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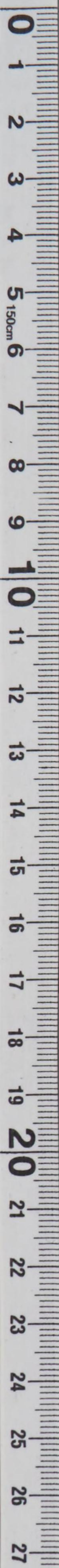
FINANCIAL STATEMENTS

Binder # 1

1 JAN. 50 .. Thru. 31 Dec 50

G-4 Adm File

SECRET



121.1 (new)
GD SP
8-2

ll

Maj R. B. Kreuzer, 26-6456/1g

Comparative Financial Statements

G-4

Comp

16 Sept 50

(2) Attached comparative financial statements from CPO are forwarded for review and appropriate comments and/or recommendations.

8 Incls
n/c

RH
G. L. E.

MEMORANDUM FOR RECORD:

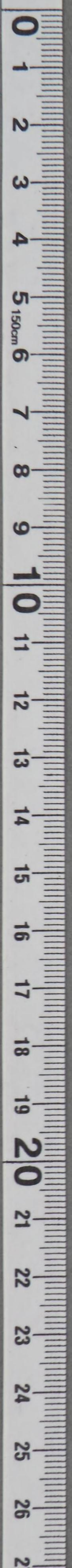
GD SP REK/JHFB/BH/1g

G-4 File

1. By C/N 1, CPO fwds a comparative financial statement for the period 31 Dec 49 to 30 Jun 50 for review by G-4.
2. The report has been reviewed by G-4 and found to be in order. It is considered necessary prior to filing the report to fwd same to CSMP for that section's review. Instant C/N accomplishes this purpose.
3. Action complete on G-4 Journal 12379.

REK [Signature] 26-6456
 JHFB [Signature] 26-6456
 BH [Signature] 26-6043 (Div Chief)

12379
 Sup
[Signature]



[Faint, mostly illegible text at the top of the page, possibly a header or introductory paragraph.]

CONFIDENTIAL

MEMORANDUM FOR RECORD: CD ST BK/JTB/BK/JS

1. By GVN I, CPO finds a comparative financial statement for the period 31 Dec 19 to 30 Jan 20 for review by G-4.
2. The report has been reviewed by G-4 and found to be in order. It is considered necessary prior to filing the report to find same to G-4 for that section's review. Instant GVN accomplishes this purpose.
3. Action complete on G-4 Journal 12379.

RK 26-6156

JTB 26-6156

BK 26-6013 (Div Chief)



607

L. F. Murphy 26-7858

Comparative Financial Statements

CPO

G-4

12 September 1950

1 Transmitted herewith are comparative financial statements and schedules for the period 31 December 1949 to 30 June 1950, in compliance with Par. 9a(2) Operating Instructions for Central Purchasing Office dated 14 November 1949. In connection therewith, the following comments are furnished:

a. It is noted that cash on hand and in banks (Exhibit A) was reduced approximately \$1,100,000. This is accounted for as follows:

Cash dividends issued.....	\$500,000
Net increase in receivables beyond reduction in inventory.....	235,000
Increase in funds with agents.....	224,000
Accounts payable were reduced by.....	<u>110,000</u>
Total	\$1,069,000

b. After a period of radical reduction in requisitions placed by Exchanges during the first quarter, the second quarter of 1950 reflects an upward turn in the CPO business cycle, resulting in the increase in accounts receivable and the reduction in inventory. The reduction in accounts payable reflects vigorous efforts to pay vendors as early as possible.

c. The financial structure of CPO is considered excellent. The existing authorized capitalization of \$3,038,000 is considered absolute minimum. This was evident during September 1950 when current payables due exceeded the amount of cash deposits in the banks. This will occur during any upward turn of purchases and sales.

d. Screening of inventories continues for the purpose of eliminating all items of inventory not required for stock control purposes. Present operations are still absorbing inventory losses on items purchased in 1946, 1947 and early 1948.

e. Although operations reflect a net loss of \$7,847 for the first half of 1950 (Exhibit C), existing pricing policy is considered adequate. A total of approximately \$21,000 in losses were incurred during February and March of 1950. This came about when the exchanges practically discontinued requisitioning in December



L. F. Murphy 26-7858

Comparative Financial Statements

CFO

G-4

12 September 1950

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1949, January and February of 1950 and sales to Exchanges (Exhibit C) dipped far below minimum business volume required to generate sufficient income from sales to cover operating costs during February and March. Requisitions for August 1950 exceeded one million dollars. Another large contributing factor was that three pay periods instead of the usual two were charged to March operations.

f. Average monthly operating expenses for January through June 1950 were \$29,913 as compared with \$22,455 for the prior six months. The bulk of this increase is due to:

- (1) Establishment of an inspection branch (this has resulted in the discontinuance of Central Exchange criticism of not receiving quality merchandise).
- (2) Implementation of special order sales procedures.
- (3) Improvement of Show Room facilities (This has received complimentary comments from all Central Exchanges).
- (4) Increase in insurance expense incurred through stepped up shipments of merchandise from the Hongkong Branch Office purchased on an ex-go-down Hongkong basis.

g. Average net monthly profit for July 1949 through June 1950 was \$6,435.

8 Incls.
Ex A thru E
Analyses of Accts/R
Inventories
Reconciliation of Bank Statements

-----A. H. N.-----

G4 File



M. T. ...

Cooperative ...

1950

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1950 January and February of 1950 ...
to ...
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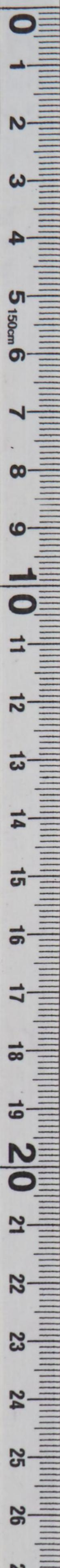
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