Volume Title: The Quality of Trade Credit

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Volume Publisher: UMI

Volume ISBN: 0-87014-401-4

Volume URL: http://www.nber.org/books/seid64-1

Publication Date: 1964

Chapter Title: Appendix A Size Classifications

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Chapter URL: http://www.nber.org/chapters/c1867

Chapter pages in book: (p. 99 - 101)

Appendix A
Size Classifications

The size classification of corporations necessarily involves an arbitrary decision as to what constitutes "smallness" and "bigness." A system of classification must be tailored to each sector and industry since minimum capital requirements vary widely. Thus, a smaller investment in plant and equipment is needed in the trade sectors compared to the mining and manufacturing sectors.

In this study, the size of corporations is measured by the volume of their assets (Table A-1). The giant firm classification's asset range encompasses the upper 1 per cent of the number of firms in a sector. If the inclusion of the next asset group presented in the Treasury *Source Book* raised the proportion above 1 per cent of the sector's firms, it was not included in the giant category. In each sector this resulted in less than 1 per cent of the firms being classified as giants.

The other size categories were determined by experimenting with the relation between the number of firms and the share of the sector's assets which they represented. This resulted in classifying a minimum of 65 per cent of all firms as small. In four sectors the small-size category represents from 75 to 85 per cent of the firms in the sector.

The next grouping, the medium-size class, generally accounts for between 10 and 25 per cent of the sector's firms. The large-size category includes from about 1 to 6 per cent of the firms in each sector.

Table A-2 presents the only reliable information on the size distribution of unincorporated firms, and shows the distribution of sales in 1957 for proprietorships and partnerships as reported by the Internal Revenue Service. It also shows the incidence of unprofitability by sector and legal form of organization.

TABLE A-1

ASSET RANGE OF SIZE CLASSIFICATIONS USED IN THIS STUDY
(million dollars)

	Small	Medium	Large	Giant
Mining	Under 1	1-10	10-50	50 and over
Manufacturing	Under 1	1-5	5-50	50 and over
Wholesale	Under .25	.25-1	1- 5	5 and over
Retail	Under .1	.1 to 1	1- 5	5 and over
Services	Under .1	.1 to .5	.5- 5	5 and over
Construction	Under .1	.1 to .5	.5- 5	5 and over

TABLE A-2

DISTRIBUTION OF UNPROFITABLE SALES BY LEGAL FORM OF ORGANIZATION, 1957

(per cent)

	Distribution of Sales by Legal Form (1)	*Unprofitable Sales as Percentage of:* Total Sales in Sector (2)	Total Unprofitable Sales in Sector (3)	Sales by Legal Form (4)
Total				
Corporate	75	9	77	12
Unincorporated	25	3	23	11
All firms	100	12	100	12
Mining				
Corporate	82	16	78	20
Unincorporated	18	5	22	25
All firms	100	21	100	21
Manufacturing				
Corporate	96	9	93	10
Unincorporated	4	1	7	16
All firms	100	10	100	10
Wholesale				
Corporate	76	10	76	13
Unincorporated	24	3	24	13
All firms	100	13	100	13
Retail				
Corporate	53	9	62	17
Unincorporated	47	5	38	12
All firms	100	14	100	14
Services				
Corporate	38	8	70	21
Unincorporated	62	3	30	6
All firms	100	11	100	11
Construction				
Corporate	56	9	68	15
Unincorporated	44	4	32	9
All firms	100	13	100	13

SOURCE: *U.S. Business Tax Returns–1957,* and *Statistics of Income.*