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Accounting for a Printing and Bookbinding Business

By AUSTIN L. BEAUJON

At the outset attention is called to the fact that the four major operations that comprise the manufacture of a book are four distinct kinds of business. Composition (or typesetting), foundry (or platemaking), printing and binding are most frequently performed in separate establishments, and each trade operates under its own particular labor union. When the four trades are combined in one organization under one management a complete plant is established for the manufacture of books from the manuscript to the bound copy, and the business enterprise could then properly be called book manufacturing. The name, however, has as yet not been adopted, and a business of this kind contents itself with the composite name of "printers and bookbinders," omitting the other two component parts, very likely because a string of the four names, "compositors, electrotypers, printers and bookbinders" would be rather cumbersome.

The printer and bookbinder does not market the books manufactured by him. That is done by the publishers who own the copyrights to the books but, with few exceptions, do not operate book-manufacturing plants because it not only requires a large outlay of capital to instal such a plant, but also because to be at all efficient the plant would have to be of a capacity far in excess of the requirements of the average book publisher. The printer and bookbinder, however, maintains a plant of sufficient capacity to meet the requirements of a number of publishing houses, and as he has no books of his own to sell he is not a competitor of the publisher but rather the manufacturing department of several publishing houses, his customers.

It may not be amiss to give a brief outline of the ordinary procedure of making a book as it will no doubt be helpful to a better understanding of the accounting system outlined later.

It should be clearly understood that all rights in and to the book are vested at all times in the publisher and not in the printer. The publisher makes whatever arrangements are necessary with the author and attends to all the editorial and art work, etc., and

prepares the manuscript for publication. When the manuscript is complete and the form and the style of the book have been decided, the manufacturing can be undertaken, and the publisher begins by obtaining estimates for the work, which are asked for and given separately for each of the four subdivisions mentioned above. Of course the publisher receives estimates from concerns that perform single operations only as well as from those that can quote on all the four operations. The latter have certain advantages, but nevertheless they must meet the competition of the single-operation plants, and this makes it essential, even if there were no other reasons, for a business of this kind to have a proper accounting system by departments.

Orders are placed by the publisher for the typesetting (composition), the plates (foundry work), for the printing of a certain number of sheets and the binding of a certain quantity of volumes, which need not be and usually is not for the full amount of the sheets printed. The manufacturing begins with the composition, which is practically all machine work. When the book is set, proofs on long sheets of paper, called galley proofs, are taken off the type and read for the detection of errors. Errors found are corrected, after which other galley proofs are taken and submitted to the publisher and author. Frequently changes and corrections are made by the author, but when the proofs are finally approved the type is made up into pages and locked into forms. Proofs are again taken and are reviewed and once more submitted to the publisher and the author. When these are found correct the forms are sent to the foundry for the next operation, that of electrotyping or platemaking, and the page proofs are sent to the billing department to be used in preparing the bill, which can now be rendered for the composition. The trade custom of treating each of the four operations as a separate transaction gives the printer and bookbinder the right to bill and collect for each operation as it is performed.

In the foundry electrotypes or plates are made of the pages—one plate for each page—and plate proofs are taken and submitted for approval as before. When these proofs are approved the plates are packed in heavy wooden boxes and the foundry operation is complete and can be billed to the customer. The type slugs are returned to the composing room where they are melted and cast into pigs to be used again, and the plates are

forwarded to the press-room for the third operation, that of printing.

Books are printed on flat sheets, each sheet usually forming 16 or 32 pages of the ordinary book. The paper on which the book is printed is nearly always furnished by the publisher to the printer, who, however, provides the ink. When the printing is to be done the plates are so arranged that the printed sheets when folded will have the pages in consecutive order. The forms are then adjusted on the presses and the edition is run off, and when completed the printing is billed to the publisher and the printed sheets are forwarded to the bindery. The plates are held subject to the publisher's orders.

To this stage no special difficulties arise for the accounting department. The business has performed labor under contracts and has rendered its bills immediately upon completion of each performance. The product of its labor becomes at once the property of the publisher and its inventory consists only of such work as may be in progress and an almost negligible quantity of supplies, such as ink, oils, electrotyping supplies, etc., which are usually purchased as required to avoid deterioration.

The fourth and last operation, however, the binding, offers several problems to the accountant because of peculiar customs in the trade. One is that the publisher can leave his sheets and books with the binder for an indefinite length of time—in fact, some publishers seem to consider it quite proper to use a binder's establishment as a storage warehouse. Another custom is that the sheets turned over to the binder are usually accompanied by an order to bind only a portion of the edition and to deliver only a portion of what was ordered bound. This custom probably originated from the fact that the publisher wanted his books as speedily as possible to sell and, not wishing to wait until all the volumes were bound, would take delivery of small lots as they were completed. However, as it happens that all books have not as ready sale as the publisher expects, he not only frequently delays giving the additional delivery orders for the balance of the edition bound, but also fails to provide for the unbound sheets. Unlike the other operations which are billed upon completion, the binding is usually billed upon delivery of such lots as the publisher calls for and the billing is consequently retarded if the publisher fails to call for his books or takes only a portion at a time. This

custom may perhaps be attributed to the dislike of the old-time binder to keep records of property that did not belong to him, as he no doubt considered that if the books were billed as delivered and deliveries were made in instalments occurring within reasonable periods, there was no necessity for intricate and voluminous records. The necessity for such records is now, however, fully realized, as notwithstanding the binder's endeavors to change the custom he has succeeded only in modifying it to some extent and in some cases. He finds himself at each inventory period with thousands of volumes on his shelves that do not belong to him and on which he has only a lien for his labor and profit, while the publisher's rights in them are sedulously guarded by the copy-right laws. Of late, however, some binders have tried the plan of billing all books not ordered delivered within six months, and charging storage thereafter. Naturally this has not been joyfully hailed by every publisher, but it is fair to state that sooner or later every reputable publishing house takes its books off the hands of the binder, and in the case of a bankrupt publisher the binder is of course entitled to put in his claim for all the books ordered bound and held by him. He cannot, however, sell any of the books to satisfy a claim against the publisher unless he first obtains a judgment and levies on the books in his possession and buys them in at a sheriff's sale.

The inventory of the bindery consists of supplies such as cloth, leather, boards, glue, etc., usually in comparatively small quantities. In addition there are the books which are completed but have not yet been billed and the regular work in process. These books cannot be valued in the inventory at their cost as books, because all the operations prior to binding have either been paid for by the publisher or have been charged to his account. The inventory value of these books to the binder is, of course, the binding only, although as books they may be worth a great deal more. As in all cases of labor performed upon the property of another, the identical books appear on the inventories of both the publisher and the binder, the former taking them as sheets at their cost to him up to that point, while the latter takes them at the cost of binding. The two combined should be the cost of the book, minus the binder's profit. Indeed, one binder, to the writer's knowledge, inventories the books at his full claim on them, maintaining that they represent temporarily deferred

accounts receivable and are as good for full value as any of the other accounts already on his ledgers. The writer must admit that he agrees with this contention, but does not consider it necessary to give the matter more than a passing reference here.

The writer has thus far used the term "operations" to indicate the four major processes through which a book passes in the course of its manufacture; but in discussing the accounting system of the business the term "department" will hereafter be used to indicate the four stages. As a matter of fact the work in each department consists of numerous operations, there being probably as many as fifty altogether to produce a book from manuscript to bound volume. One-half or more of this number is performed in the binding department, where some of the principal operations are folding, gathering, sewing, backing and rounding, smashing, cutting, edging, case-making, stamping and casing-in. Truly, if it takes nine tailors to make a man, as the old saying goes, it takes fully one hundred people to make a book.

DEPARTMENTS

A complete printing and bookbinding establishment is divided into four departments representing the four major operations outlined above. These departments are called:

Composing room
Foundry
Press-room
Bindery

Sometimes sub-departments are created, as, for instance, the composing room may be divided into linotype and monotype departments; or the bindery may be separated into cloth bindery and pamphlet bindery; but whatever divisions are made the four distinctive lines are always kept separate. This is essential in the business, and the accounting system consequently must provide for following it on the books of account. The separation of these four departments should be as complete as if they were four independent business undertakings, which in a manner they are, although united under one management and complementary to each other. To obtain this complete segregation some owners of printing and bookbinding establishments operate the departments as two or more separate corporations. In the writer's opinion this is not necessary, as a proper system of departmental account-

ing gives quite as accurate results besides avoiding troublesome intercompany accounts and the bother involved in the management of a multiplicity of corporate units.

BOOKS OF ACCOUNT

The books used in a business with which the writer is familiar are general ledger, departmental ledgers, customers' ledger, cash-book, journal, sales and purchase records (the latter a voucher register with details of accounts payable), petty-cash book, notes receivable and payable registers and payroll records. Cost records are auxiliary to the general books.

General Ledger. The general ledger contains the regular balance-sheet accounts as well as the income and expense accounts of the business as a whole.

Departmental Ledgers. Each department has a separate ledger containing the income and expense accounts of the individual department. As the postings to these ledgers are made from distributive columns in the books of original entry from which totals are posted to the general ledger, the latter acts as a control on the accuracy of the departmental ledgers.

Sales Records. It has been found convenient to have two sales records, one for the bindery and another for the other departments. In the office parlance these are called "bindery sales" and "manufacturing sales," respectively. The manufacturing sales records are on loose leaves on which carbon copies of several invoices can be made. Columns are provided for the invoice amount and for each department and after the invoices have been entered on the sheets the amounts are extended into the proper department columns. There is no difficulty in determining the departmental distribution as the charges from each department even when combined in one invoice to the customer are always specified separately on the face of the invoice. The totals of the columns over a period will give, of course, the entire sales for that period as well as the sales by departments.

The entries on the sales record are carbon copies of the invoices rendered to the customers, copied from charge sheets prepared by the billing office from the workmen's time-sheets which are sent in daily by all departments. These time-sheets are tabulated on job-cost sheets. When a job is reported finished the job-cost sheet is completed, and in a section of the sheet provided for the

purpose the details of the invoice to be rendered to the customer are compiled by the billing clerk. This employee must be thoroughly familiar with the printing business, because a printer's bill can be rather a complicated affair as some of my readers may have occasion to know. The charge sheets as well as the orders received from the customers are numbered and a register is kept of them in numerical order. When an item is billed it is marked off on the register, the open items of which indicate the unfilled orders on hand and also serve as a check on the possible failure to bill a completed job.

For the bindery sales the method employed is different and the cost sheets are not used in billing as for the other departments. Since the billing here must be done on the basis of delivery, the customer's delivery order is used as the billing control. The delivery order is typed on suitable forms in quadruplicate, of which the original is retained in the office and three copies are sent to the shipping clerk. Of these, the first serves as the record of shipment, the second is returned to the office when the shipment has been made, and the third is sent with the books to be receipted by the customer. The second copy when returned to the office with all necessary information as to exact quantities delivered, routing, etc., is priced and extended together with the original that was retained at the office. This copy becomes the sales record, while the original is used as the customer's invoice. By numbering these sheets and providing for "back ordering" short deliveries, this system has been found to be an effective check on all goods leaving the premises, as the control is always with the office through the retention of the original sheet of each set of forms.

Purchase Record. The purchase record is of the usual standard columnar form. Distribution is by departments, but, in distributing by departments, the only information obtained from the record is the total of materials, supplies, etc., purchased for each department. It is also very desirable to know the principal items of which these totals consist. The system of classifying by number is therefore used. By it each class of material, supplies and expense is indicated by a number which is placed in front of the amount in the departmental column. The entries in the columns are tabulated according to these numbers on specially ruled sheets, each department of course being kept separate. In

this manner the desired information is always available in great detail without clogging the ledgers with numerous accounts and necessitating a purchase record with an unusually large number of columns.

Purchase invoices come to the accounting office from the purchase desk where they are checked and otherwise verified. No purchase can be made except upon requisition signed by the heads of departments and approved by competent authority. Every requisition is numbered and every purchase invoice must bear its corresponding requisition number.

Payrolls. Payrolls as a matter of course are made up by departments. The preparation of the payroll and the checks on its correctness are much the same as in any other manufacturing concern.

Other Books and Records. The other books and records used in the system hardly require explanation as they are all of standard form and use. In addition to the regular books of account, however, a great many stock records are kept, especially for the printed sheets, the paper stock and the bound books on the premises, all of which belong to the customers, as already explained elsewhere. These records are kept on cards and in a large establishment are very numerous, as a separate card is required for each book title. Great care must be used in keeping these records because on account of their volume it would be an exceedingly arduous task to have to check them all at one time. Portions should be checked from time to time, however, to verify the general accuracy and especially to determine whether proper care and diligence is being exercised.

DISTRIBUTION OF OVERHEAD AND MANAGEMENT EXPENSES

Wherever a charge can definitely be allocated to a department it is charged direct to that department. Rent, for instance, is charged to the departments on the basis of floor space used; electric power is charged as ascertained by separate meters installed in the departments; and depreciation is taken on actual departmental plant values. But the office and administration expenses, the selling expenses and some other expenses incurred for the business as a whole cannot definitely be allocated and must be distributed on some equitable basis. This distribution, it should be noted, is not a distribution of overhead expenses to depart-

mental costs but a charge of the proper proportion of these expenses to each of the separate units of a combination and is theoretically the equivalent of similar expenses that each department would incur if operated independently. To maintain the idea that the business as a whole is the consolidation of four distinct units these expenses must be prorated to the units at fixed and constant rates not subject to the temporary fluctuations of departmental activities. The proper rates can best be determined by a fair consideration of the relative worth of each department to the whole, taking into account the estimated proportionate amount of supervision, management and office work normally required for each of the departments. This of course is an estimate and obviously such an estimate will vary in different establishments. The main point in the writer's opinion, however, is not the rates themselves, but the fact that they should be constant. Any reasonable and fair estimate will serve the purpose, but, once determined, the rates should not vary until a radical permanent change in the business makes a revision desirable.

INTERDEPARTMENTAL PROFITS

It may be considered that the system outlined above is that of a concern with four distinct stages in manufacturing and that consequently under the method employed the business takes book profits instead of true profits at the completion of each stage. But that is not the case. If the writer has succeeded in making himself clear at the beginning it will be understood that as each stage in the manufacturing is completed it is charged, not to the next stage, but to the customer, whose property it becomes and from whom the printer expects and can demand payment of his bill. An author, if he pays his publisher for the manufacture of his book, may settle at the completion of the entire job or he may even be called upon to pay in advance, but the publisher in dealing with the printer and binder rarely transacts business except on the basis of the distinct operations outlined above. Instead of being a concern with four distinct stages of manufacturing, the combined printing and bookbinding business is a combination of four distinct but closely allied trades.