

**BITUMINOUS COAL  
MINE  
ACCOUNTING**

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Bituminous coal mine accounting by W. B. Reed

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# BITUMINOUS COAL MINE ACCOUNTING

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## PREFACE

In response to numerous requests to the National Coal Association for suggestions and more detailed forms than contained in the "Report and Suggestions" of its Cost Accounting Committee, the author prepared a series of articles on "Cost Accounting in the Bituminous Industry" which were printed in *Coal Review*. To meet the desire of many who wish to have these articles in more permanent and usable shape arrangements have been made to issue them in book form. Several new chapters have been added, and the subject matter has been expanded. In their original scope the articles were intended to cover only cost matters, but in this book some questions of general accounting pertinent to the bituminous coal mining industry have been touched upon also.

The importance of proper accounting has probably never been more clearly felt than at the present time. The necessity for having an adequate cost accounting system has been stressed within the past few years by trade associations, government agencies and accountants generally.

In the coal industry this was a particularly important subject during the recent war, sales prices being fixed by the Fuel Administration based on cost. At all times a knowledge of the cost of production is an absolute prerequisite to price making. A corporation without a cost system is like a ship without a compass.

Business is conducted for the purpose of making a profit, and the business man is entitled to a margin between his cost and selling price. An adequate cost finding system is intended to eliminate guess work. To be of value to the industry such a cost system should be more than a historical record of transactions long closed.

It is questionable when a cost system is maintained merely for the purpose of history, whether it is worth the cost of its compiling. If this is its entire use the question might reasonably

well be asked "How much does your cost system increase the cost of production?"

A cost system properly employed should be so arranged that it will tell from day to day the variations from a standard or theoretical cost. By its proper arrangement the management may feel each day, so to speak, the pulse of operation, and know from time to time what is happening in the industry. Knowing what is happening, those charged with the management are able to fix the responsibility and control the operation.

An adequate cost system must not only give current information, but must be a historical record as well, and being such a record, must tie intimately and accurately into the general accounting scheme.

The drafts and descriptions of forms which accompany the text are suggestions only and are not introduced with the idea that they are the only ones which can be used or are better than those prepared by accountants in the industry. The trained accountant familiar with the problems of his own organization will be better able to devise methods and detailed forms which will fit his particular organization and answer his particular problems than is one not on the ground. They are presented rather with the idea of being helpful in smaller organizations which have not had the benefit of expertly trained assistants.

In this book the assumption is that the general office and the mine office are located at different points and that the general office is dependent upon the local office for certain reports which will uniformly bring to the management and the accountant the pertinent facts connected with the operation, in order that the former may know what is happening from day to day, and that the latter may be able systematically to build up his accounts.

May I also add a word in behalf of the accountant. Too frequently the accounting department of an organization is looked upon by the management either as a useless expense or as a necessary adjunct which, although expensive, must be endured. Absolutely the reverse is the case. The well trained accountant, particularly the one who has spent some years with the business, is and should be in many respects one of the best informed and most valuable of the concern's officers or employees, and the accounting department one of the most valuable to all departments of the business.

The accountant should have advance information on all expenditures, that he may be able to lay his accounting plans accordingly and without delay. It is essential that he have this information, because to him falls the decision as to whether certain charges are capital accounts or items of expense. His must be a long-range vision. As charges come to him he must visualize them in their final resting place on the balance sheets. It is to him that the management and the directors must look for lucid statements of the cost of operation and of their financial affairs, and he should at all times be in their confidence.

Generally speaking, in corporations of medium size, the organization will take somewhat of the following form:



This will vary, of course, according to the form of organization. In some cases the secretary and treasurer are responsible also to the general manager. In some instances the mine clerks and weighmasters are directly responsible to the general manager rather than to the local superintendent, and in some cases mine clerks are directly responsible to the accounting department.

Regardless of the form of organization there must be the closest kind of coöperation between the operating staff and the accounting department if proper results are to be achieved. The accountant should be consulted regarding any change of forms even if only remotely related to the accounting procedure.

The forms for cost accounting which accompany the text following are gathered from a number of sources; all have actually been used in bituminous coal mine accounting. Many are original forms prepared by the author; others have been prepared in the main by the accountants of various companies and adapted for use in the accounting of the mining companies with which the author was formerly connected. Acknowledgment is made to the Anthracite Operators for the general form of the balance