

University of Mississippi

eGrove

Publications of Accounting Associations,
Societies, and Institutes

Accounting Archive

5-1-1924

Budgetary Control

William Carswell

Follow this and additional works at: https://egrove.olemiss.edu/acct_inst



Part of the [Accounting Commons](#)

**NATIONAL ASSOCIATION
of
COST ACCOUNTANTS**

Affiliated with The Canadian Society
of Cost Accountants



Official Publications

Vol. V

May 1, 1924

No. 16

Budgetary Control

**BUSH TERMINAL BUILDING
130 WEST 42nd STREET, NEW YORK**

NATIONAL ASSOCIATION OF COST ACCOUNTANTS

Affiliated with The Canadian Society of Cost Accountants

Official Publications

Vol. V, No. 16

May 1, 1924

Budgetary Control

WILLIAM CARSWELL, C. A.
Northern Electric Co., Ltd.
Montreal, P. Q.

BUSH TERMINAL BUILDING
130 WEST 42nd STREET, NEW YORK CITY

The National Association of Cost Accountants does not stand sponsor for views expressed by the writers of articles issued as Publications. The object of the Official Publications of the Association is to place before the members ideas which it is hoped may prove interesting and suggestive. The articles will cover a wide range of subjects and present many different viewpoints. It is not intended that they shall reflect the particular ideas of any individual or group. Constructive comments on any of the Publications will be welcome.

•

Additional copies of this Publication may be obtained from the office of the Secretary. The price to members is twenty-five cents per copy and to non-members seventy-five cents per copy.

•

COPYRIGHTED BY
NATIONAL ASSOCIATION OF
COST ACCOUNTANTS

MAY 1, 1924

National Association of Cost Accountants

BUDGETARY CONTROL*

While the term "budget" as representing the annual estimates which are brought down for the consideration of Parliament is one that is well known in British finance the application of the principles of Budgetary Control to commercial undertakings is comparatively of recent date.

As the ramifications of the subject are very extensive it must be apparent that to keep within the limited scope of this publication I can only deal with the broader principles and aspects of the subject. Therefore, only the general principles of Budgetary Control in relation to all the principal activities of an enterprise which apply with equal value to any business whether manufacturing, trading or merchandising will be outlined. It is my intention to briefly treat the subject in its application to all the activities of the business and not confine myself merely to its relation to manufacturing cost. In this connection I wish to take this opportunity of correcting an erroneous impression which has been created regarding the objects of the Canadian Society of Cost Accountants. This Society is not confined to the study and discussion of manufacturing costs problems only, but to the entire costs of doing business and everything relating thereto. The costs of merchandising, distribution and administration are of as vital interest to the Canadian business executive as the cost of manufacturing the product.

Let us consider Budgetary Control under the following principal division:

- (1) Advantages to be gained by operating under a budget.
- (2) Preparation of the Budget.
- (3) Control.

ADVANTAGES TO BE GAINED BY OPERATING UNDER A BUDGET

Budgetary Control produces the following benefits to an enterprise:

- (1) Definite standards and goals.
- (2) Co-ordination of all activities.
- (3) Control of expenses.
- (4) Control of investment, merchandise, receivables and additions to plant.
- (5) An estimate of financing requirements.
- (6) An estimate Balance Sheet and Profit and Loss Statement at the end of the budget period.

* This publication is based upon a paper presented at a meeting of the Montreal chapter on March 19, 1924.

1. *Definite Standards and Goals*

As the chart and compass is to the mariner, so is the budget to the business executive. When compiled with care and foresight (and a budget prepared otherwise is worse than useless) it is a guide and standard by which the activities of the business can be studied from month to month. It has a special advantage in that it provides a stimulus to the heads of all departments, and all down the line of organization, to put forth the best efforts, not only to accomplish the program set for performance, but to exceed it by the greatest possible margin. The realization of the budget which has been set for each department head gives him a definite mark at which to aim and is a definite measure of what the executive expects of him. Furthermore, it gives a department head an opportunity to plan his organization to the best advantage, knowing that to a considerable degree his administration will be judged by the manner in which his responsibility is fulfilled and his budget is met. The executive officer on the other hand is relieved of a great deal of detailed supervision, and he has some concrete standard which he expects each department head to live up to. In case anyone of his department heads does not live up to his budget, the fact is brought before the executive before the situation can possibly become serious.

Any great discrepancy between the actual transactions and the estimates must result from one of three causes; estimates may have been carelessly prepared; the department heads may have departed from the program which they had set; or, unusual outside conditions may have brought about the change.

In any event, these discrepancies should be investigated and explained. They are signals—sometimes danger signals—and must not be ignored. Thus, it can be seen that the budget forms a reasonably accurate forecast of the future conditions to be met by the management. It serves as a general guide in that it often forestalls mistakes and unwise moves, or, at least, points them out in time to avoid great loss. The budget forms the basis for a revision of plans when changing conditions make a revision necessary. Unless the management has some guide by which to gauge the concern's progress, it will not be able to tell at once when a change in plans is desirable, and as a consequence losses or misdirected efforts must result.

2. *Co-ordination of Activities*

A system of budgetary control is the best factor that can be devised to bring about the co-ordination of a business to the fullest degree. It is impossible to draw up a budget that is worthy of the name without holding many conferences on the subject and all departments must work toward the one end. Without such control it is quite possible that one department will work more or less at a tangent and the results that would be obtained would naturally be more or less unbalanced. Under budgetary control,

for example, the Manufacturing Department is enabled to plan for the output required by the estimated sales in such a way as to result in the greatest possible economy. In this way, standard lines of output can be run through in economical quantities instead of in smaller lots, and consequently costs can be kept on a uniformly low basis. On the other hand the estimates of sales may require the production for the budget period to be curtailed so that large inventories may not be piled up in excess of the normal requirements of the business. The Manufacturing Department is also enabled to plan its organization and activities sufficiently far in advance to permit it to carry forward its operation with a minimum of disturbance and confusion. From the estimate of sales it can also arrange for quantities of raw materials to be ordered for delivery at the proper periods for the required production.

The financial Department can plan the expenditure and receipts just as carefully as the Sales Department plans sales or the Manufacturing Department plans production. By this means it is possible to prepare for financial requirements in advance of actual needs. This makes it necessary that the appropriations of the budget be closely followed. The Treasurer would be in constant trouble if department heads were permitted to spend money without conforming to the standards which had previously been set for them.

3. *The Control of Expenses*

Preparation of a budget makes it practicable for the expenses of each department for the budget period to be determined on a basis commensurate with the volume of sales and production anticipated. The expense budgets of each department should be drawn up, of course, by having regard, first of all, to the functions of the specific department, and the estimated volume of business to be done during the budget period. The expense budget when finally approved may be considered as a definite authorization to the department head to make the expenditures covered by his budget, and enables him to plan the organization and operation of his department for the budget period to the greatest possible advantage.

4. *Control of Investment*

(a) *Proper Control & Planning for Productive Capacity—*

The anticipated volume of sales, of course, will have to be considered by the Manufacturing Department in the first instance from the point of view of productive capacity. If the estimated sales demand production in excess of the capacity either of the plant or space, it becomes necessary immediately to consider whether under existing business conditions, or the conditions peculiar to the specific business, it is advisable to make the necessary extensions and expenditures to provide for the increased output.

(b) *Merchandise Investment*

From the estimated sales and the relative output of product required, the investment in raw materials, process goods and fin-

ished stock, required from month to month, can be easily ascertained from the predetermined standards which have been set for such investment. The principle applies equally well in the case of a manufacturing and merchandising business, or in a merchandising business only, and in my opinion no feature of budgetary control is more necessary to profitable operation. Many can recall and some with very unpleasant recollection, the enormous inventories at high prices which had been accumulated in 1920 during the period of intense business activity, and which had subsequently to be sacrificed at reduced prices with resulting loss when the depression of 1921 set in. There were of course many contributory causes, but under a proper system of budgetary control, such losses could have been greatly minimized.

Standards for raw material investment should be a certain number of days' stock depending upon the length of the manufacturing operations, the distance from the sources of supply; while finished goods should of course represent a definite number of days' stock sales depending upon the conditions surrounding the business for which the standards are being set. In some cases 30 days' stock would be excessive, while in others 90 days' stock, or even more, might be required. It is essential to have a carefully thought-out measurement and then adhere to it as closely as is practical. This question, of course, has a direct relation to that of turnover, which is the secret of success in any merchandising business.

(c) Receivables

Standards for a given number of days' receivables allowable are also required to provide a measure of the efficiency of the collection of accounts receivable.

5. Provision for Financial Requirements

The preparation of the sales and manufacturing expenses and capital expenditure budget, of course, supplies the Accounting Department with the necessary information upon which to base the estimated receipts and payments of the business so that the Department will be in a position to advise the management as to whether the estimated business can be handled without increase of capital, having regard to the banking and other credit facilities of the company.

6. Estimated Profit and Loss Statement and Balance Sheet

The division of the budget into the revenues and expenditures of the business permits of an estimated statement of Profits and Losses for the period under consideration, and a Balance Sheet for the end of that period being prepared. Of course, such statements are of considerable use to the management in laying the plans for the operation of the business during the budget period. See page 19 for sample form.

The value and use which can be made of these estimates is

evident when we realize that the success of a business enterprise is dependent chiefly upon the ability of the management to plan intelligently for the future, and that a large percentage of business failures is directly traceable to neglect in anticipating financial needs in time to provide for them. Construction work, provision for the expansion of business, increased sales, rising costs of production, etc., must be anticipated and provided for before they actually arise. The diversification of industry and the constantly increasing necessity of depending upon indirect supervision and management, together with rapidly changing business conditions, necessitate the use of scientifically prepared forecasts.

PREPARATION OF THE BUDGET

(a) Length of the Budget Period

The length of the budget period naturally depends upon the type of business for which the budget is being prepared. Where the nature of the business requires an extended period of manufacture from the purchase of raw material until completion of the final product, it is essential to plan ahead for a considerable period. For example, in the case of all businesses which utilize the products of the forest, where it may take one, two, or even three years for the logs to be driven from the point of cut to the mills, it is necessary to formulate plans for an extended period. The same condition applies in the leather business and in the case of the Company with which I am associated.

However, it will be found that the most practical period for ordinary budget statements is the fiscal year of the Company concerned. In many cases it is considered advisable to adjust the budget for varying conditions which happen throughout the year.

(b) Responsibility of Budget Preparation

The figures required for the budgets covering the various activities of the departments should be prepared by the department head responsible for the operation of the section to which these figures apply. Such department head, being naturally closest to the conditions and having a direct personal interest in the performance, is unquestionably more fitted to establish the correct figures than anyone not quite so close to the field of activity. The figures submitted by each department should be supervised by the general head of that department.

The control of all budget operations should clear either through the Budget Committee or the chief accounting officer of the Company, who will see that the figures of each department's budget properly co-relate with those of the other departments.

(c) Approval

The approval of the budget when finally checked by the Accounting Department should be given by the President, and where the Company regulations require, by the Board of Directors.

(d) Sales Budget

The first step towards the preparation of the General Budget must necessarily be to obtain the sales estimate for the budget period from the Sales Department. The difficulties attendant on the preparation of this budget are governed, of course, by the type of product manufactured, the question of fluctuating markets, multiplicity and question of standardization of products and the seasonal fluctuations which apply to the particular type of business.

The first step towards the preparation of the Sales budget is to have each salesman survey the possibilities in his territory, and prepare an estimate of the sales which he computes can be obtained from it during the ensuing budget period. These preliminary estimates (see page 15 for form of Sales Preliminary) should be gone over by the department head in the office to whom the salesman reports and any corrections and amendments which he considers necessary should be made. The estimate sales of "Key" items will be found to be a valuable aid in the preparation of the general sales budget. Such items frequently point out where sales efforts may be directed to produce greater results. Let us take for the sake of illustration a manufacturing plant with distributing houses situated throughout Canada. After the salesman's budgets have received preliminary examination and approval, they should be gone over by the District Manager, and when passed by him summarized under the various classifications of sales (see page 16 for sample form) which are maintained by the business, thus obtaining the total estimate of the sales under each classification for that particular house for the budget period. Budgets for all distributing houses when forwarded to the head office should be finally scrutinized by the General Sales Manager after consultation with the subordinates in the Head Office who are responsible for the distribution of the various classes of products, and a final summary of the whole Company prepared.

When the sales budget has been finally determined upon, it forms the basis for the estimate of the Manufacturing Department's budget for the ensuing year. The sales budget, therefore, should be forwarded to the Accounting Department where the estimated rates of gross profits should be applied and the estimated output of the factory obtained.

(e) Manufacturing Department Budget

The figures of estimated output required as submitted by the Accounting Department to the Manufacturing Department, are reviewed by the Manufacturing Department to ascertain:—

- (1) If the required budget can be manufactured during the budget period with the plant and equipment then existing.
- (2) If the quantity required by the Budget cannot be produced with the plant and equipment then available, it will be necessary to confer with the Sales Department to find out whether or not the plant should be increased.

In case the Sales Department think that from their point of view there is sufficient cause for an increase in plant, an estimate of the cost of such increase must be prepared and forwarded through the regular channels for the necessary approval.

- (3) If the necessary raw materials can be obtained to provide for the manufacture of the required output within the budget period.

As soon as the Manufacturing Department has determined that the budget submitted by the Sales Department can be carried out by them, it becomes necessary for them to translate the general budget into a schedule of manufacturing output which will enable the Manufacturing Department to deliver for distribution the quantities of the various products at the intervals required by the Sales Department. Due regard, of course, must be had to the necessity of maintaining minimum stocks which have to be maintained to give the necessary service for customers' requirements.

The Manufacturing Department will be enabled to place its orders in such quantities as to permit of the most economical manufacture possible, and from this point of view it may be necessary in certain cases to create temporary overstock of certain products, rather than manufacture small lots at excessive costs.

This factor of quantity production, of course, is of weighty consideration where the cost of output includes heavy setting up charges or adjustment of machinery, such as in the case of special cables or in the case of the various sizes of rolled steel products.

The principle of budgetary control should be carried where at all practicable into the control of the materials required for each particular class of output. Where standard practice does not exist, as for example in steel mills, past experience will be a very ready guide, as to the quantity of raw materials which should be required for each class of output. When this standard has been determined upon, the orders to manufacture, giving quantities of output, should be the authorization to draw material for that output, according to the standards which have been set. No excess of raw materials should be issued by the Stores Department for such orders, except on the approval of some responsible head in the Manufacturing Department.

It seems hardly necessary to state that budget or standard rates for the apportionment of manufacturing expense should be used, as any other method is manifestly inefficient in the majority of cases.

Where piece work rates exist, the standard of labor is very easily compiled but where ordinary day labor is used it will be necessary to provide standards from past experience.

(f) The Manufacturing Department Expense

The departmental expense of the Manufacturing Department should also be budgeted so that the Superintendent may have a

guide by which to judge the cost of administration of the various departments by respective performances.

It is apparent, of course, that the expenses of the Manufacturing Department are not directly proportional to the output, as of course, fixed charges in the nature of rent, general supervision, depreciation, etc., have to be met irrespective of the volume of output.

Variable charges have a direct relationship to the volume of production, so that it is a comparatively easy matter from past experience, to draw up percentages of expense to output of the various departments which would apply according to the percentage that the output bears to capacity.

(g) Distribution and Administrative Expense

As one of the principal advantages of preparing budgets of administrative and distributive expense is the control of such expenses, it is very necessary that proper classification of accounts be maintained, to permit of various expenses of the Company being properly allocated so that the various department heads can prepare properly the expense budgets and account for the expenditures of the various activities for which they are responsible.

Under these circumstances it is of distinct advantage to have these expenses classified in the first instance, in accordance with the chart of organization, so that the various expenses for which each general department head is directly responsible, or which apply to the functions of his department, may be classified under one group.

In the first instance the direct expense of his department, would apply, while such other general expenses of the Company which have distinct relation to the duties of the department head, should also be classified in his expense. For the sake of convenience it is suggested that each department bear a number so that all expenses are first of all classified under that number. This may be illustrated as follows:

1. President or General Manager.
10. Secretary.
20. Treasurer.
30. Accounting.
40. Sales. (Includes sales distribution and merchandising)
50. Manufacturing.

A further detailed classification of expense is necessary and for simplicity in accounting it would seem to be advisable that the sub-classification of expense bear the same sub-classification number irrespective of the department to which such expenses apply. For example, traveling expenses would bear the same sub-classification number irrespective of the department by which such travelling expenses were incurred, the distribution being made by prefixing the department number before the sub-classification of the particular expense incurred.

Detailed analysis of these expenses under the various departments and classification of expense, are of course maintained, so that proper monthly reports can be prepared. After the final determination of the Sales and Manufacturing Department's budget, each department prepares its estimated expenses for the ensuing year, having regard to the volume of output and the estimated sales to be made, basing such estimate of expense upon the increasing or decreasing demands which will be made upon the department by reason of the manufacturing and sales program for the ensuing year. These budgets should be prepared showing the expenses for the previous year and their relationship to sales so that the Budget Committee and the Management may have some guide as to the propriety of the expenses submitted in relation to the previous year's performance. The expense budget when prepared will, of course, be summarized by the Accounting Department and the relation to sales of each Department's expense worked out and compared with previous year's results and standards, and submitted to the Management for its consideration.

When the Sales, Manufacturing and Expense budgets have finally been checked up by the Accounting Department, it is then possible to prepare an estimated statement of profit and loss for the year, based upon the budget figures submitted, and from the budget estimates of the number of day's merchandise and receivables which would be set up, it is possible to prepare an estimated balance sheet at the end of the fiscal period, after taking into account any requirements for additional plant, sinking fund, dividend payments, etc. From this estimated balance sheet can be ascertained approximately what the general financial position of the Company will be throughout the year, making due allowance for periods of peak production and merchandise investment caused by seasonal and other factors, so that the general financial program of the Company can be determined upon.

The complete budget statements, when thus prepared, should be submitted to the Management with explanatory statements where necessary for their consideration and final approval.

In connection with the Sales Department expenses it should be remembered that only in very few cases is it impossible to increase the volume of sales by additional expense, so that the estimated Sales Department expense will be a factor in enabling the Management to decide as to whether it is advisable to obtain an additional volume of sales at the expense required.

After a careful study of the expenditure required to produce the Sales budget and the corresponding expenses of the various departments, the Management will then finally approve or amend the budget. When the budget has been thus approved, it represents a direct authorization to the head of each department to organize his department in keeping with the budget, as the approval of his budget is his authority to expend up to the limit set by his budget figures.

(h) Financial Forecast

Two problems present themselves in connection with financial budgetary control.

- (1) The broad viewpoint or general financing required for the budget period.
- (2) The ordinary month to month or day to day financing.

The estimated balance sheet prepared as at the end of the budget period in the manner outlined above, after taking into consideration the peak investments in merchandise and receivables, will give the amount of additional capital to be provided, if any. After due consideration as to the future possibilities and plans of the Company, the method of providing the necessary money, either by additional stock, bonds or through banking and credit facilities, will be decided upon. In this way the Management will have provided for their general financial arrangements for the ensuing year.

In order that the Treasurer may be in a position to economically arrange for his financing from month to month, a monthly forecast of receipts and expenditures (see page 18 for sample form) should be prepared giving the estimates of expenditures under the various main classifications of expenditure, such as purchases, wages, freight and duty, plant, etc. These are submitted by the various departments responsible to the Accounting Department who check them over and prepare the necessary statement for submission to the Treasurer's Department not later than the 10th of the month. At the end of the month this financial forecast is checked up with the actual performance to see what errors were made in the original forecast, so that they may be avoided in future statements.

In some cases the financial budget may be prepared to show the receipts and expenditures under the various classifications by months.

CONTROL OF THE BUDGET

When once the budget has been prepared and approved provision must be made so that the executive may at all times throughout the budget period be in a position to know exactly how the actual results compare with the budget. The reports should be in sufficient detail to present a true picture but should avoid unnecessary detail or their true purpose may easily be defeated. The usual monthly reports of the Company's activities such as sales, expenses of each department, expenses of manufacturing operations, etc., should all be prepared so as to show in comparative columns the actual expenses for the month and the period of date, together with the corresponding figures called for by the budget. In some cases it may be advisable to use percentages of realization of the budget rather than to show the actual detail figures.

A few types of reports will be mentioned (see page 19 for some sample budget reports).

THE SALES FACTOR

In cases where the demand for the Company's products have wide seasonal fluctuations it is essential that due allowance for this factor be made when dividing the annual sales budget into months for comparative or checking purposes. This factor can be obtained by a study of the sales by months of the preceding few years. When these factor figures are applied to the sales budget, the result will be the expected sales by months during the term of the budget.

It may be found advisable to prepare Expense Statements on a similar basis, although it is generally found more convenient and satisfactory to divide the expense budget by 12 to arrive at the monthly quota. It should be certainly understood that under no circumstances is a head of a department to be permitted to exceed his budget expenditures without proper approval by the Budget Committee, or if regulations so provide, by the General Manager or President. Many of the advantages of budgetary control are lost if this feature is not insisted upon.

A copy of the statements affecting the activities of each department should be sent to the head of that department monthly, attention being drawn to any variations worthy of comment.

The foregoing statements lead to one of the most important points in regard to the control of any business by the budget and that is the function performed by the Accounting Department. In order to prepare a budget an efficient and close working accounting system is invaluable, but in carrying out the budget the Accounting Department plays an even more important part. The accuracy of the budget will depend in a great measure upon the accuracy with which past transactions can be interpreted; this means that accurate cost records must be available. The final results of the budget are presented to the executive through the reports from the Accounting Department, and consequently the Accounting Department should perform the main function in the preparation of the budget i.e. it should assist the department heads with reports of past performance and statistical information if such is kept available.

A successful budget pre-supposes an efficient Accounting Department. All transactions come under the scrutiny of this department and here all expense items are classified and all sales placed in their respective sales class. Unless this work is done in such a manner that all department heads have confidence that it is done properly, certain difficulties are certain to arise, particularly, with those department heads whose realization does not come within the budget.

A budget should not be adhered to slavishly or without intelligence. It is a forecast and a chart for the guidance of the executive and his staff. One of its chief advantages lies in the fact that it gives its own signal when it ought to be revised to meet chang-

ing conditions. Then the budget itself forms the basis for the revision. Usually the first indication of the necessity for budget revision comes from the Sales Department which is the most sensitive part of the organization and the first to feel a change in business conditions. A definite change in the Sales Budget once assured is a signal for a change in the other portions of the budget. The business is thus enabled to keep in a reasonable balanced condition throughout changing trade conditions.

CONCLUSION

This article is a general outline of how a business may be controlled under a budget system. No attempt has been made to give more than a general outline of the system. It is not contended that a system of budgetary control will take the place of those qualities on which all successful business is built viz: foresight, judgment and executive ability. However, it does assist greatly in relieving the executive of the weight of detail and it is one of the best means to develop junior executives. The benefits or budgetary control may be again briefly summarized as follows:

- (1) Provides a definite plan and standard.
- (2) Provides for co-ordination of the activities of each department.
- (3) Provides for control of expenditures.

To these we might add the training and development of the department heads. This training is bound to follow the increased responsibility which they assume under the system.

There is no more useful instrument in the hands of capable and efficient management which can more assist that management in carrying out its functions and in planning for and measuring the results to be desired than a budget system.

Sanderson Manufacturing Company,
General Accounting Department.

Date Issued October 10, 1923.

Sales Preliminary
September 30, 1923

Sales Offices	This Month	Same Month Previous Year	This Year	Previous Year	Nine Months'		R
					Change %	Budget	
Halifax	78,720	72,714	708,480	654,426	+ 8	650,565	109
St. John	64,773	66,750	582,978	600,738	- 3	608,355	96
Montreal	513,333	490,665	4,620,000	4,470,000	+ 3	4,800,000	96
Toronto	288,345	260,211	2,595,120	2,341,920	+ 11	2,475,000	105
London	44,070	45,165	396,630	406,491	- 2	325,350	122
Hamilton	43,248	41,901	389,232	377,115	+ 3	478,500	81
Cobalt	34,748	43,479	402,732	391,326	+ 3	330,000	122
Winnipeg	118,560	125,295	1,067,040	1,127,670	- 5	972,000	110
Regina	38,739	36,741	348,660	330,666	+ 5	378,000	92
Vancouver	229,455	216,852	2,365,095	1,951,689	+ 21	2,340,000	101
Total (Lines 1 to 10)	1,453,991	1,405,773	13,475,967	12,652,041	+ 6	13,357,770	101

Sanderson Manufacturing Company,
General Accounting Department.

Date Issued, October 20, 1923.

Sales

September, 1923

	a This Month	b Same Month Prev. Year	c Nine Months This Year	d Nine Months Prev. Year	e R*
Class A Material.....	307,314	268,368	3,476,076	2,952,675	92
Class B Material.....	152,868	279,825	2,635,266	3,069,348	89
Class C Material.....	619,584	469,440	3,796,305	3,933,744	149
Class D Material.....	384,225	388,140	3,568,320	3,402,003	88
Total	<u>1,463,991</u>	<u>1,405,773</u>	<u>13,475,967</u>	<u>13,357,770</u>	<u>101</u>

R*—Realization of Budget.

Sanderson Manufacturing Company,
General Accounting Department.

Date Issued, October 10, 1923.

Budget Compared with Actual Expense
Nine Months Ending September 30, 1923

	A	B	
	Budget	Actual Expense	
Sales Office			
Halifax	\$24,095	\$26,240	1
St. John	18,435	17,666	2
Montreal	160,000	154,000	3
London	12,050	13,221	4
Hamilton	14,500	14,416	5
Cobalt	11,000	12,204	6
Winnipeg	36,000	39,520	7
Regina	14,000	11,622	8
Vancouver	78,000	76,485	9
Total (Lines 1 to 9).....	<u>\$368,080</u>	<u>\$365,374</u>	10
General Department			
Executive	\$79,000	\$78,642	11
Sales Department			
Administration	\$30,000	\$32,486	12
Advertising	120,000	128,956*	13
Sales (Mfd. Product)	34,500	37,842	14
Sales (Resale)	38,000	36,420	15
Total (Lines 12 to 15)	<u>\$222,500</u>	<u>\$235,704</u>	16
Merchandise	\$56,000	\$58,296	17
Purchasing	25,000	21,460	18
Financial	40,000	38,955	19
Accounting	105,000	101,940	20
Engineering	58,000	64,842	21
Total (Lines 11+16 tot 21).....	<u>\$585,500</u>	<u>\$599,839</u>	22
Toronto Sales Office	75,000	78,640	23
Total (Lines 22+23)	<u>\$660,500</u>	<u>\$678,479</u>	24
Grand Total (Lines 10+24)	<u><u>\$1,028,580</u></u>	<u><u>\$1,043,853</u></u>	25

* Excess accounted for by Special Campaign during July.

Copy to: 1, 10, 20, 40.

MONTHLY FINANCIAL STATEMENT

Financial Situation as of—

	This Month	Previous Month	
Cash at Beginning of Month.....			1
Accounts and Bills Receivable.....			1
Total Cash and Receivables			3
Accounts and Bills Payable.....			4
Bank Advances			5
Other Loans			6
Dividends Payable			7
Total Payables and Loans.....			8
Excess of Cash and Receivables over Payables and Loans			9
Cash Estimate for Month of—			
Cash at Beginning of Month.....			10
Estimated Receipts			11
(Details as is required)			12
Total Estimated Receipts (Actual to 15th, Inst. \$).....			13
Total Cash and Estimated Receipts.....			14
Estimated Payments			
Pay Roll			15
Purchases			16
Taxes			17
Interest			18
Loans			19
Dividends			20
			21
			22
			23
			24
Total Estimated Payments (Actual to 15th Inst. \$).....			25
Excess of Cash and Estimated Receipts over Estimated Payments			26
Average Cash less Bank Overdraft and Loans During Month to 15th Inst.....			27

Total amount of estimated receipts and payments for this month represent actual figures for the first 15 days plus an estimate for the remainder of the month. All figures for previous month are actual.

MONTHLY STATEMENT OF PROFIT AND LOSS

	a		b		c		d		e	
	Month of	% of Sales	Previous Month	% of Sales	Months This Year	% of Sales	Budget Same Period This Year	% of Sales	Months Previous Year	% of Sales
SALES
PROFITS ESTIMATED										
Gross Profits
Expenses										
Distributing Houses.....
General Department....
Total Expenses.....
Net Profits on Sales.....
Interest Received.....
Interest Paid
Net Profits before De-
ducting Income Tax....
Income Tax
Net Profits
Per Cent Earned on										
TOTAL CAPITAL										
(b) Before Deducting In-
terest Charges
ORDERS ON HAND..

(b) Based on Capital Stock, Average Bonds Outstanding, Average Surplus and Undivided Profits and Average Bank and other Loans for Period.

Vol. II

- No. 9—Cost Accounting for Public Utilities, *E. D. Bistline*
No. 15—What Is Wrong with Cost Accounting? *G. Charter Harrison*
No. 16—A Method of Distributing Factory Payroll, *Matthew Porosky*
No. 17—Coal Production Costs, *R. W. Gardner*
No. 18—Uniform Cost Accounting Methods in the Printing Industry, *W. B. Lawrence*
No. 19—A Cost System for an Electric Cable Plant, *Fred F. Benke*

Vol. III

- No. 4—Some Cost Problems in the Hawaiian Sugar Industry, *F. A. Haenisch*
No. 6—Some Phases of Cost Accounting in the Chemical Industry, *C. B. E. Rosén*
No. 7—Cost Accounting in the Soap Industry, *William C. Koch*
No. 10—List of References on Interest as an Element of Cost
No. 19—Normal Burden Rates, *Charles Van Zandt*

Vol. IV

- No. 3—First New England Regional Cost Conference
No. 5—Steamship Operating and Terminal Costs, *Joseph J. Mulhern and Urban Robert*
No. 6—Cost Practices and Problems in the Production of Coke, *C. C. Sheppard*
No. 7—Production Costs in the Manufacture of Phonograph Records, *C. J. Borton*
No. 8—Cost Problems in the Wrought Iron Industry, *Carl G. Jensen, Comp.*
No. 10—Cost Accounting for Cranes and Hoists, *P. E. Stotenbur*
No. 11—Cost Accounting in the Tool Steel Industry, *John J. Keeffe*
No. 16—Standard Costs—How to Establish and Apply Them. *William F. Worrall*
No. 17—A Method of Collecting Direct Labor Costs and Statistics, *George H. Friesel*
No. 18—Cost Accounting for Self Laying Track Tractors, *Percy Ehrenfeldt*
No. 19—Papers and Discussions—Third New England Regional Cost Conference
No. 20—Radio Educational Campaign
No. 21—Cost Accounting in Relation to Business Cycles, *John R. Wildman*
No. 22—Cotton Mill Costs, *W. A. Musgrave*
No. 23—A Punched Card System of Inventory Control, *W. V. Davidson*

Vol. V

- No. 2—A Problem in Joint Costs, *William Morse Cole*
No. 3—A Method of Costing Partially Completed Orders, *C. B. Williams*
No. 4—Choosing the Basic Cost Plan, *Eric A. Camman*
No. 6—Cost Accounting in the Production of Motion Pictures, *William R. Donaldson*
No. 7—An Introduction to Predetermined Costs, *George Rea*
No. 8—A Practical Method of Cost Accounting in a Shipbuilding or Ship Repair Plant, *L. V. Hedrick*
No. 9—Getting the Most Out of Business Records, *Matthew L. Carey*
No. 10—The Expense of Power and Building Service, *James P. Kendall*
No. 11.—Indirect Labor, *Harry J. Ostlund*
No. 12.—Accumulating the Overhead, *Albert V. Bristol*
No. 13.—Fourth New England Regional Cost Conference.
No. 14.—Industrial and Financial Investigations, *Arthur Andersen*
No. 15.—Construction Cost Accounting From the Viewpoint of Both the Contractor and the Customer, *Weston J. Hibbs*
No. 16.—Budgetary Control, *William Carswell*

Copies of the above publications which are not out of print may be obtained from the office of the Secretary of the Association, 130 W. 42nd Street, New York City, at the price of 75 cents per copy.