Steamship operating and terminal costs

Joseph J. Mulhern

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Steamship Operating and Terminal Costs
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BUSH TERMINAL BUILDING
130 WEST 42nd STREET, NEW YORK
Steamship Operating and Terminal Costs

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November 15, 1921
One of the most vital questions before the Congress of the United States at the present time is the ship subsidy bill and for this reason a discussion of the cost of operating and maintaining a fleet of steamships may be appropriate.

In order to cover the important phases of the business, it is assumed that the fleet consists of a large number of passenger steamships and freight vessels, and that the company owns its own docks and terminals. Some of the most difficult problems are encountered in endeavoring to distinguish between freight and passenger charges and in the equitable distribution of terminal expenses and overhead to each voyage.

In view of the enormous amount of clerical work and office expenses involved in distributing the costs to the freight and passenger departments and in order to put these departments on a "profit and loss" basis, it might be advisable not to attempt to ascertain these departmental profits or losses. If, after careful consideration, it is decided that the cost to be incurred surpasses the value of this information for each voyage, that part of the following discussion which deals with the distribution of charges to the freight and passenger departments may be disregarded. However, whatever the decision is in regard to this matter it will not effect the classification of revenue.

**Revenues**

The revenue of each voyage is classified into three main divisions—freight, passenger and miscellaneous receipts. All expenses including (1) steamship operation; (2) terminal operation; (3) terminal maintenance; and (4) general overhead (freight, passenger and miscellaneous) are distributed against the three classes of revenue, which results in the showing of a freight, passenger, and miscellaneous profit for every voyage made by each steamship in the fleet. If the steamer is solely a freight carrying ship or a bulk cargo vessel, such as an oil tanker, then the cost problem in connection with its voyages is obviously greatly simplified.

Very frequently a steamship company will charter a vessel for one or more voyages or for a stated period such as one year. Under this sort of an agreement the owner ordinarily pays most of the operating expenses and there is usually no difficulty in ascertaining the cost of the voyage. However, the agreement called the "charter-party," should be read very carefully because it usually contains
important provisions covering the payment of port charges, stevedoring, wharfage, demurrage, etc.

The costs are kept by voyages and the indirect and overhead expenses distributed accordingly so that at the close of the month a summary of the voyage reports will show the total revenue, cost and profit, classified into freight, passenger and miscellaneous.

The accounting of revenues of a large transportation company operating a fleet of ocean-going steamers is a big problem in itself and as the subject to be discussed is the cost of operation, the information in connection with accounting and auditing of receipts will, of necessity, be brief.

The receipts are classified for each voyage as follows:

<table>
<thead>
<tr>
<th>Freight</th>
<th>Berths</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Cargo</td>
<td>Bar</td>
</tr>
<tr>
<td>Company</td>
<td>Steamers Chairs</td>
</tr>
<tr>
<td>Outside</td>
<td>Excess Baggage</td>
</tr>
<tr>
<td>Bulk Cargo</td>
<td>Pets</td>
</tr>
<tr>
<td>Company</td>
<td>Automobiles</td>
</tr>
<tr>
<td>Outside</td>
<td>Miscellaneous</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Passenger</th>
<th>Miscellaneous</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabin Tickets</td>
<td>Mail</td>
</tr>
<tr>
<td>Deck Tickets</td>
<td>Demurrage</td>
</tr>
<tr>
<td>Food (if extra)</td>
<td>Sub-charters</td>
</tr>
</tbody>
</table>

On the voyage report there is a detail of the freight revenue showing the number of tons carried from and to each port and the average revenue per ton. The report should also show the number of cabin and deck passengers carried from and to each port, because this information is very valuable to the passenger department.

In order to get comparative figures for steamers of the fleet, the period figures of each ship are shown in the report. From various other statements prepared for the use of the freight and passenger departments, the comparative results of the fleet from the standpoint of gross revenue are presented together with averages and other statistics which are of invaluable assistance to these departments.

**EXPENSES**

The cost of operation is divided into the following main divisions:

- **Direct Expenses**
  - Steamship Operation
  - Terminal Operation

- **Apportioned Charges**
  - Terminal Maintenance
  - General Freight Overhead
  - General Passenger Overhead
  - General Office Overhead

Each of these classes of expense is divided into freight, passenger, and miscellaneous charges and in some cases it is necessary to make an arbitrary distribution.
STEAMSHIP OPERATION

When a steamer docks after the completion of a voyage, the purser gets in touch immediately with the office and delivers his reports, such as the portage bill, the passenger report, the steward's report, log abstract, coal report, etc., as it is necessary to have these reports and statements before the cost of the voyage can be computed.

The detail of steamship operation is given below and each class of expense is discussed separately.

<table>
<thead>
<tr>
<th>Charter Expense</th>
<th>Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>Crew Wages</td>
</tr>
<tr>
<td>Taxes</td>
<td>Food</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Supplies</td>
</tr>
<tr>
<td>Maintenance</td>
<td>Radio</td>
</tr>
</tbody>
</table>

It seems to be the practice when a company owns a large fleet of vessels, to form a corporation for each ship. The corporation bears the steamer's name, for example, the Schofield Steamship Corporation would own the S. S. Schofield.

The steamship corporation ordinarily leases the vessel to the operating company for such an amount annually as will be sufficient to cover marine insurance, taxes, depreciation maintenance, and interest. This monthly payment by the operating company to the steamship corporation is called "charter" and is absorbed in the voyage expense as described further on in this article. In the case of vessels hired from outside owners by the operating company, the charter expense is usually the only steamship operating charge with the exception of fuel.

CHARTERS

When the contract, known as the charter party, has been made for the hire of a vessel, a certificate, called a "charter certificate" is signed by both parties showing the date and hour of the beginning of hire. Usually the charter hire is paid monthly in advance and the payment is supposed to be in the hands of the owner on or before a certain day of each month. These payments are charged to a controlling account called "Charters." When a steamer completes a voyage the itinerary of the trip showing date of the beginning of the voyage, arrival and departure from each port and the end of voyage is shown on the voyage report, and is taken from the log abstract. The number of days and hours which it took to make the trip is determined and the charter expense for the voyage is figured. The method for computing charter expense is illustrated in the following example:

1. Rate of charter hire per month—$50,000.
2. Charter payment 5th of month at 9:00 A.M.
3. Voyage begins Aug. 18 at 9:00 A.M.
4. Voyage ends Sept. 14 at 9:00 A.M.
Length of the voyage is 27 days. All time from Aug. 5, 9:00 A.M., to Sept. 5, 9:00 A.M., is at the rate of $1,612.90 per day, that is on a 31-day basis, because the end of the month (August) which is overlapped is a 31-day month. All time from Sept. 5, 9:00 A.M., to Oct. 5, 9:00 A.M., would be at the rate of $1,666.67 per day, or on the basis of 30 days to the month. Therefore, there would be from Aug. 18, 9:00 A.M., to Sept. 5, 9:00 A.M. — 18 days at $1,612.90 amounting to $29,032.20 and from Sept. 5, 9:00 A.M., to Sept. 14, 9:00 A.M. — 9 days at $1,666.67 amounting to $15,000.03, a total charter expense for the voyage of $44,032.23. This amount of charter expense is then reported on the voyage report, resulting in a charge to the controlling cost account “Steamship Transportation Costs” and a credit to the “Charters” account.

There is a subsidiary record kept called the “Charter Book” in which a sheet is opened for each steamer under charter. The sheet has a debit and credit ruling and on the debit side is entered all the charter payments and on the credit side is reported the charter expense absorbed in Steamship Transportation Costs. At the close of the month there is one entry made from the summary of Voyage Reports, charging Steamship Transportation Costs account and crediting “Charters” account. After this entry has been made and posted, the aggregate of the balances of the Charter Book should agree with the balance of the “Charters” account. By this method, the revenue for the month is charged with the proportionate amount of charter expense which was incurred in earning those receipts.

Occasionally a steamer is laid up for a short time and it may not be possible to secure a refund of the charter expense. In such cases, the off-hire period is figured and the charter expense is charged to a separate off-hire account, which is in turn transferred to “Steamship Transportation Cost” account, but it is not included in any voyage report of the vessel. By following this procedure, distorted reports which are of no value are reduced to a minimum.

The next point to be considered, and one which is very important, is the equitable distribution of charter expense between the freight and passenger departments. Obviously, if the steamer is a freight vessel, even though there may be passenger accommodations for five or six persons, there is no problem presented because the whole amount will be charged to the freight department. In the case of a passenger steamer, the plan which is used and which seems to the most equitable one available, might be termed the “Construction Cost” method for the distribution of charter expense between the freight and passenger departments. For example, suppose the completed construction cost of one of the passenger ships in the fleet is $1,000,000. A straight freight vessel without regular passenger accommodations, of the same size and construction, would cost $800,000. or 80% of the cost of the passenger steamship. This ratio is applied to the charter expense charged to
the voyage and 80% is charged to the freight department for the use of the vessel and 20% to the passenger department.

A charter distribution schedule should be prepared for the entire fleet which will show these percentages for each steamship.

FUEL

All invoices for fuel, coal and oil are charged to the Fuel account. This account is supported by a book called "Record of Fuel Used and on Hand" which has a sheet for each steamer in the fleet. The fuel purchases showing number of tons, rate per ton and amount are shown on the debit side. In calculating the cost of fuel used on the voyage, reference to the Chief Engineer's log and fuel and steam reports will show the quantity consumed on the trip. The average purchase price per ton is applied to the quantity used and the cost is noted on the voyage report, resulting at the close of the month, in a charge to "Steamship Transportation Cost" account and a credit to "Fuel" account. At the end of each trip the bunkers are measured (or in the case of oil the tanks are gauged), to verify the quantity on hand as reported in the books.

In connection with the distribution of fuel expense between the freight and passenger departments, the reports of the chief engineer show the various purposes for which the fuel was used. Such items as "galley fires," "stateroom electric lights and fans," etc., are charged to the passenger department and the remainder is charged to the freight department.

CREW WAGES

The payroll, called the "portage bill," is prepared by the purser and ordinarily is completed at the end of the voyage. The crew is paid off and the amount of the portage bill is entered on the voyage report. The basis of distribution to the freight and passenger departments of the crew wages is somewhat similar to the method used for apportioning charter expense, although not so arbitrary. The size and makeup of a crew which would be required to operate a straight freight vessel of the same size is determined. The crew wages for this crew is charged to the freight department and the balance of the crew, constituting the extra crew account of the carrying of passengers, is charged to the passenger department. It is not necessary that this detail work should be undertaken for each voyage, because ordinarily the crew fluctuates very little and, as in the case of charter expense distribution, a schedule should be prepared showing, for each steamer in the fleet, the ratio of freight and passenger crew wages to the total crew wages.

FOOD—PASSENGERS

At the close of each voyage the chief steward renders a report of the operation of the steward's department. This report shows
the food used for meals served to the passengers. The cost is calculated and reported on the voyage report, resulting in a charge to “Steamship Transportation Cost” account and a credit to “Food” account, through monthly entry made from the summary of Voyage Reports. No distribution is necessary because the total cost of food served to passengers is charged to the Passenger Department.

There is a report prepared for each voyage which is attached to the voyage report called “Report of Stewards Department.” The figures shown in this report, such as classification of meals served (cabin passengers, deck passengers, guests, officers, crew, etc.), total meals served each day, cost per meal of each class of meal served, stewards department wages, maintenance and supplies, are of great assistance to the management of the Passenger Department.

FOOD—CREW

The cost of food used in meals served to members of the crew is determined in the same way as the cost of passengers’ food and the entries are made in the same manner.

The distribution to the Freight and Passenger Departments is made by the same method used to distribute crew wages. The crew is divided into the regular crew, required for the navigation of a vessel of that size, and the additional crew, because of the operation of the steamer as a passenger-carrying steamship. The cost of the food served to the former is charged to the Freight Department and the cost of the food served to the latter is charged to the Passenger Department.

It is not necessary to go through this detail for each voyage because a schedule can be prepared showing this classification for each steamer and the ratio can be calculated and used for each trip, making the distribution quite simple.

RADIO EXPENSE

A copy of each message is kept by the radio operator. The cost of all messages in connection with the Passenger Department is charged to that department and the remainder of the radio expense is charged to the Freight Department.

SUPPLIES

When a ship requires supplies for the voyage, a requisition is drawn and presented to the storekeeper who delivers the material. The operation of the ship is divided into three departments, namely, the deck department, the engine department and the steward’s department. Each department prepares a separate requisition for these steamship operating supplies and it is approved by the head of the department, the chief officer for the deck department, the chief engineer for the engine department and the chief steward for
the steward’s department. These charges for supplies are analyzed and the items for the use of the Passenger Department are charged to that department, the remainder being charged to the Freight Department. This distribution is noted on the voyage report, and from the “Summary of Voyage Reports” at the close of the month an entry is made charging the controlling account “Steamship Transportation Costs” and crediting “Operating Supplies on Hand” account.

In order to assist the Marine Department and enable this department to operate the vessels efficiently and economically, there is a report prepared called “Report of Steamship Operating Supplies” which shows a detailed classification of supplies used by the three departments: deck, engine and steward, for each steamer in the fleet for all voyages to date, making a very useful comparison between vessels of the same size and type. If there is any excessive expenditure by any steamer, this comparison will bring it to the attention of the Marine Department.

In the case of ships which are on charter from outside owners, the question very frequently arises as to whether certain charges for supplies are for the account of the charterers or whether they should be charged to the owners and deducted from the next charter hire payment. As previously stated, this is one of the main reasons why the charter-party should be very carefully read because by doing so the interest of the operator of the ship will be better protected.

**Terminal Operation**

The second main division of costs known as “Terminal Operation” covers the direct expenses of handling the steamer in each port at which a call is made, including the port at which the voyage begins and the one at which it ends.

As is the case of steamship operating expenses, the “terminal operating” expense is a direct charge to the voyage and the main difficulty which is met is the distribution between the Freight and Passenger Departments.

At each port where the steamship company maintains an office or agency, a report of terminal operating expense is forwarded to the office where the voyage report is prepared. There is a record kept at the general office called “Summary of Terminal Operating Expenses” in which each report of terminal operating expenses is registered, the total being charged to “Steamship Transportation Costs” account and credit given to the various branch offices for the total of the expenditures.

At this point it would be well to mention briefly the subject of “Open Voyages.” If a vessel is not due to complete the current voyage before the close of the month, all the revenues and expenses in connection with the voyage are carried in an account, called “Open Voyages,” over the end of the month, because, ob-
viously, no profit or loss can be determined until the trip is completed.

The reports of terminal operating expenses which are received covering voyages not ending during the current month are registered in a separate section of the summary. The total of the “Open Voyages” reports is charged to “Open Voyages” account and credited to the various offices or agencies which made the expenditures. At the beginning of the following month, an entry is made charging “Steamship Transportation Costs” account and crediting “Open Voyages.”

Terminal Operating expenses are classified into Port Charges and Stevedoring.

PORT CHARGES

The charges made against vessels at the various shipping centers and other ports vary greatly. Among the important expenses classified under the heading of “Port Charges” are the following:

- Inward Pilotage
- Outward Pilotage
- Inward Towage
- Outward Towage
- Lighthouse Dues
- Consular Charges
- Bills of Health
- Lines
- Launch Hire
- Tonnage Dues—Ship
- Tonnage Dues—Cargo
- Stamp Taxes—Ship
- Stamp Taxes—Cargo
- Doctor’s Fee
- Fumigation Fee

On the report there is a column for each department (Freight and Passenger) and each item is charged to one or the other.

STEVEDORING

The work of unloading and loading the vessel, piling, tiering and handling freight and baggage is charged to “Stevedoring.” All expenses in connection with the handling of the freight cargo are charged to the Freight Department. The only charge made to the Passenger Department is for handling passengers’ baggage.

Up to this point we have been dealing with what may be termed “direct charges,” that is, the cost of operating the steamship while in port and at sea. The remaining expenses are not chargeable directly to a particular voyage of a steamer, such as crew wages, food, inward pilotage and stevedoring, but must be apportioned to the voyages arbitrarily.

TERMINAL MAINTENANCE

Ordinarily, in the operation of a large fleet of steamers, an office or agency is maintained in a large number of domestic and foreign ports, the location depending upon the sections of the world which the steamship serves.

The classification of terminal maintenance expenses is as follows:
Salaries and Wages
Manager or Agent
Office Salaries
Operating Wages and Salaries

Stationery and Printing
Supplies
Postage

Telephone and Telegrams
Cables
Telegrams
Telephone
Radio

General
Club and Membership Dues
Donations and Gratuities
Express, Freight and Cartage
Heat, Light and Power
Launches, Lighters and Boats
Office Supplies
Wharf Supplies
Periodicals
Traveling Expenses
Depreciation
Insurance
Taxes
Repairs

A distribution is made between the Freight and Passenger Departments in the same manner as for steamship operating and terminal operating expenses.

If the offices and agencies are of sufficient size and number it is advisable to have a uniform report submitted monthly, classified as above, called "Report of Terminal Maintenance."

On first thought, it would appear that the most equitable distribution of terminal maintenance expenses to the various voyages would be to take each port separately and apportion the expense of maintaining the office at that port to the vessels which called there during the month. There are several objections to this method, among which are the following:

1. It would be necessary to wait until long after the close of the month before the freight and passenger cost and profit on any particular voyage could be determined.

2. If only one steamer called during the month at a port which ordinarily had four or five calls, there would be an unfair burden placed on that voyage, resulting in a distorted and probably useless voyage report.

3. The tremendous amount of clerical work involved would be costly and the results would not be commensurate with the cost and time taken to do the work.

After consulting figures of previous months' operations, the total terminal maintenance expense, freight and passenger separately, is estimated. The anticipated arrival of steamers for the coming month can be calculated very closely by the Marine Department, and with this information the arriving gross tonnage can be ascertained.

A statement should be prepared showing the expected arrivals for the month and the registered gross tonnage of steamer should be shown. On this statement the gross tonnage of the straight cargo vessels will be entered in the freight column only. Accordingly, there will be two gross tonnage figures shown on the statement, one for the Freight Department and the other for the Passenger Department.

The total freight gross tonnage is applied to the estimated total freight terminal maintenance for the month resulting in a
rate per gross ton. This rate is used in calculating the amount of freight terminal maintenance expense applicable to each voyage by multiplying the gross tonnage by the rate per ton.

In the same manner, the total passenger tonnage is applied to the total estimated passenger terminal maintenance for the month, giving the passenger terminal maintenance rate. The gross tonnage of the steamship is multiplied by this rate and the result is the amount chargeable to the ship as proportion of passenger terminal maintenance expense.

These apportionments, freight and passenger, are recorded on the voyage report. At the close of the month, an entry is made from the “Summary of Voyage Reports” charging “Steamship Transportation Costs” and crediting “Terminal Maintenance-Freight” account and “Terminal Maintenance-Passenger” account for the total of each column, representing the estimated terminal maintenance expenses charged to operations during the month.

The actual expenses are reported on the “Report of Terminal Maintenance Expense” monthly from each office. These reports are summarized and the total of the freight and passenger charges are debited to “Terminal Maintenance-Freight” account and “Terminal Maintenance-Passenger” account, leaving an under-apportioned or over-apportioned balance in these accounts.

The under-apportionment or over-apportionment should be taken into consideration when setting the rates for the following month because it is desirable to have the apportionments equal the actual expenses as nearly as possible.

Another method for the distribution of terminal maintenance which has been tried is to charge each vessel a scheduled rental charge for the use of the dock and terminal. The main objection to this plan is that in most cases it leaves a large balance in the accounts, necessitating an adjustment of extraordinary size at the close of the fiscal year.

OVERHEAD

This article so far has dealt with the expenses in connection with the operation of the steamships and terminals. The last division of expenses to be discussed is the overhead, consisting of “General Freight,” “General Passenger” and “General Office.” While the first two classes are charged to the Freight and Passenger Departments respectively, they must be apportioned on an equitable basis to the various voyages terminating during the month so that each voyage will show a net profit or loss after including all expenses.

GENERAL FREIGHT OVERHEAD

This account, as its name implies, includes all overhead expenses of the Freight Department. The following classification is provided:
The expenses of the offices of the Marine Department, Claim Department and Manager of Stewards are not chargeable directly to the Freight Department, but in view of the fact that the offices of these three departments serve both the Freight and Passenger Departments, their expenses are divided on a basis which is agreed upon by the General Managers of the two departments.

The expenses of the other offices are classified in the same manner as the terminal offices and the same form of report is prepared monthly for each one.

The apportionment of “General Freight Overhead” to the voyages completed during the month is made by the same method used in distributing “Terminal Maintenance.” The arriving gross freight tonnage for the month is applied to the estimated “General Freight Overhead” and the result is the rate per gross ton for the absorption of the “General Freight Overhead.” The gross tonnage of the steamship is multiplied by this rate and the result, which is the amount of “General Freight Overhead” charged to the voyage, is recorded on the voyage report. At the close of the month, there is an entry made from the “Summary of Voyage Reports,” charging “Steamship Transportation Costs” and crediting “General Freight Overhead” account, for the total absorbed in the voyage reports. The actual expenses are charged to this account, leaving an under-apportioned or over-apportioned balance at the close of the month. This balance should be considered when calculating the rate for the following month.

**General Passenger Overhead**

The overhead expenses of the Passenger Department are classified as follows:

**Offices**
- General Manager
- Traffic Manager
- Ticket Offices

**Advertising**
- Newspapers
- Magazines
- Free Transportation
- Miscellaneous

**Loss and Damage**
- Commissions to Outside Agents

**Miscellaneous**
- Insurance Premiums
- Traveling Checkers
- Sundries
Marine Department
Claim Department
Manager of Stewards
Proportion applicable to Passenger Dept.

Advertising
Newspapers
Magazines and other Periodicals
Displays
Publicity
Folders and Booklets
Mechanical and Art Work
Free Transportation
Miscellaneous

Loss and Damage
Commissions to Outside Agents
Miscellaneous
Expense Account of Aliens
Free Transportation
Insurance Premiums
Sundries

The method of apportionment and the entries made at the close of the month are similar to those used for handling the “General Freight Overhead.” The balance of the “General Passenger Overhead” account will reflect the under-apportionment or the over-apportionment. This balance should be taken into account when the rate is being figured for the following month.

GENERAL OFFICE OVERHEAD

In order to complete the voyage report and to include all expenses applicable to the voyage, a proportion of the cost of maintaining the general offices of the company must be included in the cost of making the voyage.

The expenses of the following offices, classified in the same manner as the expenses of the other company offices, are included under the following classification of offices: President, Vice Presidents, Treasurer, Comptroller, Law Department, and Accounting Department.

The charge to the voyage is based on the gross tonnage of the vessel as in the case of the other overhead expenses. The amount applicable to the voyage is recorded on the voyage report and at the close of the month an entry is made from the “Summary of Voyage Reports” charging “Steamship Transportation Costs” and crediting “General Office Overhead” account. The actual expenses are charged to the account and the balance constitutes the under-apportionment or over-apportionment at the close of the month.

REPORTS

Within two weeks after the close of the month, the following reports should be in the hands of the various executives and heads of departments:
1. Summary of Steamship Revenues and Expenses
   Summary of the voyage reports covering voyages completed during the month, showing comparative detailed revenues and expenses.

2. Report of Freight Department Operations
   Detail of revenues and expenses, showing averages per ton of freight handled.

   Detail of revenues and expenses by steamship, with various operating averages.

4. Report of Steamship Operating Expenses
   Comparison of operating expenses of each steamer in the fleet.

5. Summary of Terminal Maintenance Expenses (Domestic and Foreign)
   Detail of expenses by offices providing comparison of operating costs

6. Report of General Freight and General Passenger Overhead
   Detailed comparative report of the two departments.

7. Report of General Office Overhead
   Detail of expenses of offices.

In order to make these reports of more value, the period figures to date for the current fiscal year are shown, also the period figures for the previous fiscal year, giving the operating officials a valuable comparison.

In addition to these main reports, there are a number of other monthly reports such as “Report of Operation of Steward’s Department,” “Report of Free Transportation,” “Report of Steamship Maintenance,” and various others, which are prepared for the use of the operating officials, by the accounting department.

CONCLUSION

Many of the details of steamship and terminal costs in view of the limited scope of this article have been discussed very briefly. It has been the aim to enter into a discussion of some of the important points, which, by experience, have been found the most difficult to handle properly in the accounts.

In determining steamship and terminal costs and in the preparation of the voyage reports, the question arises as to the division of the accounting and detailed clerical work between the general office and the terminal offices and agencies. Before this question can be decided in individual cases, all the facts and conditions must be carefully considered because the final decision is difficult to reverse and will prove costly if incorrectly made.

In the case of oil companies owning their own line of tankers, it is suggested that the transportation department of the business be put on a profit and loss basis by charging the cost of crude oil with an arbitrary ocean freight rate per barrel, based on actual rates in effect, and by crediting the transportation department of the business with this arbitrary ocean freight revenue which the tanker would earn if carrying outside cargo. This revenue should be charged with the expenses of the voyage and the resulting profit or loss will indicate the saving or additional cost caused by the operation of the company-owned tankers.
Likewise in the case of freight steamer carrying company-owned freight, the steamer should be given credit and the department for which the goods are carried should be charged with an amount of ocean freight figured according to the company's tariff.

By applying the methods outlined in this article, the revenue, expense, and profit or loss and all other details for each voyage completed by each steamer of the fleet can be furnished within a few days after the close of the voyage by referring to the voyage report.