CUSTOMERS ACCOUNTS (Continued):

The account of the Valspar Corporation has recently shown a tendency towards slowness. Sales in 1938 were - Zinc Oxide, $14,897.25; White Lead, $18,505.25; sales in 1939 were - Zinc Oxide, $36,381.00; White Lead, $23,241.00. As of December 31st, 1939, there was outstanding on the books of the two departments and the Anaconda Sales Company a total of $15,045.50, of which $9,521.50 was past due. The tendency toward slowness became apparent in September, 1939 and was noted by other suppliers as well as ourselves. At that time, the corporation ceased discounting bills and to date is still running 30 to 60 days overdue.

Comparison of annual reports as of November 30th reveals the following significant facts:

	1938	1939	Increase
Cash	$ 272,050.18	$ 217,483.99	$ 54,566.19
Receivables	1,298,107.42	1,442,513.27	144,405.85
Inventories	909,777.46	1,210,085.70	300,308.24
Accounts Payable	165,881.10	424,560.77	258,679.67
Profit (before depreciation, after dividends)	71,205.84	229,612.57	158,406.73
4½% Notes (due November 30th, 1941)	2,201,184.73	2,101,184.73	100,000.00
Preferred dividends in arrears	- --	83,655.00	

Notes are payable at the rate of $100,000.00 per year, $50,000.00 falling due in May and November of each year. Unless profits in 1940 are considerably larger than 1939, which is considered to have been an average year, the corporation's only alternative for bettering its cash position is the liquidation of inventories and receivables.

CONSIGNED STOCKS - LEAD-IN-OIL:

The records on these stocks were found to be very satisfactory. S. J. Anoskey is doing very good work in connection with these stocks. During 1939, a total of 1,099 stocks were serviced, of which 718 were active as of December 31st, 1939. No contract is secured covering a consignment, the material being billed in memo to the International Smelting and Refining Company, care of the consignee.

Some improvement can be noted in the turnover of these stocks. Average first of month inventory during 1939 was 1,019,686 pounds, which was turned over 2.47 times; the turnover in 1938 was 2.18 times. Sales in 1939 amounted to 2,521,382 pounds valued at $229,928.18, or 47% of total lead-in-oil sales.

The following report is furnished every 60 days to the Sales Department for consideration and action. Considerable improvement since the last audit is noted. Further, the figures should be considered in relation to the seasonal character of the business. Sales of lead-in-oil during May, 1939 through October, 1939 amounted to $335,690.59, or 68% of the year's total of $492,359.77.

Months to 12/31/39 since last sale	Number of Consignees	Pounds in stock 12/31/39
13	1	1,450
11	1	112
10	1	215
9	2	1,000
8	4	4,225
7	3	1,701
6	11	10,956
5	15	12,410
4	23	21,670
3	61	58,411
	122	112,150

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GENERAL COMMENTS

CONSIGNED STOCKS - LEAD-IN-OIL (Continued):

The Sales Department follows up all stocks so reported with letters to the field salesmen. A routine was established whereby salesmen will inspect stocks on consignment at least every six months and furnish the accounting department with a report covering the storage conditions, saleability of the stock, and other information requested by the accounting department. Detailed inventories will only be taken at the specific request of the accounting department. A record will be maintained by the accounting department of these reports, which will be made by the salesmen while covering their scheduled routes. The plan will be put into effect in the near future in the northern Illinois territory and later extended to all sales territories.

SECONDARY METAL PURCHASES:

Purchases of these materials for the Zinc Oxide Department is being given closer attention now than was formerly the case. Bins have been constructed in the yard for the storage of the different classes of material, and adequate records are being maintained over receipts and consumption. Inventory adjustments are being made whenever a bin is emptied and a permanent file will be maintained of these adjustments. An appropriation has been secured for the installation of a scales which will permit the weighing of truck receipts.

Some looseness was observed in the contracts covering these purchases, particularly in the acceptance of over-shipments and shipments after the expiration of the contract. In the future, all such departures will be confirmed by Mr. Johnson.

PAYROLLS:

The routines established in this department are satisfactory. All schedules in effect were properly approved by Mr. Johnson or Mr. Bowman. There is sufficient division between the timekeeping and paymaster's departments to prevent any one individual in either department from "padding" the rolls. Further, Mr. Milne or some member of the accounting department handles the distribution of checks several times a year.

LIABILITY AND COMPENSATION RESERVE:

As of February 23rd, 1940, Mr. Daly's approval was secured for the reduction of accrual rates per $100.00 of payroll to the rates shown below. Mr. Daly suggested, however, that the reserves be reviewed semi-annually with the object of maintaining total reserves of $20,000.00. The principal reasons for requesting a reduction in rates were the immediate reduction of this item of expense and the fact that the company farm will not be operated in 1940. The reserves are more than adequate at the present time, but adjustments in rates now used will be necessary before the close of 1940.

	Per $100.00 of Payrolls			
	Accrual Rates		Expense - exclusive of Farm Deficit	
	1938-1939	1940	1939	1938
Lead Refining Department	$1.75	$.60	$1.65	$.87
Zinc Oxide Department	1.50	.50	.57	.39
White Lead Department	1.50	.40	.72	.48