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**WITH BUDGET CONTROL, WHAT NON-
ESSENTIALS CAN BE ELIMINATED
FROM PRESENT INDUSTRIAL
ACCOUNTING?**

**By
W. P. HILTON**

**THE SOCIETY
OF
INDUSTRIAL ENGINEERS**

With Budget Control, What Non-Essentials Can Be Eliminated From Present Industrial Accounting?

Chairman—W. P. HILTON,
Willys-Overland, Inc., Toledo, Ohio.

THE CHAIRMAN: We often hear the expression that such and such a profession is an exact science; it can equally well be said that every profession is an exact science so long as it adheres to determined standards or basic principles. It is, however, possible that in an endeavor strictly to adhere to such principles, opportunities for real accomplishment remain unseen for the reason that in quibbling over negligible matters, which may be in accord with set rules, greater things which should have serious and prompt attention are entirely overlooked.

I once heard the statement made that a butterfly could see only the opening into which it wishes to enter, but could not see the glass in the window which barred its progress. It is not necessary to look very far to find this thought as applying to nearly every activity of life, neither is it necessary to look very far to find men who have made wonderful successes in a business and professional way for the reason that, while not digressing from established principles to the danger point, yet they found that even standards could safely be varied with far reaching benefit.

Some time ago it was my privilege to "sit-in" on an impromptu discussion of engineering principles as related to the automotive industry during which the thought was advanced that such principles were almost consistently ignored. The statement was made in reply that practically all such standards were set up during periods when construction of all kinds was massive in its nature, as there was no great necessity for economy in material, time or cost, certainly not to the extent which is required today;

gradually, thereafter, new materials came into use and new methods of construction, and so today we find the automotive industry working on almost a new set of standards.

The other extreme can be illustrated by the collapse on two occasions of the center span of the immense Quebec bridge, for which it was necessary to change construction standards in order to meet requirements never before attempted.

Present day business conditions, and the desire of all aggressive men and concerns to hold their own during a period of depression, have brought out forcefully the necessity of economy wherever economy was possible. It was nothing unnatural that pressure was immediately started to reduce overhead and indirect expenses of all kinds and to dispense with all routines which could be spared without injury, and most important of all—to institute such control of direct and indirect expenses as would keep both within reasonable parallel, dependent on the volume of business done. This situation is directly responsible for the careful thought and attention now being given to the budget system of expense control.

The idea of budget control is old in itself, but practically new and recent as to application in commercial and industrial enterprises. Its greatest use heretofore has probably been in the control of state or municipal expenditure. However, any such system for political government would be altogether too slow for business control. Therefore means must be adopted which will establish a control subject to quick adaptation under varying conditions, and then measure its application and accomplishment by accounting methods which enable the management of a business to keep abreast with the results—rather than having such results stated in concise accounting form from thirty to forty-five days after the operating period is closed.

In passing, we must not overlook the point that the urgent need of budget, or other control of operations, arises chiefly from the desire to keep expenses within prescribed limits in keeping with sales or production volume. If 100 per cent standards are maintained, as spoken of yesterday in our president's address,

inefficiency can be detected and eliminated, but the greater the variation from standard the greater the need for a practical control which shall immediately test the limits established.

This will require of accounting two drastic changes to meet the issue properly.

First. All unnecessary accounting documents and bookkeeping must be eliminated (and necessary information condensed or combined) down to the last point of safety as the introduction of a budget when set on a proper economical operating basis, will certainly reduce the allotment for clerical work in the accounting department to an extent comparable with economies in other departments.

Second. The accounting must forget the use of exact bookkeeping in order to render immediate reports of results as soon as a working period closes, which preferably should be weekly if production is irregular in quantity or unbalanced. Reasonably accurate figures will accomplish more towards controlling unnecessary functions and expenses, if provided at a time when the information is pertinent and the operations of the particular period are fresh in mind, than all the exact statements when issued even thirty days after the closing.

It has been observed that the accounting department should be a service department; it is this and more, it is the signal tower to other departments but its work must be so well done that other departments hold their confidence in its signals even if now and then the derail switch has to be thrown.

After all is said and done, all activities of any business, whether commercial or industrial, must eventually be measured by the yardstick of financial result and therefore accounting is the logical function to gather first operating results and then quickly analyze and get back to operating units the essential information which will aid those units to perform consistently.

A rifleman at target practice fires, the shot is called, and he immediately adjusts his sight for windage or other conditions, and shoots again. Whether he does, or does not hit the target, he certainly has learned to shoot, which would not be the case if

he made one shot and then waited a week before getting a report, especially if, in the meantime, all conditions have changed.

This illustrates, in a way, the necessity for industrial accounting so to organize that the report of operating results can be immediate and changing conditions controlled, regardless of whether or not a budget is used. Such control should be so close that Monday's results are known Tuesday, so as to stop the unnecessary expense by Wednesday.

Accounting, either as a profession or as a part of a concern's employed organization, has an opportunity, already arrived, to merit real recognition as a positive factor in business control and management; in fact, the new order of things has made it necessary for other departments to ask accounting to meet the issue which in turn compels accounting to look beyond the ordinary $1 + 1 = 2$, or whether an amount should be listed under liabilities or deducted from some asset item. Accounting must get out of the confinement of mere bookkeeping, see the sunrise of a new day which requires an intimate knowledge of the plans of all other departments and then step in and help those departments solve their difficulties. Management, sales, purchasing, production and all others are eager and willing to have such assistance; if accounting fails to meet the issue, then such centralized control must be conceded as ineffective and must then be turned over to each department to build its own records, which would be lamentable.

The day has passed which allows any department of a concern to be sufficient unto itself if that concern is to be successful; the fences and walls of separate operation must be leveled and the interests of one become the interests of all. Accounting, speaking in a general way, has considerable leveling and housecleaning before it must get away from the rules of tradition which hinder progress and efficiency.

Such tactics will not do if the aim of business toward a sound, firm condition is to be realized. It remains for us to lend our strength and ability in every way possible to the end that

through efficiency we have better and healthier business, with prosperity and happiness as the reward.

MR. C. B. WILLIAMS: I do not know any reason for conducting a business other than to contribute something to the earnings of capital and labor, and of course the wages of management.

In order that our minds may meet in discussing this question I am going to attempt a brief definition with which I hope you can agree, and that is by budget control we mean to predetermine expenditures according to the various divisions and classifications, and according to a co-ordinated manufacturing and financial program. Of course, this means that the budget constitutes what the business can do and what it expects to do for the period under review. When we speak of what non-essentials can be eliminated we must determine what things are non-essential, because surely all of us will want to eliminate non-essentials wherever we find them. I wonder if that does not bring us down to a different statement of the question, "What items are found in industrial accounting which become non-essential when a budget control is established?"

I am going to make some statements which will serve as a basis for your discussion. Frankly, I am not enthusiastic about the possibilities of eliminating any great amount of detail when a budget control is established. There is considerable question in my mind as to whether any information that has been essential before will become non-essential when budget control is established. There is no question in my mind but that much clerical work has been done which has resulted merely in figures, and not in information. Certainly such work should be eliminated as non-essential whether or not we have budget control. Probably many of you have had the experience, after establishing budgets, of finding that you were making a great many figures that were serving no good purpose, and you have eliminated these figures. I venture the opinion that in many cases these same figures were serving no useful purpose even before the budget control was established?"

ESTABLISHING THE BASIS OF BUDGET CONTROL

In the days before I gave much consideration to budgets we collected detail figures and arranged them in comparative form and gradually built up what we then called standards. The first set of figures collected was the starting point. The second set was compared with the first and the best accomplishment of each was made the basis with which to compare the third set. If this third set of figures showed results that were better than the first and second, these results were used in establishing a new basis with which to compare the fourth set; and so on.

When we set about making a budget we had collected a lot of very valuable information, and preparing a budget was not difficult. We found, however, that we still wanted to collect the same information as before. We used more scientific methods of setting standards, but we still wanted to compare our actual results with our budget.

Suppose we try to agree on what we mean by essentials and non-essentials. Perhaps I could suggest a definition for essentials, after which we may easily classify as non-essentials those things which do not come within the scope of our definition. "Essential items in industrial accounting are those items which are essential to the management in the intelligent review of business operations, with the idea of bettering conditions and formulating future policies, thus increasing the earnings of capital and labor."

Without a budget control we work from day to day, possibly with a definite objective, but certainly without a clear-cut program. Under this condition we have been accustomed to classify and tabulate the expenditures in order that we might know what was being accomplished at stated intervals, or as the work progressed. If we now establish a budget control what items in the former accounting will become non-essential?

We must keep in mind that to have a definite program is important, but it is more important to live up to the program than it is to have it. I am led to make this comment because of

claims that have been made to the effect that with a budget control detailed accounting is unnecessary.

Having prepared a budget something must be done to determine whether or not it is being lived up to. One way to do this would be to classify the expenditures according to the items of the budget. Surely it would not be sufficient to say that a certain sum of money, say \$100,000, has been appropriated for a certain department for a given period of time and then merely to collect the expenditures made for that department in total. Our budget to be of any value will show this \$100,000 divided into a good many items. Naturally, then, we must collect the expenditures in these same classifications. If against an allowance of \$100,000 expenditures in total were \$110,000, it would be important to know the particular items and operations that had caused this excess.

Only yesterday I reviewed a budget for \$367,000 against which the actual expenditures were only \$341,000, or \$26,000 less than the amount appropriated, and yet sixteen items in the budget were exceeded to the amount of \$37,000. The expenditures in total were less than the appropriation because two large items of raw material had not been ordered. Without an analysis by items we would not have known that certain items had been quite largely exceeded.

CHECKING BUDGET AGAINST EXPENDITURES

Suppose we assume a budget for a given purpose which starts with the amount to be expended for raw materials and then follows with factory supplies, the allowance for direct and indirect labor, repairs and maintenance, power plant, purchased electric power, water, gas and similar items. Control of the amount allowed for purchases should be taken not from invoices that are received but from purchase orders issued. As soon as the amount called for by the purchase orders for any item equals the allotment then our expenditures for that part of the budget have been contracted for and the purchasing department should

not place further orders for that item without specific authority to exceed the budget.

It is apparent that it will be essential to collect, under proper divisions, the amount expended for raw materials, and if this has been done in detail from purchase orders it would not be essential to record the same information in detail from invoices, totals would be sufficient. But it must be collected from some source, according to the various divisions of raw material, for two purposes:

First. To show what materials were purchased in excess of amounts required, and

Second. To show errors in the budget.

If the material is of such nature that the only possibility of loss is through manufacturing operations, and the ratio of losses has been fairly established, you could discontinue detailed reports of material used without losing any particularly valuable information.

Next let us consider the item of factory supplies. In making up this division of the budget it is likely that the more important items of factory supplies were calculated separately and then an allowance was made under the head of miscellaneous for the items of lesser importance. If the budget is to serve its real purpose, it will be necessary to know when the allowance for each of these important items of supplies has been reached and this can only be done by accumulating the disbursements for these items.

In respect to items like factory supplies, the expenditures in excess of the amounts provided for in the budget may be assumed to represent needless use of these supplies, and certainly it is our desire to have a check on expenditures of this kind and to have information that will enable those in authority to take necessary steps for economies. There are two ways of getting this information. The more usual way is to collect the amounts expended for these items from the invoices and stores requisitions.

Where there is a thoroughly organized storeroom and where the budget has been prepared according to definite quantities of

materials, the storeroom could accumulate disbursements, in quantities only, for such items as were specifically mentioned in the budget, and could note the use of these items in relation to the passing of time or the quantities of production, and could thus be able to notify the departments when they were drawing faster than was anticipated in the budget.

This would make it unnecessary to accumulate disbursements of these materials in values, from the requisitions, according to the subdivisions. However, in cases where stock records are maintained in both quantities and values, it will be necessary to determine the value of the materials used, for credit to the stock ledger accounts, and where this is done, very little additional labor will be incurred by accumulating the same values according to expense classifications.

It is not to be assumed that when the factory requires a certain supply it is to be informed that it has already used its quota of this particular supply and cannot have more. Certainly if it needs it, it must be provided whether or not the past supply has been wasted. The thing to determine is where the waste occurred, and this you cannot determine unless you have collected information that will inform you as to where and how this material has been used. This information can be collected in either of the two ways I have mentioned, but should not be collected in both ways.

BUDGETING DIRECT LABOR

In determining the amount to be allowed in the budget for direct labor the calculations have undoubtedly been made according to specific operations. Please keep in mind that our topic says: "Effective Budget Control." There are many budgets established which are merely a series of guesses as to amounts that ought to be required and direct labor might appear in such a budget one item, say for \$50,000; but if a budget is to be lived up to it must anticipate, in an intelligent manner, the exact factory procedures and the expenditures that will be necessary to meet them. This means that the item of direct labor will be determined by an analysis of the work into its operations and by

a proper determination of the cost of each operation. Probably this is one point at which the greatest control can be exercised.

An effective budget will have predetermined the proper cost of the various operations, therefore any cost exceeding these costs should be brought to the attention of the management quickly in order that corrective measures may be applied. It would seem to be essential, therefore, that the direct labor be accumulated according to specific operations and that a constant comparison be maintained between the budget and the actual labor costs.

In many cases it would be just as satisfactory to collect this information in hours only, and save the work of extending and tabulating the values. A considerable saving might be effected in this way in cases where workers employed by the day have a number of different jobs during the day. If the budget provided a certain amount for a department and this was supported by proper detail it would only be necessary to collect labor for the department, in total. Comparison with the budget or analysis by operations need be had in hours only.

BUDGETING INDIRECT LABOR

Next let us consider the item of indirect labor. Here again our budget will make allowances according to certain classifications but these will not be as definite and fixed as those of the direct labor. In many cases it will be possible, in connection with preparing the budget, to indicate the number of employees and the rates of wages which are to be allowed for certain classes of indirect labor. If this is done the several departments could be furnished with this information and could be required to obtain special permission to exceed this allowance, either in the number of employees or in the rates paid. Under such conditions it would not be essential to collect the indirect labor according to the classifications that were used in preparing the budget. This suggests that in cases where the control of the factory activities can be as definitely determined as to state the number of employees and the rates of wages that are to be paid, it would not be essential to carry any subdivisions in the accounting records.

The power plant might be used as a definite illustration of this idea. We might have in our budget only one item for power house labor but this would have been determined by stating the number of engineers, firemen, coal and ash wheelers and any other regularly employed labor, and the rates of wages to be paid to each, thus arriving at the total labor allowance for the power house. It would not seem to be essential in such a case that power house labor be accumulated in the accounting records in more than a single item.

Our protection in this case could be in requiring the one immediately in charge of this department to secure special permission for putting on additional employees or increasing the rates of wages, and, naturally, this same individual would report any reduction in the number of employees or in the rates of wages. Other specific illustrations will occur to you.

As a general proposition I believe that, if non-essentials have been eliminated from the industrial accounting before a budget is established, there will be little additional elimination to be made when the budget control is established, but that the information therefore available will become more valuable to the executive than it was before.

THE CHAIRMAN: Mr. Williams spoke in his paper on the elimination of money values in comparison between budgets and performances. That is being used in a good many instances. It is possible, if your budget is stated in both values, when you state the budget you would have to state the hours, the allowable hours and the average rate for that department as well as the amount of money values. I understand that the steel companies, Bethlehem in particular, settle all of their allowances on a percentage of the finished tonnage out of each department. All work is based on final tonnage out, not on the particular operation of one man.

MR. C. D. ROCKWOOD (Hamilton Manufacturing Company, Two Rivers, Wis.): I would like to ask this question: "How can you control rates that are paid when the current market dictates differently. I can understand how you can budget

the hours, and producing hours, but not the rates. Mr. Williams spoke of that particularly in the power plants. During 1920, when our firemen were paid something like \$80 to \$85 a month by the month, the rate of pay in other industries in the town for firemen increased to \$100 or \$125, and we had to pay that regardless of what we wanted to pay. We control the number of men we use in the power plant, but not the rates.

MR. WILLIAMS: I would say it cannot be done. However, I would make my comparison in connection with the budget on the hour basis or the day basis and not on the money basis, and I would still require the men in charge of that department to obtain permission from headquarters before he increased any salaries or wage rates in his department. I have never seen a budget which was lived up to. But, it is a guide, something to shoot at, and something to tie the department foremen and various heads down to; but I never expect to live up to budgets that I have a hand in setting, because there are too many conditions happening.

THE CHAIRMAN: One large concern starts out first with a man power control. The number of men in any department swings on the amount of production in that department, and that has all been charted out in hours, so that on a certain schedule through any department are the necessary productive hours. From that basis they determine the necessary non-productive hours for each operation. If the production in that department goes down, the foreman is responsible if he fails to cut his non-production to parallel his production. That really is the purpose of all budget control. If we had nothing to deal with but productive labor and material there would never be a great need for a budget, but the loss in any business is in the labor more largely than it is in any other factor and we have got to start with production as a control of our burden and out of that work our analysis.

MR. PUTMAN (Milwaukee): Not in my own concern, but in another very large concern they start in October and work out a budget for the following year. They start first with

what they expect to sell, and with that as a basis they attack first their sales budget, allotting their different quotas to the various district organizations, then that is broken down into a purchasing budget, which is necessary for procuring the amount of supplies and materials necessary for manufacture to complete their sales program.

They then take an estimate of labor costs based upon the past experience, and on forecast as to what the labor market possibly will be in the coming year, and taking into consideration economic conditions, and that gives them their estimated direct cost. They then take their overhead expense and break that down in the same way. After they have this broken down in this way they then allocate to production centers—you can call them departments or whatever you wish in their manufacture—set this up on a monthly program basis in which is submitted a quota for that particular department and the actual expenditures reported against that department. The efficiency of that department in comparison with how they have used their overhead and how their production compares with the actual quota set up, determines in a way the bonus which is granted to that particular department.

Now, in most cases they have been able to forecast for a year in advance within a very small percentage of what their actual expenditures and costs are going to be. Of course, their budget is subject to change depending upon conditions, and that would necessarily be the case when raw materials fluctuate. They contract for purchase for a two or three months' supply of ordinary materials, so they have on hand a sufficient amount always to insure them a sufficient supply to put their manufacturing program through on 100 per cent. Now, they have been able to work this out to a very fine point. They feel that improvements can still be made, but they have made a very marked advance.

They believed as a result of their budget program that during the time of depression, because they had planned in advance their entire program, they were operating 100 per cent when their three largest competitors in the United States, one at 50 per cent

and one at 30 per cent, and the other one was closed down completely for the first three months' period. They attributed the fact they were operating at full capacity to the fact they had their budget worked out to this fine point. They estimate what their production is; they translate their production into unit costs, and they manufacture against this unit cost, but they do not set labor rates or things like that from their budget.

With such control it is possible more or less to determine their selling price; they do not necessarily follow the same principle in spreading their overhead charge on all their different products; they do not use the same percentage system. They let the traffic on a particular article that can bear the heaviest load, bear the heaviest load, and if they wanted to develop a new article and put it on the market at a price that can compete they shove down the overhead and put that on some other article which is already established and which can bear the overhead; but they do this all of the time by watching very carefully their budget, and seeing that this thing fits in their entire manufacturing program. It shows, and conclusively proves, to my mind, that any concern that wants to take a budget program seriously and go into the thing and adopt it can make a great success out of the proposition.

MR. R. E. HURLEY (Detroit Vapor Stove Company, Detroit): We have had in our plant for the past three years a successful budget control covering the accounts on our budgets, material, direct and indirect labor, and all expense accounts of whatever nature. Last year we set our budget for a year ahead, from July 1 to June 30. Last year the estimated budget allotments to expense, to the actual expense, ran within two and three per cent we found after the books were closed at the end of the year.

The first subject we take into consideration in the setting of our budget is the sales to be obtained for the coming year. This is determined by the sales in the executive department and the quotas are set weekly. In setting our quotas for the new year we follow statistics for a five-year period which are collected by

themselves, that is, each account on a large card which carries statistics for five years back. Of course we sell direct to dealers. We have no jobbers and it may be that our sales may be easier to estimate than some other lines. This is the first step, after which the direct selling cost and advertising are taken into consideration. Of the advertising appropriation set July 1, 1921, covering this present year, for the first nine months ending March 31 the only difference between the budget appropriation and the amount expended in that period was \$634, and the appropriation was something over \$75,000.

MR. N. R. CRAWFORD (Industrial Works, Bay City, Mich.): Perhaps you would like to hear about this proposition from a little different angle. I am not an accountant; I am a statistician. Getting back to fundamentals, your question is "in the establishment of effective budget control, what non-essentials can be eliminated?" The red tape is non-essential. To illustrate that point as to what is essential, late in 1920 and early in 1921 we determined to establish a budget control in every proper sense. I was going on my vacation, so I turned that over to the accountant and told him what we wanted.

I came back in two weeks and he had a very elaborate system of percentage control. We have perhaps 50 departments in our plant. In our indirect expense analysis each department probably has 10 or 15 items, tool dressing, indirect labor, depreciation, insurance, taxes, equipment, and some items of building, and so forth, so that meant probably 500 accounts. He had taken each account a standard year and for the first nine months of 1920 worked out the percentage of each of those accounts to direct labor. If you are going to have a factory control you could not get any better one in my mind than against direct labor, tempering it with the changes and fluctuations in rates. This accountant had this elaborate system of percentages. He said we should spend at tool dressing, for example, .004 and for other labor in the foundry a certain other percentage, and so on throughout the entire thing. I took one look at it and put it

in the permanent file, which is the waste basket, because it could not be applied. That is red tape as we looked at it.

Our business is not seasonal as the term is generally accepted. We sell stuff in a large production proposition, wrecking cranes for the railroads when they want them. When the railroads loosen up and decide they want a 160-ton wrecker we build it for them; that takes probably a month; we do not do anything for another month; we cannot predetermine.

We wanted a system which could be changed over night to meet conditions. We did this. We said to the production manager, give us a standard crew, the standard number of men direct and indirect it will take us to get 100 per cent product in this plant; give us the same line-up for 75 per cent, and the same for 50, 40 and 25, and convert that into tonnage, and tell us how many men in hours, how many payroll hours time we need on direct and indirect labor to get out a given tonnage of crane output.

We get an order for a 160-ton crane, and set up a schedule of how many payroll hours of direct labor we need to produce that. We authorize each department to put on that many men to use that number of hours. We authorize the pattern shop, the carpenter shop, the paint shop, and all those indirect shop men as to the crew that they shall place. There is the control on the major items of your expense, the labor, the payroll. The purchasing department came next, how much they want to pay out for material to purchase this tonnage based on 160-ton crane; what it is going to cost us to build that when we have certain quantities of material in stock. Others we have to go out into the market and buy. The control on purchase is another itemized expense. The other expenses are indirect, maintenance of plant, equipment, maintenance of machinery and plant equipment. We average that.

We say if business comes, and we get an order for a 160-ton crane, we will open a tool room account on that. If we get the order we will require certain tool dressing. We expect in that way for every pound of output we will carry so much plant repair. There is our control. In other items of expense certain things are constant, the managers of sales, the purchasing agent,

the sales staff, those things we knew in advance for a long period, longer than over night, what they are going to be. In that way we get a rough control.

The problem is to know how to make your cash income and cash outgo balance. We have it all boiled down into a single sheet by the manager and we keep that posted every day, depending on business conditions. Orders come in; repair orders. We know exactly what the purchasing agent is allowed to buy for the next 30 days. We know what the superintendent is authorized to pay out on labor, direct and indirect. We know how much the production manager is allowed to spend for tool dressing, repairs to machinery. We know how much the power plant engineer can spend in bringing his machinery up to proper condition. It is all control in a very major, broad, bird's-eye view.

As to the main subject here, what red tape and non-essentials can be eliminated in cost accounting? I do not think any of the major things should be eliminated in cost accounting. Everything they are doing should be taken into consideration, and often they ought to do more. We did find, however, they were not going quite far enough; they stopped when they had accounted for dollars and cents, which was not far enough for executive control. We wanted to know how many dollars were spent and what was accomplished with those dollars; that is where my department sprang up. I took the department where the accounting department left it and showed the results to the management.

There are three major things coming from the accounting department. The items of expense of the departments is valuable; it shows exactly where the money is going. In a major way that carries with it a control over minor detail, segregated items of expense. For instance, we tell the tool room they can spend only so much in labor, in material, repairing machinery around the plant. That controls how much his shop is going to spend for that item. That is a control right at that time, since we do not wait until the time the supplies get to the various departments, we stop it at the source.

The second item is analysis of payroll hours, on direct or indirect labor. By budgeting your payroll hours, the accounting department comes in to show you what was done against that budget bill. If you can do it daily it is fine. We were not able to do it daily; we do it every two weeks, following the pay period.

The third item is cost accounting. We are having trouble getting costs when we want them. We should know within a reasonable length of time after a \$60,000 crane is shipped how much that cost us by units of assembly and by departments. We do know them, but they are more or less remote and we must spend time bringing them up to date, and the accountant should really help us, as that is his field.

Those three reports—those three major analyses coming from the accountant are, from the standpoint of management, most important and vital.

Perhaps the accountants will say that my outline here is more or less guesswork; it is not refined. We find that constantly the manager has to warn accountants that they must account for every penny turned over into the business. Nevertheless, for the purpose of control this must be perhaps overlooked occasionally in order to get more prompt reports. Now, it is needless to state it would be ridiculous to hold books open in computing the cost of a given crane until a traveler's expense account was in. We would rather cut that a little bit, and put it in the next month. I do not suppose anybody would really go that far, but we have experienced some things which are almost as petty as that. Do not hold up the books for a penny or two when the management is probably losing dollars by not getting enough for its products.

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