

University of Mississippi

eGrove

Publications of Accounting Associations,
Societies, and Institutes

Accounting Archive

1906

Improved balance system of cost accounting

Elmer Henry Beach

W. W. Thorne

J. B. Griffith

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

Recommended Citation

Beach, Elmer Henry; Thorne, W. W.; and Griffith, J. B., "Improved balance system of cost accounting" (1906). *Publications of Accounting Associations, Societies, and Institutes*. 72.
https://egrove.olemiss.edu/acct_inst/72

This Article is brought to you for free and open access by the Accounting Archive at eGrove. It has been accepted for inclusion in Publications of Accounting Associations, Societies, and Institutes by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.



**The
Improved
Balance System
of Cost
Accounting**

The Improved Balance System of Cost Accounting

UNDER THE DIRECTION OF

E. H. BEACH

CHAIRMAN

W. W. THORNE

J. B. GRIFFITH



The International Accountants' Society

(INCORPORATED)

DETROIT



MICHIGAN



E. H. BEACH, CHAIRMAN

Expert Accountant and Auditor; President, National Association Accountants and Book-Keepers; Chairman, Board of Examiners, International Accountants' Society, Inc.; Editor, "The American Business and Accounting Encyclopaedia"; Editor "The Business Man's Magazine and The Book-keeper."

NEW MILFORD, CONN., October 12, 1904.

MR. W. W. THORNE, SEC'Y.,

Detroit, Mich.

DEAR MR. THORNE:—

Your favor of the 10th is received, as is also the certificate of membership in the International Accountants' Society, Incorporated. I am very much pleased to receive this certificate and have nothing but good to say as to the course leading up to it.

I have derived a great deal of valuable information from the lessons and am especially pleased with the individual attention given each exercise. Any obscure points are not passed over, but fully explained and made clear to the student.

Yours very truly,

WILLIAM P. LANDON.

Cost Accounting a Necessity

The subject of cost accounting is, deservedly, receiving a great deal of attention at the hands of manufacturers without regard to the nature of their product. Competition has forced the manufacturer to sell his product at a price which leaves a smaller margin of profit; it has forced him to reduce the cost of his product if there is to be any profit.

When competition was limited and profits were liberal, the manufacturer could safely wait for his annual balance sheet to show him what his profits had been; knowing that his prices were figured on a safe basis and that the balance would surely show on the right side of the ledger. Estimates were then the rule in figuring costs and most manufacturers figured that they were safe in meeting the prices of their competitors; that if a competitor could sell an article at a given price and make a profit, they could do the same.

With the increase of competition and the consequent lowering of prices, all this has been changed. With the changed conditions has come the necessity of knowing exactly what the product costs. No shrewd manufacturer feels safe in accepting his competitor's prices—he wants to know at what prices he can *afford* to sell his product. He *must know* what it costs, and he must know every month, every week. It will not do for him to wait for the results shown by the balance sheet at the close of the year.

To meet these demands; to supply the figures desired, accountants and manufacturers have devoted much time and very careful study. They have evolved cost systems, many of them crude and some very elaborate, but, in the absence of established standards, such as exist in other branches of accounting, the natural tendency has been toward the theoretical rather than the practical. Estimates have been allowed to creep in; the cost system has been evolved without reference to the general system of accounting, with the result that at the close of the fiscal period a discrepancy has been found between the factory records and the general books of accounts.

While the interest in cost accounting has been very noticeable, and is increasing every day, no opportunity for a study of the subject has been offered, except the published descriptions of some more or less successful systems. No system which has been devised to meet the special requirements of a particular manufacturing establishment is adapted to the needs of a concern in a different line. The published literature on the subject has, as a rule, been descriptive, without entering into a discussion of principles underlying the science of cost-accounting. The manufacturer has, therefore, been under the necessity of devising his systems without



W. W. THORNE

Expert Accountant and Auditor; Associate Editor "The American Business and Accounting Encyclopaedia," "The Business Man's Magazine and the Book-Keeper;" Secretary The National Association of Accountants and Book-Keepers; The International Accountants' Society, Inc.; Author of "Thorne's 20th Century Book-keeping and Business Practice," and a number of popular text books on accounting, systems, and auditing.

CHATTANOOGA, TENN., March 21, 1905.
MR. W. W. THORNE, SEC'Y.,

DETROIT, MICH.

MY DEAR MR. THORNE:—

I desire to thank you for the kindly interest and personal attention which you have shown me in these exercises, and also your kindness in answering personally several inquiries of mine which did not bear directly on my lessons.

This course has benefited me very materially and I consider the cost exceedingly small.

I will take pleasure in recommending it to all desiring a knowledge of higher accounting.

Thanking you again and wishing you much success with the Society, I am,

Very truly yours,

WEBB MINOR.

the aid of a guide in the form of clearly defined principles, such as govern other and better known branches of accounting.

Cost Accounting a Science

Cost accounting has become one of the most important branches of accounting, and is governed by principles which can be as clearly defined as those of any other branch of the science. Before a man is considered competent to devise a general system of accounting, he must demonstrate that he thoroughly understands the principles; why, then, should anyone consider himself competent to devise a cost system unless he is familiar with the principles of this important branch of accounting science?

Because a moulder is given a job in the foundry of a locomotive works, it does not necessarily follow that he knows all about the construction of locomotives; it is only required that he be a competent moulder. The accountant who is called upon to devise a cost system for a furniture factory need not understand the technical details of furniture manufacturing, but he should understand the basic principles on which cost accounting systems are founded.

Our Purpose

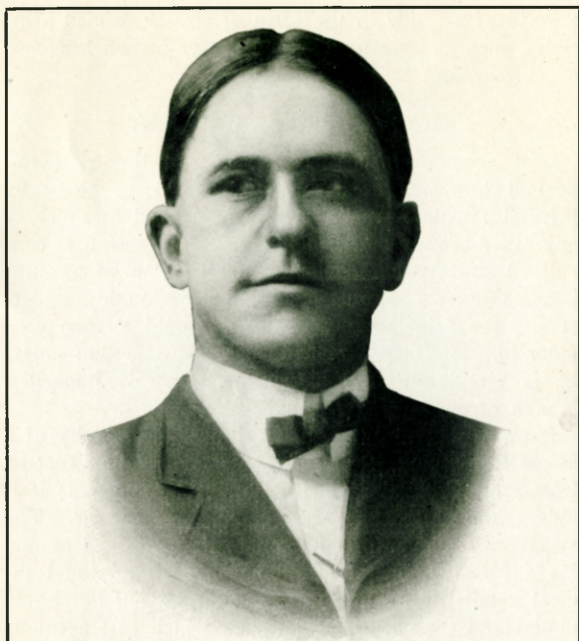
It is our purpose to teach the principles of cost accounting and to train the student to apply those principles to the cost system of any manufacturing plant with which he may come in contact. We will give the student an opportunity to obtain a thorough knowledge of the subject which will make him competent to devise and install a perfect system in his own or any other factory.

It is for this purpose that we have prepared the course of instruction known as "The Improved Balance System of Cost Accounting."

The Improved Balance System

is a complete, practical system of factory records in which are explained the proper methods of obtaining every needed record in the manufacturing department. The correct principles of cost accounting are so clearly defined that they can be easily mastered, and when once mastered, the student will have no difficulty in establishing in any factory a system by means of which accurate costs may be ascertained.

In The Improved Balance System estimates of every description are eliminated and a perpetual balance is maintained between the factory records and the general ledger. It exhibits, at all times, in a clear and comprehensive form, the exact condition of the business.



J. B. GRIFFITH

Expert Systematizer, Contributor on Systematic Methods to Insurance and Trade Papers; Member of Board of Experts; "The Business Man's Magazine and The Book-Keeper," and Director of the Home Study Course in Systematizing.

ARCADIAN MINE, MICH., March 27, 1905.
THE INTERNATIONAL ACCOUNTANTS' SOCIETY,
INC., Detroit, Mich.

GENTLEMEN:—On Saturday I received my Certificate of Membership in The International Accountants' Society, Incorporated. Kindly permit me to extend to you my thanks for the same.

Am glad I took the course, yet I consider it the hardest proposition I ever undertook. It broadens, builds, and strengthens—makes a man of immensely more value to himself and his employer.

Whoever may cast their lot in with the officials of The International Accountants' Society may rest assured they are not at a matinee or on a pleasure trip, but something immensely more valuable, an advanced school, a wholesouled organization doing a grand, good work.

Most cordially yours,

R. STEWART.

We do not claim that this system is entirely original with us; in fact, we know it is in successful operation in a number of large manufacturing plants. We know also that this system embraces special features never before described in any published work on cost accounting, and in those factories where the system is now in use these same features are guarded as valuable secrets, and never made public.

What Constitutes the Course

The Improved Balance System consists of a series of six studies in the form of separate booklets. Each study is a complete exposition of the subjects treated and is accompanied by a set of exercises which will bring out the student's knowledge of the subject.

Each study is devoted to some special department of factory records and they are arranged in natural sequence and lead the student—step by step—through every phase of factory organization, ending with a demonstration of a model system.

In the following pages will be found a detailed outline of the contents of each study.

The studies are forwarded monthly unless otherwise arranged for by the student. A large majority of our students are employed and, being obliged to do the work after business hours, do not find it possible to complete more than one study a month. Where a student has plenty of time at his disposal, he can, of course, complete the studies more rapidly.

How the Course is Conducted

That the instruction may be of the greatest practical benefit to him, each student is required to apply the studies to his own particular factory or to some other which he may choose for illustration. His answers are expected to demonstrate his ideas of the correct application of the principles set forth in the studies. The work of each student is carefully examined by the directors who send him a personally dictated review. In this review, all apparent defects are pointed out and suggestions made for the improvement of the system.

This method makes it possible to apply the Course to the needs of each student in a practical manner, and makes the instruction individual in every sense of the word. It also gives to each student the personal assistance of the directors in adapting the system to the needs of the particular factory in which he may be interested.

Realizing that in adapting any system to the needs of factories in many varied lines of industry, widely differing conditions must be met, we offer the student the privilege of personal consultation. When difficulties are met which the student is unable to overcome, or where

there are details, provisions for which do not seem to be made in the regular studies, we invite the student to submit them to us.

Personal Advice

The directors are ready at all times to carefully consider and give their personal advice as to the proper solution of system problems in connection with the organization and conduct of the factory. To anyone connected with a manufacturing plant, this privilege alone is worth more than what we charge for the course, but it is the policy of The International Accountants' Society, Inc., to give more rather than less than is paid for. We want students in this course, as do those in the other courses which we are conducting, to feel that we are personally interested in their work, and that they are assured, in advance, of the most liberal treatment. We offer them services such as they can obtain from no other organization in this or any other country.

Who Will Be Benefited

The benefits of The Improved Balance System will appeal to Managers, Factory Superintendents, Accountants and Book-keepers and in fact to all persons directly concerned with the factory records. These are the men whose training will enable them to quickly grasp the importance of the special features presented in this system, and to apply them in a practical manner.

The Manager needs full information in regard to this system so as to keep himself posted as to whether he is getting the proper statistics from the factory management, and the cost accountant.

The Factory Superintendent needs it, as it will give him an opportunity to ascertain what others are doing in this line, and wherein his methods may be complete or otherwise.

The Cost Accountant or Clerk needs it, because it will show him how to compile his statistics, and what his superiors most particularly desire to know.

The Accountant or Book-keeper needs it, because it will help him improve his condition, and furnish the information that will enable him to increase his salary.

We do not want as a student the man who is looking for something in the nature of an entertaining course of reading, through which he can learn without work. To the man who wants to gain a practical working knowledge of the scientific principles which govern accurate cost accounting, the study of The Improved Balance System will be very interesting; but it will also involve close application and plenty of hard work.

We want the ambitious man who is anxious to increase his knowledge along practical lines with the object in view of bettering conditions in his factory, or of

fitting himself to assume greater responsibilities. Such men realize that no knowledge can be gained without work and willingly devote to the course the study necessary to thoroughly master the subject.

The Opportunity

We are often asked, "what are the opportunities?"

When a man enters the field of cost accounting he is not entering a crowded profession. On the contrary he is entering a field in which the demand for competent men far exceeds the supply; and this condition is bound to continue indefinitely. Notwithstanding the enormous growth in manufacturing industries during the past twenty years, only a mere start has been made toward the development of the vast resources of America. The development of our manufacturing industries is bound to be even more rapid in the future than in the past, and this development will surely be accompanied by a demand for more modern—more systematic—factory records.

Of all branches of accounting, there is no more attractive field, certainty of employment, or better salaries than in cost accounting. The cost accountant who is competent to devise and conduct the factory system in a manufacturing plant commands an attractive salary and has opportunities for advancement such as comes to few men in other branches of accounting. His work brings him in contact with the creative end of the business; he becomes familiar with the various processes of manufacture and can *learn the business* from raw material to finished product. He is the man in line for promotion to the position of Assistant Superintendent.

For the man who desires to take up accounting as a profession, cost accounting offers a most profitable field. There never was a time when the demand for men, competent to organize the factory along correct lines was so great as now. Experts in this line have no difficulty in securing all the work they can do, and command fees of from \$25 to \$50 a day.

Our Terms

The installment price of the course is \$30, payable \$5 at time of signing the contract and \$5 every thirty days until 6 payments have been made. Cash price, \$25, at time of signing contract.

While we expect students to make their payments promptly, there is no time limit in which the course must be completed. The contract is non-forfeitable and students may take as much time as they wish in completing the work.

Remittances should be made payable to

International Accountant's Society, Inc.

Detroit, Michigan

Syllabus

This Course in Factory Cost Accounting will confine itself to the following special subjects:

(a) The organization of the factory, and the purchasing department.

(b) Records of stock of raw material, supplies, completed parts, manufactured goods.

(c) Records of material and labor.

(d) Records of factory expense and distribution.

(e) Assembling costs, i. e., Cost summaries and comparative exhibits; the treatment of factory accounts on the main office books; records of plant and equipment; depreciation; the computation of profits on cost; etc.

(f) **The Model Improved Balance System of Cost Accounting Exemplified.**

Study One

INTRODUCTORY.

Describing the Object of the Course and the General Plan on which the Information Will be Presented.

General Organization.

Graphic chart; duties of manager and factory superintendent; duties of foremen of departments or shops, duties of cost clerks; records of drafting and pattern rooms.

Purchasing Department.

Covering the securing of lists of concerns from whom to purchase; record of catalogues obtained; quotations received; requisitions from factory superintendent; invoices received; invoices checked for quantity, quality, prices, and extensions; invoices audited and approved for payment; invoices classified for distribution to proper accounts; comparative reports of purchases during certain periods for comparison with output during the same periods; the separation of purchase records in regard to raw material, complete parts, supplies, and the reason why; receiving department records.

Study Two

STORES DEPARTMENT.

Up-to-date methods of keeping record of stocks of raw material, completed parts, manufactured goods, tools and patterns; numerical and alphabetical systems; labor saving devices for the stores-keeper; treatment of requisitions by foremen, including price codes; different colored cards for the different sections of the store room; indexical cross references; manifold requisitions.

The Important Connection of a Perfectly Efficient Stores Record with the Model System of Balance Cost Accounting Exemplified in the 6th Study.

Study Three

MATERIAL AND LABOR RECORDS.

Workmen's job cards for each day or job; daily reports by foremen to cost clerk; sub-orders; transfers in duplicate, comparative reports of deductions for various causes, and of culls, or poor work, of each workman; comparative reports on each workman to show output per week or month, and a graphic chart to illustrate how same may be used to the best advantage; up-to-date pay rolls, and independent check on same by the cost clerk; advantages of the premium system, and how to use it.

Particular Information in Regard to Job Cards, Transfers, and Daily Reports in Connection with the Model System of Balance Cost Accounting Exemplified in the 6th Study.

Study Four

FACTORY EXPENSE AND DISTRIBUTION.

The principles of the only correct method of distributing unproductive labor and general factory expense; the treatment of maintenance orders; the Controlling Expense account for ascertaining expense incurred, but not used; comparative monthly statement of the costs of each department, or shop.

The Absolute Necessity of an Accurate Distribution of Unproductive Labor and Factory Expense in Connection with the Model System of Balance Cost Accounting Exemplified in the 6th Study.

Study Five

ASSEMBLING FACTORY STATISTICS AND FACTORY RECORDS IN THE MAIN OFFICE.

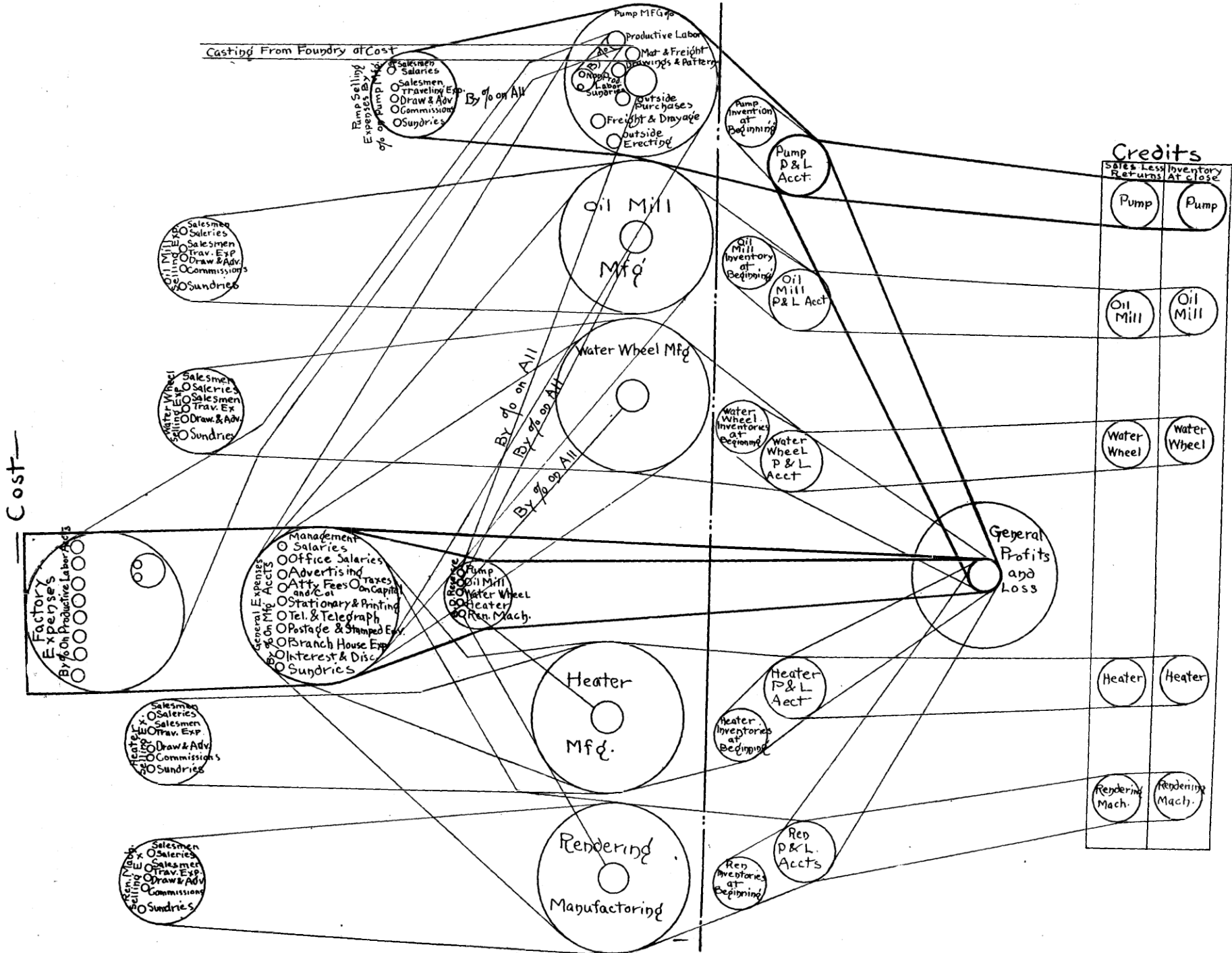
Cost cards and summaries for large and small factories; valuable comparative statistics and how to find them; how to ascertain at a glance if the cost of manufacture is excessive in comparison with amount of output.

Raw material, labor, and factory supplies accounts in the main office; the Manufacturing account; the Manufactured Stock account; the issue of shop orders, and reports to the manager from the factory superintendent on important work; orders for construction and equipment.

The Importance of the Arrangement of Accounts on the Main Office Books in Carrying Out the Plan Exemplified in the Improved Balance System of Cost Accounting Described in Study 6.

Study Six

A model system of Factory Cost Accounting on The Improved Balance System plan, fully illustrated and embodying all the recommendations included in the preceding five Studies. This Study contains the key to, and full explanation of the special features of the system, including the method of maintaining a perpetual balance between the factory records and the main office books.



Costing From Foundry at Cost

- Remo Selling Expenses By % of Pump Mfg
- Salaries
- Salesmen
- Traveling Exp.
- Draw & Adv.
- Commission
- Sundries

- Pump Mfg
- Productive Labor
- Mat & Freight
- Drawings & Pattern
- Outside Purchases
- Freight & Damage
- Outside Erecting

- Oil Mill
- Salaries
- Salesmen
- Travel. Exp.
- Draw & Adv.
- Commission
- Sundries

Oil Mill Mfg

- Water Wheel
- Salaries
- Salesmen
- Travel. Ex.
- Draw & Adv.
- Sundries

Water Wheel Mfg

- Management
- Salaries
- Office Salaries
- Advertising
- Atty Fees
- Taxes
- Stationary & Printing
- Tel. & Telegraph
- Postage & Stamped Exp.
- Branch House Exp.
- Interest & Disc.
- Sundries

Heater Mfg.

- Rendering
- Salaries
- Salesmen
- Travel. Exp.
- Draw & Adv.
- Commission
- Sundries

Rendering Manufacturing

Cost

— Closing —