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A. COMMERCIAL AND MERCANTILE CREDIT

I. U. S. DEPARTMENT OF AGRICULTURE, BUREAU OF
AGRICULTURAL ECONOMICS, DIVISION OF AGRICULTURAL
FINANCE

Factors of banking success or failure in Arkansas, Utah and Wisconsin

This study includes analysis of the purposes of and basis for liquidation of loans to local business firms and others who were borrowing customers of country banks. Elements of liquidity and risk in various types of loan to business firms are compared. Data on business loans were obtained directly from the banks, supplemented by data from examiners' reports. They cover the period 1925-35, inclusive.

In preparation under the direction of F. L. Garlock in cooperation with the respective state agricultural experiment stations and colleges.

For the main description of this project, see IE7

2. U. S. DEPARTMENT OF COMMERCE, BUREAU OF FOREIGN
AND DOMESTIC COMMERCE, MARKETING RESEARCH
DIVISION

*Mercantile credit extended by manufacturers
and wholesalers*

In conjunction with a survey of sales by wholesalers and collections on accounts receivable, data are now being gathered on credit extended by manufacturers and wholesalers to customers for a large number of commodity lines, and on the terms of sale which greatly affect the volume and soundness of such credit. Ratios of collections to accounts receivable are computed with the intention of establishing norms for given lines and more effective bases of comparison among lines. Designed with a view to providing more adequate materials for assessing the soundness of book credit, the project is as yet in an experimental stage and the coverage of manufacturing and wholesaling establishments is not as complete as the objectives of the survey require.

In preparation under the direction of W. W. White and E. L. Lloyd as a Marketing Research Division project. The National Association of Credit Men is cooperating in the conduct of the survey. Summaries of findings are published annually as special bulletins issued by the Marketing Research Division.

3. UNIVERSITY OF MINNESOTA, SCHOOL OF BUSINESS
ADMINISTRATION, FINANCIAL AND INVESTMENT REVIEW

Banking types in Minnesota

Continuing an extended investigation of country banking types in Minnesota, published in 1934, fragmentary

studies are being made of qualitative elements affecting customer loans, as terms, interest rates and other charges, collections and general banking policies and practices in customer lending.

In preparation under the direction of Russell A. Stevenson. The State Department of Banking is cooperating actively in these studies. As available, they will appear in the Institute's *Financial and Investment Review*.

See also IE7, 8 and 10

4. DUN AND BRADSTREET, RESEARCH AND STATISTICAL DIVISION

Retail credit survey

This study is intended to supply more adequate information concerning typical business ratios significant in credit analysis in different retail lines by size of firm group and geographical region. Ratios presented include: [1] various expense ratios as (a) cost of goods sold to net sales, (b) total overhead expense to net sales, (c) a breakdown of overhead items to net sales; [2] merchandise ratios as (a) gross margin to net sales, (b) gross margin to cost of goods, (c) inventory turnover or the cost of goods to average opening and closing inventories, (d) net sales to closing inventories; [3] the ratio of net profits to net sales. Information on annual sales and inventory changes and the credit policies of retail firms, including the typical proportion of credit sales of firms selling on open credit, has also been assembled.

Directed by Willard L. Thorp, Director of Economic Research, as a firm project. Published annually as a special Dun and Bradstreet report.

5. DUN AND BRADSTREET, ANALYTICAL REPORT
DEPARTMENT

Studies of various financial ratios by industries

The object of these studies is to develop significant financial ratios and test their sensitivity in order to improve credit analysis techniques. The ratios analyzed include: [1] capital ratios such as (a) fixed assets to tangible net worth, (b) current debt to tangible net worth, (c) net working capital represented by funded debt; [2] inventory ratios such as (a) net sales to inventory, (b) net working capital to inventory, (c) inventory covered by current debt; [3] sales ratios such as (a) average collection period, (b) turnover of tangible net worth, (c) turnover of net working capital.

Directed by Roy A. Foulke of the Analytical Report Department as a firm project. The results are presented from time to time in the Dun and Bradstreet *Monthly Review* and in successive editions of a special volume entitled *Behind the Scenes of Business*.

6. DAVIS, C. R.

[STATE-PLANTERS BANK AND TRUST
COMPANY, RICHMOND, VA.]

*Statement analysis*¹

This study reviews critically various methods of analyzing the balance sheet and profit and loss statements of commercial borrowers. Financial budgets, interim trial balances, and consolidated statements are treated. The purpose is to evaluate the utility of various methods of statement analysis available to the credit man whose function is to safeguard the extension of short term credit.

¹ Thesis, Graduate School of Banking, American Institute of Banking, Section American Bankers Association.