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National Association of Cost Accountants

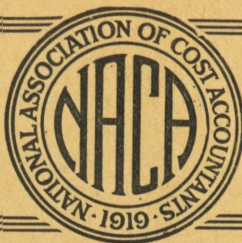
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130 West 42nd Street
New York



N. A. C. A. BULLETIN

This bulletin is published semi-monthly by the National Association of Cost Accountants, 130 West 42nd Street, New York. Subscription price \$15.00 per year. Entered at the Post Office, New York, N. Y., as second class matter.

In two sections—Section I

VOL. VII. NO. 5

NOVEMBER 2, 1925

Annual Meeting Reports of Officers and Directors

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Section I

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ANNUAL MEETING

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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.



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NATIONAL ASSOCIATION OF
COST ACCOUNTANTS
NOVEMBER 2, 1925

National Association of Cost Accountants

ANNUAL MEETING REPORTS OF OFFICERS AND DIRECTORS

Just as last year the material comprising the annual reports of officers and directors has not been included in the current Year Book. It has seemed best that this material be issued in a separate publication, because the Year Book is distributed to non-members of the Association and much of the material in these reports is of interest only to our own members. These reports are, therefore, made an Official Publication and are thus distributed only to our own membership.

ANNUAL MEETING

The sixth annual meeting of the National Association of Cost Accountants was held in the Statler Hotel, Detroit, Michigan, at 10:00 a.m., on Thursday, June 18, 1925, with the President of the Association, William S. Kemp, of Boston, in the chair.

In opening the meeting, Mr. Kemp explained that, following the practice inaugurated last year, no formal reports from the officers and directors would be presented at this meeting but that these reports would be issued in printed form after the close of the fiscal year. He asked the Secretary, however, to read a letter from the Treasurer, Mr. Cutter, enclosing a memorandum of the financial status of the Association as of June 15. The information presented in this memorandum is included in the financial statements set forth in the Treasurer's Report and will not be repeated here.

REPORT OF NOMINATING COMMITTEE

The President then called upon Ed. L. Oerter, of Philadelphia, to present the report of the Nominating Committee, which was as follows:

May 1st, 1925.

To the Members of the National Association of Cost Accountants:

"The Nominating Committee, elected at the Annual Convention in Springfield, Massachusetts, September, 1924, for the purpose of submitting nominees for the vacancies in offices and directorships of the Association to be filled at the Annual Convention in Detroit, June 15-18, 1925, present the following report:

"We unanimously approve of the policy, followed by previous Committees in the selection of nominees, which we believe is essential for the continued success of the Association and which may be summarized as follows:

1. Qualifications of the individual as to ability, character and standing in the accounting field.
2. Geographical distribution of the members of the Board, so that as many Chapter centers as possible are represented.

3. The maintaining of a well balanced Board as between professional and industrial accountants.
4. The addition of a certain amount of new material each year.
5. Sufficient members of the Board should be located within reasonable distance of National Headquarters, so that a quorum will always be available for Board Meetings.

"In making our selection, we have given careful consideration to each of the foregoing points, and accordingly present the following nominees:

Officers:

- President, C. H. Scovell, Senior Partner, Scovell, Wellington & Co., Boston, Mass.
- Vice President, F. L. Sweetser, Gen. Manager, Dutchess Manufacturing Co., Poughkeepsie, N. Y.
- Vice President, W. B. Castenholz, Senior Partner, William B. Castenholz & Co., Chicago, Ill.
- Treasurer, W. O. Cutter, Vice. Pres., U. S. Rubber Company, New York.

Directors to Serve for Three Years:

- E. A. Becker, Comptroller, Larkin Co., Inc., Buffalo, N. Y.
- Addison Boren, Treasurer, Yale & Towne Mfg. Co., Stamford, Conn.
- V. W. Collins, Asst. Treas., Rome Wire Company, Rome, N. Y.
- E. W. Hedland, Los Angeles Examiner, Los Angeles, Cal.
- James H. Hood, Auditor, E. G. Budd Mfg. Co., Philadelphia, Pa.
- W. S. Kemp, Treasurer, Holtzer-Cabot Electric Co., Boston.
- C. R. Stevenson, Industrial Engineer, Stevenson, Harrison & Jordan, New York.
- S. L. Whitestone, Comptroller, General Electric Co., Schenectady, N. Y.

Director to Serve the Unexpired Term of Major Nicholson:

John R. Wildman, Partner, Haskins & Sells, New York.

Director to Serve the Unexpired Term of F. L. Sweetser:

H. A. Bullis, Comptroller, Washburn Crosby Co., Minneapolis, Minn.

Nominating Committee to Report at the 1926 Convention:

- Chairman, Wm. M. Lybrand, Lybrand, Ross Bros. & Montgomery, New York
- C. W. Coapman, North East Electric Co., Rochester, N. Y.
- O. N. Lindahl, Universal Portland Cement Co., Chicago, Ill.
- G. A. Torrence, Tait Brothers, Inc., Springfield, Mass.
- H. W. Whitney, Larkin Company, Inc., Buffalo, N. Y.

Respectfully submitted,

V. W. COLLINS,
 C. G. JENSEN,
 W. B. MCKAY,
 F. L. SWEETSER,
 ED. L. OERTER, Chairman."

The President then called for nominations from the floor. It was moved and carried that the nominations be closed.

It was moved and carried that the Secretary be instructed to cast a ballot for the nominees to the various offices as presented by the Nominating Committee. The Secretary having so voted, the President declared the several nominees duly elected.

The President explained that under the new plan of having our annual meetings in June, the newly elected officers would not assume their respective offices until September 1.

He invited Mr. Scovell, President-elect, to address the meeting.

MR. SCOVELL'S ADDRESS

"Fellow Members: I am deeply appreciative of the honor of this election to the presidency of the National Association of Cost Accountants. I shall do my best to merit your approval.

"It may interest you to know that much as I am interested in cost accounting, and in the success of the N.A.C.A., I hesitated about accepting the nomination. Everybody in an association like this knows the president, and the president would naturally like to do his part by knowing all the members.

"Not only is it practically impossible for any president to do that, but I personally have great difficulty in calling the names of many people, in some cases even those to whom I have recently been introduced. In all seriousness, my friends, I want to say that I am conscious of this difficulty against which I have to contend, and I hope that you will bear with me patiently, for I know that I shall often seem to offend in this particular.

"Naturally enough, as I have looked forward to this new responsibility, I have been thinking not only about the future of the N.A.C.A., but about cost accounting in general, and why we all find it such intensely interesting work. There are three points of view from which I have considered the matter.

"First of all, I would re-state some very familiar material having to do with the relation of the cost accountant to the individual industry in which he is engaged.

"When we use the term 'cost accounting' we really mean accounting for the cost of doing things, and there has been altogether too little emphasis on the matter of accounting for the cost of doing the cost accounting. I refer to such elementary matters as economical payroll practice and labor distribution, economical stores records and material distribution—actually getting this inevitable work done with a minimum of clerical or mechanical cost. Those of you who are connected with the cost department in a large organization have a distinct opportunity for good work in this particular line.

"In almost every industry changes are constantly being made or suggested in the methods of operation. Some of these changes are demanded for the purpose of insuring the quality of the product, or sometimes for getting a greater volume in a particular department or on a particular operation. In most cases, however, the changes are urged in the interest of greater economy. Whatever the reason may be for the change, it is always pertinent to inquire what the new costs are in comparison with the previous costs.

"A cost accountant who is in a position to contribute really helpful information when such changes are under consideration deserves recognition by the management, and most cost accountants have some responsibility to reflect

accurately to the management the variation in costs which results from the changes.

"A good many industries are forced to make changes as the result of varying styles or designs, which must be worked out in terms of cost in advance of quoting sales prices. Shoes, clothing and automobiles in different ways and in varying degrees present problems of this kind to the cost accountant. If he is alive to his responsibilities and opportunities he will do his best to solve them. Just so far as he does, he will be helping to decide major problems or business policies, and will be respected by his fellow executives accordingly. They will more and more recognize, as we do, the truth of President Kemp's summary, 'Eternal analysis is the price of success.'

"When one talks about business policy and costs together he comes to the second aspect of cost accounting to which I wish to call your attention. We are at once in the field of economics, and it is that fact, and considerations which flow out of this relationship, that make cost accounting so intensely interesting to me.

"All accounting is, of course, a reckoning of economic facts as they exist in an individual business, but cost accounting particularly deals with the cost of particular functions, such as production or distribution, buying or selling, and to go a step further, the cost of inventory according to one policy or another or the cost of selling on credit against the cost of selling for cash.

"Some of our industrial problems are greatly influenced by price movements and they in turn, are affected by the fluctuating value of our currency. Here is an economic problem of practical importance to the business world in which cost accountants ought to take a definite interest.

"During the last two or three years we have all heard a great deal about the cost of distribution, and the waste which ought to be eliminated in this field of business. A reduction in the number of styles or sizes has already resulted in great economies in many lines, but much more remains to be done. The Department of Commerce, under Secretary Hoover, has accomplished a great deal in this direction, and nearly every manufacturer needs to know about the movement as applied to his own line of business to see what he and his competitors can do together, or perhaps to see what his competitors may be doing to attain greater economy and efficiency without his co-operation.

"Different sales policies and different advertising programs are carried out at different costs, and it is the duty of the cost accountant to help the management determine these different costs, and so analyze them by factors, that better and more economical policies of distribution can be developed and put into operation. I do not need to multiply illustrations. I should only give you further details to emphasize the fact that cost accounting is always accounting for the cost of doing something. It is important and worth while work, worthy of the best efforts and energy which a man has to give to the business world.

"It seems to me, however, that the typical work of a cost accountant is satisfying not only because it is valuable to the individual industry with which he is employed and worth while in the way I have just mentioned, but also—and this is my third point—because of certain other qualities which are inherent either in the work, or in the natural development of the individual who is doing the work.

"In making cost accounting calculations, one is dealing only in a slight degree with matters of opinion. He is not struggling in that fearful maelstrom of prejudice and passion which crops out in race riots, heresy trials, Tennessee 'monkey' legislation, and other irrational and unfortunate manifestations of the weakness of human nature. Even some items of business policy such as labor relations, and sales competition, occasionally involve some hard feelings. Cost accounting, on the contrary, is primarily head work, and it presents very little opportunity or excuse for hard feelings or emotional outbursts of any kind.

"It is very difficult for me to understand why the legislature in any one of our states should at this time in the twentieth century think it appropriate to legislate as to what men may or may not teach for the truth as they see the truth, and we cost accountants should be grateful that our daily work does not involve us in any such silly controversy.

"You have often heard it said that scientific training is splendid mental discipline. That is the reason, fundamentally, why we approve of physics, chemistry and similar subjects as proper parts of our educational system. Cost accounting also, even some of its simplest forms, like the proof of a labor or material distribution, requires exact and accurate work, and the analysis, distribution, and application of burden is in many plants worthy of the best intellectual equipment which can be brought to bear on the problems. It should be a satisfaction to us to think that our work is not only worth while in the world, but that it is stimulating to individual development.

"Individual development, although properly enough concerned with self-interest, should also include some real social or community interests, and the work of the N.A.C.A. makes a great appeal to me, because it brings us together, in our chapter meetings and at our national conventions, to discuss these worth-while things which I have mentioned, and it brings us together in an atmosphere of mutual goodwill and free discussion which most of us find very enjoyable and inspiring.

"These gatherings are free from the narrow self-interests which properly enough dominate a good many other business or social meetings. We are not all trying to make money out of any one industry, and we have no reason to be in any way hostile or suspicious towards one another. That, it seems to me, is a splendid atmosphere for mutual intercourse. In all our technical sessions we are chiefly concerned in discovering the truth, or the best way of doing things, for the benefit of all of us, and all of those with whom we have business relations. Such free play of intellectual give and take deserves, in my opinion, to be classed with what President Eliot calls the durable satisfactions of life.

"There is no doubt that the active members of the N.A.C.A. have been growing in mental stature during the past five years and that our technical sessions have constantly grown more vigorous and stimulating.

"The National Association of Cost Accountants has had a truly remarkable development, and this, I think, results chiefly from the fact that it deals with some major problems of business; it has a sound relation to fundamental economics, and it is inspiring and helpful to the individual. As with many other activities, we each and all get out of it about what we put into it. Let us go on to hold securely the substantial success which has already been

accomplished, and build even better things whenever there is an opportunity to do so."

OTHER BUSINESS

President Kemp then referred to the severe loss which the Association had suffered during the year through the death of Major J. Lee Nicholson. He paid a high tribute to the vision and courage which had lead Major Nicholson to take the initial steps toward the establishment of the Association of which we are all so proud today. His memory will long be revered in the minds not only of those who had the privilege of being associated with him in the formation of the National Association of Cost Accountants but of those who reap the benefits from the organization which he was instrumental in establishing. In respect to the memory of Major Nicholson, the meeting rose and stood in silence for a short period.

The President then asked the Secretary to report the result of the vote on the proposed amendment to the By-Laws, providing that past-presidents of the Association should ipso facto become members of the Board of Directors. The result was 486 votes in favor and 46 votes against the amendment. It was accordingly declared carried, to become effective upon publication in the Bulletin. (Note: This amendment has been incorporated in the revised edition of the Constitution and By-Laws which was issued August 15.)

The President then asked for expressions of opinion from the members as to their preferences for the convention location for 1926. He explained that the final decision rested with the Board of Directors but that the Board would like to have expressions of opinion from the members to guide them in their deliberations. After the respective advantages of Atlantic City, Niagara Falls and Montreal had been presented by various champions, a standing vote was taken, with the result that about two-thirds of the members were in favor of going to Atlantic City, about twenty-five in favor of going to Niagara Falls and the balance in favor of going to Montreal. (Note: Since this meeting the National Board of Directors has decided to hold the 1926 Convention at the Ambassador Hotel in Atlantic City.)

The Secretary then reported orally for the special committee appointed last winter by the President as authorized by vote of the Board of Directors, to consider the enlargement of the scope of the Association. This committee consisted of T. H. Sanders, of Cambridge, William M. Lybrand, of New York, Addison Boren, of Stamford, President Kemp and Secretary McLeod. The committee planned to meet in New York at the time of the New York Regional Conference in February, 1924, but owing to the illness of two members of the committee, it was impossible to carry out this plan. An informal discussion of the subject was conducted by mail but the committee was not able to agree unanimously upon a report, although the differences of opinion between them were not fundamental but applied to certain detailed aspects of the situation. The proposition submitted to this committee for consideration briefly stated was: Should the scope of the N.A.C.A. be enlarged to include all problems of industrial accounting, cost or otherwise?

After some investigation of the question, it was the opinion of the committee that the change had actually taken place by a process of evolution within the Association. Without any deliberate or conscious effort, the Association has really developed into an industrial accounting organization.

While the chief emphasis has been placed upon cost work, nevertheless, in our chapter meetings and to some extent in our national conferences we do consider other industrial accounting problems. There seems to be a growing tendency to extend the work of the Association to cover the entire field of industrial accounting.

The committee also found as a result of conversation with and communications from chapter officers that there is a considerable demand from our chapters for an acknowledgment of this enlargement in the scope of the Association, through a change in the name of the Association. It is claimed that the present name does not give a clear indication of the nature of our activities and that when our proposition is presented to a business executive under the present name, he thinks of the Association in the terms of a clerical department in his own organization.

The committee was agreed that there are some sound objections to the present name, and some good reasons for changing it to something which would more clearly describe the Association such, for example, as International Association for Industrial Accounting. This title was not offered as a definite suggestion, but merely to illustrate the thought. However, the committee found that there is no unanimity of opinion as to what new name should be adopted and also that there is considerable reluctance to abandon the initials N.A.C.A., by which the Association has become quite widely known. The committee did not feel justified in presenting definite recommendations at this meeting but would like to have some expressions of opinion from members of the Association.

ADDISON BOREN, Yale & Towne, Stamford: I would like to make a suggestion. When we talk about extending the scope of our work, there is a great deal of difficulty for those located anywhere except a few feet from the platform to hear what is said. I hope that at the next convention we can have loud speakers or amplifiers arranged so that everyone in the convention hall will be able to hear what is said.

PRESIDENT KEMP: I think that is a good suggestion and should be taken into consideration.

DR. McLEOD: I would like to ask those members who are not opposed to a change of name, to stand. (Approximately everyone stood up.) Those who are opposed. (About six.)

H. B. FERNALD, Loomis Suffern and Fernald, New York: I do not think we want to have a change of name that would lose the identity of that which has gone before. If there can be a name suggested which would carry forward that identity, I should not be opposed to it. I feel, however, that it would be a great mistake to make a radical change which would seem to indicate a new purpose and new work or a new Association, and apparently throw aside all the work which has been accomplished.

T. W. HOWARD, U. S. Chamber of Commerce, Washington: In explaining my vote, our center or target is cost accounting and I should dislike very much to see a change of name that would not lay the emphasis on cost accounting. Mr. Scovell in his remarks as President-elect, gave us an excellent picture of cost accounting, and those features aside from cost accounting that we are interested in, are those which contribute to cost accounting.

E. P. MOXEY, E. P. Moxey and Co., Philadelphia: I did not vote on either side of the question for reasons not mentioned by Mr. Fernald or Mr. Howard. I am in favor of a change of name provided we retain the N.A.C.A. initials, which are known throughout the country and throughout the world as standing for something very definite in the field of industrial accounting or cost accounting.

PRESIDENT KEMP: I think we will all agree that we have a tremendous goodwill in the N.A.C.A. We might discuss this for a long time, but if you will study the question you will find that while you might like to change the name and broaden it, there seems to be no name which will express just what we want. Some are anxious to bring in the word, "industrial." That word has been applied to many things and apparently possesses a flavor that it not altogether a favorable one. Futhermore, we are getting into the work of sales and cost distribution and who knows but that may lead us into the merchandising field and the day may come when we may want to take in the stores of various types. Then the word "industrial" would not apply to those stores and we would still be limited by the name. There are many angles to this proposition and I think the minority of the committee felt that we might easily jump from the frying-pan into the fire. It is a question which calls for most careful thought.

It was moved and carried that a vote of thanks be extended to officers and members of the Detroit Chapter for the splendid manner in which they handled the convention and the entertainment which they provided for the members.

PRESIDENT'S REPORT

To Members of the National Association of Cost Accountants:

As September 1st approaches and my term of office as President of your Association draws to a close, and as I approach the task of reporting to you upon some of the major facts of the past year, the one thought uppermost in my mind is a deep sense of appreciation for the support which has been so unflinchingly given me during the year by our chapter and national officers. Although I have had previous experience in office in the N.A.C.A. and have had occasion to become acquainted with the splendid loyalty which has always been characteristic of the organization, I did not appreciate the full force of that spirit nor the remarkable power which it has to carry on the work of our Association, irrespective of the individuals who may happen to be in office at any given period.

It so happened that I was the first President of the Association to come from that group of our membership which is engaged in private work. The office of the Presidency of the N.A.C.A. calls for considerable sacrifices of time and effort on the part of its President and other national officers. Those of us who are engaged in industrial work are not free to travel as extensively as those whose public practice takes them to different parts of the country. I had some misgivings as to my own situation in this regard and how it might affect the progress of the Association. But the splendid support which I received from our chapter officers and members of our National Board, made it possible for the work to move along without any break in our continued record of progress. It is a matter of regret to me that I was not able to

visit more of our chapters during the year and I should like to take this occasion to express to those chapters which I was unable to visit, my appreciation of the loyal support which they gave to me and to the Association during my term of office.

During the year the Association suffered a great loss through the death of its founder, Major J. Lee Nicholson. I first met Major Nicholson on the night when the Boston Chapter of the N.A.C.A. was formed, at a meeting at Northeastern College in January, 1920—a meeting by the way which was presided over by Robert Douglas, first President of the Boston Chapter, who also passed away during the year—another man who made a great contribution to the upbuilding of our Association. During the following years, my interest in the N.A.C.A. brought me into more or less intimate contact with Major Nicholson and, like everyone else who came to know him well, I learned to appreciate those qualities in him which endeared him to his associates and which will, during the long years to come, maintain his memory fresh in our minds. He was the founder of our Association. His was the vision which conceived it; his the initiative which launched it and the energy which carried it through its early days. He has left behind him a standard which we, in honor of his memory, must strive to maintain.

Your Board of Directors has functioned throughout the year with all its customary interest and efficiency. It is a privilege to be associated with a group of men such as constitute our National Board. I have looked forward to the monthly meetings with genuine pleasure and I am sure that every member of the Board feels the same way. There is a friendly spirit of good-fellowship about our Board meetings which make them a pleasurable duty. It is impossible that we should always agree on every question which comes up and, though there is frequent difference of opinion at Board meetings, I have never, in my experience on the Board as a member and as President of the Association, witnessed an unpleasant incident of any sort. The Board is dominated by a desire to further the best interests of the Association and invariably individual opinion is made subservient to the will of the majority.

The reports of the Directors in charge of the several departments will cover most of the detailed information which you will want to have. There was one matter of more than passing interest, which came up during the year as a result of a report from our Secretary, and which does not fall within the field of any one of our departments. I refer to the matter of the increased scope of the Association. In bringing the matter up the Secretary pointed out that we are the only Association in this country devoted to the accounting problems of industry. We have, by a process of gradual evolution, brought into the work of what was originally intended to be a strictly cost accounting association, practically all the accounting problems which come up in industry. There was considerable discussion of this question at meetings of the Board, and finally I was authorized, by vote of the Board of Directors, to appoint a special committee to make a study and report at your annual meeting at Detroit. Unfortunately, the committee was not able to meet, owing to unavoidable circumstances, but they did carry on an investigation by mail. The results of their investigation were presented orally by the Secretary at the annual meeting in Detroit and will be found elsewhere in these reports. So far as any change in the scope of the Association is concerned, it appears that

that is something which has already taken place. Whether we approve of it or not, it would be unwise, now that the movement has gone as far as it has, to endeavor to force our organization back into the strictly cost field. We must bear in mind, however, that our organization started as a cost association and it is impossible for us to estimate how much the fact that we are a cost association has contributed to our growth and development. It seems to me that we should guard against drifting too far away from our original base. We may be justified in dealing with all phases of accounting as effecting industry. I believe we are. But we must never lose sight of the fact that we are fundamentally and essentially a cost organization. We know that there is plenty of material challenging our best efforts in the strictly cost field.

The change in scope involves also a change in name. This is not a new question but one which has received our consideration on several occasions. We seem very little nearer a solution now than we were in the past, although it is significant that when the question was voted upon in Atlantic City in 1922 there was a considerably greater volume of opposition than when it was voted upon in Detroit last June. The sentiment in our chapters seems to be rather strongly in favor of the change. I believe that if someone were to devise a name which would meet all the requirements, there would be little difficulty in securing its adoption. We feel it is almost essential that we retain the initials, N.A.C.A.

With sincere regret, I retire from the position with which you honored me. It has been a most enjoyable experience to me and one which has passed all too quickly. Immediately after the termination of my office I am leaving for Europe to be gone for a year, which involves a rather abrupt break in the many pleasant associations which have developed through my N.A.C.A. activities. I can assure you, however, that there will be no lessening in my interest in the progress of the Association and in the continued success of its individual members. During my absence, it will be difficult for me to keep as closely in touch with the Association affairs as I would like to and I hope many of our members may find time now and then to drop me a line through National Headquarters, telling me something about what is going on in their particular localities.

WILLIAM S. KEMP,
President.

SECRETARY'S REPORT

To the Members of the National Association of Cost Accountants:

Those of you who, at the Detroit Convention, viewed with stifled sob and hidden tear the tattered remnant of what was once the handsome, youthful, and vigorous Secretary of the National Association of Cost Accountants, would not have marvelled at the startling change if you had been able to sit through the inner events of the past year at National Headquarters. I hope long before we have another such winter, a pension scheme will have been devised for aged and infirm secretaries. It was the most trying year the Association has gone through since it was formed, for no cause other than an outbreak of sickness, matrimony, and other misfortunes which led to almost a complete change in the personnel at National Headquarters. Our staff is not

large and it was composed of individuals who had been on their respective jobs for several years; some of them ever since the Association was started. To have such an organization fall apart and be rebuilt all in the course of a few months, was bound to create considerable confusion. I feel that our members are entitled to an apology for any inconvenience which they may have suffered during the year when things were not running as smoothly as they have in previous years and, as we hope they will in future.

I am glad to be able to say, however, that in spite of the confusion which existed within our National office, the Association forged ahead with no apparent decrease in the power which has marked its progress since the day it was started. This year, like last year, was not a year of great expansion. It was a year of steady growth. We added only one new chapter. We conducted no membership drives with the exception of a short campaign in the early spring. Nevertheless, the steady flow of new applications kept up without interruption. Our income showed an increase of more than 10% over last year. We increased our cash reserves more than 30%. In fact, by every standard upon which you may measure the progress of an Association such as ours, last year appears to have been a better year than any year which preceded it. This is a report which I am glad to say I have been able to make every year since the Association was formed. It is inevitable, I suppose, that we shall eventually reach the point where we have achieved the limit, or practically the limit of our development; a point where our market will reach the point of saturation as it were, and from that time on our task will be to maintain the structure which we have built. Two years ago your Directors came to the conclusion that our progress up to that point had been so rapid that it would be the part of good management for us to curtail our expansion somewhat and try to find out how much strength and substance the Association really possessed. For two years we have depended upon a natural, unforced growth. Nevertheless, we have had two years of substantial progress and we stand today at a better position than at any other period in our history, a remarkable tribute to the vitality of our organization and further proof of the fact that we do meet a well-defined need in the industrial life of the country.

During the year an important change took place in the personnel of our organization. Mr. Harris, who had been in charge of the Research Department for some years, retired and we were fortunate enough to secure as his successor Professor Roy B. Kester, head of the Department of Accounting, School of Business, Columbia University, a man widely known throughout the field of accountancy for his writing and his teaching. Mr. Kester brings to the Association a breadth of experience and training which will be of the greatest value in carrying forward the expansion of our Research work. As I shall mention a little later, we have in mind some very definite plans for the expansion of our membership. We realize that as our organization expands in numbers, it must, if it is to discharge its trust, increase its service not only to its own members but to the Industrial world at large. The obvious place for the greatest expansion in service is through our Research work. The collection, evaluation, compilation and distribution of facts and methods, of which our membership is a veritable storehouse, must be carried on under the guidance of a man who is capable of judging relative values

and arriving at sane conclusions. The task which Mr. Kester has undertaken, is to build for us an organization which will meet this need. During the current year the first steps in the expansion of our Research work will, we hope, be undertaken.

The excellent character of our chapter work during the past year seems to call for particular mention. At the beginning of the year Mr. Stevenson, Director in Charge of Chapters, presented the Association with a trophy to be awarded each year on a point basis to the chapter making the best record. This competition had a noticeably stimulating effect on our chapter work. Last year was the best year from the standpoint of attendance, growth, character of meetings and management methods in the history of our chapters. The trophy was won by the Mohawk Valley Chapter after a close contest with the Buffalo Chapter as runner-up. The rules of the competition were considered at the annual meeting in Detroit and some changes were made. Already the chapters are keenly engaged in the competition for the current year. Under this competition, points are awarded for the pre-planning of chapter programs and, as Mr. Stevenson will undoubtedly bring out in his report, at no time have our chapters been as well prepared for the fall and winter meetings as they are this year. Practically every chapter in the Association had a complete program worked out during the summer months and in many cases those programs were printed and distributed before the middle of September.

For the first time this year we held our annual meeting in June. It was an experiment which proved thoroughly satisfactory from the standpoint of the Convention and certainly was of great benefit to the National office and to the chapters in laying out their plans for the current year. As I pointed out in my report last year, there has always been a loss of efficiency in the gap which occurred between the close of our fiscal year and the election of new officers. When our annual meetings are held in June, our national officers are elected then, and during the summer months they have an opportunity to become familiar with the work. Thus, when they take office on the 1st of September, there is no jar to the machinery. In June and July joint meetings of the new and the old Board of Directors are held. It also enables National Headquarters to dispose of the bulk of the work on the Year Book, arrange for the advance printing of chapter stationery and other materials, and clean the decks generally so that we are all set for a good start on September 1st. The attendance at Detroit was almost 50% ahead of the estimates and was surprisingly large considering the fact that Detroit is so far west of the center of our membership. Next year we are again going to hold our convention in June, this time at Atlantic City.

In considering some of the matters which seem worthy of permanent record among our annual reports, it seems to me that mention should be made of our annual convention. Having had an opportunity to observe rather intimately, from both inside and outside, five previous conventions, I was impressed by the fact that the one held in Detroit last June reached the highest point, so far as the uniform excellence of our technical sessions is concerned, of any convention we have held. The attendance at the technical sessions was excellent, demonstrating again that our members come together in national convention for the serious consideration of the problems in which we are

interested. Even the Thursday afternoon session was well attended and developed some splendid discussion as you will see in the Year Book, in spite of the fact that the annual banquet was held on Wednesday evening. We have built an enviable reputation for the calibre of our conventions and I think it would be most unfortunate if this record were ever broken. Your National Directors are already at work on the program for next June, and I believe that the subjects which are under consideration insure a program which will more than maintain our reputation and which will provide you with a wealth of material which more than justifies any effort which may be required in order to make it possible for you to participate in the sessions at Atlantic City.

There were ten meetings of the Board of Directors held during the year, no meeting being held in September, 1924, on account of the Convention, nor in August, 1925. The average attendance at these meetings was 11.5, which is a very good showing considering the fact that four members of the Board were so situated that they were unable to attend any meetings. The average of attendance among Directors within convenient reach of New York is remarkably high. The May meeting of the Board was held in Schenectady where the members were entertained by Mr. Whitestone of the General Electric Co.

Our plans for next year deal chiefly with the expansion of the Association. We believe that it has demonstrated its practical value and its appeal to men interested in accounting problems. We stand today as the only non-professional association of a national character, composed of men who are concerned with the accounting problems of industry. There is a tremendous field for the testing of theories and for the proving of practice. There has never been an association with a greater prospect before it than we have today. Your Directors believe that the time is ripe for us to move forward with a view to bringing into the Association all of the men who ought to be interested in its aims and objects. This means every man who is connected with the accounting side of modern business. Your Directors believe that it is possible within the next few years to increase the membership of our Association to 10,000. They believe that there are 100,000 men in the United States who ought to be members and it is reasonable to suppose that we can reach at least 10% of these men in the next three or four years. This year we are going to line up our plans and start our campaign. No one knows as yet the exact nature of these plans, but whatever form they may take, they are going to call for the individual support of every member of the Association. We have built a most remarkable structure in a short period of time through the co-operative effort of a small group of earnest men who, gradually adding to their numbers and increasing their power, have demonstrated that they have in the fundamental thought of our Association something which appeals to American business as having real value. We can go out today and present our Association to any business executive or to any man engaged in accounting work with full confidence that we are opening to him an opportunity to improve his individual equipment and to serve more effectively the business with which he is connected and the industrial society of which he forms a part. One of the noteworthy features of our expansion in the last few years has been the rapid increase in company memberships; that is, mem-

berships which are maintained by companies for members of their organizations. This development is particularly encouraging because it indicates that our work is making a definite appeal to the industrial organizations of the country. After all, the most effective factor in our growth will always be the rendering of a useful and worthy service to the industrial community. This is a thought which all our chapters should keep constantly before them.

During the year two of the founders of the Association, two of its most loyal supporters, and two of the men I am proud to have numbered among my personal friends, were removed by death—Major J. Lee Nicholson, of Los Angeles, and Robert Douglas, of Boston. These were the first breaks in the group which launched the N.A.C.A. at Buffalo in 1919. Major Nicholson was the founder of the N.A.C.A. He gave to it all of the loyalty and affection and interest which a man may lavish upon his own creation. He was the original conception and his the initiative to carry it out. We all contributed so far as lay within our power, but we must concede to him the honor of having founded the Association which we trust will stand as an honorable monument to his memory through many years to come. In passing on he has left in trust with us a movement which was very close to his heart and which absorbed a great deal of his thought and time during the last year of his life. Mr. Douglas was not so widely known throughout the Association because his was one of those quiet personalities which prefers to work beyond the glare of the spotlight. But there are few men who contributed more to the early growth of the N.A.C.A. than he. He was one of the men who attended the organization meeting at Buffalo. He was the first Director in Charge of Membership and it was very largely due to the careful thought and personal effort which he put into this work during the first year that our Association developed so quickly and attracted the support which enabled us to hold the successful convention in Atlantic City in 1920, and supplied us with the funds which enabled us to move forward during the succeeding year. He was also the first president of the Boston Chapter.

There has never been a year when I appreciated more thoroughly the patience, loyalty and co-operation of our membership than during the past year. The never-failing support which the National Office receives from our chapter organizations and from our individual members is a constant inspiration to me. Our organization has grown to the point where I am no longer able to know intimately all the men engaged in Association activities in all parts of the country. With this growth has come a change in the nature of my relationship with our chapters. In the early days when we had a few chapters, it was possible for me to visit all of them several times in each season and to carry to them the inspiration which I gathered from contact with our national officers. Now it is impossible for me to visit all of our chapters even once in each season, but I am constantly carrying to our national officers the inspiration which I gather from the steady loyalty and enthusiasm of our chapter organizations throughout the country as expressed in the reports and letters which I receive almost every day.

We have an Association based upon an idea which is fundamentally sound. We have an organization thoroughly equipped to carry that idea forward. We have before us an almost unlimited field for expansion. Our future is in our own hands. I have no doubt that in the years to come we shall

prove just as worthy of our opportunities as we have in the past and that the same spirit of mutual service, the same pride in and loyalty to our organization will carry us on to new heights, which even now lie beyond our view.

S. C. McLEOD,
Secretary.

TREASURER'S REPORT

To the Members of the National Association of Cost Accountants:

Just as in previous years the Annual Report of the Treasurer consists chiefly of the Financial Statements prepared, this year, by Peat, Marwick, Mitchell and Co., who have included with their Certified Balance Sheet, a Statement of Income and Expenditures and the Treasurer's Statement of Cash Receipts and Disbursements.

The three statements give a complete picture of the financial position of the Association as at the close of its fiscal year, August 31, 1925, and a fairly detailed statement of the operations and activities of the Association for its past fiscal year.

A comparison of these statements with those of a year ago show the excellent condition of the Association. The Treasurer desires to express his appreciation of the work done by the auditors, Messrs. Peat, Marwick, Mitchell & Company, without cost to our Association, in making the audit and in the preparation of their report. Our Board of Directors has already recorded its appreciation in a formal motion.

W. O. CUTTER,
Treasurer.

CERTIFICATE OF AUDITORS

We have audited the books and accounts of the National Association of Cost Accountants for the year ended August 31, 1925, and certify that the attached Balance Sheet and statement of Income and Expenditure have been prepared therefrom, and, in our opinion, correctly present the financial position of the Association at August 31, 1925, and the result of its operations for the year, and that the attached statement of the Treasurer's Cash Receipts and Disbursements correctly presents the cash transactions of the year.

PEAT, MARWICK, MITCHELL CO.

New York, N. Y.,
September 18, 1925.

National Association of Cost Accountants
Balance Sheet, as at August 31, 1925

ASSETS

Cash in Bank and on Hand	\$ 234.39
Investments, at Cost	52,950.75
Dues Receivable, less Reserve	1,177.90
Accrued Interest Receivable	927.07
Inventories:	
Publication Department	\$ 1,336.77
Binders	605.65

Certificates and Folders	212.83	
Membership Buttons	7.00	
Stationery and Supplies	340.19	2,502.44
	<hr/>	
Furniture and Fixtures	4,303.53	
Less Reserve for Depreciation	1,672.10	2,631.43
	<hr/>	
Library (Estimated Value)		1,500.00
Expense Funds held by Chapters		3,220.96
		<hr/>
		\$65,144.94
		<hr/>

LIABILITIES

Accounts Payable		\$ 2,764.55
Due to Chapters		154.73
Dues and Subscriptions Paid in Advance:		
Members	\$ 1,003.00	
Juniors	240.00	
Libraries	66.00	1,309.00
	<hr/>	

Surplus:

Initiation Fees:

Balance, September 1, 1924	\$24,479.50
Initiation Fees Received during Year ..	4,880.00

\$29,359.50

Life Membership Fees	1,200.00
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\$30,559.50

Free:

Balance, September 1, 1924	\$13,416.07		
Adjustments applicable to Prior Years..	1,877.78		
Net Income for Year ended August 31,			
1925	15,063.31	30,357.16	60,916.66

\$65,144.94

Contingent Liabilities—None.

NATIONAL ASSOCIATION OF COST ACCOUNTANTS

Income and Expenditure, Year Ended August 31, 1925

INCOME

Dues:

Members	\$54,070.00
Juniors	1,440.00
Canadian Society	4,493.65

\$60,003.65

Subscriptions from Libraries		349.83
Profit from Sales:		
Year Books	\$ 370.93	
Books	268.20	
Pamphlets	552.86	
Binders	166.83	
Membership Buttons	31.40	1,390.22
		<hr/>
Interest on Investments.....		2,509.35
Interest on Bank Balances.....		30.51
Profit on Sale of Investments		883.44
		<hr/>
Total Income		65,167.00

EXPENDITURES

Salaries, National Office	17,059.60
Rent	3,300.00
Postage	791.08
Telephone and Telegraph	459.01
Stationery and Supplies and Miscellaneous Office Expenses	1,089.84
General Administrative	851.52
Publicity Lectures	23.22
Publication Department	13,263.83
Research Department	3,057.20
Membership	1,083.01
Book Department	942.16

Convention, 1924 (October):

Expenses	\$3,258.79	
Receipts:		
Exhibit Space	\$2,350.00	
Trip	247.50	
Golf	120.00	2,717.50
		<hr/>
		541.29

Convention, 1925 (May):

Expenses	2,240.07
Receipts—Exhibit Space	1,950.00
	<hr/>
	290.07

Chapter Organization

144.60

Chapter Operation:

Albany	\$111.79
Baltimore
Boston	296.35
Buffalo	370.16
Chicago	387.95
Cincinnati	228.90

Cleveland	353.58	
Detroit	265.50	
Hawaii	49.14	
Hartford	401.31	
Los Angeles	168.43	
Milwaukee	271.75	
Mohawk Valley	254.68	
New York	644.66	
Philadelphia	600.21	
Pittsburgh	349.56	
Providence	177.66	
Rochester	196.63	
San Francisco	231.67	
Scranton	
Washington State	70.40	
Syracuse	163.35	
Twin Cities	174.22	
Western Massachusetts	237.30	
Worcester	214.23	
General	590.77	6,810.20
	<hr/>	
Depreciation of Furniture and Fixtures		397.06
		<hr/>
Total Expenditure		50,103.69
		<hr/>
Net Income		\$15,063.31
		<hr/>

NATIONAL ASSOCIATION OF COST ACCOUNTANTS
Treasurers' Statement of Cash Receipts and Disbursements,
For the Year Ended August 31, 1925

Receipts:

Dues	\$ 59,930.15
Subscriptions from Libraries	258.00
Initiation Fees	4,880.00
Life Membership Fees	1,200.00
Sale of Books, Pamphlets, Binders, Etc.....	3,212.49
Interest from Investments and Bank Balances.....	2,379.51
Convention Receipts	2,201.00
Proceeds of Sale and Maturity of Investments.....	45,903.44
Recovery of Prior Years dues Written Off.....	60.00
Refund of Expenses—International Convention, 1923	23.86
	<hr/>
Total Receipts	\$120,048.45

Disbursements:

Salaries and Expenses, National Office.....	\$23,317.09	
Purchases of Books, Pamphlets, Binders, Etc.	2,321.27	
Publication and Book Department.....	14,314.23	
Research Department	3,061.20	
Convention Disbursements	5,160.13	
Membership Expenses	1,091.93	
Allowance to Chapters of One-half Initiation Fees of New Members	485.75	
Advances for Chapter Organization and Operation..	8,002.07	
Investment Securities Purchased	61,970.75	
Furniture and Fixtures Purchased	863.22	
	<hr/>	
Total Disbursements		120,587.64
		<hr/>
Excess of Disbursements over Receipts....		539.19
Balance, September 1, 1924.....		773.58
		<hr/>
Balance, August 31, 1925, to Balance Sheet.....	\$	234.39
		<hr/>

REPORT OF THE DIRECTOR IN CHARGE OF CHAPTERS

To the Members of the National Association of Cost Accountants:

The work for the year has consisted largely in developing and stimulating the work of the existing chapters, and I am glad to be able to report that all of our chapters, with the exception of Baltimore and Washington State, carried on an exceedingly effective and interesting year's work.

Much of the success of the work which the chapters did during the year was due to the intensive effort which the Director in Charge of Chapters made in co-operation with the National Office in securing the definite organization of the chapter programs prior to the beginning of the year's work. The success of a chapter depends so largely on the character of its program that it is impossible to over-emphasize the vital necessity of carefully planning and arranging the year's program in advance. Special effort was made during the summer of 1924 to have every chapter arrange its program for the coming year in advance and I am glad to be able to report that practically all of the chapters had their programs of the year's work in the hands of the Director in Charge of Chapters prior to the middle of September, 1924. The programs as a whole were of an exceedingly interesting character, the subjects were well chosen, the men selected to present the subjects were well selected and the result of the work as the year proceeded wholly justified the high hopes which were entertained in regard to the year's work.

After the programs were arranged, we also inaugurated for the first time a system of rating the work of the chapters in accordance with a schedule worked out for the award of the chapter banner. We found that working out these rates presented a good many difficulties and involved national head-

quarters in a good deal of additional work, but we feel that it has resulted in a definite stimulation of the chapters' activities. We find that the chapter reports have been submitted more promptly and completely and, generally speaking, we believe that the work which the handling of the ratings entailed has been exceedingly worth while. With two exceptions, all of our chapters tried earnestly to meet the requirements of the competition and some extraordinarily good performances resulted.

Certain changes were made in the schedule worked out for the award of the chapter banner at the conference in Detroit and I feel sure that the rating and measuring of the chapter work will be more effectively and accurately carried out during the coming year than it was during the past year.

It is, as you know, the policy of our organization to go slowly in developing new chapters and while we might, by intensive effort, force chapter developments in a number of centers, it is our policy to wait until there is an actual demand from the membership located in certain centers, before inaugurating a chapter. During the past year we have added only one chapter to those already in existence, namely, the Scranton Chapter, charter for which was granted on June 18, 1925, with an organization membership of twenty-six. Members of the association located in Scranton are, we believe, very much interested in the development of their chapter and we predict an active and successful career for the Scranton Chapter.

Your Director in Charge of Chapters is now engaged in urging on all of the chapters the necessity for pre-organization of the work for the 1925-1926 season and considerable progress along this line has already been made. I think the programs for the coming season are going to be even better than last year and I anticipate that all of our chapters will have an exceptionally successful season.

I desire to express my very deep appreciation of the splendid co-operation which I have received from national headquarters and from the officers and members of all of our chapters. It is a pleasure and privilege to be allowed to work with the men whom our chapters select to serve as their officers.

C. R. STEVENSON,

Director in Charge.

REPORT OF THE DIRECTOR IN CHARGE OF CONSTITUTION AND LEGAL MATTERS

To the Members of the National Association of Cost Accountants:

During the past year there were proposed no amendments to the Constitution of the Association, and but one amendment to the By-Laws.

The amendment to the By-Laws sprang from the apparent desirability of retaining as members of the Board of Directors the past presidents of the Association, and yet to accomplish this end in such a way as not to mar the representative character of the Board which might have resulted had the policy of election of past presidents to the board been continued indefinitely. Stated in another way, the desire was to retain, for counsel and advice, the past presidents as members of the Board, without altering the number of Directors to be elected by the members of the Association.

To accomplish this purpose, the following amendments to the By-Laws were proposed, submitted to the members for mail vote on April 15, 1925, and having been approved by the required three-fourths majority, become a part of the By-Laws of the Association as of June 15, 1925.

Article IV, Section 1

This article shall be amended to read as follows:

"The Board of Directors of the Association shall consist of twenty-four elected members, elected for a period of three years, one-third of such elected members retiring each year, and all living past presidents of the Association."

Article IV, Section 4

This article shall be amended as follows:

Insert the word "elected" before "Directors" in the first line, before "Director" in the second line, and before "Directors" in the fourth line.

Following the adoption of these amendments a revised edition of the Constitution and By-Laws containing all amendments since these instruments were originally adopted was prepared and distributed to all members of the Association on August 15, 1925.

L. M. LAMB,
Director in Charge.

**REPORT OF THE DIRECTOR IN CHARGE OF
EDUCATION**

To the Members of the National Association of Cost Accountants:

The chief activity of the Department of Education during the current year has been an investigation of the extent to which cost accounting instruction is offered in the agricultural schools and colleges. This investigation was undertaken at the suggestion of President Kemp and was productive of some interesting information.

A questionnaire was addressed to all the agricultural schools and colleges and a considerable number of replies were received. An examination of these replies indicates that almost all the agricultural schools and colleges are giving at least some attention to agricultural costs in their course of instruction. As would naturally be expected, some schools have gone much farther than others.

In the course of our investigation, we developed some contacts which we believe may lead to one or more publications on agricultural costs. These contacts have been turned over to the Department of Publications and we understand that steps have already been taken to have these publications written for us.

As I mentioned in my report last year, I still believe there is a field for co-operative action between our Association and one or two other societies for the purpose of building up a set of standard principles for the teaching of cost accounting in the schools of commerce and business administration. I regret that we have not been able to make more progress along this line

during the current year and I sincerely hope that next year the Department of Education will be able to carry this work forward along definite lines.

DURWARD E. BURCHELL,
Director in Charge.

REPORT OF DIRECTOR-IN-CHARGE OF GOVERNMENTAL COSTS

To the Members of the National Association of Cost Accountants:

Last year, it will be recalled, the Department of Governmental Costs initiated its investigation of cost methods actually being used by governmental units, by conducting a systematic mail inquiry into the cost accounting practices of municipalities. The material gathered was not so extensive as hoped for, but it was sufficient to indicate that many leading cities have come to recognize the importance of some kind of unit cost data, both as a measurement of performance and as the basis for budgets.

This year the department extended its investigation into the field of state cost accounting. In view of the obvious difficulties that would have been involved in seeking to secure on one questionnaire information regarding the cost accounting practices in all state departments, it was decided to confine the investigation to two typical departments—institutions (charitable, correctional, penal and educational) and highways.

Accordingly a letter and a questionnaire were sent to each state auditor, asking for a list of the units being used in breaking down institutional costs. From the 48 inquiries, replies were received in 23 cases. Fourteen of the respondents reported the calculation of an average annual cost per capita, whereas nine reported the use of a more detailed unit (per inmate per day).

A letter and a questionnaire were also sent to the highway engineers or commissioners of highways of the various states, as shown by an official directory supplied by the American Association of State Highway Officials. Here again the replies numbered 23 out of 48. There were many variations in the cost units reported, but in general each state evidenced a tendency to secure bids on contract work on a unit cost basis, and to analyze its own construction and maintenance work on the basis of suitable units (e.g., clearing and grubbing per acre, excavating per cu. yd., etc.; maintaining road surface, per mile of road, etc.). In several cases the data are classified by types of roads.

In the case of both institutional and highway investigations, some state officials went further than the questionnaire required, and submitted forms and descriptions giving a comprehensive picture of the whole cost accounting system in use.

The states from which replies were received were substantially although not identically the same for both inquiries. A review of this material leaves no doubt in my mind that cost accounting is still in a very formative stage for our state government as well as our municipal activities. The work of building and maintaining roads, almost universally in the hands of engineers, has undoubtedly produced more cost accounting than the work of running institutions. This coincides with the tendency which was noted last year for the engineering activities of municipal governments to have more cost accounting

than other municipal departments. This conclusion, although tentative, coincides with some personal experience of mine years ago in the State of Massachusetts and more recently in the State of New Hampshire.

During the last year there was also secured the detailed report of the Postmaster General regarding the cost of handling mail matter.

It is quite possible that further mail campaigns during the coming year will result in the accumulation of additional material on governmental cost accounting practices for the association's file; but it is my opinion, on the basis of the last two years' work, that the extension of the investigation to comparative cost data (aside from methods) must be done in the field to be really successful. The Census Bureau (in getting out its old cost reports, now discontinued) had to do a very large part of the work in the field, in gathering the actual data and in making sure that these were accumulated on the same basis; and I believe that investigators today must do likewise. Consequently I feel that if the subject of government costs is to be prosecuted any further, the N.A.C.A. directors should now reconsider the advisability of an appropriation for the extension of the Department's work.

CLINTON H. SCOVELL,
Director in Charge.

REPORT OF THE DIRECTOR IN CHARGE OF LECTURES

To the Members of the National Association of Cost Accountants:

At the beginning of the year, we circularized all chapter officers, calling their attention to the list of speakers which we issued the previous year and asking them to send us any additional names which might be developed in connection with the chapter work during the year. The response to this request has not been very great. A few names have been suggested, but not enough to justify a revision of the list of speakers.

It seems to your Director that the best source of material for our list of speakers is our chapter meetings. Contact between the Director in Charge of Lectures and the chapter officers will be welcomed with a view to gradually building up a comprehensive list of those members of the Association who are able and willing to talk either before our chapters or as official representatives of the Association before other bodies.

WILLIAM M. LYBRAND,
Director in Charge.

REPORT OF THE DIRECTOR IN CHARGE OF MEMBERSHIP

To the Members of the National Association of Cost Accountants:

Your Director in Charge of Membership regrets to have to report that it is not possible this year to make as accurate a report of our membership activities as it has been during the last few years. The Secretary, in his report, has referred to the misfortunes which befell the organization at National Headquarters during the last year. During these changes the Department of Records was particularly affected and it happened that during

the several changes of personnel, which were unavoidably encountered, the records become so disorganized that we have not been able to completely straighten them out at the time of making this report. The fundamental records, however, are available and the situation will eventually be restored to normal.

We are able to report a satisfactory year in the matter of membership. We conducted no special campaigns except the brief campaign in the early spring. We, nevertheless, received 554 applications for membership during the year, an average of 46 applications per month. Total elections were 534. The withdrawals from the Association from all causes, including death, resignations, non-payment of dues, transfers and other causes, amounted to 343, leaving a net gain for the year of 191. Our total membership, including the members of the Canadian Society, at the close of the fiscal year was 3,650.

The only special membership campaign conducted during the year was started in the spring, at which time members of the Association were offered premiums in the form of books for new members secured. This campaign resulted in very satisfactory returns, and approximately 110 books were distributed to members of the Association as a result of their membership activities.

For the last two years no special membership activities have been conducted. We have depended almost entirely upon natural growth for our annual increase. During that time we have not only held our own, but have shown a small but nevertheless satisfactory increase each year. It seems to your Director in Charge of Membership that we are now in a position to go ahead with a rather intensive membership campaign. If we can add five or six hundred members a year with no particular effort, it does not seem unreasonable to suppose that we might add ten to twelve hundred members with a little continuous effort throughout the year. I might say that the National Board of Directors is in sympathy with this thought and they have already agreed to take steps during the year 1925-26 to lay plans and put them into operation for a national membership campaign.

It is impossible to isolate any one of the activities of the Association. Your membership work is intimately connected with the publications, the work of the chapters and the general activity of the Association. So long as we maintain an association as strong, aggressive and active as our Association is, we are bound to grow. Everyone who contributes to the work of the Association in any form is aiding in the development of its membership work. Nevertheless it is our duty as members of the Association to constantly keep its aims and its objects before the industrial world. It is a real responsibility which rests upon every member as an individual. It is only as this responsibility is realized that our hopes for expansion are likely to come true.

FRANK L. SWEETSER,
Director in Charge.

REPORT OF THE DIRECTOR IN CHARGE OF PUBLICATIONS

To the Members of the National Association of Cost Accountants:

The Year Book, the Official Publications and the Bulletins each published twice a month, The Cost Literature Bulletin issued on the first of each month,

and the Bulletin Indexes issued twice a year, constitute the main publications of your Association.

Of these the Official Publications are under the direct control of the Director in Charge of Publications. The Association has often been urged to undertake the publication of a cost accounting magazine, and the project in some of its aspects is quite alluring. Saner counsel, however, has held to the publication program originally conceived and established, which was based on the feeling that cost literature fed in smaller ration would be more easily assimilated than if a great variety were offered at one time. While a la carte meals are more attractive at times, year in and year out, table d'hote service is more satisfying. Accordingly, it has been the practice to offer in each issue just one topic, usually presented through the medium of a single paper.

The program of publications has usually depended in the main on the papers presented at local chapter meetings and at regional conferences. Some other material comes in voluntarily or upon the request of the Director. For the most part, however, the annual volume of Official Publications constitutes a fairly accurate cross-section of local chapter programs. An analysis of the twenty-four numbers of the last volume indicates the breadth of interest and richness of those programs.

1. Costs as Used by Management:

Executive Uses of Costs.

Operating Ratios and Costs as Guides to Management.

The Executive's Viewpoint in Reference to Cost Figures and Cost Figures from the Viewpoint of the Factory Executive.

2. Cost Accounting in Various Industries:

Cost Accounting in the Domestic Beet Sugar Industry.

Costs for Oil Producers.

Cost Accounting in the Lumber Industry.

3. Special Phases of Cost Accounting:

Distributing the Overhead.

Overhead During Low-Volume Production.

How Can Cost Work Be Simplified without Impairing Accuracy.

4. Standard Costs:

Standard Costs—Their Development and Use.

5. Budgets:

The Use of Budgets in Reducing Overhead.

The Administration of the Budget.

6. Inventory and Control of Material:

Pricing the Inventory.

The Human Element in Material Control.

Control of Stocks in Merchandise.

7. Organization and Management:

The Management Function in Business.

Internal Organization of a Manufacturing Company.

8. Inter-Relations Between Cost Department and Other Departments:

Co-operation Between the Comptroller and the Engineer.

Cost Accounting for Foremen's Departmental Activity.

9. Selling Costs :

Administrative and Selling Costs.

10. Labor :

Profit Sharing as a Method of Compensation.

11. Miscellaneous :

Annual Meeting, Reports of Officers and Directors.

Industrial Appraisals and Insurance.

Methods of Supplying Cost Information to Foremen.

The publication schedule is kept flexible so that articles which are particularly timely may be made available as needed. In this way the Official Publication can be made to serve the needs of the Research Department. Last year, for example, the latter department received an inquiry as to the best method of keeping a book inventory of lumber purchased at different prices. The Publication Department had on file an article dealing with cost accounting in the lumber industry, which not only answered the specific inquiry but presented the chief other peculiarities of lumber accounting. An early publication of this paper thus served both departments, Publications and Research.

Oftentimes the material sent in by chapters is too short or sketchy to be used for the Official Publications. Much of this material is excellent, however, in presenting just one phase of a larger subject. The Bulletin offers a convenient means of making these short papers available to the membership.

An analysis of the sources of the material used in the twenty-four issues of Official Publications yields the following results :

I—Sources—Place of Original Presentation :

Albany—2.

Chicago—1.

Cleveland—4.

Hartford—1.

Milwaukee—2.

Montreal—1

New York—6.

Rochester—1.

San Francisco—1.

Not presented before local chapters—5.

II—Sources—Authorship :

By Members of the National Association of Cost Accountants—18.

By Non-members—6.

To provide an even higher grade of material, it is urged on each chapter director in charge of publications to send in not only all the papers, short or long, presented as talks before the chapter, but also to urge on members and friends the writing of other papers suitable for use as Official Publications. The accounting peculiarities of local industries offer a wide field for such endeavor. Only by means of a close co-operation of this kind between the local and national directors of publications can we hope to obtain the best of which the Association is capable.

G. CHARTER HARRISON,
Director in Charge.

REPORT OF THE DIRECTOR IN CHARGE OF PUBLICITY

To the Members of the National Association of Cost Accountants:

I am glad to say that we are able to report a satisfactory year in so far as our publicity activities are concerned. I believe the Association has had more publicity during the past year than in any previous year, and I am also inclined to think the publicity has been more useful. This record is largely due to the excellent work which has been done by the local directors in charge of publicity in most of our chapters. I think that our local chapters are coming to a realization of the great importance and value of publicity, not only in connection with their own work, but in relation to the development of our national organization. The newspaper clippings sent to the national office show that we received a great deal of publicity through the chapter directors in charge of publicity. The meetings which the chapters are holding are of interest to the business man and most of the chapters have been able to have notices of the meetings published in the newspapers, Chamber of Commerce bulletins, and other local periodicals.

It is almost impossible to over-estimate the value of the constant repetition of our name, even though it may be in connection with news items which are commonplace to us. Our object ought to be to keep the name, National Association of Cost Accountants, constantly before the business world.

During the year we made arrangements with a number of trade magazines to publish regularly the meeting dates of our chapters and the subjects which were to be discussed. In order to have this material listed in the magazines, it was necessary for us to receive it at National Headquarters at least a month before the magazine is published. Many of our chapters have co-operated with us substantially in this work, but there are still some we would like to hear from regularly. We hope this year to continue this work on a somewhat larger scale.

There is one line of publicity work which I should like to see developed, but which we were not able to put over this year. We can arrange to have published in a number of magazines and newspapers short articles along cost lines written by members of our Association. We made an appeal for articles of this sort through the Bulletin during the past year and some manuscripts were submitted. We did not receive nearly as many as we should have and those that were received were not in every case suitable for our purpose. We hope this year we may be more successful along this line.

The Association is doing splendid work and has done a great deal toward emphasizing the need of adequate cost systems. There is still a great deal to be done and our membership can be easily doubled if we "get our message over" to the public, through proper publicity.

JOHN M. SCANLON,
Director in Charge.

REPORT OF THE DIRECTOR IN CHARGE OF RESEARCH

To the Members of the National Association of Cost Accountants:

The Research Department of the National Association of Cost Accountants is called upon to render many different kinds of service. A brief summary of its work and its facilities for service will, in my opinion, give you the best view of the accomplishments of the past year and some of the plans for the future.

First, there is the specific problem or inquiry service of which an increasing number of our members are availing themselves. In this work the department acts chiefly as a clearing house of information. A member has a particular problem on which he desires the prevailing practice or the actual experience of others. Your research department formulates the problem and sends it out as a questionnaire to those members in the same line or who, it is thought, have dealt with the same or a similar problem. As replies are received, they are sent to the inquirer who thus is able to compare his practice, methods or results with those of others. The service gives him something of a standard by which to judge his own methods and results. The identity of the source of the information is never divulged without the consent of the member furnishing the information. Because of this and of the native helpfulness of all members of the N.A.C.A., there has always been the finest kind of co-operation in this phase of the Association's work. It is hoped that more members will avail themselves of this feature of service which the Association is equipped to give. Out of the experience of the past year, the director desires to call attention to one way in which the value of the service may be increased and to the necessary limitations which have to be put on a co-operative feature of this kind. Too often the inquiry received is of so general a character or stated in such an indefinite way that it is impossible to tell exactly what information is desired by the inquirer. The Research Department dislikes to send out such inquiries because it knows that the member answering must either write an essay concerning the matter or run the risk of failure to emphasize the exact phase desired, or even to omit it entirely. My suggestion to you is, be specific in your questions.

As to the limitations of the service, an illustration will make the situation clear. Some time ago an inquirer wrote in saying he was interested in the newspaper business, for example. Would we please send him a complete system of accounts together with a full set of forms used by the important concerns in that line. The Department is glad to give all the assistance possible in such cases, but obviously cannot do all that is asked of it. You would be surprised, however, at the high type of professional service which is secured from our members in this branch of our service.

The second phase of the Department's work comprises its publications, the semi-monthly Bulletin, The Cost Literature Bulletin, published monthly, and the Publication Index, published every six months. Through the medium of these Bulletins effort is made to record happenings of significance in the field of management and accounting. The purpose here is not so much to give specific information as to indicate the sources of information, to point

out its nature and to make a fair appraisal of its value. Thus attention is called to what trade associations are doing in the way of uniform accounting, to comparative financial and operating statistics prepared by various trade and independent research bureaus, to book and periodical literature, and to items of a similar nature. You can strengthen this phase of the Department's work by notifying it of any such activities with which you individually come in contact or of which you know.

For the coming year, the Department has under way some special researches, the results of which, it is expected, will be published as Research Bulletins. One or two other publications of an ambitious nature will also probably be undertaken.

In connection with this work of research, the directors of research of the local chapters have a very important place. While we have a good vocational file at headquarters, it is surprising how many inquiries are received concerning specific kinds of industries or products for which our files give no information. We hope to expand our files so that they will show the location by chapter districts of all important industries and products. In this work and in that of suggesting sources of information we expect to make fuller use of the local directors of research. For important research projects we shall have to lean heavily on the local directors for suggestions as to the best sources of the material desired.

Before bringing this report to a close, the director desires to commend the fine spirit of co-operation which has been encountered everywhere in this phase of the Association's activity and to record his belief that there is no limit to the extent to which the research work can be carried with a continuation of this spirit.

J. P. JORDAN,
Director in Charge.

REPORT OF THE DIRECTOR IN CHARGE OF STANDARDIZATION

To the Members of the National Association of Cost Accountants:

The most interesting item in the Department of Standardization during the past year has been our relations to the movement for the perfection and adoption of a standard invoice form.

Our interest in this movement dates from the time when Mr. C. H. Smith, of Pittsburgh, was Director in Charge of Standardization. The movement was started by the National Association of Purchasing Agents. Mr. Smith became interested and on his recommendation, your National Board of Directors, at a meeting on November 14, 1921, officially endorsed the principle of a standard invoice form.

From that time we have had no active part in the development of the form, although the name of the Association has been connected with the movement.

About a year ago the idea was taken up and endorsed by the Division of Simplified Practice of the Department of Commerce. It was decided to establish a committee to consider changes and alterations in the invoice form and we were asked to appoint a representative to this committee. At a meeting of your National Board of Directors held in Schenectady, May 22, 1925,

the matter of our participation in the movement was considered in some detail and the Board finally decided to withdraw their official participation in the movement, because it was the opinion of several members of the Board that the standard invoice form in its present shape was impractical and that, while a standard invoice form was a most desirable thing in principle, there was some doubt as to the possibility of ever getting such a form into use until some degree of uniformity could be secured in the billing practices of various companies.

The Secretary notified the National Association of Purchasing Agents and the Department of Commerce of this decision. Mr. Hudson, Chief of the Division of Simplified Practice, wrote to all the members of our Board, asking that this matter be re-considered. It was taken up again at our Board meeting in July and the Board at that time voted to go on record as endorsing the principle of a standard invoice form and to participate in the development of such a form, by appointing a representative to the committee mentioned above. As the matter would come up largely under next year's administration, Mr. Scovell was asked to make the appointment and he has appointed Mr. Boren, of Yale & Towne, Stamford, to act as our official representative on this committee.

While our entire Board believes thoroughly in the fundamental principle upon which the movement for a standard invoice form is based, it is my opinion that the general adoption of any form of invoice which may be agreed upon is entirely dependent upon the standardization of methods and practices relating to shipments and billing, and the standardization of other forms used in these activities. Possibly the attempt to agree upon a standard invoice form may lead to the standardization of methods and practices underlying the issue of invoices, and it is entirely proper that our Association should participate in the work of studying the possibilities of standardizing those practices which may lead to the adoption of standard invoice forms and standard shipping documents to tie in with uniform bills of lading.

S. L. WHITESTONE,
Director in Charge.

Vol. II**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. IV****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. Keefe****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. 21—Cost Accounting in Relation to Business Cycles, John R. Wildman****Vol. V****No. 6—Cost Accounting in the Production of Motion Pictures, William R.***Donaldson***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. Osilund****No. 16—Budgetary Control, William Carswell****No. 17—A Foundry Cost System, Machinery Builders' Society****No. 18—Methods of Supplying Cost Information to Foremen, Hugo Diemer****No. 19—Cost Accounting in a Metal Stamping Plant, E. H. Wildt****No. 20—Use of Accounting Information and Statistical Data in a Department***Store, A. C. Hodge***No. 21—A Basis for Cost Accounting in Banks, Gordon Wilson****No. 22—Importance of the Cost of Idleness in Equipment Industries, E. F.***De Bruil***No. 23—Controlling the Labor, W. O. Cutter and others****Vol. VI****No. 1—Executive Uses of Costs, Howard Berry****No. 2—Operating Ratios and Costs as Guides to Management, Urban F.***von Rosen***No. 3—The Use of Budgets in Reducing Overhead, Ray W. Darnell****No. 4—Distributing the Overhead, Nelson J. Bowne****No. 5—Cost Accounting in the Domestic Beet Sugar Industry, F. L. Crawford****No. 6—Co-operation Between the Comptroller and the Engineer, Major J. W.***Swaren***No. 8—The Administration of the Budget, Harry C. Senour****No. 9—Administrative and Selling Costs, Their Nature and Distribution, W. H.***Higginbotham and Andrew Stewart***No. 10—Pricing the Inventory, W. F. Vieh****No. 11—Profit Sharing as a Method of Compensation, Professor Ralph E. Heilman****No. 12—Overhead During Low-Volume Production, A. F. Stock and J. M. Coffey****No. 14—The Management Function in Business, J. Gordon Steele****No. 18—The Industrial and Statistical Department of a Modern Bank, F. W.***Shibley.***No. 19—How Can Cost Work Be Simplified Without Impairing Accuracy, F. H.***Corregan***No. 20—Costs For Oil Producers, R. W. Cobb****No. 21—Cost Accounting and Foremen's Departmental Activities, T. M. McNiece****No. 22—Cost Accounting in the Lumber Industry, A. J. Carson****No. 23—The Human Element in Material Control, Charles A. Williams****No. 24—Control of Stocks of Merchandise, Herbert C. Freeman****Vol. VII****No. 1—A System of Labor Control for Payroll and Cost Purposes, Peter C Jung****No. 2—The Preparation and Control of a Budget, J. R. Tobey****No. 3—The Cost of Distribution, A. E. Grover****No. 4—Production Budgeting, J. L. Palmer**

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.