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Cigar Box Makers: Cost Finding in the Cigar Box Industry

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Cigar Box Makers

Cost Finding in the Cigar Box Industry

Last year at the meeting of the National Cigar Box Makers' Association, a resolution was adopted ordering the presentation of a uniform cost system at the 1921 meeting of the association. Accordingly, Paul E. Bare, staff accountant for Rodman C. Rodan, of York, Pa., specialist in cost finding systems, submitted at the Detroit meeting a lengthy report with various exhibits, which proved of much interest to the members. We have epitomized Mr. Bare's report, and the following presentation with illustrations is worthy of the perusal of every cigar box maker.

In prefacing his report, Mr. Bare states that accurate and efficient records are quite as important to a business man as are charts and compass to a ship at sea. They, too, show the location of the rocks which menace disaster, and also the channels in which the water is deep and safe, and they point surely and steadily the course to be followed. In any large and successful business the accounting department is looked upon as one of the most important factors of success. The larger the operations the greater is the care that must be taken in maintaining an adequate and effective system of accounts. In manufacturing undertakings, such as the cigar box industry, this is especially true.

Among the accounts of the cigar box manufacturers none are of more importance than those that show their production costs. From these the manufacturer learns the how and the why of factory expenditures, and is enabled to judge whether they are normal or excessive, and if excessive, to discover leaks and reduce expenditures intelligently. In addition to this they supply him with a basis for fixing selling prices and thus give him a mastery of his own business that nothing else can furnish.

Functions of Cost Accounting

The chief function of cost accounting is to ascertain and record the actual cost of each job or unit of product. In doing this under any effective system, the following supplementary functions are performed:

- 1—A cost basis is established upon which selling prices can be fixed with intelligence and safety.
- 2—The comparative profits of different lines of manufacture are clearly indicated.
- 3—Comparative costs for different periods are obtained; standards of work are established, and actual losses of labor or material disclosed.
- 4—Perpetual inventories of raw material, work in progress and finished goods are set up and maintained.

Fallacies of Guesswork

Bad results are to be expected and usually follow where selling price is based on guesswork and "practical experience." Prices may be too high or too low; naturally one is unjust to the customer, and the other frequently places the manufacturer in serious difficulties.

Manufacturers who do not keep accurate costs spend much energy on lines which yield little or no profit, or which entail actual losses, and often push the less profitable and unprofitable lines because they do not know that other lines are more profitable. One result of this is that the profitable departments or lines must carry the unprofitable ones. Losses may be occurring daily through the sale of these "dead" lines, due to the fact that guesswork has not revealed the true facts as to cost of production. Another feature that should be considered is the small order. Many cigar box makers sell in lots of 100 for very little more than the unit price received for lots of 1,000 or more, consequently the small buyer is not charged enough and the best customers are charged too much.

An Aid to Efficiency

In these days of sharp competition, it is essential that the various departments be as near the 100 per cent mark as is humanly possible. A cost system

enables comparison of plant performances with past records, a more definite check upon the various departments and individual workmen. Also, the many little sources of preventable waste will be uncovered. Losses occur in every plant, and one of the functions of a cost system is to trace these leakages to their source. To keep expenses down to a minimum requires the specific accurate information that only a good cost system can supply, as it enables the manufacturer to measure the efficiency of his plant period by period, machine by machine, man by man and department by department.

Perpetual Inventory

An essential feature of an accurate system is a perpetual or going inventory. It shows the material on hand, the work in progress, finished goods in stock, output of finished goods, monthly consumption of stores, and the cost value of work in process. It permits the closing of books at the end of each month and the easy compilation of monthly

rate records of the material and labor for each order, and charge each lot with sufficient overhead to insure the equitable apportionment over production of the total overhead for the period. Given the cost of a lot of a certain kind of box, the cost per box or hundred boxes can be readily determined.

Elements of Production Cost

There are three elements of cost in every manufacturing operation: Material, labor, expense. Material and labor constitute what is known as the "prime cost"; material, labor and expense the total cost. Material, labor, tools, light, heat, power and other incidental requirements must be supplied. The essential function of a factory cost system is to furnish complete information as to the cost of each of these elements of production as consumed or employed, and to apportion this cost against each unit of product.

Cost Determination

Direct material costs are usually simple, requiring only the charge for materials actually consumed. Labor costs are more difficult of determination, owing to the fact that labor does not go into a specific order in the clean-cut way in which material usually does. A single order may go through many different processes and through many different hands, alone or with other jobs, or to fill in between jobs.

Requisition for Material

F. O. No.

Date

QUANTITY	MATERIAL	WEIGHT	PRICE	COST

Exhibition "A" Material Requisition
Size 7 1/4 "x5"

POSTED TO COST

Foreman

statements which give a knowledge and close touch with business that can be secured in no other way. This data also is invaluable in these days of competition in making decisive quotations and shipping dates.

A perpetual inventory system makes it possible to operate a plant efficiently with smaller investment in material and furnishes a valuable aid to intelligent purchasing. The chief advantage, however, is that it enables the office to at all times keep in close touch with the factory and control it.

Job Order Method of Cost Finding

In the cigar box industry it is necessary to follow the various lots through the factory, keep separate

in general the problem is one of careful timekeeping.

It is in the determination and distribution of expense that the chief inaccuracies and most of the difficulties in cost-finding occur. Expenses comprise a large part—sometimes the greatest part of manufacturing costs. The following shows the items composing the manufacturing cost in the cigar box industry. It will be noted there is a preponderance of "expense" items:

1. DIRECT MATERIAL: Lumber, lining paper, edging, labels.
2. DIRECT LABOR: Manufacturing labor only.
3. INDIRECT MATERIAL: Nails, starch and steko, hinges, hinge glue, etc.

7:00	7:06	7:12	7:18	7:24
7:30	7:36	7:42	7:48	7:54
8:00	8:06	8:12	8:18	8:24
8:30	8:36	8:42	8:48	8:54
9:00	9:06	9:12	9:18	9:24
9:30	9:36	9:42	9:48	9:54
10:00	10:06	10:12	10:18	10:24
10:30	10:36	10:42	10:48	10:54
11:00	11:06	11:12	11:18	11:24
11:30	11:36	11:42	11:48	11:54
12:00				
1:00	1:06	1:12	1:18	1:24
1:30	1:36	1:42	1:48	1:54
2:00	2:06	2:12	2:18	2:24
2:30	2:36	2:42	2:48	2:54
3:00	3:06	3:12	3:18	3:24
3:30	3:36	3:42	3:48	3:54
4:00	4:06	4:12	4:18	4:24
4:30	4:36	4:42	4:48	4:54
5:00	5:06	5:12	5:18	5:24
5:30	5:36	5:42	5:48	5:54
6:00				

MARK O TO START.
MARK X TO STOP.

No. Date

Order No.

Machine No.

SAWING
EDGING Exhibit B
PRINTING WOOD
NAILING
MOVING BOXES
PRINTING PAPER
CUTTING PAPER
PASTING
PACKING

Exhibit "B"
Time
Ticket
Actual
Size

Hours	Rate	Amount

name implies, the object of this committee is to make investigations and follow with recommendations for the betterment of the cigar box industry. The report submitted at the Detroit meeting follows:

"First: We find one scope of research for improved machinery is limited for reasons best known to all the volume of business limited, hence if we have no improved machinery to recommend, we are therefore limited to making the following proposals of method of operation: We recommend lumber be marked—1st, number of boards; 2nd, length in inches; 3rd, width; 4th, total number of feet to bundle. This for convenience of the sawyer and means a saving in labor and waste.

"Second: We advise a gang saw to make two smooth edges to avoid trimming or sanding. The American Box Supply Company of Detroit will soon have on the market a machine for this purpose.

"Third: We recommend the standardization of sizes as much as possible.

"Fourth: Selection of lumber. This is carefully made to secure the proper lengths, widths and quality, and it is very important and profitable to avoid selecting poor grade for the respective pieces. Of course we use the best for lids and fronts, not only from the standpoint of the appearance of the lumber itself, but also on account of printing same. The sawing must be carefully done so the box is uniform and correct as to measurements.

"Printing: We proof each lot of boxes so no shoddy or shabby printing will go through, using proper inks, keeping the presses in good condition, the typer cuts well cleaned. All of this adds very materially to the appearance of the box.

"Nailing: The machines must be watched, the grade of nails be uniform as to size and shape and feeding regularly. It is then up to the operator to nail them together straight and square for a well finished box well nailed.

"From here the box goes to the trimmer, whose rip and crosscut saws should be in fine shape, well filed. If the box is well nailed it will permit of quick handling and a well trimmed box. The lids should be observed more than anything else so when the hinges are glued on they will be O. K.

"Hinging: Here is where most boxmen treat this serious and important operation lightly, and when the hinges do not work, usually advance everything but the right excuse for the poor hinge. Often the hinge cloth is the cause of the trouble or the grade of glue used as a poor grade of glue makes poor hinges. If the glue dries too quickly it will be brittle and the hinges break or crack. In the winter months it is not so necessary to watch the glue on this as in the summer, as it dries more quickly in the warm months and must be kept flexible to avoid too quick drying. Use the finest grade hide glue not mixed with any other glue, and in summer some glycerine to make it flexible. Others thicken it.

"The glue pot must be kept clean, the glue well dissolved and properly prepared, at the right temperature.

"For the labeling we suggest a gauge which avoids a vacuum in the hinge. This is a board on a pivot or screw which the girls adjust to the height of the box so the lid will lay back on it firmly almost at right angles. In this way the label is put on and the box can be easily opened and shut without tearing the label or making a vacuum in the hinge."

Standardization

At the Saturday morning session, Eugene M. Henofer presented the following report on behalf of the cigar box lumber manufacturers:

Resolved: That in the future all bundles of cigar box lumber shall be stenciled or marked with the number of boards in the bundle, the length of the bundle in inches, the width of the bundle, and the number of feet contained in the bundle.

Resolved: That the lumbermen as a whole institute an active advertising campaign in the tobacco trade papers, presenting the advantages of the wooden package for cigars over such substitutes as cans, glasses, cardboard, etc.

The following recommendations are made for the standardization of cigar box lumber, imitation and

veneered cedar, made from sawed Bay Poplar lumber.

Imitation Cedar, No. 1-Grade:

Tops must be 5/32" thick.

Ends or thick stock, must be 7/32" thick.

Standard lengths shall be three feet and up, long. No shipment of No. 1 stock shall contain more than 15 per cent of 3-foot lengths.

All 3 and 4 foot lengths shall be clear.

Five and six foot lengths will permit one sound knot, not over 1" in diameter or a split not over 3" long.

Seven and eight foot lengths may contain two sound knots not over 1" in diameter, or a split not over 4" long.

Veneered Cedar, No. 1 Grade:

Three and four foot lengths must be free of blisters.

Five and six foot lengths may contain two (2) 1 1/2" blisters.

Seven and eight foot lengths may contain not over three (3) 1 1/2" blisters or two (2) 2" blisters.

Five to eight foot lengths will permit of an occasional loose edge on the veneer when it does not extend back over one-half of an inch, and not over one-third the length of the board.

The request of the Association that all lumber be furnished with one straight edge was rejected by the lumbermen who explained their action by the fact that to prepare lumber in this way would mean increased manufacturing costs which would have to be added to the price of lumber. It was felt that the advantage gained by lumber thus prepared would not offset the increased cost. The majority of cigar box manufacturers appreciated this point and accepted the decision of the lumbermen without objection.

The recommendation was made that the manufacturers of cedar cigar box lumber attempt some system of standardization. It was moved and carried that the secretary communicate with such manufacturers and advise them of the suggestions of the cigar box manufacturers.

Resolutions

A number of resolutions were unanimously adopted, the first thanking Rodman C. Rodan and his associates, Paul E. Bare for the effort put forth in preparing the costs-determining system, and the secretary was instructed to furnish each member of the association with a copy of the lecture and the various forms or exhibits accompanying same.

Resolution of thanks to President Marcus L. Freud and his associates of the Hotel Wolverine.

Resolution of thanks to the cigar box manufacturers of Detroit.

Resolution expressing hearty thanks to Frank H. Warner for the interest he has taken in the association.

"Resolved: That paragraph 1, section 5, of the by-laws be changed to read, 'Dues of Active members shall be payable semi-annually in advance.'

"Resolved that paragraph 1, Section 12, of the by-laws be amended to read: 'Four directors to be elected for one year, and four directors to be elected for two years.'

"Resolved: That the National Cigar Box Manufacturers' Association in convention assembled in Detroit, Mich., the week of August 8, 1921, hereby express a sentiment for the amendment of the Volstead Act to permit the manufacture of light wines and beer, and be it further

"Resolved: That the secretary be instructed to forward copies of this resolution to the senators and representatives of the various states now assembled in Washington."

It was also moved and carried that the resolutions of the lumber men be sent to all members.

Arthur G. Wiedmann, president of the Western Cigar Box Manufacturers' Association, was elected to fill a vacancy on the Board of Directors, term expiring February, 1922.

The Herriman-Eifert Manufacturing Co. of New York, and the Buskirk-Heyser Lumber Co. of Cincinnati, Ohio, were duly elected as associate members.

Cigar Plant Notes

The Englehardt Cigar Company has been incorporated at Nashville, Tenn., with capital of \$50,000.

Kohlberg & Co., cigar manufacturers, 535 E. 75th street, New York City, have filed schedules in bankruptcy, listing liabilities of \$87,364, and assets of \$24,619. At a meeting of the creditors it was voted to accept a settlement of twenty cents on the dollar.

Lima, Ohio. Brotherhood Cigar Co., incorporated with a capital of \$10,000, by L. L. Morton and others.

Mazer Cigar Company of Detroit, Mich., plans to open branch factory in Cincinnati, Ohio, having recently purchased plant of Progress Cigar Co. at 326 East 3rd street, the latter city. It is said that the output at the new plant will be from 75,000 to 100,000 cigars daily.

The Grommes & Elson cigar plant at New Orleans is being closed down. The company has secured factory at Tampa, Fla., and will have new plant in operation in near future.

The Congress Cigar Co. of Philadelphia, Pa., has opened new plant at Camden, N. J., with daily capacity of 125,000 cigars.

Central Cigar Company incorporated at Jacksonville, Fla., with capital stock of \$10,000, by E. A. Magdalein and others.

O. Hostetter has been named receiver for the L. F. Heitman Company, cigar manufacturers of Dayton, Ohio, who have filed involuntary petition in bankruptcy with liabilities of \$314,000 and assets of \$162,000.

JEROME H. SHEIP
INC.

Manufacturers of
**CIGAR
BOX
LUMBER**

**CEDAR
VENEER AND
IMITATION**

Mobile, Alabama

**CIGAR BOX
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