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# OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT FUEL DEALERS

1959

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# OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT FUEL DEALERS

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.

Independent fuel dealers cover those establishments selling mainly coal, fuel oil and firewood for household consumption. Other lines such as lumber, building materials and ice may be carried providing the sale of fuel amounts to at least 50% of 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 4 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 page 7 and 8.



TABLE 1. Operating Results of Independent Fuel Dealers, 1952-59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
	per cent of net sales							
Gross profit .....	20.94	22.97	21.12	22.44	21.35	22.35	22.13	23.62
Operating expenses:								
Employees' salaries .....	3.62	3.61	3.04	5.38	6.15	6.12	6.96	8.40
Occupancy .....	2.24	2.48	2.48	2.64	1.82	2.16	2.18	2.60
Delivery .....	7.89	8.99	7.81	6.33	8.56	9.05	7.89	6.37
Advertising .....	0.42	0.52	0.40	0.23	0.63	0.62	0.57	0.27
All other expenses .....	1.80	1.96	1.96	2.26	2.35	2.40	2.15	3.02
Total operating expenses .....	15.97	17.56	15.69	16.84	19.51	20.35	19.75	20.66
Net operating profit before income tax and net non-trading income <sup>1</sup> .....	4.97	5.41	5.43	5.60	1.84	2.00	2.38	2.96

<sup>1</sup> 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 establishments.

TABLE 2. Independent Fuel Dealers - Balance Sheet Ratios as at December 31, 1952-59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
Current ratio - Owned .....	2.21	2.24	2.29	2.22	1.96	1.80	1.95	1.73
Rented .....	2.34	2.04	2.53	2.16	1.54	1.47	1.48	1.56
Liquidity ratio - Owned .....	1.55	1.66	1.79	1.85	1.13	1.29	1.46	1.13
Rented .....	1.57	1.68	1.93	1.53	1.01	1.03	1.16	1.40
Working capital to net worth ratio - Owned .....	0.53	0.54	0.53	0.59	0.49	0.53	0.67	0.64
Rented .....	0.78	0.67	0.73	0.79	0.49	0.53	0.64	0.57
Worth debt ratio - Owned .....	1.86	1.72	1.64	1.56	1.59	1.15	1.02	0.99
Rented .....	1.41	1.32	1.69	0.89	1.03	0.71	0.60	0.85
Turnover of total capital employed - Owned ....	2.94	2.70	2.86	2.92	2.89	2.64	2.43	2.10
Rented ....	3.19	3.47	3.36	3.12	3.58	2.84	3.01	3.57

Note: See page 7 for definitions.

TABLE 3. Independent Fuel Dealers—Operating Results of Unincorporated Firms by Annual Sales Volume and Occupancy Basis, 1959

Item	Owner-dealers with annual net sales of			Lessee-dealers	Total <sup>1</sup>
	\$20,000-49,999	\$50,000-99,999	\$100,000 and over		
Number of dealers reporting .....	11	21	18	21	76
Average net sales per dealer .....	\$ 33,242	73,089	190,806	84,940	125,585
Average beginning inventory .....	\$ 2,224	4,895	6,608	5,136	5,433
Average inventory, end of year .....	\$ 2,216	4,005	5,868	6,001	5,170
Average cost of goods sold .....	\$ 25,131	55,487	150,777	66,023	98,300
Stock turnover (times per year) .....	11.32	12.47	24.17	11.86	18.54
<b>Profit and loss data</b> (Per cent of net sales)					
Gross profit .....	24.40	24.06	20.98	22.27	22.44
Operating expenses:					
Employees' salaries and wages (except delivery) .....	5.42	5.01	5.87	5.51	5.38
Delivery .....	7.21	6.52	5.89	6.34	6.33
Occupancy expenses:					
Taxes .....	1.10	0.66	0.30	0.33	0.50
Insurance .....	0.69	0.59	0.42	0.31	0.47
Rent .....	—	—	—	0.67	0.15
Light, heat and power .....	0.68	0.28	0.16	0.16	0.25
Repairs and maintenance .....	0.85	0.46	0.43	0.40	0.48
Depreciation allowances .....	0.56	1.22	0.59	0.90	0.78
Total occupancy expenses .....	3.88	3.21	1.90	2.77	2.64
Office and store supplies .....	0.19	0.35	0.16	0.30	0.23
Advertising .....	0.23	0.51	0.46	0.35	0.41
Net loss on bad debts .....	0.17	0.02	0.29	0.34	0.23
All other expenses .....	1.45	1.72	1.43	2.14	1.62
Total operating expenses .....	18.55	17.34	16.00	17.75	16.84
Net operating profit .....	5.85	6.72	4.98	4.52	5.60
Non-trading income .....	0.76	0.86	0.49	0.57	0.69
Non-trading expense .....	—	0.10	—	—	0.07
Net profit before deduction of proprietors' salaries and income tax .....	8.61	7.28	5.47	5.09	6.22

<sup>1</sup> Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.

TABLE 4. Independent Fuel Dealers—Operating Results of Incorporated Firms by Annual Sales Volume and Occupancy Basis, 1959

Item	Owner-dealers	Lessee-dealers	Total <sup>1</sup>
Number of dealers reporting .....	18	15	33
Average net sales per dealer .....	\$ 467,301	327,466	521,903
Average beginning inventory .....	\$ 47,194	8,796	42,819
Average inventory, end of year .....	\$ 60,227	7,927	53,764
Average cost of goods sold .....	\$ 347,862	260,284	403,592
Stock turnover (times per year) .....	6.48	31.13	8.36
<b>Profit and loss data</b> (Per cent of net sales)			
Gross profit .....	25.56	20.52	23.62
Operating expenses:			
Executives' and employees' salaries and wages, etc. (except delivery) .....	9.21	6.61	8.40
Delivery .....	7.01	5.10	6.37
Occupancy expenses:			
Taxes .....	0.33	0.31	0.37
Insurance .....	0.48	0.27	0.44
Rent .....	—	0.41	0.15
Heat, light and power .....	0.13	0.10	0.14
Repairs and maintenance .....	0.55	0.14	0.42
Depreciation allowances .....	1.04	0.58	1.08
Total occupancy expenses .....	2.53	1.81	2.60
Office and store supplies .....	0.22	0.39	0.27
Advertising .....	0.46	0.58	0.49
Net loss on bad debts .....	0.29	0.24	0.27
All other expenses .....	2.34	2.02	2.26
Total operating expenses .....	22.08	16.75	20.66
Net operating profit .....	3.46	3.77	2.96
Non-trading income .....	0.94	0.31	0.73
Non-trading expense .....	0.13	0.41	0.20
Net profit before provision for income tax .....	4.29	3.67	3.49

<sup>1</sup> Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.



**TABLE 5. Independent Fuel Dealers — Financial Structure of Unincorporated Firms by Size of Business**  
as at December 31, 1959

Item	Owner — dealers				Lessee - dealers all sizes \$20,000 and over
	With annual net sales of			Total all sizes \$20,000 and over	
	\$20,000- 49,999	\$50,000- 99,999	\$100,000 and over		
Assets	average per firm (dollars)				
Current assets:					
Cash on hand and in bank .....	1,846	4,291	5,244	4,077	4,032
Accounts and notes receivable (net) .....	2,559	8,769	32,967	15,630	11,225
Merchandise inventory .....	1,998	3,928	6,078	4,234	6,575
Other current assets .....	1,075	300	3,118	1,428	602
<b>Total current assets .....</b>	<b>7,478</b>	<b>17,288</b>	<b>47,407</b>	<b>25,369</b>	<b>22,434</b>
Fixed assets (net):					
Used in the business .....	5,617	8,742	11,180	8,883	6,789
Not used in the business .....	1,818	976	2,006	1,512	1,983
<b>Total fixed assets (net) .....</b>	<b>7,435</b>	<b>9,718</b>	<b>13,186</b>	<b>10,395</b>	<b>8,752</b>
Other assets:					
Long term investments .....	55	527	843	531	537
Other assets .....	—	4,509	1,059	2,344	530
<b>Total other assets .....</b>	<b>55</b>	<b>5,036</b>	<b>1,902</b>	<b>2,875</b>	<b>1,067</b>
<b>Total assets .....</b>	<b>14,968</b>	<b>32,042</b>	<b>62,495</b>	<b>38,639</b>	<b>32,253</b>
Liabilities					
Current liabilities:					
Accounts and notes payable .....	1,582	6,066	24,742	11,429	10,386
Fixed liabilities:					
Mortgages on fixed assets used in the business .....	322	604	2,511	1,190	234
Mortgages on fixed assets not used in the business .....	455	80	272	227	1,200
<b>Total fixed liabilities .....</b>	<b>777</b>	<b>684</b>	<b>2,783</b>	<b>1,417</b>	<b>1,534</b>
Other liabilities .....	491	2,701	2,774	2,240	5,176
<b>Total liabilities .....</b>	<b>2,850</b>	<b>9,451</b>	<b>30,299</b>	<b>15,086</b>	<b>17,096</b>
Net worth: Proprietor's or partners' equity in the business .....	12,118	22,591	32,196	23,553	15,157
<b>Total liabilities and net worth .....</b>	<b>14,968</b>	<b>32,042</b>	<b>62,495</b>	<b>38,639</b>	<b>32,253</b>
Average net sales of dealers reporting .....	33,242	77,045	192,586	106,692	92,855
Number of dealers reporting .....	11	22	17	50	19

**TABLE 6. Independent Fuel Dealers — Owned — Financial Structure of Incorporated Firms**  
by Size of Business as at December 31, 1959

Item	Owner — dealers		Lessee — dealers	
	With annual net sales of \$100,000 and over		Total all sizes \$20,000 and over	
	With annual net sales of \$100,000 and over	Total all sizes \$20,000 and over	With annual net sales of \$100,000 and over	Total all sizes \$20,000 and over
<b>Assets</b>	average per firm (dollars)			
Current assets:				
Cash on hand and in bank .....	13,349	12,702	10,744	10,101
Accounts and notes receivable (net) .....	64,390	80,750	57,877	54,123
Merchandise inventory .....	60,962	57,980	8,405	7,927
Other current assets .....	15,469	14,696	4,079	3,807
<b>Total current assets .....</b>	<b>174,170</b>	<b>166,128</b>	<b>81,105</b>	<b>75,956</b>
Fixed assets (net):				
Used in the business .....	46,457	44,487	12,575	11,746
Not used in the business .....	4,297	4,082	—	—
<b>Total fixed assets (net) .....</b>	<b>50,754</b>	<b>48,569</b>	<b>12,575</b>	<b>11,746</b>
Other assets:				
Long term investments .....	5,427	5,156	14,097	13,157
Other assets .....	2,697	2,562	3,575	4,109
<b>Total other assets .....</b>	<b>8,124</b>	<b>7,718</b>	<b>17,672</b>	<b>17,266</b>
<b>Total assets .....</b>	<b>233,048</b>	<b>222,415</b>	<b>111,352</b>	<b>104,970</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts and notes payable .....	100,640	95,760	51,993	48,632
Fixed liabilities:				
Mortgages on fixed assets used in the business .....	2,855	2,712	—	—
Mortgages on fixed assets not used in the business .....	724	688	—	—
<b>Total fixed liabilities .....</b>	<b>3,579</b>	<b>3,400</b>	<b>—</b>	<b>—</b>
Other liabilities .....	13,536	12,859	8,402	8,099
<b>Total liabilities .....</b>	<b>117,755</b>	<b>112,019</b>	<b>60,395</b>	<b>56,731</b>
Net worth: Capital stock .....	38,747	37,097	24,809	23,821
Surplus and undivided profits .....	76,546	73,299	26,148	24,417
<b>Total net worth .....</b>	<b>115,293</b>	<b>110,396</b>	<b>50,957</b>	<b>48,239</b>
<b>Total liabilities and net worth .....</b>	<b>233,048</b>	<b>222,415</b>	<b>111,352</b>	<b>104,970</b>
Average net sales of dealers reporting .....	468,838	446,945	349,240	327,466
Number of dealers reporting .....	19	20	14	15

## 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.



### Liabilities and Net Worth Items

**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.

**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 payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

**Net worth** — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

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

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

### Ratios

**Current ratio** —  $\text{Current Assets} \div \text{Current Liabilities}$  — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to

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.

**Liquidity ratio** —  $\text{Current Assets less Merchandise Inventory} \div \text{Current Liabilities}$  — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

**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.

**Worth-debt ratio** —  $\text{Net Worth} \div \text{Total Liabilities}$  — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

### Interstatement Ratio

**Turnover of total capital employed** —  $\text{Net Sales} \div \text{Total Assets}$  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.