

8-1929

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Recommended Citation

Wagner, A. F. (1929) "Motor-bus Accounting," *Journal of Accountancy*. Vol. 48 : Iss. 2 , Article 3.
Available at: <https://egrove.olemiss.edu/jofa/vol48/iss2/3>

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Motor-bus Accounting

BY A. F. WAGNER

Announcements of mergers of motor-bus companies carrying passengers over long distances indicate that this form of transportation is no longer an infant industry. A number of bus companies now operate runs of more than four hundred miles and hence are competing with railroads and with the privately owned automobile for the long haul as well as for short-haul business. The statistics of such operators show that the average length of ride has increased materially during the past four years.

The problems of the inter-city bus company differ somewhat from those of operators who compete or connect with trolleys and other forms of urban transportation, and this article attempts to deal only with some of the problems of the long-haul business. It is not the purpose of this short review to set forth a complete programme for the audit of a motor-bus operator or to outline a system of accounts for such an enterprise.

The audit of the accounts of a motor-bus company is similar to audit of other public utilities in that special attention must be given to the property and maintenance accounts, and this phase of an audit is sometimes difficult if a company performs construction work in its own shop. The revenue originating in terminals can be readily verified, but that collected on buses can not always be easily accounted for either by an independent auditor or by the company. However, most well organized operators have plans of driver surveillance which tend to prevent dishonesty among the drivers. The audit of disbursements is in most instances not difficult, because they are centralized and controlled in a well organized main office or in divisional offices.

Many of the franchises or permits now granted bus companies are of indeterminate duration, that is, they are granted in perpetuity but are subject to revocation by the regulatory commissions. For this reason it is not necessary to provide for the amortization of the costs of obtaining franchises, but if such costs be written off the charge therefor should be directly to surplus.

A bus company of moderate size is likely to maintain a repair and machine shop and a paint and body shop. An adequate system of accounts should provide for the determination of ac-

curate costs in the shops as well as for the recording of the transportation operations. The accounting records, therefore, should be designed so as to provide for the accumulation of job costs in the shop and for unit costs in the transportation activities. Classifications of accounts for bus companies have been promulgated by various state utility commissions and also by the committee on bus accounting of the American Electric Railway Accountants Association. One or more of these classifications should be used as a basis in developing a system of accounts for any bus company. It is most desirable, from the viewpoint of executives of a bus company, that transportation revenues arising from chartered buses, special trips and the like be kept separate in the records and that the regular transportation revenue accounts provide for a classification of this income by routes. The operating expenses are usually divided into three main groups, as follows: (a) maintenance, (b) transportation and (c) general and miscellaneous, with appropriate subdivisions of each group. The utility commissions do not require that maintenance and transportation expenses directly assignable to each bus be so divided, but it is advisable from a management viewpoint that subsidiary records be maintained for classifying these expenses by buses.

Probably the most important matter to be given consideration in designing a system of accounts for a motor-bus company is the preparation of the underlying forms, such as drivers' trip, maintenance and shop-cost reports, so that significant operating statistics will be almost automatically derived therefrom. It is most advisable that data be obtained currently on the revenue per bus-mile for the system as a whole, for the separate routes and for the various schedules on each route. Experience indicates that the average total cost of operation is from 27½ cents to 29 cents per bus-mile, and an executive currently advised as to the revenue per bus-mile can, therefore, readily estimate whether or not operations are on a profitable basis and can study data by routes and schedules to determine the causes of unsatisfactory results. The company which continues to operate on routes which have insufficient patronage or on schedules which are unsatisfactory to the traveling public because of inconvenient time of departure or arrival will not achieve any marked success, and the accountant who fails to provide adequate operating statistics for a motor-bus company is not worthy of his hire.

Subsidiary records should be provided for the allocation to each bus of operating expenses directly chargeable to it, in order that the operating efficiency of different types of equipment may be determined. In addition to the statistics previously commented upon, data should also be obtained on the number of revenue and non-revenue passengers carried, the revenue per passenger-mile at both regular and special rates and the costs of operation per bus-mile. All these statistics can be obtained without any great amount of clerical labor if the drivers' trip reports and summaries thereof are properly designed. From such records it will also be possible to build up data on revenues per bus and bus-mile costs per division or route. However, many operators transfer equipment from one route to another as traffic conditions require, and it is the writer's opinion that the salient statistical information for the management consists of the following:

- (a) Number of passengers carried, by routes.
- (b) Revenue per bus-mile, by routes and by schedules.
- (c) Costs per bus-mile, by buses.

With correct data on the foregoing matters available, a bus operator can determine which runs are unprofitable and should be discontinued or should have the schedules altered, and can also ascertain which types of equipment cause excessive operating costs. Although the bus companies are subject to state regulation, it is not impossible to obtain the consent of utility commissions to changes in schedules or abandonment of unprofitable routes or runs, and such steps may enable an unprofitable company to alter its operations so that they will result in a satisfactory net income.