



General Information Manual
Accounts Payable

MINOR REVISION—1960

This manual is a minor revision of the preceding edition, 320-6244-0, but does not obsolete it. Principal changes are as follows:

<i>Page</i>	<i>Subject</i>
19, 27	Flow charts of accounts payable procedures
22, 25	Sequence of "Analyzing the Records" and "Accounting Controls"

Queries concerning this manual should be directed to IBM Technical Publications Department, 112 East Post Road, White Plains, New York.

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Business must buy before it can sell. The products or services sold by your business organization depend on the products and services you buy.

Every purchase made creates a liability. Every liability must be paid. Every payment must be charged against the operation or process that made that liability necessary; and complete records of each transaction must be kept if the business is to operate profitably and efficiently.

But more is involved than just a bare record of transactions. Management must make many decisions of policy and action, each one affecting the welfare of the business directly or indirectly. These decisions cannot be instinctive or haphazard. Many problems must be considered, many questions asked and answered.

Accurate and detailed record keeping and efficient use of the resulting information provide the answers. Careful analysis of liabilities—history, payments, discounts, and statistical studies of vendors and their products—these constitute the data on which management decisions are based.

So we can describe two broad objectives of accounts payable accounting:

- 1. Disbursements—records of liabilities from the time they are incurred until they are satisfied.*
- 2. Distributions—accounting explanations of how much was spent and what it was spent for.*

Processing Disbursements Data

Volume has a definite effect on the way a business designs its accounts payable procedure. If the distribution of items is comparatively simple, but the volume of the corresponding invoices is large, disbursements will dominate accounts payable. In industrial accounting, the reverse is often true. Volume of purchases is relatively small, but distribution is the more difficult problem. It is easy to see that in such circumstances the accounting procedure might be dominated by the distribution problem. We must therefore be careful not to emphasize one phase of payables accounting at the expense of the other.

Let us first consider the objectives of the phase dealing with disbursements. They are as follows:

- 1. Establishing liability.* This involves a request and authority to purchase, with qualifications such as material specifications, needed date, quantity and price.
- 2. Validating liability* by acknowledging receipt of goods of the proper type, in good condition, and in the proper quantities.
- 3. Posting liabilities*—entering validated charges and credits to determine the balance of each account.
- 4. Writing checks* and remittance statements, then recording the payments.

Establishing Liability

One of the more common requests for purchase of materials comes from the stockroom manager. As materials, parts, subassemblies or expendable items are withdrawn from stock, quantities on hand decline to the order point. At that point, the stockroom manager prepares a purchase request and sends it to the purchasing department.

This request may be an order blank or an IBM card (Figure 1). Upon receipt it is serial-numbered, dated, and placed with other requests, including those from such sources as the accounting department, project personnel, office services and department managers.

When the requests have been sorted by type or material class (or by any other classification desired), the requirements of the purchasing procedure are satisfied and a

purchase requisition is prepared (Figure 2). This requisition is then assigned to a buyer.

WRITING THE PURCHASE ORDER

Purchase orders can be prepared in several ways. If the purchase requests were IBM cards, the orders may be prepared on the accounting machine, with copies available for the vendor, receiving department, accounts payable section, stockroom, planning, and other people concerned.

While the purchase order is being written on the accounting machine, on-order cards are produced by summary-punching the data required for accounts payable. These cards are filed in an open-order file until the materials are delivered or the services performed.

MATERIAL REQUISITION					
1-17-6-	260	184-22796	47863	369	692
DATE	MAT. CLASS	STOCK NUMBER	JOB NUMBER	ACCT. NO.	DEPT. CH.
1807 Gall		3	#18 Braided Wire Red Wrapper		2-1-6-
UNIT OF MEAS.	CODE	DESCRIPTION			WHEN NEEDED
10		REQUEST BY <u>A. J. Pross</u>			
		MANAGER <u>J. MacPherson</u>			
QUANTITY REQUIRED	UNIT COST	AUTHORIZED			
REMARKS OR SPECIAL INSTRUCTIONS					

PURCHASE OR MANUFACTURING ORDER REQUEST OR AUTHORIZATION																																																																							
3642210 <small>PART NUMBER</small>	13752 <small>ORDER NUMBER</small>	J. Griffin <small>REQUESTED BY</small>	086 <small>DEPT.</small>																																																																				
1000 <small>QUANTITY</small>	13752 <small>JOB OR PURCHASE ORDER</small>	1-27-6- <small>DATE</small>																																																																					
6-1-6- <small>DATE REQUIRED</small>	<input checked="" type="checkbox"/> PURCHASE <input type="checkbox"/> MANUFACTURE <input type="checkbox"/> OTHER <small>PROCUREMENT</small>																																																																						
2 19 <small>ZONE ANALYZER</small>	2-1-6- <small>DATE ORDERED</small>	<small>AUTHORIZED BY</small>	<small>DATE</small>																																																																				
<table border="1" style="width: 100%; border-collapse: collapse; font-size: 8px;"> <thead> <tr> <th colspan="2">CODE</th> <th rowspan="2">PART NUMBER</th> <th rowspan="2">QUANTITY</th> <th rowspan="2">JOB NUMBER</th> <th rowspan="2">DATE</th> </tr> <tr> <th>REQUEST</th> <th>AUTHZ</th> </tr> </thead> <tbody> <tr> <td>00000000</td> <td>00000000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>11111111</td> <td>11111111</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>22222222</td> <td>22222222</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>33333333</td> <td>33333333</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>44444444</td> <td>44444444</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>55555555</td> <td>55555555</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>66666666</td> <td>66666666</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>77777777</td> <td>77777777</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>88888888</td> <td>88888888</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>99999999</td> <td>99999999</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>				CODE		PART NUMBER	QUANTITY	JOB NUMBER	DATE	REQUEST	AUTHZ	00000000	00000000					11111111	11111111					22222222	22222222					33333333	33333333					44444444	44444444					55555555	55555555					66666666	66666666					77777777	77777777					88888888	88888888					99999999	99999999				
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99999999	99999999																																																																						

Figure 1 Many purchases start this way.

REG. NO.	DATE 1/17/6-	ODIN CHEMICAL CO. BROCKTON, PA.				Source	ORDER NO. 11472	DELIVER TO
QUAN. ON ORDER	LAST ORDER NO.	PURCHASE REQUISITION NIXON GLASS NIXON, VIRGINIA						
QUAN. ON HAND	LAST COST							
QUAN. USED PER MO.	TO BE IN STOCK							
WHERE USED								
SHIP TO BROCKTON	FREIGHT EXPRESS	PARCEL POST FASTEST WAY	TRUCK CHEAPEST WAY	F.O.B.		SHIP PT.		
QUANTITY	PART OR SYMBOL	DESCRIPTION—TYPE OR WRITE PLAINLY				ITEM	PRICE	
144	18716	DEMIJOHN FRAMED @1.18 EA.					169.92	
6	9497	FLASK 5 GAL. FIREGLASS @8.43 EA.					50.58	
10,000	55843	JAR 1 QT. FLINTGLASS @26.37 M					263.70	
TOTAL							\$ 484.20	
TERMS							2-10 NET 30	
SHIP	Approved	SAFETY DEPT. APPROVAL <i>J. Donnell</i>			Signed	INQUIRY NO.	QUO. DATE	
ORD. BY	SHOP DATE	ORDER OR REFERENCE NO. 45981	JOB NO.	ACCOUNT NO.	DEPT. CHG.	APPRO. NO.	MAT. CODE	
FOR PURCHASING DEPT. USE ONLY				ADVISE PRICE—REASON		ACCOUNT CODE CHECKED		
<input type="checkbox"/> BLUEPRINT ATTACHED <input checked="" type="checkbox"/> ENG. CHANGE OR REL. NO. _____				<input type="checkbox"/> URGENCY <input type="checkbox"/> UNECONOMICAL <input type="checkbox"/> REFUSES TO QUOTE <input type="checkbox"/> OTHER (STATE REASON)				

Figure 2 This goes to the purchasing agent.

The IBM CARDATYPE® is also being used to write purchase orders, particularly in operations where there is a large volume of items or of purchases. Calculations—such as addition, subtraction or multiplication—can be performed at the same time that multiple copies of the purchase order are typewritten and an on-order card is punched. Furthermore, a punched tape can be produced with all pertinent information. The tape can be used to produce punched cards automatically, or it can be kept for readily accessible storage of this information. The IBM 824 Typewriter Card Punch and IBM 24 Card Punch with the Document Writing Feature can also be used for purchase order preparation.

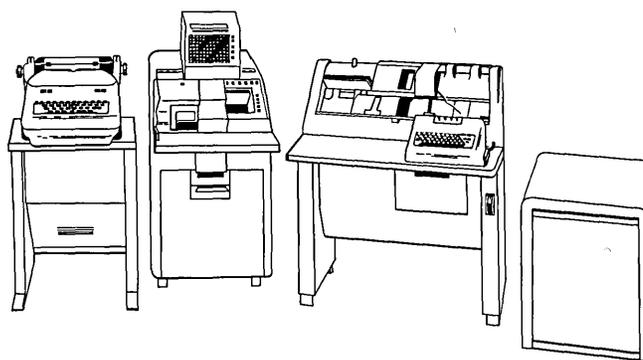


Figure 3 IBM 858 CARDATYPE® Accounting Machine.

Purchase order forms vary considerably, depending on the needs of an individual business. Certain information is basic: specifications of materials or services, vendor, vendor number, purchase order number, account number, date needed, quantity, price and point of delivery. Figure 4 shows a typical purchase order.

Now an open-order file authorizing the creation of certain liabilities has been created. These liabilities are not validated, however, until it is decided that the purchase order has been fulfilled satisfactorily.

SHIP TO		VIA		F.O.B.				
BUFFALO		BLORE-IF OVER 35#		SHIPPING POINT L 60083				
QUANTITY	DESCRIPTION	ITEM	PRICE					
1000	3642210 PLASTIC CONTAINERS E. C. 7830 SHIP 4/15/6-		.147 EA.					
TERMS NET 30 DAYS								
<input type="checkbox"/> BLUE PRINT ATTACHED <input type="checkbox"/> MAKE TO ENG. CHANGE OR RELEASE NO.								
ORD. BY	SHOP DATE	ORDER OR REFERENCE NO.	JOB NO.	ACCOUNT NO.	DEPT. CHG.	APPRO. NO.	MAT. CODE	COMMITMENT
539	830	3642210	1200	920-2004			X860	2
Subject to the Terms and Conditions on the back hereof which are incorporated and made a part hereof. NATIONAL ENTERPRISES INC. <i>S. B. Reamy</i> PURCHASING AGENT								

Figure 4 The purchasing department selects a vendor.

Expenditures for insurance, taxes, contributions, personal expenses, payroll—internal expenses of all kinds—represent items for which no requisition is written. Journal vouchers (Figure 7) are issued for all such items and are recorded by journal entries. For instance, a single journal entry would cover the total amount of a pay roll.

OUTSIDE CHARGES

Outside expenditures make up the greatest number of payables—amounts owed to outside vendors for material, merchandise or services provided. These are the payables that originated as a result of a purchase request and a purchase order.

When the vendor ships the merchandise ordered by your company, he usually sends a shipping notice by mail and includes a packing slip with the shipment. In most cases he also mails the invoice when the order is shipped.

Many businesses, in their dealings with established vendors, accept the invoice as validation of an accounts payable liability, supporting it later with a receiving report from their own personnel. In other operations a copy of the purchase order (Figure 8) is sent to the receiving department, to be used for recording receipt of shipment. Another variation would be the use of the packing slip accompanying the goods for verification of quantities and specifications.

When the invoice is received from the vendor, a serial number is assigned; at the same time, a voucher is prepared and permanently associated with that invoice (Figure 9). The form of vouchers varies considerably, but their use is basically the same.

The purchasing department compares the invoice with the purchase order and the receiving report. Approvals are entered on the voucher and sent to the accounting department for payment.

JOURNAL VOUCHER							
DATE <u>1-27-6-</u>				VOUCHER NO. <u>152</u>			
DESCRIPTION		ACCOUNT		DEPT.	DEBIT	CREDIT	
		GEN.	SUB.				
DR							
<i>Charitable Donations</i>		421	24		2200.00		
	<i>United Fund for 196-</i>	421	1			2200.00	
<i>Kiowa County Comm</i>							
Payee <i>United Fund</i>							
Approved <i>J. M. Jadden, Treas.</i>							
Countersigned <i>BRO Pres</i>							

Figure 7 A journal entry records this expenditure.

Invoices from different vendors, purchase orders, receiving reports, packing slips—documents of different sizes and shapes—are clumsy to handle and difficult to file. Therefore, all the papers applying to a single transaction are grouped by means of a voucher or a voucher apron that contains all the information pertinent to that transaction. Entries are made on the voucher indicating that the various documents have been compared and approved and that the liability is validated. The voucher may be an envelope or a jacket holding the related papers; it may be a rubber-stamp impression on the uppermost of the stapled sheets; or it may be an apron fastened to the vendor's invoice, with the purchase order and other slips attached (Figure 10).

Sometimes a backing card is used, so that invoices of varying sizes and shapes may be standardized to a common and convenient filing size. Stapled to the back of the invoice, the backing card provides space for recording all the desired information.

The vouchered invoices and related documents are distributed to clerks, who verify specifications, prices, extensions and quantities. They assign a voucher number and provide the vendor code. Then the information on the

voucher is punched into cards, and the cards are sorted and filed by discount date.

SPECIAL APPROVALS

In some cases, the invoices must be reviewed and approved by the department that made the original procurement request. When the information has been transcribed into punched cards, the invoices can be sent to the originating department for review. Meanwhile, the cards are retained in an approval-pending file, by discount date. The discount date is important because delay in returning the approved invoice may result in a forfeited discount. The approval-pending file is reviewed frequently, and any accounts on which discounts may be lost are expedited for individual attention.

Other invoices that require special handling are those with an unusual variation in specifications, price, quantity or estimated delivery date. Here again, the invoices must receive specific approval, usually by the buyer or the purchasing department. The procedure is essentially the same: a punched data card goes into the approval-pending file while the invoice is reviewed.

PURCHASE REQUEST
PURCHASE ORDER -- 2
SHIPPING NOTICE

INVOICE DATE		VENDOR NO.	OUR INVOICE	RECEIVED	APPROVED BY	
12/21		1179	12120		<i>W. H. D.</i>	
ENTRY	ORDER NO.	DUE DATE	DEPT. USING	INSPECTED	PURCHASING AGENT	
30		12/31				
ACCOUNT NUMBER		DEPT. CHARGED	MATERIAL	QUANTITY	UNIT	AMOUNT
GEN.	SUB.					
123	360		20400	18		32.97
123	350		10300	35		28.60
124	420		20023	3950		97.21
APPROVED BY				INVOICE AMOUNT	158.78	
<i>H. Hester</i>				DISCOUNT	3.18	
ACCOUNTING				NET	155.60	

Figure 10 All the documents of a single transaction.

RECEIVING REPORTS

As shipments are checked in the receiving department, the clerks prepare receiving reports showing the description, vendor number, quantity, condition of the merchandise, and any other pertinent information. As we have seen, a copy of the purchase order can be used to record the receipt of goods. However, several shipments may have resulted from a single purchase order, or partial shipments may have been made. Usually, better control of receipts is possible with independent receiving reports.

In large operations, it is practical to use dual-purpose IBM mark-sense cards (Figure 11) to record receipts. When these have been punched and verified, they can be used

to process the on-order cards and produce the accounts payable cards and the distribution cards automatically and at machine speeds. The receipt cards, sorted by account number, can be matched against the on-order cards in the collator. Any discrepancies will be obvious, and appropriate action can be taken immediately. Furthermore, daily printed reports (Figure 12) can be valuable to many departments. Production men can be aware of materials on hand; warehousemen can anticipate any unusual problems; expeditors have ready information in usable form; buyers will be aware of unfilled orders and of vendor delays in meeting their commitments.

ODIN BROCKTON PLANT		RECEIVING REPORT											
		DATE	QUANTITY DELIVERED	VENDOR NUMBER	SHIP	DMGE	REC.						
RECEIVING REPORT	VENDOR	MONTH	DAY					COMP	CRATE				
	ITEM							PART	BOX				
	DELIVERED BY							REPL	BBL				
	OUR ORDER NO.							BORD	CTN				
	INVOICE NO.							OTHER	WRAP				
	DESCRIPTION OF GOODS							ITEM					
								DRUM					
								OK					
	RECEIVED BY												

Figure 11 An easy way to record receipts.

ODIN BROCKTON PLANT		DAILY RECEIVING REPORT										
DATE 3/23/6-		LOCATION BROCKTON RIVER LANDING										
DATE	VENDOR NUMBER	VENDOR	INVOICE NUMBER	OUR ORDER NUMBER	QUANTITY DELIVERED	ITEM NUMBER	C * P □	OK*				
3/23	1023	STANTON & MYERS	8463	11510	24	362	*	*				
3/23	1179	NIXON GLASS	24027	11472	144	18716	□	*				
3/23	1179	NIXON GLASS	24027	11472	6	9497	□	*				
3/23	1179	NIXON GLASS	24027	11472	10,000	55843	*	*				
3/23	1218	BROCKTON PAPER	6718	12016	400	7114	□	*				
3/23	3244	CONDOR CORRUGATED	39962	12321	1,000	163820	□					
3/23	3244	CONDOR CORRUGATED	39965	12322	1,000	114645	*	*				
3/23	3560	HALLIBURTON BROS	14270	11164	1	877	*	*				
3/23	3891	OLYMPIC PETROLEUM PROD	77475	12081	50	126336	*	*				

Figure 12 Many uses for these reports.

CREDIT MEMORANDUMS

Various circumstances bring about the need for a credit adjustment. Goods may have to be returned to the vendor; an error may have occurred in quantity billed; extensions may not have been properly computed; addition or subtraction may be incorrect. These circumstances and others make it necessary to adjust the account.

A debit memorandum is originated when it is determined that an adjustment is required. One copy is sent to the vendor and one is retained in the open-order file with all other documents that have accumulated under that vendor number.

A signal card may be placed in the name and address file to indicate that a credit is expected from the vendor; or the vendor's master card can be flagged with a colored metal clip.

When the vendor has verified the claim for credit, he issues a credit memorandum acknowledging the adjustment in the account (Figure 13) and at the same time credits his accounts receivable. The information on the

credit memo he sent you is then punched in a credit card and placed in the accounts payable file. When the cards are processed for payment, credits will be subtracted from the gross amount due, the memorandum will be listed on the remittance statement, and you pay the net amount.

In many instances, the original debit memorandum written at the receiving point is the basis for reducing the vendor's invoice amount. This is especially true if discounts would be forfeited by waiting for the vendor's credit memorandum before the bill is paid. In these cases, then, the credit card is punched from information provided on the debit memorandum; when the credit memorandum is received from the vendor, it serves only as acknowledgment.

And so the liability has been established and validated. Purchase order, invoice, shipping notice, receiving report and credit adjustments have been checked and compared. Reviewed for price, extension, quantity and quality, the invoice has been approved and authorized for payment. It is now time for the third step in disbursement accounting—posting liabilities.

CREDIT MEMORANDUM					
NIXON GLASS					
NIXON, VIRGINIA					
SOLD TO			DATE		
ODIN CHEMICAL CO.			3/17/6-		
BROCKTON					
PENNSYLVANIA					
SHIPPED TO			CREDIT MEMO NO.		
SAME			1792		
VIA PETERS EXPRESS					
TERMS		FOB NIXON	CUST. ORDER NO.	OUR ORDER NO.	INVOICE NO.
			10884	41375	23465
QUANTITY	ITEM NO.	DESCRIPTION		UNIT COST	AMOUNT
18	1154	TUBING 1/4 X 6 RD		.80	\$ 14.40
					\$ 14.40*

Figure 13 The vendor acknowledges the claim.

Posting Liabilities

Through the years the form of accounting records has varied and changed. The oldest form probably is the book or ledger. At first, a section of the book was assigned to each type of record, and later, as record keeping grew in importance and in volume, an entire book was used for a major account like accounts payable, and summaries were posted to a general ledger.

Another basic form is the sheet or card. One sheet, or one card, is used for each account number, and the file that holds all the large ledger cards is the accounts payable file. This brings greater flexibility to the handling of accounts payable and makes the use of machine methods possible, thereby increasing the speed of record handling.

A third basic form is the IBM punched card, one card to each item, filed by account number. In this method, the ledger is the group of file drawers that hold the accounts payable disbursement cards.

Other media for storage of accounting data rapidly increasing in popularity are magnetic tapes and disks. See Figure 14 for various ways of storing data.

The old method of posting liabilities to a sheet in a book had many disadvantages. Posting was usually by due date, or by account number within due date. This was probably satisfactory for regular payment of accounts, but any auxiliary reports or information involved time-consuming and laborious manual preparation with a high probability of error. Duplication of work, inflexibility and manpower requirements made an entirely new approach to posting necessary.

One of the fastest and most efficient methods yet devised for posting source information is the punched card. After the original card is prepared and verified for accuracy, all further processing of data is entrusted to fast, accurate, self-verifying machines.

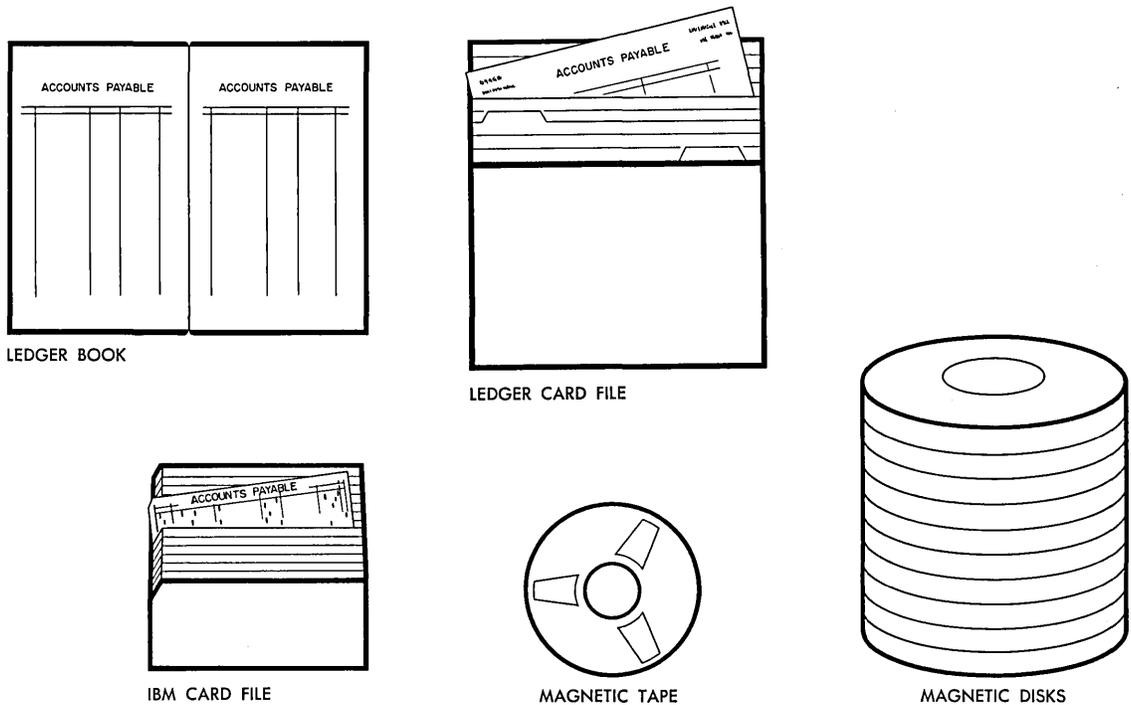


Figure 14 Many ways of storing data.

THE ACCOUNTS PAYABLE CARDS

Accounts payable cards can be produced in various ways, according to the needs of the individual business. Since disbursements are concerned with the total amount of the invoice, less discount allowable, only one accounts payable disbursement card is needed for each invoice. This card can be punched and verified directly from the information provided on the invoice and the attached documents.

It is practical, while transcribing information from these documents to punched cards, to prepare the distribution cards at the same time. In some invoices, the entire amount is charged to one department or section of the business. But if it is common in an organization's buying to combine several purchase requisitions on a single purchase order, then each item on the invoice may require a separate distribution card. Sometimes it is even necessary to charge a single item to several account numbers. Then there will be a distribution card for each account number charged.

The card punch operator can punch, in sequence, one distribution card for each item on the invoice, and then punch a disbursement card for the total. If the bulk of the invoices are single-item charges, the disbursement cards can be reproduced or duplicated from the distribution cards.

Another way of doing this would be to punch the distribution cards and, when processing them in the accounting machine, automatically punch a summary card. The summary card would then be the disbursement record.

Both approaches can be efficiently and economically performed on a multi-purpose accounts payable card (Figure 15). Reference data to be recorded is common to both disbursements and distributions, and therefore needs to be punched only on the first transaction card for each invoice. The common information would then be duplicated or gang-punched in the rest of the accounts payable cards, whether disbursement or distribution, for that invoice. Another way to produce accounts payable disbursement cards when the distribution cards have been

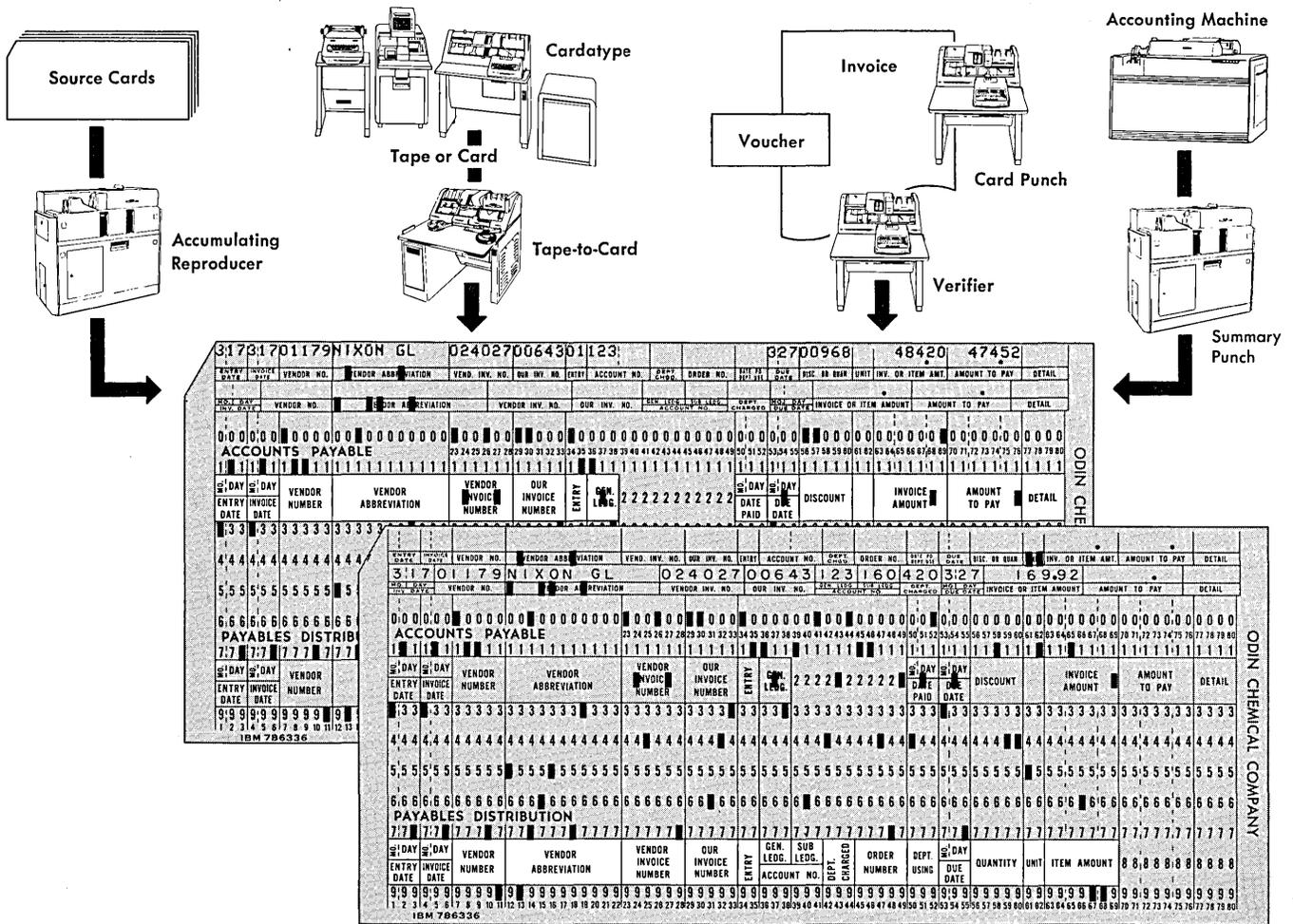


Figure 15 Development of accounts payable cards.

punched is to process groups of distribution cards in an accumulating reproducer.

The choice of method for producing accounts payable cards will depend on the dominance of disbursements over distributions, or distributions over disbursements.

When all the relevant data has been transcribed from source documents to punched cards, and its accuracy established by verifying or comparing, the cards can be used to automatically prepare the required reports. We will first examine the use of the disbursement cards, leaving the distribution functions to another section.

DISCOUNTS

A discount is the incentive that a vendor provides for prompt payment, or, in some cases, to induce a purchaser to select a particular type of merchandise, a particular quantity of merchandise, or a particular season of the year (Figure 16).

Most discounts are those intended to make prompt payment attractive. These are called cash discounts. Some vendors, when they mail their invoices, have computed the amount of allowable discount and have entered it on

the invoice; others simply show their terms (2%-10 days, net 30 days, for instance) on the printed invoice.

If the discount has been computed and is part of the invoice, it is part of the source information and will be punched into the accounts payable card during the original punching operation. If not, discounts can be quickly and easily computed, extended, and punched into the proper field by a calculating punch. The calculating punch can also be used to verify the computation of discounts, whether by the vendor, by your staff or by automatic calculation.

The other types of discounts are called trade discounts. Usually they have been computed by the vendor as part of his billing operation. One example is where discounts are offered to buyers of out-of-season merchandise like beachwear or Christmas toys.

Some vendors provide an incentive to their customers by accumulating total purchases during a given period, usually a year, and then making a rebate based on the total volume sold. This discount does not affect the accounts payable operation; however, the amount of the discount can be estimated and anticipated by reference to year-to-date reports arranged by vendor sequence.

STATEMENT
SPIEGEL & WREN
QUALITY SWIM TOGS
1686 BOWIE STREET
NEW YORK 38, NEW YORK

THE SURF SHOP
100 OCEAN DRIVE
ATLANTIC CITY, N.J.

DATE Jan. 2, 196-

INVOICE NO.	DATE	AMOUNT	TOTAL
20086	12/05/6-	\$ 46.80	
23110	12/12/6-	18.45	
23146	12/27/6-	173.19	238.44
		29.81	
		208.63	

Winter Purchase
Discount 12-1/2%

SHIP TO ROGERS HARDWARE
4615 COGWELL AVE.
SANTA BARBARA CAL.

SOUTH LAKE SAND CO.
South Lake, Wisconsin

SOLD TO GARSON DISTRIBUTORS ACCT. NO. 14799
MEMORIAL SQUARE
KANSAS CITY 11, MO.

please remit to Chicago Office
2316 Victory Blvd.
Chicago 46, Ill.

SALESMAN C. C. DAVID #486 SHIP FROM SOUTH LAKE TERMS 10 DAY-2% 30 DAY-NET

CUSTOMER ORDER NO. 784712 VIA ROCK IS., -V.P. DATE OF ORDER 1/27/6- INVOICE DATE 2/02/6- INVOICE NO. 34765

QUANTITY	UNIT	GRIT	DESCRIPTION	GROSS PRICE	NET AMOUNT
1000	SHEET	320	NET WET STRENGTH ABRASIVE PAPER 9 X 11 IN.	\$ 4.6313	\$ 46.31
72	ROLL		ITEMS BELOW PLUS 5 LESS 25-15% 420 ELECTRICAL TAPE BULK 1/2 X 36 YD.	1.68	80.97
72	ROLL		1 X 36 YD.	2.76	133.02
500	SHEET	8/0	ITEMS BELOW LESS 32-10% NET STRENGTH GARNET PAPER 1 STD UNIT PKG 9 X 11 IN.	6.40	19.58
			THIS AMOUNT LESS 2% PLUS CAL. STATE TAX		\$ 279.88*
					5.60-
					8.22
					\$ 282.50*

TERMS 2%/10 - NET/30

PLEASE BRING BILL, OR
Mail This Stub With Check

ACCOUNT NUMBER	NET AMOUNT
543140	8183601

TOTAL GROSS 15710 TOTAL NET 14184

If You Have Paid Amount Bearing
Symbol AR Please Deduct From
Above Total.

LAST DAY TO PAY
NET AMOUNT
AUG. 6, 196-

Figure 16 Incentives to purchase—incentives to pay.

THE INVOICE REGISTER

The accounts payable cards now have all the information required before payment can be made to the vendor. These cards, usually sorted by voucher number, are listed by the accounting machine to provide the invoice register (Figure 17).

This permanent record of items of indebtedness makes it possible to review any transaction without reference to the original documents. In addition, it is part of the rigid control that is necessary to any efficient accounting method. The totals are compared with the predetermined control totals and then posted to the accounts payable control sheet. A clear-cut audit trail of this kind is a great aid to control.

In some organizations, invoices are established as liabilities immediately upon receipt. If this is done, an unaudited invoice register is prepared from the accounts payable cards punched from the invoices. The invoices are sent to the proper departments to be approved and vouchered. The accounts payable cards remain in an unaudited file until the invoices are returned.

The approved invoices are then matched against the unaudited file by invoice number, and the cards thus removed are listed and totaled. The totals are compared with the control totals of approved invoices, and then sorted by due date and vendor number to await payment.

Whether the invoice register is prepared on an audited or unaudited basis, the totals of the distribution cards and the net total on the disbursement card must zero-balance for each invoice.

At the end of the register, accumulated totals of distribution amounts are shown; they must equal the accumulated totals of the disbursements. Furthermore, these two totals must equal the net payables total plus total discounts; gross payables must agree with the adding machine control tape that accompanies the invoices. This provides a three-way check that insures complete accuracy.

POSTING TO LEDGER CARDS

This is one method used to post liabilities. Each vendor is represented in the accounts payable file by a ledger card containing all the basic information about that vendor. Posting to this ledger card can be done directly from the invoice register in a fast line-at-a-time operation on the IBM 954 Facsimile Posting Machine (Figure 18), or the IBM 557 Alphabetic Interpreter can be used.

When the registers have been proved and are posted to the ledger cards, the distribution cards are separated from the disbursement cards by sorting. The disbursement cards are then filed by due date and vendor number in an await-payment file, and the distribution cards are filed for processing in the distribution procedure.

HENRY JOHN & CO.														
DAILY INVOICE REGISTER														
DATE MAR 19 196-														
SHEET 4 of 4														
ENTRY DATE	INV DATE	VENDOR	INVOICE NUMBER	VENDOR NUMBER	OUR VOUCHER NUMBER	DATE OF RECEIPT	ACCT. NO. GEN. SUB.	DEPT. CHG.	ITEM NUMBER	DUE DATE	QUANTITY	ITEM AMOUNT	NET PAYABLE	
											DISCOUNT *	INVOICE TOTAL *		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	865	3/25	100	28.60		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-410	132	11498	3/25	1	32.97		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	518	3/25	72	97.21		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	211			3/25	3.18	158.78	155.60	
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1242	3/26	50	675.95		
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1633	3/26	50	195.15		
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1040	3/26	10	310.52		
3/19	3/16	AMER REF PROD	12088	6620	46482	19	211			3/26	23.63	1,181.62	1,157.99	
3/19	3/15	OLONSON SUPPLY	8633	3642	46483	20	358-012	100		3/25	144	12.00		
3/19	3/15	OLONSON SUPPLY	8633	3642	46483	20	211			3/25	.24	12.00	11.76	
3/19	3/15	OLONSON SUPPLY	4290	7602	46484	27	358-012	100			12	3.00		
3/19	3/15	OLONSON SUPPLY	4290	7602	46484	27	211				3.00	3.00	3.00	
3/19	3/14	SUTLER MFG	55592	7731	46487	19	364-117	031	76428	3/24	48	12.38		
3/19	3/14	SUTLER MFG	55592	7731	46487	19	364-126	408	39117	3/24	144	53.05		
3/19	3/14	SUTLER MFG	55592	7731	46487	19	211			3/24	1.31	65.43	64.12	
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	364-612	132	6677	3/25	50	32.77		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	364-525	391	10320	3/25	12	51.24		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	364-016	166	9117	3/25	1	27.25		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	27	358-525	391	10320		2	8.54		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	211			3/25	2.05	102.72	100.67	
CONTROL											\$ 62,106.47	\$ 1,066.12	62,106.47	61,040.35
													1,066.12	
													62,106.47	

Figure 17 Invoices approved for payment.

Although ledger card posting shows some advantage over page or book posting, far greater advantage can be derived by the use of punched card ledger files.

PUNCHED CARD LEDGER FILES

Ledgers in the form of files of punched cards, arranged by due date by vendor, offer a high degree of economy and flexibility.

Posting to these ledger files is accomplished simply by merging the accounts payable disbursement cards into the file at machine speeds. No manual operation is needed. The cards, after being used to prepare the invoice register, are sorted by due date by vendor. Then, in a high speed collator, the cards for the day are filed into the accounts payable ledger file. The presence of the card in the file is the equivalent of posting (Figure 19).

This method reduces time and manpower to a minimum, while increasing accuracy. The card that goes into the file was prepared and verified from the source document. All handling was by machine. The card is immediately available for use in any additional phase of the payables procedure. None of the accounts or documents has to be handled individually. And each item of data can be used as a unit, rather than as a fixed part of a rigid record.

TAPES AND DISKS AS LEDGERS

The use of magnetic storage is a fast growing form of record keeping. The punched card is the medium that feeds information to magnetic tapes or disks, simultaneously updating a large number of records. Thus, a payables item can be posted to a unit representing current payables, to a distribution account, to a cash requirements report, and to a variety of other records in a single feeding operation by a data processing system.

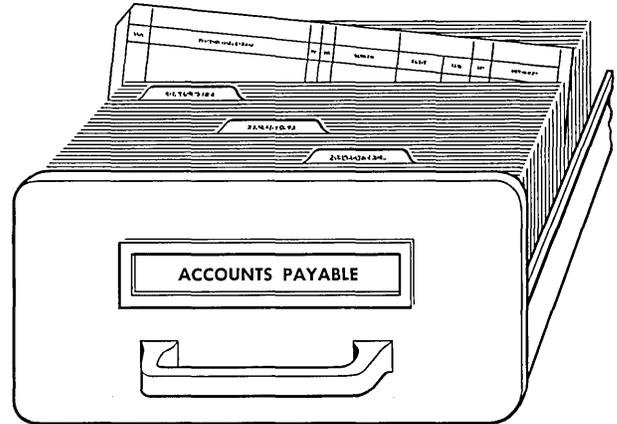
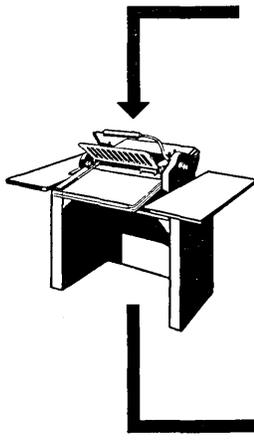


Figure 19 Payables are filed into the ledger mechanically.



HENRY JOHN & CO.													
DAILY INVOICE REGISTER													
DATE MAR 19 196-													
SHEET 4 OF 4													
ENTRY DATE	INVOICE DATE	VENDOR	INVOICE NUMBER	VENDOR NUMBER	OUR VOUCHER NUMBER	AUD. CHECK NO.	ACCT. NO. GEN. SUB.	DEPT. CHG.	ITEM NUMBER	DUE DATE	QUANTITY	ITEM AMOUNT INVOICE TOTAL	NET PAYABLE
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	865	3/25	100	28.60	
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-410	132	11498	3/25	1	32.97	
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	518	3/25	72	97.21	
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	211			3/25	3.18*	158.78*	155.60*
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1242	3/26	50	675.95	
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1633	3/26	50	195.15	
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1040	3/26	10	310.52	
3/19	3/16	AMER REF PROD	12088	6620	46482	19	211			3/26	23.63*	1,181.62*	1,157.99*

HENRY JOHN & CO.													
ACCOUNTS PAYABLE LEDGER													
ACCOUNT NUMBER 6620													
ACCOUNT NUMBER 6620													
COMPANY American Refinery Products PLANT LOCATION Bayonne, N. J. PHONE: BA-8-4433 SALESMAN Mr. Howard T. Wesley OFFICE LOCATION Newark, N. J. PHONE: MI-1-4433 MAIL ADDR. 100-40 Raymond Blvd, Newark 1, New Jersey CASH. REF. Miss Thelma Greenbough A/R REF. Mr. John Daley													
BOOK NO. 211 D. & B. 4/1A PAA RATE 1/64 HJC RATE 2-4 TERMS 2-10-30 CDD 80 JOURNAL 1/6													
ENTRY DATE	INVOICE DATE	VENDOR	INVOICE NUMBER	VENDOR NUMBER	VOUCHER NO. OR CHECK NO.	AUD.	ACCT. NO. GEN. SUB.	AUD.	CHECK DATE	DUE DATE	DISCOUNT	INVOICE TOTAL	NET PAYABLE
3/05	FWD			6620									
3/05	3/02	AMER REF PROD	9643	6620	42732	19	211	✓		3/12	\$ 16.86*	\$ 843.17*	\$ 826.31*
3/08	3/05	AMER REF PROD	9918	6620	43110	19	211	✓		3/12	\$ 7.24*	\$ 362.10*	\$ 354.86*
3/12	3/09	AMER REF PROD	10474	6620	45557	19	211			3/18	\$ 20.29*	\$ 1,014.72*	\$ 994.43*
3/15		AMER REF PROD		6620	8224	34	260	✓	3/12/56		\$ 9.95*	\$ 497.28*	\$ 487.33*
3/19	3/16	AMER REF PROD	12088	6620	46482	19	211			3/26	\$ 44.39*	\$ 2,219.99*	\$ 2,175.60*
3/26	3/19	AMER REF PROD	12762	6620	46929	19	211			3/26	\$ 23.63*	\$ 1,181.62*	\$ 1,157.99*
3/26		AMER REF PROD		6620	8535	34	260		3/23/56		\$ 1.65*	\$ 82.33*	\$ 80.68*
3/29	3/23	AMER REF PROD	13591	6620	47016	19	211			4/02	\$ 9.95*	\$ 497.28*	\$ 487.33*
											\$ 14.41*	\$ 720.45*	\$ 706.04*

Figure 18 A whole line posted in one operation.

Writing Checks

Prompt payment of obligations results in a sound credit reputation. In addition, prompt payment insures securing discounts. In many instances discount economies make a substantial difference in the profit-and-loss column. Therefore, it is important that cash be made available to meet all obligations and that checks be written and remitted within the allowable period.

CASH REQUIREMENTS STATEMENT

Most businesses schedule dates for writing and remitting checks. Before checks can be written, however, money must be available in the accounts payable account to cover their total dollar amount.

In the punched card method, the accounts payable disbursement cards are filed in an open accounts payable file by vendor within due date. At some time shortly before the scheduled date, the cards for the proper due-date period are removed from the file and processed in the accounting machine to prepare the cash requirements statement (Figure 20).

This report permits the company treasurer to adjust the cash balance in the accounts payable account to the minimum requirements for that payment date; it also assures taking all possible discounts. When he has made the necessary transfers of cash, he notifies the accounts

payable department. They can then prepare the checks and remittance statements; or, if this has already been done, they can release them to the mailroom.

CHECKS AND REMITTANCE STATEMENTS

A remittance statement accompanying a check is actually an explanation to the vendor of what obligations are covered by the payment, and the method used to arrive at the check amount. The actual forms of remittance statements are as varied as the businesses that use them, but their basic purpose is the same (Figure 21).

The IBM methods of check writing and statement preparation have the advantage that the check and the statement are prepared in a single processing of the accounts payable cards. Careful planning of the check form and the remittance statement form will result in maximum economy of time and money in this essential function.

The same accounts payable cards that were removed from the file for preparing the cash requirements statement are used in this operation, if the treasurer has agreed to pay all the items listed on the cash requirements statement.

The cards are matched with corresponding vendor name and address cards in a collator and, without further handling, are ready for the check-writing operation.

KRAUSZ MANUFACTURING COMPANY						
ACCOUNTS PAYABLE						
CASH REQUIREMENTS STATEMENT						
ROUT TO <i>Mr. J. J. Crossin - Dept 10</i>						DATE APR 12 196-
						SHEET <u>1</u> OF <u>2</u>
VENDOR	VENDOR NUMBER	DUE DATE	INVOICE AMOUNT	DISCOUNT	CHECK AMOUNT	
SOLVAY GEN SUP	1016	4/16	\$ 773.30	\$ 15.47	\$ 757.83	
ROCHESTER PR CO	1021	4/16	1,620.18	32.40	1,587.78	
CALABRIA CONT	1049	4/16	143.65	2.87	140.78	
ONONDAGA STL CO	1077	4/16	5,982.82	119.66	5,863.16	
BLACK & NICHOLS	1103	4/16	14.25	.71	13.54	
AUSTERHOLZ INC	1240	4/16	624.77	12.50	612.27	
AUSTERHOLZ INC	1240	4/16	1,833.19	36.66	1,796.53	
CHRISTIE & CO	1366	4/16	745.54		745.54	
WILSON & WILSON	2231	4/16	2,936.12	58.72	2,877.40	
CLAR. HIGGINS	2590	4/16	1,000.00		1,000.00	
HONOUR BROS	3101	4/16	97.36	1.95	95.41	
BASTIANI & SON	3112	4/16	3,580.85	71.62	3,509.23	
DRJ WIRE CO	3164	4/16	256.90	5.14	251.76	
HASTING-WHITE	3258	4/16	1,144.42	22.89	1,121.53	
DARONO ART MET	3427	4/16	32.75	.66	32.09	
DARONO ART MET	3427	4/16	127.52	2.55	124.97	
DARONO ART MET	3427	4/16	96.60	1.93	94.67	

Figure 20 For review by the treasurer.

CHECK NO. 1645

C & D DYEING AND FINISHING CO. 1291 W. 33rd STREET
STATEMENT OF REMITTANCE

DATE			INVOICE NUMBER	OUR VOUCHER NUMBER	AMOUNT	DEDUCTIONS	DISCOUNT	BALANCE
MO	DAY	YR						
1	26	6-	33156	6430	\$ 367.17		7.34	\$ 359.83
1	27	6-	33887	6516	\$ 199.45	18.64	3.62	\$ 177.19
								\$ 537.02*

DETACH BEFORE DEPOSITING

C & D DYEING AND FINISHING CO.
CHESTER, VERMONT

CHECK NO. 1645 DATE 2/04/6- EXACTLY **537 DOLLARS 02 CENTS \$ ***537.02

KRAUSZ MANUFACTURING COMPANY
SYRACUSE, NEW YORK

STATEMENT OF REMITTANCE

CHECK NUMBER	VENDOR	INVOICE DATE	VENDOR'S INVOICE NO.	INVOICE	DISCOUNT	AMOUNT PAID
12400410	AUSTERHOLZ INC	2/08/-	A 45920	\$ 624.77	12.50	\$ 612.27
	AUSTERHOLZ INC	2/09/-	A 45974	1,833.19	36.66	1,796.53

KRAUSZ MANUFACTURING COMPANY
SYRACUSE, NEW YORK

50-1003
213

PAY TO THE ORDER OF
AUSTERHOLZ INC.

DOLLARS 2,408 CENTS 80
\$ 2,408.80

ACCOUNTS PAYABLE

GENESEE COMMERCIAL TRUST COMPANY
SYRACUSE, NEW YORK

CHECK NUMBER
VENDOR MO. DAY YR.
1240 04 16 6-

ODIN CHEMICAL CO.
BROCKTON, PA.

STATEMENT OF REMITTANCE

	CHECK NUMBER	INVOICE DATE	VENDORS INVOICE NO.	CODE	INVOICE AMOUNT	DISCOUNT	NET AMOUNT
1. YOUR INVOICE	1242	1/23/6-	AB 2576	1	\$ 98.13	\$ 1.96	\$ 96.17
2. YOUR CR. MEMO.		1/28/6-	AB 2588	1	158.78	3.18	155.60
3. OUR DR. MEMO.		1/28/6-	CM 0085	2	25.00-	.50-	24.50-
4. OUR CR. MEMO.					\$ 231.91*	\$ 4.64*	\$ 227.27*

ODIN CHEMICAL COMPANY
BROCKTON, PA.

001242

CHECK NUMBER
VENDOR NUMBER MONTH DAY YEAR
1179 2 02 6-

TO THE ORDER OF:
NIXON GLASS
NIXON, VIRGINIA

PAY → \$ 227.27

C. H. Simmonds
AUTHORIZED SIGNATURE

BROCKTON BANK & TRUST COMPANY
BROCKTON, PA.

Figure 21 Various checks and remittance statements.

When a continuous form is used, the remittance statement generally precedes the check on the form. The name and address cards follow the accounts payable cards in sequence by vendor number. The accounting machine will detail the invoices by number, accumulate the total amount payable, and write it on the check.

Then the printer will write the name and address of the vendor and move on to the next vendor-number group. The checks and statements are ready for mailing as soon as they have been signed and separated. The name and address printing is positioned to appear in the window of an envelope. Carbon copies of the remittance statements are kept on file in the accounting department for ready reference.

The continuous forms are obtainable on regular card stock. The check portion of the form can be prepunched with the check number that appears on both the remittance statement and the check itself. This makes check reconciliation and check-number control fast machine operations, and also makes the check itself a durable original record.

In this operation, a summary card is punched for each check written. The accounts payable cards are used to prepare the cash disbursements register (Figure 22) and are then placed in the paid file. The summary cards are totaled and balanced to the disbursements register, then placed in the check reconciliation file. When canceled checks are received from the bank, they are matched against the check reconciliation file and the corresponding summary card is removed. The cards remaining in the file represent the outstanding checks and can be auto-

matically accumulated when the total of outstanding checks is required.

BILL FEED CHECK PREPARATION

The bill-feed operation is another common method of check writing. In this procedure, vendor name and address cards are merged with the accounts payable cards and are then processed to prepare remittance statements and summary cards. The summary cards are run through an accounting machine equipped with bill feed to produce the check. The vendor's name and address on the remittance statement will appear in the window of the mailing envelope.

Another variation of the use of the bill feed makes use of the summary card itself as a check. Vendor number, check amount, date, and any other pertinent information is punched in the check in the summary operation. Then the cards are fed through the bill feed to be printed with the amount and payee information. The canceled check is then available for bank reconciliation, check-number control, and as part of the permanent record; because of the punched information in the check, all further handling is done by machines.

This completes the check-writing operation. The checks are then validated by signature or check-signing machine, and mailed in window envelopes. The accounts payable cards that were used in this part of the procedure can now be put in the paid file.

Figure 23 is a flow chart of the basic steps in a typical accounts payable procedure.

KRAUSZ MANUFACTURING CO.								
ACCOUNTS PAYABLE								
CASH DISBURSEMENTS REGISTER								
ROUT TO <i>Mr. J. P. Patrick</i>					DATE APR 16 196-			
					SHEET <u>1</u> OF <u>2</u>			
VENDOR	CHECK NO.			✓	ACCOUNTS PAYABLE		CREDIT	
	VENDOR NUMBER	0	1		DEBIT	DISCOUNT	CASH	
SOLVAY GEN SUP	1016	04	16		\$ 773.30	\$ 15.47	\$ 757.83	
ROCHESTER PR CO	1021	04	16		1,620.18	32.40	1,587.78	
CALABRIA CONT	1049	04	16		143.65	2.87	140.78	
ONONDAGA STL CO	1077	04	16		5,982.82	119.66	5,863.16	
BLACK & NICHOLS	1103	04	16		14.25	.71	13.54	
AUSTERHOLZ INC	1240	04	16		2,457.96	49.16	2,408.80	
CHRISTIE & CO	1366	04	16		745.54		745.54	
WILSON & WILSON	2231	04	16		2,936.12	58.72	2,877.40	
CLAR. HIGGINS	2590	04	16		1,000.00		1,000.00	
HONOUR BROS	3101	04	16		97.36	1.95	95.41	
BASTIANI & SON	3112	04	16		3,580.85	71.62	3,509.23	
DRJ WIRE CO	3164	04	16		256.90	5.14	251.76	
HASTING-WHITE	3258	04	16		1,144.42	22.89	1,121.53	
DARONO ART MET	3427	04	16		256.87	5.14	251.73	

Figure 22 A record of checks issued.

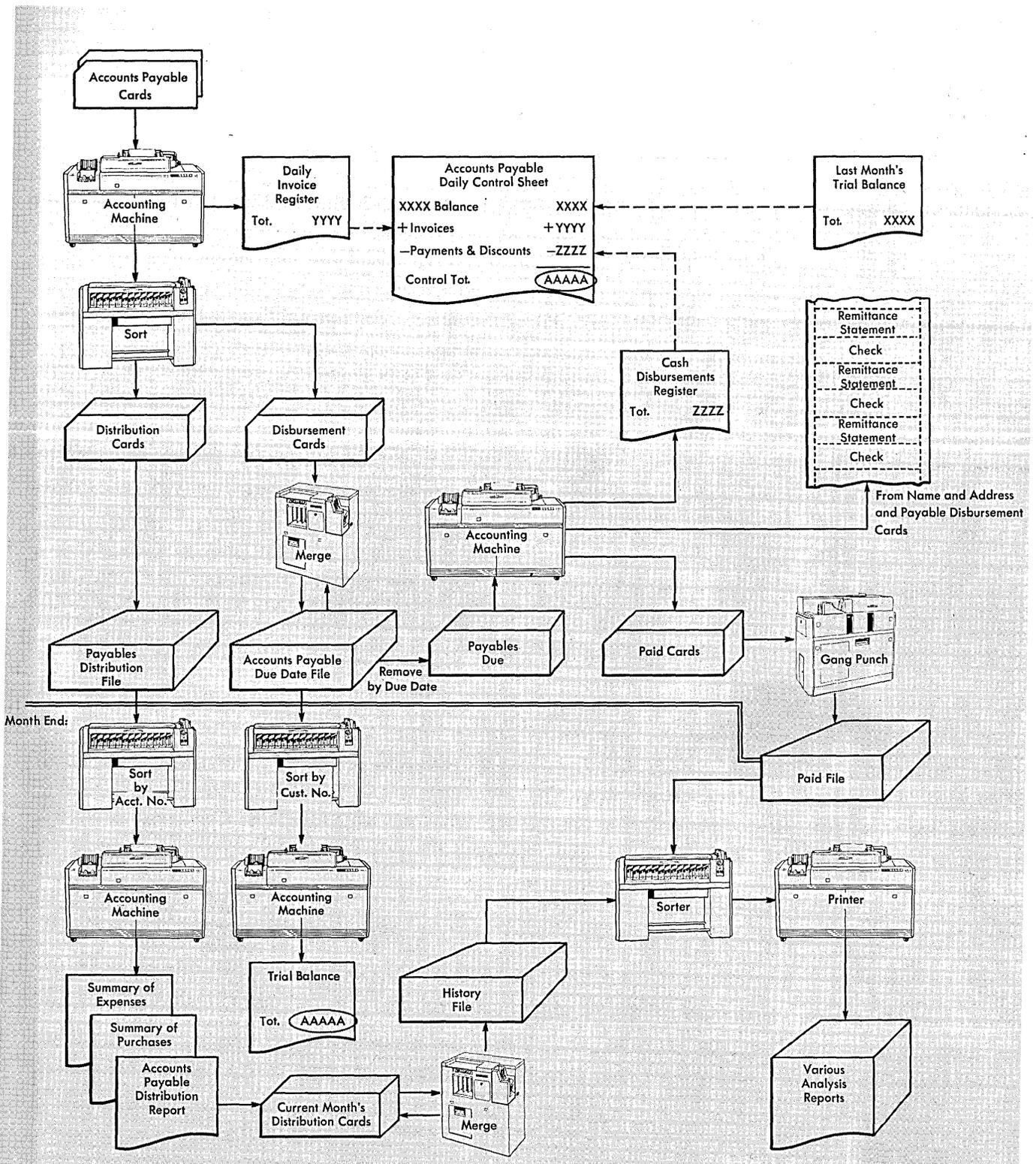


Figure 23 A typical accounts payable procedure.

Applying Distributions

This part of accounts payable can be divided into two objectives:

- 1. Allocating Expenses—placing the responsibility for, and evaluating, each expenditure.*
- 2. Analyzing the Records—providing data in a form useful to management's needs for making decisions.*

Allocating Expenses

The factor that gives the truest basis for accounting records is actual cost. Expense records are based on experience, and all money paid out should be allocated to the phase of business operation that made the expense necessary.

Prompt, detailed figure-facts concerning expenditures must be assembled to keep management informed on what money is being spent for, and who is responsible for the expenditures. The best way to make these figure-facts available in usable form is to identify each item of expense as soon as it has been validated as a proper operating cost.

So account numbers are assigned to every activity of the organization for which money is spent. The number of accounts used depends directly on management's interest in the amount of detail to be used in making decisions. Numbers can be assigned to various types of salaries, wages and commissions; to inventories of raw materials, grouped or by material class; to plant and equipment assets; to heat, light, fuel and power; to office operations, promotions, meetings, and so forth.

Time and expense of handling detail have been barriers to fulfilling management's need for complete and comprehensive reports. The IBM method combines speed with economy to overcome these barriers.

THE DISTRIBUTION SUMMARY

At the end of each accounting period, the payables distribution cards that were accumulated from daily or periodical processing of payables are withdrawn from the file. They are sorted into account-number sequence, then listed by the accounting machine to produce the accounts payable distribution report (Figure 24).

The distribution report provides a readily available source of data to support the distributed amounts to the charged accounts. Furthermore, the same cards can be separated into categories of purchases and expenses; summaries can then be prepared for each group of expenditures.

While the distribution report is being prepared in the accounting machine, summary cards can be punched for the total charged to each account number. This summary card becomes the entry to the general ledger accounts payable file, making the preparation of the monthly operating and financial reports easily obtainable (Figure 25).

The payables distribution cards have further uses as the source of varied data for analytical reports to management. The flexibility of the IBM method of processing data makes it possible to write reports to management based on any classification of information that has been coded into punched cards.

HENRY JOHN & CO.
ACCOUNTS PAYABLE DISTRIBUTION SUMMARY

SHEET 3 OF 4

DATE **MAR 30 196-**

ENTRY CODE	INVOICE DATE	VENDOR ABBREVIATION	INVOICE NUMBER	VENDOR NUMBER	OUR VOUCHER NUMBER	ENT. CODE	ACCT. NO. GEN.-SUB.	DEPT. CHG.	ITEM NUMBER	DUE DATE	QUANTITY	INVOICE AMOUNT	GENERAL LEDGER
		MACHINERY					364-080						
3/05	3/03	KESTON CASTINGS	41065	7604	41750	19	364-080	132	30236	3/13	6	\$ 347.85	
3/12	3/09	HASTING-WHITE	11333	8420	42916	19	364-080	031	1689	3/19	144	262.19	
3/13	3/12	KESTON CASTINGS	41988	7604	43008	19	364-080	132	51706	3/22	6	333.60	
3/15	3/13	KRAUSZ MFG CO	24092	3466	43262	19	364-080	100	104008	3/23	1	2,897.45	
3/15	3/13	KRAUSZ MFG CO.	24092	3466	43262	19	364-080	100	20343	3/23	1	1,390.11	
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	865	3/25	100	28.60	
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	518	3/25	72	97.21	
3/29	3/26	MIDWEST CAST CO	13738	8092	46826	19	364-080	132	1162	4/09	12	165.95	
3/29	3/26	KRAUSZ MFG CO	25164	3466	46829	19	364-080	100	187661	4/09	1	944.40	
													\$ 6,467.36*
		RAW STORES					364-126						
3/12	3/07	DRJ WIRE CO	44492	2910	41801	19	364-126	408	33927	3/17	1000	180.45	
3/12	3/09	SOUTH LAKE SAND	A1925	4647	42888	19	364-126	100	630	3/19	20000	600.00	
3/12	3/09	CALHOUN & COLLS	17831	7755	42891	19	364-126	100	12882	3/19	72	163.39	
3/12	3/09	BRIEN & HAYNES	55630	9132	42895	19	364-126	408	6491	3/19	100	491.00	
3/19	3/16	AMER REF PROD	12088	7620	46523	19	364-126	031	1242	3/26	50	675.95	
3/19	3/16	AMER REF PROD	12088	7620	46523	19	364-126	031	1633	3/26	50	195.15	
3/19	3/16	AMER REF PROD	12088	7620	46523	19	364-126	031	1040	3/26	10	310.52	
3/19	3/14	SUTLER MFG	55592	7731	46402	19	364-126	408	39117	3/24	144	53.05	
3/19	3/13	BRIEN & HAINES	55898	9132	43275	19	364-126	408	7459	3/23	15	49.56	
3/21	3/18	OLONSON SUPPLY	9247	7622	46124	19	364-126	100		3/28	144	12.00	
3/21	3/18	SOUTH LAKE SAND	A1994	4647	46136	19	364-126	100	630	3/28	20000	600.00	
3/21	3/18	CALHOUN & COLLS	18926	7755	46139	19	364-126	391	10320	3/28	12	51.24	
3/21	3/15	DRJ WIRE CO	45318	2910	45733	19	364-126	408	38618	3/25	5000	764.25	
3/21	3/15	AMER REF PROD	19637	7620	45687	19	364-126	031	1242	3/25	50		

Figure 24 A complete distribution for the accounting period.

364-080 03306-19101 MACHINERY										6467.36		
GEN	SUB	DATE	ENT. CO.	DIV.	ACCT. NO.	DESCRIPTION						LEDGER TOTAL
ACCOUNTS PAYABLE DISTRIBUTION SUMMARY CARD												
MO.	DA.	YR.	ENT. CO.	DIV.	ACCT. NO.	AUDIT	DESCRIPTION	DEBIT AMOUNT	CREDIT AMOUNT	LEDGER TOTAL		
00	00	00	00	00	00		00000000	00000000	000000	000000	000000	
1	2	3	4	5	6	7	8	9	10	11	12	
1	1	1	1	1	1	1	1	1	1	1	1	
2	2	2	2	2	2	2	2	2	2	2	2	
3	3	3	3	3	3	3	3	3	3	3	3	
4	4	4	4	4	4	4	4	4	4	4	4	
5	5	5	5	5	5	5	5	5	5	5	5	
6	6	6	6	6	6	6	6	6	6	6	6	
7	7	7	7	7	7	7	7	7	7	7	7	
8	8	8	8	8	8	8	8	8	8	8	8	
9	9	9	9	9	9	9	9	9	9	9	9	
1	2	3	4	5	6	7	8	9	10	11	12	
33	34	35	36	37	38	39	40	41	42	43	44	
53	54	55	56	57	58	59	60	61	62	63	64	
83	84	85	86	87	88	89	90	91	92	93	94	
123	124	125	126	127	128	129	130	131	132	133	134	

Figure 25 The general ledger entry.

Analyzing the Records

The disbursement cards in the paid accounts payable file and the distribution cards in the payables distribution file constitute a completely detailed history of the payables transaction of your organization. The IBM method of data processing makes it possible to present all this information in readable form, in order to provide management with a basis on which to make decisions.

WHAT ARE THE QUESTIONS?

Among the many questions which management may ask are:

What was the total volume of purchases from each vendor?

Who are our largest suppliers of merchandise?

How much of each class of merchandise have we bought this year?

Which vendors had the largest volume of returns?

Are we receiving the maximum in anticipation discounts?

What cash discounts have we lost, and why?

What are the average daily cash requirements to meet payables?

What is our expense for each dollar of gross or net sales?

How much does each of our departments cost us?

And there are more and different questions every day.

WHERE ARE THE ANSWERS?

Detailed and documented answers to these questions are coded and punched in the cards in the paid file. Each question can be answered by locating the factor with which to change the sequence of the cards in the file.

If you rearrange the file in vendor-number sequence, a

SUMMARY OF PURCHASES				
DATE 3/31/6-				
ACCOUNT NAME	ACCOUNT		SUB-ACCOUNT TOTAL	GENL. ACCOUNT TOTAL
	GENL.	SUB.		
RAW MATERIALS				
BRASS	123	301	\$ 14,971.50	
CASTINGS	123	305	24,607.53	
BLANKED PARTS	123	320	180.75	
GEARS	123	325	134.45	
GLASSWARE	123	330	300.78	
INSULATING MATERIAL	123	340	2,338.45	
LUMBER	123			
PAINTS	123			
PARTS	123			
STEEL	123			
VARNISHES	123			
VENEERED PANELS	123			

PURCHASE ANALYSIS BY VENDOR							
VENDOR'S NO.	VENDOR'S NAME	AMOUNT THIS MONTH	RETURNS YEAR TO DATE	NET AMOUNT YEAR TO DATE	NET AMOUNT LAST YEAR TO DATE	INCREASE OR DECREASE	
27	ABBOT MACHINE CO	1286	44	3194	26	3010	42
58	ACE TOOL CO			1975	15	1859	76
66	ACME ABRASIVE CO	342	86	1505	93	1482	50
324	ALLAN ALLOYS CO			4675	22	4410	15
367	AMERICAN TOOL CO		95	986	74	1293	84
425	ANGUS METAL WORKS			842	89	795	22
475	APEX CORPORATION	2316	84	10476	79	9473	65
502	ARCO STATIONERY CO			319	42	445	93
						1902	64
						801	42
						1694	74
						562	18
						4273	56
						931	50
						183	84
						115	39
						23	43
						265	07
						307	10 CR
						47	67
						1003	14
						126	51 CR
						43	19
						10	03
						97	44
						31	23
						198	38
						12	28

EXPENSE BUDGET ANALYSIS						
COMPARATIVE						
DATE 3/31/6-						
DEPT.	ACCOUNT		EXPENSE THIS MONTH	EXPENSE BUDGET THIS MONTH	EXPENSE YEAR-TO-DATE	EXPENSE BUDGET YEAR-TO-DATE
	GENL.	SUB.				
3	913	660	\$ 2,378.55	\$ 2,500.00	\$ 7,289.50	\$ 7,500.00
3	913	700	675.95	725.00	3,000.00	2,655.32

Figure 26 Reports to supply answers to any vital questions.

group listing of the cards will produce the purchase analysis by vendor. This can be detailed, or can be processed to show the totals for the year to date, including a comparison with purchases of the previous year.

This is a valuable guide to effective purchasing. It will assist in judicious selection of the best discount arrangements, in maintenance of vendor availability, and in maintaining sound procurement facilities.

Summary cards produced from the purchase analysis can be sorted by total purchases. Then the summaries can be listed to provide a study of the volume purchased from each vendor. This provides an opportunity to review the largest suppliers and re-evaluate their products, services and facilities (Figure 26).

Thus, sorting and collating these cards (and summary cards derived from them), and then running them through an accounting machine, will allow your personnel to process the data they have accumulated. The reports obtainable are extremely varied and can fill most information requests.

DEPARTMENTAL EXPENSES

Many organizations have been achieving closer control over expenses by placing the responsibility directly on the people who make the commitment for an expenditure. Detailed accounting records are an important factor in controlling expenses at their source.

Regular, prompt and complete statements of expenditures for each operating unit keep the responsible executive informed of the commitments he is making. In addition, top management regularly obtains information needed to supervise and assist those subordinates responsible for the expenditures.

But even more, a comparison of the performance of each branch or department is established—a psychological incentive to self-supervision that is in itself a very effective type of control.

Typical reports of this kind are the expense distribution, branch expense statement and the branch expense-by-account report (Figure 27).

SAXON AND JOYE INC.							
EXPENSE DISTRIBUTION							
BY DEPARTMENT OR BRANCH							
SHEET <u>5</u> OF <u>18</u>				DATE MAR 31 196-			
DEPT OR BR.	ACCOUNT NUMBER	VOUCHER NUMBER	DATE	AMOUNT	ACCOUNT TOTAL	DEPARTMENT OR BRANCH TOTAL	*
	GEN.-SUB.						
40	873 -430	33921	3/03	687.50			
40	873 -430	34763	3/12	732.04			
40	873 -430	39810	3/23	16.67			
				\$ 1,436.21*	\$ 8,741.81*	\$26,109.40*	
		26618	3/01	175.95			
		27003	3/02	47.60			
		39824	3/25	483.52			
				\$ 707.07*			

BRANCH EXPENSE STATEMENT			
DATE 3/31/6-			
ACCOUNT NAME	BRANCH	ACCOUNT NUMBER	AMOUNT
COLLECTION EXPENSE	10	570	\$ 10.00
	22	570	25.00
			\$ 35.00 *
DONATIONS	1	610	\$ 20.00
	4	610	50.00
	7	610	30.00
	10	610	25.00
	16	610	5.00
	22	610	60.00
	31	610	10.00
	34	610	45.00
			\$ 245.00 *
DUES	13	620	\$ 25.00
	19	620	15.00

BRANCH EXPENSE STATEMENT			
DATE 3/31/6-			
ACCOUNT NAME	BRANCH	ACCOUNT NUMBER	AMOUNT
OPERATORS SALARIES	1	113	\$ 2145.00
CLERICAL SALARIES	1	114	4080.00
JANITOR WAGES	1	141	285.00
BANK CHARGES	1	540	2.50
DONATIONS	1	610	20.00

Figure 27 Expense breakdowns obtained quickly and easily.

INDIVIDUAL EXPENSES

The same type of consciousness of expenditures is necessary in individuals as in departments. And the same scrupulous handling of controllable expenses is achieved with periodic comparative reports of expenditures made by individuals. A good example of this is the summary of traveling and entertainment expenses (Figure 28). This can be prepared on a monthly or quarterly basis. But complete analysis of individual expense accounts for a given period shows, both to management and the individuals themselves, the amount of this type of controllable expense.

OFFICE MEMPHIS		COMPARATIVE TRAVELING AND EXPENSE REPORT										ROUTING	
DIVISION SALES												<input type="checkbox"/> DIVISION MANAGER <input checked="" type="checkbox"/> BRANCH MANAGER <input type="checkbox"/> V.P. FOR SALES <input type="checkbox"/> AUDITING DEPARTMENT <input type="checkbox"/> TREASURER	
MONTH OF APRIL													
NAME	EMPL. NO.	R.R. & PLANE FARES	AUTOMOBILE MILEAGE	ROOMS AND HOTEL	MEALS	ENTERTAINMENT	MISCELLANEOUS	YEAR-TO-DATE	THIS MONTH	THIS MONTH LAST YEAR	INC. DEC.		
J. T. CONLAN	064	16.50	43.54		4.35	29.05	1.60	320.86	95.04	78.80	*		
P. R. SOLUCCI	088	132.72	3.50	77.75	32.20	14.60	4.50	977.30	265.27	143.61	*		
L. L. LEWISSON	091		83.93			11.80	47.15	561.27	142.88	157.12	-		
M. O. ARCHER	146	9.00	49.70		2.95	4.80	17.50	476.11	83.95	62.45	*		
F. X. QUINLIN	147	2.45	12.81		1.25	14.50	18.12	87.33	49.13	167.25	-		
J. J. HALLORAN	192	263.66		126.90	49.85	33.85	7.18	989.10	481.44	114.70	*		
J. P. CALASAKIS	216	18.51	28.77		3.90	1.00	.25	362.75	52.43	42.65	*		
S. T. SCHNETER	233	48.55	15.54	9.00	6.10		.40	310.42	79.59	211.90	-		
H. S. TRAVERS	238		76.51		2.25	13.20	25.75	482.73	117.71	183.66	-		
M. M. MASEK	340	11.10	36.26		5.15	18.65	8.75	338.85	79.91	469.38	-		
N. C. STEWART	371	397.88		94.30	43.65	71.25	14.33	1,296.40	621.41	126.15	*		
W. F. HOTCHKISS	397	26.74	25.62		4.30	20.00	96.30	817.92	172.96	88.80	*		
D. J. ANGELO	401	94.09	3.43	16.50	7.25	165.45	15.65	1,466.70	302.37	18.25	*		
D. E. BRINK	411	32.55	13.86		6.10		1.00	126.36	53.51	47.45	*		
M. S. CHASE	425		113.75	18.00	11.50	12.00	4.10	631.99	159.35	126.70	*		
		\$ 1,053.75	\$ 507.22	\$ 342.45	\$ 180.80	\$ 410.15	\$ 262.58	\$ 9,246.09	\$ 2,756.95	\$ 2,038.87	*		

Figure 28 To develop awareness of controllable expense.

Accounting Controls

Good controls are important to any accounting procedure. In double-entry bookkeeping, there are two equal and balancing entries for each business transaction. In most applications of this basic theory, totals of similar transactions are posted to the general ledger and are balanced by detailed listings in the subsidiary ledgers.

This is true of payables accounting. Entries are made from journals or registers; detailed information is posted to the subsidiary ledgers, totals to the general ledger. But the general ledger contains a controlling account that includes summary totals posted independently of the subsidiary ledger. This guarantees that the subsidiary ledger is always in balance with the general ledger controlling account.

ACCOUNTS PAYABLE CONTROL SHEET

Control of accounts payable started in the accounting department when the invoices were checked for accuracy, then approved and vouchered. When the invoices and related documents were validated and the posting process began, they were accompanied by an adding machine control tape.

THE INVOICE REGISTER

Information on the vouchers or aprons was punched and verified for each invoice, proving that original transcription of reference and classification data was accurate. Then the invoice register was prepared (Figure 29). The register totals must compare with the totals on the control tape, thus insuring overall accuracy of the quantitative data for that day—invoices can neither be omitted nor posted twice by mistake.

Two sets of cards were used in preparing the invoice register: distribution cards provided the detail; disbursement cards, the total and discounts. The accumulated totals of the distribution cards equaled the totals of the disbursement cards, as well as zero-balancing for each invoice number. The third check of accuracy in the invoice register was a crossfoot check of accounts payable against net payables plus discounts.

A new control sheet is started at the beginning of each accounting period by entering the balance of accounts payable shown on the last trial balance. During the accounting period, whenever an invoice register is produced, the total shown on it is entered as a credit to accounts payable (Figure 30).

HENRY JOHN & CO.														
DAILY INVOICE REGISTER														
DATE MAR 19 196-														
SHEET 4 OF 4														
ENTRY DATE	INV DATE	VENDOR	INVOICE NUMBER	VENDOR NUMBER	OUR VOUCHER NUMBER	DISC. %	ACCT. NO. GEN. SUB.	DEPT. CHG.	ITEM NUMBER	DUE DATE	QUANTITY	ITEM AMOUNT	NET PAYABLE	
											DISCOUNT *	INVOICE TOTAL *		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	865	3/25	100	28.60		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-410	132	11498	3/25	1	32.97		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	364-080	132	518	3/25	72	97.21		
3/19	3/15	KESTON CASTINGS	42397	7604	46481	19	211			3/25	3.18*	158.78*	155.60*	
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1242	3/26	50	675.95		
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1633	3/26	50	195.15		
3/19	3/16	AMER REF PROD	12088	6620	46482	19	364-126	031	1040	3/26	10	310.52		
3/19	3/16	AMER REF PROD	12088	6620	46482	19	211			3/26	23.63*	1,181.62*	1,157.99*	
3/19	3/15	OLONSON SUPPLY	8633	3642	46483	20	358-012	100		3/25	144	12.00		
3/19	3/15	OLONSON SUPPLY	8633	3642	46483	20	211			3/25	.24*	12.00*	11.76*	
3/19	3/15	OLONSON SUPPLY	4290	7602	46484	27	358-012	100			12	3.00-		
3/19	3/15	OLONSON SUPPLY	4290	7602	46484	27	211					3.00-	3.00-	
3/19	3/14	SUTLER MFG	55592	7731	46487	19	364-117	031	76428	3/24	48	12.38		
3/19	3/14	SUTLER MFG	55592	7731	46487	19	364-126	408	39117	3/24	144	53.05		
3/19	3/14	SUTLER MFG	55592	7731	46487	19	211			3/24	1.31*	65.43*	64.12*	
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	364-612	132	6677	3/25	50	32.77		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	364-525	391	10320	3/25	12	51.24		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	364-016	166	9117	3/25	1	27.25		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	27	358-525	391	10320		2	8.54-		
3/19	3/15	CALHOUN & COLLS	18687	7755	46488	19	211			3/25	2.05*	102.72*	100.67*	
CONTROL											\$ 62,106.47	\$ 1,066.12	62,106.47	61,040.35
													1,066.12	62,106.47

67.23
 493.38
 5.79
 3,721.16
 527.45
 278.26
 33.78
 1,384.71
 1,181.62
 158.78
 12.00
 3.00-
 65.43
 102.72
 ✓ 62,106.47*
 MAR 19 196-
 [Signature]

Figure 29 The totals must check.

THE CASH DISBURSEMENTS REGISTER

This report was prepared when checks were written and mailed to the vendors. It listed payments made, net amount and discount taken. The total for payments made reduced accounts payable and was posted as a debit. The net payables amount appeared on the control sheet as a credit to cash, and the total discount was posted as a credit to discounts.

TRIAL BALANCE

The control sheet is a summation of all transactions to date. All distributions and reports of these transactions must balance to this control. The balance in the control account corresponds to the net amount of unpaid accounts

payable cards, representing open invoices or credit memorandums. The daily control sheet is the medium by which the trial balance will be proved.

The trial balance, then, is the amount of accounts payable established at the end of the last accounting period, plus all the invoices received and approved during the current accounting period, less all credits claimed and acknowledged, less all invoices paid (Figure 31).

We can see, then, that if we listed the accounts payable file by vendor number and due date, we would have a list of all obligations remaining unpaid at the closing of the accounting period. This is the trial balance. And this trial balance, if correct, will agree with the totals on the daily control sheet.

NATIONAL PRODUCTS INC.										
ACCOUNTS PAYABLE CONTROL SHEET										
DATE <u>March 196-</u>										
ENTRY DATE	INVOICES		PAYMENTS		CASH PAID		DISCOUNTS TAKEN		INITIAL	
	CR. ACCOUNTS PAYABLE	DR. ACCOUNTS PAYABLE	CR. CASH	CR. DISCOUNTS						
LAST MONTH	84,326	52								J.
Mar. 5	4,244	56								M.
6	648	51	11,645	77	11,443	81	201	96		M.
30	326	40								J.
Totals	202,716	30	104,992	11	103,079	77	1,912	34		JRC
	104,992	11			1,912	34				
	97,724	19			104,992	11				
			Trial Bal							JRC

Figure 30 An up-to-date check sheet.

NATIONAL PRODUCTS INC.							
TRIAL BALANCE							
OPEN ITEMS—ACCOUNTS PAYABLE							
CLOSING DATE <u>MAR 30 196-</u>							
SHEET <u>18</u> OF <u>18</u>							
VENDOR	VENDOR NUMBER	INVOICE DATE	DUE DATE	ACCOUNTS PAYABLE	DISCOUNTS	NET PAYABLES	*
WALTERS INS	1181	3/24	4/24	382.40		382.40	
WALTERS INS	1181	3/27	4/27	1,647.85		1,647.85	
				\$ 2,030.25*		*\$ 2,030.25*	
GREENWICK FUEL	1196	3/22	4/02	126.20	2.52	123.68	
GREENWICK FUEL	1196	3/26	4/05	119.73	2.39	117.34	
GREENWICK FUEL	1196	3/28	4/07	121.45	2.44	119.01	
				\$ 367.38*	\$ 7.35*	\$ 360.03*	

Figure 31 To establish absolute accuracy.

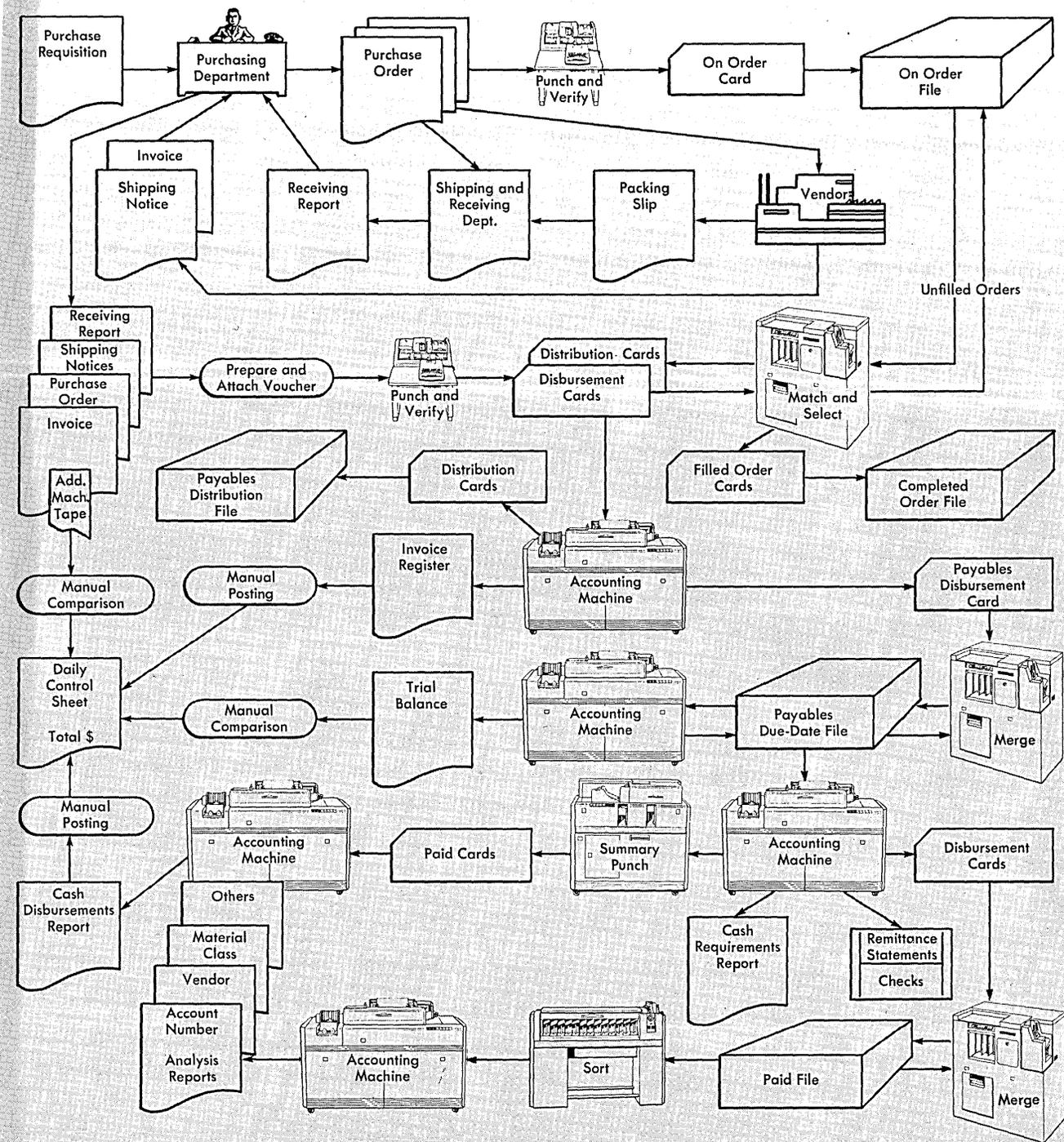


Figure 32 Overall flow chart of accounts payable procedure.

Data Processing Systems

Data processing is being used more and more in procedures where the analytical examination of information in large quantities is necessary or desirable.

Let us consider these data processing systems as groups of components capable of reading, storing, classifying, evaluating and comparing information, and then making decisions based on predetermined standards set up by the people who established the program.

Payables accounting offers problems, questions and situations that could be handled by these component-group machines in a fraction of the time required by manual methods. To go further, data processing makes it possible to undertake many functions that would be impractical by other methods because of the time involved.

For instance, payables data of all kinds—purchase orders, receiving notices, credits, cash discounts, anticipa-

tion discounts, invoices—can be processed and evaluated periodically. The results of this processing are verification of accuracy, automatically written remittance statements, checks and analytical reports, classified and stored data files, and posting to accounts payable ledgers and subsidiary ledgers for discount and cash.

In the course of evaluating this information, the machine will recognize any circumstances deviating from the standard and report on them. This makes possible more efficient use of the concept of management by exception. Busy executives can examine and act upon only those situations that require attention, and allow all normal operations to flow unimpeded.

The use of data processing systems can result in substantial savings of time and money, and represents a long stride in the direction of automation in record keeping.

ABCs of IBM Data Processing

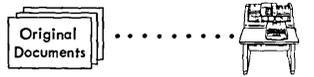
A Data is recorded into punched cards...

and can be converted to magnetic tape or can serve as direct input to...

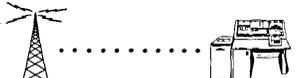
B data processing machines or systems which calculate, rearrange, do table look-up and process current data with master data and historical data stored on magnetic tapes, drums, disks or cores...

C to produce updated master files and finished results which are recorded into punched cards, magnetic tape, magnetic disk files or printed reports.

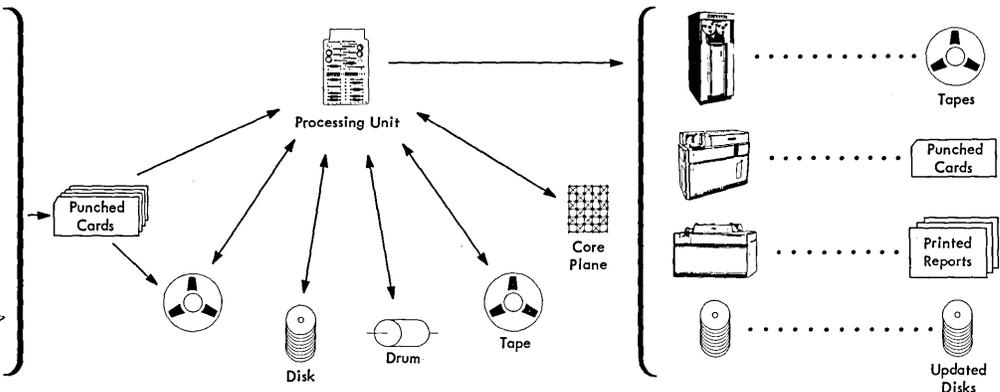
By a card punch:



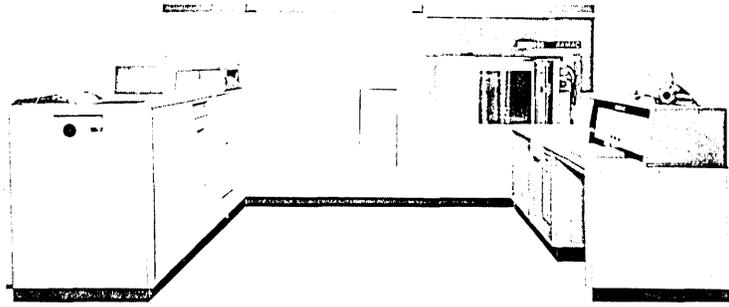
Automatically from radio, telephone, telegraph and from digitalized recording instruments:



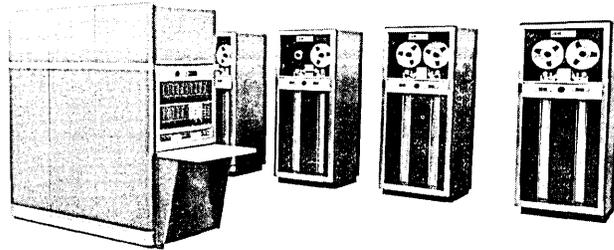
Automatically as documents are typed:



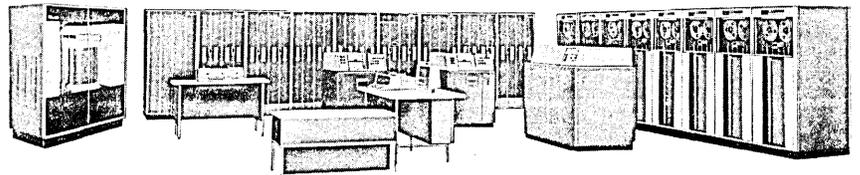
IBM RAMAC 305



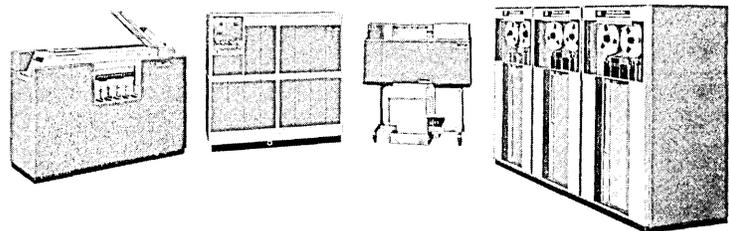
IBM 650



IBM 700—7000 Series



IBM 1401



Advantages: Profit to Your Company

Your company's expenditures amount to a sizable portion of its income. It follows that any procedures for handling payables must be designed with care and prudence, and with a full sense of the responsibility that goes with this important phase of the company's operations.

Before an expenditure is authorized, it must be justified by responsible people. Before an obligation is assumed, it must be recognized as an accurate and valid charge for value received. When an account is paid, it must be paid promptly, and profitable advantage taken of every incentive offered. And after all this, all records of the transaction must be readily accessible to provide the data needed as the basis for further management decisions.

The IBM methods of processing data make it possible to fulfill all requirements of efficient and advantageous record keeping for accounts payable. The flexibility, accuracy and efficiency that are fundamentals of these data processing methods give your company advantages that are clear-cut and measurable.

IBM data processing makes available, from one recording of the basic information, many records and reports that are essential to good control of accounts payable. Here are some of the many advantages to be obtained:

Economy of time results from machine preparation of all necessary records and analytical reports. Peak loads and end-of-month overtime are reduced or eliminated.

Accurate records make all the necessary facts available when needed. Early closing of books and machine-printed trial balances provide up-to-the-minute facts for action by top management.

Greater control of purchasing, procurement and payables activity is the direct result of a well designed procedure. Source documents have all the necessary approvals. Payments are based on valid and justified acknowledgments. Day-by-day controls are established and implemented by control sheets and detailed trial balances. Checking, reconciling and balancing are automatic, without duplicated effort.

Increased profits are directly produced by more careful expenditures, closer attention to discounts, and reduced handling costs. In addition, cost-consciousness is developed at all personnel levels.

Greater efficiency is a basic part of the IBM method. Bank statements, check reconciliations, trial balances, are all normal by-products of the accounts payable operation. Every transaction appears in a legible, easily audited permanent record, and analyses of budgets and expenses are possible to a greater degree than ever before.

Company prestige is enhanced by prompt and accurate payment of all obligations. Neatly printed, accurately documented checks and remittance statements make a favorable impression.

Management decisions are founded on all the facts available. Time is a factor, and the IBM method makes information available in greater detail than ever before—in less time than ever before.

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