

10-1954

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Recommended Citation

Bath, Vivian (1954) "Controllership," *Woman C.P.A.*: Vol. 16 : Iss. 6 , Article 6.

Available at: <https://egrove.olemiss.edu/wcpa/vol16/iss6/6>

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CONTROLLERSHIP

By VIVIAN BATH, Terre Haute Chapter ASWA

One of the chief productive aids to management is modern accounting. It is to the chief accounting officer, the controller, that the business manager must turn, more perhaps than to any other official, for guidance in the direction, control, and protection of business. The successful manager must know and use the instruments of guidance and control at his command. The use of modern accounting and statistical data is the means by which the business executive is able to direct and control operations which reach beyond the range of his own personal observation and supervision. If the controller is fully qualified to do his work, he will have no difficulty in maintaining his standing with other major executives.

All accounting and statistical work should center in the controller's department. There are several advantages to this arrangement. One is the elimination of duplicate records and facilities. Another is the reduction in clerical costs as a result of centralized and more efficient supervision. Availability of statistical data to all departments is an advantage, and another is the more effective interpretation and presentation of data.

There are certain characteristics and requirements of the controllership function which the controller should keep constantly before him. The controller is chiefly a staff executive whose primary function is to gather and interpret data which will be of assistance to other general and functional executives in the determination of sound policies and their successful execution. A high degree of initiative is required. He must anticipate and foresee the problems which will arise and the information which will be needed for their solution.

The controller must see through the eyes of the other executives, that is, he must see the problems as they see them. He must give painstaking study to the methods actually employed by the various functional executives and relate his analytical effort to those methods. His information must be offered in the language and understanding of the person for whom it is intended. It is very easy for a person with accounting training to make up statements and reports which are useless to a person without such training.

He must translate absolute facts and

statistics into trends and relationships. In order to guide business, he must quickly grasp the trends and relationships of the various forces at play.

The viewpoint of the controller must be that of the future. There is no chance to control the past; the profits and losses of the past cannot be changed. The controller must be able to make the most exacting analyses of past performance and results without losing sight of the fact that such analyses are of value only in so far as they reveal the proper course in the future.

One very important thing to keep in mind is that the information supplied must be timely. Also, the controller should follow up his studies and interpretations. Executives are busy and may delay matters not requiring immediate attention. If the record clearly reveals unsatisfactory results or adverse trends, they should be followed through until executive action results.

The controller must assume the position of a counselor rather than a critic. In a broad sense, his department is charged with the task of measuring the performance of all employees. In this work he must be fair, impartial, and very diplomatic.

While realizing the full import of his work, the controller must also realize its limitations. Statistical information, no matter how accurately collected, analyzed, and interpreted, is not a substitute for executive ability to use such information.

It is in the realm of measuring the past performance of departments and relating these measurements to future uses that the controller comes to execute his duties as an aid to management in controlling and protecting the business.

One of the chief measuring tools which has evolved through the need for a scientifically developed measure of performance is a "standard."

For example, a comparison of this year's business with last year's gives historical costs, but does not show where there are inefficiencies existing from year to year. So a standard cost is determined, setting out the amount that should be expended under normal operating conditions. The controller's reports and statements assist all departments in keeping performance within reasonable bounds as indicated by the standards which have been set up. Two

conditions are implied in setting the standards. First, standards are the result of careful investigation or analysis of past performance and take into consideration expected future conditions. Second, standards may need review and revision from time to time.

The principal advantages of standards fall into four categories: controlling costs; setting selling prices; valuing inventories; planning budgets.

In controlling costs, standards provide a good measuring stick of performance. The use of standards sets out the area of excessive cost which otherwise might not be known or realized. Use of the principle of exception is permitted, with the consequent saving of time. That is, it is not necessary to review and report on all operations, but only on those which depart from standard. Therefore, economies in accounting costs are possible. Clerical costs may be reduced because fewer records are necessary and simplified procedures may be adopted. A prompter reporting of cost control information is possible. Standards serve as an incentive to personnel. If an employee has a fair goal, he will work more efficiently with a consequent reduction in costs.

In setting selling prices, standards are advantageous in that better cost information is available as an aid in setting prices. Flexibility is added to selling price data. Adjustments are easily made to material prices and labor rates, to changed products or processes. Prompter pricing data can be furnished.

I believe it is fairly clear that in using standards in valuing inventories, a better cost is secured and simplicity in valuing inventories is obtained.

In budgetary planning, means is provided for setting out anticipated substandard performance.

By working with the executives or supervisors most interested and most affected by the type of control under consideration, the controller can be not only of great assistance, but actually an indispensable source of information for use in bringing about successful control.

This influence extends into many fields.

One of these is the control of sales. The controller should be able to indicate the probable margin on new products, the effect of volume on this margin, or the effect of changes in quality, composition, and manufacturing processes. Costs must be considered in establishing a realistic price schedule. He is able to provide indications of the selling cost through the various channels of dis-

tribution. He can provide information for setting sales budgets and quotas. He can assist in the control of sales through the use of several techniques, such as the analysis of past sales performance, the setting of sales performance standards in conjunction with the sales executive, the determination of sales budgets, also in conjunction with the sales executive, and the furnishing of cost and other data.

A second field of influence of the controller is the Control of Distribution Costs. There are three basic methods for analyzing distribution costs.

1. By nature of expense or object of expenditure
2. By functions or functional operations performed
3. By the manner of application of distribution effort

He can provide periodic income and expense statements by territories, by commodities, by methods of sale, by customers, by salesmen, by organization or operating divisions.

A third field of activity is in the Control of Production Costs. The purposes of production cost accounting are for the control of costs, such as material costs, labor costs, manufacturing overhead, for planning, for price setting, for inventory valuation.

A fourth field to be considered is the Control of Research and Development Costs. The nature of research and development costs is quite varied and the control problems within each business organization may be quite different. There are, however, three approaches to control that may be utilized, whether individually or collectively. They are the control of expenditures; functional control through application of standards; the control of effectiveness through planning and measurement of results.

On each of these phases, the controller has the responsibility of making objective reports for the guidance of the research director as well as other members of management.

The fifth field of concern to the controller is the control of administrative and financial expense. What can the controller of the business do to keep administrative and financial expenses within reasonable limits? Of course, he is the fact finder. He will assist in budget preparation, make periodic reports on performance and provide control information to permit those responsible to keep within budget limitations. Where costs are set by the Board of Directors, the controller has the responsibility of gathering together the facts for presentation to the

Board of Directors so that fair decisions may be reached. Once an authorization is approved by the Board, the controller must take steps to report on expenditures so that no excess spending results. In no event can he play the part of the passive bookkeeper. For certain of the administrative expenses the controller will be directly responsible—not only for the accounting division expenses, but also for certain of the costs assigned to him for control, such as income taxes, other income and expenses, contributions, or payroll taxes and insurance.

There are many other fields in which the controller is active, such as control of cash, receivables, inventories, investments, fixed assets, liabilities, capital, surplus, and reserves.

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Marjorie H. Mitchell, C. P. A., 2nd Vice-President, has served the society as director and as 1st vice-president. A charter member and former president of the Detroit Chapter of ASWA, Marjorie was a director of the San Francisco Chapter during the year just ended. She graduated from Walsh Institute of Accountancy and holds CPA certificates in Michigan and California. Formerly a senior accountant on the staff of Price Waterhouse & Co., Marjorie is currently employed as assistant treasurer of Pacific Molasses Company. A member of the American Institute of Accountants and the National Association of Cost Accountants, she is the first vice-president of the Zonta Club of San Francisco.

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Ida H. Alt, Treasurer, has served the society as director and is a charter member and past president of the Louisville chapter. Miss Alt studied accounting at Midway Junior College, Spencerian Business College and IAS. She is employed by Brown and Monroe, Certified Public Accountants.

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pittance, sweeping the floors and making the fires besides, brought about a crusade for shorter hours and better working conditions, and women being novices to the industrial world, legislation was sought for their "protection" as they gradually filtered from the home and homelife into the field of the gainfully employed outside the home. But that same "protection" was finally achieved for all workers men and women.

This "protective legislation" enjoyed by men has not caused them to lose their *legal* rights. If women are given the same *legal* rights as the male citizen has, are they to be returned to the sweatshops, deprived of their improved "working conditions," and reduced to the pittance wage?

In 1954, what was intended as a protection many years ago, has now become a discrimination against women. For the male employee can work over his regular hourly week and receive time and a half pay, maybe double pay—but because of the "protective legislation" kept on the statute books in some states "female employees" can not so work over time or at night and earn the extra income that she, her children, aged parents and perhaps an invalid husband so badly need.

Almost 20 million women, in 700 different fields of endeavor, are earning a living today, and 46 percent of them have one or more dependents. A survey shows that 92 percent of the mature women who work do so because of necessity, and nearly 5 million families in this country receive at least one-half of all their income from the earnings of women. To maintain the high standard of living in American homes and give the children the education most parents desire for them now, the employment of all the women in the home is in a great majority of cases almost imperative. Millions of women are the sole support of themselves and dependents. Why should a special group of citizens—women—be "restricted" in their employment and their ability to earn? To say the least, it is anti-democratic.

Nothing was too hazardous for the frail, "protected" woman during World Wars I and II. Night work and maximum hours of labor knew no sex during these times. No cry was made to relieve the nurses or the other women in industry and the armed services who worked day and night to save life and keep up production. Could it be in

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