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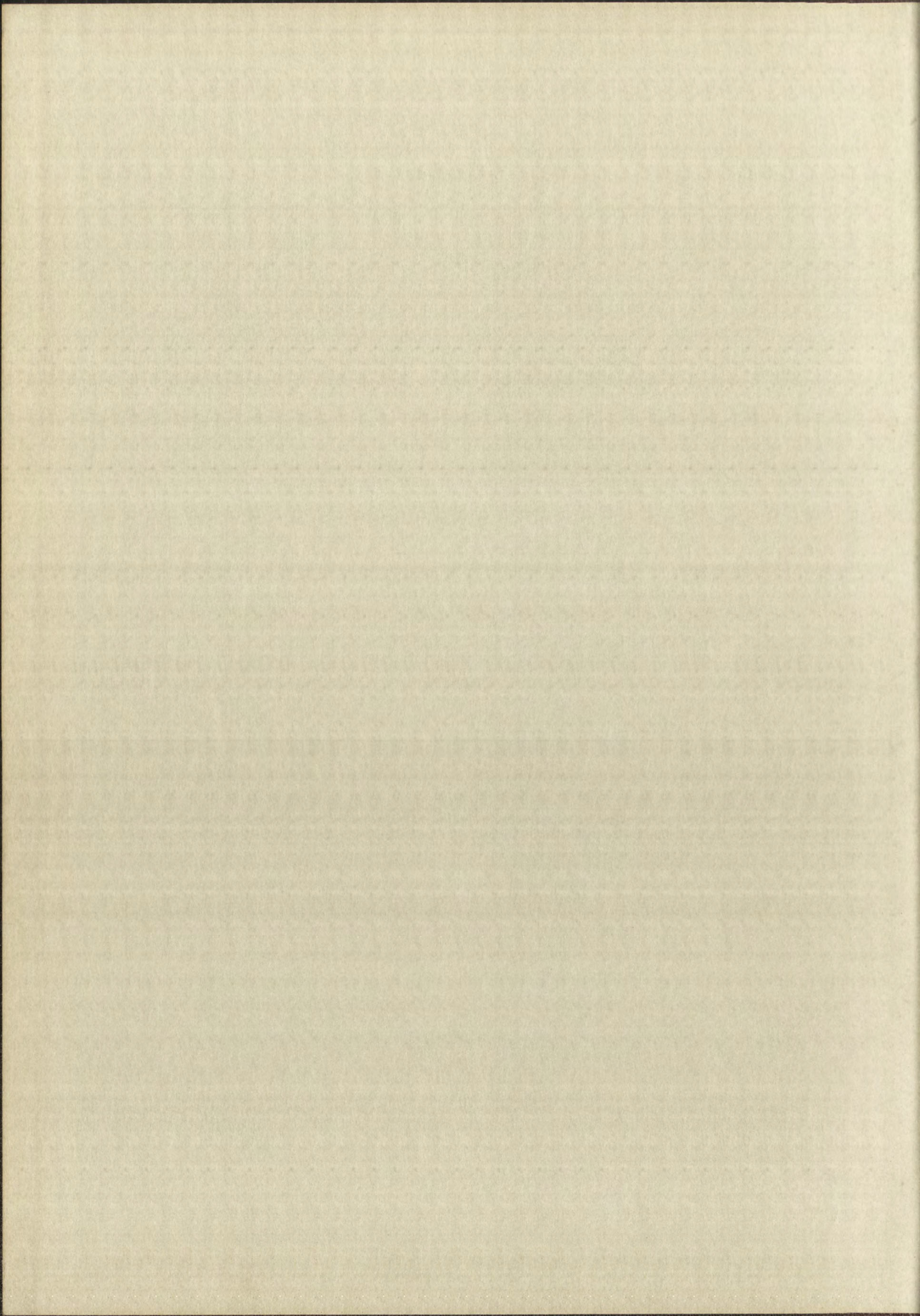
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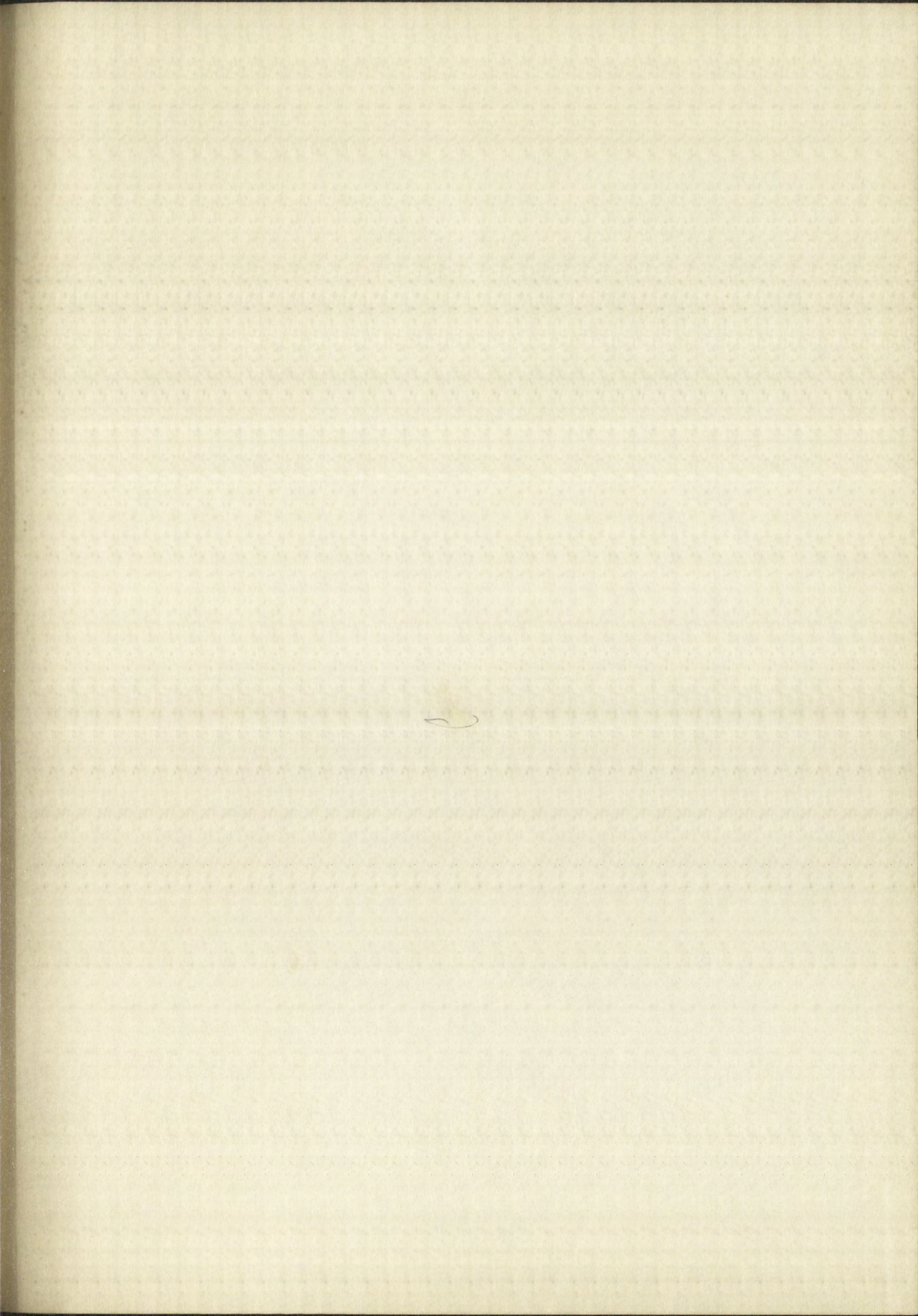
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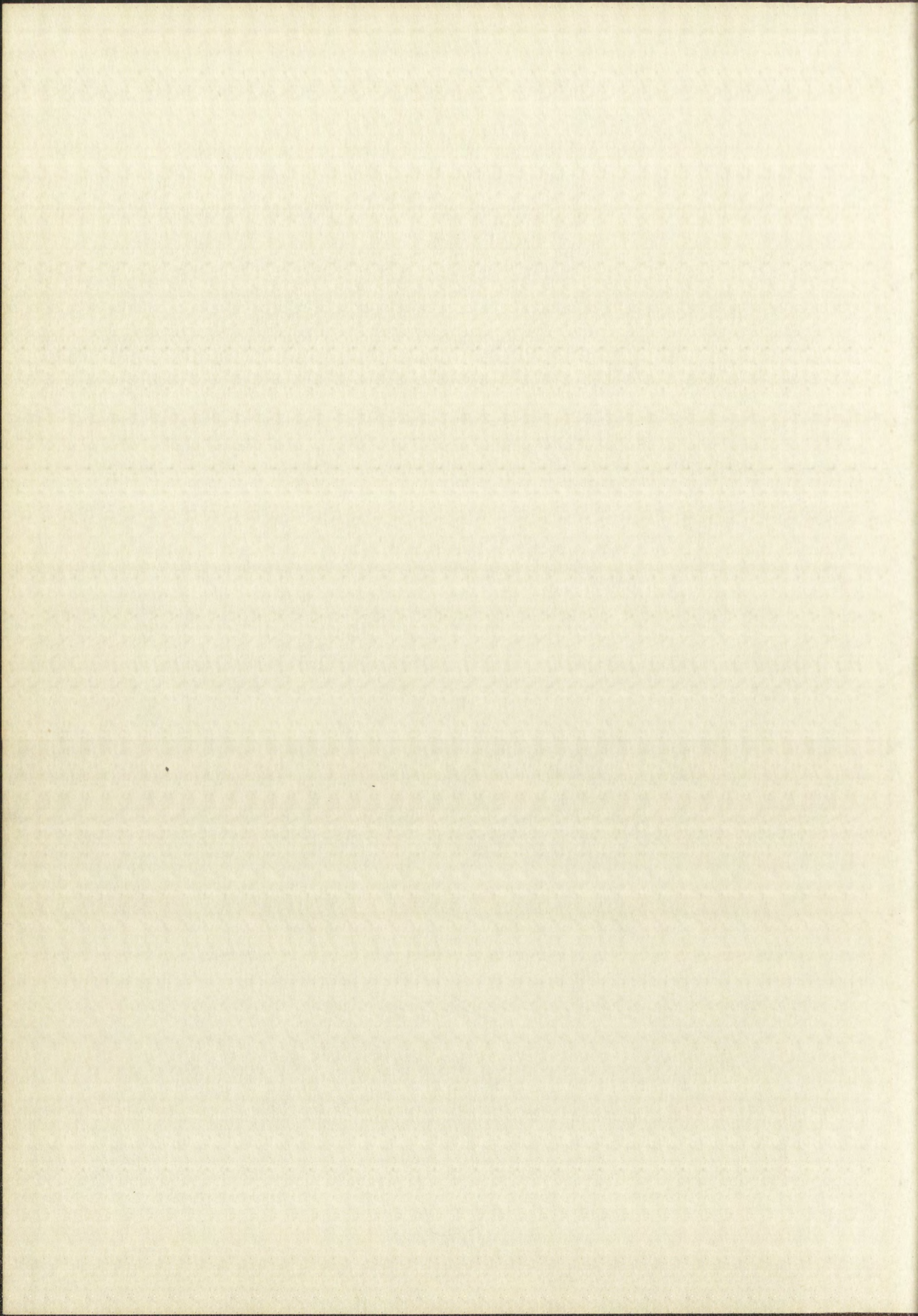
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A PROPOSED SYSTEM OF PUBLIC SCHOOL
FINANCIAL ACCOUNTING FOR NEW MEXICO

A Dissertation

Presented to

the Faculty of the Graduate School

The University of New Mexico

In Partial Fulfillment

of the Requirements for the Degree

Doctor of Education

by

LaMoine Langston

June 1960

A PROPOSED SYSTEM OF
FINANCIAL ACCOUNTING FOR NEW MEXICO



A Dissertation

Presented to

the Faculty of the Graduate School

The University of New Mexico

In partial fulfillment

of the requirements for the degree

Doctor of Philosophy

by

Isabelle Harrison

July 1959

This dissertation, directed and approved by the candidate's committee, has been accepted by the Graduate Committee of the University of New Mexico in partial fulfillment of the requirements for the degree of

DOCTOR OF EDUCATION

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DOCTOR OF PHILOSOPHY

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CHAPTER I

THE PROBLEM OF UNIFORM FINANCIAL SCHOOL ACCOUNTING

Education is legally a state function. Tradition and practice, as well as legislative authority, have placed considerable control in the hands of local boards of education. Each local board of education has been allowed wide freedom in providing for the educational needs of a particular locality. American opinion has held this practice to be desirable. In this decentralized system there has developed a great diversity of educational practice.

One of the areas of school operation in which great diversity and variation in practice has been found is that of financial accounting. Comparisons of fiscal data are meaningless when diverse practices make impossible an accurate analysis of unit costs. Reports to the public and to state and federal educational agencies are distorted and misleading when uniform accounting practices and terminology are not followed. Inconsistencies in property accounting, liability accounting, and the use of clearing accounts give an untrue picture of school operation among the various states.

Public school accounting practices in New Mexico make it difficult to secure information concerning financial

THE PROBLEM OF FINANCIAL ACCOUNTING

Education is largely a state function, and practice, as well as legislative authority, have passed out of the hands of local boards of education. Each local board of education has been left with freedom in providing for the educational needs of its jurisdiction. It is American opinion that this practice is desirable. In this decentralized system there has developed a great diversity of educational practice.

One of the aims of school operation is to give diversity and variation in practice and to secure the best of financial accounting. Cooperation of local boards is necessary when diverse practice makes impossible an accurate analysis of unit costs. Reports to the public and to other federal educational agencies are distorted and misleading when uniform accounting practices and terminology are not followed. Inconsistency in properly accounting, illustrating accounting, and the use of clearing accounts give an untrue picture of school operation and the various phases. Public school accounting practice is in a chaotic state. It is difficult to secure information concerning financial

transactions which would enable administrators or the general public to determine the cost of performing various functions, the amounts and sources of revenue available to support these various functions, or the nature, the value, and the condition of physical assets available for performing the various functions. Sound steps toward the improvement of such practices can be taken after an analysis, based upon accepted principles, has been made of the New Mexico school accounting system.

I. THE PROBLEM

Statement of the problem. The purpose of this study was three-fold: (1) to analyze New Mexico school financial accounting practices on the basis of sound principles, (2) to present a system of accounting for New Mexico schools in accord with sound accounting principles, including necessary legal changes to implement the new system, and (3) to suggest procedures necessary for the present New Mexico school accounting practices to be in agreement with sound principles of school financial accounting.

Importance of the study. A recognition of weaknesses in school financial accounting practices induced educators a hundred years ago to attempt to bring about uniform accounting for local school districts in the different states.

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Importance of the study. A recognition of weaknesses in school financial accounting practices induced educators a hundred years ago to attempt to bring about uniform accounting for local school districts in the different states.

The proceedings of the National Education Association of 1860 showed that attempts were being made at that time to promote some uniformity in accounting practices for schools.¹

Numerous studies by individuals and groups have been made since 1860 in an attempt to encourage and promote more uniformity in school accounting. In 1912 a set of report forms were devised in a cooperative effort to integrate existing practices in school accounting.² A study by Hutchinson, completed in 1914, gave further impetus to the drive toward uniformity.³ Case developed a handbook for school financial accounting in 1916 that perhaps has had more influence on school accounting than any devised by one individual.⁴ The recent development of Handbook II by the U. S.

¹ National Education Association, "School Statistics" in Proceedings, 1860, pp. 253-258, cited by Richard K. Sparks, "The Basis of Public School Accounting Practices in the United States" (unpublished doctoral dissertation, The University of California, Berkeley, 1955), p. 14.

² Arthur B. Moehlman, "Public School Accounting," Review of Educational Research, 2:99-104, April, 1932.

³ Howard J. Hutchinson, School Costs and School Accounting. Teachers College Contributions to Education, No. 62 (New York: Bureau of Publications, Teachers College, Columbia University, 1914.)

⁴ Hiram C. Case, Handbook of Instructions for Recording Disbursements for School Purposes (Albany, N. Y.: C. F. Williams and Sons, Inc., 1940.) (Reprint from 1916)

The proceedings of the National Education Association of 1963 showed that attempts were being made at that time to promote some uniformity in accounting practices for schools. Numerous studies by individual and groups have been made since 1963 in an attempt to encourage and promote more uniformity in school accounting. In 1963 a set of 14 forms were devised in a cooperative effort as indicated by the following practices in school accounting.² A study by Hatcher, completed in 1964, gave further impetus to the drive toward uniformity.³ Cases developed a handbook for school financial accounting in 1964 that perhaps has had more influence on school accounting than any devised by one individual.⁴ The recent development of Handbook II by the U. S.

¹ National Education Association, "School Accounting," in Proceedings, 1963, pp. 253-255, cited by Richard W. Hatcher, "The State of Public School Accounting Practice in the United States" (unpublished doctoral dissertation, The University of California, Berkeley, 1965), p. 14.

² Arthur H. Hatcher, "Public School Accounting," View of Educational Research, 2:99-104, April, 1962.

³ Howard J. Hatcher, "School Cases and School Accounting," Teachers College Contributions to Education, No. 62 (New York: Bureau of Publications, Teachers College, Columbia University, 1961).

⁴ Hiram C. Chase, Handbook of Financial Accounting for Schools (New York: Williams and Sons, Inc., 1960). (Revised from 1956).

Office of Education marked the most advanced effort to standardize receipt and expenditure accounting for schools throughout the nation to date.⁵

New Mexico, however, has remained aloof from changes and improvements in the field of school financial accounting. Reports to the U. S. Office of Education cannot be made accurately for the state of New Mexico from the State Department of Education in Santa Fe, due to the inadequate system of accounting and reporting of financial data from the local schools.⁶

As was mentioned in the chapter introduction, the development of uniform and adequate accounting systems for the public schools in the United States has been a concern of educators for many years. It continues to be a national problem, and at the same time one of local and state concern. It is of extreme importance to New Mexico, as there have been no recent improvements in financial accounting developed in that state.

⁵U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: United States Government Printing Office, 1957).

⁶Statement by the Director of Budgets, State Department of Education, personal interview, April 6, 1959.

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U. S. Department of Education, Division of Statistics,
Office of Education, Bureau of Statistics, Washington, D. C.
State School System, New Mexico, 1912-1913
Government Printing Office, Washington, D. C.
8
Statement by the...
...ment of Education, General Interest, 1912-1913.

II. LIMITATIONS

Certain existing factors place limitations on this study. The following statements indicate these limitations:

1. Statutory provisions relating to school financial accounting limit the development of an adequate accounting system.
2. The lack of familiarity and experience of school officials in New Mexico with other systems of school financial accounting place natural limits on the development and acceptance of an adequate accounting system.
3. Valid evaluations of sound principles of financial accounting cannot be obtained from school officials unfamiliar with accepted principles of financial accounting for schools.

In order that the study focus most directly on the principal problems, the investigator has imposed certain restrictions. These further restrictions are stated in the following:

1. The method of financing public schools, although related to financial accounting, was not included in this study.
2. The method of distributing state funds was not included in this study except where such methods of distribution had some influence on the development of sound financial accounting practices for schools in New Mexico.

III. DEFINITIONS OF TERMS USED

In order to give a clearer understanding of terms used throughout this study, the following definitions are listed. Some of the terms are defined because in the sense

II. LIMITATIONS

Certain existing limitations place limitations on the study. The following limitations are listed:

1. Statutory provisions relating to school accounting limit the investigation of the accounting system.
2. The lack of familiarity and knowledge of school officials in New Mexico with other systems of school financial accounting hinders the study on the development and improvement of the accounting system.
3. Valid evaluation of school principles of accounting cannot be obtained from such a study unfamiliar with accepted principles of financial accounting for schools.

In order that the study have more directly to the principal problem, the limitations have been listed in the restrictions. These further restrictions are listed in the following:

1. The method of financial accounting, as applied to financial accounting, was not included in this study.
2. The method of distribution of funds was not included in this study. The study was limited to the distribution of funds in financial accounting in New Mexico.

III. DEFINITION OF TERMS

In order to give a better understanding of the terms used throughout this study, the following definitions are listed. Some of the terms are defined in the text.

used they are applicable to school practices in New Mexico only.

Account. A descriptive heading under which are recorded financial transactions that are similar in terms of a given frame of reference, such as purpose, object or source.

Accounting, Financial. The classification and summarization of bookkeeping records for the purpose of conducting, controlling, and interpreting the financial and business transactions of a school or school system.

Administrative unit. An administrative unit at the local level which exists primarily to operate schools or to contract for school services. The terms administrative unit and school unit are used interchangeably throughout this study.

Budget. A plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.

Clearing accounts. Accounts used to accumulate total receipts or expenditures either for later distribution among the accounts to which such receipts or expenditures are prop-

used they are applicable to some purposes only.

Account. A descriptive account of the recorded financial transactions and the source of funds of reference, such as gifts, etc.

Accounting, financial. The systematic recording of bookkeeping records for the purpose of controlling, and interpreting the financial and management transactions of a school or school system.

Administrative unit. An administrative unit at local level which exists primarily to operate schools in contact for school activities. The term administrative unit and school unit are used interchangeably in this study.

Budget. A plan of financial operations embodied in an estimate of proposed expenditures for a given period of time and the proposed means of financing them.

Clearing accounts. Accounts used to accumulate receipts or expenditures which are later transferred to the accounts to which each receipt or expenditure is due.

erly allocable, or for recording the net differences under the proper account.

Controlling account. An account usually kept in the general ledger, in which the postings to a number of identical, similar, or related accounts are summarized so that the balance in the controlling account equals the sum of the balances of the detailed accounts.

Cost accounting. That method of accounting which provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, carry on an activity or operation, or complete a unit of work or a specific job.

Depreciation. Loss in value or service life of fixed assets because of wear and tear through use, elapse of time, inadequacy, or obsolescence.

Direct charge budget. One of the two divisions of a school budget in New Mexico; the principal source of revenue for this budget is derived from a property tax levy against the valuation of a school district.

Equipment. Articles that add to the value of the physical properties of a school district, that are not destroyed or constructively consumed through use, and that

erly allocable, or for recording the proper amount.

the proper account.

Controlling account. An account usually kept in the

general ledger, in which the postings to numerous subsidiary

accounts, similar, or related accounts, are accumulated.

balance in the controlling account equals the sum of the

balances of the detailed accounts.

Cost accounting. That branch of accounting which pro-

vides for the ascertaining and recording of all the costs of

cost incurred to accomplish a purpose, such as an activity,

or operation, or complete a unit of work or a service.

Depreciation. Loss in value or service life of an

asset because of wear and tear through use, passage of time,

obsolescence, or other causes.

Direct charge budget. One of the two types of a

school budget in New Mexico, one in which the entire

for this budget is derived from a property tax levied

the valuation of a school district.

Endowment. Assets that are set aside for

physical properties of a school district, and are not

destroyed or constructively consumed through use, and that

have reasonable durability, lasting five or more years.

Expenditures. The cost of goods delivered or services rendered for the operation of a school district.

Liabilities. Debts or other legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date.

Maintenance budget. One of the two divisions of a school budget in New Mexico; the principal source of revenue being distributed from the state public school equalization fund and the current school fund, most of which is derived from a state sales tax.

Principles of school accounting. That which is essential in school financial accounting, determining the nature of the accounting system.

Receipts. Cash received by the school district.

School. A division of the school system consisting of a group of pupils and composed of one or more teachers to give instruction of a defined type, and housed in a school plant of one or more buildings.

Subsidiary accounts. Related accounts which support

have reasonable doubt, leaving it to the courts.

Expenditures. The term of year is defined as follows:

rendered for the operation of a school district.

Liabilities. Liabilities are defined as follows:

ing out of transactions in the year that were not liquidated;

renewed, or refunded in some future year.

Maintenance fund. One of the two divisions of a

school budget in New Mexico; the principal source of revenue

being distributed from the state public school fund.

fund and the current school fund, each of which is derived

from a state sales tax.

Principles of school accounting. That which is essential

in school financial accounting, determining the nature

of the accounting system.

Receipts. Cash received by the school district.

School. A division of the school system consisting of

a group of pupils and assigned to one or more teachers to

give instruction of a defined type, and housed in a school

plant of one or more buildings.

Subsidiary accounts. Related accounts which support

in detail the summaries recorded in a controlling account.

Supplies. Articles consumed or destroyed through constructive and active use, articles requiring frequent replacement caused by short-life service, articles frequently broken due to fragility, and small articles that must be replaced frequently.

Warrant. An order drawn by the school board or its authorized officer directing the school district treasurer to pay a specified amount to a designated payee.

IV. PROCEDURES

The method of attack for this problem was divided into four phases. Each phase contributed important information to the completion of the study.

Related literature reviewed and principles abstracted. Principles governing financial accounting for schools were abstracted from the literature. Practices that were in accord with the principles were also abstracted.

Analysis of financial school accounting in New Mexico. A study of the financial accounting practices used in schools in New Mexico was made. The study included an examination of

in detail the examination was carried out in a systematic manner.

Supplies. Articles consumed in the process of

constructive and administrative work, such as stationery, books, etc.,

replacement caused by wear and tear, etc., are

presently provided for by the State Treasury.

must be replaced immediately.

Wages. An order given by the State Treasury

authorized officials directing the payment of wages

to pay a specified amount to a specified person.

IV. MISCELLANEOUS

The method of work in the State Treasury

into four phases. The first phase consisted of a general

tion to the completion of the work.

Related literature. The following literature was consulted:

Principles governing financial administration and

abstracted from the literature. The results of the

accord with the principles were also considered.

Analysis of financial administration in the State.

A study of the financial account by the State Treasury

in New Mexico was made. The study included an analysis of

the school code governing accounting, a study of school budgets for all administrative units in the state, and a study of the forms and reports required of each school unit from the state level. After this examination was completed, the New Mexico system of accounting was analyzed on the basis of acceptable principles of accounting as abstracted from the literature in chapter two.

Evaluation by committee. The principles abstracted from the literature were submitted to members of the Statistical Committee of the State Department of Education of New Mexico. This committee was appointed by the State School Superintendent. It includes the following persons by position: (1) a former superintendent of a city school system, now Director of Instruction in the State Department of Education, (2) a former county superintendent, now in the State Department of Education, (3) a business manager of a city school system in New Mexico, (4) the Director of Research for the New Mexico Education Association, (5) the principal of a high school, (6) the Director of Accounting and Budgets in the State Department of Education, (7) the Director of Research in the State Department of Education, and (8) the Director of Statistics in the State Department of Education.

The members of the committee were asked to evaluate

the school code governing administration, a study of school laws for all administrative units in the state, and a study of the forms and reports required of each school unit from the state level. After this examination was completed, the new Mexico system of accounting was analyzed as follows: a) acceptable principles of accounting as indicated from the literature in chapter two.

Evaluation by committee. The original material from the literature was submitted to members of the Educational Committee of the State Department of Education of New Mexico. This committee was organized by the State School Superintendent. It includes the following persons: the President (1) a former superintendent of schools, now Director of Instruction in the State Department of Education; (2) a former county superintendent, now an assistant Director of Education; (3) a business manager of a city school system in New Mexico; (4) the Director of Education for the New Mexico Education Association; (5) the principal of a high school; (6) the Director of Accounting and Finance in the State Department of Education; (7) the Director of Research in the State Department of Education; and (8) the Director of Statistics in the State Department of Education. The members of the committee were asked to evaluate

the principles abstracted from the literature on the basis of their importance in an adequate accounting system for schools. They were also asked to check the principles which, in their opinion, were being followed in the present system of school financial accounting in New Mexico.

New system of accounting developed. A new system of accounting for schools in New Mexico was developed. The importance of developing a system that would conform to the accepted principles of financial accounting was deemed of first importance. It was pointed out how each of the accepted principles of sound financial accounting was followed in the new system. Statutory changes were recommended which would make it possible for New Mexico accounting practices to conform to the new system.

V. ORGANIZATION OF THE STUDY

This study has been divided into five chapters. The first chapter gives a brief statement of the problem, the importance of the problem, including some background of the development of uniformity in school accounting, and the method used in attacking the problem.

Literature in the field of school accounting is reviewed in the second chapter, and the principles are

the principles abstracted from the literature on the basis of their importance in an adequate accounting system for schools. They were also asked to check the principles which in their opinion, were being followed in the present system of school financial accounting in New Mexico.

New system of accounting developed. A new system of accounting for schools in New Mexico was developed. The importance of developing a system that would conform to the accepted principles of financial accounting was deemed of first importance. It was pointed out that one of the accepted principles of sound financial accounting was followed in the new system. Extraneous charges were not included which would make it impossible for New Mexico accounting groups also to conform to the new system.

V. ORGANIZATION OF THE STUDY

This study has been divided into three chapters. The first chapter gives a brief statement of the problem, the importance of the problem, including some background of the development of activity in school accounting, and the method used in attacking the problem. Literature in the field of school accounting is reviewed in the second chapter, and the principles are

abstracted.

The New Mexico system of financial accounting for schools is analyzed in the third chapter. A committee evaluation of the principles abstracted is furnished, together with the committee's opinion of the adequacy of the present accounting system in New Mexico.

A new system of financial accounting for schools in New Mexico is developed in chapter four, based on the principles as abstracted in chapter two. It is shown how the present system might conform partially to the new system prior to needed legislation that would make possible complete conformity.

Chapter five gives the conclusions resulting from the study, and includes recommendations for changes in the laws of New Mexico, which, if adopted, would improve the system of financial accounting for schools in New Mexico.

abstracted.

The New Mexico system of financial accounting for schools is analyzed in the third chapter. A comparison of the function of the principal characterizes a comparison, together with the committee's opinion of the present system, is presented. Accounting system in New Mexico.

A new system of financial accounting for schools in New Mexico is developed in chapter four, based on the principles as abstracted in chapter two. It is shown how the present system might be improved by the new system prior to needed legislation that would make possible conformity.

Chapter five gives the recommendations resulting from the study, and includes recommendations for changes in the laws of New Mexico, which, if accepted, would improve the system of financial accounting for schools in New Mexico.

CHAPTER II

REVIEW OF RELATED LITERATURE

Writers in the field have developed a mass of literature on the importance of adequate accounting, auditing, and reporting of all school moneys. A review and study of the literature is essential in ascertaining the principles that writers in the field believe to be basic in developing a sound system of financial accounting for schools.

The literature bearing on the problem of this study is presented under the following headings: (1) General Background, (2) Principles of Accounting, (3) Basic Considerations, and (4) Procedures in Accounting.

I. GENERAL BACKGROUND

The concern of educators over the lack of uniformity in financial accounting for schools is not of recent origin. As early as 1860 the proceedings of the National Education Association discussed attempts to promote more uniformity of accounting practices.¹

¹National Education Association, "School Statistics", Proceedings, 1860, pp. 253-258, cited by Richard K. Sparks, "The Basis of Public School Accounting Practices in the United States," (unpublished doctoral dissertation, The University of California, Berkeley, 1955), p. 14.

REVIEW OF THE LITERATURE

Writers in the field have shown a marked interest in the importance of a sound system of financial accounting, and the importance of all such work. The literature is essential in establishing the principles and writers in the field believe it is necessary to have a sound system of financial accounting. The literature bearing on the subject of financial accounting is presented under the following headings: (1) General Principles, (2) Principles of Accounting, (3) Principles of Auditing, and (4) Principles of Taxation.

1. General Principles. The concept of accounting is defined as the process of recording, summarizing, and explaining the financial transactions of an organization. As early as 1880 the importance of the financial statements of an organization was discussed. The Association discussed the importance of financial statements in accounting practices.

National Association of Accountants, Proceedings, 1904, pp. 125-126, cited in National Association of Accountants, The Basis of Public Accounting, National Association of Accountants, United States, (National Association of Accountants, 1904), and Essay of California, Berkeley, 1904, p. 1.

The U. S. Bureau of Education, in cooperation with the Census Office, the Association of School Accounting Officers, and the Department of Superintendence of the National Education Association, published a set of report forms in 1912 in an attempt to integrate existing practices in school accounting.² Claxton, then United States Commissioner of Education, stated in a letter of transmittal which prefaced the 1912 Report of the Committee on Uniform Records and Reports, that:

The best interests of education demand that there should be adequate and uniform methods and forms of collecting and recording statistics of schools of all kinds in all the states, cities and rural districts of the Union.³

The report of this Committee was principally concerned with receipts and expenditures in which expenditures were divided into three categories: (1) expense of conducting the schools, (2) outlays, and (3) other payments.⁴ The report marked another step forward in the long trek toward

²Arthur B. Moehlman, "Public School Accounting," Review of Educational Research, 2:99-104, April, 1932.

³U. S. Bureau of Education, "Report of the Committee on Uniform Records and Reports," Bulletin #3, (Washington: Government Printing Office, 1912.)

⁴Ibid.

The U. S. Bureau of Education, in cooperation with

the Census Office, the Department of the Interior,

Officers, and the Department of Agriculture have

National Education Association, and other interested

forms in 1912 in an attempt to determine the

in school attendance, and the number of

States of Education, and in a report of the

published the 1912 report of the Committee on

and Reports, that

The first part of the report contains

should be regarded as a preliminary

collecting and recording of statistics of

of the Union.

The report of the Committee was prepared

with records and expenditures in the

divided into three parts: (1) general

schools; (2) statistics; and (3) other

marked another step forward in the

Review of Educational Statistics, 1912

U. S. Bureau of Education, and the

on United States and Reports, and

Government printing office, 1912

1912

uniformity in school accounting practices.

A study by Hutchinson, completed in 1914, gave further impetus to the drive toward uniform practices. He studied school cost factors and accounting practices of twenty cities ranging in size from 10,000 to 100,000 population. He not only found a tremendous lack of uniformity in accounting practices, especially in expenditure classifications, but he also found that the accounting systems were not adequate for either cost accounting or for reporting. He found the four major deficiencies of the accounting practices in the cities studied to be as follows: (1) the accounting was for receipts and expenditures only, no attempt being made to account for revenue accruing and expense incurred during any given period, (2) no record was made of expenditures for each kind of school, such as high schools or elementary schools, (3) no totals were kept of the character expenditures, such as for operation, administration, or instruction, and (4) there was no common classification of objects of expenditure, by which could be described the expenditures for all schools, or for each kind of school.⁵

⁵Howard J. Hutchinson, School Costs and School Accounting. Teachers College Contributions to Education, No. 62 (New York: Bureau of Publications, Teachers College, Columbia University, 1914.)

uniformity in school accounting methods.

A study by International, conducted in 1941, gave

further insight to the above account with reference to

studied school cost factors and accounting practices of

twenty cities ranging in size from 1,000 to 100,000.

It not only found a wide variation in accounting

accounting practices, especially in the indirect charges

items, but also found that the accounting systems were not

adequate for either cost accounting or for reporting

found the cost data determined by the accounting system

in the cities studied to be as follows: (1) the accounting

was for receipts and expenditures only, no attempt being

made to account for revenue earning and expense incurred

during any given period; (2) no record was made of expenses

for each line of school, such as city schools or high

master schools; (3) at least one-half of the schools

expended more than \$100,000 annually, with the majority of

schools, and (4) that the use of common classification of

objects of expenditures, by which items are classified for

expenditures for all schools, or for each kind of school.

Howard J. International School Study and Report

Accounting, Research Council on Accounting in Education

No. 62 (New York: Bureau of Educational Research, Columbia University,

Columbia University, 1941.)

The weaknesses in school accounting practices as revealed in Hutchinson's study were largely corrected in the handbook compiled by Case in 1916. The Case system was adopted in New York in 1916 and has been a strong influence in the field of school accounting since.⁶

There were three accounting books to be kept under the Case system: (1) a voucher register, (2) a cash book, and (3) a ledger. The voucher register recorded every bill to be paid and indicated the ledger account to which it belonged. In the cash book all receipts and expenditures were recorded. The ledger was to be posted from the voucher register and showed how each expenditure was distributed. Eight different expenditure classifications were set up:

1. General Control
2. Instructional Services
3. Operation of School Plant
4. Maintenance of Plant
5. Fixed Charges
6. Debt Service
7. Capital Outlay
8. Auxiliary Agencies and Sundry Activities

Case also distinguished between supplies and equipment, and pointed out that replacements should not be confused with capital outlay. The eight expenditure class-

⁶ Hiram C. Case, Handbook of Instructions for Recording Disbursements for School Purposes (Albany, N. Y.: C. F. Williams and Sons, Inc., 1940.) (Reprint from 1916).

The workhouse is a small building situated

revealed in the workhouse. The workhouse is a small building situated in the field of vision of the workhouse. The workhouse is a small building situated in the field of vision of the workhouse.

There were three main points in the workhouse. The workhouse is a small building situated in the field of vision of the workhouse. The workhouse is a small building situated in the field of vision of the workhouse.

1. General Control
2. Institutional Discipline
3. Operation of the Prison
4. Maintenance of the Prison
5. Fixed Charges
6. Debt Service
7. Capital Service
8. Auxiliary Services and Supplies

Case also distinguished between capital and debt service, and pointed out that capital service is a fixed charge, and debt service is a variable charge.

and distinguished between capital and debt service, and pointed out that capital service is a fixed charge, and debt service is a variable charge.

ifications developed by Case are the ones most commonly used today, and have been used generally as the basis for the establishment of expenditure categories in financial accounting for schools since 1916.

The Committee on Uniform Records and Reports in 1921 stressed the importance of the proper reporting of school financial data to the United States Bureau of Education. It did not, however, present a working system of financial accounting for schools.⁷

In Research Bulletin No. 5 of the National Education Association of 1928, emphasis was placed on the development of a system of accounting for city school systems. The system devised by Case was followed in this Bulletin, with the addition of one expenditure classification--Coordinate Activities.⁸

Publications by Engelhardt and Von Borgersrode⁹ and

⁷ Arthur B. Moehlman, "Revision of School Accounting Reports," American School Board Journal, 64:24-25, 121-122, 125, May, 1922.

⁸ National Education Association, Research Division, "School Records and Reports," Research Bulletin, Vol. 5, November, 1927 (Washington: The Association, 1928.)

⁹ Fred Engelhardt and Fred Von Bordersrode, Accounting Procedure for School Systems (New York: Bureau of Publications, Teachers College, Columbia University, 1927.)

indications developed by these and other studies, which
today, and have been made generally by the
establishment of experimental research in the field of
lay for schools since 1920.

The Committee on National Standards and Reports in 1921
stressed the importance of the present research in the field of
financial data to the United States Bureau of Education. It
did not, however, present a working system of accounting
accounting for schools.

In Research Bulletin No. 1, the National Association
of 1921, emphasis was placed on the development
of a system of accounting for the schools. The
can devised by Ouse and 10,000 in the field, with the
addition of one department of classification--
Activities.
Publications by National and other schools.

Arthur E. Morgan, "Report of the National Association
Reports," National School Survey, 1921, 1922,
125, May, 1922.

National Education Association, Research Division,
"School Records and Reports," Research Bulletin, 1921,
November, 1921 (Washington: The Association, 1921).

1921 Survey and 1921 National Association, 1921,
Procedure for School Surveys (New York: Bureau of
State, Research, 1921).

Engelhardt and Engelhardt¹⁰ followed the general classification of expenditures shown by earlier writers. They supported Case in the division of expenditure classifications into character, function, object, and location, but broke the location factor into organizational units, types of activities, and instructional departments.

In the work by Engelhardt and Engelhardt the classification of receipts was expanded to include a revolving fund, along with revenue and non-revenue receipts, which were the two classifications listed by earlier writers. They also developed the use of a four-digit code by which revenues could be coded according to the political subdivision from which the receipts were derived.¹¹

Engelhardt and Von Borgersrode made a plea for more uniform classification and accounting procedures, and stated that such uniformity was essential to educational progress. They claimed uniformity was especially important to the superintendent of schools when he attempts to justify the

¹⁰ N. L. Engelhardt and Fred Engelhardt, Public School Business Administration (New York: Bureau of Publications Teachers College, Columbia University, 1927.)

¹¹ Ibid.

educational program on a factual basis.¹²

Fowlkes,¹³ in a work published in 1934, discussed all phases of financial accounting for regular funds and activity funds. He grouped the character classification for recording expenditures under (1) current or running expenses, (2) capital outlay, and (3) debt service.

School accounts, according to Fowlkes, may be divided into three major groups: (1) receipts, (2) advancements, and (3) expenditures. He was the first to bring advancements into the field of school accounting. He also used advancements as the third of the group of receipts, which also included revenue and non-revenue.

The United States Office of Education published a document in 1940, and in 1948 published a revised edition of the same document, which it titled Circular 204.¹⁴ The revised edition was substantially the same as the 1940 edition, and represented a combination of the contributions of

¹² Engelhardt and Von Borgersrode, op. cit., p. 11.

¹³ John Guy Fowlkes, Principles and Practices of Financial Accounting for Schools (Milwaukee: E. M. Hale and Company, 1934.)

¹⁴ United States Office of Education, Federal Security Agency, Financial Accounting for Public Schools, Revised (Washington: Government Printing Office, 1948.)

educational program on a regular basis.

Powles, in a work published in 1950, discussed the

phases of financial accounting for business concerns.

He proposed the following classification:

recording expenditures under (1) current and (2) capital

(3) capital outlay, and (4) other.

School accounts, according to Powles, may be divided

into three major groups: (1) current, (2) capital, and

(3) expenditures. He was the first to make this distinction.

into the field of school accounts. He also made reference

to the kind of the group of expenditures, which give rise to

included revenue and expenditures.

The United States Office of Education published

document in 1940, and in 1944 published a revised edition

of the same document. The 1944 edition was revised

edition was revised. The 1944 edition was revised

tion, and represented a complete revision of the

1944

12

Engelhardt and von Balthasar, 1944, p. 11

13

John Guy Powles, Financial Accounting for Business

Financial Accounting for Business, (London: C. G. Powles and

Company, 1944)

14

United States Office of Education, Financial Accounting

Agency, Financial Accounting for Business, (Washington: Government

(Washington: Government Printing Office, 1944)

individuals and groups to the field of financial accounting for schools.

Two important changes were noted in this publication. The Auxiliary Agencies classification was divided into three groups: (1) school services, (2) transportation, and (3) community services. The Fixed Charges classification was divided into: (1) expenditures included as a part of the per pupil costs, and (2) expenses not included in per pupil costs. Circular 204 (Revised) was a summary of the methods and procedures of school accounting which had been developed over a period of forty years of study by individuals and groups.

In 1953 the Office of Education developed another publication with the purpose of providing educational information to administrators in all the states, so that reporting would be more uniform throughout the nation.¹⁵ A glossary defined many terms not directly concerned with financial accounting but helpful to the school administrator in preparing reports to state and national offices.

The chapter that dealt with financial accounting

¹⁵ U. S. Department of Health, Education and Welfare, Office of Education, The Common Core of State Educational Information, Bulletin No. 8 (Washington: Government Printing Office, 1953.)

EFFICIENCY

ERASABLE BOND

AS CONTENT

classified receipts under revenue and non-revenue. Each major classification was further subdivided as to sources.¹⁶ Expenditures were listed under three headings: (1) Current Expense, (2) Capital Outlay, and (3) Debt Service. The sub-accounts shown under each of the three main headings were sufficiently explicit to provide much uniformity of practice in all school financial accounting, if followed. The publication was for reporting generally, and was not issued primarily as a guide to financial accounting, however.

A more recent contribution for financial accounting is Handbook II.¹⁷ It came into being through the cooperative efforts of a number of organizations. It is a guide to receipt and expenditure accounting for local and state school systems. It classifies and defines receipt and expenditure accounts, and gives enough additional accounting terminology to make its use practicable. The receipt accounts, in addition to revenue and non-revenue, include incoming transfer accounts.¹⁸ The expenditure accounts are

¹⁶Ibid., pp. 64-51.

¹⁷U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: Government Printing Office, 1957.)

¹⁸This account is much the same as the "advancements account" first advocated by Fowlkes.

classified under twelve different headings.

In Circular 204 (Revised) the Auxiliary Agencies classification included health, attendance, school lunch, transportation, and community services, as well as services to schools other than public. Handbook II does not list Auxiliary Agencies as one of its classifications, but does list Attendance and Health Services, Transportation Services, Food Services and Student-body Activities, and Community Services as separate accounts.

The new account, included in Handbook II, not mentioned in previous studies, is the Outgoing Transfer Accounts. This account records funds that are to be transferred to other educational units, thus preventing funds being considered as operating funds by more than one school district. In addition to the twelve regular accounts, this handbook lists five different subdivisions under the general heading of Clearing Accounts.

In Handbook II there is a complete guide for recording expenditures, a glossary of terms applicable to school financial accounting, and a list of supplies and equipment sufficient to cover nearly all items needed to operate school programs. Built-in equipment is not included in the list of supplies and equipment. Such equipment becomes part of the

classified under a single district number.

In Chapter 204 (Appendix) the following items are listed:

Classification of items under the following headings:

Transportation, and a separate list for all other items.

In Chapter 205 (Appendix) the following items are listed:

Classification of items under the following headings:

Transportation, and a separate list for all other items.

In Chapter 206 (Appendix) the following items are listed:

Classification of items under the following headings:

Transportation, and a separate list for all other items.

In Chapter 207 (Appendix) the following items are listed:

Classification of items under the following headings:

Transportation, and a separate list for all other items.

In Chapter 208 (Appendix) the following items are listed:

Classification of items under the following headings:

Transportation, and a separate list for all other items.

In Chapter 209 (Appendix) the following items are listed:

Classification of items under the following headings:

Transportation, and a separate list for all other items.

In Chapter 210 (Appendix) the following items are listed:

Classification of items under the following headings:

Transportation, and a separate list for all other items.

In Chapter 211 (Appendix) the following items are listed:

building.

The development of Handbook II marks the most advanced effort to standardize receipt and expenditure accounting for schools throughout the nation to date. Over a period of almost half a century efforts have been made by individuals and groups to improve financial accounting for schools and to bring about more uniform practices among school districts within states and over the nation.

II. PRINCIPLES OF ACCOUNTING

In any field of endeavor as exact as accounting there should be little, if any, variation in the definitions of basic principles. Such, however, is not the case in school financial accounting.

Definitions of accounting. Hatfield said that "accounting is the art of making and interpreting the financial records of business."¹⁹ Neuner defined cost accounting as a part of general accounting procedure that dealt especially with the expenses necessary to produce and sell an

¹⁹ Henry Hatfield, Thomas H. Sanders, and Norman L. Burton, Accounting Principles and Practices (Boston: Ginn and Company, 1940), p. 3.

Building

The building of the new school is now in progress.

Advanced effort is being made to complete the building.

Encouraging for the school is the fact that the building is now in progress.

A good deal of work has been done in the building of the new school.

Industrious and energetic work is being done in the building of the new school.

Unhindered and unobstructed work is being done in the building of the new school.

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Unhindered and unobstructed work is being done in the building of the new school.

article, and with the recording, summarization, analyzation, and interpretation of the costs.²⁰

Financial accounting, according to Fowlkes, may be defined as the identification, classification, and allocation of business transactions. He stated that a sound basis for financial accounting in schools would be an analysis of the types of school transactions and the development of a code for the identification of those transactions.²¹

Recording receipts and expenditures should not be the only phase of school financial accounting. School financial accounting should be integrated with budgeting and reporting. Akerly stated that it should include "recording and reporting all financial transactions and all allied data arising in connection with the multiple functions of school business management."²²

The actual keeping of the books is not the only factor to consider in accounting for the business of a school system. There should be certain principles governing the

²⁰John J. W. Neuner, Cost Accounting (Chicago: Richard D. Irwin, Inc., 1942), p. 2.

²¹Fowlkes, op. cit., p. 1.

²²Henry H. Linn (ed.), School Business Administration (New York: The Ronald Press Company, 1956), p. 180.

practices of financial accounting for schools or for business. It is sometimes difficult to distinguish between accounting and bookkeeping, as pointed out by one writer as follows:

Accounting is a matter of theory and principle, while bookkeeping is a matter of technique. And yet, as a practical matter, they cannot be dissociated; the two must be taught and understood together. The accounting principle cannot be fully understood without a knowledge of the bookkeeping method of applying it. And the bookkeeping method cannot be fully understood without a knowledge of the accounting principle which determines and interprets the facts to be recorded.²³

Some writers in the field of accounting claim that the principles of accounting, as such, pertain to the situation, not to the type of business enterprise. Finney wrote that there is no compilation or code of accounting principles. He felt that a set of principles might reduce accounting to a more rigid uniformity than would be desirable, and that accountants should continue to exercise individual judgment within a framework of professional principles.²⁴

Principles of Governmental Accounting. The fact that

²³John R. Bangs and George R. Hanselman, Principles of Accounting (2nd ed.) Scranton, (Pennsylvania: International Textbook Company, 1950), p. 4.

²⁴H. A. Finney, Principles of Accounting (3rd ed.) (New York: Prentice-Hall, Inc., 1946), pp. 194-195.

principles of financial accounting for business
ness. It is essential to business
accounting and bookkeeping, as follows:

Accounting is a branch of knowledge
bookkeeping is a branch of knowledge
practical matter, that cannot be separated from the
must be taught and understood together. The
principle cannot be fully understood without a
edge of the bookkeeping method of bookkeeping
bookkeeping method cannot be fully understood without
knowledge of the accounting principle and its
and interprets the same to the business.

Some writers in the field of accounting
the principle of accounting, as such, pertains to the
tion, not to the type of business enterprise. It is
that there is no comparison of bookkeeping with
ples. He felt that a set of principles which would be
ing to a more wide application, that would be
that accountants should not be too individual
judgment with a firmness of principle.

Principles of Financial Accounting

23 John A. Brown, *Principles of Financial Accounting*
of Accounting (2nd ed.) (New York: McGraw-Hill, 1913)
Financial Accounting (2nd ed.) (New York: McGraw-Hill, 1913)
24 H. A. Brown, *Principles of Financial Accounting*
(New York: Prentice-Hall, Inc., 1913)

principles apply to situations does not deter the National Committee of Governmental Accounting from setting forth a summary of recommended accounting principles for municipalities. Certain of these principles are applicable to financial accounting for schools, and for this reason the compilation of principles is included in the Appendix to this study. Some principles that might apply to schools are:

1. The accounting system must show compliance with legal provisions.
2. If legal and sound principles conflict, the legal provisions must prevail.
3. A complete balancing set of accounts should be established for each fund.
4. Depreciation on fixed assets should not be computed unless cash for replacements can be set aside.
5. The system should provide for budgetary control for both receipts and disbursements.
6. Expenditures should be recorded as soon as liabilities are incurred.
7. Both revenues and expenditures should be classified.
8. Cost accounting should be established wherever costs can be measured.
9. Fixed asset accounts should be maintained on the basis of original cost.
10. A common terminology and classification of accounts should be used consistently.²⁵

School authorities could well follow the principles

²⁵ National Committee on Governmental Accounting, Municipal Accounting and Auditing (Chicago: Municipal Finance Officers Association of the United States and Canada, 1951), p. 1 ff.

principles apply to all cases and the same principles
 Committee of Government. The Committee is to be
 summary of recommendations for the year 1951.
 printed. Copies of these reports will be available to
 financial institutions and business for their own use.
 completion of the Committee is intended to be the basis
 this study. Some of the points raised in the study are:

are:

1. The accounting system must show more than a
 total picture.
2. It is not enough to have a system which is
 provided with a general picture.
3. A complete balance sheet and statement of
 assets and liabilities should be provided.
4. Depreciation on fixed assets should not be
 put on a cash basis but on a depreciation basis.
5. The system should provide for budgeting control
 for each department and for the whole organization.
6. Expenses should be controlled on a cash basis
 and not on a credit basis.
7. Both revenue and expenditure should be
 recorded.
8. Cost accounting should be provided for each
 department and for the whole organization.
9. Fixed assets should be recorded on a depreciation
 basis of original cost.
10. A common accounting system should be provided
 for all departments.

School authorities will find the principles

summarized above to account for school funds in a creditable manner. There are some guide lines for schools to follow in regard to financial accounting which should be studied before accepting financial practices of either business or municipalities.

Guide Posts in New York School Business Management Handbook. A series of handbooks dealing with specific phases of school business management have been developed by the State Education Department of New York. The fourth handbook in the series is titled "Accounting and Reporting." In this handbook a list of "guide posts" for accounting and reporting procedures which may be used in any well-operated school business office is given. This list, which may be found in full in the Appendix B of this work, may not be exhaustive, but it is of value to school business officials because it deals with school procedures only.

Some pertinent points brought out in the "guide posts" are:

1. Meanings read into data must be scientifically supported.
2. Schools are not operated on a profit motive.
3. Business records should assist in securing quality staff, materials, and other items at the most reasonable cost.
4. Compliance with law is necessary until the laws are changed by orderly process.

5. Records audited regularly and reported to the people demonstrate the good faith and service of the officers of the school district.
6. A standard system of terminology, classification, and reporting is desirable.
7. Change in accounting and reporting should be the result of active research into ways to make the methods and procedures better.²⁶

Objectives of school accounting. In addition to the principles governing municipal accounting and the "guide posts" for accounting and reporting for school business officials, it might be well to establish some objectives of financial accounting for schools. The development of the educational program depends on accurate financial accounts, especially in the fields of personnel, plant, equipment, and supplies. The administrator will likely develop the accounting system to include the information he needs to improve the educational facilities of his school. It becomes necessary, therefore, that the administrator have some objectives to guide him in the development of the cost and expenditure accounting for the school. One writer gave the following objectives of school accounting:

²⁶School Business Management Handbook, Accounting and Reporting, Bureau of Field Financial Services (Albany, New York: State Education Department, 1956), p. 18.

2. Records audited regularly and reported to the people.
3. Demonstration of good work and results of the officers of the school.
4. A standard system of financial reporting and reporting to the people.
5. Change in accounting and reporting systems.
6. Result of active research in the field of accounting methods and procedures.

Objectives of school accounting

principles governing the school accounting and the "posts" for accounting and reporting the school business. officials, it might be well to consider some objectives of financial accounting for schools. The development of the educational program depends on accurate financial accounting especially in the field of personnel, plant, equipment and supplies. The administrator will likely develop the accounting system to include the information he needs to improve the educational facilities of the school. It becomes necessary, therefore, that we establish some common objectives to guide him in the development of his accounting system. accounting for the school. The following are the objectives of school accounting:

1. Administrative decisions, day by day.
2. Top-level policy decisions, long range.
3. Proving the performance of legal responsibilities.
4. Proof of fidelity in performance.
5. Collection of taxes and other revenues.
6. Budget preparation and control.
7. Measurement of internal efficiency between units.
8. Measurement of comparative efficiency with other schools.
9. Preparation of accurate local, state, and federal reports.
10. Availability of data for research.

These, then, are the ten objectives of school accounting.²⁷

III. BASIC CONSIDERATIONS

One of the first things to consider in setting up an accounting system for schools is to determine where the responsibility rests for such action. In a decentralized system some phases of school administration should be exercised by the state and some by the local school district. There is also the problem of whether the superintendent or the board of education is responsible for certain actions, and just where the line of demarcation lies between legislative and executive functions.

State responsibility. Insight into the relations between the local boards of education and the state is given

²⁷ Linn, op. cit., p. 181.

1. Administrative structure and organization
2. Top-level policy making and planning
3. Planning and development of long-range goals
4. Proof of ability to carry out plans
5. Collection of data and other information
6. Budget preparation and control
7. Measurement of internal efficiency
8. Measurement of external efficiency
9. Preparation of annual local, state, and national reports
10. Availability of data for research

These, then, are the major functions of a school system.

III. BASIC OPERATIONS

One of the basic things to consider in setting up a

accounting system is to determine what the

responsibilities are for each activity in a school system.

System some phases of school activity should be

carried by the state and some by the local school districts.

There is also the problem of whether the system should be

the board of education is responsible for the system.

and just where the line of responsibility lies between the

five and executive functions.

State Responsibility

between the local board of education and the state is

in the report of the conference on the financing of education of the Department of Superintendence held at Columbia University in 1933.

The report stressed the importance of local control of education, rather than state control, as a guarantee of flexibility and adaptation of the schools to the rapidly changing civilization. The principle of local control, the report stated, is particularly important in relation to the internal activities of schools which determine the social purposes and educational methods of the individual school.²⁸

Local board of education responsibility. In the American system of education much responsibility for education has been delegated to the local school district. The local board of education, according to Moehlman, is the supreme authority for the local school community. It accepts mandatory state law, and also decides upon the acceptance or non-acceptance of permissive legislation. The state merely puts into operation the educational plan. The local board is considered the legislative body, but also is empowered

²⁸National Education Association, Department of Superintendence, "Report of National Conference on the Financing of Education," (Washington: The Association, 1933), p. 35.

with the responsibility for planning, executing, and appraising the educational program for the district.

In regard to the execution of board policy, Moehlman described the action as follows:

The actual execution of the education plan is a highly technical process which the layman is not competent to perform. The law has taken cognizance of this fact and makes specific provisions whereby only individuals considered legally capable are certified to engage in these essential services.²⁹

Local board and superintendent responsibility. The present study deals with the accounting aspect of education. Akerly brought the relationship and responsibility of the board and the superintendent closer to the accounting system when he said:

Finance can actually determine the quality, quantity, and emphasis in a program of instruction. Financial decisions in this area cannot be delegated to the staff. A board cannot act intelligently and meet its responsibilities in the area of classroom instruction without accurate financial statements on which to base its decisions.³⁰

Akerly stated further that the responsibility for adopting officially the expenditure accounts to be used in reporting rests with the board of education. He placed the

²⁹Arthur B. Moehlman, School Administration (Cambridge, Massachusetts: Houghton Mifflin Company, 1940), p. 204.

³⁰Linn, op. cit., p. 176.

with the responsibility for the...
applying the educational...
in regard to the...
described the action as follows:

The actual operation of the...
highly technical...
tent to perform...
fact and makes...
also considered...
in these essential...

Local board and...

present study...
Merri brought the...
board and the...

when he said:

Finance can actually...
and emphasis in...
decisions in this...
A board cannot...
bilities in the...
accurate financial...
alone.

Merri stated further...
adopting officially...
reporting...
the...

burden of financial accounting on the superintendent, who, in his opinion, must understand the language of business, including the elements of accounting. He felt that the superintendent should be as concerned with the selection of the right person to handle the business of the school system as he would be in the naming of a new principal. He stated that the board should not name a business manager to that position until his selection had been approved by the superintendent.

Fowlkes also placed the detailed responsibility on the superintendent, but did not free the board of education from its part in the development of an adequate system of accounting for the school system. He said the school superintendent must realize that the degree of efficiency displayed in keeping the records of the school must rest with the superintendent. Although the basic responsibility rests with the administrator, he stated, the local board must also recognize that it is involved through its overall responsibility in the accounting for the school funds.³¹

Local superintendent or business manager. The relation between the superintendent and the business manager in

³¹Fowlkes, op. cit., p. 222.

regard to accounting for school finances often causes concern. Arnold mentioned that the dual role of authority is found in some school systems. Under this system, the superintendent supervises the instructional program, and the business manager supervises the business management. Each official reports directly to the board, and is held responsible by the board for the conduct of his particular department. His reaction to this practice was that:

While both systems may be found in practice, there is general agreement within the profession that the superintendent should be the chief executive who has general responsibility for and oversight over all the departments of the school system.³²

This same idea was expressed by Engelhardt and Engelhardt. In addition, they emphasized board responsibility for the adoption of policies regarding business management. The policies should be worked out with other members of the staff, they said, and presented to the board for approval.³³

Fiscal independence of local school districts. One important consideration to school administration authorities

³²John T. Wahlquist, et al., The Administration of Public Education (New York: The Ronald Press Company, 1952), p. 394.

³³Engelhardt and Engelhardt, op. cit., p. 52.

regard to accounting for school funds of all kinds, and
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found in some school systems, that the
incident supervisor the instructional program, and the

business manager supervisor the financial management, and
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sible by the board for the conduct of the school system.
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While both systems may be used in various ways, there
is general agreement that the professional staff
superintendent should be the chief executive who is
general responsibility for and oversees over all the
departments of the school system.

This view was expressed by Mr. [Name] and Mr. [Name].
In addition, they mentioned some responsibilities

for the adoption of policies and procedures, and
the policies should be worked out with the members of the

staff, they said, and presented to the board for approval.
The board should be the final authority on all matters

Fiscal responsibilities of the school district
important consideration to school administration supervisor

32 John T. Warriner, Jr., The School Board, p. 394.
Public Education (New York: The Macmillan Company, 1932).

33 Engelhardt and Engelhardt, The School Board, p. 394.

is to maintain, as much as possible, the independence of the local school unit. This idea was expressed in the following manner by a conference of superintendents in New York City in 1933. The purpose of the conference was to discuss methods of financing education in the United States.

In short, whereas the state department of education should encourage such budgetary procedures in every school system as are essential to intelligent financial planning and economical and efficient business management, it should not restrict the independence of the locality in exercising the budgetary function and in determining the educational procedures which are inextricably tied up with this function.³⁴

Some writers feel that the control of education is not so important as the effect on the educational process that may result from ineffective control. They are of the opinion that that control is best that provides the best education for the children. Mort and Reusser look at the long range effect of local control, and the important lessons taught through the exercise of local control. They regard improvements in education that may develop through local control tomorrow of more value than the same improvements that might result from central control today. They

³⁴National Education Association, Department of Superintendence, "Report of National Conference on the Financing of Education," (Washington: The Association, 1933), p. 65.

is to maintain, as much as possible, the independence of the

local school units. This has been the purpose of the

long manner by a conference of superintendents in New York

City in 1933. The purpose of the conference was to discuss

methods of financing education in the United States.

In short, whereas the state is responsible for the
school system as a whole, the local school units are
responsible for the day-to-day operation of the system.
The state is responsible for the general policy of the
system, and the local school units are responsible for
the details of the operation. This is the principle
which should govern the financing of education.

Some writers feel that the control of education is

not so important as the state in the educational system.

That any result should be achieved, they are of the

opinion that the control is not the answer. The answer

education for the children. That and that is the

long range effect of local control, and the answer is

some degree through the exercise of local control. They

regard improvements in education as the main thing.

Local control consists of state, county and local

units that might include from several counties to the

feel that the benefit derived from the participation of the local people will be of great value in training for citizenship.³⁵

A study of the literature thus reveals that the local board of education has the responsibility of determining policies governing financial accounting for the district school system. These may be adopted upon the recommendation of the superintendent of schools, but it is the responsibility of the board to see that the accounts are properly kept.

The supervision of the actual work of accounting is the responsibility of the superintendent, who may delegate that function to other staff members. These persons in turn are required to report to and are held responsible by the superintendent.

The local board also has the responsibility of representing the electors of the local district in the preparation of the budget. This function should be exercised by the local board without undue restrictions from the state level, insofar as it is possible to allow such freedom. Therefore, one of the principles of financial accounting for schools

³⁵Paul R. Mort and Walter C. Reusser, Public School Finance (New York: McGraw-Hill Book Company, Inc., 1951), p. 35.

feel that the benefits derived from the participation of the local people will be of great value in training the ship.

A study of the literature thus reveals that the local board of education has the responsibility of determining policies governing financial management for the district school system. These may be adopted from the recommendations of the superintendent of schools, and it is the responsibility of the board to see that the accounts are properly kept. The supervision of the school system is a responsibility of the superintendent, and the responsibility of the board is to see that the superintendent is able to perform his duties. That function is to see that the superintendent is able to perform his duties. The superintendent is required to report to the board, and the board is required to report to the superintendent.

The local board also has the responsibility of seeing that the accounts of the local district are properly kept of the budget. This function should be exercised by the local board without undue interference from the superintendent, insofar as it is possible to allow such freedom. Therefore, one of the principles of financial management for schools

may be stated as follows:

PRINCIPLE NUMBER ONE: The local board of education should have the responsibility and authority for the preparation of the budget for the school district, and for the supervision of the accounting system that controls such budget, based upon uniform terminology and practice applicable to all public schools.

Fund accounting. When separate funds are established by law for the purpose of dictating the expenditure of school money, some of the autonomy of the local board of education is being usurped by higher authorities, because the right of the local board to decide how the money of that district may be used has already been decided by legislation. The local board does not have the freedom to decide on the educational program it wishes to offer if it does not have control of the funds that accrue to the district.

DeYoung voiced his objection to the establishment of separate funds by law, because he was of the opinion that too much confusion and difficulty in handling the funds resulted. There was very little to be gained, he felt, from the establishment of separate funds. He also stated that quite often two budget preparations were necessary where

may be stated as follows:

PRINCIPLE NUMBER ONE - The local board of education shall

have the responsibility for the control and management

of the public schools in the district.

RESOLUTION OF THE BOARD OF EDUCATION - The board of education

shall have the right to determine the budget, based upon the

needs of the district.

Fund accounting - When funds are received and expended

by law for the purpose of determining the expenditure of

school money, some of the elements of the local board of education

is being reported by higher authorities, because the

right of the local board to decide how the money of the

district may be used has given it some freedom of action.

The local board does not have the freedom to decide

on the educational program it wishes to offer in the district.

have control of the funds that belong to the district.

Before being voted his objection to the action of the board

separate funds by law, because he is at the present time

too much confused and dissatisfied in making the

decision. There was very little to be gained, he felt, from

the establishment of separate funds. He also stated that

quite often two budgetary systems were necessary when

separate funds are maintained.³⁶

Fowlkes maintained that separate funds for building purposes or for sinking funds should be the only excuse for establishing such funds. He did recommend that such laws on the books be observed, but urged that statutes requiring such funds be abolished.³⁷

Laws limiting the authority of local or state school officials may be obnoxious to the school officials, but as long as they are in effect, compliance with them is essential. School business officials in charge of the accounting for school funds should be familiar with and conform to state laws. The following principle, therefore, should be observed in developing an accounting system for schools:

PRINCIPLE NUMBER TWO: The accounting system should conform to all existing laws. This principle includes handicapping as well as facilitating laws. The former must be followed until legislation can be enacted to remove such statutes.

IV. PROCEDURES IN ACCOUNTING

³⁶Chris A. DeYoung, Budgeting in Public Schools (Garden City, New York: Doubleday & Company, Inc., 1936), p. 154.

³⁷Fowlkes, op. cit., p. 65.

separate funds are maintained.

Fewer maintained that separate funds for each

purpose or for sinking funds should be set aside for

establishing such funds. It is recommended that each

the books be observed, and noted with reference to

such funds be established.

It is further recommended that the

officials may be observed to the school with reference to

long as they are in effect, compliance with this is

cial. School business officials is change of the

ing for school funds should be similar with and

state law. The following principles are suggested, and it is

observed in developing a satisfactory system for

PRINCIPLE NUMBER TWO: The school should maintain

to all existing laws. The following principles are suggested

and as well as suggested laws. The following principles

followed until legislation is passed to the contrary.

statutes.

IV. PROVISIONS IN

COTTON

36
Chris A. Brown, President of the National Association of
den City, New York, Secretary, Inc., 1930, p. 22

37
Fowler, pp. 101, 102, 103

Principles of accounting and procedures in accounting are quite often so similar it is impossible to tell one from the other. As previously pointed out, some accountants are of the opinion that principles of accounting are not well enough defined to stand out as such. Accountants work within a framework of procedures that fit the accounting situation that arises. Bookkeeping and financial accounting as procedures are quite often confused.

Sound procedures for the handling of all receipts and expenditures are necessary in any financial accounting system for schools. The Municipal Finance Officers Association of the United States and Canada have developed some standard procedures for accounting that might be applicable to school accounting.

1. The accounts should be under the direction and supervision of one officer.
2. A budget should be prepared which will show distinction between different funds.
3. Encumbrances should be set up as soon as purchase order or contracts are signed.
4. Inventories of both consumable and permanent property should be kept in subsidiary accounts, controlled by accounts in the regular accounting system.
5. Each institution should follow standard classifications for such institutions.
6. Monthly financial reports should be prepared, and a general financial report should be prepared and published annually.
7. General uniformity should prevail for all municipalities of similar size and type.

Principles of accounting and procedures for accounting

are given often as a guide to the accountant in his work

the other. As previously pointed out, some procedures are

of the opinion that procedures of accounting are not well

enough defined to be used as a guide. Procedures are

within a framework of procedures that the accountant

adjusted that states. Accounting and financial statements

as procedures are given other points.

Sound procedures for the handling of all transactions and

expenditures are necessary in the financial statements.

For the schools, the Minister of Finance of the Association

of the United States and Canada have developed a set of

procedures for accounting that might be applied to all

accounting.

1. The accounts should be under the direction of one

person or one officer.

2. A budget should be prepared which will show the

relation between different items.

3. Expenditures should be based upon a system of

order of accounts and items.

4. Inventories of cash, investments and other assets

should be kept in the hands of the accounting officer.

5. Each institution should have a system of

control for each transaction.

6. Monthly financial reports should be prepared and

a general financial statement should be prepared and

published annually.

7. General authority should be given to the accounting

officer of the institution.

8. Periodic audits by independent accountants are desirable.³⁸

Accounting for receipts. The literature on school accounting is replete with examples of the importance of receipt accounting. Akerly stated that "the business office of the board of education should have full and immediate knowledge of all tax collections and other revenue."³⁹ Burke stated that what can be spent in any one year determines the educational program for the year, and that in budgeting, the expenditure plan, the revenue plan, and the educational plan must be considered together.⁴⁰

School budgeting and school accounting cannot be separated. One depends on the other. Good budgeting procedures will go far in determining whether the accounting procedure will be equally good. DeYoung said that not only must every cent of revenue be immediately and accurately

³⁸ National Committee on Governmental Accounting, Municipal Accounting and Auditing (Chicago: Municipal Finance Officers Association of the United States and Canada, 1951), p. 2.

³⁹ Linn, op. cit., p. 186.

⁴⁰ Arvid J. Burke, Financing Public Schools in the United States (New York: Harper & Brothers, Publishers, 1951), p. 433.

recorded, but also schools should know the amounts that are due. The records for revenue accounting should be kept by a qualified person working in the school office.⁴¹

According to DeYoung, some schools estimate expenditures before estimating the receipts. In such situations, he stated, the finances become the master of education, instead of the servant. Possible receipts must be known in advance of budget making, as the estimated receipts decide both the expenditure and the type of educational program to be provided.⁴²

Fowlkes called for accurate accounting for school receipts because the starting point of a budget is the estimated receipts.⁴³ DeYoung said one of the tests of a good administrator is the accuracy with which he estimates receipts. When budgets are made on the possibility of receipts that are either exaggerated or underestimated, the community and the school children suffer from poor administration.⁴⁴

⁴¹DeYoung, op. cit., p. 375.

⁴²Ibid., p. 124.

⁴³Fowlkes, op. cit., p. 65.

⁴⁴DeYoung, op. cit., p. 150.

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a qualified person working in the school office.

According to DeYoung, some schools require expendi-
tures before estimating the next year. In that case,
he stated, the balance between the amount of estimated
instead of the amount. For example, if the school is
advance of budget making, as the estimated revenue falls
both the expenditure and the type of expenditure program to
be provided.⁴²

Fowler called for schools to estimate their revenue
receipts because the next year's budget is based on
estimated receipts.⁴³ DeYoung said one of the reasons for a
good administrator is the accuracy with which he estimates
receipts. When budget and revenue are estimated, the
receipts that are listed next year are estimated. The
community and the school administration are both affected.
eration.⁴⁴

COTTON COUNTY

⁴¹DeYoung, op. cit., p. 124.
⁴²Ibid., p. 124.
⁴³Fowler, op. cit., p. 124.
⁴⁴DeYoung, op. cit., p. 124.

Burke showed that perfect budget balancing is not possible, because judgment and prediction are involved in estimating revenues and expenditures while fluctuating prices may affect both. He felt that large deficits or balances showed poor estimating and planning.⁴⁵ Burke pointed out the importance of proper accounting for receipts in these words:

The collection of all income not only requires businesslike collection procedures, but also proper auditing, accounting, and reporting. Accounting and audits must establish the true income of a school system before the full significance of disbursement data can be discovered.⁴⁶

Although good accounting practices will not assure good budgeting procedures, they will make it possible for the administrator to secure the best and most accurate information possible prior to preparing the budget. DeYoung said that although the budget should have a forward looking point of view, the history of sources and amounts of probable school revenue could be found in account books, audits, assessor's records, and annual financial reports.⁴⁷

⁴⁵Burke, op. cit., p. 438.

⁴⁶Ibid., p. 450.

⁴⁷DeYoung, op. cit., p. 138.

Receipts defined and classified. Fowlkes placed all receipts for schools under three headings: (1) revenue receipts, (2) non-revenue receipts, and (3) receipts from advancements. He defined the advancements receipts as being the net profits resulting from the advancement account.⁴⁸

Other writers in the field do not use the "advancements" account proposed by Fowlkes. The committees that worked on the development of Handbook II did not include that account in the handbook. They did use revenue and non-revenue, and included one account called Incoming Transfer Accounts. The definitions of the three receipt accounts as shown in Handbook II are as follows:

(a) Revenue receipts are additions to assets which do not incur an obligation that must be met at some future date, do not represent exchanges of property for money, and are available for expenditure by the board of education.⁴⁹

(b) Non-revenue receipts consist of amounts received which either incur an obligation that must be met at

⁴⁸Fowlkes, op. cit., p. 3.

⁴⁹U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: Government Printing Office, 1947.) p. 8.

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(a) Revenue receipts are additions to assets which do not incur an obligation that must be met at some future date, do not represent exchanges of property for money, and are available for expenditure by the board of education.⁴³

(b) Non-revenue receipts consist of amounts received which either incur an obligation that must be met at

⁴²Fowkes, op. cit., p. 3.

⁴³U. S. Department of Health, Education, and Welfare, Office of Statistics, Financial Accounting for Local and State School Systems, Handbook II (Washington: Government Printing Office, 1947), p. 8.

some future date, or change the form of an asset from property to cash and therefore decrease the amount and value of school property.⁵⁰

(c) Under the Incoming Transfer Accounts are recorded amounts received from other school districts for services rendered.⁵¹

A further breakdown of receipts, as shown in Handbook II, lists the receipts as to the source. The sources for the revenue receipts by government sub-division are listed as local, intermediate, state, and federal. The non-revenue receipts should also be shown by source. Revenue receipts do not require future payments by the school district, while non-revenue receipts must be paid back at some future date.

From a consideration of the recommendations of authorities cited in the paragraphs immediately preceding, the following principle has emerged:

PRINCIPLE NUMBER THREE: The accounting system should provide accurate accounting for receipts, and an adequate method of comparing estimated receipts with actual receipts.

Accounting for expenditures. There is no question

⁵⁰Ibid., p. 17.

⁵¹Ibid., p. 19.

MEMORANDUM
FOR THE RECORD

Some further work on the subject of the value of school property to the community is being done.

(c) Under the heading "Value of School Property" the following amounts are reported from the various districts:

A further discussion of the subject is being held in London.

II. These are the results of the survey. The results for the revenue receipts by government and private schools are as follows, in thousands of pounds sterling. The figures are not complete for the year 1931-32, but are for the year 1930-31. The figures for the year 1931-32 are being collected at present. The figures for the year 1930-31 are as follows:

Category	1930-31	1931-32
Government	1,200	1,300
Private	800	900

The figures for the year 1931-32 are being collected at present. The figures for the year 1930-31 are as follows:

From a comparison of the figures for the year 1930-31 with the figures for the year 1929-30, it is seen that the revenue receipts for the year 1930-31 are higher than for the year 1929-30. This is due to the fact that the revenue receipts for the year 1930-31 are higher than for the year 1929-30.

Following principles has been adopted:

PRINCIPLES WHICH HAVE BEEN ADOPTED:

1. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

2. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

3. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

4. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

5. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

6. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

7. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

8. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

9. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

10. The revenue receipts for the year 1930-31 are higher than for the year 1929-30.

Accountants and other persons are being asked to provide information on the subject.

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21

that there must be some accounting for expenditures. The only question is how extensive should be the accounts, and how far should schools go into cost accounting. To record the expenditures only is not enough. There must be some classification of accounts that will tell the school administrator how much has been spent for certain activities, and thereby give him an idea of the efficiency and cost of different phases of the school program. Hutchinson learned in his study of school systems that one of the weaknesses of the accounts was that no city obtained the total expenditures for each kind of school. It was therefore impossible to learn the totals expended for high schools or other schools, or to learn the amount expended for administration, operation, or for capital outlay.⁵²

Although educators are not trying to sell tangible articles as are business men, it is essential that they know the cost of production so that proper analysis and interpretation may result in better methods. If accounts are properly recorded according to an accepted system of classi-

⁵²Howard J. Hutchinson, School Costs and School Accounting (New York City: Teachers College, Columbia University, 1914), pp. 46-55.

that there must be some standard for the work. The
only question is how far we go in the standard, and
how far should schools go into cost accounting, to make
the expenditures only as low as possible. There must be
classification of accounts and a list of the school's
activities. How much has been spent for each activity,
and thereby the list of the activities must be
different parts of the school. The school must be
in the study of each activity and the school must be
the accounts was then up with the school's
figures for each kind of school. It was therefore
to learn the costs of each kind of school
schools, or to learn the costs of each kind of
operation, or for capital outlay.
Although accounts are not tried to sell capital
articles as are business men, it is necessary to know
the cost of production so that proper management and
production may result in better methods. It is essential
properly recorded accounts to be kept in order of time.

fication, the reporting of the results will be much easier; if they are not properly recorded, a distortion of the facts may result.⁵³

Once the accounts are set up, all items should be charged to the account represented by the type or character of the expenditure. Fowlkes divided the character method of recording expenditures into three major divisions: (1) current or running expenses, (2) capital outlay, and (3) debt service.⁵⁴

Case was the first to mention the classifications of character, function, object, and location. He also was the first to develop the expenditure categories into the eight accounts that have been used in more or less the same form since. His Handbook explained the principles governing expenditure distribution as follows:

General Principles for analyzing expenditure distribution--

1. The kind of work helped along by the payment.
2. The financial character of the payment as a fiscal transaction.
3. The object of the expenditure or the actual thing bought or service obtained.

⁵³ Bangs, op. cit., p. 55.

⁵⁴ Fowlkes, op. cit., p. 73.

53
may result.

54
service.

General principles for analyzing expenditures are discussed
in the following:

1. The kind of work being done by the person.
2. The amount of material or equipment used.
3. The object of the expenditure of the money.
4. The nature of the service rendered.

4. The location benefited by the transaction to which the expenditure is chargeable.⁵⁵

According to Case, the character basis of distribution showed whether the money spent was for administrative purposes, for operation, for upkeep, a fixed charge, or a capital outlay. The function basis dealt with several different phases of a school system. The regulative and executive service was to include the work of the board of education, the superintendent, and his administrative staff. The proprietary service dealt with the provision, care, and disposal of property, including the operation of the plant and the maintenance of the plant by the repair men. The instructional service dealt with the actual teaching and supervision of the children. Also included in the functional basis of distribution was the social service engaged in by the school, such as the operation of the school cafeteria, transportation, medical inspection, and recreation. He explained the object basis of classification as being that which showed the payment for the thing actually obtained, such as personal service, materials and supplies, equipment,

⁵⁵Case, op. cit., p. 12.

land, and the payment of rents and of debts.⁵⁶

In developing an accounting system for schools, it is imperative that certain accounts be set up for expenditures, and that uniformity of terminology be devised for these accounts. In this way there will be no question as to the account to which a certain expenditure should be charged. The accounts should be so developed that no item could be charged to more than one account. Hatfield explained this adequately in the following words:

It is significant that in any event the accounts must be all-comprehensive, that is, there must be some definite place for recording each particular asset, liability, and subdivision of proprietorship, and that the classifications must be mutually exclusive, so that each account shall contain items not found in any other account.⁵⁷

The classification of accounts is not a procedure reserved for school financial accounting. The same idea of classification is used in business accounting. Scovill gave the following reasons for such classification:

1. It affords a basis of comparison of results between fiscal periods.

⁵⁶Ibid., p. 42.

⁵⁷Hatfield, op. cit., p. 87.

MEMORANDUM

land, and the payment of money and of interest.

In developing the various aspects of the problem, it is imperative that certain accounts be set up for each purpose, and that uniformity of classification be maintained in these accounts. In this way there will be no confusion as to the account to which a certain expenditure should be charged. The expense should be so classified that it can be charged to more than one account, if desired.

explained this account as follows:

It is significant that in any event the account should be all-comprehensive, and that there must be some definite place for recording each particular item, whether it be an addition or subtraction, and that the classification must be mutually exclusive, so that each account shall contain items and only items of one other account.

The classification of accounts is not a problem reserved for school financial management. The same kind of classification is used in business accounting. The following reasons for such classification are:

1. It affords a basis of comparison of results between fiscal periods.

28 April, p. 62

27 April, p. 62

2. It permits for the formulation of principles governing the framing of debits and credits to accounts of a group in such a way that they may apply to all accounts within a group.

3. It enables one to arrange the accounts in the ledger by groups or classes so as to assist in a later use of the results by the owners or managers.⁵⁸

Case was of the opinion that cost accounting for schools was the basic need for presenting the entire and true picture of school operations. He also felt that uniformity, flexibility, and simplicity should be considered essentials in a school accounting system.⁵⁹ As pointed out in his writings, the importance of classifying expenditure accounts cannot be stressed too much.

An adequate classification of accounts for expenditures is essential to cost accounting, a prerequisite to meaningful comparisons of costs between schools. Therefore, one of the principles of a sound accounting system should be:

PRINCIPLE NUMBER FOUR: The accounting system should provide an adequate classification of expenditure accounts.

Property accounting. One of the phases of school

⁵⁸Hiram T. Scovill and C. A. Moyer, Fundamentals of Accounting, (Boston: D. C. Heath and Company, 1940), p. 109.

⁵⁹Case, op. cit., p. 5.

2. It permits the accounting of activities governing the financing of assets and liabilities of a group in such a way that the accounts within a group, and the accounts of the group as a whole, are consistent in the ledger by groups or classes as to the use of the results by the group as a whole.

Case was of the opinion that the accounting for schools was the basic need for the accounting of the true picture of school operations. It is the responsibility, flexibility, and simplicity of the accounting system in a school accounting system. In his writings, the importance of classifying accounts cannot be stressed too much.

An adequate classification of accounts for schools is essential to cost accounting. It is essential to meaningful comparisons of costs between schools. One of the principles of a sound accounting system is the principle number four: The accounting system should be

An adequate classification of accounts for schools
Properly Accounting One of the phases of school

William T. Scofield and C. H. Scofield, Accounting, (Boston: F. T. Heath and Company, 1923), p. 103.

Case, op. cit., p. 103.

business management that has been neglected is that of property accounting. Fowlkes was among the first to recognize that property accounting had been neglected. He felt this was because it was more difficult to account for school property than for school money. He recommended that a new administrator refuse to assume the responsibility of a new position until a property inventory had been conducted, and he was assured that continuing inventories would become part of the regular procedure of property accounting.⁶⁰

Bangs gave a good reason for perpetual inventories in saying that:

Good management and good accounting demand that all the increases and decreases of items be properly segregated so that each item may be totaled at a moments notice.⁶¹

Mort and Reusser pointed out how neglected is the field of property accounting in schools. They felt that the boards of education and the administrators should be as interested in arranging financing for replacements as they are in providing for immediate or deferred payments at the time the sites or property is first purchased. Efficient

⁶⁰Fowlkes, op. cit., p. 141.

⁶¹Bangs, op. cit., p. 38.

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management of property for schools, according to them, is possible only on the basis of facts concerning property values, depreciation, maintenance, and replacement.⁶²

Depreciation. Business takes depreciation into account in the regular bookkeeping process. Business also sets up reserves to replace equipment that needs to be replaced. Schools are not in a position to follow the example set by business in this phase of financing. That fact does not remove the need for the schools to take some action in regard to figuring depreciation and in working out a method to handle this difficult problem.

Fowlkes deplored the fact that so little has been done to solve this problem. He blamed such neglect on the hazard to which all school reserves are constantly exposed, and on the fact that school peoples have a limited concept of the full meaning of depreciation.⁶³

The need for including depreciation in the accounting process for schools was also recognized by Fowlkes. He stated that:

⁶²Mort and Reusser, op. cit., p. 337.

⁶³Fowlkes, op. cit., p. 142.

management of property for schools, resulting in a
possible only on the basis of a complete inventory of
values, depreciation, replacement, and insurance.

Discussion - This is a very important part of the
account in the report concerning property. The report
sets up reserves to replace property that has been
replaced. Schools are also a factor in the law and
example set by business in this phase of financing. The
fact does not remove the need for the schools to have some
action in regard to property management and financing.
But a method to handle this problem is needed.

Further details are given in the report and have
done to solve this problem. The report is a guide to the
bureau to which all school property and equipment should
and on the fact that school property is a limited resource
of the full meaning of conservation.

The need for the school property and equipment
process for schools was also realized by the
states that

It seems clear that depreciation on school property should be determined and included in a school's financial accounting records. At the same time it appears unwise for schools to attempt the establishment of depreciation cash reserves or sinking funds as is done so often in business.⁶⁴

If depreciation is to become a part of the financial accounting for schools, there should be some determination of whether it should be figured as a part of current expense or part of capital outlay. Insofar as business is concerned, it is usually figured as a part of operating expense.⁶⁵

Another writer, in discussing depreciation for business accounting, stated that:

Allowances and additions to reserves for depreciation of properties and equipment are treated as deductible costs in determining net business income. Although the principle of this deduction is uniformly recognized, its practical application is subject to much dispute. What initial value should be allowed for the depreciating property? What records must be kept? But most important, what shall be the rate of depreciation allowed on each particular asset? It is inherently impossible to measure the useful life of an asset accurately until the end of that life. Any earlier estimate may turn out to be seriously in error. Obsolescence is even more difficult to forecast. Another hard problem arises when replacement costs of equipment are very different from the original cost. Under such conditions, the use of original cost in computing depreciation assures an error-

⁶⁴Ibid., p. 146.

⁶⁵Bangs, op. cit., p. 176.

eous figure of current income in the broad economic sense.⁶⁶

Although obsolescence and inadequacy are not the same as depreciation, they tend to shorten the life of equipment and other assets of schools, even more than does depreciation. Finney tells what should be done with such goods from the business point of view. He said that:

Merchandise which has become obsolete or has depreciated because of shop wear or damage should be excluded entirely from the inventory if it is unsalable or cannot be utilized in production. . . .⁶⁷

The loss on goods which have been damaged or have become obsolete should be taken in the period when the loss developed.⁶⁸

Inventory and Stores control. Adequate financial accounting for property cannot be possible without an adequate method of handling inventories of equipment and stores. Depreciation cannot be figured accurately without a proper inventory of all assets. Mort and Reusser gave the following discussion of property records:

⁶⁶William J. Schultz and C. Lowell Harriss, American Public Finance (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1956), p. 277.

⁶⁷Finney, op. cit., p. 274.

⁶⁸Ibid., p. 275.

from a list of assets in the field of business.

Although depreciation and amortization are not the

same as depreciation, they are not the same.

equipment and other assets on hand, which are the

depreciation. They are the same as the

goods from the business point of view. The same is true.

depreciation, which is the business method of accounting for the cost of assets, is not the same as the depreciation of assets. The depreciation of assets is the business method of accounting for the cost of assets, which is the business method of accounting for the cost of assets.

The loss of goods which have been depreciated or have become obsolete, which is the business method of accounting for the cost of assets, is the business method of accounting for the cost of assets.

Inventory and Depreciation The business method of accounting for the cost of assets is the business method of accounting for the cost of assets.

accounting for property cannot be properly accounted for the

proper method of accounting for the cost of assets is the business method of accounting for the cost of assets.

assets. Depreciation cannot be properly accounted for the

a proper inventory of all assets, which is the business method of accounting for the cost of assets.

following discussion of property assets.

Public Finance (Business Method), Inc., 1935, p. 217.

Finney, op. cit., p. 217.

ibid., p. 217.

The property ledger is a record of each item, usually by classification, and should give its description, year when purchased or installed, total cost, annual depreciation if such is computed, additions or subtractions, and depreciated value. It is often hard to state the present value of a piece of property because of the difficulty of arriving at a satisfactory figure. If a regular depreciation record is kept, the most satisfactory figure for present value is original value minus depreciation. This, however, does not represent a replacement figure, and for that reason the depreciation record has its greatest usefulness for determining the probable date of replacement of the asset. Additions and subtractions from a building are those which change its value above or below the maintenance figure.

The property inventory is an account of each item of land, building, or equipment, together with other information concerning its description, location and value. An accurate inventory of all physical property owned by a school district is the only means of keeping track of the various items of school furniture, apparatus, library books, typewriters, and other office equipment; maintenance and janitorial equipment; school buses; equipment for upkeep; and the numerous other items that are needed in the operation of a school system. Changes in the administrative staff, teachers, and pupils often result in moving pieces of equipment from one part of the school system to another, and unless an accurate record is kept, property is likely to be misplaced or lost. Considerable time and work may be involved in setting up an inventory for the first time, but when once established, it is relatively simple to keep. New additions are made at the time of purchase. Items broken, worn out, or traded in for new ones are removed from the inventory at regular intervals. Periodic inspection reveals the location of items and enables those in charge of the inventory to make the necessary corrections. Items should not be moved from one room to another without an entry on the inventory.⁶⁹

⁶⁹Mort and Reusser, op. cit., p. 339.

Some of the details of keeping an inventory were given by Finney as follows:

A perpetual inventory, or stores record, is a subsidiary record showing quantities, or quantities and prices. Perpetual inventory records generally have three columns: into stock, out of stock, and balance. If records of only quantities are kept, there will be one set of three columns for quantities; if records of prices are also kept, there will be a second set of three columns for values. In addition, there may be a quantity column in the perpetual inventory of raw materials to show quantities which, though not actually requisitioned out of stock, have been reserved for use in jobs presently to be put through the factory; and an additional column showing the balance available for future jobs.⁷⁰

The selection, purchase, delivery, and storage of supplies play a big part in the inventory and stores control. Fowlkes cited a number of methods for the proper handling of supplies and equipment:

1. There should be only one official receiving office for a school system.⁷¹
2. None except officials responsible for the administration of the supply storeroom should have access to it.⁷²
3. A continuous record should be kept of all textbooks, supplies, and equipment, showing the quantities purchased during the year, the quantities returned to the central office, and the quantities on

⁷⁰Finney, op. cit., p. 278.

⁷¹Fowlkes, op. cit., p. 147.

⁷²Ibid., p. 148.

hand at the end of the year.⁷³

Neuner stated that it was common practice for the stores account to be the controlling account in a perpetual inventory system of accounting for stores.⁷⁴ DeYoung said that a continuous inventory would be a help in planning the budget for the coming year.⁷⁵ He also warned that too meticulous record-keeping of inexpensive supplies would prove a costly procedure. Moehlman recommended a perpetual inventory that would give the exact amount of supplies available at any time.⁷⁶

Related literature indicates that property accounting for schools has been neglected. Perpetual inventories of property and stores should be practiced more, and would not be too difficult to accomplish after the first inventory becomes a part of the accounting system. Depreciation has not been handled properly in property accounting, largely because not enough study has gone into the problem. A

⁷³Loc. cit.

⁷⁴Neuner, op. cit., p. 27.

⁷⁵DeYoung, op. cit., p. 65.

⁷⁶Arthur B. Moehlman, Public School Finance (New York: Rand McNally & Company, 1927), p. 411.

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Heiner stated that the company had been in the business for the

years account to be the following items in a list

inventory system of accounting for the

that a continuous inventory would be a help in determining the

budget for the coming year. He also stated that the

national record-keeping of the company was

prove a costly procedure. Heiner stated that the

inventory that would give the exact amount of the

able at any time.

Related literature indicates that the

for schools has been the best. It is stated that the

property and stored should be handled properly and with

be too difficult to establish the following

become a part of the accounting system. Heiner stated that

not been handled properly. Heiner stated that the

because not enough stock has been used in the

73
loc. cit.

74
Heiner, op. cit., p. 25

75
DeLong, op. cit., p. 67

76
Arthur B. Mosman, Public School Finance (New York: Rand McNally & Company, 1925), p. 412

standard depreciation schedule should be developed before depreciation becomes a part of the regular accounting system for schools.

The literature showed that the following principle should be included in the accounting system:

PRINCIPLE NUMBER FIVE: The accounting system should make provisions for proper accounting for property and stores.

Encumbrances. Most of the writers favor the establishment of an encumbrance system to give a true picture of the financial activity of the business office of a school system. DeYoung favored the use of the encumbrance system as a control of the budget. He stated that the funds are likely to be overdrawn, especially toward the end of the year, unless the encumbrance system is employed.⁷⁷ He recommended that funds be indebted as soon as the requisition is approved, then when the bill is paid, the corrected amount may be recorded in the accounts and the check or warrant register.⁷⁸

Fowlkes stressed the importance of a sound method of

⁷⁷DeYoung, op. cit., p. 233.

⁷⁸Ibid., p. 418.

standard depreciation schedule should be followed in
depreciation because a part of the total depreciation
can be applied.

The literature shows that the following principles
should be included in the accounting system:
PRINCIPLE NUMBER FIVE. The accounting system should have
provisions for proper recording of assets and liabilities.

Enclosures. Most of the enclosures should be
in the form of an enclosure system to give a clear picture of
the financial activity of the business at the end of a period.
system. Beyond that, the use of the enclosure system
as a control of the subject. It is stated that the enclosure
likely to be overused, especially in the case of the
year, unless the enclosure system is well planned. The year
commented that there is a tendency to use the enclosure
is approved, then when the enclosure is used, the
amount may be recorded in the enclosure and the result of
warrant register.

Further studies of the enclosure system are being made.

recording liabilities of a school district. He stated that "it is a well established fact that no organization should incur liabilities unless funds for meeting such liabilities are available."⁷⁹

Proper control of the budget is dependent upon a knowledge of the liabilities of the school district. Some accurate method of ascertaining such knowledge should be included in a good accounting system. Literature recommends the use of encumbered funds for that purpose. Another principle, therefore, that should be included in a sound financial accounting system is:

PRINCIPLE NUMBER SIX: The accounting system should allow adequate accounting for liabilities of a school district through the use of a system of encumbrances.

Clearing accounts. The use of clearing accounts in financial accounts for schools is an area that has been neglected. The result has been a distorted picture of the receipts, as well as of the disbursements, of school funds. Various writers in the field have referred to clearing accounts by different names.

⁷⁹Fowlkes, op. cit., p. 31.

Engelhardt and Von Borgersrode used the term "revolving funds";⁸⁰ Case did not use either term, but he recommended that both receipts and disbursements that were not a real revenue or expenditure be deducted from receipts and/or expenditures before the final annual report was made.⁸¹

Handbook II explained how Clearing Accounts and Revolving Funds are handled. The definitions given for the two were:

A Revolving Fund is a sum of money or other resources set aside to carry out a cycle of operations. The amounts expended from the fund are restored from earnings from operations or by transfers from other funds, so that it remains intact, either in the form of cash, receivables, inventory, or other assets. The fund accounts constitute a complete entity and all of the financial transactions for the particular fund are recorded in them.

Clearing Accounts are accounts used to accumulate total receipts or expenditures either for later distribution among the accounts to which such receipts and expenditures are properly allocable, or for recording the net differences under the proper accounts.⁸²

⁸⁰Englehardt and Von Borgersrode, op. cit., p. 76.

⁸¹Case, op. cit., p. 16.

⁸²U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: Government Printing Office, 1947.) pp. 106, 107.

Handbook II explained that clearing accounts and revolving funds are handled. The distinction is made for the two were:

A revolving fund is a sum of money or other resources set aside to carry out a cycle of expenditures. The amounts expended from the fund are replaced by receipts from operations or by transfers from other funds, so that it remains intact, either in the form of cash, receivables, inventory, or other assets. The fund accounts constitute a continuous entity and all of the financial transactions for the revolving fund are recorded in them.

Clearing accounts are accounts used to reconcile total receipts of expenditures shown for items. The distinction among the accounts is which receipts and expenditures are properly allocated to the revolving fund and the net difference under the proper account.

80. Ingelhardt and Van Houten, *op. cit.*, pp. 15-16.
81. Case, *op. cit.*, p. 13.
82. U. S. Department of Health, Education, and Welfare, Office of Education, *Financial Accounting for Schools and State School Systems*, Handbook II, *Financial Accounting*, Printing Office, 1947, pp. 13, 14.

Paul L. Reason related how pupil cost statistics may be very unrealistic because of the duplication in school accounting procedures. The errors result from operations in the school where the same money is recorded several times. He gave examples of activities that were involved in such transactions. Some of the activities that he blamed with the ballooning of costs were:

(a) Food services--meals are paid for by pupils, and more food is purchased with the same money.

(b) Student-body activities--students pay fees which are then used to finance activities.

(c) Instructional materials--the school pays for materials and then sells same to students, which results in showing the same money twice as receipts and as expenditures.

(d) Loans--money borrowed and paid off the same year.

(e) Exchange of assets--the district refunds bonds.

(f) Inter-fund transfers--checks are drawn to transfer money from one fund to another, resulting in duplication.

He stated that clearing accounts could be set up to process one sum of money through all transactions for one type of activity, so that the money would not be reported under several different headings. Revolving funds could be established for any specific activity, such as food services. The only time an expense or cost would occur, as far as the regular accounts were concerned, would be when additional equipment was purchased, expansion was necessary, or subsidization of the activity occurred. He claimed that the

Paul L. Reason related how pupils cost accounting.

be very unrealistic because of the duplication in the accounting procedures. The errors result from operating in the school where the same money is recorded several times. He gave examples of activities that were involved in such transactions. Some of the activities that he mentioned were the following of costs were:

- (a) Food services--meals are paid for in pupils' lunch money food is purchased with the same money.
- (b) Student-body activities--students pay for their own expenses then used to finance activities.
- (c) Instructional materials--the school pays for materials and then sells same to students. This results in showing the same money twice as receipts and as expenditures.
- (d) Loans--money borrowed and paid out during year.
- (e) Exchange of assets--the district's fund would transfer funds to another fund and then back to the district's fund.
- (f) Inter-fund transfers--checks are drawn on the fund money from one fund to another, resulting in duplication.

He stated that clearing accounts could be set up to process one sum of money through all transactions for one type of activity, so that the money would not be repeated under several different headings. Reversing funds could be established for any specific activity, such as food services. The only time an expense or cost would occur, as the regular accounts were concerned, would be when actual physical equipment was purchased, expansion and renovation, or replacement of the activity occurred. He stated that the

establishment of either of the two methods would more truly reflect actual school costs and show true comparisons of costs per pupil.⁸³

The proper use of clearing accounts can prevent the distorted picture of pupil costs that occur when funds are considered as a part of operating or current expenses that were not a part of the budgeted funds in the beginning. Such distortion can be eliminated if the clearing accounts become a part of the regular accounting system, and only those funds are shown as current expenses that really should be. Therefore, another principle of a sound accounting for school funds should be:

PRINCIPLE NUMBER SEVEN: The accounting system should provide for the proper use of clearing accounts.

Reporting. One of the advantages of an adequate financial accounting system for schools is that it facilitates the reporting to local, state, and national agencies. Such reports are to be made as often as is necessary to satisfy the various agencies. Reports to local groups will be made more often than reports to state or national. The

⁸³Paul L. Reason, "Costs May Be Lower Than You Think," Nation's Schools, Vol. 62 (July, 1958), pp. 50-52.

establishment of either of the two systems. This was the
reflected actual actual course into the two systems.
course per pupil. 82

The proper use of the system is not a very simple
distorted picture of pupil course that does not take into
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a part of the system. The system is not a distortion
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Therefore, another principle of a system is not a
school funds should be

PRINCIPLE NUMBER SEVEN. The accounting system should

provide for the proper use of the system.

Reporting. One of the advantages of the system

financial accounting system for schools is that it
takes the reporting to local, state, and national agencies.
Such reports are to be made as often as is necessary to
satisfy the various agencies. Reports to local agencies will
be made more often than reports to state or national agencies.

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Paul D. Hanson, "Costs and Funds in Schools",
Think, "Nation's Schools", Vol. 12, No. 1, 1927, pp. 30-32.

information required for reporting should be readily available from the regular accounting forms, and should not require a search of the entire reporting period in order to complete.

Mort and Reusser felt that proper reporting for schools was probably more important than for other public agencies, as the schools are too often taken for granted by the public, usually cost more than other agencies, and are free from political patronage. They stated that the financial accounting system of a school was the most important factor in reporting, as the analysis of costs must come from the accounting records. They gave four important functions of reporting:

1. To state clearly the financial conditions of the school at any time, and especially at the end of the fiscal year.
2. To present in detail and summary facts concerning income and expenditures, and the cost of various activities of the school.
3. To supply information necessary in reporting to state and national offices.
4. To give information to the public for the purpose of cultivating better public relations between the schools and lay groups.⁸⁴

Fowlkes and Hansen seemed to be making a plea for uniformity in accounting in the following discussion of

⁸⁴Mort and Reusser, op. cit., p. 273.

information required for reporting should be readily available from the regular accounting forms and statements required a search of the entire record is often required to be complete.

Moit and Kessel have been reporting to schools was probably more important than for other agencies, as the school has been the primary source of the public, usually less than for other agencies. The school is free from political pressure. The school is the only accounting system of a school and the only factor in reporting, as the analysis of the school is on the accounting records. They have been reporting to the of reporting.

1. To state clearly the financial condition of the school at any time, and report it at the end of the fiscal year.
2. To present in detail the financial condition, income and expenditures, and the assets and liabilities of the school.
3. To supply information as to the financial condition of the school and national affairs.
4. To give information as to the financial condition of the school and its progress.

Fowkes and Hansen turned to the school as a source of uniformity in accounting in the following ways:

reporting:

Faithful reporting of all school moneys is essential as one form of proof of having deserved the trust of such funds. An equally important reason for frequent reports on school finances is the opportunity provided to the public for gaining a clear understanding of the educational program and its cost.

Financial reports pertaining to school can be truly valuable only if such reports are based upon valid financial accounting and auditing and are so constructed and presented that they convey the same meanings about given factors to everyone. Financial reports of schools can be no better than the practices in financial accounting and auditing upon which such reports must be based. Contemporary practices in connection with these functions clearly preclude any basically valid report of school finances. On the other hand, since the only data available are those derived from existing accounting systems with attendant audits, serious attention must be given to the reporting function in connection with school funds.⁸⁵

The School Business Management Handbook, Accounting and Reporting, published by the State Education Department of New York, makes the following statement regarding the importance of reporting to the public:

It is acknowledged that a continuous and complete school and community relations program must be a part of the operational pattern of a public school system. Such a device is essential if schools are to inform their patrons and muster the support necessary for an adequate

⁸⁵R. L. Johns and E. L. Morphet (editors), Problems and Issues in Public School Finance, National Conference of Professors of Educational Administration (New York: Teachers College, Columbia University, 1952), p. 476.

Valuable reporting on all school matters is essential as one form of record of having done what the school is such funds. In actually important. Funds for reporting reports on school finances is the only way to get the public for giving a clear understanding of the educational progress and the cost.

Financial reports given in the school are not only valuable only in the school but in the community and financial statements and accounts and are essential and presented to the community and the school board given factors to everyone. Financial reports of the school can be no better than the financial statements in financial accounting and auditing and each school reports and based. Consequently progress in education with these functions clearly reveals any financial statement report of school finances. On the other hand, since the only available are those derived from existing accounting systems with abundant data, the school board and the given to the reporting function in connection with school funds.

The School Business Management Handbook, Accounting

and Reporting, published by the State Education Department

of New York, makes the following statement regarding the

importance of reporting to the public:

It is acknowledged that a continuous and complete school and community relations program must be a part of the operation of a public school system. Such a device is essential if schools are to attract and retain patrons and insure the support of the community.

R. L. Jones and E. L. Anderson (Editors), Financial Accounting and Reporting in Public Schools, National Conference of Professors of Educational Administration (New York: Teachers College, Columbia University, 1933), p. 47.

educational offering.⁸⁶

Although the financial statements of school accounts may be similar to those of business, they are not the same. Fowlkes pointed this out in the following statement:

The Balance Sheet as it appears in business is not applicable to the analysis of the financial status of a school system and should not be used in the preparation of financial statements for schools.

The element of profit and loss does not enter into the financial affairs of a school, but a school operating statement is essential.⁸⁷

Accurate and frequent reporting to the local community is not only an essential part of financial accounting, but is also a public relations media that should be exploited. Reports to the public should be accurate, easily understood by the lay public, and meaningful as far as comparisons are concerned. Reports to other educational units are necessary requirements that must be met periodically. The accounting system should make it possible to secure such information required easily and quickly. The following principle should be a part of the accounting system:

⁸⁶School Business Management Handbook, Accounting and Reporting, Bureau of Field Financial Services (Albany, New York: State Education Department, 1956), p. 112.

⁸⁷Fowlkes, op. cit., p. 181.

educational attainment.

Although the income of the individual is not

may be similar to that of business, they are not the same.

Powell pointed out that in the following statement:

The balance sheet is a statement of the financial position of the school system at a given time. It is a statement of the assets and liabilities of the school system at a given time. It is a statement of the financial position of the school system at a given time.

The statement of assets and liabilities is a statement of the financial position of the school system at a given time. It is a statement of the assets and liabilities of the school system at a given time. It is a statement of the financial position of the school system at a given time.

Assets and liabilities are the two main components of the financial position of the school system.

It is not only an essential part of the financial position of the school system.

but is also a public statement of the financial position of the school system.

expended. Reports of the financial position of the school system are essential.

understood by the lay public, and are essential for the proper management of the school system.

persons are concerned. Reports of the financial position of the school system are essential.

are necessary requirements and must be met in order to maintain the financial position of the school system.

The accounting system should be such as to provide the financial position of the school system.

information required easily and quickly. The following principles should be a part of the accounting system.

principle should be a part of the accounting system.

86 School Budgeting, Management, and Accounting, 1931, p. 10.
Reporting, Bureau of Educational Statistics, New York State Education Department, 1931, p. 10.

87 Powell, op. cit., p. 10.

PRINCIPLE NUMBER EIGHT: The accounting system should be so designed as to facilitate reporting to the lay public, and to the state and federal educational agencies.

Auditing financial accounts. All writers in the field of accounting recognize the importance of auditing the financial records, whether those records are in business or in school management. The extent of the audit, who should do the auditing, and how often the books should be audited may cause some difference of opinion, but even that difference is slight.

Arnold said that auditing the financial accounts of any organization is general practice and serves several purposes:

1. It detects honest errors and uncovers fraud, if any exists.
2. It reports to the people on the integrity and fidelity of officials in handling school funds.
3. Suggestions by the auditors should prove valuable to the management or administrators.

He would like to see the auditors of school accounts be well qualified accountants experienced in auditing schools.⁸⁸

School auditing differs from auditing of private enterprises only insofar as the accounting for schools dif-

⁸⁸Wahlquist, et al., op. cit., p. 406.

PRINCIPLES NUMBER EIGHT: The accounting system should be so

designed as to facilitate recording of the transactions.

and to the state and federal authorities.

Auditing Financial Records

Field of accounting recognize the importance of auditing the financial records, whether those records are in the form of school management. The extent of the audit, the scope of the auditing, and how often the records should be audited may cause some difference of opinion. The following are some of the points to be kept in mind.

Arnold said that auditing the financial records of any organization is general practice and is not a new thing.

points:

1. It detects honest errors and omissions.
2. It reports to the people on the management and fidelity of officials in handling a fund.
3. Suggestions by the auditors should be given value to the management or administration.

He would like to see the auditors of school accounts be well

qualified accountants experienced in auditing accounts.

School auditing differs from auditing of business

enterprises only insofar as the accounting for business is

fers from the accounting in business, according to Mort and Reusser. They recommended audits by authorities outside the enterprise.⁸⁹

Akerly gave a complete discussion of the subject of auditing in which he outlined the objectives of the audit, the types of audits, and the scope of the audit. The objectives he listed are similar to those given by Arnold. He defined the preaudit and post audit as follows:

A preaudit is in essence a required advance approval of a purchase order, contract, or other commitment by the board's auditor (internal) or by some independent official or body (external). In the latter, the approval is required by law or fixed by custom. In a preaudit the order or contract is examined to see if it is properly authorized, charged to the correct budget account, and that sufficient unencumbered funds are available. . . .

A postaudit is what its name implies, an examination of transactions after they have been completed. It comes after both the orders and contracts and the corresponding financial payments. It is concerned principally with last year's business. A postaudit is almost always an external audit conducted by a public accountant.⁹⁰

The preaudit of accounts within a school system is of more value to the educational program than just the mere addition of the figures to see that the correct amount is

⁸⁹Mort and Reusser, op. cit., p. 187.

⁹⁰Linn, op. cit., p. 220.

less from the accounting in business, according to Hott and Reusser. They recommended audits by authorities outside the enterprise.⁸⁹

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The preaudit of accounts within a school system is of

more value to the educational program than just the mere addition of the figures to see that the correct amount is

⁸⁹ Hott and Reusser, op. cit., p. 187.

⁹⁰ Lann, op. cit., p. 250.

paid. It is an opportunity for the school administrator to investigate the school program, and especially to evaluate the proposed purchase in the light of educational standards, according to Burke.⁹¹

Mort and Reusser sounded a warning in regard to too much emphasis on the auditing being done by a central agency. They foresaw the danger of the central agency controlling policy through the control of funds. This would result in taking the control of education out of the hands of the local board of education and placing it in the hands of agencies at the state level.⁹²

Writers in the field of school accounting leave no doubt as to the importance of having the school accounts audited regularly. They recommend that each school unit conduct such pre-audits as will assure that proper control of the educational program is being exercised, but all the writers express the opinion that an annual audit by some outside agency be conducted. The principle governing this part of the accounting procedure is:

⁹¹Burke, op. cit., p. 552.

⁹²Mort and Reusser, op. cit., p. 194.

paid. It is an opportunity for the school authorities to
investigate the school system, and especially to evaluate
the proposed purchase in the light of educational standards,
according to Burke.²¹

Most and Ransaw suggested a meeting in 1961 to
much emphasis on the existing state of affairs.
agency. They foresee the need for the school system to
rolling policy through the control of funds. This will
result in taking the control of education out of the hands
of the local board of education and placing it in the hands
of agencies at the state level.²²

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doubt as to the importance of having the school system
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conduct such pre-audit as will assure that proper business
of the educational program is being maintained. All the
writers express the opinion that an annual audit is
outside agency be conducted. The prime responsibility
part of the accounting procedure is

²¹Burke, op. cit., p. 22.

²²Most and Ransaw, op. cit., p. 101.

PRINCIPLE NUMBER NINE: The financial accounts of the school district should be audited by independent auditors annually.

Machine Accounting. The use of mechanical equipment in school accounting is becoming more and more popular. Improvement in accounting machines would indicate that the trend will continue toward the adoption of machines for bookkeeping. Accounting machines vary greatly in the price as well as in the efficiency of operation. Some schools may be unable to finance the purchase of machines; some may be too small to justify such purchase; but all schools could well afford to investigate the possibility of savings that might result from the use of such machines.

Akerly stated that any school with fifty employees and one thousand pupils could profit from the use of machine accounting, provided the district had no problem in budget balancing. He believed that any district having four thousand or more pupils should have some standard accounting machine for recording its financial transactions. He gave some of the advantages that might result, as follows:

There is reason to believe that the many advantages of mechanized accounting for even small school districts have not yet been recognized. Among them are: saving of the time of trained office personnel now in short

PRINCIPLE NUMBER NINE: The teacher of arithmetic should

direct the child to the study of the subject

anxiously.

Machine Accounting - The use of the machine in

in school accounting is becoming more and more common.

Improvement in accounting is necessary to meet the needs of the

time and will continue to be improved as the years go by.

bookkeeping. Accounting machine work is being done in the

as well as in the efficiency of the work. This is because

be unable to finance the purchase of the machine and the

too small to justify such investment. But all these things

will afford to investors the opportunity to make a profit

might result from the use of such machines.

As a result of this, the machine is becoming more and more

one thousand people are using it in their work.

accounting, provided the machine is used in the proper

balancing. He believed that any machine that would do the

and or more people should have a machine in their office.

machine for recording the financial transactions. He gave

some of the advantages that it has over the old method.

There is reason to believe that the machine will be used

of mechanical accounting for some time to come. It is

have not yet been perfected. It is not yet ready for use.

of the time of certain other machines. It is not yet

supply; reduction in time needed to perform basic accounting operations; the classification of entries and records; the preparation of complete individual earnings statements for employees showing all deductions; the expedition of audits; the rapid and accurate preparation of reports; and the creation of confidence in the minds of businessmen (especially the large taxpayer), the banker, and the investor in school district bonds, notes and other obligations.⁹³

In a survey conducted by the Nation's Schools, it was found that of the seventy-two systems reporting, seventy-three percent reported that they were saving either money or personnel through the use of machine accounting.⁹⁴ This report also showed that some schools as small as 1,200 enrollment were using machine accounting advantageously, although evidence seemed to indicate that the school should be between four and five thousand enrollment before machine accounting should be used.

The literature studied indicated that the use of machine accounting should be investigated by school districts, and, where proved to be feasible and within the range of the budget of the school, should be adopted. One principle of an accounting system should be:

⁹³ Linn, op. cit., p. 218.

⁹⁴ _____ "Machine Accounting and Related Services for School Administrators", The Nation's Schools, 61:65-84, May, 1958.

supply; reduction in time needed to perform basic accounting operations; the classification of entries and records; the preparation of summary financial statements for employees and other interested parties; the expansion of audit; the need and accurate preparation of reports; and the creation of confidence in the minds of businessmen (especially the large taxpayer), the banker, and the investor in school district bonds, notes and other obligations.

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found that of the seventy-two systems reporting, seventy-three percent reported that they were saving either money or personnel through the use of machine accounting. This report also showed that some schools as small as 1,200 enrollment were using machine accounting advantageously, although evidence seemed to indicate that the school should be between four and five thousand enrollment before machine accounting should be used.

The literature studied indicated that the use of machine accounting should be investigated by school districts, and, where proved to be feasible and within the range of the budget of the school, should be adopted. The principle of an accounting system should be:

1. Plan, 2. Do, 3. Check, 4. Act.

"Machine Accounting and Related Services for School Administrators," The National Schools, 61-62-63, May, 1928.

PRINCIPLE NUMBER TEN: The accounting system should lend itself to adaptation to machine accounting.

Simplicity of operation. Many writers have expressed the idea that the accounting system should be simple enough to operate so that untrained bookkeepers would be able to carry on the task of recording the financial activities of the school district. Cady listed as one of the criteria for a good accounting system a minimum of bookkeeping knowledge on the part of the one who was to keep the accounts.⁹⁵ Case mentioned uniformity, flexibility, and simplicity as the three essential features of a financial accounting system.⁹⁶ The idea presented by these writers seemed to be that school administrators would likely hire bookkeepers with a limited amount of knowledge who would need a simple set of books in order for them to take care of the task. There seemed to be the thought, also, that bookkeeping knowledge would not be one of the achievements of school administrators.

Tidwell did not have such an idea, however, and

⁹⁵James William Cady, "A Proposed Financial Accounting System for the Arkansas Public Schools," (unpublished doctoral dissertation, The University of Arkansas, Fayetteville, 1953), p. 96.

⁹⁶Case, op. cit., p. 5.

Itself to be adapted to various conditions

Simplicity of operation

The idea that the accounting system should be simple enough to operate so that untrained people could use it is one of the basic of restoring the financial system of the school district. Early listed as one of the essential features of a good accounting system a minimum of bookkeeping knowledge on the part of the one who was to keep the accounts. This mentioned authority, flexibility, and simplicity as the three essential features of a financial accounting system. The idea presented by these writers seems to be that school administrators would likely hire bookkeepers with a limited amount of knowledge who would need a simple and of course in order for them to take care of the task. These authors in the thought, also, that bookkeeping knowledge would not be one of the achievements of school administrators.

Tidwell did not have such an idea, however, and

²⁵James William Gage, "A Proposed Financial Accounting System for the Arkansas Public Schools," unpublished doctoral dissertation, The University of Arkansas, Fayetteville, 1953, p. 25.

recommended that courses in school accounting be one of the requirements set up in the training program for administrators in colleges having administrative preparation programs.⁹⁷ Akerly was of the opinion that the superintendent should be trained in accountancy, and expressed his views as follows:

Even though the superintendent of schools is primarily an educational leader, he must understand the language of business, including the elements of accounting. The responsibility for financial accounting is his, either directly or indirectly, as he is responsible for the work of his business office.⁹⁸

Bangs did not feel that accounting was a simple task and one that could be handled by untrained personnel. He said that "supporting records, often involving vast amounts of detail, are a necessary part of all accounting systems."⁹⁹

Some have felt that the state department of education should take an active interest in seeing that those who were to do the bookkeeping for schools should be well trained. A joint commission, of which the Department of Superintendence was a part, recommended that:

⁹⁷Sam A. Tidwell, "Fundamental School Fund Accounting", American School Board Journal, 134:37-38, May, 1957.

⁹⁸Linn, op. cit., p. 176.

⁹⁹Bangs, op. cit., p. 42.

recommended that courses in school should be organized
regimentation and up in the existing program for training
total in colleges having administrative functions and
systems. 37 Merely one of the system that the system
should be trained in necessary, and organized the view of
follows:

Even though the responsibility of schools is to
teach an educational system, the main responsibility is
grade of business, teaching the student of business.
The responsibility for financial accounting is also
either directly or indirectly, as in the responsible for
the work of the business system.
Banks did not feel that accounting was a simple task and one
that could be handled by a few men. The system, as well as
"supporting records, often involving great amounts of detail
are a necessary part of all business system.
Banks have felt that the whole department of accounting
should take an active interest in the system and those who
to do the bookkeeping for schools should be well trained.
Joint committee, or which the system of bookkeeping
was a part, recommended that

37 See A. T. Gove, "Financial School Bookkeeping",
ing", American School Book Company, 1911, p. 10.

State departments of education should make provisions whereby the responsible local accounting officers may be taught proper accounting methods and procedures. No accounting officer should be permitted to engage in his profession without this kind of training. He should be required to prove his competence through state inspection of his work and methods.¹⁰⁰

Fowlkes also felt that the chief officer of the school should be well-qualified in financial affairs, but he felt that the burden of responsibility for such training rested on the individual educator, rather than the state department. He said:

It behooves every professional educator to equip himself with the most accurate financial picture of public schools at his disposal and make himself able to translate school costs into services, the earmarks of which can be found upon every boy or girl who is attending or who has attended public schools.¹⁰¹

Simplicity alone is not sufficient for an accounting system. Trained personnel should be secured to handle the accounts, and the superintendent should have a general understanding of accounting, so that he may supervise it. The most important consideration for the accounting system is that it be adequate to take care of the job it is supposed to do. The principle governing simplicity should be:

¹⁰⁰ National Education Association, Department of Superintendence, op. cit., p. 65.

¹⁰¹ Fowlkes, op. cit., p. 197.

State departments of education should make it
whereby the responsible fiscal officer should be
taught proper accounting methods and principles
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understanding of accounting, so that he can supervise it.

The most important consideration for the accounting system

is that it be adequate to take care of the job it is

posed to do. The principle governing a properly sound

100
National Education Association, Department of
Superintendence, pp. 411, 412, 413.

101
Fowler, pp. 211, 212, 213.

PRINCIPLE NUMBER ELEVEN: The accounting system should be as simple as is consistent with adequacy.

SUMMARY

Through the study of literature in the field of school financial accounting, certain principles governing sound practices were abstracted. These principles were listed in the body of the chapter, following the discussion presented from the literature.

Eleven principles governing accounting for the finances of schools were abstracted from a consideration of the literature. An accounting system based upon these eleven principles should be adequate to properly record the accounts for any school district. The principles as abstracted are given below:

PRINCIPLES GOVERNING A SOUND AND ADEQUATE FINANCIAL ACCOUNTING FOR SCHOOLS.

1. The local board of education should have the responsibility and authority for the preparation of the budget for the school district, and for the supervision of the accounting system that controls such budget, based upon uniform terminology and practice applicable to all public schools.

2. The accounting system should conform to all existing laws. This principle includes handicapping as well as facilitating laws. The former must be

which is in compliance with the law

Summary

Through the study of the accounting system of the school financial accounting, certain principles governing sound practices were ascertained. These principles were listed in the body of the report, following the discussion presented from the literature.

Eleven principles governing accounting for the schools of schools were abstracted from a careful study of the literature. An accounting system based upon these principles should be adequate to provide accurate accounts for any school district. The principles are abstracted are given below:

PRINCIPLES GOVERNING A SOUND AND ADEQUATE ACCOUNTING SYSTEM FOR SCHOOLS

1. The local board of education should have the responsibility and authority for the preparation of the budget for the school district, and for the supervision of the accounting system which controls such budget, based upon uniform accounting and accurate recording to all public schools.
2. The accounting system should conform to all existing laws. This includes uniform accounting as well as facilitating the same. The system must be

followed until legislation can be enacted to remove such statutes.

3. The accounting system should provide accurate accounting for receipts, and an adequate method of comparing estimated receipts with actual receipts.

4. The accounting system should provide an adequate classification of expenditure accounts.

5. The accounting system should make provisions for proper accounting for property and stores.

6. The accounting system should allow adequate accounting for liabilities of a school district through the use of a system of encumbrances.

7. The accounting system should provide for the proper use of clearing accounts.

8. The accounting system should be so designed as to facilitate reporting to the lay public, and to the state and federal educational agencies.

9. The financial accounts of the school district should be audited by independent auditors annually.

10. The accounting system should lend itself to adaptation to machine accounting.

11. The accounting system should be as simple as is consistent with adequacy.

followed until registration has been completed and the
statutes.

3. The accounting system should provide for
accounting for receipts, and in addition should provide
for accounting for disbursements.

4. The accounting system should provide for
classification of expenditures.

5. The accounting system should provide for
proper accounting for property and equipment.

6. The accounting system should provide for
accounting for inventories and should provide for
the use of reserves of funds.

7. The accounting system should provide for
proper use of cash.

8. The accounting system should provide for
facilities reporting to the law, and to the state
and federal educational agencies.

9. The financial records of the school district
should be audited by independent public accountants.

10. The accounting system should provide for
action to maintain soundness.

11. The accounting system should be as simple as
consistent with efficiency.

CHAPTER III

ANALYSIS OF NEW MEXICO ACCOUNTING PRACTICES AND AN APPLICATION OF ACCEPTED PRINCIPLES

In making an analysis of the accounting practices in New Mexico schools, current statutes governing accounting in New Mexico were studied, budgets as submitted by the different school systems in the state for the fiscal year 1958-59 were examined, and the forms for reporting required by state agencies were reviewed. The principles, as abstracted from the literature and presented in chapter two, were applied to the practices in New Mexico.

This chapter is devoted to an analysis of New Mexico accounting practices and the application of accepted principles to the New Mexico situation. There is no attempt made to evaluate the operation of the present system in a strict sense of the term.

I. STATUTORY PROVISIONS

The first section of this chapter deals with statutes that give authority for the supervision and implementation of accounting practices in the schools to state agencies. Most of the powers of the statutes are implied. The excep-

CHAPTER III

ANALYSIS OF NEW MEXICO ACCOUNTING PRACTICES

AN APPLICATION OF ACCOUNTING PRACTICES

In making an analysis of the accounting practices in New Mexico schools, current state government accounting in New Mexico was studied, and the results are presented in the following school systems as a basis for the present study. 1938-39 were examined, and the data for reporting purposes by these agencies were reviewed. The practices, as abstracted from the literature and presented in chapter two, were applied to the practices in New Mexico.

This chapter is devoted to an analysis of New Mexico accounting practices and the application of accounting practices to the New Mexico situation. There is no attempt made to evaluate the operation of the present system as a matter of the state.

1. STATEMENT REVIEW

The first section of this chapter deals with the statement that give authority for the expenditure and the application of accounting practices in the schools to these agencies. Most of the powers of the state are included. The following

tion is the accounting required for the federal funds that accrue to the state, and are then distributed to the various administrative units in the state.

State Board of Education. The Public School Code for the State of New Mexico lists the powers of the state board of education. The references quoted below are the ones construed to give the power to regulate accounting. They read as follows:

(1) To make and require the performance of all needful rules and regulations respecting the general powers of supervision of schools by said board.

.....

(n) To require reports at such times as it may deem necessary, on such forms as it may prescribe, from all state educational institutions, and from all schools coming within the provisions of this act, including private and denominational schools, and from all officials thereof.¹

The state board of education is given power to set up whatever system is required to take care of the school lunch program. Such authority is given through a statute worded as follows:

The state board of education shall prescribe regulations for the keeping of accounts and records, and the

¹State of New Mexico, Public School Code 1953 (Indianapolis, Indiana: Allen Smith Company, 1954), Chapter 73, Article 1, Section 7.

tion is the account rendered for the fiscal year

to the state, and the same is transmitted to the

administrative board in the same

State Board of Education. The public schools

the state of new schools and the power of the state

of education. The provisions of the law are

stated to give the power to the state

as follows:

(1) To make and enforce the laws of the state
in relation to the public schools
of education of the state.

(2) To regulate the public schools in such manner as to may deem
necessary, on such terms as may be prescribed, to
state educational institutions, and to all schools
coming within the jurisdiction of this act, including
private and denominational schools, and to all other
schools.

The state board of education is given power to

whenever it may deem it proper to

provide, such and such as may be deemed

as follows:

The state board of education shall have the right
to make for the keeping of records and reports, and the

State of New Mexico, created by the
people, and the people of the state,
Article I, Section 1.

making of reports by or under the supervision of school boards. Such accounts and records shall at all times be available for inspection and audit by authorized officials and shall be preserved for such period of time, not in excess of five (5) years, as the state board of education may lawfully prescribe. The state board of education shall conduct or cause to be conducted such audits, inspections, and administrative reviews of accounts, records and operations with respect to school lunch programs as may be necessary to determine whether its agreements with school boards and regulations made pursuant to this act are being complied with, and to insure that school lunch programs are effectively administered.²

The concern shown by the legislature for the safe-keeping of textbooks in the local school is evidenced in the rules that have been laid down for the carrying out of the laws regarding free textbooks. This law is very definite in the establishment of a proper method for accounting for textbooks. The exact provision is quoted below:

For the purpose of carrying out this act the state board of education shall set up a Bureau of Text Book Distribution and Property Accounting. This may include a property clerk whose salary shall not exceed two thousand dollars per year, a bookkeeper whose salary shall not exceed eighteen hundred dollars per year, and such additional help as may be necessary for carrying out the provisions of this act.³

This act, of course, applies to the method of keeping account of the textbooks distributed from the state level and

²Ibid., Chapter 73, Article 6, Section 42.

³Ibid., Chapter 73, Article 18, Section 13.

does not apply to the local district. It does appear inconsistent that so much concern should be shown for such accounting at the state level, and none whatever shown for the safeguarding of the same books at the local level, so far as budgeting and regular accounting procedures are concerned.

Local boards of education. There are few direct restrictions placed on the local boards of education regarding accounting. An exception is made in regard to accounting for textbooks. The money for textbooks is not considered part of the budget, and the regular accounting procedure takes no notice of textbooks at all. The requirement as given in the statutes follows:

Each school board shall keep a proper record of all books distributed by it, which record shall be on a form provided by the state board of education, and at the end of each school term the school board shall collect said books and keep the same in a safe place to be provided by the board, and said boards shall be responsible for the safe-keeping of the text books belonging to their districts during vacations.⁴

Local boards of education are permitted, in New Mexico, to issue revenue bonds for the construction of income producing property. Legislation has been enacted requiring the

⁴Ibid., Chapter 73, Article 18, Section 8.

does not apply to the local district. It does apply to the district that is under consideration. It is not a matter of accounting at the state level, and some answer may be the satisfaction of the state board at the local level. It is as budgeting and reporting requirements are concerned.

Local board of education. There are two distinct restrictions placed on the local board of education regarding accounting. An exception is made in regard to accounting for textbooks. The money for textbooks is not considered part of the budget, and the local board of education takes no notice of textbooks at all. The regulations are as given in the statutes following:

Each school board shall have a number of copies of all books distributed by it, which shall be in the form provided by the state board of education, and at the end of each school year the school board shall on each said book and keep the same in a safe place to be provided by the board, and the books shall be returned to the state board of education at the end of the year for their distribution during the following year.

Local board of education are permitted, in New Mexico, to issue revenue bonds for the construction of school buildings property. It is also permitted to issue revenue bonds for the construction of school buildings property.

local board to make proper records of such funds and to see that none of the money produced by such projects shall be expended except to pay interest and principal on the bonds. An exception is that a reasonable amount may be spent for the operation and maintenance of such projects.⁵

State Superintendent of Public Instruction. In listing the powers and duties of the state school superintendent, the Code states:

Subject to the supervision of the state board of education, the state superintendent of public instruction shall have general supervision of public instruction and shall have the following duties:

(a) To supervise all municipal and rural schools and authorities thereof.

.....

(f) To prescribe and cause to be printed all blanks and forms necessary in carrying out the details of the elementary and high schools, and distribute the same in such a manner as in his judgment will best subserve the school interests.⁶

Only under the general powers to supervise the schools is there any authority given to either the state board or the state school superintendent to prescribe the system of financial accounting for the schools.

⁵Ibid., Chapter 73, Article 29, Section 8.

⁶Ibid., Chapter 73, Article 2, Section 1.

local board to make proper provision of funds and to see that none of the money is expended except to pay interest and principal on the bonds. An exception is that a reasonable amount may be spent for the operation and maintenance of such bonds.

State Superintendent of Public Instruction
The powers and duties of the State Superintendent of Public Instruction, the Code states:

Subject to the supervision of the State Superintendent of Public Instruction, the State Superintendent of Public Instruction shall have general supervision of public instruction and shall have the following duties:

(a) To supervise all public and private schools and authorities thereof.

(1) To prescribe and cause to be printed all rules and forms necessary in carrying out the duties of the elementary and high schools, and distribute the same in such a manner as in his judgment best serves the school interests.

Only under the general power to supervise the schools

is there any authority given to direct the schools and to

state school superintendent to prescribe the rules of

financial accounting for the schools.

²Ibid., Chapter 15, Article 2.
³Ibid., Chapter 15, Article 2.

The situation is not quite the same with regard to federal funds. The attitude of the legislature as reflected in the statutes seems to be that it is more important to give the state school superintendent authority to see that federal funds are accounted for than to see that local and state funds are similarly treated. Concerning the authority given the state superintendent, the Code indicates that:

Whenever, under any Act of the Congress of the United States, federal aid to education shall be made available to the states:

(1) The superintendent of public instruction of this state is hereby authorized and directed:

.....

(b) To provide for and install an adequate system of auditing for the expenditure of funds to be received through the provisions of any such Act of Congress and to be apportioned to local school jurisdictions and teacher-training institutions, to educational agencies and institutions conducting adult education, and to the state educational authority for any other purpose or purposes.

(c) To provide for an adequate system of reports to be made to such superintendent from local school jurisdictions and teacher-preparation institutions, from educational agencies and institutions conducting adult education, and from such other jurisdictions, institutions and agencies as may be required.⁷

Chief, Public School Finance Division. New Mexico has

⁷Ibid., Chapter 73, Article 6, Section 34.

had a position in its school financial management picture through the years that is unique among the states. This position for a number of years was titled Educational Budget Auditor, but since 1957 has been Chief, Public School Finance Division. This position has been in the state government organization, but completely apart from the state education agency.

One of the reasons that so little authority has been given state education officials and agencies in accounting practices is because of the authority vested in the budget auditor. Prior to the change of title for that officer, the position was supposed to be filled by one "learned in accountancy, finance, and educational administration."⁸ His duties were: (1) to compile and preserve accurate information concerning school finance, and report illegal expenditures of funds and violations of budget laws to the governor, (2) to confer with state tax commission in prescribing forms and reports from all school districts, (3) to prescribe forms for, and supervise and control the preparation of all school budgets, and (4) to consult and advise with the state superintendent in regard to financial matters

⁸Ibid., Chapter 73, Article 3, Section 1.

had a position in the school system... through the years that the nation... position for a number of years... Auditor, but since 1937 has been Chief, Public School Finance Division. This position has been in the... government organization, but completely apart from the state education agency.

One of the reasons... given state education officials and... practices is because of the authority vested in the... Auditor. Prior to the change of title from Chief, Public School Finance Division to Auditor, the position was supposed to be... economy, efficiency, and... duties were (1) to compile and... tion concerning school finance, and... tures of funds and violations of... governor, (2) to confer with... scribing forms and reports from all school districts, (3) to prescribe forms for, and supervise and... tion of all school budgets, and (4) to... with the state superintendent as regards the financial...

affecting schools.

The new statute vested the powers and duties of the educational budget auditor in the public school finance division.⁹ However, the new law did not specify any educational qualifications for the chief of the public school finance division.

In addition to the powers formerly held by the budget auditor, the new chief was directed to prescribe a uniform system of accounting which was to be followed by all schools and school districts. He was to fix, by the first Monday in September of each year, the final budget allowances for the schools and certify the same to the boards of county commissioners. The final budget could not be altered or amended except with the approval of the chief of the division of public school finance, who could authorize transfers within the budget, or could provide for items not included in the budget provided the budget would not be increased.

Under the new law, the director of the department of finance and administration, of which the public school finance division was a part, could authorize an increase in

⁹State of New Mexico, Laws of 1957 (Santa Fe, New Mexico: Schifani Brothers Printing Co., Inc., 1957), Chapter 247, Sections 1-7.

effecting schools.

The new statute created the office of the
educational budget auditor in the public school
division. However, the new law did not specify any educational
qualifications for the holder of the public school finance
division.

In addition to the former statutory provisions the budget
auditor, the new chief was directed to supervise the
system of accounting which was to be followed by all schools
and school districts. In the first year of the
separation of each year, the final budget statement was to be
schools and certify the same to the boards of county com-
missioners. The final budget audit was to be made in con-
sultation with the approval of the chief of the division of
public school finance, and could be made by the auditor
the budget, or could be made by the auditor in con-
sultation with the budget auditor and the auditor.
Under the new law, the auditor in the department of

finance and administration of the public school
division was a part, could supervise or increase

a school budget, after final approval, of not more than five hundred dollars (\$500). After notice and hearing, he could increase a school budget in amounts of more than five hundred dollars (\$500). The director of finance and administration is not connected with the state education agency in any way.

In September, 1958, the Public School Finance Division issued an Accounting and Reporting Handbook for the public schools of New Mexico. This pamphlet was developed by a committee selected by the Chief of the Public School Finance Division, and was mimeographed and placed in the hands of all school administrators in the state, so that they might become better informed regarding the accounting for school funds. The pamphlet was not intended to be the final answer to all questions. It was intended as a beginning in the process of improving accounting and other business practices. It is important as a beginning only. It contains twenty-six pages of general instructions, and an appendix composed of business forms now in use.

The handbook includes three chapters and an appendix. The first chapter sets forth the rules and regulations for expenditures of public school funds, the legal dates in the

a school and a... after... of the...
hundred dollars (500)...
increase a school...
died... (500)...
transaction is not...
in any way.

In September, 1914, the...
also issued an...
public schools of New Mexico...
by a committee...
Finance Division, and...
hands of all school...
they might become...
for school funds...
final answer to all...
ing in the...
ness practices...
contains twenty...
expended... of...

The handbook...
The first chapter...
expenditures of...

making of school budgets, and the legal dates for reporting to state agencies. The second chapter deals with laws governing purchasing and suggested procedures. The third chapter deals with internal accounting. Payroll accounting, cafeteria funds, activity funds, school bonding, insurance, school audits, and educational retirement are briefly discussed in the chapter. An example is given regarding the handling of payroll accounting through the use of the payroll voucher, brief mention is made of the handling of accounts for cafeteria and activity funds, examples are given to show how superintendents may compute the amount of money that a district may vote in a bond issue so as not to exceed the 6% limitation, suggestions are made governing insurance (not the accounting for insurance), the law requiring school audits is given, and a lengthy discussion of the reporting method to the Educational Retirement Board regarding information that Board needs for personnel records. The Appendix includes some suggested forms that would improve procedures in purchasing, requesting transfers of funds, carrying an insurance record, calling for bids or quotations, the listing of bonds, and bond payments. There are copies of the regular reports that are submitted to the Division of Public School Finance monthly and annually, as well as the budget

making of school budgets, and the school board is responsible
to state agencies. The second chapter deals with the
existing purchasing and suggested procedures. The third
chapter deals with internal accounting, including
caterers' bills, activity fund, school fund, and
school audits, and educational expenses. The fourth
chapter is given in the chapter. An example is given
handling of payroll accounts through the use of the
roll voucher, brief mention is made of the handling of
accounts for caterers and activity fund. The fifth
chapter shows how superintendents may control the school
that a district may vote in a bond issue and the
the 5% limitation, suggested in the chapter. The sixth
(not the accounting for insurance), the last chapter
audits is given, and a lengthy explanation of the
method to the Educational Research Board regarding internal
also that Board needs for personnel records. The chapter
includes some suggested forms that would improve procedures
in purchasing, requesting estimates of goods, carrying on
insurance record, calling for bids or quotations, the han-
ling of bonds, and bond payments. There are copies of the
regular reports that are submitted to the State of Iowa
School Finance Monthly and annually, as well as the

form and ledger sheets that are now in use by the schools. However, instructions for the keeping of school accounts are quite meager.

It may be seen that the instructions in the Accounting and Reporting Handbook scarcely touch the problem of accounting. There is no real help given except in the example for handling payrolls. There is no terminology explaining how to determine what items should be included in the budgets, nor under what classification items should be included in the budget.

II. SCHOOL BUDGETS IN NEW MEXICO

A school budget in New Mexico is divided into the two main sections: Maintenance and Direct Charge. Five different classification accounts are provided in the Maintenance section of the budget: General Control (Administration), Instruction Service, Operation of Plant, Auxiliary Agencies, and School Bus Transportation. The funds for each of these two budget sections are kept separate. The items that are allowed for inclusion in the Maintenance Budget are:

Maintenance Budget

Maintenance Budget Provisions: All school maintenance budgets shall be made in conformity with and limited to the following:

form and ledger sheets and are now in the hands of the principal.
However, instructions for the handling of school accounts
are quite meager.

It may be seen that the instructions in the book
regarding the handling of school accounts are
meager. There is no real help given in the
instructions for handling the accounts.
The instructions are so meager that it is
difficult to see how to handle the accounts.
The instructions are so meager that it is
difficult to see how to handle the accounts.
The instructions are so meager that it is
difficult to see how to handle the accounts.

MILLER, PAUL
E. Z. B. A. S.

A school budget is a statement of the
main sections: Administration, Instruction,
and Classification. The budget is a statement
of the budget, which is a statement of the
Instruction Section, which is a statement of the
and School. The budget is a statement of the
two budget sections: the main budget and the
allowed for inclusion in the budget.

The budget is a statement of the
main budget and the allowed for inclusion
to the following:

I. General Control (Administration):

1. Salary of Superintendent
2. Travel of Superintendent
3. Salaries of Clerical Assistants
4. Expense of Members of the Board of Education
5. Office Supplies
6. Telephone and Telegraph
7. Census and Election Expense
8. Travel of Supervisors
9. Miscellaneous (shall be itemized)

II. Instruction Service:

1. Salaries of Teachers
2. Salaries of Supervisors
3. Salaries of Principals
4. School Supplies
5. Salaries of Public Health Nurse

III. Operation of Plant:

1. Wages of Janitors
2. Fuel
3. Water, Light, and Power
4. Janitor's Supplies

IV. Auxiliary Agencies

1. Library Supplies and Services
2. Promotion of Health

V. School Bus Transportation:

For the purposes of this act a superintendent is defined as the head of a county, municipal, independent or union high school district.

The aggregate amount budgeted from the state public school equalization fund for janitor supplies shall not exceed for any fiscal year an amount equal to three dollars (\$3.00) per pupil in average daily attendance for the preceding school year in the school district or districts for which the budget is made.

The maintenance budget shall not include, either

MILBRO EXTRA

I. General District (Administration)

1. Salary of Superintendent
2. Travel of Superintendent
3. Salaries of District Assistants
4. Expense of purchase of the State of Kansas
5. Office Supplies
6. Telephone and Telegraph
7. Census and Election Expenses
8. Travel of Inspectors
9. Miscellaneous (shall be itemized)

II. Instruction Services

1. Salaries of Teachers
2. Salaries of Superintendents
3. Salaries of Principals
4. School Supplies
5. Salaries of Public Health Nurse

III. Operation of Schools

1. Wages of Janitors
2. Fuel
3. Water, Light, and Food
4. Janitor's Supplies

IV. Auxiliary Agencies

1. Library Supplies and Services
2. Promotion of Health

V. School Bus Transportation

For the purpose of this act a school district is defined as the head of a county, the school superintendent or union high school district.

The aggregate amount expended for the transportation of school children shall not exceed for any fiscal year an amount equal to three dollars (\$3.00) per pupil in average daily attendance for the preceding school year in the school district or districts for which the money is used.

The maintenance budget shall not exceed, for any

directly or indirectly, any item of expense for adult education, kindergarten or pre-school programs, free school lunches, group insurance, truant officers, contributions to public or private libraries, or salaries for clerks of board of education of municipal, union high schools, or independent school districts; provided, however, where any school district or districts for which a maintenance budget is made has on hand a cash balance for the preceding year and it is not necessary to use the same as a credit to meet the regular maintenance budget, the regular budget may be supplemented so as to include any of the above items or any other necessary school expense approved by the educational budget auditor and local budget commission having authority, and in such case said items of expense shall only be paid out of said cash balance; and provided, further, nothing herein contained shall prohibit supplementary expense for any maintenance budget item being included in any direct charge budget provided the same is approved by the state educational budget auditor and local budget commission having authority.

The governing authorities of any district or districts for which a budget is made shall, at the time of holding the annual budget hearing for any county, present the state educational budget auditor and local budget commission with an accurate list of all teachers and employees together with their salaries for the preceding year and any proposed increases and any proposed additional teachers or employees and their salaries.¹⁰

Analysis of the 1957-58 Budgets. In order to understand the way in which the schools were complying with the budgetary provisions of the law, an analysis was made of the line items included in the budgets for all districts in New

¹⁰ State of New Mexico, Public School Code, 1953, (Indianapolis, Indiana: Allen Smith Company, 1954). (1959 Supplement, mimeographed) Chapter 73, Article 7, Section 3.

directly or indirectly, any item of expense for adult education, kindergarten or pre-school programs, free school lunches, group insurance, transit facilities, contributions to public or private libraries, or salaries for clerks of board of education or municipal, union high schools, or kindergarten school districts; provided, however, where any school district or district for which a maintenance budget is made has on hand a cash balance for the preceding year and it is not necessary to use the same as a credit to meet the regular maintenance budget, the regular budget may be supplemented so as to include any of the above items or any other necessary school expenses approved by the educational budget auditor and local budget commission having authority, and in such case said items of expenses shall only be paid out of said cash balance, and provided, further, nothing herein contained shall prohibit supplementing expenses for any maintenance budget item being included in any direct charge budget provided the same is approved by the state educational budget auditor and local budget commission having authority.

The governing authorities of any district or district for which a budget is made shall, at the time of holding the annual budget hearing for any county, year, send the state educational budget auditor and local budget commission with an accurate list of all teachers and employees together with their salaries for the preceding year and any proposed increases and any proposed additional teachers or employees and their salaries.

Analysis of the 1937-38 Budgets. In order to understand the way in which the schools were complying with the budgetary provisions of the law, an analysis was made of the

the items included in the budgets for all districts in New Mexico of New Mexico, Public School Code, 1933, (Indianapolis, Indiana: Allen Smith Company, 1934). (1935 Supplement, mimeographed) Chapter 75, Article 7, Section 3.

Mexico for the year 1957-58. These budgets had been approved by the Chief of the Public School Finance Division, and were the officially adopted documents. Such budgets have a direct bearing on the accounting practice of the schools, because budget items are transferred to the accounting ledger sheets, and the distribution of expenditures made in accordance with the items approved in the budget.

In this analysis the total number of school units studied was two hundred thirty-three. Of this number, seventy-four were municipal or independent districts, seventeen were county administrative units, and one hundred forty-two were districts within counties under the administration of county superintendents. For the districts within a county, only the direct charge section was studied, because the maintenance section of the budget for those districts was presented in the administrative budget of the county superintendent.

Some glaring deviations were noted in the maintenance section of the budgets. The current law limits the number of items to be included in this section to a total of twenty-one. Only nine items are allowed by law under the General Control classification, but it was noted in the study that twenty-nine were approved. Social Security was listed by

...for the year 1931-32. These figures had been approved
by the Chief of the Public Health Service, and the
the officially adopted documents. ...
...on the accounting ...
...and the distribution of expenditures ...
...the items approved in the budget.

In this analysis the total number of ...
...was two hundred thirty-three. ...
...seventy-four were municipal ...
...teen were county administrative ...
...two were districts within counties ...
...of county superintendents. For the ...
...only the direct charge section ...
...finance section of the budget for ...
...presented in the administrative ...
...intendant.

Some glaring deviations were noted in the ...
...section of the budget. The ...
...items to be included in this ...
...one. Only nine items are ...
...Control classification, ...
...twenty-nine were approved. ...

forty-two school units, and Teacher Retirement by forty-six different administrative units, although neither item is listed under the law. Five items are provided in the law for Instruction Service, but twenty-seven were listed in the 1957-58 budgets. Fifty-five different schools listed Driver Training, sixty-five listed Group Insurance, fifteen listed Handicapped Program, seventy-four listed Salaries of Substitute Teachers, and fourteen listed Travel for Nurse, although neither item is provided in the law. Thirty items were listed in the budgets, however, including Driver Training, Handicapped Program, Nurse's Travel, Social Security, and Teacher Retirement, neither of which is provided for in the law. Auxiliary Agencies which provide for only two budget items showed fifteen listed, and School Bus Transportation, which provides for no additional items, showed six items included in the budgets for 1957-58. Evidently through interpretation of the statutes, a wide variety of budget items, not specifically enumerated by law, have crept into the budgets. This type of informal, unofficial expansion only adds to the confused accounting situation.

The following provisions for the direct charge section of the budgets are made in the statutes:

Direct Charge Budget

forty-two school units, and located by the Department of Education
different administrative units, and located by the Department of Education
located under the law. The law provides for the Department of Education
for Instruction Services, but twenty-seven units were located
the 1957-58 budget. The Department of Education located
Driver Training, sixty-five units, and twenty-seven units, and
located Handicapped Program, twenty-four units, and twenty-four units
Substitute Teachers, and twenty-four units, and twenty-four units
although neither item is provided in the law. The law provides
were listed in the budget, however, but the Department of Education
ing, Handicapped Program, twenty-four units, and twenty-four units
and Teacher Retirement, neither of which is provided for
in the law. Auxiliary provided for in the law, but not provided for
budget items showed fifteen items, and the Department of Education
cation, which provides for no additional items, and the Department of Education
items included in the budget for 1957-58. The Department of Education
through interpretation of the statute, a wide variety of
budget items, not specifically enumerated by law, have been
into the budget. This type of interpretation, which is not
ation only adds to the confusion and uncertainty of the Department of Education
The following provisions for the Department of Education
of the budget are made in the statute:
The Department of Education

Provisions of direct charge budgets: The direct charge budget shall include:

1. Interest on bonds
2. Sinking fund for bonds
3. Property insurance
4. Repairs of buildings and equipment and may also include the following:
 5. The lease of school buildings
 6. Erection of school buildings
 7. New equipment
 8. Purchase of school grounds
 9. Improvement of school grounds and buildings
10. Tuition for pupils attending schools in other districts (shall not exceed direct charge per capita cost in district where pupils are attending)
11. Library reference books
12. Additional school bus transportation
13. Other items necessary for operations of schools approved by state educational budget auditor and local budget commission
14. Donations to public libraries¹¹

Only fourteen items are provided for by law for inclusion in the direct charge budget. However, one of the fourteen, item thirteen shown in the list, allows enough leeway for a school district to include almost anything in the direct charge section of the budget.

It would seem that the budgets in the state would be somewhat alike, as they must all be approved by the same official. Such, however, was not the case in the budgets studied. There were two hundred fourteen different items

¹¹ State of New Mexico, Public School Code, 1953 (Indianapolis, Indiana: Allen Smith Company 1954). Chapter 73, Article 7, Section 6.

Provisions of the Act, Chapter 1, Section 1, which are:

1. Interest on bonds
2. Sinking fund for bonds
3. Property taxes
4. Repairs of buildings and grounds and other
5. The lease of school buildings
6. Erection of school buildings
7. New equipment
8. Purchase of school furniture
9. Improvement of school grounds and buildings
10. Tuition for pupils attending schools in other districts (shall not exceed three dollars per capita cost in districts where pupils are attending)
11. Library reference books
12. Additional school bus transportation
13. Other items necessary for operation of schools approved by state educational board and local budget committee
14. Donations to public libraries

Only fourteen items are provided for by law.

Inclusion in the direct charge budget, however, one of the fourteen items thirteen shown in the list, allows enough leeway for a school district to retain a most important item the direct charge section of the budget.

It would seem that the balance in the state funds is somewhat alike, as they must all be approved by the state official. Such, however, was not the case in the previous studies. There were two hundred fourteen items in the

11
State of New Mexico, Public School Code, 1917
(Indianapolis, Indiana: Allen County Public Library
73, Article 1, Section 1.

listed by the different schools in the direct charge section of budgets. Although interest on bonds and sinking fund for bonds are both provided as items in the direct charge budget, those items were not included as a part of the budget, nor did the amounts figure in the totals for the budgets. The amount of money to be used for the construction of new buildings through the sale of bonds, or money to be received from the federal government for building purposes, was not shown in any way in the budgets for 1957-58.

It was noted that often the same items were listed by different schools under more than one budget classification, this variation extending to each of the six budget classifications. Some of the items found in more than one budget classification were: social security, nurse's travel, library (donations by various names), teacher retirement, visiting teacher or crippled children's teacher travel, summer school activities, and workmen's compensation. All these items were listed in four or more different budget classifications.

There was no uniformity in the listing of the same type of activity. Travel, which was listed under all six budget classifications, also was listed under thirty-one different names; library was listed under sixteen different

listed by the different schools in the direct charge section of budgets. Although interest on bonds and sinking fund for bonds are both provided as items in the direct charge budget, those items were not included as a part of the budget, nor did the amounts figure in the totals for the budgets. The amount of money to be used for the construction of new buildings through the sale of bonds, or money to be received from the federal government for building purposes, was not shown in any way in the budgets for 1957-58.

It was noted that often the same items were listed by different schools under more than one budget classification, this variation extending to each of the six budget classifications. Some of the items found in more than one budget classification were: social security, nurse's travel, library (donations by various names), teacher retirement, visiting teacher or crippled children's teacher travel, summer school activities, and workmen's compensation. All these items were listed in four or more different budget classifications.

There was no uniformity in the listing of the same type of activity. Travel, which was listed under all six budget classifications, also was listed under thirty-one different names; library was listed under sixteen different

names; audio and visual education was expressed in thirteen different ways; and there were eighteen different ways of listing education for Indians.

Implications of the study. The study of the budgets for 1957-58 revealed a number of pertinent facts regarding accounting practices in New Mexico schools. A great lack of uniformity in budgetary practices in New Mexico was found. It was quite clearly shown that there has been no development of uniform accounting terminology on the state level for the use of local school districts. Although all the budgets are heard and approved by the Chief of the Division of Public School Finance, there has been no uniformity or consistency in placing the same budget items under the identical budget classifications. There can be no valid comparison of costs between schools when identical and similar items are carried under different budget classifications in different schools.

Accounting systems must be as diverse as are the budgets, since each line item of the budget must be transferred to, and carried in the accounting system. There seems to have been no attempt on the part of budget makers in the past to see that items were carried in the budget according

to recommended practices--an omission that prevents accurate reporting on the cost of instruction, general control, and other items. The need for the improvement of budgeting and accounting practices in New Mexico schools has been demonstrated quite clearly through this study of the 1957-58 school budgets.

III. AN ANALYSIS OF REQUIRED FORMS AND REPORTS

Forms for reporting that have been approved by the State Board of Education, or those issued from the office of the Division of Public School Finance, have the same effect as statutes. Therefore, the forms that must be prepared by each administrative unit for submission to any of the state agencies should be prepared in such manner that the information can be easily obtained. The forms should be correlated with the accounting system in use.

In order for information to be obtained over the entire nation in a consistent form, it is important that reports submitted to the state agencies be consistent with reports from other states. Unless this is accomplished, much data that would be of value in educational research cannot be obtained.

Reports to Division of Public School Finance. Fig-

to recommended practices--in order to have a uniform
the reporting on the cost of instruction, the school
and other items. The need for the improvement of instruction
and accounting practices in the various schools has been
demonstrated quite clearly during the years of the 1920-25
school budgets.

III. AN ANALYSIS OF REPORTING FORMS AND METHODS
Forms for reporting that have been prepared by the
State Board of Education, in 1925, in the State of
the Division of English, Social Studies, and Science
as statistics. Therefore, the forms have been prepared by
each administrative unit for submission to the State
agencies should be prepared in such manner that the information
can be easily obtained. The forms should be submitted
with the accounting report to the State Board of Education.
In order for information to be obtained from the
entire nation as a constant basis, it is important that
reports submitted to the State agencies be consistent with
reports from other states. Unless this is accomplished,
much data that would be of value in educational research
cannot be obtained.

Reports to Division of English, Social Studies, and Science

ure 1 shows the report that each administrative school unit in New Mexico is required to submit to the Chief, Public School Finance Division each month. A final report is required at the end of each fiscal year, June 30. The monthly report is essentially the same form that is used for the presentation of the budget. The line items are the same, and the budget and accounting classifications are the same. One side of the report is for the Maintenance Fund section, and the other for the Direct Charge section of the budget. The information for the monthly cash report is obtained from the County Treasurer. There is no form which reports receipts by sources. The final report for the year is to be submitted annually after June 30. This report follows the same form used for the monthly report, except that an added column shows the indebtedness for which no warrant has been prepared.

Report to State Superintendent of Public Instruction.

The Superintendent's Annual Report provided for by statute is required by the State Board of Education, and must be in the hands of the State Superintendent each year by July 15. One sheet in this report is used to report the personnel employed. The report shows the number of men and women in

are I show the report that each administrative school unit in New Mexico is required to submit to the State, which School Finance Division each month. A final report is required at the end of each fiscal year, June 30. The monthly report is essentially the same form that is used for the presentation of the budget. The line items are the same, and the budget and accounting classifications are the same. One side of the report is for the maintenance and another, and the other for the direct charge section of the budget. The information for the monthly cash report is obtained from the County Treasurer. There is no form which requires receipts by sources. The final report for the year is to be submitted annually after June 30. This report follows the same form used for the monthly report, except that an added column shows the independent of which no report has been prepared.

Report to State Board of Public Instruction

The Superintendent's Annual Report provided for by statute is required by the State Board of Education, and may be in the hands of the State Superintendent each year by July 15. One sheet in this report is used to report the personnel employed. The report shows the number of men and women in

EXHIBIT A. MAINTENANCE FUND

ITEMS	1. BUDGET APPROVED FIRST OF YEAR	2. TRANSFERS TO ACCOUNTS TO DATE	3. TRANSFERS FROM ACCTS. TO DATE	4. EXPENDED THIS MONTH	5. TOTAL EXPENDED TO DATE	6. BUDGET BALANCE AVAILABLE
Salary of Superintendent						
Travel of Superintendent & Staff						
Salary of Clerical Assistants						
Office Supplies						
Postage, Telephone, Telegraph						
Census & Election Expense						
Expenses of Board Members						
Travel of Supervisors						
Audit						
Miscellaneous (shall be itemized)						

EXHIBIT B. DIRECT CHARGE FUND

ITEMS	1. BUDGET APPROVED FIRST OF YEAR	2. TRANSFERS TO ACCOUNTS TO DATE	3. TRANSFERS FROM ACCTS. TO DATE	4. EXPENDED THIS MONTH	5. TOTAL EXPENDED TO DATE	6. BUDGET BALANCE AVAILABLE
Property Insurance						
nt						
Improvement to Grounds & Bldgs.						
ew Buildings						
ew Equipment						
airs to Bldgs. & Equipment						
tion to District No.						
nsportation						

MONTHLY CASH REPORT

This report refers to cash as determined from checking with your fiscal agent (County Treasurer). These receipts and expenditures are as taken from the County Treasurers' reports.

	1. OPENING BALANCE AS SHOWN BY CO. TREASURER'S RECORDS	2. RECEIPTS FROM CO. TREASURER'S RECORDS	3. EXPENDITURES FROM CO. TREASURER'S RECORDS	4. OUTSTANDING WARRANTS AS CHECKED MONTHLY IN CO. TREASURER'S OFFICE	5. CASH BALANCE AVAILABLE COL. 1 PLUS COL. 2 MINUS COL. 3 & COL. 4
tenance					
et Charge					
est					
ng					
ing					

FIGURE 1

MONTHLY REPORT SUBMITTED BY EACH ADMINISTRATIVE
SCHOOL UNIT IN NEW MEXICO TO THE CHIEF,
PUBLIC SCHOOL FINANCE DIVISION

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for

for

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for

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for

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professional and non-professional status, the aggregate salaries for men and women, and the average salaries for men and women separately.

The breakdown for types of personnel is as follows: administrative personnel; teachers by type--elementary, junior high, senior high, substitute, part-time, visiting teachers, and teachers for handicapped; principals by types; consultants or supervisors--elementary or secondary; librarians--elementary or secondary; guidance personnel--elementary or secondary; attendance officers; health personnel; transportation personnel; plant operational personnel; maintenance personnel; food services personnel; recreational personnel, both full-time and part-time. This report generally follows the form that is required by the U. S. Office of Education.

There is no way to tie the annual report in with the accounting system presently provided by the Public School Finance Division, unless the individual administrative unit makes such provisions in its own accounting system. Without a tie-in, it becomes necessary for the one making the report to go through the entire year of accounts and extract the required information.

Another part of the report calls for information on

professional and non-professional staff, the separate

series for men and women, and the separate series for

and women separately.

The breakdown for type of job is as follows:

Administrative personnel: teachers in administrative

Junior high, senior high, vocational, post-secondary

teachers, and teachers for kindergartens and primary

consultants or supervisors in elementary or secondary

elementary or secondary schools, and in other

early or secondary, attendance, health, physical

transportation personnel, and other personnel

Finance personnel: those employed in financial

personnel, both full-time and part-time. This report

also follows the form that is required by the U. S. Office

of Education.

There is no way as to the annual report in which the

accounting system presently provided for the Public Schools

Finance Division, unless the individual administrative unit

makes such provision in its own accounting system. Although

a file-in, it becomes necessary for the unit to make the

to go through the entire year of accounting and record the

required information.

Another part of the report will be information on

the value of school property, the capital outlay expenditures for the past year, and the number and type of buildings in use. The value of school property is supposed to be shown by schools, elementary, junior high, and senior high. The accounting system provided on a state level does not furnish methods of recording this information. The only way it can be obtained is by abstracting the information from the accounts after the year's operation is complete, or by setting up additional subsidiary accounts for cost accounting that are not included in the system at present, and for which there are no instructions and guidance from the Division of Public School Finance.

Report to United States Office of Education. State reports are to be submitted annually to the United States Office of Education by the State Department of Education of each state. New Mexico, according to the Director of Budgets in the State Department of Education, has never been able to make exactly the report requested, because of the deficiencies in the accounting system as used in the schools in New Mexico.¹²

¹²Personal interview with Director of Budgets, State Department of Education, April 6, 1959, at Santa Fe, New Mexico.

the value of school property, the capital value of the property, the value of the property for the past year, and the number and type of buildings in use. The value of school property is computed as shown by articles, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

Report to United States Office of Education. Reports are to be submitted annually to the United States Office of Education by the State Department of Education of each state. New Mexico, according to the Director of the State Department of Education, has never been able to make exactly the report requested, because of the deficiencies in the records in the State Department of Education.

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in New Mexico.

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Department of Education, April 1, 1905, at Santa Fe, New Mexico.

One report calls for an accounting for the current expenditures. It is divided into the following categories: (1) Administration, (2) Instruction, (3) Operation of Plant, (4) Maintenance of Plant, (5) Other School Services, (6) Transportation, (7) Fixed Charges Allocated to Pupils, and (8) Expenditures Not Allocated to Pupils.

Administration expenses include salaries for general and educational administration and clerical assistance for the same; business administration salaries and clerks; and supplies and other expenses. Instruction expenses include salaries for supervisors, principals, classroom teachers, librarians, psychologists and guidance personnel, and clerks. Also included are amounts for free textbooks, school libraries, and instructional supplies and other expenses. New Mexico does not include free textbooks either in the receipts or the expenditures for local school budgets, or in the accounting system. Other School Services include expenses of attendance and health services. The school lunch program is included here only for the amount of the total which is to be paid from local school funds. Fixed Charges Allocated to Pupils includes amounts paid for pension, retirement, social security, insurance, rent, taxes and other expenses. Expenditures Not Allocated to Pupils

COLLEGE CATALOG

One report shall be submitted for the entire

expenditures. It is divided into the following categories:

- (1) Administration, (2) Transportation, (3) Maintenance of Plant, (4) Other Plant Expenses, (5) Transportation, (6) Fixed Charges Allocated to Pupils, and (7) Expenses Not Allocated to Pupils.

Administration expenses include salaries for general

and educational administration and clerical assistance for

the same; business education salaries and clerical and

supplies and other expenses. Transportation expenses include

salaries for supervisors, principals, librarians, and

librarians, psychologists and guidance personnel, and clerical

Also included are salaries for bookkeepers, school lunch

room, and instructional supplies and other expenses. The

school does not include fixed charges either in the

receipts or the expenditures for local school district, or

the accounting system. Other school services include

area of attendance and health services. The school lunch

program is included only for the benefit of the school

which is to be paid from local school funds. Fixed charges

Allocated to pupils include amounts paid for pension,

treatment, social security, insurance, and other

other expenses. Expenses not allocated to pupils

includes expenses of services to non-public schools, and community services.

In the report to the U. S. Office of Education that deals only with finance, provisions are made for reporting the income or receipts for the schools. The receipts are to be broken down into revenue and non-revenue. Each of these classifications is further sub-divided into receipts from federal, state, intermediate, and local sources. The State Department in New Mexico is unable to obtain this information from the accounting records presently in use. Expenditures in the U. S. Office report are divided into three classes: current expense, capital outlay, and debt service. The expenditure information requested can be obtained in New Mexico only by going to the records for each individual school and securing it through an indirect method. Reports to the Division of Public School Finance do not ask for such information.

IV. THE NEW MEXICO SYSTEM OF FINANCIAL ACCOUNTING ANALYZED IN TERMS OF SOUND PRINCIPLES

This section of the chapter deals with the analysis of the New Mexico system of accounting based upon the sound principles of accounting as abstracted from the literature
tion, 1933, p. 22

in Chapter II. The analysis of each principle is made according to three steps: (a) an examination of the principle as reflected in the literature, (b) an examination of the status of New Mexico practice of each principle, and (c) a comparison of each principle with the analysis of each principle as applied to New Mexico practice. Also in this chapter the results of the evaluation committee report are shown.

PRINCIPLE NUMBER ONE: The local board of education should

have the responsibility and authority for the preparation of the budget for the school district, and the supervision of the expenditure of the district funds. This principle is based upon uniformity, economy, and efficiency applicable to all public schools.

(a) The soundness of this principle is supported by many writers in the field of educational administration. The Department of Superintendence of the National Education Association, maintained that the superintendency agency should not restrict the local board in the exercise of its budgetary function.¹² Further stated that local boards of

¹² National Education Association, Department of Superintendence, "Report of the National Education Association on the Financing of Education," Washington, D. C., 1933, p. 62.

education should be fiscally independent of all other local administrative boards.¹⁴ Mort and Reusser felt that the training resulting from the actions of local boards justified the tradition that local boards should exercise control over the spending for the school district.¹⁵

(b) New Mexico has an officer of the state government, not connected with the educational agency, in charge of budgets for the school districts of the state. Budget items may be eliminated or added to the budget at the discretion of the chief of the public school finance division. Transfers within the budget are permitted after his permission is granted.¹⁶

Local boards have no control over the budget, and therefore they can have no control over the accounting system, as a major portion of that system is determined by the budget.

¹⁴ John Guy Fowlkes, Principles and Practices of Financial Accounting for Schools (Milwaukee, Wisconsin: E. M. Hale and Company, 1934), p. 200.

¹⁵ Paul R. Mort and Walter C. Reusser, Public School Finance (New York: McGraw-Hill Book Company, Inc., 1951), p. 35.

¹⁶ State of New Mexico, Laws of 1957 (Santa Fe, New Mexico: Schifani Brothers Printing Co., Inc., 1957). Chapter 249.

education should be placed in the hands of the local authorities. The administrative system, which was formerly centralized, is now decentralized. The training personnel have been selected from the ranks of the local authorities. The education system has been reorganized to meet the needs of the country. The expenditure for the education system is now under the control of the local authorities. (b) New Mexico has no separate education system, not connected with the national system. The expenditure for the education system is now under the control of the local authorities. It seems may be eliminated or added to the budget of the local authorities. The education of the child of the poor is under the control of the local authorities. Transfers within the budget are permitted under the law. Education is granted. Local boards have no control over the budget, and therefore they can have no control over the expenditure system, as a major portion of that system is determined by the budget.

14 John G. Pomeroy, Education and Finance in
Financial Accounting for Schools (Milwaukee, Wisconsin:
 E. M. Hale and Company, 1904), p. 101.

15 Paul E. Hays and Walter E. Hays, Public Schools
Finance (New York: McGraw-Hill Book Company, Inc., 1911),
 p. 35.

16 Report of the New Mexico Board of Education for 1911
 Mexico: Editorial Financiera Mexicana, S. de C. V., 1911.
 Chapter 26.

The public finance division is charged with the duty of prescribing a uniform system of accounting for all school districts. This has not been done. An analysis of the budgets showed that even the line items allowed in the budgets are not consistent or uniform throughout the state.

(c) Principle Number One is not being complied with in New Mexico, either by law or practice.

PRINCIPLE NUMBER TWO: The accounting system should conform to all existing laws. This principle includes handicapping as well as facilitating laws. The former must be followed until legislation can be enacted to remove such statutes.

(a) One of the principles of governmental accounting, developed by a national committee, was that municipal accounting systems should make it possible to show that there has been compliance with the legal provisions. An implementation of this provision was that if legal and sound accounting provisions conflict, the legal provisions must take preference.¹⁷

¹⁷ National Committee on Governmental Accounting, Municipal Accounting and Auditing (Chicago: Municipal Finance Officers Association of the United States and Canada, 1951), p. 1 ff.

The public finance division is charged with the duty

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PRINCIPLE NUMBER TWO: The same system should be followed

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¹⁷ National Committee on Governmental Accounting,
Municipal Accounting and Auditing (Chicago: American
Finance Officers Association of the United States and
Canada, 1931), p. 1 ff.

DeYoung¹⁸ and Fowlkes¹⁹ both object to laws that limit the power of the local board of education in the operation of the school district, but feel that there is nothing else to do but comply with the law until objectionable features of the law can be changed.

(b) A local school district budget in New Mexico is divided into two sections by statute.²⁰ The accounting system must follow the budget so far as budget items and classifications for expenditures are concerned. This makes it easy for the accounting system to comply with the law for the separation of funds into the two sections.

The fact that it is easy to comply with the law does not mean that such compliance will result. According to the law regarding the Maintenance section of the budget, twenty-one items are allowed, and no more. An analysis of the budgets for 1957-58, however, showed that one hundred and seven line items were included in the Maintenance sec-

¹⁸Chris A. DeYoung, Budgeting in Public Schools (Garden City, New York: Doubleday & Company, Inc., 1936), p. 154.

¹⁹Fowlkes, op. cit., p. 65.

²⁰State of New Mexico, Public School Code, 1953 (Indianapolis, Indiana: Allen Smith Company, 1954). Chapter 73, Article 7, Section 3, 6.

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¹⁸ Chris A. DeYoung, Budgeting in Public Schools (Garden City, New York: Doubleday & Company, Inc., 1936), p. 124.

¹⁹ Fowler, op. cit., p. 62.

²⁰ State of New Mexico, Public School Code, 1923 (Indianapolis, Indiana: Allen Smith Company, 1924). Chapter 73, Article 7, Section 2, et.

tions of the budgets in the different districts of the state. This was done in spite of the fact that all budgets were reviewed and approved by the same officer, the chief of the public school finance division.

(c) The conclusion to be drawn from the analysis of New Mexico practice regarding principle number two is that the principle is being complied with only partially. The accounting system should be able to follow the law, but the practice followed does not comply fully with the provisions.

PRINCIPLE NUMBER THREE: The accounting system should provide accurate accounting for receipts, and an adequate method of comparing estimated receipts with actual receipts.

(a) The importance of accounting for receipts in a school business office is stressed by all writers. Akerly stated that the business office should have full and immediate knowledge of all tax collections and other revenue.²¹ Burke mentioned the importance of a careful estimate of anticipated revenue²², and DeYoung stated that accuracy in

²¹Henry H. Linn (ed), School Business Administration (New York: The Ronald Press Company, 1956), p. 186.

²²Arvid J. Burke, Financing Public Schools in the United States (New York: Harper & Brothers, Publishers, 1951), p. 433.

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³¹ Henry H. Mann (ed), School Business Administration
(New York: The Ronald Press Company, 1930), p. 104.

³² David J. Burke, Financial Public Schools in the
United States (New York: Harper & Brothers, Publishers, 1921),
p. 433.

foretelling income is one of the tests of a good administrator.²³ Fowlkes pointed out that efficient accounting for receipts is essential.²⁴

Receipts should be considered under the two main categories of revenue and non-revenue.²⁵ A further breakdown of receipts, as shown in Handbook II, lists the receipts as to source.²⁶

(b) An analysis of accounting and reporting forms required in New Mexico showed nothing to indicate the source of receipts. There was no way to show whether the receipts were revenue or non-revenue, or their source by governmental unit. The receipts were shown as Maintenance or Direct Charge receipts only. There was no place provided in the forms for estimating receipts, except in estimating the amount of the Direct Charge monies that might be raised during the next year.

²³ DeYoung, op. cit., p. 150.

²⁴ Fowlkes, op. cit., p. 207.

²⁵ U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington, D. C.: Government Printing Office, 1957), p. 8.

²⁶ Ibid., p. 6.

forfeiting interest is one of the most important

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Under the present law in New Mexico, revenue from the Equalization Fund is distributed to each county, rather than to each school district. Distribution is then made to the different school units in the county in the proportion that each budget total is of the total maintenance budget of the entire county.²⁷ This method of distribution makes it impossible for an administrator or a board of education to make an accurate estimate of anticipated revenues.

(c) The accounting system in New Mexico does not meet the requirements of principle number three. Accurate accounting for receipts is not practiced in New Mexico, nor is it possible to estimate receipts accurately under the present system of distribution of school monies.

PRINCIPLE NUMBER FOUR: The accounting system should provide for an adequate classification of expenditure accounts.

(a) The question regarding expenditures is how extensive should be the accounts, and how far the schools should go into cost accounting. To record the expenditures only is not enough. There must be some classification of accounts that will tell the school administrator how much has been

²⁷ State of New Mexico, Public School Code, 1953 (Indianapolis, Indiana: Allen Smith Company, 1954). Chapter 73, Article 7, Section 39.

Under the present law it has been found that the
Registration Fund is distributed to each county, and that
to each school district. Distribution is made to the
different school units in the county in the proportion that
each budget total is of the total budget of the
entire county. This method of distribution is
able for an administration or a board of education to make
an accurate estimate of anticipated expenditures.

(c) The accounting system in the schools is not
the responsibility of principals. Principals are
accounting for receipts and expenditures in the school, but
it is possible to estimate receipts accurately from the
present system of distribution of school funds.

EXHIBIT NUMBER FOUR: THE REGISTERED SCHOOL FUND
for an estimate of the amount of the fund.

(a) The question regarding expenditures is not
who should be the expenses, and how far the school should
go into cost accounting. To reduce the expenditures only is
not enough. There must be some efficiency in the accounts
that will tell the school administrator how well he does.

27 State of New Mexico, 1913, School Fund, 132
(Bismarck, Indian Affairs Report, 1913, Chapter
23 Article 1, Section 32)

ent f f f f f for different activities, so that he may have an idea
the e e e e e efficiency of the school program.

At an early date Hutchinson pointed out that one of the weaknesses of the accounts studied in cities was that no city obtained the total expenditures for each kind of school, and that it was impossible to ascertain the expenditures for administration, operation, or for capital outlay.²⁸

According to Bangs, if accounts are properly recorded, corresponding to an accepted system of classification, the sorting will be much easier; if they are not properly recorded, a distortion of the facts may result.²⁹ Another writer r r r r r stated that the accounts should be so classified that itemmmmmmmmm could be charged to more than one account.³⁰

Fowlkes³¹ and DeYoung³² both believed that school

28 Howard J. Hutchinson, School Costs and School
Accounting (New York: Teachers College, Columbia University,
1941), pp. 46-55.

29 John R. Bangs and George R. Hanselman, Principles Accounting, Second Edition (Scranton, Pennsylvania: International Textbook Co., 1950), p. 55.

30 Henry Hatfield, Thomas H. Sanders, and Norman L. ton, 1, 1, 1, 1, 1, 1, Accounting Principles and Practices (Boston: Ginn Company, 1940), p. 87.

³¹Fowlkes, op. cit., p. 73.

³²DeYoung, op. cit., p. 73.

spent for different activities, as that he had never

of the efficiency of the school program

At an early date, however, it was pointed out that one of

the weaknesses of the program was that it did not

city obtained the local government for the school

and that it was impossible to establish a

substantiated, particularly in the case of

According to the report, the program was

according to an account given of the situation

reporting will be with regard to the

recorded, a distinction of the kind of

writer stated that the program should be

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Footnote 31 and footnote 32

31. Howard J. Kunkin, Second Course in Accounting (New York: Macmillan Company, 1914), pp. 44-45.

32. John R. Savage and George A. Kunkin, Second Course in Accounting (New York: Macmillan Company, 1914), pp. 44-45.

33. Henry Haskins, Accounting Principles and Practice (New York: Macmillan Company, 1914), p. 47.

34. Footnote 31, p. 47.

35. Footnote 32, p. 47.

expenditures should be divided into three major divisions:

- (1) current or running expenses, (2) capital outlay, and
- (3) debt service.

(b) The classification of expenditure accounts in New Mexico follows none of those recommended by writers. The classification in the Direct Charge section of the budget is unique. It covers many items that should be carried in other accounts; it is not exclusively debt service, capital outlay, fixed charges, nor maintenance of plant, although some items from each of those accounts are found in Direct Charge.

An analysis of budgets in New Mexico showed that identical line items were carried in different accounts by different school districts. The three major divisions of expenditure accounts are not found in New Mexico accounting or reporting.

(c) The system of accounting practices does not meet the requirements of principle number four that an adequate classification of expenditure accounts should be provided. The New Mexico classification of accounts does not conform to that recommended by writers, nor is it uniform in use within the state.

PRINCIPLE NUMBER FIVE: The accounting system should make

expenditures should be divided into three major categories:

- (1) current or running expenses, (2) capital costs, and
- (3) debt service.

(b) The classification of expenditures accounts is as follows:

Mexico follows none of these recommended systems. The classification in the Direct Budget section of the Budget Law is unique. It covers many items that should be carried in other accounts; it is not exclusively debt service, interest, or principal, fixed charges, but a mixture of all. Also, some items from each of these accounts are found in others.

Charge.

An analysis of accounts in the Mexico shows that identical line items are listed in different accounts at different levels of classification. The same account may be used for different purposes and the same purpose may be used for different accounts. This is a serious defect in the system of reporting.

(c) The system of accounting presented does not meet the requirements of principle number two, but in the classification of expenditures accounts should be provided. The New Mexico classification of accounts is based on the following principles: (1) that recommended by which, but as it is not within the scope of this report, it is not included within the scope.

PRINCIPLE NUMBER THREE: The system should be simple and clear.

provisions for proper accounting for property and stores.

(a) Mort and Reusser pointed out that the field of property accounting in schools has been neglected. They gave reasons why accurate property accounting is essential.³³ DeYoung mentioned the importance of the subject of property accounting, and gave some practical suggestions to follow in purchasing and receiving materials, an important phase of property accounting.³⁴

Moehlman recommended a perpetual inventory that would give the exact amount of supplies available at any time.³⁵ DeYoung also favored a continuous inventory as an aid to proper budgeting practice.³⁶ Finney gave instructions on how to operate a perpetual inventory, which type he recommended.³⁷

(b) An analysis of the forms used in accounting in the New Mexico schools showed no place to record acquisi-

³³Mort and Reusser, op. cit., p. 337.

³⁴DeYoung, op. cit., p. 406.

³⁵Arthur B. Moehlman, Public School Finance (New York: Rand McNally & Company, 1927), p. 411.

³⁶DeYoung, op. cit., p. 65.

³⁷H. A. Finney, Principles of Accounting, Third Edition (New York: Prentice-Hall, Inc., 1946), p. 278.

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DeYoung also favored a continuous inventory as an aid to

proper budgeting practice.³⁶ Finney gave suggestions as to

how to operate a perpetual inventory, which is a permanent

record.³⁷

(b) An analysis of the forms used in accounting in

the New Mexico schools showed no place for a perpetual inventory.

³³ More and Reusser, *op. cit.*, p. 437.

³⁴ DeYoung, *op. cit.*, p. 406.

³⁵ Arthur E. Noehlsman, *Public School Finance*, New York: Rand McNally & Company, 1927, p. 114.

³⁶ DeYoung, *op. cit.*, p. 65.

³⁷ H. A. Finney, *Principles of Accounting*, 1928, New York: Prentice-Hall, Inc., 1928, p. 218.

tions of property or stores. The expenditures are recorded, but there are no instructions nor forms for keeping account of stores or property. The total amount of property owned by the school is supposed to be submitted on the form for reporting to the state superintendent at the end of each fiscal year. The accounting records do not coordinate with this report, however.

Fowlkes discussed the care that must be taken to prevent confusing operation of plant, maintenance of plant, and capital outlay.³⁸ He pointed out how important it is for the records to show how replacement of equipment is not allowed to permit a pyramiding of assets that do not exist.

New Mexico accounting records do not make provisions for proper recording of replacements. The present subsidiary records are not sufficient for adequate accounting for property or stores.

(c) New Mexico accounting practice fails to meet the requirements of principle number five regarding accounting for property and stores.

PRINCIPLE NUMBER SIX: The accounting system should allow adequate accounting for liabilities of a school district

³⁸Fowlkes, op. cit., p. 89.

tion of property or stores. The expenditures are recorded, but there are no instructions nor forms for keeping account of stores or property. The total amount of property owned by the school is supposed to be submitted on the form for reporting to the state superintendent at the end of each fiscal year. The accounting records do not correspond with this report, however.

Fowler discussed the care that must be taken to prevent continuing operation of plant, maintenance of plant, and capital outlay. He pointed out how important it is for the records to show how replacement of equipment is not allowed to permit a pyramiding of assets that do not exist. New Mexico accounting records do not make provision for proper recording of replacements. The present subsidy-ary records are not sufficient for adequate accounting for property or stores.

(c) New Mexico accounting practice fails to meet the requirements of principle number five regarding accounting for property and stores.

PRINCIPLE NUMBER SIX: The accounting system should allow adequate accounting for liabilities of a school district

through the use of a system of encumbrances.

(a) As liabilities are incurred, they should be recorded, according to DeYoung.³⁹ He described a practice that is common with New Mexico school districts:

Some officials do not order for three weeks before the end of the year; others telephone creditors that outstanding bills are desired. . .

Unless the encumbrances system is employed, difficulty in budget accounting will arise, for the costs come in one year and the expenditure in another.⁴⁰

Fowlkes claimed that the first essential step in the establishment of a sound system of financial accounting for schools was the introduction of a sound procedure for recording liabilities.⁴¹

(b) The encumbrance system for recording liabilities is not used in New Mexico schools as a whole. In individual districts, a system of encumbrances may be used which has been devised locally. However, there are no instructions from any state agency directed to the schools for setting up an encumbrance system. The analysis of the accounting and reporting forms failed to disclose any mention of an encum-

³⁹DeYoung, op. cit., p. 418.

⁴⁰Ibid., p. 411.

⁴¹Fowlkes, op. cit., p. 90.

through the use of a system of accounting.

(a) As indicated in the preceding paragraph, the records, according to the Bureau, are not complete, that is common with new systems of accounting.

Some officials do not believe that the end of the year, or the end of the fiscal year, is the best time to make a complete check of the outstanding bills.

Unless the encumbrance system is properly maintained, it is difficult to budget properly. The system comes in one year and the next year is another.

Powles claimed that the first year of the establishment of a sound system of financial accounting was the introduction of a sound procedure for recording.

establishment of a sound system of financial accounting.

schools was the introduction of a sound procedure for recording.

ing liabilities. 41

(b) The encumbrance system, according to the Bureau,

is not used in New Mexico schools as a whole. It is used in

districts, a system of encumbrances may be used in the

been devised locally. However, there are no instructions

from any state agency directed to the schools for setting up

an encumbrance system. The analysis of the accounting

reporting forms failed to disclose any action of the Bureau

39 Bureau, op. cit., p. 411

40 Ibid., p. 411

41 Powles, op. cit., p. 41

brance system.

(c) The New Mexico system of accounting for schools does not meet the requirement of principle number six in regards to adequate accounting for liabilities of the school district.

PRINCIPLE NUMBER SEVEN: The accounting system should provide for the use of clearing accounts.

(a) The use of clearing accounts is recommended so that a true picture of school costs may be provided. If they are not used, many items of expense and receipts will show as operating expense and income that should never be shown.

Handbook II recommends the use of clearing accounts, and defines them well.⁴² Reason pointed out how pupil cost statistics may be unrealistic because of the duplication of receipts and expenditures if clearing accounts are not used. He gave examples of operations in the school programs where school money may be recorded several times.⁴³

⁴²U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: Government Printing Office, 1957), p. 8.

⁴³Paul L. Reason, "Costs May be Lower Than You Think," Nation's Schools, 62:50-52 (July, 1958).

(b) None of the forms or reports now used in the New Mexico accounting system makes provision for the use of clearing accounts. This is shown in an analysis of all accounting and reporting forms approved for use in New Mexico schools.

(c) Principle number seven that provides for the use of clearing accounts is not followed in New Mexico.

PRINCIPLE NUMBER EIGHT: The accounting system should be so designed as to facilitate reporting to the lay public, and to the state and federal educational agencies.

(a) Reporting has its roots in the financial accounting system, according to Mort and Reusser. When this accounting system is properly set up, it makes possible an analysis of the costs for the school system and its various parts, they claim. They described one of the functions of reporting as that of supplying the fiscal information required in making reports to state and national offices.⁴⁴

Financial reports are valuable, according to Fowlkes and Hansen, only if they are based upon valid financial accounting, and give the same meanings about given factors

⁴⁴Mort and Reusser, op. cit., p. 273.

(b) None of the following is a true statement:

Mexico accounting system is a double entry system. This is a true statement. Accounting and reporting system is a double entry system. This is a true statement. Accounting and reporting system is a double entry system. This is a true statement.

(c) Principle number one states that:

of clearing accounts is not followed in Mexico. This is a true statement. Principle number one states that: The accounting system is designed as to facilitate reporting to the day. This is a true statement. and to the state and federal educational agencies. This is a true statement.

(d) Reporting has been done in the following manner:

ing system, accounting is done and reported. This is a true statement. Accounting system is properly set up. This is a true statement. Analysis of the costs for the school system and its various parts, they claim. They described the two levels of reporting as that of analyzing the financial information reported in making reports to state and national offices. This is a true statement. Financial reports are submitted to the state and national offices. This is a true statement. and Hansen, only if they are based upon valid financial accounting, and give the same information about the school system. This is a true statement.

to everyone.⁴⁵

(b) An analysis of the accounting and reporting forms in New Mexico schools showed that reports to the United States Office of Education cannot be made from the records of local schools received in the state education office. Reports to the chief of the public school finance division from local districts are of little value in reporting to either state or national offices.

(c) A review of the literature and an analysis of accounting forms and records used in New Mexico shows that the system of accounting in New Mexico schools does not meet the requirements of principle number eight regarding reporting to state and national education agencies.

PRINCIPLE NUMBER NINE: The financial accounts of the school district should be audited by independent auditors annually.

(a) There is little question about the necessity of annual audits of school accounts. As Arnold stated, it is general practice to audit the financial accounts of any

⁴⁵R. L. Johns and E. L. Morphet (editors), Problems and Issues in Public School Finance, National Conference of Professors of Educational Administration, (New York: Teachers College, Columbia University, 1952), p. 476.

to everyone. 45

(b) An analysis of the accounting and reporting system

in New Mexico schools shows that reports to the Bureau of Education cannot be made until the reports of local schools received in the Bureau of Education are forwarded to the chief of the public school finance division from local districts and the reports are forwarded to either state or national offices.

(c) A review of the literature and analysis of

accounting forms and reports used in New Mexico schools and the system of accounting in New Mexico schools. Local and state reports of public school finance and reporting system to state and national education agencies.

PRINCIPLE NUMBER THREE: The financial statements of the school

district should be audited by independent auditors

annually.

(a) There is little practice about the auditing of

annual audits of school accounts. The financial statements of the general practice to audit the financial statements of the

45 R. L. Johns and E. L. Johns (authors), Financial and Issues in Public School Education, National Commission on Professors of Educational Administration, (New York: Teachers College, Columbia University, 1955), p. 18.

organization.⁴⁶ Mort and Reusser said that such audits are usually required by state law, and are of great importance in establishing confidence on the part of the public.⁴⁷

(b) New Mexico law requires that the financial affairs of every state agency shall be audited annually.⁴⁸ These audits shall be conducted by the state auditor, his office personnel, or by independent auditors approved by the state auditor.⁴⁹

(c) New Mexico school practice in regard to annual audits of financial records is in full accord with principle number nine.

PRINCIPLE NUMBER TEN: The accounting system should lend itself to adaptation to machine accounting.

(a) A survey of seventy-two school systems throughout the nation showed that machine accounting saves either time or money, or both, even in school systems of as small as

⁴⁶ John T. Wahlquist, et al., The Administration of Public Education (New York: The Ronald Press Company, 1952), p. 406.

⁴⁷ Mort and Reusser, op. cit., p. 187.

⁴⁸ New Mexico Statutes 1953, Annotated, Volume 2, 1959 Pocket Supplement (Indianapolis, Indiana: The Allen Smith Company, 1954), Chapter 4, Article 4, Section 2.2.

⁴⁹ Ibid., Section 2.3.

organization. The... usually... in... (b)...

...These... office... state...

(c) ...number...

PRINCIPAL... itself to...

(1) A... the... or money...

46 John T. ... Public... p. 406.

47 ...

48 ...

49 ...

...

1,200 enrollment.⁵⁰ The report showed that machine accounting was more practical in schools having an enrollment between four and five thousand.

(b) There is no feature of the accounting system used in the New Mexico schools which would prevent the use of machine accounting. Many of the schools are now using some type of machine bookkeeping.

(c) The requirements of principle number ten regarding machine accounting may be met with the present system of financial accounting in New Mexico schools. Although machine accounting will make it possible to secure information more quickly and easily, machine accounting alone will not eliminate the weaknesses in the New Mexico accounting system.

PRINCIPLE NUMBER ELEVEN: The accounting system should be as simple as is consistent with adequacy.

(a) One writer stated that a criterion of a good accounting system was that a minimum of bookkeeping knowledge be required to keep the accounts.⁵¹ Case mentioned

⁵⁰"Machine Accounting and Related Services for School Administrators," Nation's Schools, 61:87 (May, 1958).

⁵¹James William Cady, "A Proposed Financial Accounting System for the Arkansas Public Schools," (unpublished doctoral dissertation, The University of Arkansas, Fayetteville, 1953), p. 96.

1,500 enrollment.⁵⁰ The report shows that machine accounting was more practical in schools having an enrollment between four and five thousand.

(b) There is no feature of the accounting system in the New Mexico schools which would prevent the use of machine accounting. Many of the schools are using the type of machine bookkeeping.

(c) The requirements of principle number eleven are being met with the present system of machine accounting may be met with the present system of financial accounting in New Mexico schools. Machine accounting will make it possible to record transactions more quickly and easily, machine accounting also will help to make the weaknesses in the New Mexico accounting system.

PRINCIPLE NUMBER ELEVEN: The accounting system should be as simple as is consistent with accuracy.

(a) One writer stated that a criticism of a machine accounting system was that a minimum of bookkeeping knowledge was required to keep the accounts.

⁵⁰"Machine Accounting and Related Systems for Schools Administrators," National Schools, 41:7 (May, 1925).

⁵¹James William Cady, "A Proposed Standard Accounting System for the Arkansas Public Schools," Arkansas Educational Association, The University of Arkansas, Fayetteville, 1923, p. 26.

simplicity as one of the three essential features of a financial accounting system.⁵²

Akerly was of the opinion that the superintendent should be trained in accountancy.⁵³ Bangs did not feel that accounting was a simple task that could be properly taken care of by untrained personnel.⁵⁴

(b) The system of accounting now in use in New Mexico schools is simple. The accounting may be done by using one ledger for the Maintenance section of the budget and one other sheet for the Direct Charge section. However, an analysis of the present accounting showed it to be very inadequate, although quite simple in operation.

(c) The New Mexico system of accounting as now practiced in New Mexico is simple in operation, but it is not adequate to take care of the accounting procedure properly. Simplicity has been, and is likely to continue to be a poor substitute for efficiency. New Mexico accounting practice does not meet the requirements of principle number eleven.

⁵²Hiram C. Case, Handbook of Instructions for Recording Disbursements for School Purposes (Albany, N. Y.: C. F. Williams and Sons, Inc., 1940) p. 5.

⁵³Linn, op. cit., p. 176.

⁵⁴Bangs, op. cit., p. 42.

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52 Elmer G. Case, Handbook of Institutions for Record-
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Williams and Sons, Inc., 1940) p. 3.

53 Idem, op. cit., p. 176.

54 Barga, op. cit., p. 42.

Summary of the analysis of New Mexico school financial accounting. A summary of the findings in the study and analysis of the New Mexico system of financial accounting is presented in Table I. Each of the eleven principles abstracted from the literature is stated briefly, and the adequacy of the New Mexico system is checked in terms of the principles. The New Mexico system of accounting, in terms of the principles, is adequate for two, inadequate for eight, and partially adequate for one of the principles.

Report of evaluating committee on the importance of the principles abstracted in an adequate financial accounting system. The members of the Statistical Committee of the State Department of Education, appointed by the State Superintendent of Public Instruction, were asked to evaluate the importance of the principles, abstracted from the literature, in developing an adequate system of financial accounting for schools. The results of the query are summarized in Table II.

The committee was composed of the following personnel:

1. A former municipal superintendent of schools, now Director of Instruction, State Department of Education.
2. A principal of a large high school.
3. A former county superintendent, now in the State Department of Education.

Summary of the analysis of the New Mexico system

Final accounting. A summary of the findings in the final accounting and analysis of the New Mexico system of financial management is presented in Table I. Each of the eight principles abstracted from the literature is assigned a rating of adequacy of the New Mexico system in relation to the principle. The New Mexico system of financial management, in terms of the principles, is adequate for one, inadequate for eight, and partially adequate for one of the principles.

Report of evaluating committee in the final report of

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TABLE I

SUMMARY OF THE ANALYSIS OF NEW MEXICO
SCHOOL FINANCIAL ACCOUNTING

No.	Principle	The New Mexico system of financial accounting in terms of sound principles is:		
		Adequate	Not Adequate	Partially Adequate
1	Provides for local board authority		X	
2	Provides for conformity with law			X
3	Provides adequately for receipts		X	
4	Adequate expenditure classification		X	
5	Property and stores accounting good		X	
6	Provides accounting of liabilities		X	
7	Provides use of clearing accounts		X	
8	Facilitates reporting		X	
9	Accounts audited annually	X		
10	Adaptable to machine accounting	X		
11	Simplicity consistent with adequacy		X	

TABLE 1 SUMMARY OF THE RESULTS OF THE REVIEW OF THE ACCOUNTING

No.	Principal	The results of the review of the accounting
1	Provided for local board members	
2	Provided for non-local with law	
3	Provided a summary for revenue	
4	Adequate expenditure classification for	
5	Property and stock accounts and food	
6	Provided accounting of liabilities	
7	Provided use of classified accounts	
8	Facilities accounted for	
9	Accounts and summary	
10	Adapted to summary accounts	
11	Simplified summary with details	

TABLE II

REPORT OF EVALUATING COMMITTEE ON THE
IMPORTANCE OF THE PRINCIPLES FOR
AN ADEQUATE ACCOUNTING SYSTEM

Method for checking					
1st--A necessary principle in school financial accounting					
2nd--Important but not necessary					
3rd--Relatively unimportant					
4th--No importance in adequate accounting system					
No.	Principle	Number Checking			
		1st	2nd	3rd	4th
1	Local board authority necessary	8			
2	Should conform to existing laws	8			
3	Accounting for receipts and estimates	6	2		
4	Classification of accounts necessary	6	2		
5	Property and stores accounts necessary	7	1		
6	Adequate accounting for liabilities	7	1		
7	Clearing accounts necessary	7	1		
8	Facilitates reporting	5	3		
9	Annual audit of accounts necessary	8			
10	System adaptable to machine accounts	3	5		
11	Simplicity consistent with adequacy	7	1		

REPORT OF THE COMMITTEE ON THE
IMPORTANCE OF THE FUTURE OF THE
AN APPROPRIATE ACCOUNTING SYSTEM

Principles				Relative Importance			
				1st	2nd	3rd	4th
1st--A necessary preliminary in school financial accounting				3			
2nd--Important and not necessary					3		
3rd--Relatively unimportant						3	
4th--No importance in school accounting system							3
1. Local board authority necessary							
2. Should conform to existing laws							
3. Accounting for receipts and estimates							
4. Classification of accounts necessary							
5. Property and source accounts necessary							
6. Advance accounting for liabilities							
7. Clearing accounts necessary							
8. Facilities reporting							
9. Annual audit of accounts necessary							
10. System adaptable to machine accounts							
11. Simplified comparison with adequacy							

4. The Director of Research, New Mexico Education Association.
5. The Director of Research, State Department of Education.
6. The Director of Budgets, State Department of Education.
7. A business manager of a municipal school system.
8. The Assistant Director of Statistics, State Department of Education.

A list of the principles abstracted from the literature in this study was sent to each member of the committee. They were asked to check the importance of each principle. Each member checked all principles as being either necessary to an adequate accounting system, or important but not necessary.

Committee evaluation of New Mexico accounting practice. The members of the statistical committee were also asked to evaluate the New Mexico system of school financial accounting in terms of the eleven principles developed in this study. Each was sent a copy of the eleven principles, and a form on which they were to indicate their opinion of the adequacy of the New Mexico system of accounting in terms of the principles. Table III shows the results of the committee evaluation.

Two members stated that they thought the New Mexico system of accounting was adequate in every respect. The

4. The Director of Research, New Mexico Education Association.
5. The Director of Research, State Department of Education.
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TABLE III

EVALUATION BY COMMITTEE OF NEW MEXICO SCHOOL
FINANCIAL ACCOUNTING SYSTEM

		Is the New Mexico system of school accounting adequate, in terms of the principles?	
No.	Principle	Number answering	
		YES	NO
1	Provides for local board authority	2	6
2	Provides for conformity with law	7	1
3	Provides adequately for receipts	2	6
4	Adequate expenditure classification	2	6
5	Property and stores accounting good	3	5
6	Provides accounting for liabilities	4	4
7	Provides for use of clearing accounts	2	6
8	Facilitates reporting	3	5
9	Accounts audited annually	6	2
10	Adaptable to machine accounting	3	5
11	Simplicity consistent with adequacy	3	5

TABLE III

EVALUATION BY COMMITTEE OF NEW MEXICO SCHOOL
FINANCIAL ACCOUNTING SYSTEM

Is the new Mexico system of school accounting adequate in terms of the principles		
No.	Principle	Number answered
		Yes
1	Provides for local board authority	5
2	Provides for conformity with law	7
3	Provides adequately for receipts	3
4	Adequate expenditure classification	3
5	Property and stores accounting good	3
6	Provides accounting for liabilities	4
7	Provides for use of clearing accounts	2
8	Facilitates reporting	3
9	Accounts audited annually	5
10	Adaptable to machine accounting	3
11	Simplicity consistent with adequacy	3

author is of the opinion that those two members inadvertently checked the wrong column. In working with the statistical committee on April 6, 1959, the author discussed the accounting practices in New Mexico with the entire committee. All members expressed the opinion at that time that the New Mexico system of financial accounting needed improvement. They stated that the present system was especially weak in regard to reporting to other educational agencies. Yet, three of the eight members show in Table III that, in their opinion, the New Mexico system of accounting facilitates reporting.

V. SUMMARY

The statutory provisions governing school financial accounting were reviewed in this chapter. The provisions relating to the State Board of Education, the local boards of education, the state school superintendent, and the chief of the division of public school finance were discussed. It was pointed out that the division of public school finance has more authority over accounting practices in New Mexico than officials connected with the state department of education.

An analysis of school budgets for 1957-58, which had been made, was reported in this chapter. The report revealed

that there is little uniformity of practice in New Mexico. There is a wide variety of items included in the reports for schools and districts. The required forms and reports of the Department of Education and the Division of Public Health were examined. It was found that the accounts and reports required by State officials in New Mexico are of little value in preparing reports to the U. S. Office of Education.

The New Mexico system of financial accounting was analyzed in the terms of sound principles, as outlined from the literature in Chapter II. A summary of the results is disclosed that New Mexico accounting practices are adequate in terms of sound principles in only two of the eleven principles, and partially adequate for one more. The evaluation of present practice as school accounting by a committee was shown that committee felt that the eleven of the principles elaborated were either not met in school financial accounting, or were important but not necessary. Their expressions regarding the adequacy of the New Mexico accounting system were not conclusive. It is felt that the New Mexico system of accounting and

its

adequate for eight of the eleven principles. The committee members were divided in their opinions of the adequacy of the New Mexico system for all of the eleven principles.

adequate for eight of the new principalities. The other three
members were divided in the opinion of the necessity of
the New Mexico system for all of the other principalities

THE NEW MEXICO
SYSTEM
FOR THE
PRINCIPALITIES

CHAPTER IV

THE NEW MEXICO SYSTEM OF SCHOOL FINANCIAL ACCOUNTING

ADAPTED TO ACCEPTED PRINCIPLES

A uniform and efficient system of financial accounting for schools has been the desire of writers and administrators in education for almost half a century. Such objectives are being achieved slowly. There is no federal law that requires the various states to adopt a system similar to that followed in other states. Under present plans, in order to achieve uniformity, each state must conform willingly, or the principle of state and local autonomy is violated. Educators in New Mexico must become convinced that uniformity of accounting terminology and practice are necessary before any change in the present state plan of accounting is likely to result.

Certain statutory changes governing budgeting and accounting in public schools are necessary if financial accounting for schools in New Mexico is to be based on sound and accepted principles of school accounting. If legal changes could be effected, an entirely new system could be worked out to best serve New Mexico, and which would be in agreement with recognized and uniform methods in use in

THE NEW MEXICO SYSTEM OF SCHOOL ACCOUNTING
APPLIED TO ACCOUNTING PRINCIPLES

A uniform and efficient system of financial accounting for schools has been the desire of educators for many years. In education for almost half a century, the objectives are being maintained steadily. There is no law that requires the various states to adopt a system similar to that followed in other states. Under present conditions in order to achieve uniformity, each state must act willingly, or the principles of equity and justice are violated. Education in law books is not based on uniformity of accounting. Accounting is largely a matter of necessity before any change in the present state of accounting is likely to result.

Certain statutory changes governing accounting and accounting in public schools are necessary. If financial accounting for schools is to be made more sound and accepted principles of school accounting, it is legal changes could be effected. An entirely new system would be worked out to meet the needs of the schools and the state. An agreement with recognized and uniform methods is the

other states.

The first purpose of this chapter was to suggest changes necessary if the financial accounting system in New Mexico is to conform to sound and accepted principles of school accounting. The second purpose was to develop a new system of accounting which conforms to accepted principles. A third purpose was to show how the present system of school accounting in New Mexico could be adapted to conform to one based on sound and accepted principles.

I. THE STATUTORY PROVISIONS

Some provisions of the New Mexico statutes, and required forms, pertaining to school finance procedures are quite explicit, as was pointed out in Chapter II of this study. Certain of these provisions, either directly or through delegated authority, determine the nature of the financial accounting that is being used. This section of the chapter will present and explain the specific provisions regarding statutes and forms.

Funds established by law. The establishment of separate funds is frowned upon by writers in the field of public school finance and budgeting. In addition to placing

other states.

The first purpose of this chapter was to suggest changes necessary in the financial accounting system in Mexico in order to conform to sound and accepted principles of school accounting. The second purpose was to develop a new system of accounting which conforms to accepted principles. A third purpose was to show how the present system of school accounting in New Mexico could be adapted to conform to the sound and accepted principles.

I. THE STATUTORY PROVISIONS

Some provisions of the New Mexico statutes, and required forms, pertaining to school financial procedures are quite explicit, as was pointed out in Chapter II of this study. Certain of these provisions, either directly or through delegated authority, determine the nature of the financial accounting that is being used. This section of the chapter will present and explain the specific provisions regarding statutes and forms.

Funds established by law. The establishment of separate funds is provided upon by statute in the field of public school finance and budgeting. In relation to closing

unnecessary restrictions from the state level on local boards, it also results in a more complicated system of accounting in order to account for such division of funds. It is a definite obstacle to the development of a uniform system of accounting and reporting. The literature on the subject suggests that all money received should go into a general fund, and that the method of budgeting and accounting for such money should be left to the discretion of local boards of education and local administrative staffs.

Budget format. The budget format used in New Mexico is established by law. Provisions for budgeting must be made in accordance with laws regarding the Maintenance and Direct Charge Funds. These forms do not provide a place for the local budget makers to show their estimates of receipts for the coming year. The accounts as established by law do not conform to nationally recommended accounts, either for receipts or expenditures. The budget format for a state ordinarily should be prepared by the State Departments of Education, and in New Mexico, because of the special division of responsibility, with the collaboration of the Division of Public School Finance. If the laws setting up the division of funds were rescinded, and the development of

unnecessary restrictions from the state level on local boards, it also results in a more complicated system of accounting in order to account for each division of funds. It is a definite obstacle to the development of a uniform system of accounting and reporting. The literature on this subject suggests that all money received should go into a general fund, and that the method of budgeting and accounting for such money should be left to the discretion of local boards of education and local administrative staffs.

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budget forms were left to people familiar with educational administration, it is likely that the forms would be improved, and would result in better budgeting and accounting for funds.

Reporting to state and national offices. The reports from the local districts to the Division of Public School Finance and the State Department of Education should be so designed as to furnish the information requested by the U. S. Office of Education in Washington. Such information would be of value to the schools in New Mexico, and would not be difficult to provide, if the system of accounting were uniform and conformed to systems used in other states. Duplication of reporting could be eliminated if such reports were devised so that one report would furnish all the information needed by the Division of Public School Finance and by the State Department of Education.

Reasons for needed changes in law. Uniformity of accounting practice and accounting terminology are essential if comparative school costs are to be meaningful. The cost of instructional services cannot be compared, unless the same allocation of expenditures to exactly the same account is made in each state.

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accounting practice and accounting terminology are essential if comparative school costs are to be meaningful. The cost of instructional services cannot be compared, unless the same allocation of expenditures to exactly the same account is made in each state.

Because of a lack of uniformity in accounting practices in New Mexico schools, a failure to conform to a standard classification of expenditure accounts, and the absence of uniform terminology for financial accounting, the State Department of Education in New Mexico has never been able to provide the exact information requested by the U. S. Office of Education that would make it possible to compare school costs in New Mexico with costs in other states. No other state has an expenditure account similar to the Direct Charge; in fact, such an account would have no meaning in any other state. Until statutory changes are made in New Mexico, there can be no adequate accounting system, except by an unorthodox adaptation to one based on sound and accepted principles of school accounting involving unnecessary detail work.

In order for the local school board and administrator to be able to estimate anticipated revenue more accurately, the present law governing the distribution of school money from the state level should be changed. At present this money is transferred to the county treasurer for the entire county. The money is then distributed to the various administrative units within the county in accordance with the approved maintenance budget of each administrative unit in

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the county. If the money were distributed to each district directly on an average daily attendance basis, or by some other approved formula, the superintendent of each unit would be able to estimate accurately the revenue his district would receive for the succeeding year.

Many of the restrictions on the authority of the local board of education to prepare the budget and to supervise the accounting system would be removed if statutory provisions could be effected that (1) require separate funds for the Maintenance and Direct Charge sections of the budgets, and (2) distribute state funds to the county, rather than directly to the individual school district. If these changes were effected, the New Mexico accounting system could comply with the requirements of Principle Number One as presented in this study.

II. SYSTEM OF ACCOUNTING BASED ON SOUND PRINCIPLES

In developing a new system of financial accounting for New Mexico schools, in this section it was assumed that the statutory restrictions had been removed. This system of accounting would represent what might be referred to as an "ideal" system. It represents the plan toward which the investigator thinks this state should strive, even though

the country. It has many very distinctive features. It is directly on an average daily expenditure basis, or by some other approved formula, the expenditure of each unit would be able to estimate accurately the revenue it has tried would receive for the expenditure. Many of the restrictions on the number of the local board of education to prepare the budget and to submit also the accounting system would be removed. It is also provisions could be effected that (1) certain operations funds for the maintenance and minor capital repairs of the budget, and (2) distribute these funds to the country, rather than directly to the local school district. If these changes were effected, the new Mexico accounting system could comply with the requirements of Article 100 of the Constitution as presented in this study.

II. SYSTEM OF ACCOUNTING BASED ON COST PRINCIPLES

In developing a new system of financial accounting for New Mexico schools, in this section it was assumed that the statutory restrictions had been removed. This system of accounting would require that all be reported in an "ideal" system. It requires that all items which the investigator thinks that should be included, even though

the plan might not be fully achieved.

Accounting for receipts. All writers in the field of financial accounting for schools divide receipts into the two major divisions: revenue and non-revenue. To these two, Handbook II recommends the addition of another receipt account known as incoming transfer accounts.¹ The third category is justified. This study therefore recommends the following accounts as necessary for receipts:

Revenue Receipts
Non-revenue Receipts
Incoming Transfer Accounts

The revenue receipts were classified in Handbook II as (1) local, (2) intermediate, (3) state, and (4) federal sources.² In New Mexico, the intermediate unit corresponds to the county unit. The classification of sources of receipts should be (1) local, (2) county, (3) state, and (4) federal in the accounting system devised for New Mexico.

According to DeYoung, the estimating of receipts is an important procedure in budgeting, as well as in account-

¹ U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: United States Government Printing Office, 1957), p. 6.

² Loc. cit.

ing.³ In addition to showing actual receipts, therefore, the journal should allow space to show estimated receipts. Entries in the journal should be so arranged that the actual receipts and the estimated receipts may easily be compared at any time. This would allow a continuous check on the accuracy of the estimate of receipts for the year.

If this accounting system for receipts were adopted, the accounting system would conform to Principle Number Three, which calls for the accurate accounting for receipts and estimated receipts.

Accounting for expenditures. The expenditure accounts recommended for the accounting system are classified under the following ten headings:

1. General Control (Administrative)
2. Instructional Services
3. Auxiliary Agencies
 - a. Attendance services
 - b. Health services
 - c. Food services
 - d. Student-body activities
 - e. Community services
4. Operation of Plant
5. Maintenance of Plant
6. Transportation
7. Fixed Charges
8. Capital Outlay

³Chris A. DeYoung, Budgeting in Public Schools (Garden City, New York: Doubleday & Company, Inc., 1936), p. 375.

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³Chris A. DeYoung, Engineering in Public Schools (New York City, New York: Doubleday & Company, Inc., 1936), p. 375.

9. Debt Service
10. Outgoing Transfer Accounts

These expenditure accounts are a variation of the twelve accounts provided in Handbook II.⁴ That handbook does not list Auxiliary Agencies as a separate account, but does have separate accounts for Attendance and Health services, Food services and Student-body activities, and Community services. In the system devised for New Mexico, these three accounts are divided into five sub-accounts and placed under Auxiliary Agencies. Generally these accounts do not have enough activity in New Mexico schools at present to set them up as separate accounts. However, the information recorded in each of these sub-accounts will be needed in reporting to the U. S. Office of Education.

The Outgoing Transfer Accounts should record expenditures that are actually transfers of funds between school districts. Such expenditures are not part of the current expenses of the school district. Handling them as suggested here should prevent duplication in data collected from the

⁴U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: United States Government Printing Office, 1957), pp. 27-35.

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*U. S. Department of Health, Education, and Welfare,
Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: United States Government Printing Office, 1957), pp. 24-35.

entire state.⁵

The ten accounts should be set up on a Control Ledger and serve as the control accounts for the distribution ledgers that may be placed into the accounting system. The distribution sheets may be broken down into as much detail as the individual school system desires. It will be necessary, of course, to have as much breakdown of the distribution sheet as there are line items in the budget.

Elwell described the function of a control account, and gives the definition, in the following statement:

. . . Such a summary account is called a Controlling Account, which is defined as an account kept in the general ledger for the purpose of summarizing the details of accounts kept in some subsidiary ledger. Since the balance of a controlling account should agree with the sum of the balances of the individual accounts in the subsidiary ledgers, it is said to control those ledgers. If a controlling account and its subsidiary ledger are not in agreement, the errors must be discovered and corrected as soon as possible.⁶

In addition to the ten control accounts, there should be a Cash Account and a Budget Account in the Control Ledger. The cash account should carry all cash balances brought forward from the previous year; all cash receipts, from what-

⁵Ibid, p. 101.

⁶Fayette H. Elwell and James V. Toner, Bookkeeping and Accounting (Boston: Ginn and Company, 1926), p. 295.

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ever source, would be posted from the receipts journal to the cash account; and all expenditures, as shown by the warrant register, should be recorded here. The amount of cash available at all times may be ascertained from the cash account.

Under the New Mexico budgetary procedure, any budget balances from the preceding year are used to make the budget for the next year. The only balances carried forward are the cash balances, which may or may not be the same as the budget balances. Under the recommended accounting system, the total amount of the approved budget will be the amount with which the Budget Account will start a fiscal year. There will be no further amounts credited to this account, unless there is an increase allowed in the budget during the year. All expenditures, as shown by the warrant register, would be recorded here, the same as was done in the cash account. These two accounts, the Cash Account and the Budget Account, would serve as control accounts for the available cash and for the available budgeted funds.

By incorporating the ten recommended accounts in the classification of expenditures, and using the accounts as control accounts, along with the cash and budget accounts, the accounting system would meet the requirements of Princi-

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control accounts, along with the cash and budget accounts,
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ple Number Four, which calls for an adequate classification of expenditure accounts.

Clearing accounts. In the operation of a school district's business, a double handling of money occurs in certain financial transactions. In such instances, money is received from the operation of an activity and spent again for the same activity. This results in a distorted financial picture of the amount of money actually used for the operation of the educational program. To prevent this duplication, clearing accounts are used.

According to Handbook II, the transactions in question generally concern one of the following: (1) activities financed wholly or in part by revenue produced by the activity, (2) prepayments or advancements, (3) abatements, (4) exchanges of one asset or liability for another asset or liability, (5) inter-fund transfers, (6) current loans, and (7) insurance adjustments.⁷

As many clearing accounts may be established as is deemed necessary for the particular school. The accounts

⁷U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: United States Government Printing Office, 1957), p. 105.

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liability, (5) inter-fund transfers, (6) current loans, and

(7) insurance adjustments.

As many clearing accounts may be established as is

deemed necessary for the particular school. The accounts

recommended by Handbook II are:

1. Asset Accounts
 - a. Petty cash fund
 - b. Stores
 - c. Prepaid insurance premiums
 - d. Prepaid rent
 - e. Securities
 - f. Sinking fund account
2. Liability Accounts
 - a. Current and Short-term loans
 - b. Deductions from payroll
3. Food Services Operation Accounts
 - a. Money received
 - b. Money paid out
4. Other Operation Accounts
 - a. Student-body activities
 - b. Materials for resale
 - c. Textbooks
 - d. Operation of Investment properties
5. Miscellaneous Accounts
 - a. Refunding bonds
 - b. Abatements
 - c. Insurance adjustments
 - d. Inter-fund transfers⁸

If the policy of the board of education is to require any of the activities represented in the clearing accounts to operate without any financial assistance from the regular school funds, it would not be necessary for the accounts of such activities to appear in the regular receipt or expenditure accounts. If the board of education subsidizes these activities, the clearing accounts should be balanced at the end of the year, and the excess would be recorded as

⁸ Ibid., p. 108-109.

recommended by the Board of Directors

1. Asset Accounts
 - a. Petty Cash Fund
 - b. Securities
 - c. Prepaid Insurance
 - d. Prepaid Rent
 - e. Prepaid Taxes
 - f. Prepaid Interest
2. Liability Accounts
 - a. Current and Short-term Liabilities
 - b. Deferred Income Taxes
3. Fund Balances
 - a. Money Received
 - b. Money Paid Out
4. Other Operating Accounts
 - a. Student-body Activities
 - b. Materials for Classes
 - c. Textbooks
 - d. Operation of Investment Program
5. Miscellaneous Accounts
 - a. Retained Earnings
 - b. Appropriations
 - c. Transfers In
 - d. Inter-fund Transfers

If the policy of the Board of Directors is to require any of the activities represented in the listing above to operate without any financial assistance from the regular school funds, it would not be necessary for the structure of such activities to appear in the regular record or accounts of the accounts. If the policy of the Board of Directors is to require that the activities be financed wholly or partially by the regular school funds, the listing above should be included in the end of the year and the account should be included as

receipts or the deficit would be recorded as expenditures under the appropriate account.

The adoption of clearing accounts in the accounting system would assure that the accounting system would attain the standard required by Principle Number Seven.

Subsidiary records. In addition to the regular accounts needed to operate an adequate financial accounting system for schools, there are other records that are important. These records are called subsidiary records. Neuner said that "the use of controlling accounts and subsidiary ledgers is an essential accounting procedure."⁹

Subsidiary records, like clearing accounts, may be used as extensively as the individual school district desires. The subsidiary records necessary to accompany the accounts established for this accounting system are:

1. Teacher Payroll Ledger
2. Employee Payroll Ledger
3. Stores Control Ledger (Supplies)
4. Property Ledger
5. Buildings Record
6. Real Estate Record
7. Bond Record
8. Insurance Record

⁹ John J. W. Neuner, Cost Accounting (Chicago: Richard D. Irwin, Inc., 1942), p. 59.

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² John C. W. Newman, Cost Accounting (Chicago: Richard D. Irwin, Inc., 1942), p. 29.

The Teacher and Employee Payroll Ledgers are usually maintained in the school business office, and need no explanation here. The Stores Control Ledger should control the stores or supplies received and distributed, and should be designed to allow a perpetual inventory of supplies.

All property termed equipment should be recorded in the Property Ledger, regardless of the manner in which the school acquired the equipment. The ledger should serve as a perpetual inventory for equipment, and should provide ways to record the removal of equipment from use. It should also provide a depreciation schedule, if for no other reason than for insurance purposes.¹⁰

One problem that continually faces school administrators concerned with financial accounting or any phase of school business management is that of distinguishing between supplies and equipment. This is one area in which there should be uniformity of terms, even more than in other areas of accounting. Supplies should be charged to one fund or account, while equipment should be charged to another.

Handbook II gives the following criteria for distin-

¹⁰Paul R. Mort and Walter C. Reusser, Public School Finance (New York: McGraw-Hill Book Company, Inc., 1951), p. 334.

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¹⁰ Paul R. Nott and Walter C. Renner, Public School Finance (New York: McGraw-Hill Book Company, Inc., 1931), p. 334.

guishing between the two:

A supply item is any article or material which meets any one or more of the following conditions:

1. It is consumed in use.
2. It loses its original shape or appearance with use.
3. It is expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit than repair it.
4. It is an inexpensive item, having characteristics of equipment, whose small unit cost makes it inadvisable to capitalize the item.
5. It loses its identity through incorporation into a different or more complex unit or substance.

An equipment item is a movable or fixed unit of furniture or furnishings, an instrument, a machine, an apparatus, or a set of articles which meets all of the following conditions:

1. It retains its original shape and appearance with use.
2. It is non-expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it than replace it with an entirely new unit.
3. It represents an investment of money which makes it feasible and advisable to capitalize the item.
4. It does not lose its identity through incorporation into a different or more complex unit or substance.¹¹

Following this discussion of supplies and equipment items, Handbook II discusses built-in equipment as follows:

Built-in equipment consists of two types: (1) equipment built into buildings, and (2) equipment built into

¹¹U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: United States Government Printing Office, 1957), p. 191.

existing between the two:

A supply item is any article or material which is used in any one or more of the following conditions:

1. It is consumed in use.
2. It loses its original shape or appearance with use.
3. It is expendable, that is, it is so constructed that it is not possible to replace it with an entire or some of its parts and work out, it is usually more feasible to replace it with an entirely new unit than repair it.
4. It is an expendable item, having characteristics of equipment, whose small unit cost makes it inadvisable to capitalize the item.
5. It loses its identity through incorporation into a different or more complex unit or substance.

An equipment item is a tangible or intangible unit of furniture or furnishings, an instrument, a machine, an apparatus, or a set of articles which meets all of the following conditions:

1. It retains its original shape and appearance with use.
2. It is non-expendable, that is, it is so constructed that it is not possible to replace it with an entirely new unit.
3. It represents an investment of money which makes it feasible and advisable to capitalize the item.
4. It does not lose its identity through incorporation into a different or more complex unit or substance.

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U. S. Department of Health, Education, and Welfare,
Office of Education, Financial Accounting for Schools and
State School Systems, Handbook II (Washington: United States
Government Printing Office, 1957), p. 101.

grounds. Expenditures for these two types are recorded under different accounts.

Equipment which is built into buildings consists of equipment items that are integral parts of buildings. That is, the equipment is permanently fastened to the building, functions as part of the building, and causes appreciable damage to the building if removed. Expenditures for initial or additional equipment built into buildings are recorded under Capital Outlay . . . Expenditures for repairs and replacements of such equipment are recorded under Maintenance of Plant . . . Examples of such equipment are: bulletin boards, counters, basketball backboards, shelving, stage curtains, and service systems, such as air conditioning, heating, lighting, intercommunication, and water systems.

Equipment which is built into grounds consists of equipment items that are permanently attached to the grounds and function as part of the grounds. Expenditures for initial or additional equipment built into the grounds are recorded under Capital Outlay . . . Expenditures for repairs and replacements of such equipment are recorded under Maintenance of Plant . . . Examples of such equipment are: flagpoles, gates, goal posts, lawn sprinkling systems, and underground storage tanks which are not part of a service system.¹²

A property accounting handbook has been developed under the leadership of members of the United States Department of Health, Education, and Welfare of the Office of Education. This handbook was developed as a cooperative project on property accounting for local and state school systems. This handbook gives almost the same information on supplies and equipment as is given in Handbook II. The

¹²Loc. cit.

grounds. Expenditures for these two types are recorded under different accounts.

Equipment which is built into buildings consists of equipment items that are integral parts of buildings. That is, the equipment is permanently attached to the building, functions as part of the building, and cannot be removed without damage to the building. Expenditures for initial or additional equipment built into buildings are recorded under Capital Outlay. Expenditures for repairs and replacements of such equipment are recorded under Maintenance of Plant. Examples of such equipment are: built-in stoves, refrigerators, built-in bookshelves, shelves, built-in cupboards, and service systems, such as air conditioning, heating, lighting, intercommunication, and water systems.

Equipment which is built into grounds consists of equipment items that are permanently attached to the grounds and function as part of the grounds. Expenditures for initial or additional equipment built into the grounds are recorded under Capital Outlay. Expenditures for repairs and replacements of such equipment are recorded under Maintenance of Plant. Examples of such equipment are: electric fences, gates, gates, lawn sprinkling systems, and underground drainage tanks which are not part of a service system.

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chief difference is in the addition of "movable equipment" as a separate category. Handbook III discusses movable equipment as follows:

Movable equipment consists of equipment items that are transportable from one location to another without appreciable damage or change to the location from which they are removed or to the location where they are installed. They do not function as integral parts of the building or grounds, and are not permanently fastened or attached to the building or grounds. A piece of equipment that is simply bolted or screwed to the floor, such as a heavy lathe or a desk, so it can be moved as a unit once these bolts have been removed is "movable equipment." The term "movable" refers to permanency of installation and whether or not the equipment is built-in, and not to size or weight.¹³

Handbook II gives a detailed list of supplies and equipment, pages 193-213. The list covers almost all the items that could possibly be used in the operation of the school system, large or small. It advises that items that are questionable as to whether they are supplies or equipment should be measured in terms of the above criteria. This study proposes the use of this list for New Mexico. It is being included in the appendix.

All buildings belonging to the school district should

¹³U. S. Department of Health, Education, and Welfare, Office of Education, Property Accounting for Local and State School Systems, Handbook III (Washington: United States Government Printing Office, 1959), p. 99.

chief difference is in the addition of "movable equipment" as a separate category. Handbook II discusses movable equip-

ment as follows:

Movable equipment consists of equipment items that are transportable from one location to another without appreciable damage or change in the location from which they are removed or to the location where they are installed. They do not function as integral parts of the building or grounds, and are not permanently fastened or attached to the building or grounds. A piece of equipment that is simply bolted or screwed to the floor, such as a heavy table or a desk, so it can be moved as a unit once these bolts have been removed is "movable equipment." The term "movable" refers to the manner of installation and whether or not the equipment is built-in, and not to size or weight.

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U. S. Department of Health, Education, and Welfare,
Office of Education, Property Accounting for Local and State
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be recorded in the Buildings Record. This record should show the date of construction, number of regular and special classrooms, cost of construction, appraised value, insurable value, and other information deemed pertinent about each building in the district. If depreciation is to be figured on buildings, space should be provided for such on this record.

There should also be a form provided for the recording of all real estate owned by the school district. This form should provide space to give the legal description, date of acquisition, place where deed is recorded, price at the time of acquisition, and the appraised value.

Handbook III, the property accounting handbook, recommends that land facilities accounts provide for (1) land identification, (2) ownership of the school site, either publicly or non-publicly owned, (3) date of acquisition, (4) date of disposal of each area if publicly owned, (5) total area of site, and (6) total cost of land for a school site, if publicly owned.¹⁴

There should be a Bond Record which will show pertinent information about each bond issue. This information

¹⁴Ibid., pp. 23-30.

be recorded in the Building Record. This record should show the date of construction, number of regular and special classrooms, cost of construction, appraised value, insurance value, and other information deemed pertinent about each building in the district. If depreciation is to be figured on buildings, space should be provided for such on this record.

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There should be a Bond Record which will show pertinent information about each bond issue. This information

will include the date of issue, number of bonds, size of bonds, rate of interest, purchaser of bonds, due date, place of payment, districts on which levy applies for each issue, and, of course, the record of payments and the balance of unpaid principle.¹⁵

The Insurance Record should show all insurance policies carried by the school, and should record the number of the policy, the name of the company, name of local agent, property insured, amount of coverage, type of coverage, rate and premium, term of policy, and record of payments. If it is a long term policy, the amount of payments that are to be made each year should be noted, so that proper budgeting for insurance will be possible.¹⁶

With the inclusion of the subsidiary records, the accounting system will achieve the purpose of Principle Number Five, which relates to proper accounting for property and stores.

Theoretically, each school district should be permitted to develop the forms needed for the operation of the

¹⁵N. L. Engelhardt and Fred Engelhardt, Public School Business Administration, (New York: Bureau of Publications, Teachers College, Columbia University), 1927, p. 475.

¹⁶Ibid., p. 104.

will include the date of issue, number of bonds, size of bonds, rate of interest, purchaser of bonds, due date, place of payment, districts on which levy applies for each issue, and, of course, the record of payments and the balance of unpaid principal.¹⁵

The Insurance Record should show all insurance policies carried by the school, and should record the number of the policy, the name of the company, name of local agent, property insured, amount of coverage, type of coverage, rate and premium, term of policy, and record of payments. If it is a long term policy, the amount of payments due are to be made each year should be noted, so that proper budgeting for insurance will be possible.¹⁶

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¹⁵ W. L. Engelhardt and Fred Engelhardt, Public School Business Administration, (New York: Bureau of Publications, Teachers College, Columbia University), 1937, p. 475.

¹⁶ Ibid., p. 104.

suggested accounting system. However, there should be more uniformity than would likely result if each school devised its own forms. The State Department of Education, in cooperation with the Chief of the Public School Finance Division, and a representation of local school administrators should develop forms that would be uniform for the entire state.

The forms should be of such nature that pen and ink posting could be used, but at the same time, they should lend themselves readily to machine bookkeeping. Instructions for the use of the forms and system of accounting should be developed, and presented through an accompanying handbook. This plan is used now in certain states.¹⁷ A part of the handbook should be devoted to instructions for using a system of encumbrances so that the liabilities of school districts might be properly recorded.

The development of the forms adaptable to machine bookkeeping will answer the requirements of Principle Number Ten that the accounting system should lend itself to machine accounting. The incorporation of instructions in the handbook for the use of an encumbrance system will assure that

¹⁷The best example of such handbooks, in the opinion of the author, may be found in New York, although they are also used in Tennessee, Arkansas and Minnesota.

suggested accounting system. However, the results of the study were not uniformity than would likely result in a more uniform system. The State Department of Education, in cooperation with the Chief of the State Board of Education, and a representative of local educational authorities, developed forms that would be uniform for the entire State. The forms should be of such nature that they could be used, but at the same time, they should lend themselves readily to various bookkeeping systems for the use of the forms and may be of assistance should be developed, and presented through an accounting handbook. This plan is well suited to certain systems. Part of the handbook should be devoted to the development of using a system of encumbrances so that the application of school districts might be properly recorded. The development of the forms should be such that bookkeeping will answer the requirements of various systems. Then that the accounting system should be suitable for the accounting. The incorporation of encumbrances in the handbook for the use of an encumbrance system will answer that

¹⁷ The best example of such a handbook, in my opinion, of the author, may be found in the "Encumbrance System" also used in Tennessee, Arkansas and Minnesota.

Principle Number Six is being fulfilled.

Warrant Register. The Warrant Register or Warrant Journal should be a book of original entry. All warrants drawn should be entered first on the Warrant Register, in which a column will note the account to which the warrant is to be charged. The distribution sheets should be posted from the Warrant Register monthly, or more often if time allows and necessity demands.¹⁸ The distribution ledgers may be used as books of original entry for the transfer of funds to clearing accounts, or in order to encumber funds. Those transfers should be posted from the distribution ledger to the Control Accounts. Where book account transfers have been made between funds, then the warrants drawn should be posted from the Warrant Register to the clearing account to which the transfer has been made. Postings should then be made from the clearing account to the Cash and Budget Accounts in the Control accounts.

ADAPTATION OF PRESENT SYSTEM IN NEW MEXICO TO A PLAN
FOLLOWING SOUND AND ACCEPTED PRINCIPLES

¹⁸ Engelhardt and Engelhardt, op. cit., p. 576.

Principle Number Six is being fulfilled.

Warrent Register. The Warrent Register or Journal should be a book of original entry. All entries drawn should be entered first in the Warrent Register, in which a column will note the account to which the warrent is to be charged. The distribution sheets should be posted from the Warrent Register monthly, or more often if time allows and necessary demands. The distribution registers may be used as books of original entry for the transfer of funds to clearing accounts, or in order to encumber funds. Those transfers should be posted from the distribution ledger to the General accounts. Where book account transfers have been made between funds, then the warrent drawn should be posted from the Warrent Register to the clearing account to which the transfer has been made. Postings should then be made from the clearing account to the Cash and Budget accounts in the General accounts.

ADAPTATION OF TREASURY SYSTEM IN NEW MEXICO TO A PLAN
FOLLOWING SOUND AND ACCEPTED PRINCIPLES

In adapting the present system of financial accounting for schools in New Mexico to one based on sound and accepted principles, it should not be necessary to change any of the accounts shown in the system presented in the first part of this chapter. The receipt and expenditure account would be exactly the same. The distribution of the expenditure accounts would be the same as would be used in any acceptable system of financial accounting for schools. The subsidiary accounts and records would not be changed.

The present legal funds. If laws are unchanged, then it would be necessary to keep accounts for each of the two funds as provided by the present New Mexico school law. This requirement then would result in the use of added columns on the accounting forms. If the same budget form now used were continued, it would be necessary to make the budgets and then transfer the line items of the budget and place them in the accounting system in the accounts where they would properly belong. The budget form, however, could be changed by the Chief of the Division of Public School Finance without legislation being enacted. If this form should be changed, it should follow the system of accounting described previously. The suggested new form will be discussed in another part of

In adapting the present system of financial accounting

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this chapter.

Receipts must be divided into the revenue and non-revenue categories. This would allow for the same divisions as before, local, county, state, and federal. It would be necessary to add two columns to the receipts journal: one for Direct Charge Funds, and the other for Maintenance Funds.¹⁹

The Control Accounts would also have to reflect the status of the two funds. One more column would be added in the Cash Control Account and one more in the Budget Control Account. Each of the accounts in the Control Accounts ledger should show both Direct Charge and Maintenance, if the accounts have money budgeted from each of those funds.²⁰

The distribution ledgers should provide columns for both funds only when money is budgeted from both funds for that particular line item. Most items would still be paid from only one fund. Once payment has been made for equipment and supplies, buildings and sites, and insurance, it would

¹⁹It is obvious that if funds are to be separated into Direct Charge and Maintenance Funds, columns must be provided in the receipts journal to record such funds.

²⁰It is also obvious that the expenditure accounts must provide columns to record expenditures from the Direct Charge and the Maintenance Funds, if they are to be maintained as separate funds.

this chapter.

Receipts must be shown from the revenue fund.

Revenue categories, such as salaries, are shown as follows:

as before, local, county, state, and federal. It would be

necessary to add two more to the revenue fund, one for

Direct Charge funds, and the other for miscellaneous funds.

The total revenue fund would then be the sum of the

status of the two funds. One would be the revenue fund and the other

the Cash Control Account and one more in the revenue fund.

Account. Each of the accounts in the revenue fund

ledger should show both direct charge and miscellaneous funds.

accounts have money transferred from one to the other.

The distinction between the two funds should be maintained.

both funds only when money is transferred from one to the other.

that particular line item. That item would be the only

from only one fund. One system of funds would be maintained

and supplies, fuel, engine and other, and insurance, etc.

19 It is obvious that the funds are not the same as the
into Direct Charge and Miscellaneous funds, and that the
provided in the receipts, which is the only way to

20 It is also obvious that the revenue fund must
must provide a separate account for each of the funds.
Charge and the Miscellaneous fund, if they are to be
tained as separate funds.

make no difference whether the money was Maintenance or Direct Charge money. For this reason it should not be necessary to earmark the funds beyond the General Control ledger.

Textbooks are furnished by the State in New Mexico. The money for these is never distributed to the local districts. The districts are given credit for so much money per average daily attendance, and are allowed to draw on the account. If that money is not shown as receipts and disbursements, the picture of the cost of education in New Mexico is being distorted to that extent. To properly show this cost, it would not be necessary to make any change in the present system except to have each school district budget for "free" textbooks, and consider their cost as expenditures and the amount credited to the district as receipts.

Another weakness in present budgeting procedure is that no record is made of Debt Service. The amount of money received by each school administrative unit for debt service should be listed as receipts, and the amount spent for such service should be listed as disbursements.²¹ The true picture of financial accounting for debt service would result. In addition to this, it would also allow the school adminis-

²¹Mort and Reusser, op. cit., pp. 236, 246, 247.

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 In addition to this, it would also allow the school adminis-

trator and the school board more control and knowledge of the finances of their school district.

Another picture that is distorted in the budgeting, shown in this study, is that the amount of money the school district plans to spend for new buildings is not shown, except for the small amount that is available from the direct charge levy. The budget and the financial accounting records should show the amount of money to be received from new bond issues, and the amount the school district expects to receive from federal sources, e.g. grants under P. L. 815.

Uniform terminology needed. The multiplicity of line items included in the budgets for 1957-58 indicate a need for a uniform terminology for the proper classification of expenditure items. Chapter Four in Handbook II is devoted to definitions of expenditure accounts.²² It would be highly desirable for New Mexico school districts to follow the definitions given in Handbook II in classification of expenditure items. If such definitions were used, all expenditure items could be properly placed in the ten accounts provided

²² U. S. Department of Health, Education, and Welfare, Office of Education, Financial Accounting for Local and State School Systems, Handbook II (Washington: United States Government Printing Office, 1957), pp. 36-102.

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 tions given in Handbook II in the classification of expendi-
 ture items. If such definitions were used, all expenditures
 items could be properly placed in the categories provided.

in the new accounting system.

Each school should prorate expenses as may seem proper, but there should be at least as much breakdown as is needed in preparing the annual reports required by the state officials. In order to make financial accounting for schools as sound as school administration needs to measure efficiency, cost accounting should be used to the extent that the cost of education for elementary, junior high, and high school pupils would be a known fact, and not an inaccurate estimate. The amount expended for supplies, light, power, telephone service, etc. should be known for each school in a system.

New budget form needed. As part of an improved system, a new budget form should be developed that would allow for the use of the ten accounts listed in this chapter, and at the same time would conform to the present law. The new form could set up the ten accounts, with the line items now allowed, and conform to present law by providing two columns, one to show the amounts budgeted in each account and line item from Maintenance Funds, and the other to list the same information for the Direct Charge Funds.

The new form should also provide for each school to

in the new accounting system
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estimate. The amount expended for salaries, light, power,
telephone service, etc., should be kept for each school as
a system.

NEW BUDGET FOR 1934-35. As part of an
new budget form should be developed that would allow
for the use of the new system in the budgeting
at the same time would conform to the present law. The new
form could set up the new system, and the new law
allowed, and conform to present law. The new
one to show the annual budget, and the new law
item from Maintenance Fund, and a budget to list the
information for the Finance Committee.
The new form should also show the new law.

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show the estimated receipts for the year by source, including the amount for debt service and for capital outlay from bond issues, as well as from federal sources. The form should provide a column to show the assessed valuation of the district. The usual general information about average daily attendance, number of teachers, number of schools, etc., should be included on the new budget form.

The new budget form as suggested could be used until certain laws are changed that would permit budgeting without the restriction of separate funds for the Maintenance and Direct Charge funds. This would allow the accounting system to comply with Principle Number Two relative to conformity to existing law until the law is changed.

New Mexico law is definite in regard to annual audits of financial accounts of state agencies, as was pointed out in a preceding chapter. The accounting system suggested would therefore comply with Principle Number Nine regarding audits.

The accounting system proposed in this chapter would be adequate to record all the financial transactions of a school district. The system would be as simple to operate as could be possible and still provide for an adequate accounting of the business activities of schools. Principle

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Number Eleven requiring that the system of accounting be as simple as is consistent with adequacy would be achieved with the proposed new system.

It was pointed out that the reporting and accounting forms, when prepared, should conform with requests from state and national offices. The proposed accounting system would follow practices that are uniform with other states, and be developed so as to give the information requested by state and national forms. Principle Number Eight would therefore be met.

SUMMARY

Certain statutory provisions regarding school funds determine the system of accounting followed in the schools in New Mexico. This chapter presented the statutory provisions and certain required forms that serve to limit the effectiveness of financial accounting for New Mexico schools. Reasons were given to show why changes in the laws of the state would be necessary before a completely adequate system of financial accounting for the schools could become a reality.

A system of accounting based upon sound principles of school accounting was devised. The system made provisions

Number Eleven teaching that the system of accounting is a
single as is consistent with the proposed new system.

It was pointed out that the system of accounting
forms, when prepared, should contain all the necessary
state and national elements. The proposed system
would follow practice that are uniform with other states
and be developed so as to give the information required
state and national forms. Principles should be uniform
therefore be met.

SUMMARY

Certain statutory provisions regarding school forms
determine the system of accounting to be used in
New Mexico. This chapter presented the statutory provisions
and certain required forms that serve to illustrate the
diversity of financial accounting for New Mexico schools.
Reasons were given to show why changes in the form of the
state would be necessary before a completely uniform system
of financial accounting for the schools could be achieved.
ity.
A system of accounting for the schools is
school accounting was covered. The system of accounting

for adequate accounting for receipts and disbursements, and proposed subsidiary records to make it complete. Uniform terminology was suggested as a prerequisite for use with the system.

The last section of the chapter suggested steps for adapting the present New Mexico system of accounting to one based upon sound principles, and at the same time, one that would conform to the present law regarding funds. The same system was recommended that was presented earlier in the chapter, with enough variations in procedure and accounting forms to make the system workable. This system would be recommended until the laws can be changed. It was shown how New Mexico budget practice may be followed in the adapted system of accounting.

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CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This final chapter (1) presents a concise summary of significant findings of the study, (2) lists the logical conclusions based on the findings of the study, and (3) states the recommendations for further study in fields related to financial accounting for schools.

I. SUMMARY

The development of a uniform system of financial accounting for the public schools has been a long and difficult process. It is possible that complete uniformity may never be achieved. If control of education continues to rest with each state, the fifty states in the union will have difficulty in developing accounting systems that will be entirely uniform.

The cooperative efforts of educational agencies seeking the development of uniformity in school financial accounting have culminated in the publication, by the U. S. Office of Education, known as Handbook II. By furnishing a common pattern, this handbook may do more to bring about uniformity in accounting practices than all the previous

THE DEVELOPMENT OF THE CONCEPT OF THE STATE

This chapter (1) presents a general survey of

significant changes of the state, (2) discusses the

conclusions based on the study of the state, and (3)

states the recommendations for further study in this

related to the study of the state.

1. INTRODUCTION

The development of a state is a process of

accounting for the political system and its

development. It is a process of

never be achieved. It is a process of

rest with each state, the state is in the

have difficulty in developing a state which will be

entirely different.

The development of a state is a process of

ing the development of a state is a process of

accounting have been used in the development of a state.

Office of the Secretary of the State, the

common pattern, the state is in the

uniformity in accounting for the state.

efforts combined.

Review of related literature. A review of the literature in the field of financial accounting revealed a number of points on which there seemed to be general agreement. Some diversity of opinion was found to exist concerning other points. The important ideas on which there seemed to be agreement may be stated as follows:

1. Uniformity of terminology and classification is progressing through the encouragement of state and national associations.
2. Compliance with statutes pertaining to budgeting and accounting is necessary, but there should be constant effort to amend legislation that is detrimental to adequacy.
3. Financial receipts should be identified under the two main categories of revenue and non-revenue, by source.
4. The three classifications of expenditures recommended are (a) current expense, (b) debt service, and (c) capital outlay.
5. More cost accounting is needed in order to have comparative cost figures that are meaningful.
6. Intensive studies should be made in the field of property accounting.
7. School accounts should be audited annually by independent auditors.

The following ideas reflect diverse opinions:

1. School administrators should be prepared to supervise an adequate system of financial accounting, with simplicity being a secondary consideration.
2. A state auditor should never exercise undue authority over the budget and the budgetary process.
3. Depreciation may be included in the accounting system primarily for insurance purposes, but if it is included as a cost of education, reserve funds

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1. Uniformity of terminology and classification is progressing through the endorsement of a code and national association.
2. Compliance with statutory provisions is necessary and accounting is necessary, but there should be some effort to amend legislation that is detrimental to adequacy.
3. Financial records should be centralized under the two main categories of revenue and non-revenue, by source.
4. The three classifications of expenditures recommended are (a) current expenses, (b) fixed expenses, and (c) capital outlay.
5. More cost accounting is needed in order to have comparative cost figures that are meaningful.
6. Inventive studies should be made in the field of property accounting.
7. School accounts should be audited annually by independent auditors.

The following ideas reflect divergent opinions:

1. School administrators should be prepared to operate an adequate system of financial accounting with simplicity based on necessary consolidation.
2. A state auditor should never exercise audit authority over the budget and the budgetary process.
3. Depreciation may be included in the accounting system primarily for insurance purposes, but it is included as a cost of education, revenue funds.

should be established to replace depreciated property.

4. Machine accounting is economically feasible in schools having enrollments of twenty-five hundred or more pupils.
5. Cost accounting should not be carried to the extreme so that too much time, effort, and money are expended for the saving and additional information that might result.

Principles abstracted. The establishment of a sound and adequate system of financial accounting for schools should have as a basis some principles drawn from approved practice and study. Principles based upon studies by recognized experts in the field, and practices followed in other states, should serve as the foundation of an adequate system of accounting for schools in New Mexico.

A total of eleven principles of significance were found in the literature. These came from statements having some of the characteristics of principles governing accounting practices in schools.

New Mexico statutes. By legislative action, the State Department of Education and the Division of Public School Finance each has the authority to devise accounting systems for the public schools. The State Superintendent of Public Instruction is given authority to develop accounting systems for local schools in handling funds from federal sources.

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Department of Education and the Division of Public School Finance each has the authority to devise accounting systems for the public schools. The State Superintendent of Public Instruction is given authority to develop accounting systems for local schools in handling funds from federal sources.

The Chief of the Division of Public School Finance is authorized to prepare accounting forms and records for the local schools, to supervise the preparation and give final approval of the budgets, and to see that budgets maintain the division of funds into the two sections: Maintenance and Direct Charge.

In New Mexico the budget format is set by legislation, and even the line items of the budgets are limited by law. A study of the school budgets for all school units in the state revealed that neither the budget makers nor the Chief of the Division of Public School Finance let such limitation deter them in budget preparation. Although only twenty-one items were included in the budget format required by law, there were one hundred seven items allowed in the Maintenance division of the budgets for 1957-58.

Thirteen items were listed by law in the Direct Charge section of the budget, with one additional item that allowed for other items necessary for the operation of schools. This restriction should provide some uniformity in budget items allowed. The study showed, however, that two hundred fourteen different items were being allowed in the Direct Charge section of the budgets for 1957-58. In all, there were three hundred twenty-one different items approved

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in the 1957-58 budgets. The budgets were prepared by some ninety-five different school administrative units, but were reviewed and approved by the Chief of the Division of Public School Finance. Some identical items were allowed by different administrative units under entirely different budget classifications.

New Mexico accounting and sound principles.

A. An analysis of the accounting practices in New Mexico revealed that the New Mexico practices meet the requirements of only three of the eleven principles abstracted from the literature. The three principles met were as follows: (1) the accounting system should conform to existing laws until legislation can be enacted to remove statutes that hinder sound financial accounting for schools; (2) the accounts should be audited by an independent auditor annually; and (3) the accounting system should lend itself easily to machine bookkeeping.

B. Before an adequate system of school financial accounting could be developed in New Mexico, it was found that four laws would need to be removed from the statute books: (1) the law that requires school moneys be divided into two funds, Maintenance and Direct Charge; (2) the law that

in the 1957-58 budget. The budget was prepared by the
ninety-five different school administrative units
reviewed and approved by the Chief of the Bureau of
School Finance. Some identical items were listed by
parent administrative units under different headings.
classifications.

New Mexico Accounting and Control System

A. An analysis of the accounting system in New
Mexico revealed that the New Mexico system was not the
representative of only three of the eleven principles
set from the literature. The three principles were as
follows: (1) the accounting system should be a
law until legislation can be enacted to remove
uses that hinder sound financial accounting for schools.
(2) the accounts should be audited by an independent
annually; and (3) the accounting system should be
itself easily to machine bookkeeping.

B. Before an adequate system of school accounting
accounting could be developed in New Mexico, it was found
that four laws would need to be removed from the statute
books: (1) the law that requires school districts to have
two funds, Maintenance and Direct Charges; (2) the law

establishes the format for budget making; (3) the laws that remove budget preparation and control from the hands of the local board of education; and (4) the law that prevents the distribution of school funds directly to the local school district.

Acting upon the assumption that such laws were not in existence, an accounting system was devised, based upon sound principles abstracted from the literature. The receipt and expenditure accounts provided in the system conform to recommended practice for all states.

The Receipts Journal provides for estimated receipts and actual receipts. The Control Ledger includes, in addition to the expenditure accounts, control accounts for cash and for the budget. The distribution ledgers would not show receipts, except the amount allowed for each line item in the budget. Transfers between accounts would be handled by Clearing Accounts. The Warrant Register would record all warrants drawn, and would be a book of original entry. Posting from the Warrant Register to the distribution ledgers may be done daily; posting from the distribution ledgers to the Control Ledger need be done only once each month, at which time the totals for the month may be posted.

To adapt the present system used in New Mexico to the

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To adapt the present system used in New Mexico to the

one recommended in this study would require a new budget form that would allow a separation of funds into Maintenance and Direct Charge, but would follow the recommended classification of accounts for receipts and disbursements. Additional columns would be required in the control accounts and distribution ledgers for recording expenditures by funds, Maintenance and Direct Charge. The same classification of accounts would be used as in the recommended system, also the same clearing accounts and subsidiary records.

II. CONCLUSIONS

1. By the standards of authorities in the field of school accounting, the present New Mexico financial accounting system for public schools is inadequate.
2. A financial accounting system for the public schools of New Mexico which would meet all accepted standards ideally could not be adopted without some change in statutory provisions.
3. The chief deficiencies of the New Mexico system of financial accounting for schools are: (a) inadequate accounting for receipts, (b) improper classification of expenditure accounts, (c) inadequate accounting for property and stores, (d) lack of the use of clearing accounts, (e)

insufficient cost accounting provided, and (f) lack of uniformity of terminology.

4. It is highly desirable for any state to follow an accounting system which is in agreement with the report forms which are to be submitted to the U. S. Office of Education.

5. The system of accounting growing from this study meets all the principles of sound financial accounting for schools as abstracted from the literature in this study.

III. RECOMMENDATIONS

1. It is recommended that the State Department of Education in New Mexico, in cooperation with the Chief of the Division of Public School Finance, take steps to see that the New Mexico public schools change the present system of financial accounting to the plan suggested in this study, or one that meets the same criteria.

2. It is recommended that statutory provisions be enacted to allow the adoption of a system of sound financial accounting for schools in New Mexico.

3. It is recommended that the institutions of higher learning in New Mexico offering credit in school administration be urged to include work in school financial accounting

institutions and the public mind, and the

formity of terminology.

4. It is highly desirable that every school should

an accounting system which is as simple as possible

forms which are to be submitted to the State Office of

control.

5. The system of accounting proposed in this report

meets all the requirements of a sound financial system for

schools as recommended by the Committee in this report.

III. RECOMMENDATIONS

1. It is recommended that the State Department of

Education in New Mexico, in cooperation with the State Board of

the Division of Public School Finance, make every effort to

that the New Mexico public schools should be placed upon a

of financial accounting to the State Department of Education

or one that meets the same purpose.

2. It is recommended that the State Department of

be enacted to allow the adoption of a system of financial

accounting for schools in New Mexico.

3. It is recommended that the State Department of

learning in New Mexico should be placed upon a sound financial

tion be urged to include with the financial statement a statement

in a course in their offerings.

4. It is recommended that a handbook of instructions be developed to assist administrators in following whatever financial accounting system is adopted for schools of the state.

5. It is recommended that the entire area of school business management in New Mexico be studied toward the end that better business practices will result.

in a course in their offerings.

4. It is recommended that a handbook of instruction

be developed to assist administrators in following whatever

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business management in New Mexico be studied toward the end

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COLLEGE CONTENT

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APPENDIX

IN RE: J. C. WILSON
JAN 10 1910
U.S. DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

APPENDIX A

PRINCIPLES OF GOVERNMENTAL ACCOUNTING

The principles of governmental accounting are quite similar to those governing financial accounting for schools. Because of the similarity, the following principles of governmental accounting are included in the Appendix of this study.

1. A municipal accounting system must make it possible: (1) to show that legal provisions have been complied with, and (2) to reflect the financial condition and financial operations of the municipality.
2. If legal and sound accounting provisions conflict, legal provisions must take precedence. It is, however, the finance officer's duty to seek changes in the law which will make such law in harmony with sound accounting principles.
3. The general accounting system should be on a double-entry basis, with a general ledger in which all financial transactions are recorded in detail or in summary. Additional subsidiary records should be kept, where necessary.
4. Every municipality should establish the funds called for, either by law or by sound financial administration. It should be recognized, however, that funds introduce the elements of inflexibility in the financial system. Accordingly, consistent with legal provisions and requirements of sound financial administration, as few funds as possible should be established.
5. Depending on the legal and financial requirements mentioned immediately above, the following types of funds are recognized: (1) General, (2) Special Revenue, (3) Working Capital, (4) Special Assessment,

PRINCIPLES OF GOVERNMENTAL ACCOUNTING

The principles of governmental accounting are similar to those of private accounting, but with certain differences. The principles of governmental accounting are based on the following assumptions:

1. A governmental accounting system must be designed to show the financial position and operations of the government as a whole, and of its various departments and agencies.
2. It must be based on the accrual basis of accounting, and must be able to measure the financial position and operations of the government in terms of money.
3. It must be able to measure the financial position and operations of the government in terms of money, and must be able to measure the financial position and operations of the government in terms of money.
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5. It must be able to measure the financial position and operations of the government in terms of money, and must be able to measure the financial position and operations of the government in terms of money.

(5) Bond, (6) Sinking, (7) Trust and Agency, and (8) Utility or Other Enterprise. This classification of funds to the extent required should be followed in the budget document and in the municipality's financial reports.

6. A complete balancing group of accounts should be established for each fund. This group should include all of the accounts necessary to set forth the financial condition and financial operations of the fund and to reflect compliance with legal provisions.

7. A clear segregation should be made between the accounts relating to current assets and liabilities and those relating to fixed assets and liabilities. With the exception of Working Capital, Utility or Other Enterprise, or Trust Funds, fixed assets should not be carried in the same fund with the current assets, but should be set up in a self-balancing group of accounts known as the General Fixed Assets Group of Accounts. Similarly, except in Special Assessment and Utility Funds, long-term liabilities should not be carried with the current liabilities of any fund, but should be shown in a separate self-balancing group of accounts forming part of the General Bonded Debt and Interest group of accounts.

8. The fixed asset accounts should be maintained on the basis of original cost, or the estimated cost, if the original is not available, or, in the case of gifts, the appraised value at the time received.

9. Depreciation on general municipal fixed assets should not be computed unless cash for replacements can legally be set aside. Depreciation on such assets may be computed for unit cost purposes even if cash for replacements cannot legally be set aside, providing these depreciation charges are used for memorandum purposes only, and are not reflected in the accounts.

10. The accounting system should provide for budgetary control for both revenues and expenditures, and the financial statements should reflect, among other things, budgetary information.

11. The use of the accrual basis in accounting for

(5) Bond, (6) Stock, (7) Trust and Agency, and (8) Utility or Other Enterprises. This classification of funds to the extent reported should be followed in the budget documents and in the financial reports.

6. A complete balancing group of accounts should be established for each fund. This group should include all of the accounts necessary to set forth the financial condition and financial operations of the fund and to reflect compliance with legal provisions.

7. A clear separation should be made between the accounts relating to current assets and liabilities and those relating to fixed assets and liabilities. With the exception of Working Capital, Utility or Other Enterprises, or Trust Funds, fixed assets should not be carried in the same fund with the current assets, but should be set up in a self-balancing group of accounts known as the General Fixed Assets Group of Accounts. Similarly, except in Special Assessment and Utility Funds, long-term liabilities should not be carried with the current liabilities of any fund, but should be shown in a separate self-balancing group of accounts forming part of the General Funded Debt and Interest group of accounts.

8. The fixed asset accounts should be maintained on the basis of original cost, or the estimated cost, if the original is not available, or, in the case of gifts, the appraised value at the time received.

9. Depreciation on general nondepreciable fixed assets should not be computed unless cash for replacement can legally be set aside. Depreciation on such assets may be computed for unit cost purposes even if cash for replacement cannot legally be set aside, providing these depreciation charges are used for replacement purposes only, and are not reflected in the accounts.

10. The accounting system should provide for adequate control for both revenues and expenditures, and the financial statements should reflect, among other things, budgetary information.

11. The use of the accrual basis in accounting for

revenues and expenditures is recommended to the extent applicable. Revenues, partially offset by provisions for estimated losses, should be taken into consideration when earned, even though not received in cash. Expenditures should be recorded as soon as liabilities are incurred.

12. Revenues should be classified by fund and source; and expenditures by fund, function, department, activity, character, and by main classes of objects, in accordance with standard classifications.

13. Cost accounting systems should be established wherever costs can be measured. Each cost accounting system should provide for the recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job. Although depreciation on general municipal fixed assets may be omitted in the general accounts and reports, it should be considered in determining unit costs if a cost accounting system is used.

14. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports.

revenues and expenditures as compared to the year
applied. Revenues, particularly those by private
for estimated losses, should be taken into consideration
when annual, even though not entered in cash. Expenses
must also be recorded as when in practice and
incurred.

12. Revenues should be classified by kind and
source; and expenditures by kind, function, and source.
Activity, character, and by kind should also be noted.
In accordance with standard classification.

13. Cost accounting systems should be established
whenever costs can be measured. When cost accounting
system should be established for the purpose of the
cost of each item or service, for the purpose of
costs to be measured, or for the purpose of a cost
of work or a product. The cost accounting system
general material and service costs should be included in
general account and should be included in the
accounting and costs in a standardizing system is
used.

14. A common terminology and classification should
be used consistently throughout the budget, the accounts,
and the financial reports.

APPENDIX B

GUIDE POSTS IN SCHOOL BUSINESS MANAGEMENT

The following general guides in school business management were found in the School Business Management Handbooks developed by the State Education Department of New York. They are also important as guides in the field of financial accounting for schools.

1. The public schools are in operation to educate and to assist in bettering conditions for the people and, in particular, the youth. There are real limitations to getting accurate measurements of this success. The accounting and reporting program should recognize both the objectives and the problems. Meanings should not be read into data which cannot be scientifically supported.

2. Schools are not operated for a financial profit motive. The balance sheet report of a school district's operations has different implications from one for a private business concern.

3. School districts are interested in economy of operation within a concept of obtaining desired quality staff, materials and other items at the most reasonable cost possible. The business records should assist in achieving this goal.

4. School districts are public political subdivisions in which untrained lay citizens may be actively involved in responsible managerial positions as a result of the democratic process. The accounting and reporting records must be susceptible to utilization and interpretation by these people. Administrative adjustments in methods and procedures will therefore occur which may seem unnecessary or burdensome to a person highly trained or considerably experienced in complex accounting practices.

5. Statutes and other responsible directives will have an impact on school district accounting and reporting. The public welfare requires adherence to these limitations until and unless they are changed by the orderly process established in the law.

6. School districts must operate on a system of appropriations and authorizations. The accounting and reporting methods should facilitate compliance with these grants for as long as they remain conscionable and sufficient, and should indicate the need for changes.

7. These records provide a demonstration of the public stewardship of the board, the district officers, and the administrators. They should be audited periodically by competent and disinterested parties, and the resulting reports made public.

8. For purposes of public reporting and comparison, a standard system of terminology, classification, and reporting is desirable. Local adjustments should be built around compliance with these factors.

9. Nothing is so permanent about school district accounting and reporting that it cannot be changed. However, changes should come from active research into ways to make the methods and procedures better able to help schools educate people, and not merely because of analysis factors totally unrelated to the successful administration of public education.

5. Statutes and other responsible directives will have an impact on school district accounting and reporting. The public will have influence on these limitations until and unless they are changed by the orderly process established in the law.

6. School districts must operate on a system of appropriations and expenditures. The accounting and reporting methods should facilitate compliance with these grants for as long as they remain applicable and efficient, and should indicate the need for changes.

7. These records provide a demonstration of the public stewardship of the board, the district officers, and the administrators. They should be audited periodically by competent and distinguished parties, and the resulting reports made public.

8. For purposes of public reporting and comparison, a standard system of terminology, classification, and reporting is desirable. Local adjustments should be built around compliance with these factors.

9. Nothing is so permanent about school district accounting and reporting that it cannot be changed. However, changes should come from active research into ways to make the methods and procedures better able to help schools educate people, and not merely because of analysis factors totally unrelated to the educational administration of public education.

APPENDIX C

ALPHABETICAL LIST OF SUPPLIES AND EQUIPMENT

Presented on the following pages is a list of supply and equipment items, as shown in Handbook II, pages 193-213. Supply items are indicated by the letter S, and the equipment items are indicated by the letter E appearing after the items.

A

Abrasives--S	Ammonia--S
Absorbent Cotton--S	Ampules--S
Account Books--S	Anatomical Charts--S
Accounting Forms--S	Anatomical Models--E
Accounting Machines--E	Andirons--E
Acetylene--S	Anemometers--E
Achievement Tests--S	Anesthetics--S
Acids--S	Aniline Dyes--S
Adding Machine Ribbons--S	Animal Boxes--S
Adding Machines--E	Anti-freeze--S
Addressing Machine Plates--S	Antiseptic Gauze--S
Addressing Machine Ribbons--S	Antiseptics--S
Addressing Machine Stencils--S	Antitoxins
Addressing Machines--E	Apparatus Cabinets--E
Adhesive Tape--S	Applicators, Throat--S
Adzes--S	Aprons--S
Air, Compressed--S	Aquariums--E
Air Compressors--E	Arc Welding Apparatus--E
Air Conditioning Units, Casement--E	Arch Supports--S
Air Gauges, Tire--S	Archery Sets--S
Air Hoists--E	Architect's Scales, 1 in. Meas.--S
Albums--S	Armature Growlers--E
Alcohol--S	Arrows--S
Alidades, Telescopic--E	Art Canvases--S
Alignment Gauges, Camber, Toe-in, etc.	Art Crayons--S
	Art Erasers--S
	Art Paints--S

Art Paper--S	Automatic Regulating Valves--S
Asbestos--S	Automobile Accessories--S
Ash Cans--S	Automobile Controls for
Asphalt--S	Handicapped Persons--S
Asphalt Roofing and Siding--S	Automobile Defrosters--S
Astringents--S	Automobile Fuel Tanks--S
Astrographs, Wall--E	Automobile Heaters--S
Athletic Uniforms--S	Automobile Lifts--E
Atlases--S	Automobile Signals--S
Atomizers--S	Automobile Tires and Tubes--S
Audiometers--E	Automobiles--E
Auger Bits--S	Awls--S
Augers--S	Axes--S
Autoclaves--E	

B

Babbit Metal--S	Barometers--E
Badges--S	Barrels--S
Badminton Rackets--S	Bars, Horizontal, Portable--E
Bags, Laundry--S	Baseballs--S
Baking Pans--S	Bases, Baseball--S
Baking Powder--S	Bases, Electric Lamp--S
Baking Soda--S	Basins, Portable--S
Balances, Beam--E	Basketball Shoes--S
Balances, Small Spring--S	Basketballs--S
Baling Presses, Compression	Baskets, Container--S
Moulding--E	Bath Curtains--S
Ball Bearings--S	Bath Mats--S
Ball Peen Hammers--S	Bath Robes--S
Balloons--S	Bathtub Fittings--S
Ballot Boxes--S	Batons--S
Balls--S	Bats--S
Band Instruments--E	Batteries, Electric--S
Band Saw Blades--S	Battery Chargers--E
Band Saws--E	Battery Elements--S
Bandages--S	Batting, Cotton--S
Bands, Rubber--S	Beads, Arts and Crafts--S
Banners--S	Beakers--S
Barber Shop Tools, Elec-	Bean Bags--S
trical--E	Bearings, Ball--S
Barber Shop Tools, Hand--S	Bearings, Roller--S
Barber Type Furniture--E	Beaters, Egg, Electric--E
Barographs--E	Beaters, Egg, Hand--S

Beauty Class Furniture--E	Blood Plasma Cabinets--E
Bed Pans--S	Blood Pressure Apparatus--E
Bed Spreads--S	Blotter Holders--S
Bed Springs--S	Blotter Pads--S
Bedding--S	BlotTERS--S
Beds--E	Blowpipes--S
Beef Extract--S	Blue Print Machines--E
Beeswax--S	Blue Print Paper--S
Bellows, Hand--S	Bluing--S
Bellows, Power--E	Boards, Bread--S
Bells, Small Hand or Desk--S	Boards, Bulletin, Portable--E
Belt Dressings--S	Boards, Carrom--S
Bench Stops--S	Boards, Checker--S
Benches--E	Boards, Drawing--S
Benzene--S	Boards, Emery--S
Bevels--S	Boards, Ironing--S
Bicycle Racks, Portable--E	Boards, Lumber--S
Bicycles--E	Boards, Mounting--S
Billheads--S	Boards, Sandwich--S
Billing Machines--E	Boards, Wash--S
Binders, Agricultural--E	Boats or Canoes--E
Binders, Looseleaf--S	Bobbins--S
Binding Cloth--S	Bodies, Bus--E
Binding Cord--S	Bodies, Truck--E
Biological Charts--S	Bodkins--S
Biological Models--E	Boiler Cleaners--S
Biology Specimens--S	Boiler Compounds--S
Bit Braces--S	Boiler Firing Tools--S
Bit Tools--S	Bolt Cutters--S
Bits--S	Bolts--S
Blackboard Pointers--S	Bond Paper--S
Blackboards, Portable--E	Book Cards--S
Blackboards, Small Slate--S	Book Ends--S
Bladders--S	Book Jackets--S
Blades, Saw--S	Book Plates--S
Blankets--S	Book Pockets--S
Blanks, Printed--S	Book Records--S
Bleachers, Portable--E	Book Stacks--E
Bleaches--S	Book Trucks--E
Blocks, Hat--S	Bookbinding Machinery--E
Blocks, Kindergarten--S	Bookcases, Sectional--E
Blocks, Surface Hardened--S	Bookcloth--S
Blocks, Terminal--S	Bookcovers--S
Blood Analysis Apparatus, Complete--E	Bookkeeping Forms--S
	Bookkeeping Machines--E

Books, Cash--S
 Books, Composition--S
 Books, Library--E
 Books, Looseleaf Note--S
 Books, Record--S
 Books, Text--S
 Boring Machines, Precision
 Table or Vertical
 Types--E
 Bottle Syphons--S
 Bottles--S
 Bowling Alley Pins--S
 Bowls--S
 Bowls, Water Closet--S
 Bows, Archery--S
 Box Files, Cardboard--S
 Boxes, Electrical--S
 Boxing Gloves--S
 Boxing Rings, Complete--E
 Boyle's Law Apparatus,
 Complete Unit--E
 Brake Lining--S
 Brake Lining Machines--E
 Brakes, Complete Replacement
 Units--S
 Brakes and Folders, Hand
 or Power--E
 Brass Polishes--S
 Brass Rods--S
 Brass Sheet--S
 Bread Boards--S
 Bread Knives--S
 Bread Pans--S
 Bread Slicers, Mechanical--E
 Bread Toasters, Electrical--E

Breakers, Circuit--S
 Bricks--S
 Bridges, Wheatstone and
 Similar--E
 Bridles--S
 Briefcases--S
 Broilers, Electric--E
 Bronze, Casting--S
 Bronzing Liquid--S
 Brooms, Hand--S
 Brooms, Power Driven--E
 Brushes--S
 Buck Saws--S
 Buckets--S
 Buffers, Electric--E
 Bug Sprays--S
 Bulbs, Electric Light--S
 Bulbs, Flower--S
 Bulletin Boards, Portable--E
 Bunting--S
 Burettes--S
 Burlap--S
 Burners, Bunsen--S
 Bus Accessories--S
 Bus Repair Parts--S
 Bus Tickets--S
 Bus Tires and Tubes--S
 Bus Tokens--S
 Bus Wagons--E
 Buses--E
 Bushings--S
 Butter Spreaders--S
 Buttons--S
 Buttons, Push--S
 Buzzers--S

C

Cabinets, Apparatus--E
 Cabinets, Beverage Cooling,
 Ice or Electric--E
 Cabinets, Filing--E
 Cabinets, Frozen Food
 Storage--E

Cabinets, Ice Cream, Ice or
 Electric--E
 Cabinets, Laboratory--E
 Cabinets, Lantern Slide--E
 Cabinets, Print, Drafting--E
 Cabinets, Printing, Galley--E

Cabinets, Printers, Type--E	Carpets--E
Cabinets, Supply--E	Carrom Boards--S
Cable--S	Carrom Cues--S
Cake Knives--S	Carrom Rings--S
Cake Pans--S	Carving Knives--S
Cake Soaps--S	Cases, Brief--S
Calcimine--S	Cases, Cardboard--S
Calculating Machines--E	Cases, Display--E
Calendar Pads--S	Cases, File--E
Calendar Stands--S	Cases, Laboratory--E
Calendars--S	Cases, Supply--E
Calico--S	Cases, Type--E
Calipers--S	Cash Boxes--S
Call Bells--S	Cash Registers--E
Calorimeters, Continuous Flow--E	Casting Bronze--S
Calorimeters, Electric--E	Catalogue Cards--S
Cameras, Motion Picture--E	Catches--S
Cameras, Still--E	Cattle--E
Can Covers--S	Caulking Compounds--S
Can Openers--S	Caulking Irons, All Sizes--S
Candles--S	Caustics--S
Candlesticks--S	Cellophane--S
Canes--S	Celluloid--S
Canners--E	Cement, Construction--S
Canoes--E	Cement, Liquid--S
Cans, Ash--S	Centering Machines--E
Canvas--S	Centrifuges--E
Caps, Metal--S	Certificates--S
Carbide--S	Chafing Dishes--S
Carbon Dioxide--S	Chain Hoists--E
Carbon Paper--S	Chains--S
Carbon Ribbons--S	Chains, Tire--S
Carborundum Stones--S	Chair Pads--S
Carburetors--S	Chairs--E
Card Holders--S	Chairs, Folding--E
Card Punching and Sorting Devices--E	Chalks--S
Card Racks--E	Chamois--S
Card Tables--E	Change Holders--S
Cardboard--S	Charcoal--S
Cardboard Boxes--S	Charge Slips--S
Cards--S	Chargers, Battery--E
Carpenter's Squares--S	Chart Stands--E
Carpet Beaters--S	Charts--S
	Chassis, Bus--E
	Chassis, Truck--E

Check Handling Machines--E	Coat Hangers--S
Check Writers--E	Coat Hooks--S
Checkbooks--S	Cocoa Mats--S
Checker Boards--S	Coffee Cans--S
Cheesecloth--S	Coffee Grinders--E
Chemicals--S	Coffee Percolators, Electric--E
Chemistry Glassware--S	Coffee Pots--S
Chemistry Rubber Goods--S	Coffee Urns--E
Chinaware--S	Coin, Currency, and Check Handling Machines--E
Chisels, in Sets--E	Coke--S
Chisels, not in Sets--S	Colanders--S
Choppers, Food, Hand- Operated--S	Collapsible Tables--E
Choppers, Food, Power--E	Colored Pencils--S
Circuit Breakers--S	Colorimeters--E
Clamps--S	Coloring Dyes--S
Clay--S	Combines--E
Clay Modeling Tools--S	Combs--S
Cleaners, Flue--S	Combustion Analyzers--E
Cleaners, Steam Vapor--E	Comparators--E
Cleaners, Vacuum--E	Compasses, Blackboard--S
Cleaning Compounds--S	Compasses, Drawing--S
Clinometers, Photoelectric--E	Compasses, Magnetic--E
Clippers, Hair, Electric--E	Compasses, Magnetic, Picket--S
Clippers, Hair, Hand--S	Compounds, Chemical--S
Clips--S	Compounds, Cleaning--S
Clocks, Desk--S	Compounds, Grinding--S
Clocks, Wall--E	Compounds, Patching--S
Cloth--S	Compressed Air--S
Cloth Cutting Machines--E	Compressors, Air--E
Cloth Nets--S	Computing Machines--E
Clothes Baskets--S	Condensers, Electronic--S
Clothes Brushes--S	Condensers, Ignition Distribution--S
Clothes Dryers--E	Condiments--S
Clothes Hooks--S	Conduit Boxes--S
Clotheslines--S	Conduits and Fittings--S
Clothespins--S	Connecting Rod Aligners--E
Clutch Rebuilding Apparatus--E	Connecting Rod Boring Machines--E
Coal--S	Connecting Rod Rebabbiting Jigs--E
Coal Bags--S	Connectors, Wire--S
Coal Hods--S	Construction Paper--S
Coal Screens--S	
Coal Scuttles--S	
Coal Shovels--S	

Containers--S
 Conveyors--E
 Cookers, Pressure--E
 Cooking Stoves--E
 Cooking Utensils--S
 Coolers, Water--E
 Coping Saw Blades--S
 Copper--S
 Coppers, Soldering--S
 Copyholders--S
 Cord--D
 Cords, Electric--S
 Cores, Valve--S
 Cork--S
 Corkscrews--S
 Cornices, Metal--S
 Correction Fluid, Stencil--S
 Corrosives--S
 Corrugated Paper--S
 Costumes, Theatrical--S
 Cots--E
 Cotter Pins--S
 Cotton, Absorbent--S
 Cotton, Gauze--S
 Couches--E
 Counter Freezers--E
 Counters, Revolution and
 Stroke--S
 Countersinks--S
 Couplings--S
 Coveralls--S

Covers--S
 Crayons--S
 Crockery--S
 Crocks--S
 Cross-Section Paper--S
 Crucibles--S
 Crude Oil--S
 Crushed Rock--S
 Crystals, Watch--S
 Cues, Carrom--S
 Cultivators--E
 Culverts, Sheet Metal--S
 Cup Awards--S
 Cup Grease--S
 Cup Hooks--S
 Cupboards--E
 Cups--S
 Curling Irons--S
 Curtain Rods--S
 Curtains, Shower and Window--S
 Cuticle Pushers--S
 Cutlery--S
 Cutters, Glass--S
 Cutters, Pastry--S
 Cutters, Plane--S
 Cylinder Boring Machines--E
 Cylinder Oils--S
 Cylinder, Dictating Machine--S
 Cylinders, Gas--E
 Cylinders, Hydrometer Jar--S
 Cylinders, Mailing--S

D

Dampers--S
 Date Stamps--S
 Daters--S
 Dating Machines--E
 Decorations--S
 Deep Fat Fryers--E
 Deep Freezers--E
 Dental Abrasive Points--S
 Dental Benches--E

Dental Cabinets--E
 Dental Chairs--E
 Dental Charts--S
 Dental Drilling Apparatus--E
 Dental Drills--S
 Dental Instruments, Small--S
 Deodorizers--S
 Desk Blotters--S
 Desk Lamps--S

Desk Letter Baskets--S	Doors--S
Desk Pads--S	Dowels--S
Desks--E	Drafting Instruments--S
Developers, Photographic--S	Drafting Machines--E
Developing Tanks--S	Draglines--S
Dextrin--S	Drain Cleaners--S
Dextrose--S	Drain Pans--S
Diaries--S	Drain Plugs--S
Dictating Machine Cylinders--S	Drain Plungers--S
Dictating Machines--E	Drain Tile--S
Dictionaries, Abridged--S	Drainpipe Flushers--S
Dictionaries, Large	Drapery Cloth--S
Unabridged--E	Drapes--S
Dictionary Stands--E	Drawing Boards--S
Dies, in Sets--E	Drawing Compasses--S
Dies, not in Sets--S	Drawing Instruments--S
Diesel Engines, Integral	Drawing Paper--S
Parts of Larger Units--S	Drawing Pens--S
Diesel Engines for use in	Drawing Tables--E
Classrooms--E	Dressers, Emery Wheel--S
Diploma Covers--S	Dressings, Belt--S
Diploma Ribbons--S	Drier, Ink--S
Diploma Seals--S	Drier, Paint--S
Diplomas--S	Drier, Varnish--S
Discs, Optical--E	Drift Meters--E
Discs, Phonograph--S	Drift Pins, all Sizes--S
Dish Brushes--S	Drill Bits--S
Dish Cloths--S	Drill Points--S
Dish Pans--S	Drill Presses, Bench, Floor,
Dish Trucks--E	or Radial--E
Dishes--S	Drills, Hand--S
Dishwashing Machines--E	Drills, Power--E
Disinfectants--S	Drinking Water Coolers,
Display Cases--E	Electric or Ice--E
Display Mounts--S	Drugs--S
Dissecting Sets--S	Drums, Bass, Kettle, Snare--E
Distilled Water--S	Drums, Fiber--S
Distilling Apparatus--E	Drums, Metal--S
Distributor Boxes--S	Dry Cells--S
Distributors--S	Dry Measures--S
Ditto Machines--E	Dryers, Clothes--E
Dividers--S	Dryers, Hair--E
Doilies--S	Drygoods--S
Dolls--S	Drying Units, Infra-red--E
Door Mats--S	Dumbbells--S

Brushella--s
 Drying Units, Infra-red--s
 Drygoods--s
 Dryers, Hair--s
 Dryers, Cloth--s
 Dry Measures--s
 Dry Cells--s
 Drums, Metal--s
 Drums, Fiber--s
 Drums, Bass, Kettle, Snare--s
 Drugs--s
 Electric or Ice--s
 Drinking Water Coolers
 Drills, Power--s
 Drills, Hand--s
 or Radial--s
 Drill Presses, Bench, Floor
 Drill Polers--s
 Drill Bits--s
 Drill Pins, all sizes--s
 Drill Motors--s
 Drift, Varnish--s
 Drift, Paint--s
 Drift, Ink--s
 Dressings, Self--s
 Dressers, Wavy Wheel--s
 Drawing Tables--s
 Drawing Pens--s
 Drawing Paper--s
 Drawing Instruments--s
 Drawing Compasses--s
 Drawing Boards--s
 Drapes--s
 Drapery Cloth--s
 Drutige Finishes--s
 Drain Pipe--s
 Drain Plugs--s
 Drain Pipes--s
 Drain Cleaners--s
 Drapillies--s
 Drifting Machines--s
 Dowsing--s
 Doors--s

Door Mats--s
 Dollies--s
 Dividers--s
 Dicto Machines--s
 Distributors--s
 Distributor Boxes--s
 Distilling Apparatus--s
 Distilled Water--s
 Dissecting Sets--s
 Display Mounts--s
 Display Cases--s
 Diallectants--s
 Dishwashing Machines--s
 Dishes--s
 Dish Trucks--s
 Dish Pens--s
 Dish Cloths--s
 Dish Brushes--s
 Discs, Phonograph--s
 Discs, Optical--s
 Diplomas--s
 Diploma Seals--s
 Diploma Ribbons--s
 Diploma Covers--s
 Classrooms--s
 Diesel Engines for use in
 Parts of larger Units--s
 Diesel Engines, Internal
 Dies, not in sets--s
 Dies, in sets--s
 Dictionary Stands--s
 Unabridged--s
 Dictionaries, Large
 Dictionaries, Abridged--s
 Distating Machines--s
 Distating Machine Cylinders--s
 Disks--s
 Dextrose--s
 Dextrin--s
 Developing Tanks--s
 Developers, Photographic--s
 Desk Pads--s
 Desk Letter Racks--s

Duplicating Machine
Brushes--S
Duplicating Machine Ink--S
Duplicating Machine Paper--S
Duplicating Machine Parts--S
Duplicating Machine Rolls--S

Duplicating Machines--E
Dustcloths--S
Dusters--S
Dustpans--S
Dyes--S

E

Earthenware--S
Easels--E
Edge Tools, except
Cutting Dies--S
Educational Tests--S
Eggbeaters, Electric--E
Eggbeaters, Hand--S
Elastic--S
Electric Batteries--S
Electric Clippers, Sheep,
Horse--E
Electric Cords--S
Electric Dishwashers--E
Electric Floor Scrubbers--E
Electric Fuses--S
Electric Hot Plates--E
Electric Irons--E
Electric Lamp Bases--S
Electric Light Bulbs--S
Electric Mixers--E
Electric Sanding Machines--E
Electric Switches--S
Electric Toasters--E
Electric Tube Testers--E
Electric Vacuum Cleaners--E
Electric Waxing Machines--E
Electric Welding Apparatus--E
Electric Wires--S
Electrical Boxes--S
Electrodes--S
Electrolysis Apparatus--E
Electromagnets, Laboratory--S
Electronic Components--S
Electronic Deviation
Meters--E

Electronic Frequency Meters--E
Electronic Power Supply and
Voltage Regulators--E
Electronic Recording Devices,
Graphical and Visual--E
Electronic Tubes--S
Electronic Volt-Ohmmeters--E
Elements, Battery--S
Embossers--E
Embossing Fluid--S
Embossing Pans--S
Emery Boards--S
Emery Cloth--S
Emery Powder--S
Emery Wheel Dressers--S
Emery Sheels--S
Enamel--S
Enameled Ware--S
End Tables--E
Engineer's Scales, Measure--S
Engine Flushing Machines--E
Engines, for use in Class-
rooms--E
Engines, Integral Parts of
Larger Units--S
Enlargers--E
Envelope Sealers--E
Envelopes--S
Epsom Salts--S
Eradicator, Ink--S
Erasers, Electric--E
Erasers, Hand--S
Essences--S
Exhibit Cases--E
Exposure Meters, Camera--E

Meters--2

Electronic Deviation

Electronic Components--2

Electromagnets, Laboratory--2

Electrolysis Apparatus--2

Electrodes--2

Electrical Boxes--2

Electric Wires--2

Electric Welding Apparatus--2

Electric Waxing Machines--2

Electric Vacuum Cleaners--2

Electric Tube Testers--2

Electric Toasters--2

Electric Switches--2

Electric Sanding Machines--2

Electric Mixers--2

Electric Light Balbs--2

Electric Lamp Bases--2

Electric Irons--2

Electric Hot Plates--2

Electric Presses--2

Electric Floor Scrubbers--2

Electric Dishwashers--2

Electric Cords--2

Wires--2

Electric Clippers, Sheep

Electric Batteries--2

Elastic--2

Eggs, Eggs, Eggs

Essais--2

Earthworms--2

Exposure Meter, Camera--2

Exhibit Cases--2

Exhausts--2

Exhaust, Engine--2

Exhaust, Electric--2

Exhaustor, Ink--2

Exon Balbs--2

Envelope--2

Envelope Machine--2

Expander--2

Expander, Ink--2

Engine, Internal Parts of

Engine--2

Engine, for use in Class

Engine, Flying Machine--2

Engine, a Series, Apparatus--2

End Tables--2

Enamelled Wires--2

Enamel--2

Emery Sheets--2

Emery Wheel, Apparatus--2

Emery Powder--2

Emery Cloth--2

Emery Boards--2

Embossing Table--2

Embossing Table--2

Embossing Table--2

Electronic Voice Apparatus--2

Electronic Tubes--2

Electronic and Visual--2

Electronic Recording Device

Voices Apparatus--2

Electronic Power Supply and

Electronic Frequency Meter--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

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Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Electronic Components--2

Extensometers--E
 Extinguishers, Fire--E
 Extractors--E

Extracts--S
 Eye Charts--S
 Eyelets--S

F

Fabrics--S
 Face and Eye Shields--S
 Faces, Archery--S
 Falling Weight Rammers--E
 Fans, Electric, Portable--E
 Fasteners--S
 Fasteners, Apparel--S
 Faucets, Combination or
 Single--S
 Feldspar--S
 Felt--S
 Fencing Foils--S
 Ferrules--S
 Fertilizers--S
 Fiber Rod--S
 Fiber Sheets--S
 Fiber Tubes--S
 Fiberboard--S
 Figures, Geometrical, Models,
 in Sets--E
 File Boxes--S
 File Cards--S
 File Folders--S
 Files, Wood and Metal
 Working--S
 Filing Cabinets--E
 Filing Machines--E
 Filings--S
 Fillers, Battery--S
 Fillers, Ink--S
 Fillers, Paint--S
 Fillers, Wood--S
 Film Cement--S
 Films--S
 Filter Paper--S
 Filters, Small--S

Fingers, Rubber--S
 Fire Axes--S
 Fire Extinguisher Refills--S
 Fire Extinguishers--E
 Fire Hooks--S
 Fire Shovels--S
 Fire Tongs--S
 Fireplace Fixtures--E
 Fittings, Lubrication--S
 First Aid Kits--S
 Flags--S
 Flashlights--S
 Flasks--S
 Flat Irons, Electric--E
 Flavorings--S
 Flaxseed--S
 Flexible Cord Sets--S
 Flexible Metal Hose--S
 Flexible Metal Tubing--S
 Floats, Hydrometer--S
 Floats, Plumbing--S
 Floor Oil--S
 Floor Scrubbers, Electric--E
 Floor Waxes--S
 Flour--S
 Flower Bulbs--S
 Flowerpots--S
 Flowers--S
 Flue Cleaners--S
 Fluorescent Lamps--S
 Fluorescent Starters--S
 Fluoroscopes--E
 Flushers, Drainpipe--S
 Flush Valves--S
 Flux--S
 Flypaper--S

Fly Sprays--S	Frames, Mirror--S
Folders--S	Frames, Ophthalmic--S
Folding Chairs--E	Frames, Picture--S
Folding Tables--E	Frames, Saw--S
Food--S	Frames, Window--S
Football Dummies, Tackling--S	Freezers--E
Football Shoes--S	Freezers, Ice Cream--E
Football Uniforms--S	Frequency Meters--E
Footballs--S	Friction Tape--S
Forceps--S	Fruits--S
Forges--E	Fuels--S
Forks, Silverware--S	Fumigants--S
Forks, Spading--S	Fumigators--S
Forks, Tuning--S	Fungicides--S
Formaldehyde--S	Funnels--S
Forms, Dress--E	Furnaces, Heat Treating--E
Forms, Geometrical, Model, in Sets--S	Furnaces, Laboratory--E
Forms, Printed--S	Furnaces, Remelting, Type Metal--E
Foundry Machinery--E	Furniture--E
Frames, Blueprint--E	Furniture Polish--S
Frames, Door--S	Fuses--S

G

Gages, Tire--S	Gasoline--S
Galvanometers--E	Gasoline Dispensing Pumps, Electric--E
Galvanoscopes--E	Gasoline Dispensing Pumps, Hand Operated--S
Games--S	Gauges, Tire--S
Garbage Cans--S	Gauze--S
Garden Hose--S	Gear Cutting Machines--E
Garden Tools--S	Gears--S
Garments--S	Gelatin--S
Garnet Paper--S	Gelatin Duplicators--E
Gas Compressors--E	Gelatin Pads--S
Gas Cylinders--E	Generators, Integral Parts of Larger Units--S
Gas Mantels--S	Generators, not Integral Parts of Larger Units--E
Gas Meters, Laboratory Type--E	Geographic Globes, Large Stand Type--E
Gas Plates--E	
Gas Stoves--E	
Gases--S	
Gaskets--S	

Gas Meters, Laboratory
Gas Meters, Industrial
Gas Meters, Domestic
Gas Meters, Marine
Gas Meters, Automobile
Gas Meters, Aircraft
Gas Meters, Shipboard
Gas Meters, Railway
Gas Meters, Military
Gas Meters, Police
Gas Meters, Fire
Gas Meters, Hospital
Gas Meters, School
Gas Meters, Office
Gas Meters, Factory
Gas Meters, Warehouse
Gas Meters, Store
Gas Meters, Restaurant
Gas Meters, Hotel
Gas Meters, Apartment
Gas Meters, Office
Gas Meters, School
Gas Meters, Hospital
Gas Meters, Fire
Gas Meters, Police
Gas Meters, Military
Gas Meters, Railway
Gas Meters, Shipboard
Gas Meters, Aircraft
Gas Meters, Automobile
Gas Meters, Marine
Gas Meters, Domestic
Gas Meters, Industrial
Gas Meters, Laboratory
Gas Meters, Type--2
Gas Pliers--2
Gas Stoves--2
Gases--2
Gaskets--2
Gages, Tire--2
Galvanometers--2
Galvanoscopes--2
Games--2
Garbage Cans--2
Garden Hose--2
Garden Tools--2
Garnets--2
Garnet Paper--2
Gas Compressors--2
Gas Cylinders--2
Gas Meters--2
Gas Meters, Laboratory
Type--2
Gas Pliers--2
Gas Stoves--2
Gases--2
Gaskets--2

Geographic Globes, Small
 Desk Type--S
 Glass--S
 Glass, Watch--S
 Glass Cutters--S
 Glass Wool--S
 Glasses, Drinking--S
 Glasses, Magnifying--S
 Glasses, Ophthalmic--S
 Glassware--S
 Glaze--S
 Glides--S
 Globes, Electric Light--S
 Globes, Geographic, Large
 Stand Type--E
 Globes, Geographic, Small
 Desk Type--S
 Gloves, Rubber--S
 Glue--S
 Glycerin--S
 Goggles--S
 Graduated Measures--S
 Graph Paper--S
 Grass Seed--S
 Grass Shears, Hand
 Operated--S

Grass Shears, Power
 Operated--E
 Grates, Stove--S
 Gravel--S
 Grease--S
 Grease Guns, Air, Gun
 Only--S
 Grease Guns, Hand--S
 Grinders, Hand
 Operated--S
 Grinders, Power
 Operated--E
 Grinding Compounds--S
 Grinding Wheels--S
 Groceries--S
 Guards, Arm--S
 Guards, Lamp--S
 Guards, Shin--S
 Gummed Cloth--S
 Gummed Figures--S
 Gummed Labels--S
 Gummed Seals--S
 Gummed Tape--S
 Guns, Starting--E
 Gym Shoes--S
 Gypsum--S

H

Hacksaws--S
 Hair Clippers, Electric--E
 Hair Clippers, Hand--S
 Hair Dryers--E
 Hairpins--S
 Hall Trees--E
 Hammers, Autobody,
 Pneumatic, etc.--E
 Hammers, Ball Peen--S
 Hammers, Electric, Hand--E
 Hammers, Light Forged--S
 Hammers, Sledge--S
 Hampers--S
 Hand Bags--S

Hand Saws--S
 Hand Stamps--S
 Hand Tools, in Sets--E
 Hand Tools, not in Sets--S
 Hand Tools, Power Driven,
 Pneumatic and Electric--E
 Hand Trucks--E
 Handballs--S
 Handles--S
 Handscrews, Wood and Iron--S
 Hangers, Clothing--S
 Hangers, Hardware--S
 Hardware--S
 Harnesses--E

Harrows--E
 Hat Blocks--S
 Hatchets--S
 Headlights--S
 Heaters, Portable--E
 Heating Pads--S
 Hectographs--E
 Hemp Fibre--S
 Henna--S
 Hinges--S
 Hods, Coal--S
 Hoes, Garden--S
 Hoists, Electric or
 Pneumatic--S
 Holders, Blotter--S
 Holders, Change--S
 Holders, Copy--S
 Holders, Dictionary--E
 Hooks--S

Horns, Motor Vehicles--S
 Horses--E
 Horses, Gym Equipment--E
 Horseshoes--S
 Hose, Apparel--S
 Hose, Flexible Metal--S
 Hose, Garden--S
 Hose Clamps--S
 Hose Nozzles--S
 Hot Plates--E
 Hot Water Bottles--S
 Hurdles--E
 Hydraulic Jacks, Garage
 Type--E
 Hydrometer Floats--S
 Hydrometers--S
 Hygrometers--S
 Hypodermic Needles--S
 Hypodermic Syringes--S

I

Ice--S
 Ice Bags--S
 Ice Cream Freezers--E
 Ignition Coils--S
 Incandescent Lamps, Bulbs--S
 Index Cards--S
 Index Labels--S
 Index Tabs--S
 Indian Clubs--S
 Inductance Standards--E
 Ink--S
 Ink Drier--S
 Ink Eradicator--S
 Ink Pads--S
 Inkwells and Parts--S
 Inner Tubes, Auto--S
 Insect Nets--S
 Insect Screening--S
 Insecticides--S
 Insignia--S
 Instruments, Band and
 Musical--E

Instruments, Dental, Small--S
 Instruments, Drafting--S
 Instruments, Drawing--S
 Instruments, Medical, Small--S
 Instruments, Musical--E
 Instruments, Recording,
 Electrical--S
 Instruments, Surgical,
 Small--S
 Insulators--S
 Intelligence Tests--S
 Interferometers--E
 Interval Timers--S
 Iodine--S
 Iodoform--S
 Iron Filings--S
 Iron Gauze--S
 Ironers--E
 Iron, Sheet--S
 Iron Wedges--S
 Ironing Boards--S
 Irons, Electric--E

J

Jackets, Book--S
 Jacks, Garage Type,
 Hydraulic--E
 Jacks, Mechanical--S
 Jars--S

Jointers--E
 Joints, Plumbing--S
 Juice Extractors,
 Electric--E
 Jump Standards--E

K

Kerosene--S
 Kettles--S
 Key Racks--E
 Key Rings--S
 Keys--S
 Keyboards, Piano, Paper--S
 Keyhole Saws--S

Kilns--E
 Kitchen Tables--E
 Kitchen Utensils--S
 Kits, First Aid--S
 Knee Pads--S
 Knives--S

L

Labels--S
 Laboratory Balances, Beam--E
 Laboratory Fittings,
 Plumbing--S
 Laboratory Furniture--E
 Laboratory Glassware--S
 Laboratory Models--E
 Laboratory Mounts--S
 Laboratory Tools, Small
 Hand--S
 Lacing--S
 Lacquers--S
 Lactose--S
 Ladles--S
 Lagscrews--S
 Lamp Bases--S
 Lamp Bulbs--S
 Lamps, Desk--S
 Lamps, Drafting Table--S
 Lamps, Electric Floor--E
 Lantern Slide Cabinets--E
 Lantern Slides--S
 Lanterns--S

Lathes, Brake Drum--E
 Lathes, Engine--E
 Lathes, Turret, or Automatic
 Screw Machines--E
 Lathes, Wood Turning--E
 Laths--S
 Lawn Mowers--E
 Lawn Rollers--E
 Lawn Sprinklers, Movable--S
 Lead--S
 Lead Pencils--S
 Lead, Red--S
 Lead, Slug and Rule Casting
 Machines, Elrod--E
 Leather--S
 Leather Brief Cases--S
 Leather Working Tools, Hand--S
 Lecterns--E
 Ledgers--S
 Lenses--S
 Letter Baskets--S
 Letter Files--S
 Letter Openers--S

Jack, book-2
Jack, George-2
Jack, mechanical-2
Jack-2

Jack, book-2
Jack, George-2
Jack, mechanical-2
Jack-2

Key, book-2
Key, George-2
Key, mechanical-2
Key-2

Key, book-2
Key, George-2
Key, mechanical-2
Key-2

Laboratory, book-2
Laboratory, George-2
Laboratory, mechanical-2
Laboratory-2
Lamp, book-2
Lamp, George-2
Lamp, mechanical-2
Lamp-2
Laser, book-2
Laser, George-2
Laser, mechanical-2
Laser-2

Laboratory, book-2
Laboratory, George-2
Laboratory, mechanical-2
Laboratory-2
Lamp, book-2
Lamp, George-2
Lamp, mechanical-2
Lamp-2
Laser, book-2
Laser, George-2
Laser, mechanical-2
Laser-2

Letter Presses--E
 Letter Scales--S
 Letterheads--S
 Lettering Pens--S
 Levels, Precision
 Machinists'--S
 Levels, Small or
 Carpenters'--S
 Library Books--E
 Library Furniture--E
 Library Trucks--S
 Lifts, Vehicle--E
 Light Bulbs--S
 Light Globes--S
 Lighting Units, Blueprint-
 ing--E
 Lime--S
 Line Markers, Large Push
 Type--E
 Line Markers, Small--S
 Linens--S
 Liners, Staff, Music--S
 Liners, Type--S

Lining, Brake--S
 Lining, Cloth--S
 Linoleum--S
 Linotype Metals--S
 Linotypes--E
 Linseed Oil--S
 Liquid Bronzing--S
 Liquid Polishes--S
 Liquid Soaps--S
 Litmus Paper--S
 Livestock--E
 Loam--S
 Lockers, not Built-in--E
 Locknuts--S
 Locks, Small, not Built-in--S
 Looms--E
 Looseleaf Notebooks--S
 Lubricants--S
 Lubricating Oil--S
 Lubrication Fittings--S
 Lugs, Soldering--S
 Lumber--S

M

Machine Tools--E
 Machinery, Canning--E
 Machinery, Cement Making--E
 Machines, Adding--E
 Machines, Addressing--E
 Machines, Billing--E
 Machines, Bookkeeping--E
 Machines, Brake Lining--E
 Machines, Calculating--E
 Machines, Check Handling--E
 Machines, Coin Handling--E
 Machines, Coin Operated--E
 Machines, Dating, Power--E
 Machines, Dating, Small
 Hand--S
 Machines, Dictating--E
 Machines, Dishwashing--E
 Machines, Drycleaning--E

Machines, Duplicating--E
 Machines, Laundry--E
 Machines, Mineograph--E
 Machines, Mixing--E
 Machines, Numbering, Power--E
 Machines, Numbering, Small
 Hand--S
 Machines, Polishing--E
 Machines, Pressing--E
 Machines, Sanding--E
 Machines, Scrubbing--E
 Machines, Sewing--E
 Machines, Stamping, Power--E
 Machines, Stamping, Small
 Hand--S
 Machines, Tabulating--E
 Machines, Washing--E
 Machines, Waxing--E

Magazine Covers--S	Metals, Linotype--S
Magazine Racks, Large Stand--E	Meter Sticks--S
Magnets, Laboratory--S	Meters, Watt, Laboratory Type--E
Magnifying Glasses--S	Microfilm Readers and Viewers for Office Use--E
Mail Boxes--S	Micrometers, in Sets--E
Mallets--S	Micrometers, not in Sets--S
Manicuring Tools--S	Microprojectors--E
Manila Files--S	Microscopes--E
Manila Folders--S	Milk Cans--S
Manila Rope--S	Milking Machines--E
Map Tracks--S	Milliammeters--E
Maps--S	Milling Machines, Bench or Floor--E
Markers, Line, Large Push Type--E	Millivoltmeters--E
Markers, Line, Small--S	Mimeograph Machines--E
Matches--S	Mimeograph Paper--S
Matrix, Type--S	Mineral Wool--S
Mats, Door and Bath--S	Minerals, Laboratory--S
Mats, Gymnasium, Tumbling, Wrestling--S	Minute Books--S
Mattocks--S	Mirror Frames--S
Mattresses--S	Mirrors, Large Wall--E
Mauls--S	Mirrors, Small--S
Meal--S	Mitre Boxes--E
Meats--S	Mixers, Electric--E
Mechanical Drawing Instruments--S	Modeling Clay--S
Mechanical Pencils--S	Modeling Tools--S
Medals--S	Models, Shop and Laboratory--E
Medical Instruments, Small--S	Molding, Metal--S
Medicine Balls--S	Mop Pails--S
Medicine Cases--E	Mop Trucks--E
Medicines--S	Mop Wringers--S
Megaphones--S	Mops--S
Memo Books--S	Mortar--S
Mending Materials--S	Mortisers--E
Mesh, Steel Wire--S	Moss--S
Metabolism Apparatus--S	Motion Picture Projectors--E
Metal Polishes--S	Motor Analyzers--E
Metal Working Machinery--E	Motor Generator Sets--E
Metal Working Tools, Small, Hand Operated--S	Motor Vehicle Parts--S
Metals, Die Casting--S	Motor Vehicles--E
Metals, Laboratory--S	Motorcycles--E
	Motors, Integral Parts of Larger Units--E

Mounting Boards--S
 Mouse Traps--S
 Mowers, Lawn--E
 Mucilage--S
 Music Stands--E

Music, Sheet--S
 Musical Instruments--E
 Muslin--S
 Mustard--S

N

Nail Polishes--S
 Nails--S
 Napkins--S
 Napkins, Sanitary--S
 Neatsfoot Oil--S
 Needles--S
 Needles, Hypodermic--S
 Negative Racks--S
 Negative Tanks--S
 Nets, Cloth--S
 Nets, Steel--E
 Newspapers--S

Nibbling Machines--E
 Nickel Polishes--S
 Noise and Field Strength
 Meters--E
 Notebook Covers--S
 Notebooks--S
 Nozzles, Hose--S
 Numbering Machines,
 Power--E
 Numbering Machines, Small
 Hand--S
 Nuts--S

O

Oakum--S
 Oars--S
 Office Composing Machines,
 Varitypes, etc.--E
 Office Furniture--E
 Ohmmeters--E
 Oil--S
 Oil Cans--S
 Oilcloth--S
 Ointments--S
 Oleomargarine--S

Openers, Letter--S
 Ophthalmic Frames--S
 Optical Discs--E
 Organs--E
 Oscillographs--E
 Outlets, Electrical--S
 Outline Maps--S
 Output Meters--E
 Ovens--E
 Ovenware Dishes--S
 Oxygen--S

P

Packing--S
 Padding--S

Padlocks--S
 Pads, Chair--S

Pads, Desk--S	Pens--S
Pads, Ink--S	Percolators, Coffee,
Pads, Stamp--S	Electric--E
Pads, Typewriter--S	Periodicals--S
Pads, Writing--S	Permanent Waving Machines--E
Pails--S	Pestles--S
Paint Brushes--S	Phonograph Needles--S
Paint Drier--S	Phonograph Record Albums--S
Paint Remover--S	Phonograph Records--S
Paint Spraying Outfits--E	Phonographs--E
Paints--S	Photocopying Apparatus--E
Palettes--S	Photoelectric Cells--S
Pamphlets--S	Photoengraving Apparatus--E
Pans--S	Photograph Mounts--S
Pantographs--S	Photographic Lenses--S
Paper--S	Photographs--S
Paper Clips--S	Photometers--E
Paper Cups--S	Piano Parts--S
Paper Cutters--E	Pianos--E
Paper Fasteners--S	Picks--S
Paper Napkins--S	Picture Frames--S
Paper Punches--S	Picture Wire--S
Paper Towels--S	Pictures, Large Wall--E
Paraffin--S	Pigments--S
Parts, Radio, Resistors,	Pillows--S
Tubes, Transformers,	Ping Pong Sets--S
etc.--S	Pinking Shears--S
Parts, Repair--S	Pins--S
Paste--S	Pipe--S
Paste Brushes--S	Pipe Dies, in Sets--E
Pasteboard--S	Pipe Dies, not in Sets--S
Pasteboard Boxes--S	Pipe Fittings--S
Pastries--S	Pipe, Steel--S
Pastry Cutters--S	Pipettes--S
Patching Compounds--S	Piston Rings--S
Patterns--S	Pistons--S
Peat Moss--S	Pitchers--S
Peelers, Electrical--S	Pitch Pipes--S
Peelers, Hand--S	Pitchforks--S
Pen Points--S	Plane Cutters--S
Pencil Sharpeners--S	Planers, Power--E
Pencils--S	Planes, Hand--S
Pencils, Mechanical--S	Planing Machines, Photo-
Penholders--S	engravers--E
Penknives--S	Plaques, Permanent--E
Pennants--S	Plaster--S

Plaster, Adhesive--S	Pottery--S
Plastic Wood--S	Powders--S
Plate Glass--S	Power Sprayers and Dusters--E
Plates--S	Preservatives--S
Plates, Addressing Machine--S	Presses, Arbor--E
Plates, Battery--S	Presses, Book Bookbinders--E
Plates, Bench--E	Presses, Cylinder, Flat Bed,
Plates, Book--S	Printing--E
Plates, Hot--E	Presses, Engraving--E
Plates, Lantern Slide--S	Presses, Letter--E
Plates, Photographic--S	Presses, Lithographic or
Platforms--E	Offset Printing--E
Pliers--S	Presses, Power--E
Plows, Field--E	Presses, Punch, Foot Power--E
Plows, Snow--E	Printed Materials--S
Plugs, Drain--S	Printing Cases--E
Plugs, Spark--S	Printing Frames--E
Plumbing and Heating	Printing Ink--S
Valves--S	Printing Materials--S
Plumbing Fixture Fittings	Printing Presses--E
and Trim--S	Printing Sets, Rubber--S
Plumbs--S	Printing Type--S
Plungers, Drain--S	Prisms--S
Pockets, Book--S	Projectors, Motion Picture--E
Pointers--S	Projectors, Still--E
Points, Drill--S	Protractors--S
Polarimeters--E	Pruners, Hand--S
Polariscopes--E	Pruners, Power--E
Poles--S	Psychrometers--S
Poles, Climbing--S	Public Address Systems,
Polishes--S	Portable--E
Portfolios, Leather--S	Pulleys--S
Postal Meters--E	Pumice--S
Posters--S	Punches--S
Posts--S	Push Buttons--S
Pot Cleaners--S	Push Carts--E
Potato Peelers, Large,	Putty--S
Machine--E	Pyrometers--E
Pots--S	

Q

Quinine--S

Quivers, Arrow--S

R

Rackets, Badminton--S
 Rackets, Tennis--S
 Radio Receiving Sets--E
 Radio Transmitters--E
 Radio Tubes--S
 Raffia--S
 Rags--S
 Rakes, Garden--S
 Rakes, Window--E
 Ranges, Cooking--S
 Rasps--S
 Rattan--S
 Reamers--S
 Receptacles--S
 Record Books--S
 Record Forms--S
 Record Players--E
 Recorders, Sound--E
 Recording Tape and Wire--S
 Records, Phonograph--S
 Reeds--S
 Reels, Hose--S
 Reels, Motion Picture Film--S
 Reference Books--E
 Reflectors, Parabolic--S
 Refracting Apparatus--E
 Refrigerators, Electric or
 Ice, not Built-in--E
 Registers, Cash--E
 Registers, Printed--S
 Regulating Valves--S
 Regulators, Voltage--S
 Relief Maps--S
 Repair Parts--S
 Report Forms--S
 Resistors--S
 Respirators--S
 Retorts, Glass Laboratory--S
 Ribbons, Adding Machine--S
 Ribbons, Addressing Machine--S
 Ribbons, Cloth--S
 Ribbons, Typewriter--S
 Ring Toss, Game--S
 Rings, Carrom--S
 Rings, Flying--E
 Rings, Key--S
 Rivets--S
 Rock, Crushed--S
 Roller Bearings--S
 Rollers, Ink--S
 Rollers, Lawn--E
 Roofing Materials--S
 Rope--S
 Rosin--S
 Rotten Stone--S
 Rouge--S
 Routers, Plate, Photo-
 engraving--E
 Rowboats--E
 Rubber Goods--S
 Rubbish Cans--S
 Rugs, Room Size--E
 Rugs, Scatter--S
 Rulers--S
 Rules, Shrink and Circum-
 ference--S

S

Saccharimeters--E
 Safes--E
 Safety Glass--S
 Safety Pins--S
 Salts--S
 Sand--S
 Sanding Machines--E
 Sandpaper--S
 Sandwich Boards--S
 Sanitary Napkins--S

Sash, Combination Screen and Storm--S	Shampoo--S
Sash Cords--S	Shapers, Bench and Floor--E
Sash, Screen--S	Shapers and Routers--E
Sash, Storm--S	Sharpeners, Pencil--S
Saucers--S	Shears, Hand-operated--S
Saw Blades--S	Shears, Power-operated--E
Saw Frames--S	Sheaves--S
Sawdust--S	Sheet Metal--S
Saws, Band--E	Sheet Music--S
Saws, Hand--E	Sheeting--S
Saws, Circular--E	Shellac--S
Saws, Power Hack--E	Shelving Materials--S
Scales, Beam Balance--E	Shingles--S
Scales, Draftsmen's--S	Shock Absorbers--S
Scales, Spring--S	Shoes and Boots--S
Scalpels--S	Shopcoats--S
Scissors--S	Shorthand Writing Machines--E
Scoop Shovels, Hand--S	Shovels, Hand--S
Scouring Powders--S	Shower Fittings--S
Scrapers, Hand--S	Shrubs--S
Screen Doors--S	Shuffleboard Sets--S
Screens, Projection, Portable--E	Shuttlecocks--S
Screens, Window--S	Siding, Sheet Metal--S
Screw Extractors--S	Sifters--S
Screw Eyes--S	Signs--S
Screw Hooks--S	Silk Screen Printing Apparatus, Complete Units--S
Screwdrivers--S	Silver Polishes--S
Screws--S	Silverware--S
Scrubbing Compounds--S	Sink Fittings--S
Scrubbing Machines--E	Skillets--S
Scythes--S	Skis--S
Sealers, Envelope--E	Slats--S
Seasonings--S	Sledge Hammers--S
Seats--E	Slicers, Bread, Mechanical--E
Sectional Bookcases--E	Slide Rules--S
Sedatives--S	Slides, Lantern--S
Seed, Grass--S	Slides, Microscope--S
Separators, Battery--S	Slides, Projector--S
Serums--S	Snaps--S
Serving Trays--S	Sneakers--S
Settees--E	Snips--S
Sewing Machines--E	Snow Shovels, Hand--S
Shakers, Laboratory--E	Soap Dispensers--S
	Soaps--S

Soccer Balls--S	Squeegees--S
Soccer Shoes--S	Stacks, Book--E
Socket Wrench Sets--E	Stadia Rods--E
Sockets, Wrench--S	Stadiometers--E
Socks, Pairs--S	Staff Liners, Music--S
Soda, Baking--S	Stain Removers--S
Sodding--S	Stains--S
Softballs--S	Stakes--S
Softeners, Water, Chemical--S	Stamp Pads--S
Soil--S	Stamping Machines, Power--E
Soil Penetrometers--E	Stamping Machines, Small
Soil Test Molds--E	Hand--S
Soldering Coppers--S	Stamps, Rubber--S
Soldering Materials--S	Standards, Jump--E
Solvents--S	Stands, Calendar--S
Sound Recorders--E	Stands, Chart--E
Spades--S	Stands, Engine Repair--E
Spading Forks--S	Stands, Umbrella--E
Spark Plug Cleaning	Staplers, Foot or Power
Machines--E	Operated--E
Spark Plugs--S	Staplers, Small Hand--S
Spatulas--S	Staples--S
Specimens, Laboratory--S	Starch--S
Spectroscopes--E	Starters, Electric--S
Sphygmomanometers--E	Stationery--S
Spikes--S	Statuary--E
Spirits--S	Steam Packing--S
Spirometers--E	Steel Measuring Tapes--S
Splints--S	Steel, Sheet--S
Spokes--S	Steel Wool--S
Spokeshaves--S	Stencil Correction Fluid--S
Sponges--S	Stencils--S
Spoons--S	Stenographers' Notebooks--S
Spotlights--S	Stereoscopes--E
Spray Mixtures--S	Sterile Gauze--S
Sprayers, Hand--S	Sterilizers--E
Sprayers, Power--E	Sticks, Composing--S
Spreaders, Manure--E	Stocks, Hockey--S
Spreaders, Tire--E	Stilts, Sport--S
Spreads, Bed--S	Stitchers--E
Springs--S	Stock Records--S
Springs, Furniture--S	Stockings--S
Sprinklers, Lawn, Movable--S	Stones, Printers--S
Sprockets--S	Stools--E
Squares--S	Stop Watches--S

Stoppers--S
 Stops, Bench--S
 Storage Batteries--S
 Stoves--E
 Straight Edges--S
 Strainers--S
 Straws, Drinking--S
 Stretchers--S
 Strings--S
 Striking Bag Outfits--E
 Stylus--S
 Sunglass Frames--S

Sunglasses--S
 Supply Cases--E
 Supporters, Athletic--S
 Surface Hardened Blocks--S
 Surgical Instruments, Small--S
 Surgical Powders--S
 Swages--S
 Switch Boxes--S
 Switches, Electric--S
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 Syringes--S
 Syrup--S

T

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 Table Tennis Balls--S
 Table Tennis Rackets--S
 Tablecloths--S
 Tables--E
 Tables, Computing--S
 Tablets, Medicinal--S
 Tablets, Writing--S
 Tabs, Index--S
 Tabulating Machines--E
 Tack Hammers--S
 Tacks--S
 Tags--S
 Talcum Powder--S
 Tanks, Bulk Storage, not
 Integral Parts of
 Building Services--E
 Tape--S
 Tape Measures--S
 Tapes, Measuring--S
 Taps--S
 Tar Roofing and Siding--S
 Targets, Archery--S
 Team Uniforms--S
 Television Sets--E
 Television Tubes--S
 Tennis Balls--S
 Tennis Court Nets, Cord--S

Tennis Court Nets, Steel--E
 Tennis Rackets--S
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 Tents, Shelter--S
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 Test Tube Racks--S
 Test Tubes--S
 Tests, Achievement--S
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 Theodolites and Tripods--E
 Thermographs--E
 Thermometers--S
 Thermostats--S
 Thimbles--S
 Thinners--S
 Threads--S
 Throat Applicators--S
 Thumb Tacks--S
 Tickets--S
 Tile, Drain--S
 Timers--S
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 Tin Cutters--S
 Tinware--S
 Tire Chains--S
 Tires and Tubes--S

Sunglasses--2
 Supply Cases--2
 Supporters, Athletic--2
 Surface Hardened Blocks--2
 Surgical Instruments, Small--2
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 Swaps--2
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 Switches, Electric--2
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 Syringes--2
 Syrup--2

T

Tennis Court Nets, Steel--2
 Tennis Rackets--2
 Tents, Wall--2
 Tents, Shelter--2
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 Television Tubes--2
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Toasters, Electric--E	Trowels--S
Toggle Bolts--S	Trucks, Hand--S
Toilet Paper--S	Trucks, Motor--E
Tokens--S	Tubes, Inner--S
Tongs--S	Tubes, Radio--S
Tongue Depressors--S	Tubes, Television--S
Tool Sets, Hand--E	Tubing Materials--S
Tools, Hand, not in Sets--S	Tumblers, Glass--S
Topsoil--S	Tuning Forks--S
Tow Bars--S	Tunnels, Models, Wind--E
Towels--S	Turpentine--S
Toys--S	Tweezers--S
Tracing Cloth--S	Twine--S
Tracing Paper--S	Type Cases--E
Tractors--E	Type Casting Machines--E
Trammels--S	Type Cleaner--S
Transformers, Laboratory--S	Type Liners--S
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Transmissions, not Integral Parts of Larger Units--E	Type, Printing--S
Triangles, Drafting--S	Typewriter Brushes--S
Trimmers, Hedge, Hand--S	Typewriter Covers--S
Trimmers, Hedge, Power--E	Typewriter Desks--E
Tripods, Camera--E	Typewriter Ribbons--S
	Typewriters--E

U

Umbrella Stands--E	Urns, Coffee--E
Unguents--S	Urns, Flower--S
Uniforms--S	Utensils--S
Upholstering Materials--S	

V

Vacuum Bottles--S	Vaporizers, Electric--S
Vacuum Cleaners--E	Varnish Driers--S
Vacuum Tube Voltmeters--E	Varnish Removers--S
Valve Parts--S	Varnishes--S
Valves--S	Vases--S

Timeline, Classification--2
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Toggable Holes--2
Tollie Paper--2
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Tongs--2
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Tools, Hand, not in Set--2
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Towels--2
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Treaders--2
Transients--2
Transformers, Laboratory--2
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Parts of Larger Units--2
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Trimmers, Hedge, Power--2
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Unbraked--2
Uniforms--2
Upholstered Materials--2

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Vacuum Cleaners--2
Vacuum Tube Voltmeters--2
Valve Parts--2
Valves--2

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Typewriter, Hand--2
Typewriter, Portable--2
Typewriter, Tabletop--2
Typewriter, Traveling--2
Typewriter, Writing--2
Typewriter, Writing, Hand--2
Typewriter, Writing, Tabletop--2
Typewriter, Writing, Traveling--2
Type Cases--2
Type Casting Machines--2
Type Cleaners--2
Type Liners--2
Type, Writing--2
Type, Writing, Hand--2
Type, Writing, Tabletop--2
Type, Writing, Traveling--2
Type, Writing, Tabletop, Hand--2
Type, Writing, Tabletop, Traveling--2
Type, Writing, Tabletop, Traveling, Hand--2
Type, Writing, Tabletop, Traveling, Traveling--2

Vacuum, Coffee--2
Vacuum, Electric--2
Vacuum, Tabletop--2

Vacuum, Electric--2
Vacuum, Tabletop--2
Vacuum, Traveling--2
Vacuum, Writing--2
Vacuum, Writing, Hand--2

Vaulting Poles--S
 Vegetables--S
 Vending Machines--E
 Vibrographs--E
 Vines--S
 Vises, Bench--E

Vises, Small Hand--S
 Vision Charts--S
 Volleyball Nets--S
 Volleyballs--S
 Voltmeters--E

W

Wagons--E
 Wall Brushes--S
 Wallboard--S
 Wallpaper--S
 Washbasins--S
 Washcloths--S
 Washers, Rubber and
 Leather--S
 Washers and Dryers, Photo-
 graphic--E
 Washing Machines--E
 Washing Powders--S
 Washtubs--S
 Waste, Machinists, etc.--S
 Wastebaskets--S
 Watch Crystals--S
 Watches, Stop--S
 Watchmen's Time Clocks--E
 Water, Distilled--S
 Water Color Brushes--S
 Water Coolers--E
 Water Glasses--S
 Water Meters, Laboratory
 Type--E
 Water Softeners--S
 Watt Meters, Laboratory
 Type--E
 Wave Meters and Wave Analy-
 zers--E
 Wax Crayons--S
 Waxes, Liquid--S
 Waxes, Paste--S
 Waxes, Sealing--S
 Waxing Machines--E

Weaving Machines--E
 Weighing Scales, Beam--E
 Weighing Scales, Small
 Spring--S
 Weights--S
 Welding Apparatus--E
 Welding Rods--S
 Wheel Straightening Apparatus--E
 Wheelbarrows--E
 Wheels, Automobile--S
 Wheels, Emery--S
 Wheels, Pottery--E
 Whetstones--S
 Whiskbrooms--S
 Whistles--S
 Window Glass--S
 Window Screens--S
 Window Shades--S
 Window Working Safety Belts--S
 Wipers--S
 Wire--S
 Wood, Plastic--S
 Wood Fillers--S
 Wood Preservatives--S
 Wood Stains--S
 Wool--S
 Wool, Glass--S
 Wool, Steel--S
 Work Benches--E
 Work Tables--E
 Wrapping Paper--S
 Wrenches, in Sets--E
 Wrenches, not in Sets--S
 Writing Paper--S

X

X-Ray Machines--E

Y

Yard Benches--E

Yard Brooms--S

Yardsticks--S

Yarn--S

Z

Zinc--S

X-Ray Machine--B

Yard Machine--C
Yard Machine--D

Yard Machine--E
Yard Machine--F

Yard Machine--G

Yard Machine--H

Yard Machine--I

Yard Machine--J

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