

Chapter texts reflect the breadth of the author's experience combined with his appreciative understanding of executive problems and needs. Woven into the fabric of each chapter is a thread work revealing the author's intimate contact, not only with small and large concerns, but also with those suffering the growing pains of travail from a small to a large concern.

In stating his purpose and plan, Mr. McKinsey says that his "method of approach to the study of accounting is equally desirable for the prospective business executive and the prospective professional or private accountant. If the accountant is to be of most service to the business executive, he must understand the latter's point of view and be able to present data of such nature and in such form that the executive can use it in the solution of his daily problems." Moreover, the text-book, as a reference source for the practicing accountant, will prove a mine of suggestion, for ninety-three out of the total six hundred and fifty-five pages are utilized for a generous assortment of charts, report forms, procedure-outlines, and other valuable exhibits.

On the other hand, the practicing accountant, prosecuting the task of reading the full text, might come to feel that this is clearly not a book dealing with the accepted "principles of accounting," concerning which many authoritative works are already available. One finds much discussion here that relates to other than strictly "accounting" activities. By the inclusion of rather much that shows how accounting, statistics, budgets, etc., all fit into the modern scheme of management control, it may be felt that there is an over-argument for the use of accounting as if it were solely to satisfy an executive's needs. Obviously, in addition, accounting should serve for "accounting" of financial stewardship, for a cross check against error or thievery, as a basis for tax calculations, and so forth.

Nevertheless, so often does one get the impression that auditors are called in only to verify accounts after an embezzlement and so numerous and ample are the available treatises on generally accepted principles and practices in these recognized fields of accounting service, that a sane emphasis of the major potential value of accounting as an executive tool is unlikely to receive too great emphasis. For instance, thoroughly in line with his admitted viewpoint and purpose, the author properly subordinates space allotted to financial statements so that this discussion becomes a subdivision of his discussion of reports in general. They are but one group of many reports necessary for the vital coordinating executive control by "accounting."

Where adaptation of existing practices seems necessary in order to gain this additional utilization of accounting, Mr. McKinsey does not hesitate to suggest frankly where and why present practices should be revised. His attitude is fair when, recognizing occasional differences of opinion as to current practice, he outlines the opinions of others before stating his own clearly, and the why of it. He dissents at times from the acknowledged majority opinion, but it is clear on which side of all questions he stands. The author's opinions are essentially in line with the more advanced thought, including that of the corporation whose control practices it is your reviewer's privilege to scrutin-

ize, even though that company may not yet have effected the practice of the advanced principles it tentatively, informally accepts.

The first half of the book deals, first, with the need and nature of standards and records, second, with organization for standards and records control, and, third, with administrative reports. Here the main argument is for a consolidation of all "standards and records functions" under one head, styled a controller, who reports directly to the president or general manager. The discussion assumes "the existence of a controller with centralized control of standards and records, even though in the majority of business firms there is no such executive." Nevertheless, "the controllership function exists in every business; but it is usually more clearly discernible in a large business than in a small one and, therefore, the former serves best for purposes of our study. The general principles here outlined are equally applicable to small or large concerns but the method of carrying these principles out will vary according to the size of the business."

As each head of the subject matter is discussed the treatment is developed from a typical outline specifying the need for the suggested activity; the type of executive designated; the functions, duties or "sections" of activity; their relations to other functions; the procedures, mechanisms, or manuals required; and the organization set-up suitable for execution of the functions.

The second half of the book comprises four comprehensive parts, developed under the four heads: (A) sales control; (B) purchasing control; (C) traffic control; (D) production control. Here the treatment of each part devolves around a more elaborate skeleton outline.

1. Recognition of need and definition of the problem faced
2. Description of the type of current research indicated to respond to the need
3. The accounting treatment to record current activity
4. The manner of establishing budget estimates based upon the experience and in view of anticipations
5. Example of the typical procedure set up for execution of approved budget programs
6. Suggestion of typical check-up reports designed to hold the organization accountable for execution of approved budgets according to the established procedures.

Of course, the discussion under each of the four heads is not sufficiently detailed to profess exhaustive treatment but the text reviews the major phases of each functional activity sufficiently to enable one to grasp interrelations, to recognize the executive problems involved, and to see the desirable contribution accounting may make toward coordinating control.

Under the concluding head, "Production Control," the treatment is even more extended than indicated by the expanded skeleton. Here under the head of "Procedures," a chapter exposes the operation of balance of stores control of inventories, presenting in manual, style detail a description of the activities of the Sales Order Section, the Balance of Stores Section, the Factory Order Section and the Factory Schedules Section. After touching upon cost ac-

counting to emphasize its value as a tool for an executive's coordinating control, "Production Control's" concluding chapter submits many report forms, well designed from the executive's viewpoint and adaptable to serving his needs in this intricate but vital field of control.

Admittedly, many phases of executive control are not treated within the covers of the present volume. The second volume, as yet unpublished, holds promise of continuing a broad gauged treatment of these remaining phases. For the present volume has first defined with clear comprehension the problems of executive control and has then directed the light of a new viewpoint toward four of the phases of activity that have heretofore elicited much hackneyed treatment. Accounting may have other utilities, but the sane treatment from the newer viewpoint throughout this book presages a day in the not distant future when the greatest utility of accounting will be found in its service in managerial control.

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Year Book 1924. National Association of Cost Accountants, New York, 1925, pp. 299. (657.452)

The most recent year book of the N. A. C. A. contains the proceedings of the Fifth International Cost Conference, held in Springfield, Mass., September 22-25, 1924. The papers presented are grouped under five headings:

1. Some Practical Applications of Budget Methods

The first paper under this heading described a long established budget primarily based on sales quota and provoked the only discussions on the subject. A careful consideration and summing up of these discussions have confirmed the present reviewer in his belief that most manufacturing establishments have not yet established their production and accounting methods on a sufficiently scientific basis to develop a budget system that will be of any substantial use, and that where this has been done no real difficulty will be encountered in developing a budget system that will do all that can be expected of it. For a budget for a manufacturing establishment can surely never be anything but a forecast or estimate on the strength of past experiences as reflected in the accounts and costs of previous periods and other statistics of manufacturing and selling, of income and expenditures connected with an estimated volume of business, whether this is based on an estimated necessary curtailment of manufacturing because of a poor business outlook, an expectation to sell all the plant can produce, or a campaign to sell a quantity that will necessitate additional manufacturing and selling facilities.

2. Some Deficiencies of Cost Accounting and Their Cures

Three papers were read on this subject, the first by a professor of accounting; the second by a well known accountant who exploits a special cost accounting system of his own; the third by the factory manager of a large well-known middle-western plant. The net result of these papers and the subsequent discussions reveal a refreshing

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realization and acknowledgment on the part of the conference as a whole, that most accounting departments of today are far from giving full satisfaction to those for whose guidance in the shaping of general policies or in the direct management of production they exist. As the present reviewer first learned from the late Fred. W. Taylor, and later from his own experience, this is principally due to a general lack of cooperation between factory managers and cost accountants, who only too often understand but little, if anything, about each other's work and difficulties. In fact, it was this that induced Mr. Taylor first to take a course in bookkeeping and accounting and later to undertake an extensive study of cost finding and accounting methods as they existed in this country toward the end of the eighties of the last century, only to find nowhere anything that appealed to him as fully serving its ostensible purpose, though he found many elements that seemed to be well thought out and worthy of careful consideration. With the self assurance and the wonderful capacity for work which characterized him, he laid a foundation on which he eventually built up the interlocking cost and accounting system that has always been an important feature of the Taylor System of Management, though Mr. Taylor never published anything about this feature of it.

This system recognizes the absolute necessity for cordial cooperation between the planning department and the cost and accounting department, while it relieves shop foremen of any direct responsibility for correct charges in accordance with the "card of accounts," so often referred to as the "bible."

This seems to be a proper occasion on which to call attention to some of the other differences between the function of an accounting department as apparently viewed by the whole conference and the functions of an accounting department operating under a Taylor System. Under a Taylor System no returns or reports on cost figures serve as a check on direct efficiency, which is entirely in the hands of the planning department with its control over all means and methods of production, time and rate setting, etc., and daily responsibility for their proper use. Hence under a Taylor System, with its complete functionalization of all activities, the cost and accounting department only records, classifies, and reports results, on forms so constructed that with rare exceptions they fully interpret themselves to those for whose information they are prepared. In other words, the accountant's function is essentially that of a compiler and statistician, and as such also an historian; and as in fact the modern historian often forecasts, or at least attempts to forecast, future events from past events, and may even go so far as to suggest policies for avoiding the repetition of past mistakes in the future, there is no reason why the aspiring accountant should resent being considered an historian.

An objection raised against the interlocking of costs with the financial accounting on the ground that it takes too long after the end of each period before the books can be closed and reports made, is undoubtedly valid in many cases, but as under a Taylor System this difficulty is reduced to a minimum, and as a knowledge of shop efficiency