

CONTENTS

<i>Preface</i>	v
--------------------------	---

CHAPTER I

THE DEVELOPMENT OF ACCOUNTING IN INDUSTRY	I
---	---

Decentralized control of complex organizations—Forward planning—The main purpose of management accounting—The vital factor of leadership—What kind of accountant is required?—What sort of accounts are required?—Accounting for man-hours—Measuring production efficiency in time and money

CHAPTER 2

INSTALLING STANDARD COSTING, BUDGETARY CONTROL, AND VARIANCE ACCOUNTING	15
---	----

Main points to be established: What products are made?—The specification of products—Defining the operations—Division of the factory into functions—Budget of output—Budget of expenses—Allocation of expenses—Costing rates and product costs—Control factors—Control of expenditure—Control of recovery of fixed expenses—Degree of elaboration—Control of materials—Making full use of variance accounting: Set-up time—Machine time or operator time?—Expense variances—Fixed and variable expenses—Material variances

CHAPTER 3

BUDGETING OUTPUTS FOR STANDARD COSTS	26
--	----

Unit of measurement of output—What type of standards?—Ideal standards—Basic standards—Expected actual costs—Normal capacity: Average capacity to produce and sell. Cost of idle capacity—Lack of orders or materials—Sterile plant—Special purpose plant—Plant out of balance

CHAPTER 4

WHO WANTS WHAT COSTS?	35
---------------------------------	----

Design and research staff—Sales staff—Production staff—Higher management—Share owners, employees, and the general public

CHAPTER 5	
HOW AND WHEN COSTS SHOULD BE PRESENTED	48
Accounting must conform to the pattern of the business— Avoiding technical accounting jargon—How accurate?—Inter- preting the figures—Simplification—Providing a “yardstick”— Form of presentation—Where should reports be prepared?— When should information be compiled?	
CHAPTER 6	
THE TREATMENT OF VARIANCES IN END-YEAR STOCK-IN- TRADE	55
Cost or market—Companies Acts, 1948 and 1967—Clarifying the profit and loss account—Cost of raw material: Unit cost— First in first out—Average cost—Base stock—Last in first out— Standard cost—Cost of work in progress and finished stock: Raw material content—Manufacturing expenses—Selling and distribution expenses—Administration expenses—Variable expen- ses—Fixed departmental and general works expenses— Manufacturing variances under standard costs: Favourable or credit variances—Unfavourable or debit variances—Writing stock down below cost	
CHAPTER 7	
THE CONTROL OF SERVICE DEPARTMENT COSTS	73
Two-stage accounting—Establishing control—Budgets of con- sumption of the service—Charge service to user in two parts— Subsidiary services—General works services—Mutual charges between services—Administration services—Selling services	
CHAPTER 8	
FUEL AND STEAM COSTS	83
The two aspects of service costs—Costs of production—Output budgets—Heat balance—Mains losses—Expenditure budgets— Expenditure control—Charging the users—The unit of output	
CHAPTER 9	
THE LINK BETWEEN SHOP-FLOOR RECORDS AND MANAGE- MENT ACCOUNTS	97
Raw materials—Productive work—Finished goods—Separate records for different departments—Stores and services—Auto- matic recording	

CHAPTER 10	
THE VALUE OF ORDERS RECEIVED	105
Normal analysis of sales—Unfilled orders—Profit on orders received—“Value” to a manufacturing firm—The “Work content” of incoming orders—Balancing the work load— Timeliness rather than accuracy—Particular limiting factor	
CHAPTER 11	
THE FINANCIAL IMPLICATIONS OF PLANT INSTALLATION AND THEIR EFFECT ON PRODUCT COSTS	112
Providing the funds—Initial considerations—Layout should never be “final”—The cost of moving material—Unit cost of the end-product—Plant utilization—Plant balance	
CHAPTER 12	
RETURN ON INVESTMENT	124
Definition—Objects—Effect on Profits—Limitations—Proce- dures: Discounted cash flow. Return on funds invested in the busi- ness. Return on capital at risk. Return on assets employed. Gross fixed assets. A simplified example. A more complex example. Depreciation as part of the shareholders’ invested funds—Effect of interest earned on the depreciation fund—Should profit also be gross, rather than net?—Net fixed assets—Opening or closing balance sheet?—Allowance for inflation—What rate of return?— Rate of turnover of capital	
CHAPTER 13	
CONSERVING RESOURCES OF WORKING CAPITAL	153
Factory space—Stocks and work in progress—Raw materials and bought out finished goods—Work in progress—Finished goods—Total stock turnover—Debtors and what is owed to the firm—Bank balances and cash—Working capital provided by creditors	
CHAPTER 14	
CASH FLOW ANALYSIS	164
Operating fund—Cash fund—Loans—Sales, the pump in the system—Long-term cash forecasts—Short-term cash forecast— Detailed cash budget—Source and disposition of funds state- ment—Controlling the cash flow	

CHAPTER 15

PROFIT IMPROVEMENT AND BUSINESS PLANNING	173
Profit improvement projects. Improving control of costs—Increasing volume of production—Improving selling prices. Improving the organization—Improving the structure—Improving the performance of individuals—Improving the methods. Project committee. Business planning. The profit gap	

CHAPTER 16

MECHANIZED ACCOUNTING AND ELECTRONIC DATA PROCESSING	184
The operations of handwritten accounting—The basic accounting operations—Mechanizing those operations: Mechanical input—Mechanical sorting—Mechanizing arithmetic—Mechanizing output—Mechanized storage—Position reached by mechanization—The arrival of computers—Characteristics of these machines—The main parts of the computer: Input unit. Central processing, or control, unit—Storage unit—Output unit—Method of operation: Systems study. Programming and coding—Problems of operation: Maintenance. Errors. Problems of system development—What can computers give us? Speed. Accuracy—Some input and output difficulties remain—The storage problem—What jobs can computers do?—Routine accounting—Production programming and control—Flexible budgetary control and variance analysis—Sales and forward trends—Integrated accounting—Multiple-choice problems—Application to the medium-sized business	

CHAPTER 17

THE IMPLICATIONS OF COMPUTERS FOR MANAGEMENT CONTROL	208
Book-keeping applications—Individual control applications: Management by exception—Feed-back—Examples—Benefits—Problems—Management control applications: Example. Benefits and limitations—Planning and optimization applications: Definition of planning applications—Example of planning application—Limitations—Definition of optimization applications—Example of optimization application—Benefits and limitations—Fully integrated applications—Real-time working: Effect on management control—Effect on organization—Effect on managers—Management's information requirements—Administrative <i>v.</i> entrepreneurial control	

CHAPTER 18

COMMITMENT ACCOUNTING FOR CONTRACT PROFIT CONTROL	228
Concept and definitions—Establishing procedures—Reporting to management—Control of commitment of resources	

CHAPTER 19

THE SHRINKING VALUE OF MONEY	239
Fixed assets—Depreciation—Method of taking inflation into account	
INDEX	243