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Acceptance and Installation of Uniform Methods of Cost Accounting

Chamber of Commerce of the United States. Department of Manufacture

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**THE ACCEPTANCE AND INSTALLATION
OF
UNIFORM METHODS OF COST ACCOUNTING**



**DEPARTMENT OF MANUFACTURE
(Fabricated Production Department)
CHAMBER OF COMMERCE OF THE UNITED STATES
WASHINGTON, D. C.**

FOREWORD

Accuracy and uniformity in methods of cost reckoning have long been outstanding needs in industrial production.

To satisfy this want much effort has been put forth in recent years in developing the cooperation between competing interests to make such undertakings successful.

Trade associations and other similar agencies that recognize cost accounting as one of their most constructive activities, have generally made good progress in its development. There is, however, a vast field for further endeavor among the many lines in which little effort has yet been made or with those who are struggling with the formation of methods and the securing of their adoption and use.

It is from the department's experience of several years' dealing with these problems that Mr. Thomas W. Howard, in charge of cost accounting, contributes the pages following.

*E. W. McCULLOUGH,
Department Manager.*

September 1, 1923.

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The Acceptance and Installation of Uniform Methods of Cost Accounting

It is the purpose of this pamphlet to present a number of considerations in connection with the problems incident to the securing of the acceptance and installation of uniform methods of cost accounting by the members of a trade association. It is hoped that the discussion of the means by which these desired ends may be brought about will be of assistance to the officers and members of those trade associations which have undertaken to secure the numerous and important advantages of such uniform methods.

The discussion will start with the premise that the technical methods or systems have been devised and that having gone thus far a new problem presents itself, namely, the problem of finding the most effective means of securing the installation of the uniform cost methods.

The pamphlet is divided into two distinct but coordinate parts, as follows:

1. The Association's Problems
2. The Member's Problems

The first part is devoted to the ways and means by which the trade association's service to its members may be made the most effective. It deals with such matters as the organization of an association cost bureau and cost councils, and provisions for keeping the members informed of developments generally.

The second part is designed to be of direct and substantial value to the president, the general manager, the auditor and other executive heads of the various member companies. It suggests some of the preliminary steps that may well be taken in order to make sure that the association's uniform cost accounting methods are put into use most effectively.

The Association's Problems

PREPARING THE GROUND

Although it is the purpose to consider the problems of the association from the time when the technical cost accounting methods have been devised and adopted by the association, the ground work that should have been laid during that period is so important and has such a bearing on the conduct and success of the work of installation that it will be discussed briefly, as though it were a present problem. In fact, an appraisal of the situation that exists subsequent to the preparation and adoption by the association of the technical cost methods may show that there is yet need for intensive educational work by the association officers before the members generally are ready to accept them.

During the entire period when the uniform cost accounting methods are under development, the membership of the association and the industry generally should be acquainted progressively with the steps that are being taken. In the first place, the members should understand the reasons why there should be uniform cost accounting as contrasted with the development of accurate cost methods by the members individually. Some of these reasons are as follows:

The acceptance of uniform methods of cost accounting

1. Provides the "one best way" known to the industry to figure costs (although cost accounting is a progressive science and provision should be made for keeping the uniform methods up to date) thereby eliminating expensive experimentation by the members of the industry individually and independently.
2. Results in a better informed competition within the industry.
3. Enables the industry instantly to place facts before regulatory bodies.
4. Inspires confidence in the public that selling prices are established by producers who have full knowledge of the costs of the articles offered for sale.
5. Tends to make the manufacturer who otherwise would fail to see the advantages of good cost ac-

counting convinced of the desirability of adopting the methods which his competitors are successfully using.

6. Reveals lines of individual products which have been marketed on an unprofitable basis.
7. Provides in addition to the above specific reasons all of the valuable features of good cost accounting generally, among which are the following:
 - (a) Shows the danger line below which goods cannot be sold at a profit; thus serving as an insurer of profits.
 - (b) Acts as a guide to the value, efficiency, and waste of workers, machines, methods, operations, and entire plants.
 - (c) Provides a reliable guide and basis for estimating the cost of prospective business.
 - (d) Furnishes current reports for comparing major cost items with standards which are predetermined and thereby measures and increases operating efficiency.
 - (e) Establishes a standard manual of accounting practice so that if your cost clerk, bookkeeper, or accountant leaves you his successor will find a system the operation of which has been fully and completely developed.

Wherever bulletin services are in effect, it is possible to disseminate information of an educational character, both with respect to the activities on the part of the committee and in connection with technical phases of cost accounting. In some instances, it may be practical to set up a question and answer section in the official organ of the association.

The work of the cost accounting committee should have a place at the conventions of the trade association. "The latest developments in cost methods will be discussed and the inclination of some to diverge from the path of uniformity overcome. From such conferences, the individual will derive sure and certain profit, and the industry will continue its advance towards stability."

Nothing is gained by anticipating difficulties that probably will never be encountered, but it is wise to take into account any such obstacles to success in uniform cost accounting activities which by foresight may be passed by rather than to let them block the path at a crucial moment.

The obstacles that must be removed before the members are convinced that they should install the uniform cost account-

ing methods may be several. One successful association executive has listed the obstacles that confronted him as follows:

Inertia.

Confidence in obsolete or inefficient systems, or substitutes for systems and cost estimates checked by occasional tests.

Unwillingness to incur expense.

Opposition of factory superintendent, who does not want the boss to know too much about the facts.

Fear of figures or inability to understand figures.

Example of shrewd competitors who apparently succeed in spite of lack of systematic cost accounting.

Another has found that "some members believe that a cost system should be used to determine prices that should be increased, rather than to determine costs that should be reduced. Since they do not believe that they could get an increase in price, they do not feel the need for a cost system."

EFFECTIVE ORGANIZATION NECESSARY

From what has been said in the preceding paragraph it will be easy to see that there must be some form of organization within the association if it is expected that the members generally will adopt the uniform methods of cost accounting. There have been instances where uniform cost accounting systems have been devised, printed, and distributed to members of the association, and nothing further has been done. This is not because of a lack of good intentions nor because the methods in themselves were not good. In such cases, the causes of interruption to the installation of the methods may have been few and simple or they may have been numerous and complex. Whatever they may have been, it is important to locate and eliminate them, and usually the solution will be found in proper organization of the work within the association itself.

In fact, very few associations have succeeded in getting their members to adopt uniform methods of cost accounting without some well conceived plan of organization to secure the desired results. The exact form of organization will depend on the conditions within each individual industry and the ways by which they have developed their uniform methods. A few of the plans of organization which have been successfully employed will now be described.

COST ACCOUNTING BUREAU.—The secretary of the association, with multitudinous duties to engage his attention, and perhaps lacking technical cost knowledge, may be unable to handle the calls for service and direct the activities as well. The organization of a cost accounting bureau, consisting of one or more qualified accountants, under the direction of the secretary may offer the solution.

Such a bureau, properly equipped, will be of inestimable value to the members, affording them a place to go when in trouble or needing further information concerning the uniform cost accounting methods. The addition of a cost accounting bureau need not be expensive; but the first essential is the selection of a man who knows how to render this service.

RETAINED ACCOUNTANTS.—In some instances, it may be more practicable to make an arrangement with the professional accountant or accountants who have assisted in the development of the uniform cost accounting methods. In such instances, it is usual to provide that the direction of the work will be under the supervision of the regular association officers and the accountants will handle only the technical work involved in securing the adoption of the methods by the members.

COST COUNCILS.—The problem of securing the installation of uniform methods of cost accounting may often be simplified by the organization of cost councils composed of the accounting officers of the individual concerns. In some instances, it may suffice to have but one such cost council, which will meet as frequently as desirable at a common point. In the case of large associations it may be found better to have a central cost council and branch councils at points where there is a considerable number of members.

The meetings of these councils provide the opportunity to exchange views on the problems of the adoption of the uniform methods and possibly, as the result of the experience gained from the use of the uniform methods, to improve various features of the technical procedure.

FORMS OF ACCOUNTING ASSISTANCE

Closely akin to the problem of deciding on the proper organization to secure adoption of the uniform methods of cost accounting is the problem of the accounting service to be rendered to members individually. There are several plans by which the

work can be carried on, as will be described below. In some instances, it may be best to arrange for the use of more than one of the alternative plans, and in other instances, modifications of any of them may be desirable.

It is probable that the more flexible the arrangement available to the members, the more successful the movement will likely be. This is so for the reason that the conditions in the businesses of the members will be found to be quite dissimilar. One will have a cost system which is quite complete and will need a modification only in slight degree to conform with the uniform methods. A second will have little or no cost system.

Then, too, there are differences in the qualifications of the personnel in the member companies and in the resultant ability to bring about the adoption of the uniform methods. One company, for example, may have as a chief executive a man who has great bent for the mechanical side but has given little attention to the matter of cost accounting and has not provided adequate assistance in the person of his auditor or cost man. On the other hand, a company may have in its employ a highly qualified accountant, in fact, possibly one who has had long experience in industrial accounting with other concerns, and perhaps with professional firms.

Hence, flexibility of plan, whereby the manufacturer can make the adaptation of the uniform methods to his own requirements is greatly to be desired. He may wish to have the association's accountant spend full time at his plant until everything is in shipshape order. On the other hand, he may desire his own department heads to show the necessary initiative and learn the system from the ground up. In still other cases, he may have that ability in his organization that can make adaptation of the uniform methods with but little assistance, possibly only occasional consultations with the association's accountants being required.

FULL INSTALLATION PLAN.—By this method, the individual member arranges for the services of one or more cost accountants to remain at his plant during the entire period of the adoption of the uniform methods. In some instances, where the member already has a well-developed system, the time required may be brief; but should it happen that the member had little or no cost system, the services of the accountant might be required for some time. The plan has the advantage of continu-

ous attention to the adoption of the uniform methods, but naturally involves considerable expense.

PART TIME PLAN.—It has been found in some industries that it is economical and advantageous to arrange that the accountants of the association spend part time at each member's plant. Under this arrangement, for example, the association accountant might be at one plant for two weeks and then move on to a second plant for the succeeding two weeks, then he would return to the first plant and alternate between the two until the adoption of the methods has been completed.

INTERMITTENT SUPERVISION PLAN.—Some have called this the "patrol plan" and it consists in having the association accountants travel from the plant of one member to another, spending one, two or even more days in counselling with the department and factory executives, interpreting the uniform methods, solving difficult problems, and assisting the company's employees to make the installation themselves.

FINANCING THE INSTALLATION WORK.—Any plan adopted for the carrying on of activities incident to the adoption of the uniform accounting methods will mean some expense. There is, however, no hard and fast statement that can be made as to what the costs will be under the various plans suggested. Conditions will differ in every industry.

Some of these associations have arranged their scales of dues so that the members are entitled to a certain amount of assistance throughout the year without additional charge. Others have collected the necessary amount by special subscriptions or assessments. Some, in fact the majority, have arranged that the services of the association accountant or of the professional accountants retained be compensated for directly by the member companies employing the accountants.

Where the member pays directly for the accounting service rendered by the cost bureau or the professional firm retained for the purpose, the fees may be either on a per diem, that is, a day basis, or on a monthly basis. Usually the travelling and subsistence expenses of such accountants are considered as a separate item and may be arranged for either under a plan of flat rates per mile for traveling and a daily allowance for subsistence, or for the actual expenses incurred.

Some associations have distributed their cost accounting manuals without charge; others have made a nominal charge,

covering principally the cost of printing; some have sold their manuals at a price which would be expected to return the entire cost of preparation, including the accountants' fees, traveling expenses, printing, etc. Here again conditions in the industry will require a determination as to which plan will be followed. There is probably no controlling rule of any importance. If the association has decided to go ahead and adopt the uniform methods, the practice of charging for the manuals themselves will be regarded simply as one element of the cost of adoption or installation, and whether it is the most desirable way to cover a portion of the cost is purely a matter for local determination.

ACCEPTANCE BY NON-MEMBERS

Usually non-members have not contributed to the initial cost of the development of the uniform methods and it is a natural tendency to expect such non-members who seek to adopt the uniform methods to pay some of the cost of the original work, either through charging a high price for the manuals or by some other means.

It may be presumed that the uniform cost movement was of sufficient value to the members of the association to have them undertake it at their own expense initially and that having once been developed, the methods might be used by member and non-member alike, to the advantage of everyone concerned; in fact, inasmuch as one of the main objects of uniform cost accounting is to secure unanimous adoption of the proposed methods, the members of the association may be only too glad to have non-members adopt the cost methods, expecting return only for direct outlays incident to their installation. In many cases, the non-member is only too willing to share the expense.

KEEPING UP THE INTEREST

There is no period in the activities in connection with uniform cost accounting during which interest can be allowed to subside through failure on the part of the association officers to keep the matter before the members, either by talks and demonstrations at conventions or by bulletins and items in association magazines, as outlined above.

One association in the paint industry, for example, sent out a questionnaire as to the cost of a standard paint, receiving

sixty replies and finding a variation from a minimum of \$2.02 per gallon to a maximum of \$3.18. The cost accounting committee reported at the annual convention of the association that, "A variation of this sort can hardly be accounted for by any difference in conditions of operating costs between the several plants, although we recognize the fact that these conditions vary considerably."

The committee then proceeded to explain each of the items which, according to the uniform methods for cost figuring, formed a part of the cost of the particular product. Naturally this demonstration aroused great interest in cost figuring by the uniform methods.

An association in the paper industry reports that when they started to secure the adoption of their uniform methods, they drew up a cost estimate sheet on which was shown all of the elements which go to make up the cost of a common product made by the various members. Each member was then requested to fill in his estimated costs on such product and return the estimate sheet to the cost bureau of the association. The accountant at the head of the bureau thereupon examined the sheet with a view to finding elements of cost which through non-inclusion, or because of other evidences showed that the member had not interpreted the uniform methods correctly.

The members also should receive complete and illuminating reports of the meetings of the cost committee and of the cost council. In the interim between such meetings, the association officers should see that the members be sent occasional reports of successful installations, comments on interesting technical points, and all other information that will help to keep the members interested.

The Member's Problems

Thus far we have discussed the problems of the securing of the installation of uniform methods of cost accounting solely from the point of view of the association and its officers. Now we shall consider the matter from the point of view of the individual member. It is assumed that the executive head of each member company has been convinced of the desirability of uniform methods and is now ready to arrange for their installation.

There are few executives who, with the constant distractions or problems of purchasing, production and sales, have had the opportunity to become familiar with the numerous and technical methods employed in accounting. Nor is it important that they be familiar with all of the details of accounting procedure. But it is highly important that the executive should understand the fundamentals of modern accounting, for otherwise he is not in the best position to use cost results and other statistics provided by his accounting department.

Likewise the executive should familiarize himself with the uniform cost system developed for his industry and be in a position intelligently to direct the introduction of these methods in his business. It is not enough that he should subscribe in a general way to the importance of all members of the industry figuring cost by the same methods and then stand aloof when these methods are introduced in his own business. He should take an active interest and part in the work.

INSTALLATION DEFINED

Ordinarily the installation of uniform methods for cost figuring should not entail unreasonable change in cost systems already in use. Too frequently a mistaken idea has been gained when it has been suggested that the uniform cost system be installed in the plants of the members of the association. The inference sometimes gained from the use of the word "installed" is either that the system in use must be thrown away or that there must be some new and complicated development of clerical records which will entail heavy expenses and hamper production.

Like the word "efficiency," or the word "system" itself, "installation" has conveyed a wrong impression. Briefly, when the installation of uniform cost methods is advocated or referred to

it simply means the fitting of the uniform cost methods to the accounting system already in use. It is this and nothing more.

Of course it is folly to build on a poor foundation. If the general accounting system is not modern and properly devised, good results from the attempt to incorporate a cost system embodying the uniform methods cannot be expected. Where such a condition exists, it may be necessary to destroy the old system and begin "from the ground up."

INSTRUCTING THE PERSONNEL

Although the company's management has been thoroughly convinced of the importance of adopting the uniform cost accounting methods, there may yet remain the problem of convincing the company's department heads and manufacturing organization of the desirability of their adoption and of securing their hearty cooperation in the work of adoption.

Oftentimes the contact of the member company with the association is through one of the executive heads of the business, perhaps the president, vice president or general manager, while the comptroller or auditor, sales manager, factory manager, purchasing agent, chief engineer, and other department heads will not be closely in touch with the uniform methods for cost figuring that have been adopted by the association.

Of course if the auditor has been a member of the cost accounting committee of the association he is thoroughly familiar not only with the technical methods that are advocated but also with the underlying reasons why every member should adopt uniform methods. This will also be true if the association bulletins and other educational matter have come to his attention when they are issued.

The other department heads, however, may have only a very hazy idea of what the matter is all about and uniform cost accounting may not have been "sold" to them in such a way that they are eager to assist in the adoption of the uniform methods.

It is important under these conditions that the entire organization be educated to the need of adopting the uniform methods and what will be required of them when the changes are made. Ordinarily the president or general manager can handle this most effectively.

All department heads should receive literature of the association bearing on the uniform methods. If there is a ques-

tion and answer service provided by the association, it should be availed of in connection with doubtful points. If a cost council has been formed, the company's auditor and cost man should be enrolled and participate in the activities of the council.

Of course it may be that the adoption of the uniform methods will require but slight changes in procedure in the accounting and cost offices, in which case the company's problems are simple. But, on the other hand, it may be desirable or even necessary to introduce new methods both in the shop and office and in such cases the education of the company's personnel to the significance of the changes is especially important.

COST INSTALLATION COMMITTEE

It may be found helpful in the study of the problem of adoption of the uniform methods and in actually carrying them into effect to organize a cost installation committee which will consist of representatives of the main departments of the business, such as the sales department, accounting and financial departments, and the manufacturing department. The chairmanship may well rest in the hands of the auditor of the company. This committee should study the association cost accounting manual carefully and when the assistance of the association's accountants has been engaged, conferences should commence as to the detailed procedure attending installation.

Each member of the committee should see to it that all of his subordinates understand what is to be done and why it is to be done. A special duty in this connection falls on the head of the factory departments. If the methods contemplate the introduction of new time-keeping systems or requisition systems for material, all of the foremen and in fact the entire operating forces should clearly understand in advance the objects to be achieved and the methods to be pursued.

ACCOUNTING SERVICE AVAILABLE

In previous sections, various ways by which technical accounting assistance to member companies may be offered have been sketched out. As there suggested, accounting assistance may be provided to the individual member through the association's own accountants or by the staff accountants of the professional firm that has been retained for the purpose.

The accounting assistance may take one of several forms;

that is, the services of the accountant for the whole period of installation may be arranged for; or he may be secured on a part time basis; or the technical assistance may consist simply of advice and counsel rendered either at stated periods or as occasion may require.

ACCOUNTANT AND CLIENT

The accountants, who either are members of the cost bureau of the association, or representatives of the firm of public accountants, assume the role of instructors in their relations to the member companies' organizations. To secure the proper results they will be tactful; they will have thorough command of the accounting methods, and they will develop the details incident to the adoption of the uniform methods in a workmanlike way. Above all, they will keep in confidence the information that inevitably they secure regarding the business of their clients.

As a matter of fact, it is hardly likely that the association would employ accountants for its own cost bureau or retain public accountants in whom the fullest confidence could not be reposed.

There should be close cooperation between the department heads of the business and the association's accountants assigned to the plant to assist in installation, for it will often be found that the practical knowledge of conditions in the plant and methods of operation, combined with the technical experience of the association's accountants, will bring about a solution of a difficult cost problem in the most effective way.

THE EMPLOYEE'S INTEREST

The management should recognize that the company's employees will welcome a good cost accounting system when it is once understood. At the outset, it is quite possible that there will be at least passive opposition to the installation of the system, if indeed the opposition is not active and evident.

In fact, it is a natural thing for old and truly faithful employees to look upon the cost system as red tape. "The company has got along well enough for forty years without all this fuss and pencil work—the new system will only make our grey hairs white," is the expression of a common enough feeling.

So it is that the management should pay particular attention to the features of the cost accounting system that come into contact with the rank and file so that there may be real under-

standing of the reasons for the system and what is desired. On the other hand, when there is real reason for complaint on some of the details on the part of the employees, a distrust of the whole system may result.

In one instance, for example, the system provided that a separate requisition form should be used for each item of material on the manufacturing order. Apparently this was perfectly good practice in the case of most departments and on most work, but after the system had been in use for some time, it was discovered that in one department the time of the foreman was being taken to an unreasonable extent in the preparation of individual requisitions in numberless cases where small quantities of materials of insignificant value were required. Very naturally this foreman looked upon the system as a whole from the viewpoint of the part that affected him and he was entirely out of sympathy with the cost system.

It is also a duty of the management to bring the employee to recognize that the system is not to "check him up" or "get something on him," but rather to assist him in his efforts to do his best for his company and be rewarded accordingly.

As a matter of fact, the foreman and men "on the firing line" can be real factors in the effecting of savings through the use of the cost figures. Many opportunities to improve the shop efficiency would be overlooked if the detailed costs were available only to the higher officials.

TEAM WORK ESSENTIAL

It is rather a common experience that in the development of new cost accounting methods it is easy to arouse a spirit of antagonism between the operating or manufacturing departments and the cost and clerical forces. Nothing is more detrimental to the ultimate results to be secured.

Whether the system is a uniform cost accounting system for the whole industry, or one designed solely for the individual company, the factory superintendents, foremen and other operating executives must understand that some of the principal objects of the system are to provide them with information that will be of direct assistance to them in the efficient conduct of their departments.

A word of caution is equally necessary to the accounting forces. Sometimes the cost and clerical people are impatient at

the lack of proficiency along clerical lines of the practical operating men and are critical of delays in providing information. So if the factory departments fail to handle requisitions just right or if errors which appear foolish are found in the time-keeping records, consideration should be shown.

Cost figures are but tools in the hands of management and production must not be subordinated ever to the collection of costs. The cost accountant must understand that his job is to serve and he must make his cost machinery as frictionless as possible if it is to give the greatest service.

Finally, then, it may be said that during the progress of adoption of the uniform cost methods the factory heads and the cost accounting people must be brought to see the problem from a common point of view and coordinate their efforts rather than developing antagonism one to the other. Only faithful consistent work on the part of all concerned will bring the cost system to the point where the results will be what have been desired.

THE FIRST RESULTS

Executives of a business, being active and aggressive men who like to see results are sometimes annoyed at the length of time required to install a cost system. Just as the automobile manufacturer warns you against running a new machine above a certain speed for the first five hundred or one thousand miles, so the cost system should be put through a sufficiently long period of work-out before it should be expected that it will yield the results that are desired.

ADHERENCE TO UNDERLYING PRINCIPLES

It sometimes happens that after a uniform system has been put into use, the company's executives or cost accountant may conclude that the system may be changed better to serve their local needs, or perhaps to effect economies in operation. In this connection there should never be any hesitation to change methods once introduced if it is proved that they can be bettered, but in making the test as to whether they can be improved, there is one element to which careful attention should be given.

It should be remembered that there has been an acceptance of the fact that uniformity of method in the industry is important and in making changes it is easy to deviate from this

uniformity, hence every proposed change in cost methods which were installed uniform with others in the same industry should be subjected to an examination to determine whether the changes will result in a real departure from uniformity. If there is such a departure, it should not be made until the matter has been taken up with the association, for if the change is good for one it may be good for the others.

LEGALITY OF COST COMPARISONS

When the uniform system of cost accounting has finally been adopted by the members of the association, there will undoubtedly be a desire on the part of the cost accountants of the industry to compare their cost methods and cost figures. Here is what Mr. Nelson B. Gaskill of the Federal Trade Commission has had to say on the subject:

FEDERAL TRADE COMMISSION
WASHINGTON

December 12, 1922.

MY DEAR MR. McCULLOUGH:

Under date of November 24th you wrote me stating that
“* * * many lines of industry through their trade associations were adopting uniform methods of cost reckoning, but need encouragement in putting them into practical use.”
And in this connection you ask for an expression of my opinion upon the following questions:

“May the members of a trade association or group interested in a system of cost accounting meet solely for the purpose of the study of costs, the detection of errors and the improvement of their methods; and

“May reports of such conferences be made available to absent members, government agencies and others interested without contravention of law?”

As you know, it is not the policy of the Federal Trade Commission to make rulings upon general questions such as these which are not connected with the charge of a violation of law; and I assume that your inquiry is therefore directed to me individually, for the expression of an unofficial and personal opinion. In this attitude and without attempting to commit the entire Commission or to limit its freedom of ruling, I am very glad to state for whatever it may be worth, my individual judgment.

I have previously expressed my firm belief that cost accounting is a legitimate trade association activity, and subsequent consideration has merely strengthened this conviction.

tion. Collective analytical study of the results of cost accounting furnishes an invaluable supplement to the individual cost accounting work. Comparison of results, analysis of results and the study and discussion of these results lead to the improvement of methods and the increase of efficiency. To prohibit collective study of costs for the purpose of their analysis, the detection of errors, and the improvement of methods, is to shackle educative progress.

Of course the legal situation is confused by reason of the decisions in the Hardwood Lumber case and the Linseed Oil case, and it will be sometime probably before this confusion will be cleared by any additional authoritative decisions. Trade associations must therefore determine as accurately as they can the legitimate field of proper endeavor and having so taken counsel, should, without hesitation, resting upon their legal advice and the clear consciousness of the propriety of their efforts, proceed without fear, willingly inviting the test of the courts' consideration of their conduct.

I cannot find any reason for believing that the activities as defined by your two questions are per se illegal. They may become so of course, if coupled with the use of other practices directed toward an unlawful end. But it is to be observed that a course of conduct lawful in itself, does not become unlawful merely because it may be used to accomplish an unlawful object. A course of conduct lawful in itself is judged by its result or by the intent with which it is used. Prior to the appearance of an unlawful result the unlawful intent must be so clearly manifested that the unlawful result is forecast as a natural and proximate consequence before the conduct can be condemned. A lawful course of conduct therefore may not be condemned by presumption of an unlawful intent when an unlawful result must first be presumed in order to deduce from it the unlawful quality of the intent which guides conduct.

A trade association activity conducted strictly in accordance with the terms of your questions seems to me to stand clearly revealed as a legitimate activity directed to a lawful result. My answer to both your questions would therefore be in the affirmative.

Trusting that this expression will be of service to you,
I am

Cordially yours,

NELSON B. GASKILL.

*E. W. McCullough, Esq.,
Chamber of Commerce, U. S. A.,
Washington, D. C.*

CONCLUSION

It has been the purpose of this pamphlet to assist by way of suggestion the large number of associations that are in the midst of their problems of securing the installation of their uniform methods of cost accounting. It is most important to realize that cost accounting activities conducted by associations that do not finally result in the acceptance and use of the uniform methods, means that the expenditure of time and money has not yielded the fullest possible return on this investment.

Trade associations more than ever are being looked to as authoritative spokesmen for the lines of industry they represent. To meet this demand, it is essential that they equip themselves for all constructive activities, among which none are of greater importance than the adoption of uniform cost methods. The cost accounting service of the Department of Manufacture is continuous and calls for information and assistance will have prompt attention whether coming from lines organized and represented by trade associations or from firms or corporations feeling the need of uniform cost methods in their branch of industry and are willing to cooperate in making it possible.

COMMITTEE
DEPARTMENT OF MANUFACTURE
(Fabricated Production Department)
1923-1924

WILLIAM BUTTERWORTH, *Chairman*, President
Deere and Company,
Moline, Illinois.

JOHN W. ARRINGTON, President,
Union Bleachery,
Greenville, South Carolina.

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