

1929

Horseless carriages -- 1928

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large vision. If the imagination of its founders is to be fulfilled, the traditions of the past will need to be preserved, regardless of how accountancy is defined.

Horseless Carriages—1928

IF one may rely on published statistics for the year 1928, the number of cars sold by American dealers during that year was 6,980,000. This, obviously, includes used cars the number of which was 3,760,000, or 53.8%.

Of every nine new cars sold five were entirely financed, and the sixth one was financed, graphically speaking, to a point back of the front wheels midway through the hood. Translated into stern statistics, 58.1% of all new cars were financed. Of the used cars sold 60% were financed.

The amount of money invested in car sales during the year 1928 reached the fabulous total of \$4,467,600,000.00—four billion, four hundred sixty-seven million six hundred thousand. To the credit of those who bought cars, be it said that collectively they provided 60% of the purchase price and borrowed but 40% thereof. The amount which they borrowed in connection with the financing was only \$1,799,330,000.00.

One may look at the repossessions aspect of the situation with some degree of economic pride. Of 3,222,000 new cars sold only 55,900 had to be repossessed, or 1.73% of the total. The collective loss on these cars repossessed amounted to \$3,343,000.00. This loss, compared with the amount of \$2,820,720,000.00 involved in the purchase price is almost negligible; .117 of 1%.

The loss per new car repossessed was \$59.80, compared with an average for all cars, both new and old, repossessed of \$56.00. This loss per car was somewhat higher than that for 1927, when the average was \$43.00 per car, but lower than that for 1926, when the loss per car reached \$65.00.

Any one who is interested in reading statistics and extracting significances there-

from may pick out a tale of keen competition between two great motor car producers by comparing Ford sales with sales of Chevrolet.

Any one who likes to speculate concerning the future may see from the statistics available that while car sales are somewhat concentrated (67.6% in 1928) in three large interests, the remaining sales (30.8% in 1928) are somewhat thinly spread over nine other interests identified by name, with 1.6% (in 1928) grouped as "all others."

The sales of the "all other" group have decreased from 3.0% in 1925, showing that 1.4% of the sales have been absorbed by specified interests. This business, obviously, did not go to the dominant interests inasmuch as that group, from 1925 to 1928, lost 4.3% of sales to the nine interests not included in the "all other" group. Whether this wearing down of the "big three" will continue, or the smaller companies will resort to consolidation, remains to be seen. The chances, it seems, are in favor of the latter course.

Speaking of exports in 1928, the number of passenger cars and motor trucks shipped from the United States was 507,110; an increase of 32% in number over the previous year. The value of the export shipments was \$354,895,862; an increase of 27.6% in value over the preceding year. Out of these percentages the statistician reads the story—"An increase in the number of lower priced cars." To prove it, he divides the number of vehicles into the value, with the result that the average price per vehicle for 1928 is \$699.00 as compared with \$723.00 for the year 1927.

Lest we be judged to our advantage, but erroneously for our erudition and research in the matter of motor-car statistics,

we have pleasure in acknowledging our indebtedness for the basic figures in this article to the magazine entitled, "Automotive Industries." The issue of February 23, 1929, described as the "1929

Statistical Issue," is replete with data on the automotive industry. Whether one is statistically minded, or merely seeking information, the number is most interesting and valuable.

Standard Costs

BY R. A. DALRYMPLE

THE subject of standard costs is worthy of earnest consideration. A brief discussion may stimulate further study and investigation in this subject which has gained many adherents.

The basic principles briefly stated are as follows:

(1) Standard costs are those costs which competent engineers and operators can establish prior to performance as normal and proper, giving due consideration to the nature and class of cost factors and plant facilities available.

(2) Cost finding by the means of standards is an application of the standards already established to the actual expenditures, retaining an analysis of variations in complete detail.

(3) Accounting reports based on standard costs make full detail comparisons of the variations from actual and thus establish the trend of the industry.

In considering the application of principle (1) we will divide costs into material, labor, and overhead. A new manufacturing venture or a new sales year and program must be predicated on an assumed market basis for the necessary raw materials. If the market changes are unexpectedly violent, drastic changes in the program or sales price of the product will be necessary.

By the application of principle (2) we propose to continue in use throughout the entire period for which the estimate was made the same standard cost of material per unit as that submitted at the time the project or program was undertaken. Along with this standard cost will be shown the

actual expenditures for material. The variation from standard will be a composite of several factors, and this variation will be set up on the books divided into the several amounts due to separate causes. Thus, a variation in material cost may properly reflect increase in market price of raw material, decrease in transportation costs, and increase in quantity consumed due to greater percentage of waste than was included in the standard cost. This variation will be further analyzed so that the individual operator, the class of operations, and the department producing this over-standard waste will be shown.

Each one of these items is important in itself and there is potential danger in netting results that have such diverse causes. Having arranged the records so that there is available analyses of material variation, the accountant now applies principle (3) and shows the trend of all the vital factors affecting the cost of raw material.

When the new project or program is undertaken, the second element of cost, namely, labor must be considered and estimated. In order to do this, each operation necessary to convert the basic raw materials into finished product must be separately examined and the class of labor and type of facilities available for said operation must be also taken into account. A standard labor cost is established for each operation which will be given in the following terms:

(1) Standard number of units estimated manufacturable from basic quantity of raw material or previous process.