The Implement Age

NET PROFITS PURPOSE OF BUSINESS

WRITTEN BY WM. McC. MARTIN, CHAIRMAN OF THE BOARD, FEDERAL RESERVE BANK, ST. LOUIS, MO.

The purpose of a merchant engaging in business is to make profits. The reason he keeps a set of books is to show whether or not he is making profits. Frequently, however, what show as profits on his books are, in reality, not net profits and, therefore, the merchant is fooling himself. Strange as it may seem, there are many merchants in this country to-day who are guessing as to whether or not they are making net profits. If their guess is good, they continue in business, but if it happens that they are mistaken and that the so-called profits are not net profits, they are headed towards disaster. The Federal Trade Commission has made the statement that it has found that "the majority of retail mer-

chants do not know accurately the cost of conducting their business, and for this reason they are not able to price their goods intelligently."

It is perfectly true that a merchant may do a great volume of business and still not end the year with net profits. Such being the case, his establishment has the air of prosperity without being really prosperous.

In a financial statement for merchants, approved at a recent conference of the Federal Reserve agents of the twelve Federal Reserve banks, there is included for the merchant to fill out a profit and loss account for his fiscal year, as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual expense of conducting business</td>
<td>$</td>
</tr>
<tr>
<td>Bad debts charged off</td>
<td>$</td>
</tr>
<tr>
<td>Withdrawals of dividends paid</td>
<td>$</td>
</tr>
<tr>
<td>Net profits</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
</tr>
</tbody>
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TRADABILITY SYSTEM

How many net profits are never entered on our books because they have been swallowed up by the expense of carrying accounts receivable, both good and bad? How many gross profits become losses because of the volume of working capital that has to be used in carrying such accounts?

Every business man with a wholesome respect for net profits should at once inform himself on the advantages of the trade acceptance system. The net profits of business would inevitably increase, and the risks of doing business would decrease, if for every consignment of goods we should all receive, at the time of delivery, the sort of receipt which bears the relation to the trade acceptance of the consignee. Any reader of THE IMPLEMENT AGE who has not fully informed himself on the trade acceptance system owes it to his business to do so at once.

I shall be glad to answer any inquiries on this subject.

KNOW YOUR GOODS

If Net Profit is Desired, Says M. B. Wellborn, Chairman of the Board, Federal Reserve Bank of Atlanta

This age is fastly developing the use of agricultural implements, and, as time rolls on, it will, in my opinion, continue to grow even more rapidly.

The retail merchants, if they propose to handle this line of merchandise, must have their salesmen study the needs of their respective communities, and, especially, a study of the implements he offers for sale, for many a sale is lost by reason of not satisfactorily explaining the detail mechanism of the implement and its proposition.

With the growing scarcity of labor time is an important factor on the farm, and the merchant should always keep on hand sufficient stock to replace any broken parts, or be in close touch with the manufacturer so that necessary parts can be ordered and delivered instantly. Many merchants make the error of keeping new farm implements in the yard, subject to damage from the weather. Arrangements should be made to keep such implements and machinery under cover in order to avoid rust-damage, etc.

Net profits, the merchant must be in position to handle a large quantity in order to increase net profits, which after all is the very essence of good business. A thing that doesn't pay isn't worth while.

NET PROFITS

Written for the Net Profit Special by George R. James, President James & Graham Co., St. Louis, Mo.

Certainly net profits is the ultimate object of all business, and the ways and means of obtaining a satisfactory net profit constitute the essential elements of making business a success. As the element first in importance, the merchant should put the word "service," and remembering that "a servant is worthy of his hire," he should have no hesitancy in demanding payment for the character and quality of the service rendered.

In the matter of service to be rendered the customer, consideration must be given to the possibilities of the merchant's helping the customer. It is perfectly true that a merchant may do a great volume of business and still not end the year with net profits. Such being the case, his establishment has the air of prosperity without being really prosperous.

In the case of the implement dealer, whose customers must necessarily be engaged in agricultural pursuits, he should give special attention to the study of such things as the work of the agricultural colleges and extension forces of the country, and the man who, because of improper accounting, can't afford to overlook.

The retail merchants who depend upon always buying his goods at a low price, or a price under the market, or who depends upon "price" selling his merchandise, is planting a bomb that will eventually blow his business out of existence.

Equally foolish is the merchant who has one price for one customer and another price for some one else. And in the same class is the man who sells his goods without getting cash or its equivalent (notes) at the time of sale; and the man who, because of improper accounting, does not KNOW the cost of doing business.

"The foolish man 'darns' it—the wise man 'mends' it."

"A man must use his head if he would get there with both feet."