

**MANUAL OF COST
ACCOUNTS;
SECOND EDITION**

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Manual of cost accounts; second edition by H. Julius Lunt

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H. JULIUS LUNT

**MANUAL OF COST
ACCOUNTS;
SECOND EDITION**

UNIV. OF
CALIFORNIA

MANUAL OF COST ACCOUNTS

BY

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SECOND EDITION

Revised and Enlarged



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PREFACE TO SECOND EDITION

IN the preparation of a second edition of the **MANUAL OF COST ACCOUNTS** opportunity has been afforded for a rearrangement of the text, and for the addition of further examples and models which help to illustrate more fully the aims and methods of the various systems in use.

Along with the correct ascertainment of Production Costs, Modern Accountancy seeks to obtain from cost statistics a means by which control over running expenses and economical use of capital can be secured ; and by the regular preparation of interim Profit and Loss statements and Balance Sheets to ensure that criticism of manufacturing operations from the financial standpoint which is essential to commercial success.

The author is indebted to many friends for their kind assistance which is gratefully acknowledged.

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MANUAL OF COST ACCOUNTS

CHAPTER I

INTRODUCTION

THE subject of Cost Accounts has come into prominence in recent times because of the increased interest in more accurate methods.

A United States Government Committee has made an official inquiry into the subject and states that "an amazing number of manufacturers, particularly the smaller ones, have no adequate system for determining their costs, and price their goods arbitrarily." Probably in this country less than 10 per cent of the manufacturing firms have an efficient system of Cost Accounts.

Many manufacturers are content to have a periodical Trading and Profit and Loss Account which merely shows the result of their operations as a whole. From these accounts, however, nothing can be learnt as to any particular work which is making big profit, or as to work which may be entailing heavy loss. Transactions of both kinds mingle together in making up the totals recorded in the financial books.

In some cases the financial accounts can be arranged so as to classify the expenses in sufficient detail and provide a return of the cost of a standard unit, department or process.

A separate system of accounts is required in other cases which must analyse the financial results so as to determine the cost of material used in the manufacture of any particular unit ; the wages expended on it ; and the other sources of expense which are incurred to bring it to perfection and dispose of it on the market. These must be