



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20543

RQ-2

Stephen R. Sprague, Treasurer  
American Federation of Musicians  
1501 Broadway, Suite 600  
New York, NY 10036

FEB 10 1999

Identification Number: C00073627

Reference: 30 Day Post-General Report (10/1/98-11/23/98)

Dear Mr. Sprague:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Your calculations for Line 31, Column B appear to be incorrect. FEC calculations disclose this amount(s) to be \$42,353. Please provide the corrected total(s) on the Detailed Summary Page.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 694-1130.

Sincerely,

Andrea Wilkens  
Reports Analyst  
Reports Analysis Division

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses and income. The text suggests that a systematic approach to record-keeping is essential for identifying trends and managing the business effectively.

Next, the document addresses the issue of inventory management. It explains that proper inventory control is crucial for determining the cost of goods sold and for preventing losses due to theft or spoilage. The author recommends regular physical counts and the use of perpetual inventory systems to track stock levels in real-time. This helps in reordering materials before they run out and in identifying slow-moving items that tie up capital.

The third section focuses on the classification of assets and liabilities. It provides guidance on how to distinguish between current and long-term assets and liabilities, which is important for calculating working capital and assessing the company's financial health. The text also touches upon the treatment of intangible assets and the impact of depreciation on the value of fixed assets.

The document then delves into the calculation of the cost of goods sold (COGS). It provides a detailed breakdown of the formula:  $COGS = \text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory}$ . Each component is explained in detail, including how to handle freight-in, freight-out, and purchase discounts. The author stresses the importance of accurate inventory counts at the beginning and end of the period to ensure the reliability of the COGS figure.

Following this, the text discusses the impact of COGS on the gross profit margin. It shows how a higher COGS results in a lower gross profit, which can indicate inefficiencies in production or purchasing. The document suggests ways to improve the gross profit margin, such as negotiating better prices with suppliers or optimizing the production process. It also notes that the gross profit margin is a key indicator of a company's ability to control its costs.

The final part of the document covers the preparation of the income statement. It explains how the COGS is used to calculate the gross profit, which is then reduced by operating expenses to arrive at the operating income. The text also discusses the treatment of non-recurring items and the impact of taxes on the final net income. The author concludes by emphasizing that a clear understanding of these financial metrics is essential for making informed business decisions.