

PREFACE TO THE FOURTH EDITION

SINCE it was first published this book has aimed to pick out for discussion those particular problems which are most commonly encountered in actual practice, when trying to provide management with the information needed to run a business. It has therefore been difficult to arrange the chapters into the balanced sequence of a conventional thesis—nor has there been any attempt to deal with every problem which might arise. All that has been attempted is an examination of what are considered to be some of the more important questions likely to be encountered in businesses both large and small.

In revising the contents of this book for this fourth edition, it has been interesting to find that, despite the rapid technological changes taking place around us, so many of the basic problems of management remain the same. As a result, there has been less need to alter much of the content than had been expected. This was particularly noticeable in the chapters dealing with the application of computers to accounting and management control. Technological advances in the computer field have been so remarkable that it was surprising to find that, on the contrary, the problems of application, written about several years ago, are still with us in much the same form. Changes have, of course, been made; but they are less far-reaching than might have been hoped if our skill at solving the problems of applying computers to business administration had anything like matched the skill of the computer technologist in advancing the design of the computer itself and its related peripheral equipment and software.

The chapter which discusses return on investment, has been completely re-written and greatly expanded. This has, rightly, come to be regarded as one of the most important measures of business performance, and yet its method of calculation is generally misunderstood, and as often as not misleading. The revised chapter sets out to demonstrate the basis on which it ought to be calculated for management control purposes, and

also discusses the other bases on which it is calculated for other purposes.

A chapter has also been added which sets out the steps which must be covered if a methodical attack is to be made on the problem of improving the profitability of a business. This is linked to the question of business planning and the role played therein by the accountant.

Finally, one of the most widespread criticisms of accountants at the moment is directed at their failure to recognize the shrinking value of money and to take cognizance of this fact of economic life in the accounts they present. Therefore, a further chapter has been added which describes a fairly simple way of dealing with the impact of inflation on the balance sheet value of fixed assets and on the amount charged for depreciation against cost of sales in the profit and loss account.

F. CLIVE de PAULA

Arden,
Long Crendon,
Aylesbury, Bucks.
January 1972