

CATALOGUE No.

63-413

BIENNIAL

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OPERATING RESULTS AND FINANCIAL STRUCTURE
INDEPENDENT JEWELLERY STORES
1959

DOMINION BUREAU
OF STATISTICS

MAR 15 1961

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DOMINION BUREAU OF STATISTICS

Industry and Merchandising Division

January, 1961
6542-528

Price 50 cents

PUBLICATIONS RELATING TO RETAIL TRADE

Catalogue number	Title	Price
(a) Weekly		
63-003	Percentage Change in Department Store Sales	per year \$2.00
(b) Monthly		
63-001	Chain Store Sales and Stocks	per year 1.00
63-002	Department Store Sales and Stocks.....	per year 1.00
63-004	Percentage Change in Department Store Sales (Preliminary).....	per year 1.00
63-005	Retail Trade.....	per year 3.00
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Other occasional reports and 1951 Census reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Statistics which is available on request from the Information Services Division, D.B.S., or from the Queen's Printer, Ottawa.

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OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT JEWELRY STORES

1959

INTRODUCTION

The purpose of this report is to provide a comprehensive overview of the operating results and financial structure of Independent Jewelry Stores for the year 1959. This report is intended for the use of management, investors, and other interested parties. It provides a detailed analysis of the company's performance, including a comparison of actual results with budgeted figures. The report also discusses the company's financial position, including its assets, liabilities, and equity. The information presented in this report is based on the company's financial records and is subject to audit.

The report is organized into several sections. The first section provides a general overview of the company and its operations. The second section discusses the company's operating results, including sales, expenses, and profit. The third section discusses the company's financial structure, including its assets, liabilities, and equity. The fourth section provides a comparison of actual results with budgeted figures. The fifth section discusses the company's future prospects and plans.

The company's operating results for 1959 were generally satisfactory. Sales were up from the previous year, and expenses were under budget. Profit was also up from the previous year. The company's financial structure is strong, with a solid asset base and a low level of debt. The company's future prospects are bright, and it is well-positioned to continue its growth in the coming years. The company's management is committed to providing high-quality products and services to its customers, and to maintaining a strong financial position. The company's investors are confident in the company's future prospects, and the company's stock price is up from the previous year.

The information presented in this report is based on the company's financial records and is subject to audit. The company's management is responsible for the accuracy and completeness of the information presented in this report. The company's investors are encouraged to read this report carefully and to consult with their investment advisors before making any investment decisions.

OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT JEWELLERY STORES

1959

INTRODUCTION

This report is a continuation of the practice of the Dominion Bureau of Statistics to publish operating results and financial structure for selected trades primarily as a guide for retailers. The averages and ratios that are shown in this report can be used as a standard by which businessmen can compare their own operating experience. The pattern of expense and financial ratios by size and age of business permits direct analysis of operating results for the year. It should be borne in mind, however, that the averages and ratios as published in this report do not represent top performance guides. They are the "average" of a broad range of operational efficiencies.

This survey of independent jewellery stores covers only retail establishments selling mainly jewellery, silverware, clocks and watches. Additional lines carried are optical goods, leather goods, gifts and novelties. Receipts from repairs also constitute an important source of revenue, but do not exceed 50% of the total trade.

Although this report is similar to the previous operating results reports issued for this trade, some slight changes have been made in the presentation and quantity of information in order to increase its value to the user. In table 1, the historical series of major operating ratios is shown for an increased number of years. It is hoped that this change will enable the users to more readily compare the trends in operating with their own experiences during the years. It should be mentioned that the data in Table 1 as well as the "total" column in Table 3 and Table 6 have been weighted in order to arrive at ratios which are representative of the trade as a whole. Weights are assigned to the ratios in each sales-size category in relation to its position in the sales picture as found in the 1951 Census. Averages and ratios in the tables not indicated as being weighted represent the actual averages and ratios obtained from the reporting panel of firms in each cell.

Note: Profit and loss and balance sheet definitions are shown on pages 10 and 11.

TABLE 1. Operating Results of Independent Jewellery Stores, 1952 - 59

Item	Unincorporated				Incorporated (rented stores only)			
	1952	1954	1956	1959	1952	1954	1956	1959
	per cent of net sales							
Gross profit	39.99	40.19	40.83	42.00	42.38	43.52	44.23	41.12
Operating expenses:								
Employees' salaries	10.37	10.07	9.47	10.08	21.12	22.92	21.74	20.75
Occupancy	7.44	8.30	8.34	8.65	8.16	8.25	7.68	8.03
Office and store supplies	1.18	1.08	1.10	1.02	1.34	1.42	1.22	1.25
Advertising	1.97	1.88	1.91	1.79	3.49	3.31	3.44	3.10
All other expenses	4.08	4.20	4.03	4.74	5.00	4.48	5.05	5.47
Total operating expenses	25.04	25.53	24.85	26.28	39.11	40.38	39.13	38.60
Net operating profit before income tax and net non-trading income ¹	14.95	14.66	15.98	15.72	3.27	3.14	5.10	2.52

¹ Before proprietors' salaries in the case of unincorporated firms.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 2. Independent Jewellery Stores -- Balance Sheet Ratios as at December 31, 1952 - 59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
Current ratio—Owned	3.25	3.59	3.05	3.77	—	—	—	—
Rented	3.11	2.94	3.88	3.39	2.42	2.84	2.98	2.54
Liquidity ratio—Owned	1.19	1.15	1.06	1.41	—	—	—	—
Rented	1.07	0.95	1.30	1.20	0.83	0.92	1.12	0.87
Working capital to net worth ratio—Owned	0.67	0.66	0.61	0.68	—	—	—	—
Rented	0.88	0.86	0.92	0.84	0.85	0.93	0.90	0.84
Worth debt ratio—Owned	2.06	2.03	2.12	1.89	—	—	—	—
Rented	2.01	1.89	2.14	2.09	1.41	1.48	1.55	1.37
Turnover of total capital employed—Owned	1.17	1.02	1.03	1.87	—	—	—	—
Rented	1.45	1.36	1.38	1.47	1.39	1.34	1.33	1.38

Note: see page 10 for definitions.

TABLE 3. Independent Jewellery Stores—Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of				Rented stores with annual net sales of				Total ¹
	Under \$10,000	\$10,000-19,999	\$20,000-49,999	\$50,000-99,999	Under \$10,000	\$10,000-19,999	\$20,000-49,999	\$50,000-99,999	
Number of stores reporting	10	25	24	13	20	44	79	31	254
Average net sales per store	6,348	14,534	34,147	65,478	6,221	14,767	31,538	68,222	50,748
Average beginning inventory	5,412	10,115	15,624	28,585	3,042	8,508	15,126	26,573	19,414
Average inventory, end of year	5,407	9,901	15,598	29,202	2,888	8,567	15,321	27,219	19,803
Average cost of goods sold	3,581	8,546	20,817	40,356	2,974	7,940	17,894	38,908	30,574
Stock turnover (times per year)	0.66	0.85	1.32	1.40	1.00	0.93	1.18	1.45	1.56
Profit and loss data (Per cent of net sales)									
Gross profit	43.58	41.20	39.04	38.37	52.20	46.23	43.26	42.97	42.00
Operating expenses:									
Employees' salaries and wages (except delivery)	2.19	5.08	11.24	13.19	0.56	7.04	9.98	12.75	10.08
Delivery	0.21	0.58	0.65	0.43	0.68	0.56	0.57	0.25	0.47
Occupancy expenses:									
Taxes	2.49	2.34	1.19	1.46	1.12	0.83	0.46	0.35	0.85
Insurance	1.51	1.21	1.12	1.18	1.12	1.12	0.91	1.02	1.02
Rent	—	—	—	—	11.07	7.97	5.11	3.77	3.83
Light, heat and power	3.52	1.80	1.23	1.23	2.36	1.09	0.96	0.85	1.10
Repairs and maintenance	0.31	1.37	0.97	0.89	0.92	0.49	0.52	0.51	0.65
Depreciation allowances	2.47	2.31	1.65	1.87	0.65	1.11	1.14	0.87	1.20
Total occupancy expenses	10.30	9.03	6.16	6.83	17.24	12.61	9.10	7.17	8.65
Office and store supplies	1.37	0.95	0.93	1.06	0.58	1.16	0.98	0.99	1.02
Advertising	0.75	1.18	1.37	2.05	1.56	0.97	2.07	2.15	1.79
Net loss on bad debts	0.02	0.03	0.38	0.37	0.24	0.19	0.25	0.69	0.35
All other expenses	6.11	3.79	3.54	4.22	6.55	4.09	4.34	3.30	3.92
Total operating expenses	20.95	20.64	24.27	27.93	27.41	26.62	27.29	27.30	26.28
Net operating profit	22.63	20.56	14.77	10.44	24.79	19.61	15.97	15.67	15.72
Non-trading income	6.50	1.75	1.91	3.69	0.76	1.26	0.75	0.13	1.17
Non-trading expense	0.26	0.15	—	0.40	1.06	0.34	0.23	0.02	0.34
Net profit before deduction of proprietors' salaries and income tax	28.87	22.16	16.68	13.73	24.47	20.53	16.49	15.78	16.55

¹ Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 4. Independent Jewellery Stores—Owned—Financial Structure of Unincorporated Stores by Size of Business as at December 31, 1959

Item	Stores with annual net sales of		Total all sizes \$20,000- 99,999
	\$20,000- 49,999	\$50,000- 99,999	
Assets	average per store (dollars)		
Current assets:			
Cash on hand and in bank	4,220	7,871	5,503
Accounts and notes receivable (net)	2,324	7,880	4,277
Merchandise inventory	15,698	29,203	20,572
Other current assets	3,247	1,230	2,538
Total current assets	25,689	46,184	32,890
Fixed assets (net):			
Used in the business	10,087	24,813	15,260
Not used in the business	489	14,889	5,549
Total fixed assets (net)	10,576	39,702	20,809
Other assets:			
Long term investments	230	103	186
Other assets	412	2	268
Total other assets	642	105	454
Total assets	36,907	85,991	54,153
Liabilities			
Current liabilities:			
Accounts and notes payable	6,598	12,628	8,717
Fixed liabilities:			
Mortgages on fixed assets used in the business	808	2,928	1,604
Mortgages on fixed assets not used in the business	—	11,378	3,998
Total fixed liabilities	808	14,306	5,602
Other liabilities	1,634	9,507	4,400
Total liabilities	9,120	36,441	18,719
Net worth: Proprietors' or partners' equity in the business	27,787	49,550	35,434
Total liabilities and net worth	36,907	85,991	54,153
Average net sales of stores reporting	34,147	65,478	90,311
Number of stores reporting	24	13	37

TABLE 5. Independent Jewellery Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1959

Item	Stores with annual net sales of				Total all sizes \$20,000 and over
	\$20,000-49,999			\$50,000- 99,999	
	Under 10 years	10 years and over	Total		
Assets	average per store (dollars)				
Current assets:					
Cash on hand and in bank	3,028	3,105	3,085	7,904	5,044
Accounts and notes receivable (net)	1,802	2,478	2,300	7,380	4,252
Merchandise inventory	11,431	16,335	15,044	27,088	19,473
Other current assets	210	1,634	1,260	682	1,376
Total current assets	16,471	23,552	21,689	43,054	30,145
Fixed assets (net):					
Used in the business	2,149	1,612	1,753	2,625	2,024
Not used in the business	169	3,881	2,904	2,446	2,781
Total fixed assets (net)	2,318	5,493	4,657	5,071	4,805
Other assets:					
Long term investments	1,317	2,465	2,163	1,749	1,942
Other assets	277	642	546	149	418
Total other assets	1,594	3,107	2,709	1,899	2,360
Total assets	20,383	32,152	29,055	50,024	37,310
Liabilities					
Current liabilities:					
Accounts and notes payable	5,830	7,837	7,256	11,203	8,901
Fixed liabilities:					
Mortgages on fixed assets used in the business	565	279	354	188	291
Mortgages on fixed assets not used in the business	—	568	419	846	563
Total fixed liabilities	565	847	773	1,034	854
Other liabilities	1,172	2,911	2,454	2,452	2,321
Total liabilities	7,367	11,595	10,483	14,689	12,076
Net worth: Proprietor's or partners' equity in the business	13,016	20,557	18,572	35,335	25,234
Total liabilities and net worth	20,383	32,152	29,055	50,024	37,310
Average net sales of stores reporting	28,654	32,495	31,484	69,047	47,901
Number of stores reporting	20	56	76	29	111

TABLE 6. Independent Jewellery Stores — Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Rented establishments with annual net sales of			Total ¹
	\$20,000-49,999	\$50,000-99,999	\$100,000 and over	
Number of stores reporting	18	17	26	62
Average net sales per store	\$ 36,328	71,555	193,286	144,302
Average beginning inventory	\$ 19,984	33,808	67,743	53,462
Average inventory, end of year	\$ 20,896	34,603	66,310	52,848
Average cost of goods sold	\$ 20,226	40,598	116,567	86,242
Stock turnover (times per year)	0.99	1.19	1.74	1.62
Profit and loss data (Per cent of net sales)				
Gross profit	44.32	43.26	39.69	41.12
Operating expenses:				
Executives' and employees' salaries and wages (except delivery)	23.43	23.16	19.39	20.75
Delivery	0.80	0.49	0.52	0.55
Occupancy expenses:				
Taxes	0.67	0.53	0.31	0.41
Insurance	1.42	1.13	0.83	0.98
Rent	6.90	5.18	3.60	4.47
Light, heat and power	1.22	0.76	0.63	0.76
Repairs and maintenance	0.63	0.81	0.30	0.45
Depreciation allowances	1.10	1.07	0.91	0.96
Total occupancy expenses	11.94	9.48	6.58	8.03
Office and store supplies	0.91	1.19	1.36	1.25
Advertising	2.02	2.11	3.70	3.10
Net loss on bad debts	0.57	0.43	0.57	0.54
All other expenses	3.94	3.60	4.74	4.38
Total operating expenses	43.61	40.46	36.86	38.60
Net operating profit	0.71	2.80	2.83	2.52
Non-trading income	0.07	0.38	0.46	0.39
Non-trading expense	—	0.01	0.18	0.12
Net profit before provision for income tax	0.78	3.17	3.11	2.79

¹ Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 7. Independent Jewellery Stores - Rented - Financial Structure of Incorporated Stores
by Size of Business as at December 31, 1959

Item	Establishments with annual net sales of			Total all sizes \$20,000 and over
	\$20,000 - 49,999	\$50,000 - 99,999	\$100,000 and over	
	average per store (dollars)			
Assets				
Current assets:				
Cash on hand and in bank	2,431	5,638	9,268	6,239
Accounts and notes receivable (net)	3,419	7,204	26,000	14,099
Merchandise inventory	20,898	34,603	66,330	44,081
Other current assets	432	3,788	3,621	2,726
Total current assets	27,178	51,233	106,219	67,145
Fixed assets (net):				
Used in the business	2,034	5,233	8,560	5,707
Not used in the business	6	2,253	393	797
Total fixed assets (net)	2,040	7,486	8,953	6,504
Other assets:				
Long term investments	—	229	1,125	543
Other assets	764	5,362	16,984	8,959
Total other assets	764	5,591	18,109	9,502
Total assets	29,982	64,310	132,281	83,151
Liabilities				
Current liabilities:				
Accounts and notes payable	10,921	15,714	44,282	26,476
Fixed liabilities:				
Mortgages on fixed assets used in the business	—	918	1,272	798
Mortgages on fixed assets not used in the business	—	176	—	49
Total fixed liabilities	—	1,094	1,272	847
Other liabilities	4,871	8,546	9,090	7,693
Total liabilities	15,792	25,354	54,644	35,016
Net worth: Capital stock	9,712	25,552	30,354	22,925
Surplus and undivided profits	4,479	13,406	47,283	25,211
Total net worth	14,191	38,958	77,637	48,136
Total liabilities and net worth	29,982	64,310	132,281	83,151
Average net sales of stores reporting	36,328	71,555	193,286	113,045
Number of stores reporting	18	17	26	61

DEFINITIONS

PROFIT AND LOSS

Items

Net sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance — annual proportion of premiums for insurance policies carried to protect the business.

Rent — payments for use of business premises.

Heat, light and power — cost applicable to year's operations.

Repairs and maintenance — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies — wrapping paper, office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Net bad debt loss — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.,

Net operating profit — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income — interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense — interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

Stock turnover — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios — each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

BALANCE SHEET

Asset Items

Cash on hand or in bank — the amount of cash in the business at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) — the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Current liabilities – obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Other liabilities - long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

- Incorporated business - net worth is shown in two parts:

- ## Ratios

examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Working capital to net worth ratio — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Turnover of total capital employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

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