

argument against the inclusion of interest in manufacturing costs, namely, that to do so would add to the inventory of goods on hand profit that had not yet been realized. In this connection the author might also have pointed out that the inclusion of interest in the cost of inventories is not permitted by the Federal Income Tax Law and Regulations, which should be observed in the accounting of any enterprise.

Chapters XXI to XXIV take up the problems of accounting for burden, and Chapters XXV and XXVI the work of finding the cost of worked materials and merchandise and the cost of improvements. Chapters XXVII to XXIX are given over to a discussion of mechanical aids to cost accounting. Here many practical suggestions are made relative to the proper size and shape of accounting forms, and the arrangement of the spaces and ruling on the forms. Here, also, the purposes and uses of some of the standard adding and computing devices are illustrated.

In Chapters XXX to XXXII the author devotes himself to a detailed discussion of one of the principal theses of his book, namely, that the cost accounts of an enterprise should provide information that will be useful in the successful direction and conduct of the enterprise. He also points out here that the cost accounts should always constitute an integral part of the general accounting system. One of the principal purposes of cost accounting is to provide the prices at which the cost of goods sold and on hand is to be computed for the purpose of the balance sheet and statement of operations which are prepared from the general accounts. Here the author reinforces the statement made earlier in the book that the cost department is the auditing department of the factory, and in this connection he sketches some of the principal ways in which the cost department may make a continual investigation and review of the results accomplished by the factory.

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Cost Control for Foundries. By Frank Everitt and Johnson Heywood, edited by William R. Bassett, McGraw-Hill Book Company, Inc., New York, 1923, pp. vii, 226.

If this book did nothing more than attract the foundryman's attention to the subject of cost accounting and set him thinking about his costs, its authors would have rendered a valuable service. Not only will it accomplish this end; it will enable him to think to some purpose. The fundamentals of cost accounting are set forth in an easily understandable way: the erroneous conclusions to which the ordinary rough and ready methods of computing foundry costs may lead are shown; and what is of the greatest importance in foundry work—a way to the logical and equitable allotment of indirect expenses or "overhead" to specific jobs is pointed out.

Nowhere will be found so great a need for good cost accounting as in the average jobbing foundry and nowhere will one find such widespread ignorance of true costs or the methods by which they may be known. This, no doubt,

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accounts in a great measure for the fact that so many foundries have a hard time getting along, and for the unintelligent competition of which the foundryman is wont to complain, and of which the purchaser takes advantage. Imagine in any other business a parallel to the way many estimates are given for foundry work where the foundryman walks through a machine shop, glancing at the castings he sees about, and is induced to quote offhand a price per pound for the whole range, heavy and light, simple or complicated with almost no knowledge of the quantities or proportions of the various pieces making up the tonnage used or of the nature and condition of the patterns. This would be bad enough if he knew the relative costs of the various classes of work. Too often the only known factor is the material cost; in specific cases the foundryman can from past experience make a fairly close estimate of the direct molding and coremaking cost; this still leaves from a third to a half of the total cost—the indirect expense—in the dark.

If for no other reason than to make possible intelligent bidding the foundry engaged in jobbing work needs cost keeping, such as discussed by Messrs. Everitt and Heywood. It also needs a system of classification of castings such as might be readily developed in connection with a system of foundry cost accounting and which should perhaps serve as a foundation for such a system. Finally, if the evils of ignorant and ruinous competition are to be eliminated, the foundry should follow in the footsteps of other industries and—as has been in a measure already done in one branch of their own industry—adopt a uniform system of accounting. As it is, too often the low bidder on foundry work should receive condolences rather than congratulations.

In their efforts to show a way out of this wilderness the authors of "Cost Control for Foundries" have done a good job.

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Frank Bunker Gilbreth

July 7, 1868

June 14, 1924

Engineer, Investigator, Author

In late October, 1910, Mr. Gilbreth remarked to a companion on a Montreal-Quebec steamer, "It would be a shame if Fred Taylor should die without some organization to perpetuate his work. Let's form a society." On November 11, Morris L. Cooke, Robert T. Kent, Conrad Lauer and Wilfred Lewis met at Mr. Gilbreth's room at the Athletic Club, New York, and effected an informal organization which met monthly thereafter at Keen's Chop House. On November 7, 1912 this group and invited guests held a meeting at the Hotel Astor, New York, and organized the Society to Promote the Science of Management which since 1916, in honor of Frederick W. Taylor, who had died in 1915, has been called the Taylor Society. The Taylor Society is therefore one monument to Mr. Gilbreth's vision and energy.

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HOW can psychology contribute to the solution of the real management problem—inspiring interest, understanding, initiative, effort, precision, and personal effectiveness in cooperative activity? —Page 166.

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