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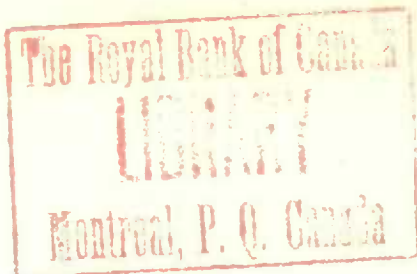


OPERATING RESULTS AND FINANCIAL STRUCTURE
OF FILLING STATIONS AND GARAGES
1950

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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

- A Wholesale Trade, 25¢.
- * B Operating Results of Food Wholesalers, 25¢.
- * C Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
- * D Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

- E General Review, 25¢.
- F Retail Trade, 50¢.
- G Retail Chain Stores, 50¢.
- * H Operating Results of Chain Food Stores, 25¢.
- * I Operating Results of Chain Clothing Stores, 25¢.
- * J Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
- K Operating Results of Retail Food Stores, 25¢.
- L Operating Results of Retail Clothing Stores, 25¢.
- M Operating Results of Retail Hardware, Furniture, Appliance, and Radio Stores, 25¢.
- N Operating Results of Filling Stations and Garages, 25¢.
- O Operating Results of Miscellaneous Retail Stores, 25¢.
- P Retail Consumer Credit, 25¢.

Part III — Services and Special Fields

- Q Laundries, Cleaners and Dyers, 25¢.
- R Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
- S Hotels, 25¢.
- T Sales Financing, 25¢.
- U Farm Implement and Equipment Sales, 25¢.
- V New Motor Vehicle Sales and Motor Vehicle Financing, 25¢.

The reports are punched to permit of filing in a ring binder.

- * Biennial reports — not issued for 1950.

(21 Apr '52)

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DEFINITIONS

Profit and Loss

Net sales — represent 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.

Gross profit — is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

Operating expenses — are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit (in unincorporated store operations).

Taxes and Insurance — business, property and water taxes, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals — monies paid for premises used only in the business.

Heat, light and power expenses — amount paid for these used during the year.

Delivery expense — 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.).

Repairs and maintenance — incurred for the purposes of keeping fixed store assets operating efficiently (excludes capital expenditure).

Depreciation — allowances to cover decreases in the value of fixed store assets.

Store supplies — used in the business during the year — wrapping paper, office supplies, etc.

Advertising

Loss on bad debts — during the year — amount written off less old debts recovered.

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

Net Profit — is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals before income tax deductions.

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

DEFINITIONS

Balance Sheet

Assets

Cash on hand — and in the bank represents the amount of cash at the end of the year.

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

Merchandise inventory — represents 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 prepaid insurance, office and store supplies, Dominion of Canada Bonds.

Fixed assets (net) — is the book 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.

Liabilities and Net Worth

Current liabilities — are obligations which must be paid in the near future and represent accounts receivable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

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

Capital stock — applicable to incorporated companies, represents the investment account of the stockholders in the capital shares of the corporation and does not exceed the amount authorized.

Surplus — applicable to corporations, includes earned surplus from operating profits, capital surplus from premiums received on the sale of capital stock, and surplus reserves.

Net worth — is the difference between total assets and total liabilities. This is composed of stock and surplus in the case of incorporated companies and in unincorporated businesses represents the proprietor's or partner's equity including undivided profits.

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES

1950

INTRODUCTION

A yardstick of performance is a useful gauge in assessing the success of endeavour. When that yardstick takes the form of a statistical summary of the average operating experience of retail stores, it may not constitute an ideal pattern of operations which all retailers should set as a goal, but it does represent a reasonably useful standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

The average results shown are Dominion averages for the various trades. The average gross profit of a trade for instance, must not be interpreted as the gross profit of all commodities handled by that trade because different commodities have widely varying mark-ups. Likewise, the averages are not necessarily correct for local interpretation as the sample was designed to produce national averages.

There is a growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown an interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more.

There are many reasons for this, some of them associated with the natural incompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It

seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and of the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and provision be made to check against some such standard performance as these publications provide.

This report deals with independent establishments, results for which are shown for unincorporated businesses.

The trades covered are

1. Filling stations
2. Garages

There are analyses of

1. Profit and loss statements
2. Balance sheet summaries

Profit and loss data are shown for owned and rented businesses separately, and for various sales-size classes.

Balance sheet data, which was added in 1948, is continued in this 1950 study. This information is presented by size and occupancy groups for stores with \$20,000 or more annual net sales. Where possible, a further breakdown has been made between businesses in operation less than 10 years and those in business 10 years or more. An important change from the 1948 data is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between fixed assets and the sales produced by those assets than was possible when all fixed assets of the proprietor were reported as one item.

The same basic sample of firms is used in this series although the sample varies slightly in each survey year. There is, however, a high degree of continuity among the respondents and it is believed that no serious distortion arises out of any change in responding firms. For the most part, successive surveys have provided an increasing response rate, an encouraging feature from the standpoint of accuracy and, it is believed, an indication of the growing realization on the part of merchants of the value of these statistics.

Filling Stations

Filling stations are principally engaged in selling gasoline and oil, accessories, tires and batteries. To remain in this classification, repairs must not form more than 25 per cent of net sales and gasoline and oil must account for 75 per cent of merchandise sales.

Reports properly completed for 1950 profit and loss data were received from 358 filling stations with too few in the size class "under \$10,000

sales" to permit publication of results. Balance sheet information was tabulated for stores with sales of \$20,000 and over for which 219 satisfactory reports were received.

Some of the more important features of the 1950 operations of filling stations and of their financial structure at the end of the year are summarized below:

Very little change occurred in the 1950 operations of filling stations from the 1948 experiences.

Gross profit decreased in ratio to sales from 19.0% to 18.7% in 1950 but operating expenses did not increase.

Gross profit as a percentage of net sales generally decreased in the larger sizes of business and ranged from 20.70% of net sales in the smallest size rented station to 15.35% in the largest class of owned establishment.

Net profits ranged from 13.41% of net sales in the smallest to 4.27% in the largest sales-size class of rented filling stations.

Current assets amounted to more than twice the total of current liabilities at the end of 1950 in both the owned and rented category.

The operator of the owned filling station had sales of \$7.21 for every \$1 fixed assets used in the business. The "rented" proprietor, with less fixed asset investment, had sales of \$39.15 for every \$1.00 of fixed assets used in the business.

Financial Ratios of Filling Stations at Dec. 31, 1950

Ratio	Owned	Rented
Current assets to current liabilities	2.36	3.33
Current assets to fixed assets .....	.71	2.75
Net quick assets to net worth .....	.34	.67
Sales to fixed assets used in the business	7.21	39.15
Liabilities to net worth .....	.46	.39

Operating Results of Filling Stations
1948 and 1950 Compared

Item	1948	1950
Number of stations reporting	373	358
Average net sales	\$53,912	\$63,150
Profit and Loss Data (Percentage of net sales)		
Gross profit	18.97	18.66
Operating expenses:		
Employees' salaries	6.95	6.78
Occupancy	3.85	3.86
Store supplies .....	.43	.31
Advertising .....	.24	.24
All other expenses	1.33	1.46
Total operating expenses	12.80	12.65
Net profit before deduction of proprietors' salaries and income tax	6.17	6.01

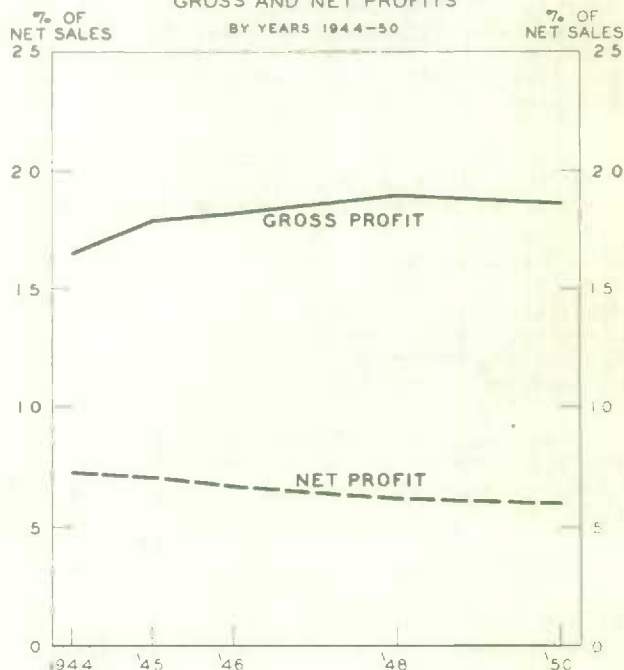
FILLING STATIONS
GROSS AND NET PROFITS
BY YEARS 1944-50

TABLE 1. Filling Stations—Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned stores with annual net sales of				Rented stores with annual net sales of			
	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of stations reporting	24	46	31	9	8	80	118	37
Average net sales per station	\$ 14,275	\$ 31,126	\$ 71,713	\$ 150,450	\$ 16,968	\$ 35,588	\$ 70,909	\$ 158,331
Average cost of goods sold	\$ 11,760	\$ 25,930	\$ 59,664	\$ 127,344	\$ 13,455	\$ 28,968	\$ 57,076	\$ 127,841
Average beginning inventory	\$ 917	\$ 1,572	\$ 3,944	\$ 4,450	\$ 658	\$ 1,360	\$ 1,974	\$ 4,054
Average inventory, end of year	\$ 968	\$ 1,691	\$ 4,538	\$ 4,932	\$ 732	\$ 1,588	\$ 2,322	\$ 5,342
Stock turnover (times per year)	12.48	15.90	14.07	27.15	19.36	19.65	26.57	27.21
Profit and Loss Data (Per cent of net sales)								
Gross profit	17.62	16.70	16.80	15.35	20.70	18.60	19.51	19.26
Operating expenses:								
Employees' salaries and wages (except delivery) .....	.94	4.43	5.18	6.06	1.78	4.98	7.00	9.18
Taxes .....	.62	.62	.52	.41	.32	.28	.31	.29
Insurance .....	.40	.31	.38	.29	.35	.25	.21	.29
Rent	—	—	—	—	2.27	2.09	2.13	2.20
Heat, light and power	1.61	.91	.78	.55	.91	.76	.60	.56
Delivery .....	.32	.25	.74	.09	—	.32	.17	.21
Repairs and maintenance .....	.70	.53	.54	.25	.13	.28	.32	.26
Depreciation allowances	1.05	1.03	1.03	1.42	.24	.58	.44	.37
Store supplies .....	.23	.23	.26	.16	.23	.29	.32	.37
Advertising .....	.13	.21	.23	.33	.22	.18	.25	.24
Bad debts—written off .....	.07	.07	.19	—	.23	.08	.08	.18
(Less) amount recovered	—	—	.01	—	.01	—	—	.01
Net bad debt loss .....	.07	.07	.18	—	.22	.08	.08	.17
All other expenses .....	.98	1.28	1.23	1.41	.62	.99	1.17	.85
Total operating expenses	7.05	9.87	11.07	10.97	7.29	11.08	13.00	14.99
Net trading profit before deduction of proprietors' salaries and income tax	10.57	6.83	5.73	4.38	13.41	7.52	6.51	4.27

TABLE 2. Filling Stations—Financial Structure by Size and Occupancy Basis December 31, 1950

Item ¹ (Average per store)	Owned				Rented			
	Stations with annual net sales of			Total all sizes	Stations with annual net sales of			Total all sizes
	\$20,000 to	\$50,000 to	\$100,000 and over		\$20,000 to	\$50,000 to	\$100,000 and over	
	\$49,999	\$99,999			\$49,999	\$99,999		
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Current assets:								
Cash on hand and in bank.....	848	2,427	4,075	2,074	961	1,960	2,841	1,812
Accounts and notes receivable (net).....	726	3,676	5,338	2,778	1,569	1,723	3,005	1,879
Merchandise inventory.....	1,603	4,494	5,951	3,584	1,773	2,396	5,794	2,748
Other current assets:								
Government bonds and securities	116	655	164	356	431	675	103	516
Prepaid expenses.....	7	55	324	82	71	41	99	58
Total current assets	3,300	11,307	15,852	8,874	4,805	6,795	11,842	7,013
Fixed assets (net):								
Used in the business	6,664	10,209	18,665	10,222	1,462	1,661	3,496	1,890
Not used in the business	929	1,580	7,670	2,350	958	492	699	658
Total net fixed assets.....	7,593	11,789	26,335	12,572	2,420	2,153	4,195	2,548
Other assets:								
Investments of a permanent nature	—	304	947	291	142	366	251	284
Other, such as goodwill	77	110	15	81	80	473	150	310
Total other assets	77	414	962	372	222	839	401	594
Total assets	10,970	23,510	43,149	21,818	7,447	9,787	16,438	10,155
Liabilities								
Current liabilities—accounts and notes payable								
	1,229	4,306	8,350	3,759	1,379	2,004	3,796	2,105
Fixed liabilities—mortgages on fixed assets:								
Used in the business.....	1,310	2,658	3,499	2,261	52	101	636	170
Not used in the business	—	439	730	313	84	91	104	91
Other liabilities	140	573	1,299	523	368	322	1,301	488
Total liabilities	2,679	7,976	13,878	6,856	1,883	2,518	5,837	2,854
Net worth—proprietor's or partner's equity in the business								
	8,291	15,534	29,271	14,962	5,564	7,269	10,601	7,301
Total liabilities and net worth.....	10,970	23,510	43,149	21,818	7,447	9,787	16,438	10,155
Number of stores reporting	26	28	11	65	44	86	24	154
Average net sales of stores reporting.....	32,431	71,902	175,912	73,715	35,846	72,158	150,531	73,997

1. See definitions on page 5 for more detail.

Garages

Garages used in this survey were those whose total sales comprised more than 50% merchandise sales. "Service" garages where repair work predominated and "dealer" garages where motor vehicles were sold were excluded from this study.

Reports properly completed for profit and loss data were received from 304 garages. Results are shown separately for owned and rented businesses by sales-size categories. Balance sheet information

Higher operating expenses in 1950 than in 1948 reduced a gain in gross profit to a slightly smaller net profit 7.8% of net sales in 1948 and 7.7% in 1950.

Greater salary costs contributed most to the rise in operating expenses.

Salary expense increased with size of business but other expenses generally decreased in sales ratio in the larger sales-size groups.

Net profits before deduction of proprietors' salaries and income tax ranged from 18% of net

was tabulated only for garages whose sales exceeded \$20,000 and the results were obtained from 176 returns. Too few reports were received from rented garages with sales of \$100,000 and over to permit separate tabulation but these were included in the total.

The operating results for 1950 and the financial structure of garages at the end of the year are summarized as follows:

sales in the smallest owned category to 5% in the largest rented class.

The proprietors of garages in both the owned and rented categories obtained favorable ratios of current assets over current liabilities 2.16 for owned and 2.07 for rented.

The "owned" proprietor had sales of \$4.82 for every \$1 of fixed asset investment in the business. The "rented" operator, with less fixed assets, had sales of \$18.86 for every \$1 of fixed assets used in the business.

Financial Ratios of Garages at Dec. 31, 1950

Ratio	Owned	Rented
Current assets to current liabilities	2.16	2.07
Current assets to fixed assets .....	.87	2.43
Net quick assets to net worth .....	.38	.60
Sales to fixed assets used in the business	4.82	18.86
Liabilities to net worth .....	.56	.73

Operating Results of Garages
1948 and 1950 Compared

Item	1948	1950
Number of garages reporting	174	304
Average net sales	\$ 43,567	43,440
Profit and Loss Data (Percentage of net sales)		
Gross Profit	26.23	27.80
Operating expenses:		
Employees' salaries	10.42	11.15
Occupancy	4.60	5.34
Store supplies .....	.67	.42
Advertising .....	.34	.35
All other expenses	2.38	2.82
Total operating expenses	18.41	20.08
Net profit before deduction of proprietors' salaries and income tax	7.82	7.72

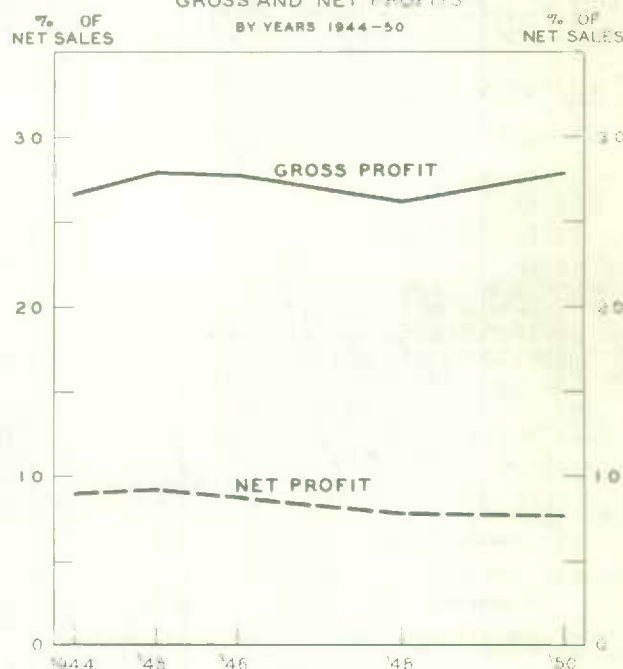
GARAGES
GROSS AND NET PROFITS
BY YEARS 1944-50

TABLE 3. Garages - Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned Stores with annual net sales of					Rented Stores with annual net sales of			
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of garages reporting.....	16	45	86	33	16	15	42	27	12
Average net sales per garage..... \$	8,353	14,603	30,149	64,640	155,415	14,637	33,788	66,168	141,466
Average cost of goods sold..... \$	5,205	10,067	21,593	48,364	114,879	9,127	24,091	49,194	98,627
Average beginning inventory..... \$	1,167	1,425	2,591	3,694	8,991	1,181	1,700	3,307	5,463
Average inventory, end of year..... \$	1,220	1,549	2,946	4,445	10,931	1,207	1,828	3,827	7,283
Stock turnover (times per year).....	4.36	6.77	7.80	11.89	11.53	7.64	13.66	13.79	15.48
Profit and Loss Data (Per cent of net sales)									
Gross profit.....	37.68	31.06	28.38	25.18	26.08	37.64	28.70	25.65	30.28
Operating expenses:									
Employees' salaries and wages (except delivery) ..	5.60	9.72	9.69	11.32	10.35	10.03	10.49	11.26	16.12
Taxes.....	1.52	1.11	.91	.65	.74	.36	.38	.36	.36
Insurance.....	1.71	.67	.76	.56	.67	.54	.50	.47	.48
Rent.....	—	—	—	—	—	3.66	2.65	2.05	1.95
Heat, light and power.....	2.79	1.52	1.44	.81	.73	1.22	1.07	.92	.91
Delivery.....	.56	.43	.56	.66	.49	.28	.29	.32	.31
Repairs and maintenance.....	.86	.81	.80	.67	.67	.42	.58	.59	.63
Depreciation allowances.....	2.33	2.08	2.11	1.51	1.48	1.36	1.10	.80	1.02
Store supplies.....	.79	.48	.49	.31	.39	1.11	.32	.42	.42
Advertising.....	.22	.27	.28	.29	.44	.25	.22	.34	.60
Bad debts - written off.....	.53	.08	.22	.33	.18	.20	.22	.22	.31
(Less) amount recovered.....	.13	—	.02	.02	.01	—	.05	.05	.04
Net bad debt loss.....	.40	.08	.20	.31	.17	.20	.17	.17	.27
All other expenses.....	2.60	2.10	2.35	1.62	2.89	2.41	1.65	1.70	2.14
Total operating expenses.....	19.38	19.27	19.59	18.71	19.02	21.84	19.42	19.40	25.21
Net trading profit before deduction of proprietors' salaries and income tax.....	18.30	11.79	8.79	6.47	7.06	15.80	9.28	6.25	5.07

TABLE 4. Garages - Financial Structure by Size and Occupancy Basis December 31, 1950

Form 1 (Average per store)	Owned				Rented		
	Garages with annual net sales of			Total all sizes	Garages with annual net sales of		Total all sizes
	\$20,000 —	\$50,000 —	\$100,000 and over		\$20,000 —	\$50,000 —	
	\$49,999	\$99,999			\$49,999	\$99,999	
Assets							
Current assets:							
Cash on hand and in bank.....	1,122	3,006	4,760	2,144	1,040	2,194	1,416
Accounts and notes receivable (net).....	1,927	4,043	9,303	3,557	1,439	4,787	3,162
Merchandise inventory.....	3,303	4,591	10,472	4,687	1,888	3,909	3,213
Other current assets:							
Government bonds and securities.....	527	1,052	725	693	100	469	431
Prepaid expenses.....	44	212	53	89	6	6	105
Total current assets.....	6,923	12,904	25,313	11,170	4,473	11,365	8,327
Fixed assets (net):							
Used in the business.....	8,488	11,932	27,012	12,095	2,579	2,587	2,975
Not used in the business.....	950	305	972	785	—	643	451
Total net fixed assets.....	9,438	12,237	27,984	12,880	2,579	3,230	3,426
Other assets:							
Investments of a permanent nature.....	3	341	1,156	260	248	159	295
Other, such as goodwill.....	287	555	530	392	281	89	351
Total other assets.....	290	896	1,686	652	529	248	646
Total assets.....	16,651	26,037	54,983	24,702	7,581	14,843	12,399
Liabilities							
Current liabilities - accounts and notes payable.....	2,619	4,841	16,107	5,171	1,419	6,366	4,032
Fixed liabilities - mortgages on fixed assets:							
Used in the business.....	2,024	1,983	6,181	2,622	24	277	255
Not used in the business.....	107	—	289	106	—	412	142
Other liabilities.....	526	1,689	1,600	985	741	635	808
Total liabilities.....	5,276	8,513	24,177	8,884	2,184	7,690	5,237
Net Worth - Proprietor's or partner's equity in the business.....	11,375	17,524	30,806	15,818	5,397	7,153	7,162
Total liabilities and net worth.....	16,651	26,037	54,983	24,702	7,581	14,843	12,399
Number of stores reporting.....	73	32	18	123	30	17	53
Average net sales of stores reporting.....	30,560	63,279	161,941	58,299	35,403	67,219	56,112

1. See definitions on page 5 for more detail.

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