

The crude standards are refined by job standardization through time study and job analysis. Through planned control the detailed standards are maintained. The two elements work together for a single purpose, to increase the effectiveness of the employee and to lower the cost of production. In treating job standardization we are looking at the process of manufacturing from the point of view of the factory; in considering planning and control we are, so to speak, in the office."

HUGO DIEMER.¹

The Economics of Overhead Costs. By John Maurice Clark.² The University of Chicago Press, Chicago, Ill., 1923, pp. 502.

The author states that "our study of overhead cost will be largely a study of unused powers of production." This thought, the central one in the book, has been carefully analyzed and forcefully presented. No effort apparently has been spared in developing the many phases of this subject. One might be led to the conclusion that a book of this nature would be theoretical in character but such is not the case. Many of the facts presented and the conclusions reached are based upon actual studies of business conditions. A perusal of the pages of this work will undoubtedly benefit the student, the engineer, the accountant and those entrusted with the job of eliminating overhead losses occurring through failure to utilize plant capacity fully. A sympathetic attitude toward some of the problems of the engineer, the accountant and the economist is in evidence throughout.

We are told that the idea of expenses of production is a rather recent one. Parallels have been drawn between the old handicraft system and the present machine system; between the old fashioned many price system and the one price system, and attention is called to the resulting change which has taken place in the character of overhead costs. The introduction of the machine into our economic life and the resulting keenness of competition has been instrumental in furthering the study of overhead costs and in developing the subject of cost accounting.

The problem of overhead costs and unused capacity is complicated. When must overhead costs be counted as costs and when must they be regarded as other than costs? What effect does the size of a plant or standardization have upon costs? Should industry recognize that the bulk of its costs are overhead costs and act accordingly in times of depression? How should overhead costs be apportioned? These are but a few of the many questions which come within the scope of the problem and to which the author attempts to find the answer.

There are a number of chapters which ought to appeal to the cost accountant. Most of the cost accounting literature has been written by cost accountants for other

cost accountants and students of accountancy. Here the cost accountant is permitted to look at his subject through the eyes of an economist. Sections are devoted to discussions covering the standpoints and purposes from which costs are viewed; the different classes of costs such as fixed, constant, variable, differential, residual, urgent, postponable, shutdown, ultimate, joint, etc.; interest as a cost; different costs for different purposes; the unit of cost; the methods of allocating costs such as the accounting, statistical, and the estimated. Chapter XII is given over to a discussion of the Purposes and Methods of Cost Accounting; Chapter XVII to Overhead Costs in Special Industries and Chapter XVIII concerns itself with Labor as an Overhead Cost. Cost accounting involves more than the mere technique of accounting for material, labor and burden. There are other problems of major importance which influence the technique of cost accounting and the author seems to have discussed most of them in this volume.

The relation between overhead costs and the workings of economic laws is discussed in Chapters IV and V. The law of return and the law of proportion of factors are stated and analyzed. Mention is made of twelve variables governing efficiency which in turn is reflected in overhead costs. The effect of large scale production on overhead costs is covered in the chapters on "How and Why Large Plants Bring Economy" and the "Economies of Combination."

Specific problems in overhead costs in certain industries are ably presented. The cost problem confronting transportation companies and other public utilities is not easy of solution. Many factors influence costs, such as density of traffic, fluctuating demands, road-bed difficulties, development of off-peak business, terminal cost, difficulty of apportioning costs, effects of competition, and difficulty of allocating costs.

After reading this volume one cannot help but realize that, after all, overhead is a very important factor in the modern business world and that success or failure very often hinges on the way the overhead problem is handled. Overhead problems are difficult of solution and the executive, the engineer, the accountant or economist who is interested in these problems will find that a reading of this book will be a worth while investment.

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- A. The Community
- B. Labor
- C. The Manager
- D. The Employer

2. To secure the gradual elimination of unnecessary effort, and of unduly burdensome toil in the accomplishment of the work of the world.

3. To promote the scientific study and teaching of the principles governing organized effort, and of the mechanisms of their adaptation and application under varying and changing conditions.

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