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CANADA



OPERATING RESULTS AND FINANCIAL STRUCTURE
RETAIL HARDWARE, FURNITURE, APPLIANCE
AND RADIO STORES
1952
(Independent)

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

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 parts and accessories, 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 — Service and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
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- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 25¢
- X — Motion Picture Production (Memorandum), 10¢

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

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DEFINITIONS

Profit and Loss

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returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

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 cost 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).

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.

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

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

Depreciation allowances — provision for decrease in the value of fixed store assets.

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.

DEFINITIONS

Balance Sheet

Assets

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 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 and organization costs.

Liabilities and Net Worth

Current liabilities – are obligations which must be paid in the near future 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.

DEFINITIONS

Profit and Loss Statement 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 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 allowance 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 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 receivables) can result in a strong or more favourable ratio.

Liquidity Ratio — $\text{Cash} + \text{Accounts Receivable} + \text{Government Bonds and Securities} \div \text{Current Liabilities}$ — 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.

OPERATING RESULTS AND FINANCIAL STRUCTURE

RETAIL HARDWARE, FURNITURE, APPLIANCE

AND RADIO STORES

1952

(Independent)

INTRODUCTION

The ratios appearing in the operating results bulletins may not constitute an ideal pattern of operations which all retailers should set as a goal, but they do represent a 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.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much 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 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 that provision be made to check against some such standard performance as these publications provide.

The following kinds of retail business are presented in this report:

1. Hardware (both incorporated and unincorporated)
2. Furniture (unincorporated only)
3. Appliance and Radio (unincorporated only)

There are analyses of:

1. profit and loss statements
2. balance sheets

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

Balance sheet data, which was introduced in 1948, is continued in this 1952 study. This information is presented by sales-size and kind of occupancy groups for stores with \$20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, 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 assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

This year, definitions of the ratios presented in this bulletin, for comparison and financial statement analysis, are shown on the opposite page.

INDEPENDENT HARDWARE STORES

This classification includes stores recognized by the trade as independent hardware stores. The term "independent" is used to mean non-chain or single establishment firms. After careful editing of questionnaires returned, it was possible to use results submitted by 417 independent unincorporated and 83 independent incorporated firms. Results of hardware stores operated in owned or rented premises are shown separately. A further differentiation

is made within each of these categories to present results within typical sales-size categories.

Balance sheet results are shown, in the form of averages, for both owned and rented categories of unincorporated and incorporated firms. There was a sufficient number of unincorporated stores reporting in both the owned and rented categories to permit the separate presentation of balance sheet averages of firms in business "under 10 years" and "10 years and over".

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from \$50,000 in 1950 to \$55,000 in 1952, and rent showed a proportionate increase from \$600 to \$660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

In 1952 the average gross profit, expressed as a percentage of average net sales, increased only slightly for both unincorporated and incorporated firms, when compared to 1950 results. Total operating expense ratios for unincorporated stores also increased by approximately the same amount, resulting in a net operating profit ratio of 10.45 per cent for 1952 operations compared to 10.44 per cent for 1950. Therefore unincorporated firms netted almost the same proportion of the average sales' dollar for both

years, but because average net sales (or the number of average sales' dollars) were greater in 1952, these firms actually realized a greater dollar profit from their 1952 operations. The total operating expenses ratio of incorporated stores increased from 23.38 per cent in 1950 to 24.55 per cent of net sales in 1952. Because there was only a slight increase in the gross profit ratio for these firms, the general increase in operating expenses was reflected in a lower net operating profit ratio of 2.79 per cent for 1952 compared to 3.64 per cent for 1950. In addition, average sales showed a decline for incorporated firms. Consequently these firms realized a smaller profit in 1952 than is indicated by direct ratio comparison.

Inventories averaged slightly higher in value at the end of 1952 than at the beginning of the year for both unincorporated and incorporated firms.

The annual average rate of stock turnover ranged from 1.46 in the smaller stores to 2.93 for firms in the largest sales-size category.

Operating Results of Independent Hardware Stores 1950 and 1952 Compared

Item	Unincorporated		Incorporated	
	1950	1952	1950	1952
Average net sales	\$ 52,683	56,710	112,917	105,075
Profit and Loss Data (Per cent of net sales)				
Gross profit.....	25.82	25.91	27.02	27.34
Operating expenses:				
Employees' salaries	7.38	7.28	14.22	15.34
Occupancy.....	3.92	4.01	3.85	4.14
Delivery.....	1.28	1.26	1.34	1.43
Store supplies.....	0.43	0.47	0.49	0.55
Advertising.....	0.69	0.71	1.37	0.93
All other expenses	1.68	1.73	2.11	2.16
Total operating expenses	15.38	15.46	23.38	24.55
Net operating profit before provisions for income tax ¹	10.44	10.45	3.64	2.79

1. Includes proprietors' salaries for unincorporated stores.

Financial Ratios of Independent Hardware Stores as at December 31, 1952

Ratio ¹	Unincorporated		Incorporated	
	Owned	Rented	Owned	Rented
Current ratio	4.65	4.55	3.72	3.68
Liquidity ratio	1.61	1.55	1.46	1.01
Working capital to net worth	0.76	0.87	0.68	0.89
Worth debt ratio	3.26	2.95	2.71	2.33
Turnover of total capital employed	1.48	2.04	1.39	1.96

1. Ratio definitions are shown on page 6.

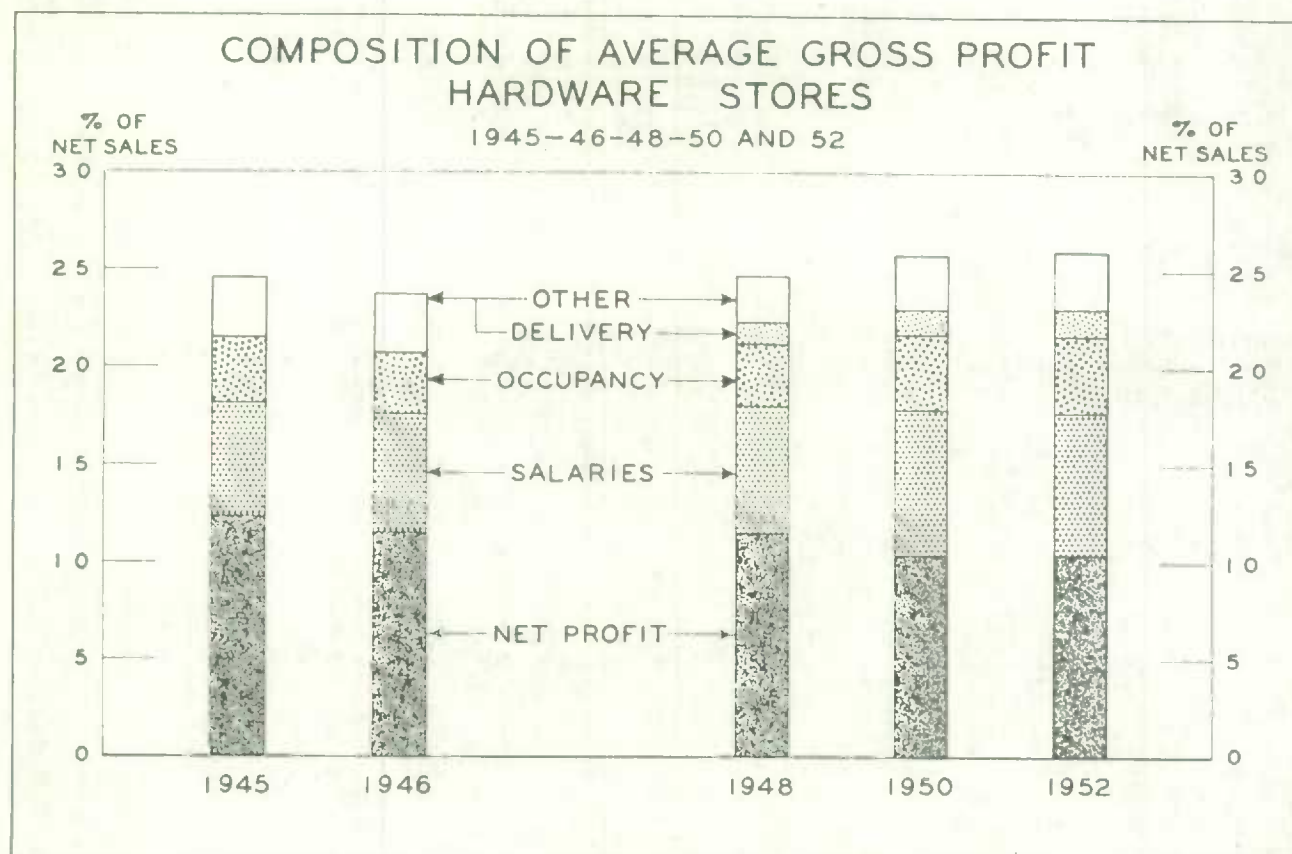


TABLE 1. Independent Hardware Stores — Operating Results of Unincorporated Stores by Sales Volume and Occupancy Basis, 1952

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 stores reporting	25	90	58	24	19	88	66	34
Average net sales per store	\$ 16,130	\$ 34,923	\$ 65,807	\$ 143,288	\$ 7,140	\$ 35,019	\$ 72,098	\$ 140,778
Average cost of goods sold	\$ 11,958	\$ 26,196	\$ 49,120	\$ 108,332	\$ 5,032	\$ 25,035	\$ 52,500	\$ 105,623
Average beginning inventory	\$ 7,596	\$ 13,206	\$ 19,463	\$ 45,609	\$ 3,391	\$ 12,487	\$ 20,439	\$ 36,024
Average inventory, end of year	\$ 7,909	\$ 13,249	\$ 19,271	\$ 45,440	\$ 3,505	\$ 12,576	\$ 21,007	\$ 36,108
Stock turnover (times per year)	1.54	1.98	2.54	2.38	1.46	2.00	2.53	2.93
Profit and Loss Data (Per cent of net sales)								
Gross profit	25.86	24.98	25.35	24.39	29.53	28.51	27.18	24.97
Operating expenses:								
Employees' salaries and wages	2.37	5.80	6.90	8.25	3.26	6.25	7.53	8.93
Taxes	1.16	0.98	0.73	0.60	0.65	0.56	0.30	0.22
Insurance	0.91	0.78	0.62	0.54	1.08	0.60	0.43	0.44
Rent	—	—	—	—	4.03	3.01	2.07	1.62
Heat, light and power	1.15	0.98	0.72	0.41	0.99	0.81	0.55	0.45
Delivery	1.12	0.96	1.13	1.15	2.02	1.28	1.54	1.33
Repairs and maintenance	0.46	0.59	0.57	0.28	0.33	0.45	0.33	0.23
Depreciation allowances	1.01	1.20	0.93	0.65	0.71	0.62	0.56	0.33
Store supplies	0.48	0.54	0.45	0.51	0.42	0.48	0.38	0.47
Advertising	0.26	0.42	0.72	0.68	0.30	0.59	0.74	1.04
Bad debts written off	0.20	0.15	0.21	0.55	—	0.15	0.18	0.27
(Less) amount recovered	—	0.01	0.01	0.19	—	—	0.03	0.03
Net bad debt loss	0.20	0.14	0.20	0.36	—	0.15	0.15	0.24
All other expenses	1.87	1.55	1.59	1.22	1.90	1.78	1.80	1.17
Total operating expenses	10.99	13.94	14.56	14.65	15.69	16.58	16.38	16.47
Net trading profit before deduction of proprietors' salaries and income tax	14.87	11.04	10.79	9.74	13.84	11.93	10.80	8.50

TABLE 2. Independent Hardware Stores — Operating Results of Incorporated Stores by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of		Rented stores with annual net sales of		
	\$50,000 to \$99,999	\$100,000 and over	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of stores reporting	10	11	11	21	23
Average net sales per store	\$ 66,092	\$ 146,444	\$ 37,842	\$ 78,076	\$ 181,532
Average cost of goods sold	\$ 47,731	\$ 106,963	\$ 26,228	\$ 55,809	\$ 133,144
Average beginning inventory	\$ 18,116	\$ 45,405	\$ 15,811	\$ 30,789	\$ 49,689
Average inventory, end of year	\$ 17,925	\$ 45,264	\$ 14,971	\$ 30,254	\$ 50,797
Stock turnover (times per year)	2.65	2.36	1.70	1.83	2.65
Profit and Loss Data (Per cent of net sales)					
Gross profit	27.78	26.96	30.69	28.52	26.65
Operating expenses:					
Employees' salaries and wages	15.36	16.07	16.80	15.55	14.75
Taxes	0.89	0.75	0.50	0.56	0.37
Insurance	0.57	0.62	0.68	0.61	0.44
Rent	—	—	4.37	3.04	1.74
Heat, light and power	0.75	0.52	1.27	0.68	0.43
Delivery	1.54	0.99	0.77	1.80	1.51
Repairs and maintenance	0.51	0.24	0.17	0.36	0.21
Depreciation allowances	1.12	0.59	0.59	0.48	0.51
Store supplies	0.48	0.59	0.61	0.64	0.51
Advertising	0.65	1.04	0.81	1.06	0.91
Bad debts written off	0.41	0.55	0.02	0.19	0.37
(Less) amount recovered	0.13	0.07	—	0.03	0.05
Net bad debt loss	0.28	0.48	0.02	0.16	0.32
All other expenses	1.96	2.18	2.00	2.05	1.55
Total operating expenses	24.11	24.07	28.59	26.99	23.25
Net operating profit before provision for income tax	3.67	2.89	2.10	1.53	3.40

TABLE 3. Independent Hardware Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1952

Item	Stores with annual net sales of							Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			\$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets								
Current assets:								
Cash on hand and in bank	2,010	3,072	2,695	5,287	5,297	5,293	6,634	4,181
Accounts and notes receivable (net)	3,339	2,099	2,532	4,766	6,109	5,567	13,580	5,165
Merchandise inventory	13,473	13,838	13,709	19,193	20,080	19,721	47,029	20,518
Other current assets	335	1,334	980	1,634	2,426	2,106	2,008	1,529
Total current assets	19,157	20,333	19,916	30,880	33,912	32,687	69,251	31,393
Fixed assets (net):								
Used in the business	7,714	8,965	7,230	13,619	8,536	10,587	15,784	9,633
Not used in the business	799	1,491	1,246	629	336	454	82	798
Total fixed assets (net)	8,513	8,456	8,476	14,248	8,872	11,041	15,866	10,431
Other assets:								
Investments of a permanent nature	7	145	96	126	480	337	1,118	325
Intangibles	168	363	294	415	2	169	238	242
Total other assets	175	508	390	541	482	506	1,356	567
Total assets	27,845	29,297	28,782	45,669	43,266	44,234	86,473	42,391
Liabilities								
Current liabilities — accounts and notes payable	4,920	3,586	4,058	8,362	7,652	7,938	13,329	6,756
Fixed liabilities — mortgages on fixed assets:								
Used in the business	2,098	1,151	1,487	3,773	856	2,033	2,431	1,815
Not used in the business	46	157	118	365	18	158	—	116
Other liabilities	980	376	590	1,852	308	931	4,563	1,266
Total liabilities	8,044	5,270	6,253	14,352	8,834	11,060	20,323	9,947
Net worth — proprietor's or partners' equity in the business	19,801	24,027	22,529	31,317	34,432	33,174	66,150	32,444
Total liabilities and net worth	27,845	29,297	28,782	45,669	43,266	44,234	86,473	42,391
Number of stores reporting	28	51	79	23	34	57	22	158
Average net sales of stores reporting	33,707	36,202	35,318	66,301	65,600	65,881	143,770	61,446

TABLE 4. Independent Hardware Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1952

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets										
Current assets:										
Cash on hand and in bank	1,951	3,010	2,643	4,062	7,242	6,201	7,901	6,670	7,186	4,722
Accounts and notes receivable (net)	2,037	1,583	1,740	3,366	5,072	4,513	11,742	10,768	11,176	4,455
Merchandise inventory	12,837	12,067	12,333	21,871	20,216	20,758	37,518	32,901	34,838	19,437
Other current assets	151	660	494	661	1,166	1,001	564	2,700	1,804	909
Total current assets	16,976	17,320	17,200	29,960	33,696	32,473	57,725	53,039	55,004	29,523
Fixed assets (net):										
Used in the business	1,998	1,651	1,771	4,385	2,104	2,852	2,800	2,541	2,650	2,310
Not used in the business	1,303	2,851	2,315	1,474	3,791	3,031	—	700	406	2,210
Total fixed assets (net)	3,301	4,502	4,086	5,859	5,895	5,883	2,800	3,241	3,056	4,520
Other assets:										
Investments of a permanent nature	33	25	28	147	1,996	1,391	119	—	50	505
Intangibles	108	251	202	1,390	1,399	1,732	443	148	272	746
Total other assets	141	276	230	1,537	3,895	3,123	562	148	322	1,251
Total assets	20,418	22,098	21,516	37,356	43,486	41,479	61,087	56,428	58,382	35,294
Liabilities										
Current liabilities — accounts and notes payable	4,150	3,901	3,998	8,155	5,651	6,471	13,538	12,306	12,823	6,495
Fixed liabilities—mortgages on fixed assets:										
Used in the business	1,068	692	822	580	—	190	2,690	—	1,129	660
Not used in the business	779	582	650	1,103	571	746	—	—	—	563
Other liabilities	1,941	425	950	2,254	1,386	1,671	96	1,660	1,004	1,210
Total liabilities	7,968	5,600	6,420	12,092	7,608	9,078	16,324	13,966	14,955	8,928
Net worth — proprietor's or partners' equity in the business	12,450	16,497	15,096	25,264	35,879	32,401	44,763	42,462	43,427	26,366
Total liabilities and net worth	20,418	22,098	21,516	37,356	43,486	41,479	61,087	56,428	58,382	35,294
Number of stores reporting	27	51	79	19	39	58	13	18	31	167
Average net sales of stores reporting	36,115	34,693	35,134	73,366	72,476	72,766	140,385	136,735	138,266	67,373

TABLE 5. Independent Hardware Stores — Financial Structure of Incorporated Stores by Size and Occupancy as at December 31, 1952

Item	Owned stores with annual net sales of		Total all sizes \$20,000 and over	Rented stores with net sales of			Total all sizes \$20,000 and over
	\$50,000 to \$99,999	\$100,000 and over		\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	
Assets							
Current assets:							
Cash on hand and in bank.....	6,688	3,562	4,692	2,932	1,953	5,728	3,658
Accounts and notes receivable (net).....	3,826	17,451	10,313	1,621	6,124	14,296	8,492
Merchandise inventory.....	17,925	41,474	29,121	15,563	30,679	50,510	35,588
Other current assets.....	1,994	5,284	3,766	75	2,026	1,361	1,370
Total current assets.....	30,433	67,771	47,892	20,191	40,782	71,895	49,108
Fixed assets (net):							
Used in the business.....	12,518	20,801	16,264	1,903	2,237	7,296	4,194
Not used in the business.....	3,924	568	1,816	—	520	1,934	985
Total fixed assets (net).....	16,442	21,369	18,080	1,903	2,766	9,230	5,179
Other assets:							
Investments of a permanent nature.....	648	2,357	1,376	—	21	356	15
Intangibles.....	1,352	6,117	3,504	4,219	3,563	2,071	3,098
Total other assets.....	2,000	8,474	4,880	4,219	3,584	2,427	3,249
Total assets.....	48,675	97,614	70,852	26,313	47,132	83,552	57,536
Liabilities							
Current liabilities — accounts and notes payable.....	6,498	18,948	12,886	4,089	13,634	17,702	13,352
Fixed liabilities — mortgages on fixed assets:							
Used in the business.....	2,745	5,478	4,024	67	745	293	429
Not used in the business.....	1,353	—	501	—	—	—	—
Other liabilities.....	2,400	1,579	1,661	758	2,405	5,911	3,478
Total liabilities.....	12,996	26,005	19,072	4,914	16,784	23,906	17,259
Net worth:							
Capital stock.....	18,451	47,147	31,810	14,152	19,066	23,677	19,927
Surplus and undivided profits.....	17,428	24,462	19,970	7,247	11,282	35,969	20,350
Total net worth.....	35,879	71,609	51,780	21,399	30,348	59,646	40,277
Total liabilities and net worth.....	48,875	97,614	70,852	26,313	47,132	83,552	57,536
Number of stores reporting.....	10	13	27	10	20	20	50
Average net sales of stores reporting.....	66,093	135,702	96,061	39,547	77,293	180,616	111,073

INDEPENDENT FURNITURE STORES

This classification includes stores recognized by the trade as independent furniture stores. The term "independent" is used to mean non-chain or single establishment firms. The results presented for this trade are for unincorporated stores only. Although some of the respondents incorporated since the survey of 1950 operations, there was an insufficient number to permit presentation of incorporated store results. After careful editing of the questionnaires returned, it was possible to use 119 reports of unincorporated independent furniture stores for profit and loss tabulations. Of these, 62 conducted

business in owned premises and 57 in rented premises for which separate tabulations are shown. A further differentiation was made within each of these categories to show results of firms within typical sales-size ranges.

Balance sheet results are shown, in the form of averages, for both owned and rented categories, but only for those firms in the annual sales-size groups commencing at \$20,000. Returns from 100 stores, comprised at 55 owned and 45 rented, were used to obtain the balance sheet averages of furniture stores.

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from \$50,000 in 1950 to \$55,000 in 1952, and rent showed a proportionate increase from \$600 to \$660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

The average gross profit, expressed as a percentage of average net sales, increased slightly from 27.05 per cent in 1950 to 27.75 per cent in 1952. Operating expenses, in total, showed a larger increase from 18.35 per cent to 19.47 for the respective years' operations. This increase was not general however; slight declines occurred in occupancy expense, store supplies and advertising. The fact that total operating expenses increased to a greater extent than did the gross profit, caused a slight decline from 8.70 per cent in 1950 to 8.28 per cent in 1952 in the net operating profit ratios. However, average annual net sales were greater in 1952.

Therefore, although the net operating profit formed a smaller portion of the average sales' dollar, it does not necessarily mean that furniture stores realized a smaller profit, because the average net sales (or the number of sales' dollars) increased.

Generally, inventories were slightly higher in value at the end of 1952 than at the beginning of the year.

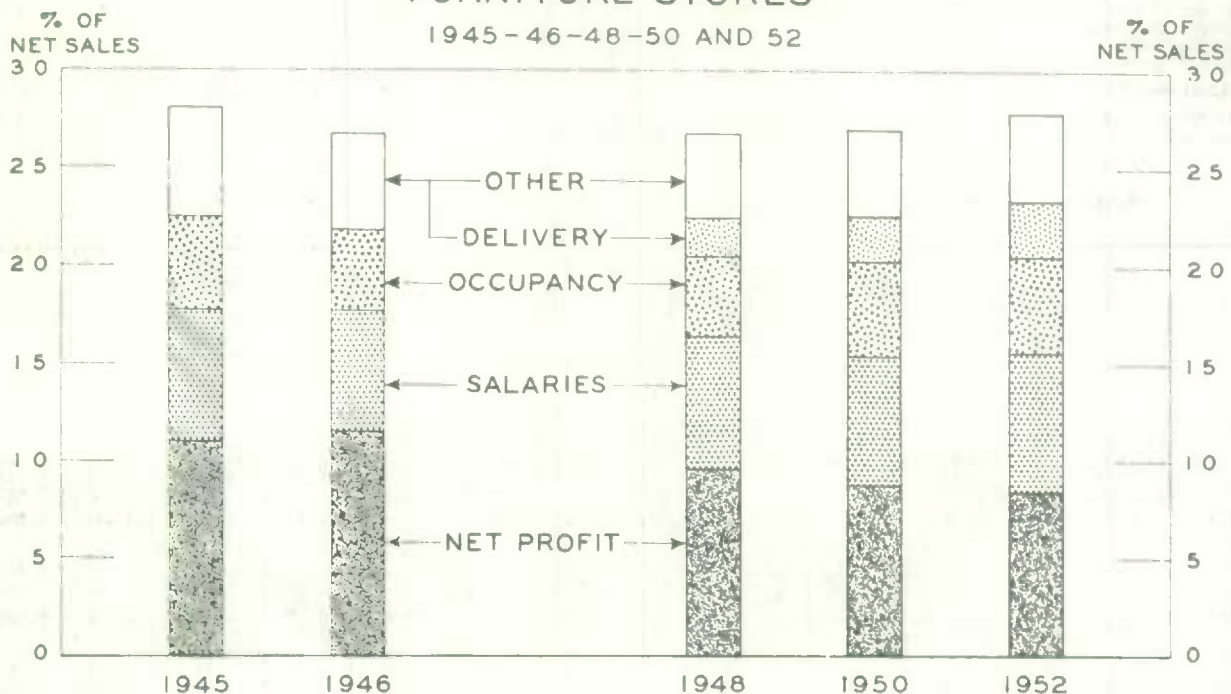
The annual rate of stock turnover ranged from 1.96 in the smaller stores to 2.92 for stores in the largest sales-size category.

Operating Results of Independent Furniture Stores, 1950 and 1952 Compared

Item	Unincorporated	
	1950	1952
Average net sales	\$ 91,256	100,877
Profit and Loss Data (Per cent of net sales)		
Gross profit	27.05	27.75
Operating expenses:		
Employees' salaries	6.69	7.30
Occupancy	4.89	4.87
Delivery	2.30	2.80
Store supplies	0.40	0.39
Advertising	1.58	1.50
All other expenses	2.49	2.61
Total operating expenses	18.35	19.47
Net operating profit before deduction of proprietors' salaries and income tax	8.70	8.28

COMPOSITION OF AVERAGE GROSS PROFIT FURNITURE STORES

1945-46-48-50 AND 52



Financial Ratios of Independent Furniture Stores as at December 31, 1952

Ratio ¹	Owned	Rented
Current ratio	2.87	2.03
Liquidity ratio	1.36	1.10
Working capital to net worth	0.63	0.82
Worth debt ratio	2.24	1.07
Turnover of total capital employed	1.26	1.57

1. Ratio definitions are shown on page 6.

TABLE 6. Independent Furniture Stores — Operating Results of Unincorporated Stores by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of			Rented stores with annual net sales of		
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of stores reporting	15	23	16	10	18	24
Average net sales per store	\$ 32,369	71,421	157,426	32,105	68,335	233,226
Average cost of goods sold	\$ 22,937	52,427	114,329	22,201	50,247	167,243
Average beginning inventory	\$ 11,996	19,040	42,148	9,087	18,854	56,105
Average inventory, end of year	\$ 11,361	19,139	43,086	9,933	18,607	58,590
Stock turnover (times per year)	1.96	2.75	2.68	2.33	2.68	2.92
Profit and Loss Data (Per cent of net sales)						
Gross profit	29.13	26.59	27.38	30.84	26.47	28.29
Operating expenses:						
Employees' salaries and wages	4.53	6.19	6.64	6.84	5.64	8.68
Taxes	1.12	1.11	0.86	0.92	0.42	0.42
Insurance	0.80	0.89	0.60	0.92	0.69	0.69
Rent	—	—	—	4.24	3.59	2.54
Heat, light and power	1.37	0.90	0.84	0.89	0.89	0.56
Delivery	2.97	2.30	2.79	3.68	2.59	2.93
Repairs and maintenance	0.89	0.67	0.54	0.29	0.44	0.27
Depreciation allowances	0.78	1.34	0.83	1.02	0.26	0.27
Store supplies	0.50	0.47	0.44	0.29	0.48	0.33
Advertising	1.13	0.95	1.35	1.21	1.17	1.87
Bad debts—written off	0.72	0.45	0.80	0.40	0.37	0.87
(Less) amount recovered	0.03	0.20	0.23	0.20	0.03	0.15
Net bad debt loss	0.69	0.25	0.57	0.20	0.34	0.72
All other expenses	2.30	2.09	2.42	2.45	2.17	1.80
Total operating expenses	17.08	17.16	17.88	22.95	18.68	21.08
Net operating profit before deduction of proprietors' salaries and income tax	12.05	9.43	9.50	7.89	7.79	7.21

TABLE 7. Independent Furniture Stores Financial Structure of Unincorporated Stores by Size and Occupancy Basis as at December 31, 1952

Item	Owned stores with annual net sales of				Total all sizes (owned)	Rented stores with annual net sales of			Total all sizes (rented)
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	\$20,000 to \$49,999		\$50,000 to \$99,999	\$100,000 and over		
Assets									
Current assets:									
Cash on hand and in bank	2,561	2,118	7,607	4,043	4,406	2,919	4,141	3,688	
Accounts and notes receivable (net)	6,556	12,729	36,256	18,632	8,284	11,120	57,827	32,538	
Merchandise inventory	12,216	19,451	51,044	27,604	9,146	18,735	54,002	33,914	
Other current assets	1,382	1,208	4,170	2,229	175	715	7,163	3,652	
Total current assets.....	22,715	35,506	99,077	52,588	22,011	33,489	123,133	73,792	
Fixed assets (net):									
Used in the business	8,665	18,647	30,799	19,719	1,167	3,505	15,007	8,561	
Not used in the business	2,387	996	5,096	2,742	3,260	861	638	1,077	
Total fixed assets (net).....	11,052	19,643	35,895	22,461	4,427	4,366	15,645	9,638	
Other assets:									
Investments of a permanent nature	2,013	218	4,174	2,034	—	222	1,925	987	
Intangibles	—	376	5,126	1,822	—	442	7,676	3,759	
Total other assets	2,013	594	9,300	3,856	—	664	9,601	4,746	
Total assets	35,780	55,743	144,272	78,905	26,438	38,519	148,379	88,176	

TABLE 7. Independent Furniture Stores Financial Structure of Unincorporated Stores by Size and Occupancy Basis as at December 31, 1952 — Concluded

Item	Owned stores with annual net sales of			Total all sizes (owned)	Rented stores with annual net sales of			Total all sizes (rented)
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over		\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	
Liabilities								
Current liabilities — accounts and notes payable	5,982	12,693	35,894	18,333	5,057	10,827	67,022	36,281
Fixed liabilities — mortgages on fixed assets:								
Used in the business	2,093	4,335	4,029	3,532	1,345	1,803	7,317	4,315
Not used in the business	171	564	3,102	1,280	2,333	151	—	372
Other liabilities	881	614	1,960	1,132	333	1,830	2,098	1,714
Total liabilities	9,127	18,206	44,983	24,327	9,068	14,611	76,347	42,682
Net worth — proprietor's or partners' equity in the business	26,653	37,537	99,287	54,578	17,370	23,908	72,032	45,494
Total liabilities and net worth	35,780	55,743	144,272	78,905	26,438	38,519	148,379	88,176
Number of stores reporting	16	21	18	55	6	13	21	45
Average net sales of stores reporting	32,224	72,851	179,352	95,884	36,284	69,357	224,705	137,042

INDEPENDENT HOUSEHOLD APPLIANCE AND RADIO STORES

This classification includes stores recognized by the trade as independent household appliance and radio stores. The term "independent" is used to mean non-chain or single establishment firms. The results presented for this trade are for unincorporated stores only. Although some of the respondents incorporated since the survey of 1950 operations, there was an insufficient number to permit presentation of incorporated store results. After careful editing of the questionnaires returned, it was possible to use 81 reports of unincorporated household appliance and radio stores for profit and loss tabulations. Of these, 35 conducted business in owned pre-

mises and 46 in rented premises for which separate results are shown. A further differentiation was made within each of these categories to show results of firms within typical sales-size ranges.

Balance sheet results are shown, in the form of averages, for both owned and rented categories, but only for those firms in the annual sales-size groups commencing at \$20,000. Returns from 76 stores, comprised of 32 owned and 44 rented, were used to obtain the balance sheet averages of household appliance and radio stores.

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from \$50,000 in 1950 to \$55,000 in 1952, and rent showed a proportionate increase from \$600 to \$660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

The average gross profit, expressed as a percentage of average net sales, declined slightly from 27.84 per cent in 1950 to 26.36 per cent in 1952. Conversely, the total operating expenses ratio increased from 17.82 per cent to 18.59 per cent for the respective years' operations. This condition was not general however; slight declines occurred in occu-

pancy and store supplies expense ratios. The combined effect of a lower gross profit ratio, or "mark-up", and a higher total expense ratio resulted in a significant decline in the net operating profit ratio from 10.02 per cent to 7.77 per cent for 1950 and 1952 respectively. However, average net sales of the reporting stores were significantly higher in 1952. Therefore, although the net operating profit formed a smaller portion of the 1952 average net sales' dollar, household appliance and radio store proprietors were not in the unfavourable position indicated by direct ratio comparison, because the average net sales (or the number of sales' dollars) increased.

Generally, inventories were of slightly higher value at the end of 1952 than at the beginning of the year.

The annual rate of stock turnover ranged from 1.84 in the smaller stores to 5.77 for stores in the largest sales-size category.

Operating Results of Independent Household Appliance and Radio Stores 1930 and 1932 Compared

Item	Unincorporated	
	1950	1952
Average net sales	\$ 78,074	99,172
Profit and Loss Data (Per cent of net sales)		
Gross profit	27.84	26.36
Operating expenses:		
Employees' salaries	8.49	8.72
Occupancy	3.56	3.49
Delivery	1.72	2.19
Store supplies	0.45	0.34
Advertising	1.57	1.70
All other expenses	2.03	2.15
Total operating expenses	17.82	18.59
Net profit before deduction of proprietors' salaries and income tax	10.02	7.77

Financial Ratios of Independent Household Appliance and Radio Stores as at December 31, 1952

Ratio ¹	Owned	Rented
Current ratio	2.60	2.01
Liquidity ratio	1.25	1.08
Working capital to net worth	0.61	0.87
Worth debt ratio	1.94	1.07
Turnover of total capital employed	1.70	2.46

1. Ratio definitions are shown on page 6.

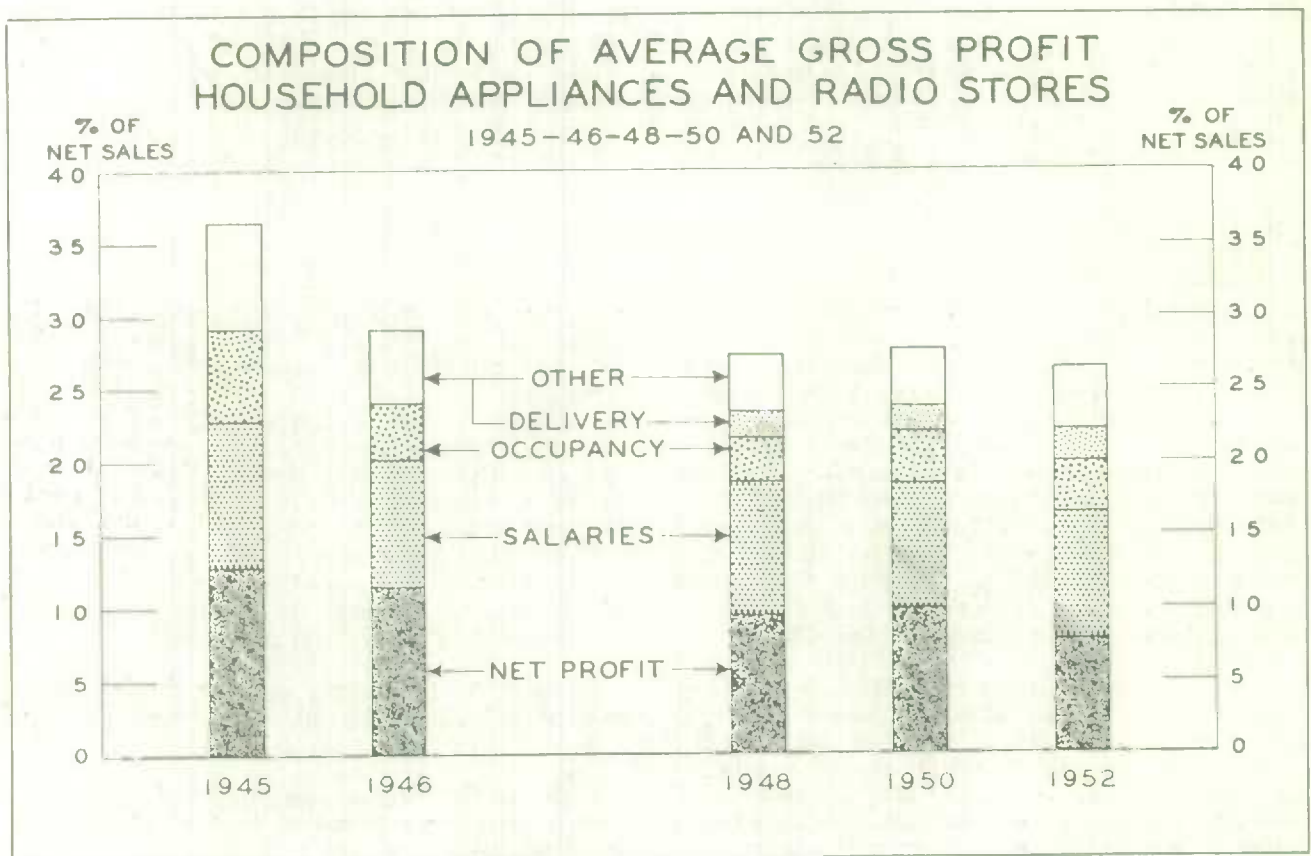


TABLE 8. Independent Household Appliance and Radio Stores — Operating Results by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of			Rented stores with annual net sales of		
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of stores reporting	13	14	8	10	12	24
Average net sales per store	\$ 32,561	69,976	165,538	33,254	69,034	193,375
Average cost of goods sold	\$ 22,062	52,586	124,914	24,569	49,268	143,067
Average beginning inventory	\$ 12,067	16,932	18,649	7,546	12,302	27,845
Average inventory, end of year	\$ 11,906	15,200	24,625	7,744	11,839	31,600
Stock turnover (times per year)	1.84	3.27	5.77	3.21	4.08	4.81
Profit and Loss Data (Per cent of net sales)						
Gross profit	32.24	24.85	24.54	26.12	28.63	26.01
Operating expenses:						
Employees' salaries and wages	8.58	7.87	9.09	7.48	8.57	8.92
Taxes	1.18	0.68	0.62	0.34	0.27	0.16
Insurance	0.66	0.72	0.48	0.39	0.38	0.38
Rent	—	—	—	2.94	2.45	1.55
Heat, light and power	1.25	0.84	0.56	0.86	0.32	0.27
Delivery	1.57	1.72	1.84	1.76	1.95	2.49
Repairs and maintenance	0.57	0.63	0.24	0.45	0.32	0.37
Depreciation allowances	1.24	1.11	0.74	0.46	0.95	0.33
Store supplies	0.53	0.40	0.16	0.40	0.35	0.34
Advertising	1.14	1.43	1.73	1.12	1.60	1.87
Bad debts-written off	0.15	0.42	0.09	0.43	0.26	0.33
(Less) amount recovered	—	—	—	0.03	0.01	0.04
Net bad debt loss	0.15	0.42	0.09	0.40	0.25	0.29
All other expenses	2.62	2.07	1.81	1.15	2.04	1.80
Total operating expenses	19.49	17.89	17.38	17.75	19.45	18.77
Net operating profit before deduction of proprietors' salaries and income tax	12.75	6.96	7.16	8.37	9.18	7.24

TABLE 9. Independent Household Appliance and Radio Stores — Financial Structure of Unincorporated Stores by Size and Occupancy Basis as at December 31, 1952

Item	Owned stores with annual net sales of			Total all sizes (owned)	Rented stores with annual net sales of			Total all sizes (rented)
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over		\$20,000 to \$49,999	\$50,000 to 99,999	\$100,000 and over	
Assets								
Current assets:								
Cash on hand and in bank	3,450	3,657	8,096	4,550	2,880	2,986	3,758	3,366
Accounts and notes receivable (net)	4,664	10,511	16,323	9,590	4,570	5,305	35,832	21,095
Merchandise inventory	12,066	15,871	26,474	16,764	7,753	11,827	32,553	21,735
Other current assets	3,356	369	359	1,487	436	765	1,039	833
Total current assets	23,536	30,408	51,252	32,391	15,639	20,883	73,182	47,029
Fixed assets (net):								
Used in the business	8,962	13,875	19,060	13,167	1,738	2,171	6,036	4,093
Not used in the business	1,663	4,469	—	2,439	2,542	—	682	934
Total fixed assets (net)	10,625	18,344	19,060	15,606	4,280	2,171	6,718	5,027
Other assets:								
Investments of a permanent nature	2,951	—	—	1,106	—	461	457	354
Intangibles	—	115	3	48	133	279	278	245
Total other assets	2,951	115	3	1,154	133	740	735	599
Total assets	37,112	48,867	70,315	49,151	20,052	23,794	80,635	52,655
Liabilities								
Current liabilities — accounts and notes payable	4,643	12,672	25,462	12,459	4,398	8,450	38,821	23,404
Fixed liabilities — mortgages on fixed assets:								
Used in the business	881	3,062	3,574	2,356	—	1	226	119
Not used in the business	20	1,852	—	760	—	—	—	—
Other liabilities	1,150	1,152	1,182	1,158	1,334	100	3,070	1,933
Total liabilities	6,694	18,738	30,218	16,733	5,732	8,551	42,117	25,456
Net worth — proprietor's or partners' equity in the business	30,418	30,129	40,097	32,418	14,320	15,243	38,518	27,199
Total liabilities and net worth	37,112	48,867	70,315	49,151	20,052	23,794	80,635	52,655
Number of stores reporting	12	13	7	32	10	11	23	44
Average net sales of stores reporting	33,514	71,105	173,511	79,412	33,254	67,315	196,602	127,155

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