take into consideration when fixing the selling price of his goods?
   (*b*) From past experience a retailer estimated that if he charged 7*d*. for a torch he would sell 100 in a month, if he charged 9*d*. he would sell 60, and if 1*s*. 30. The torches cost him 5*d*. each. At what price would you advise the retailer to sell? Give full reasons.

4. (*a*) Explain from the retailer's point of view the advantages and disadvantages of stocking 'branded' goods.
(*b*) Before the war-time controlled prices came into operation a retail grocer analysed his sales of £9500, and discovered that £5000 was from goods for which he had fixed his own selling price, £3000 was from fixed-price branded goods, and the remainder was from branded goods bought by him without conditions concerning his selling price. What (i) fraction, (ii) percentage, were in each of these categories?

5. "A retailer must use that type of advertising which will be most effective." Explain what this means, and give illustrations from the advertising of various kinds of retailer you know.

6. (*a*) Study a number of shop-windows, and indicate with reasons whether or not you consider them to be well dressed.
(*b*) From the figures quoted at page 118 calculate the percentage of the total expenditure on advertising which was represented by each kind of advertising.

7. (*a*) What kind of advertising is most likely to be used by (i) mail-order houses, (ii) unit retailers, (iii) multiple stores?
Quote examples from retail businesses you know.
(*b*) What factor would influence your decision as a retailer to use the Press, catalogues, or window display to advertise a certain line of merchandise?
[*City and Guilds of London Institute.*]

8. A department store bought 200 chairs at 3*s.* 6*d.* each, and advertised them for sale at 2*s.* 3*d.* each. It was estimated that this special attraction brought to the store 300 extra customers, who, although they were unable to buy chairs, spent on an average 7*s.* 6*d.* in the store. Of this 20 per cent. was profit. The advertisement in the Press had cost £4 10*s.* What was the profit made as a result of employing the 'loss leader'?

9. A retail draper is anxious to secure more customers. Discuss three methods he may adopt to do so.
[*Union of Educational Institutions.*]

Exercise 12 B

1. Answer the following as briefly as possible:
(*a*) What is the difference between 'cash sales' and 'credit sales'?
(*b*) Why do retailers keep a record of 'credit sales'?

(*c*) What is a 'sales day book'?
(*d*) From which documents are sales day books compiled?
(*e*) To which accounts in the ledger are the figures from the sales day book transferred?
(*f*) What is a 'credit note'?
(*g*) Give two occasions when a retailer might send a credit note to a customer.
(*h*) What effect does the sending of a credit note to a customer have on the amount the latter owes?
(*i*) What are the two main types of hire-purchase contract?
(*j*) What kinds of retailer are most likely to allow hire purchase?

2. During the four weeks in February 1946 Harber and Mills, retail grocers, had cash sales of £38 4*s*. 6*d*., £47 8*s*. 9*d*., £37 16*s*. 8*d*., and £47 1*s*. 8*d*., and credit sales of £43 4*s*. 8*d*., £51 1*s*. 8*d*., £42 4*s*. 6*d*., and £44 3*s*. 8*d*.

(*a*) Make out a table which shows the total sales for each week and the total cash and credit sales for the month.
(*b*) From what sources might the retailers have obtained the figures quoted?

3. (*a*) Explain the retailer's purpose in sending invoices to customers.
(*b*) Imagine that you own either a ladies' or a gentlemen's outfitting business. Give an example of an invoice you might send to one of your customers.

4. Jackson and Sons, Ltd., retail ironmongers, sold goods to various customers as follows:

(*a*) *Albert Ashton*
Four tins of paint at 7*s*. 9*d*. each, two and a half gallons of varnish at 12*s*. 6*d*. per gallon, four paintbrushes at 4*s*. 9*d*. each.
(*b*) *Benjamin Brown*
One gross of 2-inch screws at 2½*d*. per dozen, four hammers at 5*s*. 2*d*. each, four pounds of assorted nails at 3½*d*. per pound.
(*c*) *Charles Cowley*
Three chisels at 2*s*. 4½*d*. each, two planes at 18*s*. 6*d*. each, two saws at 13*s*. 9*d*. each, two brace-and-bits at 17*s*. 9*d*. each.
(*d*) *David Downs*
Two garden forks at 11*s*. 6*d*. each, twenty-eight

pounds of lime at 5*s.* 6*d.* per hundredweight, seven sacks at 15*s.* per dozen.

(i) Calculate the total of each invoice.

(ii) Show how these would be entered in Jackson's sales day book.

(iii) Show how these transactions would be recorded in Jackson's ledger.

5. Eatwell and Bayley, general outfitters, sold goods to various customers at the following list prices, less the discount shown:

Date	*Customer*	*List Price*			*Discount*
		£	*s.*	*d.*	per cent.
Jan. 4	M. Wood . . .	12	12	0	10
„ 8	E. Sutton . . .	14	3	4	$33\frac{1}{3}$
„ 17	M. Tippetts . .	8	10	0	15
„ 24	V. Cook . . .	16	6	8	$12\frac{1}{2}$
„ 30	B. Burroughs . .	10	13	4	$7\frac{1}{2}$

(*a*) Make out the sales day book of Eatwell and Bayley.

(*b*) Show the ledger of Eatwell and Bayley.

6. (*a*) What is the purpose of (i) a debit note, (ii) a credit note? Make a list of all the circumstances in which a retailer might send each of these documents to his customers.

(*b*) Charles Cowley (Question 4) returned one plane and one saw, as they had not been ordered. Adding any details you consider necessary, make out the credit note which Jackson's would send.

(*c*) Show how Cowley's account would eventually appear in Jackson's ledger.

(*d*) How much did Cowley now owe Jackson's?

7. Sheila Howdle, gown specialist, sent out the following invoices and credit notes during January 1946:

Customer	*Invoice*			*Credit Note*		
	£	*s.*	*d.*	£	*s.*	*d.*
Mrs C. Charles .	14	15	6	2	1	6
Miss P. Eyres .	9	9	0		—	
Lady Skinner .	18	17	6	7	10	0
Miss T. Vaughan	3	4	6		—	

(*a*) Make out the relevant day books of Sheila Howdle.

(*b*) Adding any necessary details, make out the credit note which would be sent to Lady Skinner.
(*c*) Show the accounts in Sheila Howdle's ledger.
(*d*) Indicate how much was owing by each customer.

8. Jack Wilson, retail sports outfitter, sold various articles to different customers as under. The credit notes refer to articles which were returned to Wilson as unsuitable.

Customer	*Number of Articles*	*Price*	*Trade Discount*	*Credit Note*
		£ *s.* *d.*	per cent.	
A. Aston .	10	15 10 0	20	2
B. Baxter .	14	3 1 8	$33\frac{1}{3}$	—
C. Carter .	17	4 6 8	$12\frac{1}{2}$	3
D. Durston	12	2 3 4	$16\frac{2}{3}$	1

(*a*) How much was the amount due on each invoice?
(*b*) How much was due on each invoice after allowance had been made for the credit note?
(*c*) Adding any necessary details, make out (i) the sales day book, (ii) the sales returns day book, of Wilson.
(*d*) Post these day books to the ledger.
(*e*) What were Wilson's 'net sales' as a result of these transactions?

9. On February 8 Eatwell and Bayley (Question 5) discovered that they should have allowed only a 20 per cent. discount to E. Sutton. M. Tippetts returned half of the goods he had bought, as they were unsuitable.

(*a*) Advise Eatwell and Bayley what to do.
(*b*) Adding the necessary details, make out any documents they would send to their customers.
(*c*) Show how Eatwell and Bayley's ledger would be affected.

10. (*a*) Explain the purpose and methods of hire purchase, and indicate, with reasons, the kinds of retailer who are likely to use this system.
(*b*) Explain the difference between 'hire purchase' and 'deferred payments.'

11. The Victoria Furnishing Co., Ltd., offered dining-room suites for £32 cash or £5 in cash and twenty-four monthly payments of £1 7*s.* 6*d.*

(*a*) How much more did the customer pay by accepting the hire-purchase scheme?

(*b*) Is this all extra profit to the trader? Give reasons for your answer.

12. The Excel Music Co., Ltd., sold a pianoforte for either £50 in cash or for twenty-four monthly instalments of £2 10*s.* 0*d.*

(*a*) How much 'extra' did the customer pay by accepting the hire-purchase scheme?

(*b*) If the customer could have borrowed the £50 at 4 per cent. interest per annum from a friend, and repaid the loan at the end of two years, how much better off would he have been?

13. A manufacturer financed a retailer's hire-purchase scheme, and charged the retailer 6¼ per cent. for twelve months' accommodation. On January 1 the retailer bought goods valued at £600 from the manufacturer, and sold them to customers who paid twelve monthly instalments of £75.

(*a*) If the retailer repaid the manufacturer by twelve monthly payments, what was the actual rate of interest on the amount outstanding?

(*b*) If the retailer's cash selling price would have given him a profit of 33⅓ per cent. on his buying price, what were his extra receipts from the hire-purchase scheme?

14. A cycle retailer adds 15 per cent. on to the amount remaining after the initial deposit has been paid in order to ascertain the hire-purchase price. Customers then make equal weekly payments, and then a final payment of any balance due.

Customer	*Cash Price*	*Deposit Paid*	*Weekly Payment*
	£ *s.* *d.*	£ *s.* *d.*	*s.* *d.*
A	9 10 0	2 0 0	4 6
B	11 15 0	3 10 0	5 0
C	8 4 10	1 4 10	4 0
D	14 18 4	2 0 0	7 6

(*a*) How many equal weekly payments did each customer make?

(*b*) What final balance had to be paid in each case?

(*c*) What was the extra amount paid by each customer through paying by instalments?

CHAPTER XIII

THE RESULTS OF TRADING

FORECASTING THE RESULTS

ANY retailer whose business is of substantial size will gain by budgeting ahead—that is, attempting to estimate his sales and expenses and the resultant profit to be gained. He must, of course, begin with the fact that the goods he has to sell will cost him a certain figure. When we talk about cost of goods, however, we must remember that items other than the actual cost of the goods themselves are included, especially in such trades as clothing, drapery, and outfitting. To this figure must be added the cost of getting the goods to the shop, and also what are usually called 'stock charges'—that is, expenses incurred in repairing and altering goods, and in putting them in order for sale.

The retailer wishes to obtain on his purchases as a whole—not necessarily on each individual item—a certain 'gross margin,' out of which expenses will be paid, and which will leave him with a 'net surplus' for himself. Therefore he adds to the cost of the goods as above determined a percentage which is termed the 'initial mark-up.' This percentage must be a constant figure to allow for comparisons from one year to another, and must be sufficient to allow the desired gross margin to be achieved after allowing for wastage and leakage, perhaps for pilfering, and also for the loss to be sustained by his having to mark down goods which do not sell as anticipated. This marking-down process is especially important in the case of fashion goods. Originally expressed as a percentage addition to cost price, the mark-up is in practice converted into a percentage of selling price—that is, an addition of 25 per cent. to cost price becomes regarded as 20 per cent. of selling price.

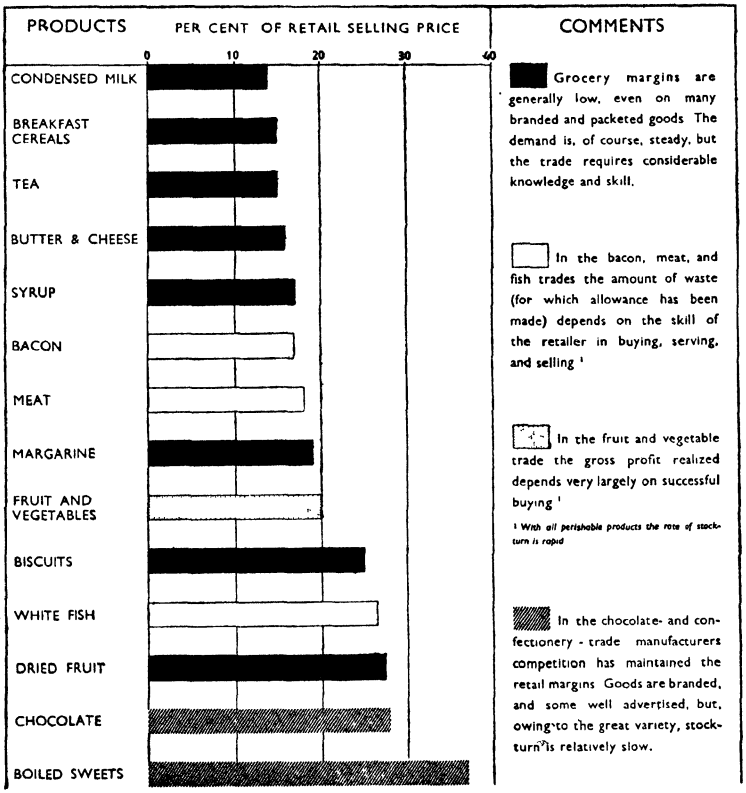
The net amount of goods which a retailer succeeds in selling in the course of a year, his 'sales' less 'sales returns,' is known as

his 'turnover,' which, together with the gross margin which he hopes to realize, constitutes an important element in the determination of his net surplus. Even more important, however, is the rate of turnover, or rate of stock-turn—the number of times he succeeds in clearing out and replenishing his stock. It should therefore be the retailer's aim to keep his goods on the move and to avoid 'dead stock.' The number of times which stock is turned over during a year depends on the nature of the trade, whether in perishables or otherwise, on the size of the undertaking (large firms usually having a quicker turnover than small ones), and on the value of each item of goods dealt in, large or small. Here are some examples of annual rates of turnover in different trades: furniture, $2\frac{1}{2}$ times; department stores, 6 to 9 times for all departments; grocery, 10 times; fruit, 80 times; fish, 200 times; and newspapers, 300 times. If a retailer, by reducing the amount of profit per article, can manage to increase his rate of turnover it may well be that he will increase his net surplus. Every well-conducted business will keep records in order to furnish estimates for enabling buying to be carried out on the most favourable terms. These records will show the stock subdivided into categories for convenient handling, and will help to decide when goods shall be bought—either for a whole season in advance, or at monthly, weekly, or even daily intervals. The chart at page 138 shows an analysis of turnover for 1942 in the case of clothing, drapery, and footwear shops of varying sizes.

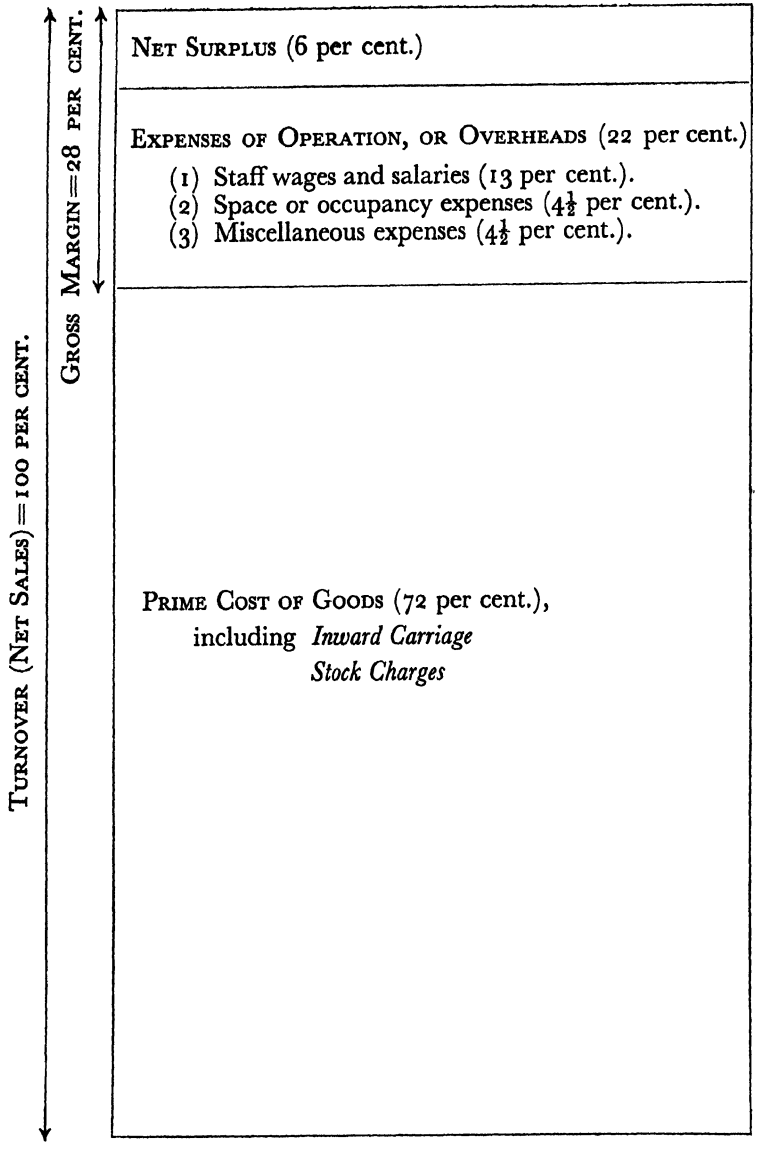
The cost of the goods themselves we may describe as the 'prime cost' of the retailer's sales. From the gross margin between purchases and sales, however, the retailer has to allow for the deduction of all the expenses of doing business; these are known as the 'overheads.' They include wages and salaries of the buying, selling, and office staffs; space or occupancy expenses such as rent and rates, maintenance of buildings and equipment, and provision for the wastage or depreciation of such assets; publicity, and miscellaneous expenses, including delivery, stationery, postage, telephone, and telegrams. It is necessary for the retailer to furnish himself with such information as will enable him to keep track of these expenses—for example, he

VARYING RETAIL MARGINS IN FOOD TRADES (1939)

AFTER MAKING ALLOWANCES FOR WASTAGE
AND NOT INCLUDING COST OF WHOLESALING



By courtesy of Messrs Cadbury Bros., Ltd.



The Constituent Items of Selling Price in the Clothing and Drapery Trades

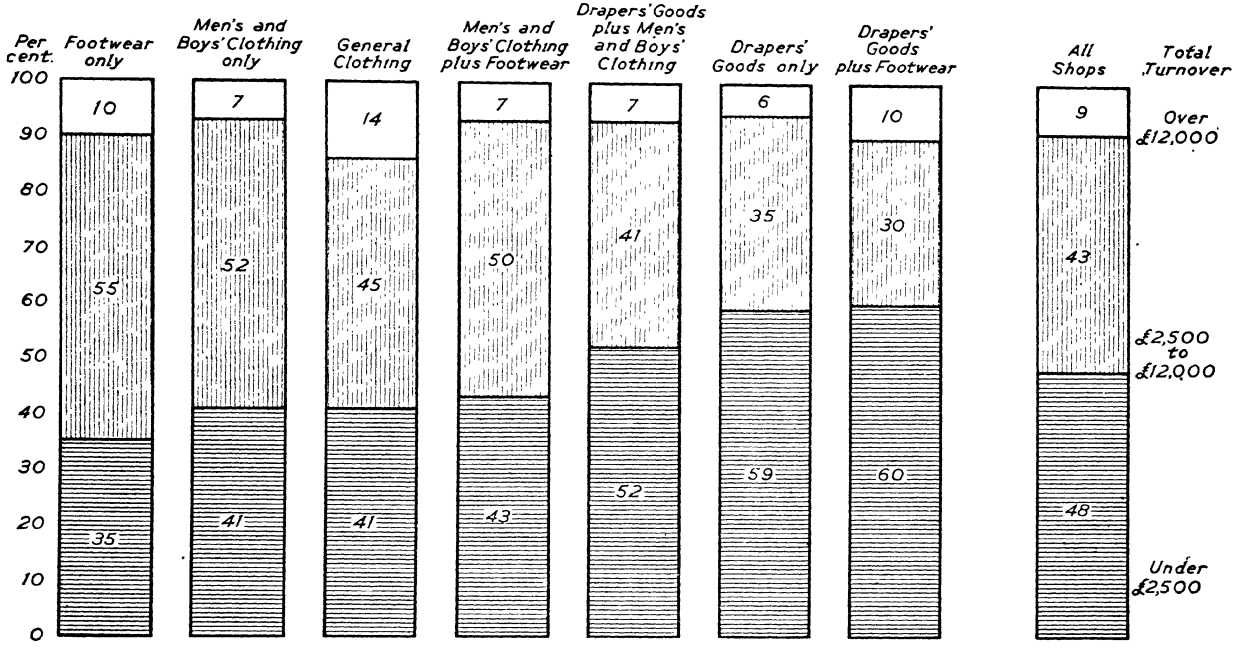
should know the amount of daily and weekly sales per shop assistant, the ratio of selling to non-selling expenses, to what extent supplies are being used, especially if his business consists of several departments, the floor space and advertising space used by each department, and the average amount per sale to customers. The management of a large department store details its expenses under 200 different heads, expressing each as a percentage of turnover correct to the third decimal place, and constantly comparing the figures with those of the previous year. The deduction of estimated expenses from the desired gross margin will leave the retailer with his estimated net surplus, both being expressed as a percentage of turnover.

There is one other figure which it is important for the retailer to have: that is the percentage of net profit earned in relation to capital employed in the business (see Chapter III). This percentage will not be the same as that of net profit in relation to turnover. Many small-business men do not own their own premises, so that a net surplus of, say, 6 per cent. on turnover produces a net profit of about 10 per cent. on capital employed; while in the case of large businesses such as department stores, owning their own buildings as well as stock and fixtures, the percentage will be about 8.

When we speak of the retailer's budgeting for certain results in his business we must remember that those desired results will not necessarily be achieved; they do, however, serve as a target to be aimed at. Plans made at the beginning of the period may have to be scrapped, and a fresh start made, or the original plan may have to be adapted to meet changing conditions such as a rise in wages and salaries or a slump in trade.

Information concerning the results of retailing as a whole is not easily available, and will not be forthcoming until we get a census of distribution, but the Board of Trade and the trade organizations concerned have made an analysis of the results for 1942 in the case of the clothing and drapery trades, and the chart at page 138 shows the broad picture produced by the investigations.

We may conclude this section by summarizing the information already given:



Note. "Drapers' Goods" covers women's, girls', and infants' clothing, cloth, knitting wool.

THE TURNOVER IN THE DRAPERY TRADE

By courtesy of the Editor of "The Board of Trade Journal"

Cost price plus *initial mark-up* equals *selling price.*
Initial mark-up minus *wastage and mark-down* equals *gross margin.*
Gross margin minus *overheads* equals *net surplus.*
Turnover divided by *average stock* equals *rate of turnover.*

PERFORMANCE—THE ACTUAL RESULTS

At the end of his financial year the retailer will wish to know how far the target which he has set earlier has been achieved. He will have kept records during the year—records of sales and purchases, less returns in each case. He will also have in his ledger an account of his expenses under suitable headings. With these figures, and with the taking into account of unsold goods at the beginning and end of the year, he will be able to ascertain, first, the actual gross margin and, second, the net surplus realized. The first piece of information is discovered in his trading account, and the second in his profit-and-loss account. The following example will show how this is done:

Colin Harber, a retail dealer in general clothing, produces the following figures relating to his business for the year ended December 31, 1944:

Stock at January 1, 1944, £2000; stock at December 31, 1944, £1900; purchases, £8200; purchases returns, £200; inward carriage, £100; stock charges, £200; sales, £12,000; sales returns, £100; staff wages and salaries (buying, £333; selling, £833; office, £500), £1666; space charges (rent and rates, £300; maintenance, £170; depreciation, £125), £595; miscellaneous expenses, £595.

You are asked to find his gross margin, net surplus, rate of turnover, and percentage of net profit on his capital of £7000.

The rate of turnover is found as follows:

Turnover (£11,900) divided by average stock (£2000 plus £1900 divided by 2).

This gives just over 6 for rate of turnover.

As the net surplus on turnover is £644 and the capital is £7000, the rate of net profit on capital will be:

$$\frac{644}{7000} \times \frac{100}{1}, \text{ which gives } 9{\cdot}2 \text{ per cent.}$$

Trading Account of Colin Harber for the Year ended December 31, 1944

Dr.		*Percentage of Turnover*		*Cr.*		*Percentage*
To goods bought	£8,200		By sales	£12,000		
Less returns	£200		Less returns	£100	100	
	£8,000			£11,900		
Add carriage	£100					
„ stock charges	£200					
	£8,300					
Add stock at January 1, 1944	£2,000					
	£10,300					
Less stock at December 31, 1944	£1,900					
Prime cost of sales	£8,400	70·6				
„ gross margin	£3,500	29·4				
	£11,900	100·0		£11,900	100·0	

PROFIT-AND-LOSS ACCOUNT OF COLIN HARBER FOR THE YEAR ENDED DECEMBER 31, 1944

Dr.			*Per-centage*		*Cr.*		*Per-centage*
To staff wages and salaries				By gross margin . . .	£3500		29·4
Buying . . .	£333						
Selling . . .	£833						
Office . . .	£500	£1666	14·0				
„ Space charges							
Rent, etc. . .	£300						
Maintenance .	£170						
Depreciation .	£125	£595	5·0				
„ Miscellaneous expenses .		£595	5·0				
„ Net surplus . . .		£644	5·4				
		£3500	29·4		£3500		29·4

Exercise 13 A

1. Answer the following as briefly as possible:
   (*a*) Why does a retailer try to 'budget ahead'?
   (*b*) What is meant by a retailer's 'mark-up'?
   (*c*) What is meant by 'marking down' goods?
   (*d*) A retailer's mark-up is 50 per cent. of his cost price. What percentage is this of his selling price?
   (*e*) What is meant by the 'turnover' of a retailer?
   (*f*) What is meant by 'rate of turnover'?
   (*g*) A retailer's average stock of goods was valued at £400. His net sales were £5000. What was his rate of turnover?
   (*h*) What kinds of shop are likely to have (*a*) a slow, (*b*) a quick, turnover?
   (*i*) What is meant by a retailer's 'overheads'?
   (*j*) Name three expenses which might be included in overheads.

2. A draper bought goods for £70. The cost of delivery was £1 10*s.* 0*d.* and his 'stock charges' amounted to £3 10*s.* 0*d.* He wished to make a gross margin of 33⅓ per cent. on his costs.
   (*a*) At what price must he sell the goods?
   (*b*) What percentage of his selling price was the 'initial mark-up'?

3. The following figures show a retailer's buying price of various articles and the percentage (reckoned on cost price) of his initial mark up.

	Buying Price	*Stock Charges, etc.*	*Mark-up*
(i)	£20 0*s.* 0*d.*	£4 0*s.* 0*d.*	25 per cent.
(ii)	£35 0*s.* 0*d.*	£5 0*s* 0*d.*	20 ,,
(iii)	£48 10*s.* 0*d.*	—	25 ,,
(iv)	£17 5*s.* 0*d.*	—	33⅓ ,,
(v)	£46 5*s.* 0*d.*	£3 15*s.* 0*d.*	22½ ,,

   (*a*) Find, in each case, the selling price.
   (*b*) What percentage of the selling price was the initial mark-up in each case?

4. From the following details calculate the percentage profit to the retailer on (*a*) his cost price, (*b*) his selling price.

	Cost Price	*Mark-up*
(i)	1*s.* 8*d.*	10*d.*
(ii)	3*s.* 4*d.*	1*s.* 8*d.*
(iii)	£3 10*s.* 0*d.*	£1 10*s.* 0*d.*
(iv)	£16 15*s.* 0*d.*	£3 5*s.* 0*d.*
(v)	£4 12*s.* 6*d.*	£1 17*s.* 6*d.*

5. A retailer bought various articles at the following prices: (*a*) £2, (*b*) £6 10*s*. 0*d*., (*c*) 15*s*., (*d*) £8 12*s*. 6*d*.
What will his selling price be in each case if he wishes to make a profit of 20 per cent. on (i) his cost price, (ii) his selling price?

6. A retailer had a mark-up reckoned on selling prices of various articles as follows:
(*a*) 20 per cent., (*b*) 25 per cent., (*c*) 50 per cent., (*d*) 30 per cent.
What percentage was this mark-up on his cost prices?

7. A retailer wishes to mark a certain article so that he will make 20 per cent. profit on the selling price after he has allowed his customer a discount of 5 per cent. (*a*) At what price will he mark the article which cost him £7 12*s*. 0*d*.? (*b*) What was the cost of goods he marked at £3 15*s*. 0*d*?

8. A retailer always marks his stock at 50 per cent. above current wholesale prices. If the latter rose 10 per cent., then fell 5 per cent., and later rose 12½ per cent. what was the final marked price of an article originally labelled 40*s*.?
[*Royal Society of Arts.*]

9. A retailer's sales for 1945 amounted to £20,000. His gross profit was 31 per cent. of his turnover, and his rent (with rates) was £1200. His other expenses amounted to £1100. Find the percentage of turnover of each of the items net profit, rent and rates, and other expenses.
[*Royal Society of Arts.*]

10. (*a*) What is meant by 'stock turnover'? Give an example. State the advantages and disadvantages respectively of a 'high rate' and a 'low rate.'
[*City and Guilds of London Institute.*]
(*b*) Make a list of kinds of retail shops which are likely to have a (i) high rate, (ii) low rate, of stock turnover.

11. A retailer sells each month 500 articles at 5*s*. each. He pays 2*s*. 4*d*. each for them, and his expenses for rent, wages, etc. average 5*d*. per article. Find his gross profit and his net profit, and express each as a percentage of turnover.
[*Royal Society of Arts.*]

12. A retailer turns over his stock four times each year. His selling prices are such that his cost prices are, in every case, 33⅓ per cent. less. His business expenses amount to 20 per cent. of his gross receipts. His total purchases for 1945 amounted to £24,000. Find (*a*) his net profit for the year, (*b*) the average value (selling price) of the stock carried.
[*Royal Society of Arts.*]

13. The following figures related to the business of two retailers during 1945:

	Newsagent	*Furniture Retailer*
Turnover	£7,500	£10,000
Purchase price of goods	£6,000	£6,500
Stock charges, etc.	£25	£500
Wages	£250	£1,000
Rent	£50	£200
Other expenses	£100	£300

(*a*) Calculate the percentage which each item bears to the turnover in each case.

(*b*) How might you account for any marked differences there are between the percentage figures for each retailer?

(*c*) Using the chart at page 136 as a guide, compile two charts showing clearly the percentage which the gross margin and the net surplus bears to the turnover.

14. (*a*) "'Small profits and quick returns' should be the policy of retailers." Explain the meaning of this statement.

(*b*) A wholesaler sold goods to three different retailers at 4*d.* each. A charged 5*d.* and sold 800 in the year, B charged 7*d.* and sold 250, and C charged 9*d.* and sold 140. Which retailer made (i) the greatest profit per article, (ii) the greatest gross profit on this article?

15. A retailer has premises valued at £4500 and stock which cost him £2500. He owes £600. He turns over his stock four times a year, making 20 per cent. gross profit on his sales each time. His expenses amount to £500 for the year. What percentage does his net profit bear to his capital?

[*Royal Society of Arts.*]

16. A retail trader usually carries stock which costs him £2500. He turns over his stock four and a half times a year, and makes 20 per cent. gross profit on his sales. His total expenses usually amount to £1500. Find his annual gross profit and his annual net profit; express each as a percentage of his turnover.

[*Royal Society of Arts.*]

17. A retailer's capital is £10,000. Four thousand pounds of this is represented by his stock, valued at cost price. He turns over his stock six times a year, and makes a gross profit of 25 per cent. on his cost prices. His usual expenses are £5000. What percentage does his net profit bear to his capital?

18. A retail department store furnishes the following information concerning its trading for the year:

	Average Stock at Cost	*Stock turned over*	*Gross Profit (per cent.) of Selling Price*	*Cost of doing Business (per cent. of Turnover)*
Department	A, £3500	1·5 times	33⅓	15
,,	B, £500	2 ,,	25	10
,,	C, £1000	4 ,,	20	12½
,,	D, £100	10 ,,	30	20

Find the total gross and net profit for the year and the cost of doing business expressed as percentage of total turnover.

[*Royal Society of Arts.*]

19. A trader's profit was based on 33⅓ per cent. of his selling prices, and for the month of March the cost of goods purchased was £2514, returns outwards amounted to £34, while the expenses of the business were £940. You are required to find (*a*) the gross profit, (*b*) the net profit, (*c*) percentage net profit on sales, (*d*) percentage net profit per annum on a capital of £4000. If one-third of the sales are for cash and a special discount of 5 per cent. is allowed on these, how would (*b*) and (*c*) appear?

[*Union of Lancashire and Cheshire Institutes.*]

Exercise 13 B

1. Answer the following as briefly as possible:
   - (*a*) What is a 'trading account'?
   - (*b*) From what sources does the retailer obtain the information in his trading account?
   - (*c*) Name four main items in a trading account.
   - (*d*) What is meant by the 'prime cost of sales'?
   - (*e*) What is meant by a retailer's 'gross margin'?
   - (*f*) What figures are required from a trading account in order to calculate the rate of turnover?
   - (*g*) What is the purpose of compiling a profit-and-loss account?
   - (*h*) What is a retailer's 'net surplus'?
   - (*i*) Why do retailers calculate their various expenses and profit margins as percentages of turnover?
   - (*j*) What is the object of calculating the percentage of net profit on capital?
2. (*a*) Explain in detail the difference between a retailer's trading account and his profit-and-loss account.

(*b*) Marion Law, fashion specialist, produced the following figures for her business for the year ending December 31, 1945: Stock on January 1,1945, £800; stock on December 31, 1945, £1000; purchases, £4750; sales, £7500; purchases returns, £60; sales returns, £120; alterations to gowns, etc., before sale, £180; rent, £100; staff wages, £1000; advertising, £50; general expenses, £150; delivery to customers, £80. Find (i) her gross margin, (ii) her net surplus, (iii) her rate of turnover, (iv) the percentage of her net profit to her capital of £4000.

3. The following figures relate to a retailer's business:

Year	*Stock Jan. 1*	*Stock Dec. 31*	*Purchases*	*Purchases Returns*	*Sales*	*Sales Returns*	*Stock Charges*
1943	£200	£250	£4200	£200	£7,700	£200	£150
1944	£250	£300	£4800	£200	£8,400	£300	£250
1945	£300	£400	£5400	£250	£10,000	£400	£300

Year	*Salaries*	*Depreciation*	*Advertising*	*Rent*	*Other Expenses*
1943	£1000	£100	£50	£100	£150
1944	£1100	£100	£60	£100	£200
1945	£1300	£100	£100	£100	£300

For each year make out a trading account and a profit-and-loss account, and then calculate (*a*) gross margin, (*b*) net surplus, the percentage which (*c*) the gross margin and (*d*) the net surplus bear to turnover.

4. (*a*) Using the figures in Question 3, draw on squared paper a bar chart showing for each year the various expenses and net profit.

(*b*) Explain why some of these expenses remained constant and others varied.

5. The following summary of the trading accounts of a retailer for the three years 1934, 1935, and 1936, is placed before you:

Dr. *Cr.*

	1934	1935	1936	1934	1935	1936	
	£	£	£	£	£	£	
To commencing stock	2,000	2,400	4,000	10,000	7,800	7,000	By sales
„ purchases	8,400	6,800	6,040	2,400	4,000	3,400	„ closing stock
„ gross profit	2,000	2,600	360				
	12,400	11,800	10,400	12,400	11,800	10,400	

Calculate the rate of gross profit earned on the sales each year and the number of times per year that the stock was turned over. Comment on your results.

[*Royal Society of Arts.*]

6. Having arrived at the figures in your retail business which represent the gross profit, indicate, in order of importance, the main expense items which have to be met before the net profit can be ascertained.

7. A retail motor-car merchant buys a lot of ten similar second-hand cars for £450. Delivery costs and reconditioning expenses amount to 6 per cent. of what they cost him. He requires a net profit of 20 per cent. on his total outlay. At what price should he try to sell each car?

[*Royal Society of Arts.*]

8. A retailer bought 1500 articles and priced them for sale at 20*s.* each, at a gross profit equal to 20 per cent. of the cost price. Of the articles 500 were sold at the fixed selling price, 500 were sold at the fixed selling price less 12½ per cent., and 500 were sold at the fixed selling price less 20 per cent. What gross profit did the retailer make on the goods, and what percentage was this of cost price?

[*Royal Society of Arts.*]

9. How are a retailer's (*a*) gross profit, (*b*) net profit, (*c*) expenses, (*d*) turnover, related to each other? Illustrate your answer by means of figures.

[*Royal Society of Arts.*]

10. From the following information extracted from the books of a trader find his gross profit and his net profit for the year 1943. Express each as a percentage of his turnover.

Stock, January 1, £7500; stock, December 31, £5000; purchases (at cost), £15,000; sales, £40,000; expenses £3000. Stock is at cost with mark-up of 25 per cent. added.

[*Royal Society of Arts.*]

11. (*a*) What information is necessary if a retail trader wishes to calculate accurately (i) his gross profit and (ii) his net profit at the end of a trading period?

(*b*) A retailer is in a business where he makes 33⅓ per cent. gross profit on the wholesale price of his goods. If his weekly turnover is £60 and his weekly expenses are £7 10*s.*, calculate the net profit he will make per week, and express it as a percentage of his turnover.

[*Union of Educational Institutions.*]

12. From the following information calculate (*a*) gross profit, (*b*) net profit, (*c*) percentage of gross profit to turnover, (*d*)

percentage of net profit to turnover: January 1, 1943, stock, £800; December 31, 1943, stock, £700; sales, £4050; purchases, £2800; sales returns, £50; business expenses, £600.

[*Union of Educational Institutions.*]

13. A retailer's stock at January 1, 1943, was £1200; at December 31, 1943, it was £1600. His purchases for the year were £5000, and his sales £7000. His working expenses were £800. Calculate his (*a*) gross profit, (*b*) net profit, (*c*) average stock, (*d*) rate of turnover.

[*Union of Educational Institutes.*]

14. In 1939 the net sales of a retail firm, A, were £50,500; gross profit was 40 per cent. of net sales; total expenses were 24 per cent. of net sales; stock turned over 3·5 times. For another firm, B, in the same kind of business, the net sales were £81,000; gross profit was 36 per cent. and expenses 21 per cent. of net sales; stock turned over four times.

Which was the more efficiently managed establishment? Give reasons for your answer.

[*Royal Society of Arts.*]

15. A trader produced the following figures for his business:

	1943	1944
Capital . . .	£5000	£5000
Average stock at cost price .	£1000	£1000
Sales	£8000	£12,000
Rate of stock turnover	6	9·6
Expenses . . .	£1000	£1250

Calculate for each year (*a*) the gross profit per pound of sales, (*b*) the expenses per pound of sales, (*c*) the net profit as a percentage of capital. What conclusions can you draw from a comparison of the two years?

[*Union of Lancashire and Cheshire Institutes.*]

16. The accounts for the half-year ending December 31, 1943, of H. Philips, a radio and cycle dealer, show the following figures: purchases, £4613; sales, £5851; returns outwards and allowances, £89; returns inwards and allowances, £196; expenses, £781; capital as at December 31, 1943, £1350.

You are required to find (*a*) gross profit, (*b*) net profit, (*c*) percentage gross profit and net profit on cost price of sales, (*d*) interest per annum on capital.

[*Union of Lancashire and Cheshire Institutes.*]

CHAPTER XIV

THE RETAILER PAYS HIS BILLS

STATEMENT OF ACCOUNT

So far we have dealt with transactions involving the purchase and sale of goods. Sooner or later, however, the question of payment must arise. Most of the business between wholesalers and retailers is done on credit, the wholesaler sending out accounts either fortnightly, monthly, or quarterly. These accounts show in summarized form the whole of the transactions between the retailer and his supplier for the period in question. If the retailer himself allows credit to his customers he will follow the same practice. There is no legal compulsion to send out accounts in this way, but the custom is well established, and serves several useful purposes.

When a trader is about to send out his accounts he or his clerk will look through the ledger, and will extract from each customer's ledger account the items to be recorded on the statement. The first item will probably be the amount owing at the beginning of the period, or the balance brought forward from the last account. To this will be added the totals of the invoices and debit notes sent to the customer during the period. The addition of all these items will give the total debit against the customer. From this total will be deducted the allowances made, together with the amounts of any sums which the customer has paid during the period. The resultant figure will be the net amount owing by the customer.

Here is a statement of account such as Adams and Black might send to Thomas Jones at the end of May 1945. You will notice that it includes the invoice and credit note set out in Chapter XI. The statement serves to remind the customer that the time for payment has come, and enables him to check his ledger with that of the supplier.

STATEMENT OF ACCOUNT No. 56

8 FOUNTAIN STREET
LONDON, E.C.2
May 31, 1945

MR THOMAS JONES
THE CIRCLE
HURST GREEN
GLOUCESTER

Dr. to **Adams and Black**

Monthly accounts. 2½ per cent. for prompt payment.

1945			£	s.	d.	£	s.	d.
April	30.	To balance brought forward				28	16	5
May	7.	„ goods				14	7	8
„	18.	„ „				32	16	10
„	20.	„ „				11	8	0
						87	8	11
„	16.	By cash	28	16	5			
„	25.	„ credit note	1	0	0	29	16	5
						57	12	6

When Thomas Jones receives this statement he will proceed to check it by referring to his own ledger, in which will appear an account for Adams and Black. Assuming that the statement is in order, he must, if he wishes to secure the cash discount—that is, the deduction of 2½ per cent.—pay the amount within a day or two of receiving the statement.

You must remember the differences between an invoice and a statement of account.

(1) The invoice is sent either with the goods or about the time the goods are dispatched. The statement is sent when the money is due.

(2) An invoice contains details of the goods which are being sold. A statement merely contains details of invoices.

(3) An invoice is checked with the goods and with the copy of the order. A statement is checked with the supplier's account in the ledger.

Let us suppose that Thomas Jones pays the account promptly.

He will send a cheque for £57 12*s.* 6*d.* less 2½ per cent.—that is, for £56 3*s.* 8*d.* Adams and Black will then forward a receipt worded somewhat as follows:

RECEIPT NO. 97

8 FOUNTAIN STREET
LONDON, E.C.2
June 3, 1945

Received from Mr Thomas Jones the sum of fifty-six pounds three shillings and eightpence in full settlement of account.

	£	*s.*	*d.*
a/c.	57	12	6
dis.	1	8	10
cq.	56	3	8

For ADAMS AND BLACK,
J. ADAMS

A receipt for two pounds or over must bear a twopenny stamp. A receipt is the best, though not the only, evidence of payment.

MAKING SMALL PAYMENTS

Methods of making payments vary according to the amount of the debt to be paid, and the nearness or otherwise of the creditor to the debtor's place of business. Small local debts may be paid in coin or notes. Our coins to-day are either bronze or silver, gold coins not having been in circulation since 1914. These bronze and silver coins are what we call 'token' coins—that is, they do not contain their full face value in pure metal. Our silver coins, for example, contain only 50 per cent. pure silver, which is mixed with an alloy of inferior metals.[1] Coins are made at a Government department called the Royal Mint, Tower Hill, London.

The Government merely issues enough of these coins to serve the purpose of small change. So that people shall not be burdened with large quantities of metal it has been made law that no creditor shall be compelled to accept more than one shilling in bronze and two pounds in silver. This is termed 'limiting the legal tender' of the coins. We must not forget the nickel-brass

[1] Silver coins are now being gradually replaced by cupro-nickel coins.

threepenny pieces, the legal tender of which is limited to two shillings. This is the legal position. Of course, if a creditor were owed fifty shillings, and were offered that sum in silver, he would be foolish to refuse it.

For slightly larger local payments the retailer may use banknotes issued by the Bank of England, the only bank in England and Wales which has power to do this. Notes are now of the denominations of ten shillings, one pound, and five pounds. Notes for larger sums were formerly issued, but were withdrawn during the Second World War. Banknotes are unlimited legal tender—that is, they may be offered to any amount in payment of debts. They belong to the class of document known as 'negotiable instruments.' This means that they pass from hand to hand just like coin, and any person taking them honestly and for value acquires a perfect legal right to them. He is entitled to the money they represent even against the true owner from whom they may have been obtained by theft or by false pretences.

For small amounts which the retailer wishes to send to another part of the country postal orders may be used. These are issued by the Government through the Post Office for multiples of sixpence, ranging from a minimum of sixpence to a maximum of twenty-one shillings. Stamps may be affixed to postal orders to allow of the remittance of any sum ending in an odd number of pence. An extra fee termed 'poundage' is payable on the purchase of these orders; this is a charge for the convenience furnished by this method of payment. The poundage is one penny for postal orders of sixpence and one shilling; three-halfpence for orders from one-and-sixpence to five shillings; and twopence for all higher sums up to twenty-one shillings. If you look at the top of a postal order you will see printed the words 'Not Negotiable.' While this expression does not prevent the transfer of the order from one person to another it does mean that any person taking an order has no better right to it than had the person from whom he took it. A counterfoil is attached to every postal order. It is wise to fill in this counterfoil in case the order does not reach its destination, and a claim has to be made on the Postmaster-General. The information to be filled in consists of: the name of

the person to whom the order is payable, the post office at which it is made payable, the date when it is sent, and whether the order is crossed. To cross a postal order means to draw two parallel lines across the face of the order from the top to the bottom. The effect of this is that the order will not be cashed over the counter of a post office, but must be paid into a banking account. If desired, the name of a bank may be written inside the parallel lines; then the order must be paid into an account at the bank named in the crossing.

Money orders are issued by the Government through the Post Office for sums larger than those which may be sent by postal orders. The poundage on these is: for sums not exceeding three pounds, fourpence; ten pounds, sixpence; twenty pounds, eightpence; thirty pounds, tenpence; and the limit of forty pounds, one shilling. In the case of the issue of money orders the counterfoil is retained by the issuing post office and dispatched by them to the office of payment. The person cashing the order must give the name of the sender. Money orders, like postal orders, are not negotiable, and may be crossed. It is not likely that a retailer will use this means of payment to any great extent, unless his business is small and he has no banking account.

THE PETTY-CASH BOOK

Every retailer should keep a cash book in which to record his payments and receipts. Receipts appear on the left and payments on the right. In businesses where transactions are numerous it is customary to keep a special cash book, called the petty-cash book, as a record of payments in small sums. The care of this book is usually entrusted to a junior member of the office staff, and the procedure for dealing with it is as follows:

At the beginning of a week or month the chief cashier will give the petty cashier a cheque for a round sum in pounds; this is termed the 'imprest' or 'float.' The petty cashier will cash this cheque at the bank, and will proceed to use it for the payment of small sums as instructed. The amount received will be entered by him on the left-hand side of his petty-cash book, and the payments made will be entered on the right-hand side, first in a

PAGE FROM THE PETTY-

Dr.

RECEIPTS

1945			£	s.	d.	1945		
Jan.	1	To cash	10	0	0	Jan.	1	By stamps
								„ bus fares to Purton
						„	2	„ parcel post
								„ ink
								„ tip to driver
						„	3	„ S. Brown
								„ rail fare—Reading
								„ telegram to V. Taylor
						„	4	„ rail carriage
								„ cleaner's wages
						„	6	„ ledger
								„ balance c/d
			10	0	0			
Jan.	7	To balance	6	14	8			
		„ cashier	3	5	4			

N.B. The amount of 7*s.* 6*d.* on January 3 is a small sum owing to a creditor. This will be entered in the latter's ledger account direct.

CASH BOOK OF T. JONES

Cr.

PAYMENTS

Total			*Travelling Expenses*			*Postages and Telegrams*			*Carriage*			*Stationery*			*Sundries*			*Ledger Accounts*		
£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*
1	0	0				1	0	0												
	1	0		1	0															
	1	5								1	5									
	3	0											3	0						
		6															6			
	7	6																	7	6
	8	7		8	7															
		9						9												
	2	7								2	7									
	7	6														7	6			
	12	6											12	6						
3	5	4		9	7	1	0	9		4	0		15	6		8	0		7	6
6	14	8																		
10	0	0																		

column headed "Total," and also in an analysis column headed with the name of a particular class of expense. The practice of having a column headed "Total" is useful because its addition provides a check on the cross addition of the totals of the expense columns. At the end of the period the petty cashier will take his book to the chief cashier and show how much has been spent. The chief cashier will give the petty cashier a further cheque for the amount spent, thus bringing the balance in hand up to the original round sum. The method enables the chief cashier to keep control over the expenditure in small sums; if the cheque for which the petty cashier asks is abnormally large the chief cashier's attention is drawn to the matter at once. It must be added that the petty cashier should not be allowed to receive money from any other source. The totals of the various expense columns will be transferred monthly to the left-hand side of the respective ledger accounts, so that at the end of the financial year information will be available for the compilation of the profit-and-loss account. An example of entries in a petty-cash book is given at pages 154, 155.

Exercise 14

1. Answer the following as briefly as possible:
   (*a*) Why do wholesalers send accounts to retailers?
   (*b*) What is a 'statement of account'?
   (*c*) From which source will a wholesaler obtain the information for the statements of accounts which he sends to retailers?
   (*d*) How will a retailer check any statements of accounts he receives?
   (*e*) Why does the wholesaler allow cash discount?
   (*f*) What is a 'receipt'?
   (*g*) Name four methods of payment which a retailer might use.
   (*h*) Why does a retailer often 'cross' the postal orders he sends to wholesalers?
   (*i*) Why is a separate cash book usually kept for small payments?
   (*j*) Name three points about the 'imprest' system of petty cash.

2. (*a*) Explain in detail the difference between an invoice and a statement of account.

(*b*) John Howdle, retail furnisher of Southport, sent his accounts to his customers each quarter. He had the following transactions with Miss Barbara Peers: On January 1 Miss Peers owed £10 12*s.* 6*d.* On January 24, February 10, and March 3 Miss Peers bought furniture on credit for £12 14*s.* 6*d.*, £18 2*s.* 6*d.*, and £6 10*s.* 0*d.* On February 14 and March 8 Miss Peers returned furniture priced £6 2*s.* 6*d.* and £4 10*s.* 0*d.* Miss Peers sent a cheque for £20 on January 31, and one for £15 on February 28. Adding any necessary details, make out the statement of account which John Howdle would send to Miss Peers on March 31.

3. From the following details make out the statements of account which retailer A would send to each of his customers on December 31, 1945. Add any details you consider necessary.

1945		£	*s.*	*d.*
December 1	Amount due from P. Wainright	14	10	6
	,, ,, R. Bryant	8	7	6
,, 3	Sold goods to Wainwright	6	2	6
	and to G. Williams	8	9	6
,, 5	Wainwright returned goods	3	2	6
,, 10	Received cash from Bryant	5	0	0
	and from Wainwright	15	0	0
,, 16	Sold goods on credit to Bryant	4	2	6
	and Williams	7	1	8
,, 20	Williams was allowed £2 on goods bought on December 16, and he paid £5 in cash			
,, 24	Bryant paid cash	6	0	0
,, 30	Sold goods on credit to Wainwright	4	1	6
	and Williams	6	2	4

4. (*a*) Explain carefully the difference between 'trade discount' and 'cash discount.'

(*b*) Make out the receipts retailer A would send to each of his customers if the accounts were all settled on January 6, 1946 (Question 3).

5. From the following figures calculate to the nearest penny how much a retailer would have to pay when buying goods,

assuming that in each case he took advantage of the cash-discount terms:

	Wholesaler's List Price £ s. d.	*Trade Discount*	*Cash Discount*
(*a*)	5 0 0	20 per cent.	5 per cent.
(*b*)	6 10 0	10 „	$2\frac{1}{2}$ „
(*c*)	12 13 4	25 „	$1\frac{1}{4}$ „
(*d*)	8 3 4	$33\frac{1}{3}$ „	$7\frac{1}{2}$ „
(*e*)	17 15 11	15 „	$3\frac{3}{4}$ „

6. (*a*) Describe the various ways in which a retailer may make small payments to wholesalers and others.

(*b*) How would you recommend a retailer to make the following payments? Give full reasons for your answer.

(i) An amount of 7*s*. 6*d*. to a local carrier.
(ii) An amount of £4 10*s*. 0*d*. to a local wholesaler.
(iii) An amount of 12*s*. 8*d*. to a distant manufacturer.
(iv) An amount of £6 13*s*. 6*d*. to a distant manufacturer.

7. Write a general account of the currency system of Great Britain.

8. "Banknotes of £1 and 10*s*. are legal tender for any amount." What is the meaning of this statement? Give any other forms of legal tender which you know, with limits of legal tender in each case. Show briefly why such limits are imposed.

[*Union of Educational Institutions.*]

9. If you were asked to send £8 from Birmingham to Southampton, discuss three methods of remitting the money. Explain which of the three methods you consider to be the best and safest.

[*Union of Educational Institutions.*]

10. Enumerate the various methods of payment which an independent retailer would use in the ordinary course of his business, and the circumstances in which he would use one.

[*Union of Educational Institutions.*]

11. Distinguish between a postal order and a money order, and show why each of these documents serves a useful purpose in the payment of debts. What risks, if any, are incurred in the remittance of a postal order?

[*Union of Educational Institutions.*]

12. Explain fully the advantages to the retailer of keeping a petty-cash book.

13. Make up the petty-cash book of Eric Halsall, retailer, for the week ending January 19, 1946. Analyse the payments under

the following headings: Postages, Office Expenses, Travelling Expenses, Shop Expenses, Sundries:

January 14, Balance in hand, £10; January 14, Bought stamps, £1 2*s.* 6*d.*; January 14, Bus fares, 10*d.*; January 15, Bought notepaper and envelopes, 7*s.* 6*d.*; January 15, Paid for advertisement for shop, £1 2*s.* 6*d.*; January 16, Donation to Red Cross, 5*s.*; January 16, Train fare, 7*s.* 6*d.*; January 17, Postage on parcel, 1*s.* 3*d.*; January 18, Telegram, 1*s.* 8*d.*; January 18, Bought tea for staff, 3*s.* 4*d.*; January 19, Office cleaner's wages, 10*s.* 6*d.*

14. Using appropriate headings for the analysis columns, prepare the petty-cash books of the following retailers:

(*a*) *Jane Morris*

April 1, Balance in hand, £10; April 2, Telegram, 1*s.* 8*d.*; paid telephone account, £2 1*s.* 6*d.*; stamps, 7*s.* 8*d.*; April 4, Cleaning materials, 3*s.* 8*d.*; April 5, Carriage on goods, 3*s.* 8*d.*; April 6, Stamps, 6*s.* 5*d.*; parcel post, 2*s.* 1*d.*

(*b*) *John Brown*

May 7, Balance in hand, £15; May 7, Ink, 9*d.*; May 8, Office cleaner's wages, 15*s.*; paid wholesaler A's account, £2 1*s.* 6*d.*; May 9, Postages, 3*s.* 6*d.*; office stationery, 5*s.*; May 10, Carriage on goods, 4*s.* 6*d.*; May 11, Bottle of gum, 1*s.* 4*d.*; bus fares, 1*s.* 3*d.*; May 12, Cleaning materials, 2*s.* 4*d.*; new towel, 9*s.* 6*d.*

(*c*) *G. Marling*

August 8, Balance in hand, £5; August 8, Train fares, £1 3*s.* 6*d.*; August 9, Window-cleaning, 2*s.* 3*d.*; stationery, 3*s.* 6*d.*; August 10, Paid telephone account, £1 1*s.* 6*d.*; August 11, Bought ledgers, 15*s.* 6*d.*; August 12, Paid electricity account, £1 4*s.* 8*d.*; August 13, Bought tea, etc., 3*s.* 7*d.*

CHAPTER XV

THE RETAILER AND HIS BANKING ACCOUNT

THE BANKING ACCOUNT

MOST of the payments which a retailer receives for the goods he sells will come to him in the form of cash, either in coin or notes. If he grants credit, or if he conducts a mail-order business in addition to selling over the counter, he will probably receive cheques from his customers. Business through the post may also result in his receiving postal orders and money orders.

If he operates on a very small scale the retailer will most likely keep the money thus received in some obscure corner of his house; if his business is fairly large he will probably have a steel safe. Even so, the care and responsibility of having large amounts of money on the premises is apt to be rather worrying, and there are many advantages to be gained by opening an account with a bank.

(1) Of course, there is the relief from the worry of having large amounts of money on the premises.

(2) The retailer is able to pay his debts to his suppliers by drawing cheques on his banking account. This is a much simpler and more convenient method of paying debts than by handing over bulky sums in cash.

(3) Should the retailer receive cheques from his own customers he may pay them into his banking account, and the bank will collect the money for him.

(4) If the retailer wishes at any time to extend his business he may obtain a temporary loan from the bank, or he may be allowed to draw cheques to an amount exceeding the balance he has in the bank. In other words, he may be granted an 'overdraft.'

(5) He may leave valuables and important documents—for example, title-deeds and insurance policies—with the bank for

safe custody. The bank has a strong room for its own purposes, and places this facility at the disposal of its customers without charge.

(6) Should the retailer wish to invest permanently any surplus profits he may obtain advice from the bank on this point.

(7) The bank will make periodical payments on the retailer's behalf—payments such as insurance premiums, subscriptions to trade associations. The retailer authorizes these payments by means of a banker's order bearing a twopenny stamp, and is relieved of the necessity for drawing a cheque each time a payment has to be made.

(8) The bank will assist the retailer in making out his income-tax returns.

(9) The retailer is provided on request with a statement or pass-book showing the amounts paid into or out of the bank.

(10) Many banks provide a night safe on the outside of their buildings, in which customers may deposit money after the banks are closed.

There are two types of banking account, 'deposit' and 'current' accounts. The deposit account is an account where money is deposited in the bank, usually on the understanding that it is not to be withdrawn except by giving the bank previous notice. The customer receives a pass-book, which must be produced when money is withdrawn. Interest is allowed on the balance in the bank, but the rate nowadays is very small; the maximum was reduced from 1 per cent to ½ per cent. on November 1, 1945. A retailer would be most likely to open a banking account of this kind if he wished to accumulate money which would be within easy reach when the time came to use it. The current account is, however, by far the more important type of banking account from the retailer's point of view. He uses this for the everyday needs of his business. Since November 1, 1945, no interest has been allowed on current accounts with banks. The retailer will be charged for the services performed by the bank, the charge being usually based on the turnover of the account—that is, on the value of cheques drawn during a half-year, and on the number of transactions passing through the account.

OPENING A BANKING ACCOUNT

When a retailer visits a bank for the purpose of opening a current account the branch manager will first of all satisfy himself that the retailer is a person with whom an account may safely be opened, by obtaining a reference from some person well known to him. The retailer will pay in to his credit a certain amount of money. He will be asked to give a specimen of his signature, written exactly in the way in which he intends to sign his cheques. This must be done so that when his cheques are presented for payment the clerk who deals with them may compare the signature on the cheque with the specimen. The bank would be the loser if it paid a cheque on which a customer's signature was forged. If an employee is to have the power to sign cheques, then a specimen of his signature must be given also.

Every customer of a bank receives a pass-book, in which are entered on one side all moneys paid into the account, and on the other side all withdrawals. The retailer should leave this book at the bank at frequent intervals in order that it may be written up from the bank's ledger account. On its return the retailer should check each item; the receipts may be checked by reference to the counterfoils of the paying-in book. This book consists of perforated leaves, each part being designed to show how the money which is paid in is made up—so many pound notes, ten-shilling notes, silver, copper, cheques, postal orders, and so on. The bank cashier keeps one copy, and returns the other, initialled by himself, to the customer. The payments in the pass-book should be checked with the counterfoils of the cheque book. The retailer may find that the payments side of his pass-book does not contain as many items as he expected. This is probably because cheques that he has drawn have not been presented for payment at the bank. The payments side may also contain the item of 'bank charges' or 'commission.' Pass-books such as those already mentioned are written up by hand at the bank. Many banks have now replaced pass-books by 'statements.' These are entered up on book-keeping machines, which are operated in much the same way as typewriters, the statement for

the customer and a copy for the bank being made out in one operation.

CHEQUES

The retailer will also receive a cheque book for the purpose of withdrawing money from his account himself, or paying it away to other people. A cheque book may contain 12, 30, 60 or more cheque forms, each bearing a twopenny embossed stamp, and the customer merely pays for the stamps. The cheque as a means of payment has been in use rather more than a hundred years, though banks existed long before that. Originally, when a customer wished to withdraw money from his account, he would write a polite letter asking the bank to comply with his wish. The cheque form of to-day is the stereotyped descendant of such a letter.

The cheque book which the retailer receives from the bank may contain what are termed 'open' cheques—that is, plain instructions to the bank to pay money to the person named on the cheque. Such cheques may, if the recipient desires, be cashed over the counter of the bank on which they are drawn. When drawing or writing out a cheque which is to be sent to one of his creditors the retailer may, for safety, draw two parallel lines across the face of the cheque from top to bottom. As in the case of crossed postal orders, this means that the cheque may not be cashed over the counter of the bank named at the head; it must be paid into a bank and credited to the receiver's account. To make it safer still the retailer may write the name of his creditor's bank inside the parallel lines; then the cheque must be paid into an account at the bank named. A cheque which is crossed with two parallel lines simply is said to bear a 'general' crossing, while the addition of the name of a particular bank converts the general crossing into a 'special' crossing.

Cheques belong to the class of document known as 'negotiable instruments.' It is a characteristic of these documents that anyone taking them honestly from some one else and giving value for them has an undoubted right to the money they represent. In the case of cheques, however, this quality may be taken away by

writing the words 'not negotiable' as an addition to the crossing. A cheque so marked may still be passed from one person to another, but the person taking it has no better right to it than the person from whom he took it. It will be remembered that postal orders are in this category too.

The book of cheques received from the bank may already bear a printed crossing. Should the retailer wish to use such a form for the purpose of obtaining money over the counter of his bank he must 'open' the crossing—that is, he should write the words 'Please pay cash' at the top of the cheque, adding his signature.

Every customer owes a duty to his bank to protect his cheque book from unauthorized usage. He should not leave it lying about. He should also exercise care in drawing cheques. His signature should not vary from the specimen given at the opening of the account. The amount of money should be stated in words and figures, and the two should correspond. In the writing of the amount no spaces should be left; if spaces were left some unauthorized person might be tempted to increase the amount.

Cheques, again, may be payable to a certain person 'or Order,' in which case the receiver, or 'payee,' must write his name on the back before he can obtain the money. This is known as 'endorsing' the cheque. Or they may be payable to a certain person "or Bearer," in which case no endorsement is necessary. Obviously 'order' cheques are the safer of the two. Both 'order' and 'bearer' cheques may be crossed, as explained previously.

Every cheque bears a number. If a retailer has drawn a cheque in favour of some other person, and for some reason—perhaps because the cheque has been lost or stolen, or because he is disputing the transaction with his creditor—wishes to stop payment of it, he should inform his bank immediately, giving the number and date of the cheque, the amount for which it is drawn, and the name of the person to whom it is made payable. This is called 'countermanding payment.' The number appearing on a cheque is also reproduced on the counterfoil, which is attached by a perforation to the left of the cheque. The retailer should use this counterfoil for noting the date of the

cheque, brief details of the payee, and the reason for which the cheque was drawn.

THE CASH BOOK

The retailer should keep his own record of banking transactions, and should compare this record periodically with the pass-book or statement supplied by the bank. This record will be kept in his cash book, which will show money deposited in the bank on the left and withdrawals on the right. The amounts deposited will be gathered from the counterfoils of the paying-in book, and the withdrawals from the counterfoils of the cheque book. This account is really the ledger account of banking transactions, kept separately from the main ledger for purposes of convenience. Since receipts and payments of cash are very similar in their nature to bank receipts and payments, many traders follow the practice of keeping the two accounts side by side in the cash book. A third column is generally provided for noting discounts allowed or received for the prompt payment of sums owing. This discount is termed 'cash discount,' and it must be distinguished from the 'trade discount' mentioned earlier. The example at pages 166–169 should be studied. In businesses where a petty-cash book is kept it will be necessary to keep a two-column cash book only, with provision for bank and discount items. There is much to be said for the practice of paying all sums received straightway into the bank, and for making all withdrawals and payments, except those for small expenses, by cheque.

SIMPLE INTEREST

When a bank charges interest on an overdraft the amount of the interest will depend on the number of days for which each balance remains unstirred, fractions of a pound less than ten shillings being ignored. For instance, if on June 7, 1945, a customer has a balance to his debit amounting to £376 18*s.* 6*d.*, and the next transaction is a withdrawal on June 12 amounting to £45 7*s.* 9*d.*, the customer will be charged five days' interest on £377 at whatever rate has been agreed upon. As the balance on June 12 is increased to £422 6*s.* 3*d.*, the customer will be

PAGE FROM THE TWO-COLUMN

(*Used where all money received is paid into bank, and*

Dr.

				Discount Allowed			*Bank Receipts*		
				£	*s.*	*d.*	£	*s.*	*d.*
June	1	To balance	b/f				417	10	0
,,	4	,, cash sales					89	1	4
,,	11	,, cash sales					76	13	0
,,	12	,, W. Griffiths			4	6	4	5	6
,,	18	,, cash sales					91	7	3
,,	25	,, cash sales					79	1	0
					4	6			
							757	18	1
July	1	To balance	b/d				477	3	0

CASH BOOK OF THOMAS JONES

all payments except for small sums are made by cheque)

Cr.

				Discount Received			*Bank Payments*		
				£	*s.*	*d.*	£	*s.*	*d.*
1945									
June	3	By petty cash					10	0	0
,,	3	,, Adams and Black		1	8	10	56	3	8
,,	7	,, electric light bill					4	19	6
,,	10	,, Steel Furnishers, Ltd.					50	0	0
,,	14	,, wages and salaries					9	18	0
,,	19	,, Adams and Black			6	6	12	3	6
,,	24	,, P. Eyres					46	8	0
,,	28	,, wages and salaries		1	15	4	9	18	0
,,	30	,, T. Vaughan					81	4	5
		,, balance	c/d				477	3	0
							757	18	1

PAGE FROM THE THREE-COLUMN

Dr.

				Discount Allowed			*Cash Receipts*			*Bank Receipts*		
1945				£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	
June	1	To balance	b/f				78	6	0	417	10	0
,,	4	,, cash sales								89	1	4
,,	11	,, cash sales								76	13	0
,,	12	,, W. Griffiths			4	6	4	5	6			
,,	18	,, cash sales								91	7	3
,,	20	,, bank	c				10	0	0			
,,	25	,, cash sales								79	1	0
					4	6						
							92	11	6	753	12	7
July	1	To balance	b/d				67	13	6	497	13	0

CASH BOOK OF THOMAS JONES

Cr.

				Discount Received			*Cash Payments*			*Bank Payments*		
1945				£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*
June	3	By Adams and Black		1	8	10				56	3	8
,,	7	,, electric-light bill					4	19	6			
,,	10	,, Steel Furnishers, Ltd.								50	0	0
,,	13	,, travelling expenses						2	6			
,,	14	,, wages and salaries					9	18	0			
,,	19	,, Adams and Black			6	6				12	3	6
,,	20	,, cash	c							10	0	0
,,	24	,, P. Eyres								46	8	0
,,	28	,, wages and salaries		1	15	4	9	18	0			
,,	30	,, T. Vaughan								81	4	5
		,, balance	c/d				67	13	6	497	13	0
							92	11	6	753	12	7

charged interest on £422 for as many days as the balance remains at that figure. Do not imagine, however, that banks go to the trouble of making an infinite number of interest calculations in the course of a year. You can see that interest on £377 for five days will amount to exactly the same as interest on £1885 for one day. In practice, therefore, all the balances are multiplied by the number of days for which they are effective, so that the periods are reduced to the common denominator of one day. Then it is simply a matter of finding the simple interest on a given number of pounds at a certain rate per cent. for one day.

Exercise 15

1. Answer the following as briefly as possible:
   - (*a*) Name four ways in which a retailer may receive payments.
   - (*b*) What is a 'cheque'?
   - (*c*) Give one difference between a 'bank loan' and an 'overdraft.'
   - (*d*) What are the two main types of banking account?
   - (*e*) What are 'bank charges'?
   - (*f*) Why does a bank manager require a specimen signature from each customer?
   - (*g*) What is a 'paying-in slip'?
   - (*h*) What is the difference between a bank pass-book and a statement?
   - (*i*) What is the difference between (i) an 'open' and a 'crossed' cheque, (ii) an 'order' and a 'bearer' cheque, (iii) a 'general' and a 'special' crossing?
   - (*j*) What is a cheque 'endorsement'?
   - (*k*) Why should a retailer keep a separate record of his bank transactions?
   - (*l*) What is 'cash discount'?
   - (*m*) What is a 'contra entry'?
   - (*n*) Why does a bank pay interest on balances of certain bank accounts?
   - (*o*) On what three factors does the amount of interest received by a retailer on his deposit account depend?

2. Outline the main services which a retailer may obtain from a bank, and indicate which of these you consider to be most important to the retailer.

3. Describe in detail the use by retailers of the night-safe deposit. Draw a diagram to illustrate the use of this device.

4. Explain fully the difference between a 'current account' and a 'deposit account,' and indicate when a retailer might use each of these accounts.

5. (*a*) Describe how a retailer just starting business in your town might open a bank account.
(*b*) Explain the procedure necessary for him to (i) deposit money in, (ii) withdraw money from, this bank account.

6. Explain the advantages to a retailer of using cheques to pay his accounts.

7. (*a*) Make out the cheque which W. Brown, who has an account at Lloyds Bank in your town, would send to the Wholesale Warehouse Co., Ltd., to settle an account of £48 13*s.* 4*d.* He is allowed 5 per cent. cash discount.
(*b*) T. Atkins, the secretary of the Wholesale Warehouse Co., Ltd., endorses the cheque. Show this endorsement.

8. (*a*) Why would you advise a retailer to cross his cheques?
(*b*) Give two examples each of (i) 'general' crossings, (ii) 'special' crossings.

9. A retailer friend of yours informs you that he has lost a cheque which he has made out to a wholesaler. Write a letter to him advising him what to do.

10. Describe briefly the 'three-column cash book,' and indicate the sources from which a retailer obtains the information he records in it.

11. Make out three-column cash books for the following retailers:

(*a*) *M. Higgins*

			£	*s.*	*d.*
April	1	Balance of cash	38	12	6
		Balance at bank	148	17	6
,,	3	Paid wages in cash	11	1	8
,,	4	Received in cash from J. Moody	4	1	6
,,	7	Paid rent by cheque	7	10	0
,,	11	Cash sales	11	10	0
,,	12	Bought typewriter for cash	18	10	0
,,	14	Cash purchases	3	4	6

			£	s.	d.
April	18	Paid wholesaler A by cheque. (He allowed cash discount of 14*s.*)	13	6	0
,,	20	Received cheque from D. Drew to settle account of £10, less 5 per cent. cash discount			
,,	23	Cash sales	14	1	6
,,	29	Paid telephone account by cash	3	1	0

(*b*) *G. Williams*

			£	s.	d.
August	1	Balance of cash	47	3	4
		Balance at bank	226	14	6
,,	2	Cash sales	34	1	9
,,	3	Paid E. Awcock by cheque	22	1	6
,,	4	Received £4 15*s.* 0*d.* in cash from T. Vowles in settlement of account for £5			
,,	6	Paid rent by cheque	5	10	0
,,	7	Received cheque from B. Green	3	7	6
,,	8	Paid into bank from cash	8	2	6
,,	12	Cash purchases	12	1	6
,,	14	Paid wages in cash	8	4	6
,,	20	Withdrew from bank for cash	10	0	0
,,	28	Paid by cheque J. Hibberd's account of £14 13*s.* 4*d.* less cash discount 2½ per cent.			*

(*c*) *M. Newman*

			£	s.	d.
July	1	Balance of cash	14	1	6
		Balance at bank	182	4	6
,,	4	Paid petty cashier cheque	4	3	6
,,	5	Cash sales	8	7	6
,,	6	Received from E. Comley cash	4	4	6

		£	s.	d.
July 8	Paid amounts received on July 5 and 6 into bank			
„ 11	Received cash from N. Eacott, and paid it straight into bank	14	11	6
„ 12	Bought new scales and paid by cheque	18	10	6
„ 14	Received from M. Kemp in settlement of account for £16 13*s.* 4*d.*	15	16	8
„ 15	Paid by cheque F. Barnett's account of £8 15*s.* 0*d.* less 5 per cent. cash discount			
„ 20	Withdrew from bank for office cash	10	0	0
„ 21	Cash purchases	5	7	6
„ 28	Cash sales	14	3	6

(*d*) *D. Thomas*

		£	s.	d.
September 1	Balance of cash	14	18	10
	Overdraft at bank	50	4	8
„ 3	Cash sales	20	3	6
„ 5	Paid cash into bank	20	0	0
„ 6	Paid C. Missen's account by cheque	11	14	9
„ 8	Cash purchases	6	1	4
„ 10	Sold showcase for cash	7	10	0
„ 12	Paid by cheque R. Ellery's account of £12 10*s.* 0*d.* less 1¼ per cent. cash discount			
„ 14	Withdrew from bank for private use	5	0	0
„ 20	Paid telephone account by cheque	3	10	0
„ 25	Received from D. Whale cash	1	7	6

			£	s.	d.
September	28	Paid by cheque K. Luff's account of £13 10*s.* 0*d.* less 2½ per cent. cash discount			
„	30	Paid wages in cash	5	10	0

12. Explain fully the reasons why a banker will usually charge a retailer, or other customer, for keeping a current account and yet pay him interest on his deposit account.

13. Calculate the simple interest on:

(*a*)	£200	for	73 days	at	5	per cent. per annum
(*b*)	£1250	„	146 „		3	„ „
(*c*)	£730	„	100 „		2½	„ „
(*d*)	£460	„	35 „		2	„ „
(*e*)	£825	„	75 „		2¼	„ „

14. Calculate the simple interest on:

							per annum
(*a*)	£400	from	April 16	to	June 28	at 4	per cent.
(*b*)	£220	„	January 8	„	April 18	„ 3	„
(*c*)	£465	„	May 4	„	July 10	„ 2½	„
(*d*)	£219	„	August 10	„	October 8	„ 2	„

15. The following were the transactions which H. Bain, a retail tobacconist, had with his bank:

			£	s.	d.
January	1	Balance	228	1	6
February	4	Deposited	22	3	6
March	8	Withdrew	47	10	0
April	8	Deposited	38	6	8
May	24	Deposited	16	1	6
June	3	Withdrew	29	10	0

(*a*) Show how these transactions would appear in H. Bain's bank pass-book.

(*b*) Show how H. Bain's 'statement' would have appeared if the bank had used this method of presenting accounts.

16. On July 1 S. Gilmour had an overdraft of £128 at the bank. He paid money into the bank as follows: August 18, £50; September 24, £38 13*s.* 4*d.*; December 16, £62 1*s.* 4*d.*; and withdrew money as follows: July 10, £12; August 28, £40; October 8, £24 11*s.* 6*d.*

Show how these transactions would appear in (*a*) a pass-book, (*b*) a statement.

17. S. Gilmour's banker (Question 16) charged 5 per cent. on the balances outstanding on overdrafts. (*a*) Calculate the amount of interest which Gilmour was due to pay on December 31. (*b*) What would be the amount of overdraft at that date, assuming there were no further transactions.

18. The cheque given below is incorrectly drawn. Make a list of the errors contained in it, and redraft the cheque correctly.

LLOYDS BANK LIMITED

Two
shillings

Please pay JOHN SMITH

£140.....

Thomas Jones One hundred and fifty pounds

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19. What documents (books) are used in operating a current account? Explain the use of each one by the banker's customer.

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20. On December 31, 1944, James Thomas and Sons, of Bristol, owed Universal Suppliers, Ltd., £78 10*s.* 6*d.* A cheque for £50 on account was forwarded in respect of this debt on January 5, 1945. On January 19, 1945, Universal Suppliers, Ltd., dispatched further goods of list price £120 plus an addition of 33⅓ per cent., cash discount of 2½ per cent. being allowed for payment within fourteen days. On February 1, 1945, James Thomas and Sons sent a cheque drawn on the Loamshire Bank, Ltd., Bristol, for the whole amount outstanding. Give (*a*) the form of the cheque, (*b*) the receipt which would be returned by Universal Suppliers, Ltd.

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21. Insert suitable words in the gaps in the following sentences:

(*a*) An order cheque must be ..... by the ..... before he can receive payment.
(*b*) The ..... on a postal order for five shillings is .....
(*c*) Silver coins are legal ..... up to a maximum of.....
(*d*) In ..... the ..... alone of all the banks is allowed to issue notes.

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CHAPTER XVI

THE RETAILER AND HIS INSURANCES

THE NATURE OF INSURANCE

THE carrying on of business gives rise to a number of risks. In most cases the chances of these risks' occurring can be mathematically calculated by persons called 'actuaries.' It is these risks or contingencies which may be insured against.

Insurance in its modern form is the creation of the last hundred years. Two or three centuries ago many people believed that to effect an insurance was to interfere with the workings of Providence, and shipowners sent their ships to sea without safeguarding themselves against any losses which might arise. Even when insurances began to be effected it was difficult to distinguish them from gambling operations, and many insurances were made on matters in which those who made them had no real concern. For example, insurances were made on the life of Napoleon, "in case he shall cease to exist, or be taken prisoner on or before the 21st day of June, 1813." If you read *The Grey Lady*, by H. Seton Merriman, you will find a tragic instance of an insurance contract of a gambling nature. Nowadays, however, insurance must be sharply distinguished from gambling. Nobody may make a contract of insurance which will be enforced in a court of law unless he has what is called an insurable interest in whatever is being insured. This means that it must be important to the person taking out the insurance that the property should continue to exist, and that he would suffer by its loss or destruction.

Insurance contracts, then, are undertaken not to make a profit, but to prevent loss being suffered. Every contract of insurance (except life assurance, with which we are not here concerned) is a contract of indemnity; no person can recover from an insurance company more than he has actually lost. This was illustrated some years ago by a law case which concerned an

alleged picture by Raphael, bought for £25 and insured for £20,000. The picture was destroyed by fire, and the owner sought to recover £20,000, but did not succeed.

From another point of view insurance may be looked upon as a species of mutual aid. Many people pool their risks, paying annual premiums which have been calculated by actuaries to be sufficient to cover all the losses that are likely to occur. Some people will have losses, but the majority will not, and those who do not suffer loss help to bear the burden of their less fortunate fellows.

KINDS OF INSURANCE

The principal forms of insurance which may concern a retailer are as follows:

(1) Fire and burglary.

(2) Third-party risks, in cases where the retailer operates a delivery van and may incur liability in respect of accidents to other persons caused by the use of the van on the roads.

(3) Employers' liability, covering compensation to members of the staff for injuries sustained while in the retailer's service.

(4) Plate-glass insurance, covering damage to shop-windows.

(5) Employees' fidelity insurance, covering losses due to embezzlement in cases where employees have the handling of money.

(6) Loss of profit, or consequential loss. When business premises are destroyed by fire, naturally the conduct of the business is interfered with. This kind of contract is intended to cover loss of net profit, plus overhead expenses which continue even though the business is stopped—for example, interest on loans; plus the cost of taking temporary premises in order to carry on business.

EFFECTING INSURANCE

A retailer who wishes to insure himself against any of the above risks should get in touch with an insurance company, who will send him a proposal form to be filled up. It is important that this form shall be filled in accurately in all material respects, as

otherwise the insurance company will be entitled to refuse payment if a claim is made. When the proposal has been accepted the retailer will be informed of the premium to be paid, and this will be paid annually at the beginning of each year for which the risk is to be covered. The retailer will also receive an insurance policy from the company; this will set forth the events against which he is insured, the amounts which are covered by the insurance, and the annual premium to be paid.

If the retailer suffers a loss against which he has insured he should make a claim on the insurance company, first studying his policy in order to make sure that the particular event is covered by the contract. Should the claim be a heavy one the company will send down an assessor who will investigate the matter, and advise on the amount, if any, which is to be paid.

Exercise 16

1. Answer the following as briefly as possible:
   (*a*) Give three risks against which a retailer might insure.
   (*b*) What is an 'insurable interest'?
   (*c*) Give one example of a retailer's having an 'insurable interest.'
   (*d*) What is a 'contract of indemnity'?
   (*e*) How can insurance be considered as 'mutual aid'?
   (*f*) What is 'loss-of-profit' insurance?
   (*g*) What is an 'insurance premium'?
   (*h*) What is an 'insurance policy'?
2. Write a full account of what you understand by 'insurance.' Illustrate your answer by reference to the principal forms of insurance which concern a retailer.
3. A retailer friend who has just set up business writes and asks your advice about insurance. Advise him, and tell him of the procedure necessary to take out an insurance policy.
4. (*a*) A retailer insures his premises, which are valued at £1800, at an annual premium of 4*s.* 6*d.* per cent. How much does he pay each year?
   (*b*) Another retailer, who was insured by the same company at the same rate, paid an annual premium of £2 11*s.* 9*d.* What was the value of his premises?
5. (*a*) What insurance premiums were paid on the premises of each of the following retailers:

	Value of Premises	*Premium Rate per cent.*
(i)	£1300	4*s.* 6*d.*
(ii)	£1875	4*s.* 3*d.*
(iii)	£2140	3*s.* 9*d.*
(iv)	£1275	4*s.* 0*d.*

(*b*) Suggest some reasons why the rate of premium varied between the different retailers.

6. Four retailers insured their premises with the same insurance company at a rate of 4*s.* 6*d.* per cent. and paid in annual premiums £4 1*s.* 0*d.*, £2 18*s.* 6*d.*, £2 11*s.* 9*d.*, £4 16*s.* 9*d.* What were the values of their premises?

7. A fire in a retailer's shop destroyed part of his premises and stock. While the shop was being repaired he rented a shop in the same street. Assuming that the retailer was fully insured, what claims might he make against the insurance company?

8. A retailer's premises were worth £4250. His average annual turnover was £18,900. His rate of turnover was nine times per year, and his net profits averaged 6 per cent. of his turnover. He paid a premium of 3*s.* per cent. on his property and 4*s.* 6*d.* per cent. on his average stock. His loss-of-profit insurance was at the rate of 4*s.* 3*d.* per cent. In addition, he paid half the premiums of £1 5*s.* 0*d.* per cent. on a fidelity bond for £800 for his manager. What was the total of the annual insurance premiums paid by the retailer?

9. Why does a trader insure his business property? What happens if the event insured against occurs?

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10. What useful purposes are served by insurance? Discuss briefly three important risks against which a business-man may insure.

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11. Describe the steps to be taken by a business-man to insure his premises and stock against the risk of loss by fire. Mention the documents used.

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CHAPTER XVII

THE RETAILER AND HIS TRANSPORT

GENERAL CONSIDERATIONS

THE practice of the retailer's delivering goods to his customers is one which has grown up within the last, shall we say, fifty years. Our grandmothers rarely enjoyed this service in connexion with their shopping. Armed with a capacious basket or carpet bag, they sallied forth to buy their groceries, meat, and vegetables on certain days of the week, and toiled home with their fairly heavy loads. Nowadays delivery is taken for granted, though there are still a few types of shop, such as jewellers and shoe-repair shops, where it is the custom for goods to be fetched from the shop itself.

The practice of delivering goods to customers' homes has arisen because of the increased competition among retailers. It represents an extra service or convenience, for which the customer naturally has to pay in the shape of an increased price. It is estimated that the provision of this service accounts for nearly 2 per cent. of the sale price of all goods sold. Note that this increased price is paid by all customers, whether they have the goods delivered or fetch them from the shops. Some people think that it should be possible to dissect the price paid so as to separate the delivery charge in the case of those customers who prefer to do their own conveying. The following story illustrates this point. A business-man returning to England from abroad wished to purchase furniture, and visited a well-known department store for this purpose. Having made his choice, he said, "Do you deliver free in X [a county many miles from London]?" "Yes," was the reply. "Well, I live in Y [a London suburb]. How much will you knock off the price?" It should be noted that newsagents usually make a separate charge for delivering newspapers.

When a retailer is considering which of several methods of delivery to adopt he will take into account the following matters:

(1) The extent and character of the area to be covered—whether urban or rural.

(2) The volume of business usually transacted. Here it may be pointed out that the adoption of a delivery system may actually increase the volume of business done.

(3) The relative cost of the different methods, both with regard to capital outlay and upkeep.

(4) The average size of the parcels to be delivered, and the character of the goods themselves.

(5) The frequency with which deliveries will have to be made.

(6) The relative safety and reliability of the various methods. This is especially important in relation to valuable goods.

(7) The relative speed of delivery, a matter of some moment where perishables are concerned.

PERSONAL DELIVERY

Delivery of goods on foot, or by an errand boy accompanied by a handcart or riding a bicycle, is a suitable method where the distance to be covered is short, where the goods are fragile, and where they are urgently needed. Little capital outlay is involved, and the principal expense consists of the employee's wages. Quite obviously it cannot be used for heavy or very bulky parcels, and a great deal depends on the trustworthiness of the messenger.

DELIVERY VAN

The motor delivery van, the successor of the horse and cart, is useful where the area to be covered is wider than could be dealt with by a messenger with or without bicycle. Its carrying capacity is greater; so also is its speed. On the other hand, there is a fairly heavy capital outlay, and expenses of upkeep—licences, petrol, oil, tyres, and maintenance—are increased. We must remember that the van carries goods only one way, and returns empty to the shop. Reference has already been made to the possible use of delivery vans for advertising purposes.

Vanmen usually carry with them a delivery book or sheet. On

each line there is a description of the goods for an individual customer, who is asked to sign the sheet as evidence that the goods have been safely delivered. Sometimes a delivery note in duplicate is used, the original being signed and returned to the vanman, while the carbon copy is retained by the customer. A plain signature by the recipient is taken to mean that the goods have been accepted as being in order. If the receiver has not actually opened the parcel while the vanman is present it is safer for him to add the words "Not examined" after his signature, in order to preserve his claim against the retailer, should anything be missing or damaged.

PARCEL POST

This is a method which is likely to be used most by department stores doing a mail-order business, and by certain specialist shops having a nation-wide clientele. Up to the prescribed limit—15 pounds—it has the merits of cheapness, speed, regularity, and safety. The charges are graduated, from 8*d.* for parcels up to 3 pounds, to 1*s.* 2*d.*, for 15 pounds, and each charge is a flat rate—that is, the charge for the same weight is identical whatever the distance. Parcels may be insured against loss, a minimum fee of 3*d.* securing compensation up to £5. One would not say that the parcel post was altogether suitable for the carriage of fruit or other perishable goods, or for fragile goods.

Since 1926 there has been in operation in Great Britain and Northern Ireland (except during the War years) a cash-on-delivery (C.O.D.) service for parcels. The C.O.D. fees, which are additional to the ordinary parcel postage, vary according to the amount to be collected (trade charge), and range from 4*d.*, for a trade charge not exceeding 10*s.* to 2*s.*, for a maximum of £40. The trade charge is collected from the receiver of the parcel by the Post Office, and is remitted by a special order to the sender.

LOCAL CARRIER

The local carrier has been a celebrated feature of the English countryside for generations. Originally plying a horse-drawn

cart or wagon, in which he conveyed passengers as well as goods, he now drives a motor-van, connecting one or more villages and hamlets with a neighbouring market town. Thomas Hardy, in *A Few Crusted Characters*, gives this description of the local carrier as he used to exist just over a hundred years ago:

> It is a Saturday afternoon of blue and yellow autumn-time, and the scene is the High Street of a well-known market town. A large carrier's van stands in the quadrangular fore-court of the White Hart Inn, upon the sides of its spacious tilt being painted, in weather-beaten letters: "Burthen, Carrier to Longpuddle." . . .
>
> The present one is timed to leave the town at four in the afternoon precisely, and it is now half-past three by the clock in the turret at the top of the street. In a few seconds errand-boys from the shops begin to arrive with packages, which they fling into the vehicle, and turn away whistling, and care for the packages no more.

The retailer may send his parcels out into the country by the local carrier, and country customers may give him orders to be fulfilled in town. Therefore, as his carriage is full both ways, his charges are reasonable. He is reliable, and effects a door-to-door delivery.

RAIL

This method of delivery is likely to be used most by the department store and the mail-order house. When using the railway as a means of conveyance the sender must fill in a consignment note, giving his name and address, the name and address of the consignee (receiver of the goods), details and weight of the goods, and whether they are sent 'carriage paid' or 'carriage forward.' The charge is based partly on the distance the goods have to travel—that is, the rates are mileage rates—and partly on what is known as the 'Classification.' Goods to be sent by rail are divided into twenty-one classes, ranging from heavy, bulky goods of low value to goods of high value in small compass. The rates for the latter are higher than those for the former.

The actual conveyance may take place either by goods or by passenger train. The passenger train is better for perishable goods and in cases where speedy delivery is required; of course, the rates for conveyance of goods by passenger train are correspondingly higher.

The degree of responsibility for the safety of the goods undertaken by the railway companies varies according to the conditions of carriage. If the goods are carried 'at company's risk,' then the railway company will be responsible for loss or damage due to the negligence or carelessness of its staff. Where goods are carried 'at owner's risk' the company will be liable for loss or damage if it can be shown to be due to the wilful misconduct of its staff, but not for mere carelessness. As the liability of the company is heavier in the case of goods carried at company's risk, the charge for carriage is higher. A different form of consignment note must be filled in in each case.

Carriage by rail is safe, speedy, and reliable, and is well suited to cases where goods have to be sent long distances. On the other hand, it cannot be termed cheap.

LONG-DISTANCE ROAD HAULAGE

Although many road hauliers operate within a comparatively restricted area—say, up to twenty-five miles—there are also large firms who conduct long-distance traffic; some of these specialize in carrying for a particular trade. Transport of this description has the advantage of being adaptable; it can carry goods to any place which may be reached by road, and is not limited to a particular route, as the railways are. Door-to-door delivery is obtained, with the result that there is less handling of goods. The cost of this form of transport depends to some extent on whether the haulier can secure a return load. Its more direct nature results in an increase in the speed of delivery. On the other hand, we must remember that there are limits on speeds in built-up areas, and there are restrictions on the number of hours which drivers are allowed to work without a break.

The large firms often operate on regular routes, mostly radiating from London. Collecting vans bring parcels to a sorting depot, where they are transferred to the outward-bound lorries waiting to set out on an all-night journey. In normal times delivery is effected next day at shops in the principal towns and cities. Before the Second Great War the longest regular journey was the summer service from Penzance to London with Scilly

Island flowers, which were delivered to catch the morning market at Covent Garden.

Exercise 17

1. Answer the following as briefly as possible:
   (*a*) Why do retailers usually deliver customers' orders?
   (*b*) Who eventually pays for the cost of delivering goods to customers?
   (*c*) Why does the small general shop usually employ an errand boy, and a co-operative store nearly always use a van to deliver goods?
   (*d*) In what circumstances should 'not examined' be written on a vanman's delivery sheet when goods are being received?
   (*e*) Give one advantage and one disadvantage to a retailer of using the parcel post for his deliveries.
   (*f*) When will retailers use the 'C.O.D.' service?
   (*g*) Give one advantage and one disadvantage of carriage by rail.
   (*h*) What is a 'consignment note'?
   (*i*) Explain the difference between (i) 'carriage paid' and 'carriage forward,' (ii) 'owner's risk' and 'company's risk.'
   (*j*) For what kind of goods will a retailer use passenger trains for delivery?
2. What are the considerations which determine the method of delivery a retailer will adopt? Illustrate your answer with references to retailers in your own town.
3. Which methods of delivery would you advise retailers to adopt in the following circumstances:
   (*a*) A lady's dress to a buyer in your own town?
   (*b*) A bicycle to a buyer in a distant town?
   (*c*) A wheelbarrow to a farmer a few miles from your town?
   (*d*) A dozen baskets of strawberries to be sent to a distant town?
   (*e*) A suite of furniture to a neighbouring town?
   (*f*) Books weighing 17 pounds to a distant town?
4. Describe the advantages and disadvantages to the retailer of using as his method of delivery (*a*) the parcel post, (*b*) the local carriers, (*c*) the railway.
5. A delivery van of a department store, in delivering to 320 customers goods valued at £900, covered 846 miles in one week.

The van travels 18 miles to a gallon of petrol, which costs 2*s.* per gallon. Costs of insurance, etc., for the van averaged 19*s.* 4*d.*, and the vanman's wage was £5. What were (*a*) the total delivery costs, (*b*) the average cost of delivering goods to each customer, (*c*) the percentage of the purchase price represented by delivery costs?

6. A fancy-goods retailer with a nation-wide clientele used the parcel post for his delivery. In one week he dispatched 18 parcels weighing 2 pounds, 19 weighing 5 pounds, 23 weighing 7 pounds, 11 weighing 12 pounds, and 20 weighing 15 pounds. What was the total cost of his parcel postages at the current rate?

7. A large retail greengrocer in Swindon bought goods at Covent Garden, London. The weights purchased and the railway company's quoted rates were as follows:

	Weight	*Rate*
Potatoes	1½ tons	23*s.* 10*d.* per ton
Carrots	1½ ,,	23*s.* 10*d.* ,,
Apples	10 hundredweights	25*s.* 2*d.* ,,
Oranges	5 ,,	32*s.* 5*d.* ,,
Lemons	5 ,,	32*s.* 5*d.* ,,

The railway company made a special quotation by which they would carry the goods in bulk at 20*s.* 11*d.* per ton.

How much did the greengrocer save by accepting the special quotation?

8. The railway rate for consigning butter from London to Worcester is 45*s.* per ton for bulked consignments. The charge for sending a box weighing 84 pounds is 2*s.* 5*d.*, and for a box weighing 1½ hundredweights, 4*s.* 2*d.* A multiple grocer's in Worcester ordered an 84-pound box each for four branches and a 1½-hundredweight box each for two branches. If the extra delivery charge for the bulk consignment was 4*d.* for each branch, how much did the retailers save by not consigning the goods separately?

9. A multiple retail organization had its distributing warehouse at Nottingham. It had branches at (*a*) Derby, Leicester, Loughborough, Mansfield, and (*b*) Manchester, Rugby, and Nuneaton. The following is an extract from a Nottingham road carrier's schedule of rates:

To Towns	(*a*)	(*b*)
1 hundredweight	1*s.* 7*d.*	2*s.* 5*d.*
2 hundredweights	2*s.* 7*d.*	4*s.* 0*d.*
3 ,,	3*s.* 0*d.*	4*s.* 11*d.*
Over 3,, (per ton)	20*s.* 0*d.*	32*s.* 6*d.*

Find the total cost of sending by road to each branch five consignments weighing respectively 1, 2, 3, 5, and 7 hundredweights.

10. What are the chief methods which a retail trader usually employs for delivering goods to his customers? Write a brief note on each method mentioned.

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ANSWERS

Exercise 1 A

3. (*b*) £32; (*c*) £315. 4. Bank, £60; solicitor, £160; building society, £80; friend, £40; total capital, £480.

7. (*a*) L, £400; M, £400; N, £200; (*b*) L, £120; M, £30; N, £30; (*c*) L, £60; M, £220; N, £40; (*d*) L, £185; M, £175; N, £60.

8. (*a*) X, £120; Y, £240; Z, £60; (*b*) X, £400; Y, £266 13*s.* 4*d.*; Z, £133 6*s.* 8*d.*; (*c*) X, £270; Y, £90; Z, £90; (*d*) X, £438; Y, £219; Z, £73; (*e*) X, £160; Y, £140; Z, £100.

9. (*a*) R, £400; S, £200; T, nothing; (*b*) R, £400; S, £200; T, £100; (*c*) R, £60; S, £30; T, £10; (*d*) R, £180; S, £80; T, £20.

10. (*a*) A, £1866 13*s.* 4*d.*; B, £933 6*s.* 8*d.*; C, £2800; (*b*) A, £200; B, £100; C, £700; (*c*) A, £800; B, £400; C, £200; (*d*) A, £400; B, £133 6*s.* 8*d.*; C, £66 13*s.* 4*d.*; (*e*) A, £720; B, £180; C, £60; D, £30.

11. 1943: Punch, £166 13*s.* 4*d.*; Judy, £333 6*s.* 8*d.* 1944: Punch, £120; Judy, £240. 1945: Punch, £133 6*s.* 8*d.*; Judy, £266 13*s.* 4*d.*

12. (*a*) Brown, £312 10*s.* 0*d.*; Jones, £637 10*s.* 0*d.*

13. Reid, £700; Gibb, £300; Addison, £150.

Exercise 1 B

6. 8 per cent. 7. 9½ per cent. 8. (*a*) 1940: preference shares, £2500; ordinary shares, £1760; deferred shares, *nil.* 1941: preference shares, £1320; ordinary shares, *nil*; deferred shares, *nil.* 1942: preference shares, £3680; ordinary shares, £1788; deferred shares, *nil.* 1943: preference shares, £2500; ordinary shares, £6123; deferred shares, £123. 1944: preference shares, £2500; ordinary shares, £7910; deferred shares, £1910.

8. (*b*) 1940: preference shares, 5 per cent.; ordinary shares, 2·93 per cent.; deferred shares, *nil.* 1941: preference shares, 2·64 per cent.; ordinary shares, *nil*; deferred shares, *nil.* 1942: preference shares, 7·36 per cent.; ordinary shares, 2·98 per cent.; deferred shares, *nil.* 1943: preference shares, 5 per cent.; ordinary shares, 10·21 per cent.; deferred shares, 1·23 per cent. 1944:

preference shares, 5 per cent.; ordinary shares, 13·18 per cent.; deferred shares, 19·1 per cent.

(*e*) Over £8500.

9. (*a*) 1940, £300; 1941, *nil*; 1942, £50; 1943, *nil*; 1944, £680; 1945, £900; (*b*) 1940, 10 per cent.; 1941, *nil*; 1942, $1\frac{2}{3}$ per cent.; 1943, *nil*; 1944, $22\frac{2}{3}$ per cent.; 1945, 30 per cent.

10. (*a*) 1942: preference shares, £300; ordinary shares, £1200; deferred shares, *nil*. 1943: preference shares, £250; ordinary shares, *nil*; deferred shares, *nil*. 1944: preference shares, £350; ordinary shares, £1100; deferred shares, *nil*. 1945: preference shares, £300; ordinary shares, £1900; deferred shares, £600.

12. (*a*) Sole traders, $\frac{37}{47}$; partnerships, $\frac{11}{94}$; limited companies, $\frac{9}{94}$; (*b*) 79 per cent., 12 per cent., 10 per cent.

Exercise 2

3. (*b*) £900, £612. 7. (*a*) 1140 square feet. 8. (*a*) 15; (*b*) (i) 600 square feet, (ii) 2400 square feet.

9. (*a*) (i) 154 square feet, (ii) $314\frac{2}{7}$ square feet, (iii) $9\frac{5}{8}$ square feet, (iv) $63\frac{9}{14}$ square feet; (*b*) 44 feet, $62\frac{6}{7}$ feet, 11 feet, $28\frac{2}{7}$ feet.

11. (*a*) Cash, £353; credit, £547; total £900; (*b*) $60\frac{7}{9}$ per cent.; (*c*) Monday, $7\frac{2}{3}$ per cent.; Tuesday, $14\frac{2}{9}$ per cent.; Wednesday, $3\frac{2}{3}$ per cent.; Thursday, $18\frac{8}{9}$ per cent.; Friday, $15\frac{1}{9}$ per cent.; Saturday, $40\frac{4}{9}$ per cent.

Exercise 3

4. (*a*) £12,900, (*b*) £7509, (*c*) 63·2 per cent., (*d*) 8·64 per cent.

5. (i) A, 71 per cent.; B, 30 per cent.; C, 65 per cent.; (ii) A, 29 per cent.; B, 70 per cent.; C, 35 per cent.

6. A, £1100; B, £92; C, £485.

7. (*b*) A, £240; B, £156; C, £24.

8. (*a*) £3450, (*b*) £2050.

Exercise 4

5. (*a*) Unit retailers, 83 per cent.; co-operative societies, less than $\frac{1}{2}$ per cent.; multiple stores, 4 per cent.; department stores, less than $\frac{1}{2}$ per cent.; others, 12 per cent.; (*b*) unit retailers, 62 per cent.; co-operative societies, 10 per cent.; multiple stores, 18 per cent.; department stores, 6 per cent.; others, 4 per cent.

6. Unit retailers, £2800; co-operative societies, £260,000;

multiple stores, £16,300; department stores, £150,000; others, £1100.

8. (*a*) Unit retailers (general), £1150; unit retailers (specialist), £3100; multiple stores, £4453; department stores, £75,680; co-operative societies, £19,128; markets, £1820.

(*b*) 25·9 per cent., 60·5 per cent., 5·5 per cent., 0·63 per cent., 3·1 per cent., 4·3 per cent.

(*c*) 8·4 per cent., 52·5 per cent., 6·8 per cent., 13·4 per cent., 16·7 per cent., 2·2 per cent.

(*d*) 0·5, 1·5, 5·5, 102, 7, 1·3.

10. (*a*) £3700, (*b*) 2, (*c*) £1770.

11. (*c*) Confectionery, 25,200; meat, 88,920; greengrocery, 32,720; boots and shoes, 25,800; (*d*) confectionery, £1370; meat, £2877; greengrocery, £1907; boots and shoes, £4938; (*e*) confectionery, £1 2*s*. 0*d*.; meat, £3 11*s*. 0*d*.; greengrocery, £1 19*s*. 0*d*.; boots and shoes, £1 12*s*. 0*d*.

Exercise 5

4. (*a*) 13,200, (*b*) 7920.

6. (*a*) $35\frac{5}{9}$ per cent., (*b*) $\frac{3}{4}$.

9. (*b*) 87·9 per cent.

10. (*c*) (i) Department store, $\frac{9}{19}$; unit retailer, $\frac{3}{8}$; (ii) department store, 47·4 per cent.; unit retailer, 37·5 per cent.

Exercise 6

2. (*a*) 83 per cent., 62 per cent.

5. (*a*) 1900, 95·5 per cent.; 1920, 93·5 per cent.; 1930, 88·6 per cent.; 1940, 85·1 per cent.; (*b*) 85·5 per cent., 80 per cent., 64·3 per cent., 54 per cent.

9. (*a*) £47 10*s*. 0*d*.; (*b*) £102,595 10*s*. 0*d*.; (*c*) (i) 84·6 per cent.; (ii) 56·1 per cent.

Exercise 7

4. (*b*) (i) Profits: Swindon, £800; Reading, £750; Oxford, £1000.

(ii) Sales per assistant: Swindon, £36 5*s*. 0*d*.; Reading, £40; Oxford, £33 6*s*. 8*d*.

(iii) Swindon, 27·6 per cent.; Reading, 26·8 per cent.; Oxford, 25 per cent.

5. (*b*) (i) Percentage of total profit: A, 19·6 per cent.; B, 49 per cent.; C, 31·4 per cent. Percentage of total sales: A, 27·9 per cent.; B, 54·2 per cent.; C, 17·9 per cent.
(ii) £850.
(iii) A, £90; B, £175; C, £58.
(iv) A, 11·1 per cent.; B, 14·3 per cent.; C, 27·6 per cent.

6. (*b*) Bristol, £381 4*s.* 0*d.*; Leeds, £349 9*s.* 0*d.*

7. (*a*) A, £40; B, £68; C, £50 5*s.* 0*d.*; D, £78 6*s.* 6*d.*

9. (*a*) (i) £3405, (ii) 70, (iii) £13,000, (iv) £11,145.
(*b*) A, £3 11*s.* 5*d.*; B, £3 11*s.* 5*d.*; C, £3 16*s.* 0*d.*; D, £4 14*s.* 9*d.*
(*c*) A, £178 11*s.* 5*d.*; B, £166 13*s.* 4*d.*; C, £182 13*s.* 10*d.*; D, £225.
(*d*) A, £8000; B, £180; C, £575; D, £300.
(*e*) A, 16 per cent.; B, 18 per cent.; C, 12·1 per cent.; D, 13·3 per cent.

Exercise 8

3. (*a*) £51,595, (*b*) £10,319. 4. (*a*) Carpet section, $\frac{5}{39}$; dining-room section, $\frac{11}{37}$; kitchen-furniture section, $\frac{9}{37}$; miscellaneous section, $\frac{12}{37}$; (*b*) $32\frac{16}{37}$ per cent. 5. A, £9000; B, £10,800; C, £2700; D, £4500; total, £27,000. 6. (*a*) £7 3*s.* 4*d.*, (*b*) £215, (*c*) 3*s.* 4*d.*, (*d*) 43, (*e*) 30,100, (*f*) 10*s.* 7. (*b*) (i) 52 per cent., 61 per cent. 10. A, £192; B, £144; C, £288; D, £96. 17. (*b*) (i) 1, £260; 2, £228 16*s.* 8*d.*; 3, £192 10*s.* 0*d.*, 4, £250; (ii) 4. 18. (*a*) Furniture, £35 4*s.* 8*d.*; hardware, £42 8*s.* 10*d.*; men's clothing, £51 14*s.* 8*d.*; women's clothing, £68 8*s.* 6*d.*; restaurant, £17 2*s.* 11*d.*; (*b*) 19*s.* 7*d.* 19. (*a*) Clothing, £16 8*s.* 7*d.*; furniture, £11 16*s.* 1*d.*; (*c*) B, 2*d.*; C, 4*d.* 20. (*a*) £687 7*s.* 7*d.*; (*b*) (i) 4·1 per cent., (ii) 13·3 per cent. 21. Furniture, £71 3*s.* 5*d.*, £118 12*s.* 4*d.*; clothing, £371 3*s.* 3*d.*, £618 12*s.* 1*d.*; hardware, £48 13*s.* 10*d.*, £81 3*s.* 0*d.*

Exercise 9

3. (*b*) (i) Mail-order house: rent, rates, etc., 14 per cent.; display, 3 per cent.; advertising, 36 per cent.; delivery expenses, 32 per cent.; selling expenses, 9 per cent.; services to customers, 6 per cent. Department store: rent, rates, etc., 22 per cent.; display, 10 per cent.; advertising, 16 per cent.; delivery expenses, 7 per cent.; selling expenses, 27 per cent.; services to customers, 18 per cent.

5. (*a*) Direct orders, $\frac{1}{3}$; orders from club secretaries, $\frac{1}{6}$; complaints, $\frac{2}{45}$; direct payments from customers, $\frac{17}{60}$; payments from club secretaries, $\frac{1}{18}$; general inquiries, $\frac{1}{9}$; other letters, $\frac{1}{180}$; (*b*) 64 per cent.; (*c*) 15*s.* 8d., £2 6*s.* 9*d.*

6. (*b*) £1354 11*s.* 8*d.*

Exercise 10

2. (*b*) 7053; (*c*) 4·3 per cent., 50·5 per cent. 6. (*b*) 0·6 per cent., 0·5 per cent. 7. (*a*) £178,643,265; (*b*) (i) £105,950,832; (ii) property, 26·4 per cent.; stock of goods, 10·5 per cent.; members' debts, 3·7 per cent.; co-operative undertakings, 59·3 per cent. 8. (*a*) (i) 6·1 per cent., (ii) £211,242; (*b*) £6,707,416 10*s.* 0*d.* 9. (*a*) (i) 1931–41, 2,183,235, (ii) 1911–21, £143,967,915; (*b*) 564, 1882, 5547; (*c*) £28 3*s.* 0*d.*, £28 7*s.* 0*d.*, £31 11*s.* 0*d.*; (*e*) 17 per cent. 10. (i) £22,976,192, (ii) 1*s.* 11*d.* 12. (*a*) 1942, 2*s.* 5*d.*; 1943, 3*s.* 8*d.*; 1944, 3*s.* 1*d.*; 1945, 2*s.* 8*d.*; (*b*) 1942, £22; 1943, £25 10*s.* 0*d.*; 1944, £25 15*s.* 0*d.*; 1945, £30 10*s.* 0*d.*; (*c*) 45 per cent.; (*d*) 5 per cent. 13. 2*s.* 6*d.* 14. (*a*) 18*s.*; (*b*) £128,250. 15. Grocery department, £361,200; drapery department, £120,400; boot department, £75,250; butchering department, £45,150.

Exercise 11 A

5. (*b*) £46 18*s.* 0*d.*; (*c*) 40·6 per cent.

Exercise 11 B

5. (*a*) £150, (*b*) 50 per cent.
6. (*a*) £400, (*b*) £240, (*c*) 2*s.* 2½*d.*
7. *Wholesaler:* Buying Price

   (*a*) £275, (*b*) £126, (*c*) £43 4*s.*, (*d*) £189 7*s.* 6*d.*

   Retailer: Buying Price

   (*a*) £330, (*b*) £147, (*c*) £46 8*s.* 10*d.*, (*d*) £213 0*s.* 11*d.*

   Retailer: Selling Price

   (*a*) £412 10*s.* 0*d.*, (*b*) £176 8*s.* 0*d.*, (*c*) £61 18*s.* 5*d.*, (*d*) £266 6*s.* 2*d.*

8. £66 13*s.* 4*d.*
9. £37 10*s.* 0*d.*
10. (*a*) B's—by £1 13*s.* 4*d.*; (*b*) the manufacturer's—by £20.

Exercise 11 C

4. (*a*) A: 1942, £312; 1943, £312; 1944, £312; B: 1942, £288; 1943, £328; 1944, £388; C: 1942, £200; 1943, £300; 1944, £450.
   (*c*) A, £312; B, £334 13*s*. 4*d*.; C, £316 13*s*. 4*d*.
5. (*a*) £10 1*s*. 7*d*., (*b*) £6 18*s*. 5*d*., (*c*) £66 3*s*. 0*d*.

Exercise 11 D

4. (*a*) Allen and Sons'—£1 5*s*. 0*d*. plus carriage.

Exercise 11 E

2. £21 10*s*. 8*d*.
3. (*a*) £41 11*s*. 1*d*., (*b*) £42 16*s*. 10*d*., (*c*) £38 17*s*. 3*d*.
4. (*a*) Jones and Co., £42; Brown and Smith, £8 6*s*. 8*d*., Powell Bros., £50 17*s*. 11*d*.; J. R. Smith, £13 11*s*. 8*d*., Ellis and Sons, £21 19*s*. 6*d*.
   (*b*) £18 10*s*. 11*d*.
5. £4 7*s*. 7*d*.

Exercise 11 F

2. Purchases day book, £54 17*s*. 6*d*.
3. Purchases day book, £201 7*s*. 6*d*.
4. Purchases day book, £41 9*s*. 7*d*.
5. Purchases day book, £96 3*s*. 2*d*.

Exercise 11 G

3. Debit note, 18*s*.; £5 17*s*.
4. (*a*) £9 7*s*. 6*d*.; (*b*) credit note, £6 13*s*. 4*d*.; (*c*) £2 14*s*. 4*d*.
5. (*a*) Credit note, £5 1*s*. 4*d*.; (*b*) debit note, 10*s*.; (*c*) credit note, 18*s*. 6*d*.; (*d*) credit note, £11 9*s*. 6*d*.; (*e*) debit note, £1 2*s*. 0*d*.
6. (*a*) A. Bell, £28 10*s*. 0*d*.; C. Dash, £15 8*s*. 4*d*.; E. Fell, £2 10*s*. 0*d*.; G. Hay, £24 2*s*. 10*d*.; I. Jones, £8 3*s*. 2*d*.; (*b*) Purchases day book, £85 9*s*. 4*d*.; (*c*) £6 15*s*. 10*d*.

Exercise 12 A

3. (*b*) 9*d*.
4. (*b*) (i) $\frac{10}{19}$, $\frac{6}{19}$, $\frac{3}{19}$, (ii) 52·6 per cent., 31·6 per cent., 15·8 per cent.

6. (*b*) 41·2 per cent., 29·4 per cent., 23·5 per cent., 4·7 per cent., 1·2 per cent.
8. £5 10*s.* 0*d.*

Exercise 12 B

2. Cash, £170 11*s.* 7*d.*; credit, £180 14*s.* 6*d.*
4. (i) (*a*) £4 1*s.* 3*d.*, (*b*) £1 4*s.* 4*d.*, (*c*) £5 7*s.* 1*d.*, (*d*) £1 13*s.* 1*d.* (ii) £12 5*s.* 9*d.*
5. (*a*) £52 3*s.* 5*d.*
6. (*b*) £1 12*s.* 3*d.*, (*d*) £3 14*s.* 10*d.*
7. (*a*) Sales, £46 6*s.* 6*d.*; returns, £9 11*s.* 6*d.*
   (*d*) Mrs Charles, £12 14*s.* 0*d.*; Miss Eyres, £9 9*s.* 0*d.*; Lady Skinner, £11 7*s.* 6*d.*; Miss Vaughan, £3 4*s.* 6*d.*
8. (*a*) A. Aston, £124; B. Baxter, £28 15*s.* 7*d.*; C. Carter, £64 9*s.* 2*d.*; D. Durston, £21 13*s.* 4*d.*
   (*b*) A. Aston, £99 4*s.* 0*d.*; B. Baxter, £28 15*s.* 7*d.*; C. Carter, £53 1*s.* 8*d.*; D. Durston, £19 17*s.* 3*d.*
   (*c*) Sales, £238 18*s.* 1*d.*; returns, £37 19*s.* 8*d.*
   (*e*) £200 18*s.* 5*d.*
9. (*b*) Debit note, £1 17*s.* 9*d.*; credit note, £3 12*s.* 3*d.*
11. (*a*) £6.
12. (*a*) £10, (*b*) £6.
13. (*a*) 12½ per cent.; (*b*) £100.
14. (*a*) A, 38; B, 37; C, 40; D, 39; (*b*) A, 1*s.* 6*d.*; B, 4*s.* 9*d.*; C, 1*s.*; D, 4*s.* 7*d.*; (*c*) A, £1 2*s.* 6*d.*; B, £1 4*s.* 9*d.*; C, £1 1*s.*; D, £1 18*s.* 7*d.*

Exercise 13 A

2. (*a*) £100, (*b*) 25 per cent.
3. (*a*) (i) £30, (ii) £48, (iii) £60 12*s.* 6*d.*, (iv) £23, (v) £61 5*s.* 0*d.*
   (*b*) (i) 20 per cent., (ii) $16\frac{2}{3}$ per cent., (iii) 20 per cent., (iv) 25 per cent., (v) $18\frac{18}{49}$ per cent.
4. (*a*) (i) 50 per cent., (ii) 50 per cent., (iii) $42\frac{6}{7}$ per cent., (iv) $19\frac{27}{87}$ per cent., (v) $40\frac{20}{37}$ per cent.
   (*b*) (i) $33\frac{1}{3}$ per cent., (ii) $33\frac{1}{3}$ per cent., (iii) 30 per cent., (iv) $16\frac{1}{4}$ per cent., (v) $28\frac{11}{13}$ per cent.
5. (*a*) (i) £2 8*s.* 0*d.*, (ii) £2 10*s.* 0*d.*, (*b*) (i) £7 16*s.* 0*d.*, (ii) £8 2*s.* 6*d.*; (*c*) (i) 18*s.*, (ii) 18*s.* 9*d.*; (*d*) (i) £10 7*s.* 0*d.*, (ii) £10 15*s.* 7½*d.*
6. (*a*) 25 per cent., (*b*) $33\frac{1}{3}$ per cent., (*c*) 100 per cent., (*d*) $42\frac{6}{7}$ per cent.

7. (*a*) £10, (*b*) £2 17*s.* 0*d.*
8. £2 7*s.* 0*d.*
9. 19·5 per cent., 6 per cent., 5·5 per cent.
11. £66 13*s.* 4*d.*, £56 5*s.* 0*d.*; 53⅓ per cent., 45 per cent.
12. (*a*) £4800; (*b*) £9000.
13. Newsagent: purchase price of goods, 80 per cent.; stock-charges, 0·33 per cent.; wages, 3·3 per cent.; rent, 0·66 per cent.; other expenses, 1·33 per cent. Furniture retailer: purchase price of goods, 65 per cent.; stock charges, 5 per cent.; wages, 10 per cent.; rent, 2 per cent.; other expenses, 3 per cent.
14. (*b*) (i) C, (ii) A.
15. 31¼ per cent.
16. £2812 10*s.* 0*d.*, £1312 10*s.* 0*d.*; 20 per cent., 9⅓ per cent.
17. 4⅛ per cent.
18. £4386 18*s.* 1*d.*, £2161 12*s.* 2*d.*, 14·2 per cent.
19. (*a*) £1291, (*b*) £351, (*c*) 9·3 per cent., (*d*) 8·75 per cent.; (*b*) £288 3*s.* 0*d.*, (*c*) 7·6 per cent.

Exercise 13 B

2. (*b*) (i) £2710, (ii) £1330, (iii) 5 per cent., (iv) 33¼ per cent.
3. 1943: (*a*) £3400, (*b*) £2000, (*c*) 45·3 per cent., (*d*) 26·6 per cent.
   1944: (*a*) £3300, (*b*) £1740, (*c*) 40·7 per cent., (*d*) 21·5 per cent.
   1945: (*a*) £4250, (*b*) £2350, (*c*) 44·3 per cent., (*d*) 24·5 per cent.
5. Gross profit: 1934, 20 per cent.; 1935, 33⅓ per cent.; 1936, 5·1 per cent. Turnover: 1934, 3·6; 1935, 1·6; 1936, 1·8.
7. £57 4*s.* 10*d.*
8. £87 10*s.* 0*d.*; 7 per cent.
10. £23,000, £20,000; 57·5 per cent., 50 per cent.
11. (*b*) £7 10*s.* 0*d.*; 12½ per cent.
12. (*a*) £1100, (*b*) £500, (*c*) 27½ per cent., (*d*) 12½ per cent.
13. (*a*) £2400, (*b*) £1600, (*c*) £1400, (*d*) 3·3.
15. (*a*) 1943, 5*s.*; 1944, 4*s.*; (*b*) 1943, 2*s.* 6*d.*; 1944, 2*s.* 1*d.*; (*c*) 1943, 20 per cent.; 1944, 23 per cent.
16. (*a*) £1131, (*b*) £350, (*c*) 25 per cent., 7·7 per cent., (*d*) 25·9 per cent.

Exercise 14

2. (*b*) £2 7*s.* 0*d.*
3. Wainwright, £6 12*s.* 0*d.*; Bryant, £1 10*s.* 0*d.*; Williams, £14 13*s.* 6*d.*

5. (*a*) £3 16*s.* 0*d.*, (*b*) £5 15*s.* 1*d.*, (*c*) £9 7*s.* 8*d.*, (*d*) £5 0*s.* 9*d.*, (*e*) £15 10*s.* 5*d.*
13. £4 2*s.* 7*d.*
14. (*a*) £3 6*s.* 8*d.*, (*b*) £4 4*s.* 8*d.*, (*c*) £4 14*s.* 6*d.*

Exercise 15

7. (*a*) £46 4*s.* 8*d.*
11.

	Cash	*Bank*
(*a*)	£41 18*s.* 4*d.*	£128 1*s.* 6*d.*
(*b*)	£70 19*s.* 1*d.*	£182 19*s.* 6*d.*
(*c*)	£48 14*s.* 2*d.*	£168 7*s.* 9*d.*
(*d*)	£12 8*s.* 6*d.*	£74 19*s.* 7*d.* (credit)

13. (*a*) £2, (*b*) £15, (*c*) £5, (*d*) 17*s.* 8*d.*, (*e*) £3 16*s.* 3*d.*
14. (*a*) £3 4*s.* 0*d.*, (*b*) £1 16*s.* 2*d.*, (*c*) £2 2*s.* 8*d.*, (*d*) 14*s.* 2*d.*
15. £227 13*s.* 2*d.*
16. £53 16*s.* 10*d.*
17. (*a*) £2 17*s.* 10*d.*, (*b*) £56 14*s.* 8*d.*
20. £184 10*s.* 6*d.*

Exercise 16

4. (*a*) £4 1*s.* 0*d.*, (*b*) £1150.
5. (*a*) (i) £2 18*s.* 6*d.*, (ii) £3 19*s.* 8*d.*, (iii) £4 0*s.* 3*d.*, (iv) £2 11*s.* 0*d.*
6. £1800, £1300, £1150, £2150.
8. £18 10*s.* 2*d.*

Exercise 17

5. (*a*) £10 13*s.* 4*d.*, (*b*) 8*d.*, (*c*) $1\frac{5}{27}$ per cent.
6. £4 7*s.* 0*d.*
7. 16*s.* 7*d.*
8. 2*s.* 6*d.*
9. £8 8*s.* 2*d.*

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