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National  
Electric Light Association

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THIRTY-EIGHTH CONVENTION

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Accounting Sessions

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Papers Reports and Discussions

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JUNE 7-11 1915

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ALLEGAERT, E J *Report of the Library Committee* 6

BAILEY, JOHN L *Report of Committee on Uniform System of Accounts*  
Objection has been raised during the last year to the Committee's treatment of account No. 791, relating to sinking-fund accruals and a proposed new treatment is outlined by the Committee. This is the only account changed in the classification as approved last year. The Committee reports on conferences held with the committee of the American Gas Institute with a view to harmonizing existing differences between the gas and electric classifications.

The apportionment of departmental overhead charges in combined gas and electric properties is discussed with relation to forms of organization and methods of allocation based on gross revenue, operating charges, etc., the conclusion being reached that such methods are unreliable and fallacious. The Committee recommends that apportionment be left to individual judgment in each case, and that the company's executives obtain a just distribution regardless of revenue or expense, and thus determine relatively true costs for just rates.

Discussed by Ballard, Blanchard, Driscoll, Edwards, Freeman, Gullick, Jones, Musil. 10

COLDWELL, O B Paper *Analytical Accounting for Central Station Purposes* The test of the value of a system of accounts is obviously the extent to which the management can from it obtain necessary information. There is an increasing tendency on the part of those handling business enterprises to analyze the methods employed, ascertain the sequence of operations when the processes are complicated, study the number of such operations for the purpose of eliminating those which are unnecessary, and, in general, to know more about their business and the cost of the service rendered. Classifications as made at the present time do not adequately provide the information needed for a complete analysis of the business of a utility.

A study of the sequence of operations covering the five steps common to all central station business is made and illustrations given. Finally all classes of service appear under utilization where are added the expenses occasioned by the utility equipment, the commercial and the general expenses, all of which are suitably apportioned to these classes and to the direct users.

Mr. E. N. Strait on "*The Wisconsin Railroad Commission's Method of Rate Making*," and Mr. Arthur S. Ives on "*Factors in Rate Making*" are quoted.

A "post mortem" of the activities of a utility is interesting and of some value, but it is better to establish systems of analytical accounting that will enable us to determine costs as we go along. It is essential that the efforts of all public utility companies be concentrated on the subject in order that substantial progress may be made.

Discussed by Bailey, Hillebrand, Jones. 111

COWLES, W G Paper *Workmen's Compensation Insurance* Although workmen's compensation insurance is new and untried, and therefore involves many uncertainties, it is hoped that it will prove more satisfactory than the old system of employers' liability insurance. The stock insurance system is the only one that furnishes reliable

means for reducing future losses to present fixed values. The mutual plan is not adapted to workmen's compensation insurance, being fundamentally unfitted to an obligation of this nature; and it is still more unwise for a corporation to carry its own insurance. European experience along compensation lines can teach us little or nothing, because the conditions there and here are widely different. In particular, the German system shows a low efficiency that would not be tolerated here. The rates charged by stock companies for compensation insurance are based upon a careful study of the subject, in the light of such experience as is available; and it is fairly certain that they are not more than sufficient to pay the actual obligations, without leaving any margin whatever for underwriting profit. Such money as is made by insurance companies in this line is not made on the premium rate. To illustrate this point an analysis is given of the expenditures of stock insurance companies, as expressed in percentages of the premiums received.

Discussed by Edwards, Peck.

48

**EDWARDS, H M** *Address of Chairman* The address deals with the new conditions under which the accounting work will hereafter be carried on and describes its status as one of the National special sections of the Association, showing the method of its formation. The work of the Accounting Committee since it was instituted, in the year 1907, is dealt with historically, and the growth from small beginnings to its present large proportions is described. The increased importance of the accounting official in present day public service corporation organizations is referred to, and some ideas are expressed as to the future possibilities which lie within the power of the accountant to accomplish. The work of the Committee is described, and the scope and personnel of the various Sub-Committees announced and explained.

2

**FERGUSON, P R** Paper *Record of Property or Construction Expenditures* It is highly important that records be made and maintained of all property acquired or constructed. If such a record were always available there would probably be less demand for inventories.

An attempt is made in this paper to outline a complete system for construction expenditures. Many blank forms are shown that cannot fail to be helpful in classifying what in the nature of things must be a more or less shifting body of details. A routine is outlined for requisitions, authorities, purchase and work orders.

Executive and construction departments should be able to get at the cost of the property not only as a whole but by geographical areas.

Discussed by Bailey, Blanchard, Bulger, Calder, Edwards, Jones, Kennedy, Speed.

91

**FREEMAN, W E** Paper *Statistical Machines* The paper summarizes the information on this subject which has been presented at previous meetings of the Accounting Section and described a new machine combining the Hollerith tabulating device with a recording and totaling device, providing a printing machine which has not until recently been available. Illustrations showing the classes of work done by the New York Edison Company with various machines, and statements of the advantages gained by the use of each are presented.

128

**GULICK, J H** *Report of Committee on Cost Accounting* The Committee has been making a study of differential classes of rates caused by various classes of service, its purpose being to get at the cost of each. This will take considerable time and little more than reports of

progress can be made. The various papers published on the subject, including those of state commissions, are being collected and the advice and assistance of member companies is asked. 109

**KENNEDY, W P** Paper *Electric Vehicle Cost Accounting* Without imposing restrictions upon individual preference the paper discusses the general subject of electric vehicle accounting and offers many definite statements concerning the practice of several companies doing a large business. Reference is made to the many reasons for uniformity in order that there may be a common basis for making comparisons.

Two schedules, A and B, are presented which are analyzed and proved to be applicable to the affairs of either large or small companies. The idea is developed that in the interest of accuracy there should be as few as possible charges requiring daily records from garages. 75

**REYNOLDS, L R** Paper *Some Opportunities of Public Utility Accountants* The great object of a uniform system of accounts is, of course, to make comparable all the transactions of all utilities of a certain class, and to this end, instructions must be such that there can be no deviation. The Interstate Commerce Commission has recently prepared supplements to some of its classifications in the form of indexes to the operating expenses. A state commission is not able to prepare such an index for each of the many classes of utilities under its jurisdiction, but it should be comparatively easy for the accounting members of an Association of this kind through their every day experience in this one particular class of utility, to prepare such an index, and if this were done a very strong plea for its adoption into a National System could be made.

Some paragraphs of the N E L A classification of accounts are analyzed. Depreciation and appreciation are discussed.

One of the most important divisions of an accountant's work consists of setting up upon his books the true cost of his company's construction and thereafter correctly differentiating between new construction and operating expense and other charges to profit and loss.

The books and records of a company are its vital history. Commissions should never hear the remark—"That it is merely a book value and has no relation to the true value of the property." A company in obtaining authority to issue securities should be able to point to its records and say "There is the cost of our property in detail."

The accountant is in a best position of any officer of a corporation to know its obligations, and it is his duty to see that reserves are provided for all contingencies.

Discussed by Baker, Butler, Driscoll, Harrison, Holmes, Jones, Marshall, Morbio, Murphy. 38



## GENERAL INDEX

### PROCEEDINGS OF THE THIRTY-EIGHTH CONVENTION, 1915

NOTE—In the Index to Authors will be found authors' names and synopses of papers and reports.

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