Current Magazine Articles

American Association of Public Accountants

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Current Magazine Articles.

The periodical literature of business is enormous in volume, but not impressive in quality. Too much of it is mere gossip or disguised advertising or superficial re-hash of what sensible business men already know. But among the chaff there are always a few grains of wheat which ought not to be allowed to go to waste. It is the purpose of this department to pick out and summarize some of the articles that are worth attention. As no one man could possibly cover the whole field, the editor will be grateful to any one who will take the trouble to call his attention to articles that have been found useful.

Freight Car Efficiency.

In the May 22nd number of the Railroad Gazette appears a paper presented at the April meeting of the Western Railroad Club, by E. R. Dewsnup, Professor of Railway Administration, University of Illinois. It is to be regretted that only a few of the leading points of this excellent paper can be here presented.

The fact that the ton mileage in 1906 had made an increase of 52½ per cent. over that of 1900 is in itself, Professor Dewsnup believes, an indication of the injustice of those general charges of inefficiency which superficial observers have felt themselves free to make.

"The freight car equipment during the period was enlarged 34½ per cent. At first glance this compares unfavorably with the 52½ per cent. increase of business. That this is not really so is obvious when the capacity of the car is taken into account. From the equipment statistics, the increase of average capacity from 1900 to 1906 must have been close to 20 per cent. The enlargement of the freight car was not accompanied, however, by a raising of minimum weights, so that in some cases shippers made no practical use of the extra space facility.

"So far as practical results of American freight operation of recent years are concerned, it is not at all difficult to demonstrate that, coincident with the movement toward a high tonnage car, there has been a material increase in average load, indicating that to a certain extent at least such a car has proved adaptable to modern methods of industrial distribution. Statistics of the different roads show that from 1900 to 1906 a 20 per cent. increase in average capacity has been met by a 17 per cent. increase in average load, indicating, as already remarked, the suitability of the high capacity car, within certain limits, to present industrial conditions."

"One of the difficulties connected with per diem as a means of stimulating the prompt handling of foreign equipment is that at the times when cars are in most demand it is least effective. Whether the cost of car hire be 20, 25 or 50 cents a day, or even $1, it is obviously to the interest of a road short of cars not to return foreign equipment if, during the rush of business, the cars are capable of earning more than sufficient to cover operating and per diem expenses. Conversely, when business is dull and cars less urgently needed by the home roads, low car earnings stimulate the effectiveness of per diem to the cost of, it may be, unnecessary empty mileage. There seems much to be urged in favor of a variable per diem charge, especially if handled along with the whole matter of car interchange arrangements, by some permanently organized central bureau of the railroads.

"The more one studies the car situation in general, the more one realizes that the intensity of the car famines, which recur from time to time, could be materially relieved if more skillful attention were applied to the supervision and improvement of this distribution and of the mileage per-
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formance of cars both in local and inter-line business, the crowning difficulties of railroad operations. However, it is not intended to have inferred that under any reasonable economical system of car equipment the railroads could obviate such shortages."

A resort to car pooling methods really appears to be the only alternative, if economy of equipment is to be a consideration at all.

Accountancy and Economics.

In The Accountant, the organ of the chartered accountants of Great Britain, for May 16 is printed a lecture on the above subject delivered by W. R. Hamilton, F. C. A., to the Leicester Chartered Accountants' Students' Society.

Mr. Hamilton insists that a knowledge of political economy is useful to accountants, for two reasons: first, because accountants are citizens and should regard business not as an end in itself, but as a means to the greater end, right living; second, the more accountants broaden themselves the more efficient they will be in their calling.

The big problems of society are not so much in production as in distribution. "We know how to make the cake, and we make it more efficiently than it used to be made, but we have not yet found an equitable way to divide it." Accountants have a peculiar advantage which is denied to almost all other people, in that they can see better than any other class the inside working of the great commercial machine.

Mr. Hamilton confines his paper to the Profit and Loss account. "It is a series of photographs—a kind of kinematograph." Profit and Loss accounts have one common feature; that, speaking generally, they all show a profit. They may not show a profit every year, but taking any business in groups of years and amalgamating the Profit and Loss accounts for that period, they will show a profit, and, taking them in groups of years, substantially the same rate of profit.

The conclusion is that the proprietor performs a public function and his remuneration may be looked upon as a form of commission for his trouble and service given to society. "The truth is that in the long run the public pays all expenses of manufacture—everything necessarily entering into the cost of an article, and, on the other hand, every benefit in the way of reduction in cost of production is shared by the public."

Mr. Hamilton shows that the Profit and Loss Account means more than an account showing profit and loss, and that each item in it has its meaning. Each item in it stands for a certain phase of human life. Mr. Hamilton suggests to his readers that they should not work mechanically nor be so wholly engrossed in business as to consider that there is nothing worth doing except business. It is the duty and privilege of accountants to serve their fellow men and it is by this broad study that accountants can serve their day and generation. They should use their opportunities to see what is before them in the accounts that pass through their hands, and draw conclusions that will make them better citizens.
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Proposed Pan-American Bank.

To the April issue of Moody's Magazine Professor Edwin Maxey, of the University of Nebraska, contributes an article based on the reports of the Pan-American Conferences.

Resolutions were adopted at the first Pan-American Conference that the conference recommend to the governments represented the granting of liberal concessions to facilitate inter-American banking and the establishment of an international American Bank. Nothing resulted from these resolutions.

The need of such an institution became more evident during the decade which passed between the two conferences. As a result, the idea of an international bank was revived with more vigor in the second conference. The report of the Committee on International Banking again recommended the establishment of a great credit institution, which, by means of branches and agencies established in the leading cities, would encourage the development of business and improve and enlarge the methods of international exchanges. While the conference was unanimous as to the advisability of this enterprise, its unanimity ceased when any definite plans and details were introduced.

There were several plans discussed. Among them was suggested that a banking institution should be established in New York or any other commercial centre, with branches in the principal cities of the American Republics. This institution should establish uniform rules relating to charges, etc. "The difficulty with this plan," says Professor Maxey, "is the fact that it commits the states represented to nothing more than moral support, and the banks must have more tangible security."

Another plan quite thoroughly discussed was the establishment of an international banking institution with branch offices in the most prominent city in each of the American Republics. This institution was to be favored by an annual subsidy of $100,000 gold for the term of five years, and by exemption from taxes for the same period. This plan was submitted to the International Banking Committee and was reported adversely, on the grounds that the plan would have to overcome constitutional difficulties in many of the republics represented.

The proposition to grant the necessary aid in the form of subscription to shares of stock in the banks was not favorably considered. It was decided that such an arrangement would mean great difficulties in management. As Professor Maxey puts it, "A bank managed by nineteen countries would be like a Mormon child in the tutelage of nineteen stepmothers."

The conference reached the conclusion that if substantial aid were given to such a bank it would have to be by subsidy rather than by exemption from taxes or subscription to its stock. But the chief value in the discussion consisted in again emphasizing the need of such an institution.