

**THE DEPRECIATION OF
FACTORIES, MINES AND
INDUSTRIAL UNDERTAKINGS
AND THEIR VALUATION**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649217397

The depreciation of factories, mines and industrial undertakings and their valuation by Ewing Matheson

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Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

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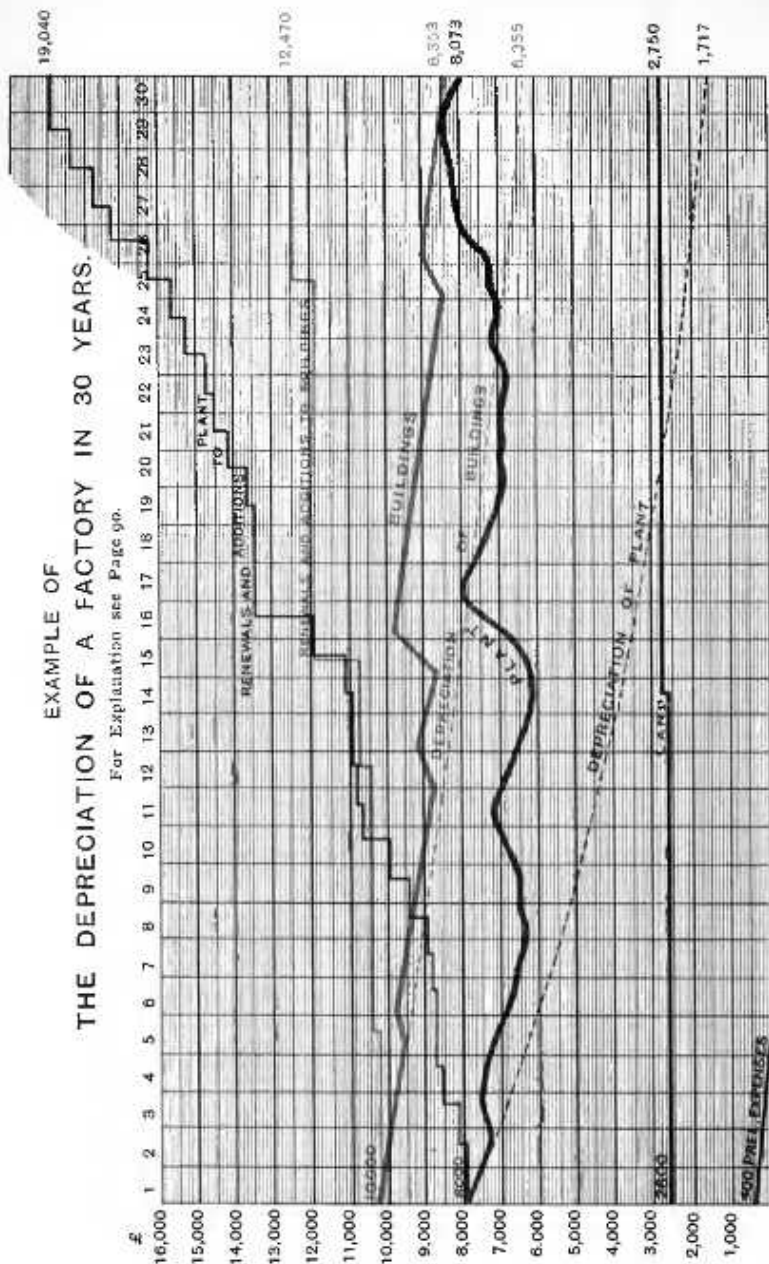
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EWING MATHESON

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EXAMPLE OF THE DEPRECIATION OF A FACTORY IN 30 YEARS.

For Explanation see Page 90.



Value by Year.	6th Year.
Buildings	29,353
Plant	8,073
Land	2,750
Prel. Expenses	—
Total ..	£19,176

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DEPRECIATION OF FACTORIES

MINES AND INDUSTRIAL
UNDERTAKINGS

AND THEIR VALUATION

BY

EWING MATHESON

M. INST. C.E.

THIRD EDITION



London

E. & F. N. SPON, LTD., 125 STRAND

New York

SPON & CHAMBERLAIN, 123 LIBERTY STREET

1903

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PREFACE

TO

THE FIRST EDITION.

IN the Financial administration of a Factory or other industrial undertaking, the Accounts which relate to Disbursements and Receipts are so obviously necessary to the continuous working of the undertaking as to be rarely neglected, and if errors or omissions occur they quickly compel attention. But the Capital accounts are not always deemed to be of such pressing importance, and variations in the value of plant arising from the wear and tear may be left unnoted. The increasing extent of Factories, the subdivision of capital by means of joint-stock companies, and the conflicting interests that arise in regard to preference shares and borrowed capital, enhance greatly the importance of correct systems of account. Qualified book-keepers should be employed to arrange and check factory accounts, and the profession of Accountant and Auditor is rising in importance accordingly. But while Accountants may properly deal with facts and figures presented to them, and may fairly allot to Capital and Revenue actual expenditure or Estimated Depreciation, they must always be dependent for the accuracy of these *data* on those technically acquainted with the operations of manufacture. It is endeavoured in the present short

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treatise to point out the leading circumstances that must be considered in "Writing off" for Depreciation, and to tabulate in a simple manner the annual changes that occur in Capital value.

In the Valuation of a Factory for any purpose whatever, the past "depreciations" and additions have to be considered; and the possible modifications which may be necessary are dealt with in the later chapters.

PREFACE
TO
THE SECOND EDITION.

BY WILLIAM CHARLES JACKSON,
Mem. Council Inst. Chartered Accountants.

THE value to the professional Accountant of a standard work on the subject of Depreciation cannot easily be over-estimated. Few of the persons in whose interest his services as an auditor are employed, are fully competent to appreciate that profits of manufacture are not gained until the loss by the wearing out of the machinery of production is provided for; while many of those who conduct the affairs of Companies are unwilling to acknowledge the necessity of such provision, where apparent profits are cut down and dividends thereby diminished.

The principles of Depreciation, and its incidence under varying circumstances, are clearly laid down in Mr. Matheson's work; and the guidance, which, as his preface says, must be sought from those technically acquainted with the operations of manufacture, is to be found lucidly expressed in his pages.

To those who honestly and from conviction treat the subject on the only sound basis, it may seem superfluous to urge due consideration of the arguments so convincingly set out in these pages; but Auditors, and especially those

who have to deal with joint-stock or other concerns, where the remuneration of the management is made wholly or partly dependent upon declared Profits, know in what varied forms resistance to an adequate charge against profits for Depreciation is presented.

The fallacies underlying these objections present themselves again and again with the modifications caused by the lack of apprehension in some, or the ingenuity of others. Mr. Matheson's work provides the Auditor with true antidotes to these fallacies, and it has been in past times used by the writer with satisfactory effect, where his own less-reasoned arguments have failed to convince.

He therefore recommends it afresh to the notice and for the support, where necessary, of members of his own profession, and of those who, untrained in the practice of Auditing, are confronted with unfamiliar and specious pretexts for avoiding the unwelcome charge against Profits.

PREFACE
TO
THE THIRD EDITION.

DEPRECIATION can only be adjusted by the joint knowledge of the Accountant and the technical Manager. Although the subjects to be considered become every year more important and varied, there is still no treatise on the subject by a professional Accountant accustomed to deal with such affairs. The present Author, therefore, who has had much experience in the administration of manufacturing concerns, both from the technical and financial side, ventures to put forward the book once again.

This Third Edition has been thoroughly revised up to date ; and such subjects as Municipal trading, Local loans, Electric undertakings and Preference partners, have been included for the first time.

As much of the matter in the earlier editions has been reprinted by others, both in England and America, without acknowledgment, it is well to note here, for the information of those concerned, that the Diagrams and Tables in the present volume were first composed, printed and published by the Author in 1884.

LONDON : *August*, 1903.