

**ACCOUNTING**  
**and**  
**MANAGEMENT**  
**CONCEPTS**

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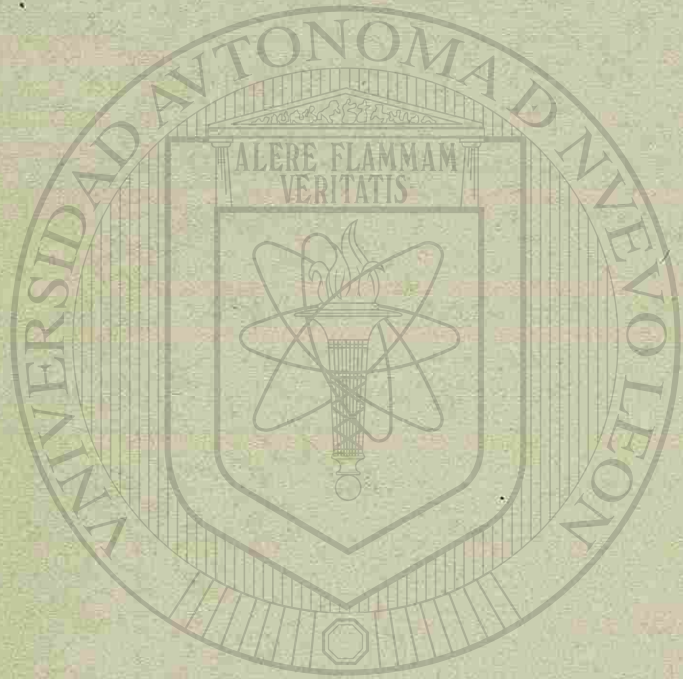
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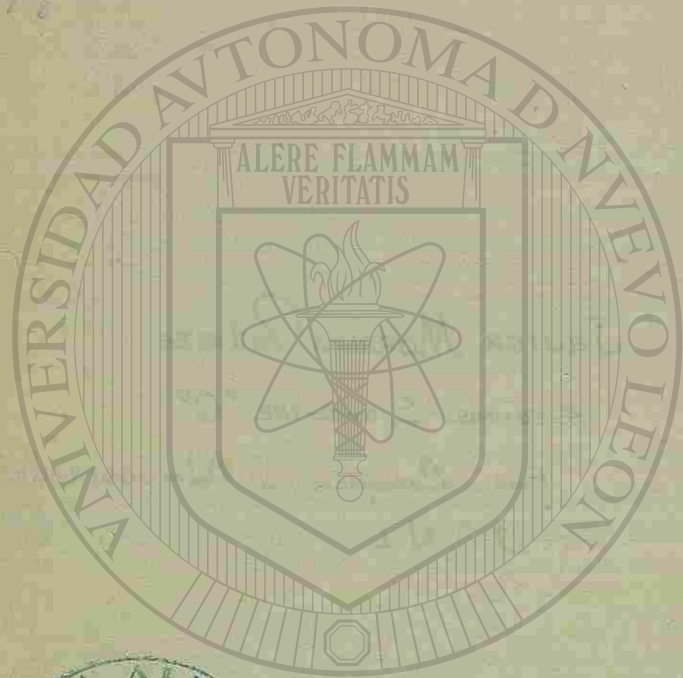


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## DEDICATORIA

Una nueva Edición de nuestra modesta obra destinada a la enseñanza del Idioma Inglés orientado hacia las Ciencias Contables y Administrativas la dedicamos respetuosamente y con la mayor simpatía y admiración al Señor Rector de nuestra Universidad Autónoma de Nuevo León, el DOCTOR LUIS E. TODD, cuyo rectorado ha sido ejemplar por la elevación académica y el impulso que en todos los órdenes ha dado a nuestra Alma Mater.

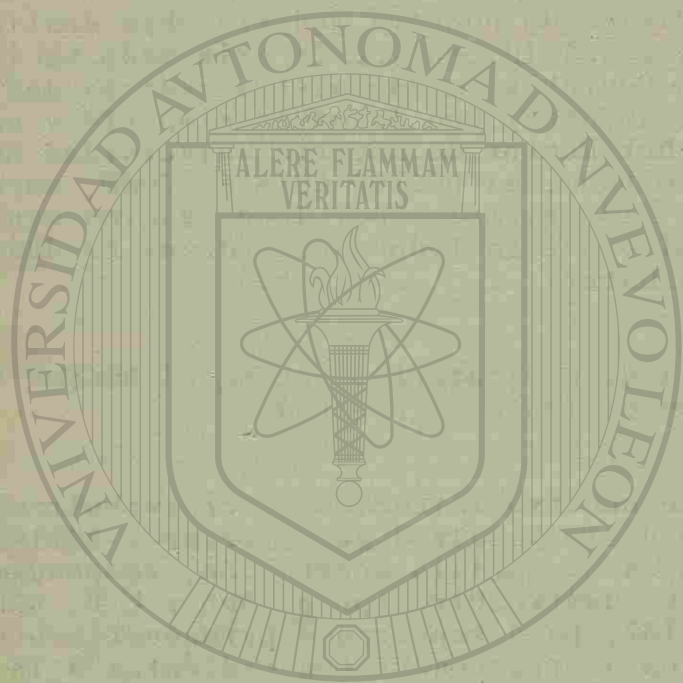
Con esta humilde Dedicatoria, reciba el DOCTOR TODD nuestro reconocimiento y gratitud.

Esperamos que nuestra intención de contribuir en el área docente de la Facultad de Comercio y Administración, con esta sencilla aportación, respondamos al llamado de nuestro Director el Señor C.P. ALFONSO QUIROGA DIAZ, para superarnos permanentemente en la noble tarea de trascender conocimientos a la juventud estudiosa de hoy que serán los profesionales de mañana.

PROFR. CECILIO ALCOCER LLANAS

AGOSTO-1978





## CHAPTER I

### ACCOUNTING SYSTEMS

ACCOUNTING RECORDS. The key to good business management is good accounting records. Accounting records can show whether a business operates at a profit or at a loss. Studies show that the success or the failure of a business may often be traced to the kind of records that are kept.

THE WORK OF THE ACCOUNTANT. One who records all the business affairs of a business in an orderly manner is called an accountant. An accountant must be accurate, understand what he is to do and how he should do it, and be systematic, neat and rapid in his work. A person who knows accounting can manage business affairs.

### ACCOUNTING CONCEPTS

The individual, an entire industry or government branch has to make decisions on how to allocate its resources. Accounting aids these decisions by recording, classifying, summarizing, and reporting business transactions. This definition makes it clear that the recording of data, or accounting is only the first step in the accounting process.

The information provided by accounting is used as follows.

Direct users. Owners, Managers Customers Employees, taxing authorities Suppliers, Creditors.

Indirect users. Labor unions, Stock exchanges, financial press, trade associations, etc.

The field of accounting has expanded into separate branches.

Branches.

Teaching. Accountants teach accounting courses in universities and junior colleges.

Governmental accounting. Accountants working in federal, state, and local government units are engaged in governmental accounting.

Private accounting. Accountants employed by an enterprise to work on its own affairs are engaged in private accounting.

Public accounting. Accountants who offer their professional services to the public for a fee, are engaged in public accounting. These are Certified Public Accountants.

The Branches of accounting

There are six principal specialization of private accounting these are indicated below.

## CONTROLLER

Costs Taxes Budgets Accounting Auditing Systems

These same specializations may be performed in other branches of accounting. For example, auditing is performed by public accountants, by private accountants who are called internal auditors and by governmental auditors.

The fundamental bookkeeping equation

This equation is true of all balance sheets. It is therefore known as the fundamental bookkeeping equation.

Assets. Properties that are owned and have monetary value: For Instance, Cash, buildings, office equipment, accounts receivable, inventory.

Liabilities. Amounts owed to outsiders, such as accounts payable, notes payable, mortgage payable bonds payable.

Capital: The amount that would remain if all the liabilities were paid is known as capital. The amount of the capital is obtained by subtracting the total liabilities from the total assets. Capital. The interest of the owners in an enterprise.

Assets, Liabilities and capital. These elements are connected by a fundamental relationship called the accounting equation.



This equation expresses the equality of the assets on one side with the claims of the creditors and owners on the other:

$$\text{ASSETS} = \text{LIABILITIES} + \text{CAPITAL}$$

According to the accounting equation, a firm is assumed to possess its assets subject to the rights of the creditors and owners.

Example A:

If a business owned assets of \$ 150,000, owed creditors \$ 100,000, and owed the owner \$ 50,000. The accounting equation would be:

$$\text{ASSETS} = \text{LIABILITIES} + \text{CAPITAL}$$

$$\underline{\$ 150,000} \quad \underline{\$ 100,000} \quad \underline{\$ 50,000}$$

Any business event which alters the amount of assets, liabilities or capital is called a transaction. Example B, we show how the accountant makes a meaningful record of a series of transactions, reconciling them step by step with the accounting equation.

Example B:

During the month of January Mr. John Kelly, Physician,

1. Opened his practice by investing \$ 5,000 in the business.

2. Bought supplies (stationery, pencils, etc.) for cash - \$ 300.
3. Bought office equipment from Cindy Furniture Company on account, \$ 2,500.
4. Received \$ 2,000 in fees earned during the month.
5. Paid office rent for January \$ 500.

We show how these transactions might be analyzed and recorded.

Transaction 1.- Mr. Kelly invested \$ 5,000 to open his practice. There are two accounts that are affected; the asset - cash is increased, and the capital of the firm is increased by the same amount.

$$\text{ASSETS} = \text{LIABILITIES} + \text{CAPITAL}$$

CASH

J. KELLY CAPITAL

+ \$ 5,000

\$ 5,000

Transaction 2.- Bought supplies for cash \$ 300. In this case, Mr. Kelly is substituting one asset for another: he is receiving (+) the asset supplies and paying out (-) the asset cash. Note that the capital of \$ 5,000 remains unchanged.

$$\text{ASSETS} = \text{LIABILITIES} + \text{CAPITAL}$$

CASH + SUPPLIES	J. KELLY CAPITAL
+ \$ 5,000	\$ 5,000
- 300 + 300	
<hr/> \$ 4,700	<hr/> \$ 5,000

Transaction 3.- Bought office equipment from Cindy Furniture Company on account \$ 2,500. He is receiving the asset equipment but is not paying for it with the asset cash. Instead, he will owe the money to the Cindy Furniture Company. Therefore he is liable for this amount in the future, thus creating the liability accounts payable.

ASSETS = LIABILITIES + CAPITAL

CASH + SUPPLIES + EQUIPMENT	ACCOUNTS PAYABLE	J. KELLY CAPITAL
\$ 4,700 \$ 300		\$ 5,000
	\$ 2,500	\$ 2,500
<hr/> \$ 4,700 + \$ 300	+ \$ 2,500	= \$ 2,500 + \$ 5,000

Transaction 4.- Received \$ 2,000 in fees earned during the month. Because he received \$ 2,000, the asset cash increased and also his capital increased. It is important to note that He labels the \$ 2,000 fees income to show its origin.

ASSETS = LIABILITIES + CAPITAL

CASH + SUPPLIES + EQUIPMENT	ACCOUNTS PAYABLE	J. KELLY CAPITAL
\$ 4,700 \$ 300 \$ 2,500	\$ 2,500	\$ 5,000
+ 2,000		2,000 Fees
<hr/> \$ 6,700 + \$ 300	+ \$ 2,500	= \$ 2,500 + \$ 7,000

Transaction 5.- Paid office rent for January \$ 500. When -- the word "paid" is stated, you know it means a deduction from cash, since he is paying out his asset cash. Payment of expense is a reduction of capital. It is termed rent expense.

ASSETS = LIABILITIES + CAPITAL

CASH + SUPPLIES + EQUIPMENT	ACCOUNTS PAYABLE	J. KELLY CAPITAL
\$ 6,700 \$ 300 \$ 2,500	\$ 2,500	\$ 7,000
- 500		- 500 rent exp
<hr/> \$ 6,200 + \$ 300	+ \$ 2,500	= \$ 2,500 \$ 6,500

REVIEW

1. The phases of accounting are \_\_\_\_\_



2. The accounting equation is \_\_\_\_\_
3. Items owned by a business that have monetary value are known as \_\_\_\_\_
4. \_\_\_\_\_ is the interest of the owner in a business.
5. Money owed to an outsider is a \_\_\_\_\_
6. The difference between assets and liabilities is \_\_\_\_\_
7. Financial events that occur in a business are termed \_\_\_\_\_
8. An investment in the business increases \_\_\_\_\_ and \_\_\_\_\_
9. To purchase "on account" is to create a \_\_\_\_\_
10. When the word "Paid" occurs, it means a deduction of \_\_\_\_\_

Answers: 1.- recording, classifying, summarizing, reporting; 2.- assets, liabilities, capital; 3.- assets; 4.- capital; 5.- liability; 6.- capital; 7.- transactions; 8.- assets, capital; 9.- liability; 10.- cash.

SOLVE THE FOLLOWING PROBLEMS

What effect do the transactions below have on the owner's equity?

1. The owner invested \$ 10,000 in the business \_\_\_\_\_
2. He paid office rent \$ 300.00 \_\_\_\_\_
3. He withdrew \$ 500 from the business \_\_\_\_\_
4. He paid salaries for the week \$ 700.00 \_\_\_\_\_
5. He received \$ 2,500 in fees \_\_\_\_\_
6. He bought equipment on account \$ 3,000 \_\_\_\_\_

SOLUTION

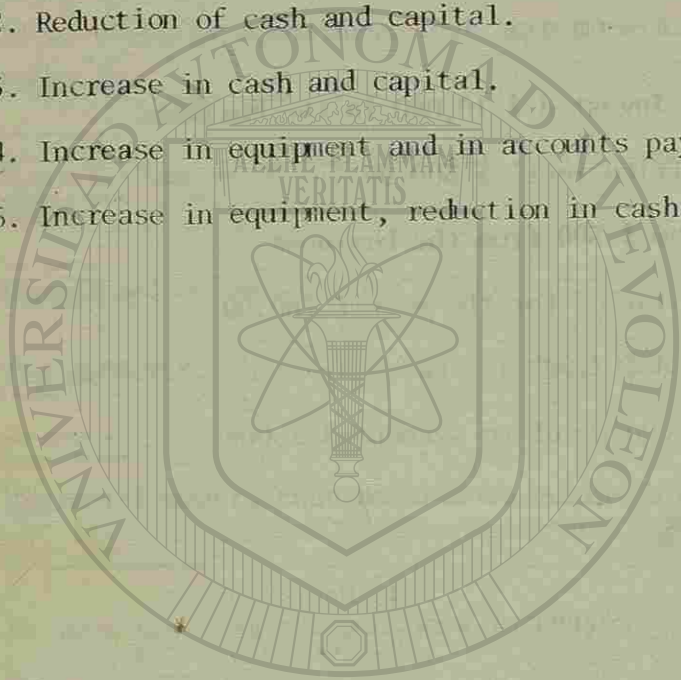
- |             |              |
|-------------|--------------|
| 1. Increase | 4. Decrease  |
| 2. Decrease | 5. Increase  |
| 3. Decrease | 6. No effect |

SOLVE THE FOLLOWING TRANSACTIONS

1. Paid a creditor money owed \_\_\_\_\_
2. Paid rent expense for the month \_\_\_\_\_
3. Cash fees collected for the week \_\_\_\_\_
4. Bought equipment on account \_\_\_\_\_
5. Bought medical equipment, paying cash \_\_\_\_\_

SOLUTION

1. Decrease in cash and in account payable.
2. Reduction of cash and capital.
3. Increase in cash and capital.
4. Increase in equipment and in accounts payable.
5. Increase in equipment, reduction in cash.



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## VOCABULARY I

- A -

- 1.- ACCOUNTING - Contabilidad
- 2.- ACCOUNTING CONCEPTS - principios, conceptos de contabilidad.
- 3.- ACCOUNTING RECORDS - registros contables
- 4.- AIDS - ayuda
- 5.- AFFAIRS - asuntos
- 6.- AS - como, a como
- 7.- ACCOUNTANT - contador
- 8.- AS DOES - como lo hace
- 9.- ACCOUNTING COURSES - Cursos de Contabilidad
- 10.- AUDITING - Auditoría
- 11.- ACCOUNTING EQUATION - Ecuación Contable
- 12.- ASSETS - activos
- 13.- ACCOUNTS PAYABLE - cuentas por pagar
- 14.- ACCORDING TO - según, conforme a
- 15.- ALTERS - altera
- 16.- AMOUNT - cantidad
- 17.- AFTER TAKING - después de llevar a cabo
- 18.- AS FOLLOWS - como sigue
- 19.- AT A PROFIT - con ganancia
- 20.- AT A LOSS - con pérdida
- 21.- ACCURATE - preciso
- 22.- ALLOCATE - aplicar





## - B -

23. BRANCH - sucursal, dependencia, rama  
 24.- BY RECORDING - al registrar  
 25.- BY CLASSIFYING - al clasificar  
 26.- BY SUMMARIZING - al resumir  
 27.- BY REPORTING - al reportar, al informar  
 28.- BUSINESS TRANSACTIONS - transacciones comerciales  
 29.- BOTH - por ambas partes - de uno y otro lado  
 30.- BECOME - llegar a ser  
 31.- BROADENED - ensanchado - ampliado  
 32.- BUDGETS - presupuestos  
 33.- BUSINESS ENTERPRISE - empresa comercial  
 34.- BUILDINGS - edificios  
 35.- BONDS - bonos  
 36.- BASIC - básico  
 37.- BILL - cuenta, estado de cuenta, pagaré, letra  
 38.- BOUGHT - compró, comprado  
 39.- BUSINESS AFFAIRS - asuntos comerciales

## - C -

- 40.- CUSTOMERS - clientes  
 41.- CONTROLLERS - contralores, directores  
 42.- CERTIFIED PUBLIC ACCOUNTANT - Contador Público titulado  
 43.- CALLED - llamó  
 44.- CASH - Caja, efectivo - dinero contante  
 45.- CALL - llamar

- 46.- CREDITORS - acreedores  
 47.- CLEAR - aclarar, poner en claro

## - CH -

- 48.- CHIEF - Jefe, principal  
 49.- CHANGES - cambios

## - D -

- 50.- DATA - información, datos  
 51.- DIRECTLY - directamente

## - E -

- 52.- ENTIRE - entero-a, completo-a  
 53.- EMPLOYEES - empleados  
 54.- EMPLOYED - empleo, empleado  
 55.- EVEN - aún o todavía  
 56.- EXPANDED - ensanchado  
 57.- EQUALITY - igualdad  
 58.- EXPRESSES - expresa  
 59.- EVENT - acontecimiento, suceso, evento  
 60.- EARNED - ganó, ganado  
 61.- EXAMINATION - examen  
 62.- EXPENSE - gasto

## - F -

- 63.- FINANCIAL INFORMATION - información financiera  
 64.- FURTHER - más aún, promover, además llevar adelante  
 65.- FIRM - firma  
 66.- FEE - honorarios, cuota  
 67.- FIXED ASSETS - activos fijos  
 68.- FINANCIAL ANALYSTS - analistas financieros  
 69.- FINANCIAL POSITION - situación financiera  
 70.- FOR INSTANCE - por ejemplo  
 71.- FURNITURE - mobiliario, mueblería  
 72.- FOUND - econtró, encontrado  
 73.- FINANCIAL PRESS - prensa financiera  
 74.- FAILURE - fracaso

## - G -

- 75.- GOVERNMENTAL - Gubernamental  
 76.- GOVERNMENT - Gobierno

## - H -

- 77.- HIGH SCHOOL - Escuela Secundaria y preparatoria  
 78.- HOW - como, que tan  
 79.- HAVE PASSED - han pasado, hemos pasado  
 80.- HOW HE SHOULD DO IT - como debe hacerlo

## - I -

- 81.- INDIVIDUAL - particular, individual  
 82.- INDIRECTLY - indirectamente  
 83.- INDICATED - indicado, señalado  
 84.- INCOME TAX - impuesto sobre la renta  
 85.- INVESTED - invirtió, invertido  
 86.- INCREASED - aumentó, aumentado  
 87.- ITEMS - partidas, artículos  
 88.- INTO - en, dentro  
 89.- ITS - sus

## - J -

- 90.- JUNIOR COLLEGE - escuela técnica

## - K -

- 91.- KEY - referencia, guía, clave  
 92.- KEPT - mantenido, llevado

## - L -

- 93.- LAWYER - abogado  
 94.- LABOR UNIONS - Sindicatos  
 95.- LIABILITIES - pasivos  
 96.- LAW PRACTICE - Bufete



- 97.- LABELS - clasifica, señala  
 98.- LEFT - dejó, dejado, izquierdo

## - M -

- 99.- MONETARY VALUE - valor monetario  
 100.- MEANINGFUL - significativo  
 101.- MEANS - significa, medio  
 102.- MANAGERS - Gerentes, Administradores  
 103.- MANAGE - manejar  
 104.- MAKES IT CLEAR - pone en claro

## - N -

- 105.- NATURE - naturaleza  
 106.- NET - neto, líquido, limpio  
 107.- NOTES PAYABLE - documentos por pagar

## - O -

- 108.- OWNERS - dueños  
 109.- OWN - propio  
 110.- OFFER - ofrecer  
 111.- OUTSIDERS - Acreeedores  
 112.- ON ACCOUNT - a crédito  
 113.- OWE - deber

- 114.- ORDERLY - ordenada  
 115.- ONE WHO - aquel que

## - P -

- 116.- PRIVATE ACCOUNTING - Contaduría privada  
 117.- PART TIME HELP - empleado de tiempo parcial  
 118.- PERFORMED - ejecutó, ejecutado  
 119.- PAID - pagó, pagado  
 120.- PROVIDED - recabada, proporcionó, proporcionado  
 121.- PURCHASED - compró, comprado  
 122.- PHASES - fases  
 123.- PROCESS - proceso  
 124.- PROPERTIES - propiedades

## - Q -

- 125.- QUANTITY - cantidad

## - R -

- 126.- RESOURCES - recursos  
 127.- REGULATORY AUTHORITIES - autoridades reguladoras  
 128.- REALLY - realmente  
 129.- RATHER - más bien, en lugar de  
 130.- RECORD - registro, registrar

- 131.- RECEIVED - recibió, recibido  
 132.- REMAINS - queda  
 133.- REDUCES - reduce  
 134.- RELATIONSHIP - relación

- 135.- SIMPLEST - el más simple  
 136.- STEP - paso  
 137.- SUPPLIERS - proveedores  
 138.- SPECIALIZATIONS - especializaciones  
 139.- STOCK EXCHANGES - bolsa de acciones o valores  
 140.- SIDE - lado  
 141.- SHOWED - mostró, mostrado  
 142.- SUPPLIES - artículos, suministros  
 143.- STATIONERY - papelería  
 144.- STATED - estableció, establecido  
 145.- SINCE - ya que, puesto que  
 146.- STATE - estatal  
 147.- SUCCESS - triunfo

- 148.- TAXING AUTHORITIES - autoridades de impuestos  
 149.- TEACHING - enseñanza  
 150.- TRADE ASSOCIATIONS - asociaciones mercantiles  
 151.- TERMED - nombrado, llamado

- 152.- TO ALLOCATE - distribuir, aplicar  
 153.- TRACED - originado

- U -

- 154.- USERS - usuarios  
 155.- UNDERSTAND - entender

- W -

- 156.- WHAT HE IS TO DO - lo que va a hacer  
 157.- WORTH - valor  
 158.- WITHDREW - retiró  
 159.- WHETHER - si

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## CHAPTER II

## FINANCIAL STATEMENTS

The owner of a business makes to the accountant periodically:

- (1) What is my profit?
- (2) What is my capital?

The simple balance of assets against liabilities and capital, provided by the accounting equation, is insufficient to give complete answers. (A) We must know the type and amount of income and the type and amount of each expense for the period in question. (B) It is necessary to obtain the type and amount of each asset, liability, and capital account at the end of the period. This information is provided by the income statement and the balance sheet.

Example:

After the transaction for the month of January has been recorded in the books of Mr. John Kelly, the accounts show the following balances.

ACCOUNTS	ASSETS	LIABILITIES AND CAPITAL
CASH	\$ 4,700	
SUPPLIES	100	
EQUIPMENT	2,500	
ACCOUNT'S PAYABLE		\$ 1,500
JOHN KELLY, CAPITAL		5,800
TOTAL:	<u>\$ 7,300</u>	<u>\$ 7,300</u>

## INCOME STATEMENT

The income statement may be defined as a summary of the revenue, expenses, and net income of a business for a specific period of time. This may also be called a Profit and Loss Statement, or statement of Operations. Let us know the meaning of the elements.

Revenue. The increase in capital resulting from the delivery of goods or rendering of services by the business. In amount, the revenue is equal to the cash and receivables gained in compensation for the goods delivered or services rendered.

Net Income. The increase in capital resulting from profitable operations of a business; It is the excess of revenues over expenses for the accounting period.

Expenses. The decrease in capital caused by the business's revenue-producing operations. In amount, the expense is - - equal to the value of goods and services used up or consumed in obtaining revenue.

Note that, borrowing cash from a bank does not contribute to revenue and a cash payment is an expense only if it decreases capital.

In many companies there are hundreds and perhaps thousands - of income and expense transactions in one month. To lump all these transactions under one account would be very cumbersome and would, in addition, make it impossible to show relationships among the various items.

## VOCABULARY II

## - A -

- 1.- ASK - pedir, rogar, preguntar
- 2.- AT THE BEGINNING OF - a principios de
- 3.- AT THE END OF - a fines de
- 4.- ACCOUNTING PERIOD - ejercicio o período contable
- 5.- ALREADY - ya, antes de ahora
- 6.- AVAILABLE - disponible, útil, ventajoso
- 7.- ACCRUED ITEMS - partidas acumuladas
- 8.- AFFECT - afectar

## - B -

- 9.- BALANCE - saldo, balance
- 10.- BALANCE SHEET - balance general
- 11.- BUSINESS - negocio
- 12.- BEGINNING - principio, origen
- 13.- BORROWING - pedir prestado
- 14.- BEYOND - más adelante, más allá

## - C -

- 15.- CONTAINS - contiene
- 16.- CAPTIONS - títulos
- 17.- CURRENT - circulante

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- 18.- CURRENT ASSETS - activos circulantes  
 19.- CONTRIBUTE - contribuir  
 20.- CURRENT LIABILITIES - pasivos circulantes  
 21.- CASH RECEIPT - ingreso en caja  
 22.- CUMBERSOME - embarazoso, pesado, complicado

- 23.- DEFINED - definición, definido  
 24.- DELIVERY - entrega  
 25.- DUE - debido, vencido  
 26.- DETAILS - detalles

- 27.- EQUAL - igual  
 28.- ENTER - asentar, anotar  
 29.- EARLIER - al principio, anteriormente

- 30.- FOR INSTANCE - por ejemplo  
 31.- FIXED ASSETS - activos fijos

- 32.- GOODS - mercancías, artículos

- 33.- GAINED - ganado  
 34.- GOOD WILL - crédito mercantil

- H -

- 35.- HEADING - encabezado  
 36.- HUNDREDS - cientos  
 37.- HIGHER - más alto

- I -

- 38.- IN PREPARING - al preparar  
 39.- INCURRED - causó, incurrió  
 40.- IN ADDITION - además  
 41.- INSTEAD - en lugar, en vez de  
 42.- INDEX - relación, índice

- 43.- JOURNAL - diario, libro auxiliar

- K -

- 44.- KNOWN - conocido

## - L -

- 45.- LET US REVIEW - repasemos  
 46.- LUMP - amontonar,  
 47.- LOWER - más bajo  
 48.- LESS - menos, inferior  
 49.- LONG LIVED ASSETS - activos a largo plazo  
 50.- LONG-TERM LIABILITIES - pasivos fijos

## - M -

- 51.- MORTGAGES PAYABLE - hipotecas por pagar  
 52.- MUST - deber  
 53.- MEANINGS - significados  
 54.- MATCHED - igualado

## - N -

- 55.- NET INCOME - utilidad neta

## - O -

- 56.- OVER - sobre  
 57.- OTHER ASSETS - otros activos  
 58.- ORIGINAL - primera, original  
 59.- OPERATING - operación  
 60.- ON HAND - en existencia

- 61.- OUGHT - deber

## - P -

- 62.- PROFIT AND LOSS STATEMENT - estado de pérdidas y ganancias  
 63.- PROFIT - ganancia  
 64.- PRODUCE - producir  
 65.- PREPAID RENT - renta pagada por adelantado  
 66.- PREVIOUS - previo, de antemano  
 67.- PREPAID EXPENSES - gastos pagados por adelantado

## - Q -

- 68.- QUALIFIES - califica

## - R -

- 69.- REVENUE - entrada, ingreso  
 70.- RENDERED - prestado, suministrado  
 71.- RELATE - estar en relación  
 72.- RECEIVABLES - cuentas y documentos por cobrar  
 73.- RELATIONSHIP - relación  
 74.- RATIO - cantidad, número, relación



- S -

75.- SET UP - establecer

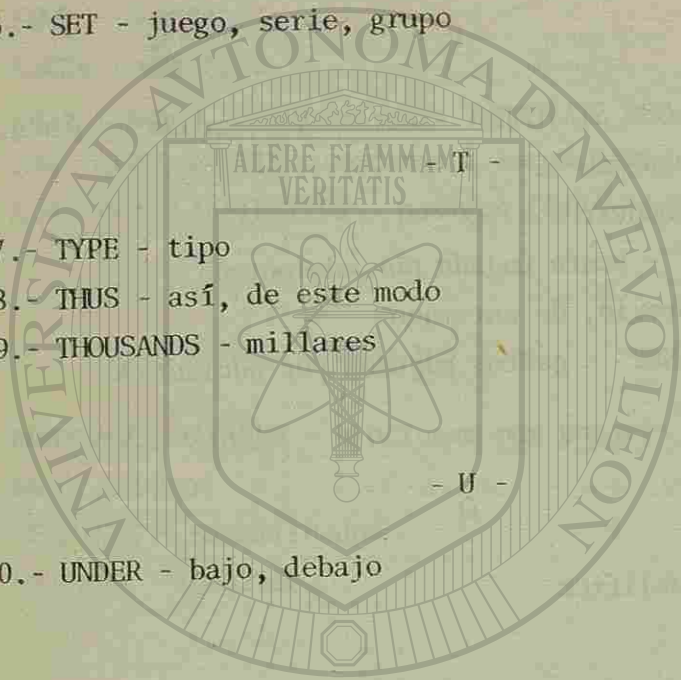
76.- SET - juego, serie, grupo

77.- TYPE - tipo

78.- THUS - así, de este modo

79.- THOUSANDS - millares

80.- UNDER - bajo, debajo



## BALANCE SHEET

Use of the balance sheet

By studying the balance sheet, the proprietor can obtain information that is useful to him in the management of his business. He can observe whether he has sufficient cash on hand or will collect enough from the accounts receivable to enable him to pay his liabilities when they are due.

The balance sheet may then be defined as a statement showing the assets, liabilities, and capital of a business at a specific date. This statement is also called a statement of financial position or statement of financial condition.

Example "C"

JOHN KELLY

Balance Sheet

January 31, 197

## ASSETS

Cash	\$ 4,700
Supplies	100
Equipment	<u>2,500</u>
Total Assets	\$ 7,300

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## LIABILITIES AND CAPITAL

## Liabilities

Accounts Payable

\$ 1,500

## Capital

Balance January 1, 197 . . . \$ 5,000

Net Income of January \$ 1,100

Less Withdrawals 300

Increase in capital 800

Total capital \$ 5,800

Total liabilities and capital \$ 7,300

The close relationship of the income statement and the balance sheet is apparent. The net income of \$ 1,100 for January, shown as the final figure on the income statement of Example "B"; is also shown as a separate figure on the balance sheet of Example "C". The income statement is thus the connecting link between two balance sheets. As discussed earlier, the income and expense items are actually a further analysis of the capital account.

The balance sheet of Example "C" is arranged in report form, with the liabilities and capital sections shown below the asset section. It may be also arranged in account form, with the liabilities and capital sections to the right of, rather than below, the asset section.

## VOCABULARY III

- A -

- 1.- ACCOUNT FORM - forma de cuenta
- 2.- APPARENT - claro, patente, manifiesto

- B -

- 3.- CLASSIFY - clasificar
- 4.- CONNECTING - conectar, enlazar
- 5.- COSTLY - costoso, caro

- D -

- 6.- DECREASES - disminuciones

- G -

- 7.- GREAT MANY - gran número

- L -

- 8.- LINK - cadena, enlace
- 9.- LOST - perdió, perdido

- O -

- 10.- OBTAINED - obtenido



- P -

11.- REPORT FORM - forma de reporte

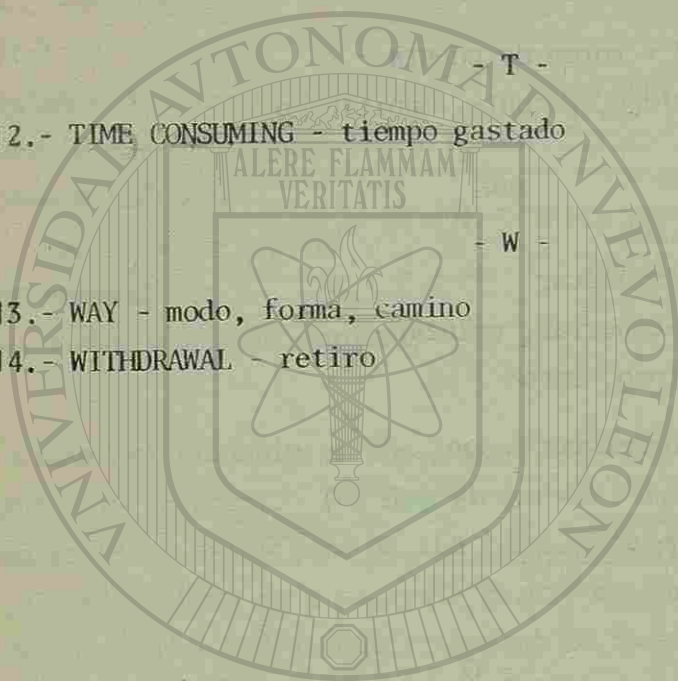
- T -

12.- TIME CONSUMING - tiempo gastado

- W -

13.- WAY - modo, forma, camino

14.- WITHDRAWAL - retiro



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## THE BALANCE SHEET

The balance sheet becomes a more useful statement for comparison and financial analysis where the assets and liability groups are classified. For example, an important index of the financial state of business, derivable from the classified balance sheet, is the ratio of current assets to current liabilities. This current ratio ought generally to be at least 2 to 1; that is, current assets should be twice current liabilities. For our purpose we will designate the following classifications.

Current assets. Assets reasonably expected to be converted into cash or used in the current operation of the business. The current period is generally taken as one year. Examples are cash, inventory, notes receivable, accounts receivable, and prepaid expenses (prepaid insurance, prepaid rent, etc.)

Property plant, and equipment. Long-lived assets used in the production of goods or services. These assets, sometimes called fixed assets or plant assets, are used into the operation of the business rather than being held for sale, as are inventory items.

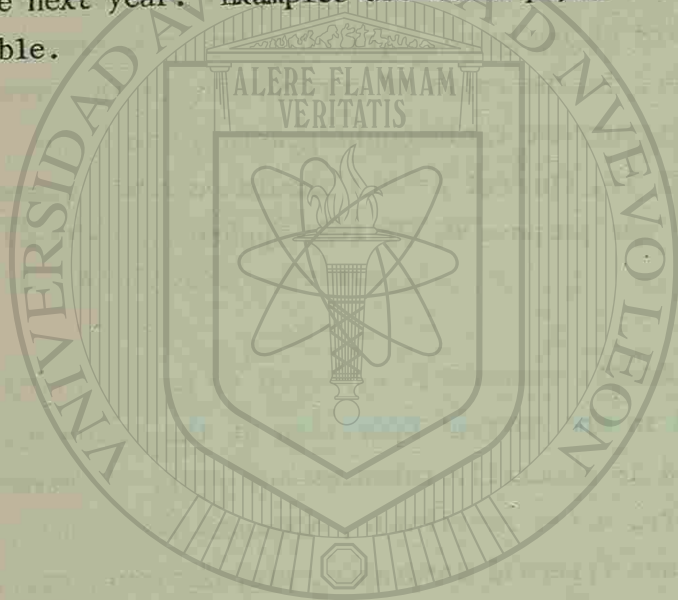
Other assets. Various assets other than current assets, fixed assets, or assets to which specific captions are given.

Current liabilities

Debts which must be satisfied from current assets within the

next operating period, usually one year. Examples are accounts payable, notes payable.

Long-term liabilities. Liabilities which are payable beyond the next year. Examples are bonds payable and mortgages payable.



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VOCABULARY IV

- A -

1.- AT LEAST - por lo menos

- B -

2.- BEYOND - más allá, más adelante

- C -

3.- COMPARISON - comparación, confrontación

4.- CAPTIONS - títulos, membretes

- D -

5.- DESIGNATE - apuntar, señalar

6.- DERIVABLE - derivable, deducible

- F -

7.- FINANCIAL STATEMENT - estado financiero

- I -

8.- INDEX - indicio, señal, índice

- O -

9.- OUGHT - deber



- P -

- 10.- PURPOSE - propósito o fin  
 11.- PLANT ASSETS - activos de fábrica  
 12.- PROPERTY PLANT - propiedades del negocio

13.- SOMETIMES - algunas veces

14.- TAKEN - tomado

15.- TWICE - dos veces, al doble, duplicadamente

16.- USEFUL - útil

- W -

17.- WITHIN - dentro, adentro, dentro de

## CHAPTER III

## CLASSIFYING TRANSACTIONS

After each transaction would be cumbersome and costly to prepare a new equation. An efficient way is to <sup>let the increase & decrease</sup> classify the transactions according to the items on the balance sheet and income statement. The increases and decreases are then recorded according to type of item by means of a summary called an account.

The "t" Account

This account is known as the "t" account because it resembles the letter "t". This account has three parts (1) the name of the account and the account number (2) The debit side (left side), and (3) the credit side (right side). The abbreviations for debit and credit are Dr. and Cr., respectively.

The Double - Entry System

When an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an amount is entered on the right side, it is a credit and the account is said to be credited.

Increases and Decreases

Asset and expense increases are recorded as debits, liability, capital and income increases are recorded as credits. Asset and expense decreases are recorded as credits, liability

- P -

- 10.- PURPOSE - propósito o fin  
 11.- PLANT ASSETS - activos de fábrica  
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Increases and Decreases

Asset and expense increases are recorded as debits, liability, capital and income increases are recorded as credits. Asset and expense decreases are recorded as credits, liability



lity, capital, and income decreases are recorded as debits.

Example A:

Transaction 1.- Mr. Kelly opened his practice investing - - \$ 5,000 in cash. The two accounts affected are cash and capital. Remember that an increase in an asset (cash) is debited, and an increase in capital is credited.

CASH		CAPITAL	
DR.	CR.	DR.	CR.
+	-	+	-
\$ 5,000			\$ 5,000

Transaction 2.- Bought supplies for cash \$ 300. Here we are substituting one asset (cash) for another asset (supplies). We debit supplies because we are receiving more supplies. We credit cash, because we are paying out cash.

CASH		CAPITAL	
DR.	CR.	DR.	CR.
+	-	+	-
\$ 5,000	\$ 300	\$ 300	

Transaction 3.- Bought equipment from Cindy Furniture Company on account \$ 2,500. We are receiving an asset (equipment) - and therefore debit equipment to show the increase. We are not paying cash, but creating a new liability, thereby increasing the liability account (accounts payable).

EQUIPMENT		ACCOUNTS PAYABLE	
DR.	CR.	DR.	CR.
+	-	-	+
\$ 2,500			\$ 2,500

Transaction 4.- Received \$ 2,000 in fees earned during the - month. In this case we are increasing the asset account cash, as we have received \$ 2,000 therefore, we debit it. We are increasing the capital, yet we do not credit capital. It is better temporarily to separate the income from the owner's - equity (capital) and create a new account, Fees Income.

CASH		ACCOUNTS PAYABLE	
DR.	CR.	DR.	CR.
+	-	-	+
\$ 5,000	\$ 300		\$ 2,000
\$ 2,000			

Transaction 5.- Paid office rent for January \$ 500 we must decrease the asset account cash, because we are paying out money. Therefore we credit it. It is preferable to keep expenses separated from the owner's equity.

Therefore, we open a new account for the expenses involved. Rent Expenses. The \$ 500 is entered on the left side, as expenses decrease owner's equity.

CASH		RENT EXPENSES	
DR.	CR.	DR.	CR.
+	-	+	
\$ 5,000	\$ 300	\$ 500	
\$ 2,000	\$ 500		

Order of arrangement of accounts in the ledger. All accounts of one kind are grouped together in the ledger. It is customary to have separate groups for assets, liabilities, proprietorship, income, and expenses. Each of these groups is called a division of the ledger. It is also a valuable source of information for managerial purposes, giving, for example the amount of sales for the period of the cash balance at the end of the period. Depending on what method of data processing is used.

<sup>caption</sup>  
The chart of accounts. A list of accounts that shows the arrangement of the accounts in the ledger is called a Chart of Accounts. This method sometimes called the code of accounts, is a listing of the accounts by title and numerical designation. In some companies the chart of accounts may run to hundreds of items.

Numbering accounts in the ledger. Note that each account number has two digits. The first digit indicates the division of the ledger; the second digit indicates the number of the account within that division. For example, the office machines account is numbered 14. The first digit, 1, indicates that the office machines account is an asset account. The second digit, 4, indicates that the office machines account is in the asset division.

The number of each asset account starts with the figure 1; the number of each liability account, with the figure 2; the number of each capital account with the figure 3; the number of each income account, with the figure 4; and the number of each expense account, with the figure 5. Within each division the accounts are numbered consecutively.

The Trial Balance. The owner of the business, is interested in learning at regular intervals whether his transactions have resulted in a profit or a loss. All of the needed information is in the ledger. Since the ledger is summarized in the trial balance, it is possible to calculate the amount of



the profit or the amount of the loss directly from the trial balance. The modern method of analyzing the trial balance is to use a **single sheet** of paper with six or more amount columns and to distribute the balances among these amount columns. The number of columns used depends on the kind and the size of the enterprises.

The trial balance is written in the columns at the left of the Work sheet.

The work sheet. The work sheet is an accounting working paper and is not a part of the permanent accounting record. It may therefore be prepared with a pencil. The chief purpose of the work sheet is to provide a sorting process that makes it possible to calculate the profit or loss with the minimum amount of work. The work sheet also provides a convenient method of summarizing the bookkeeping records and providing the accuracy of all calculations.

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### SUMMARY

- 1.- Increases in all liability accounts are credited.
- 2.- Increases in all capital accounts are credited.
- 3.- Increases in all income accounts are debited.
- 4.- Increases in all expense accounts are debited.
5. The schedule showing the balance of each account at the

end of the period is known as the \_\_\_\_\_.

- 6.- The accounts comprise a record called a \_\_\_\_\_.
- 7.- The left side of the account is known as the \_\_\_\_\_, while the right side is the \_\_\_\_\_.
- 8.- Increases in all assets accounts are \_\_\_\_\_.

### ANSWERS:

- 1.- credited
- 2.- credited
- 3.- credited
- 4.- debited
- 5.- trial balance
- 6.- ledger
- 7.- debit side, credit side
- 8.- debited

DIRECCIÓN GENERAL DE BIBLIOTECAS

## VOCABULARY V

## - A -

- 1.- ARRANGEMENT - arreglo
- 2.- ACCURACY - exactitud, precisión

## - B -

- 3.- BETTER - mejor

## - C -

- 4.- CONSECUTIVELY - consecutivamente
- 5.- CALCULATIONS - cálculo
- 6.- CUSTOMARY - costumbre
- 7.- CODE OF ACCOUNTS - clave de cuentas
- 8.- CHART OF ACCOUNTS - catálogo de cuentas
- 9.- CHIEF PURPOSE - objetivo primordial

## - D -

- 10.- DEPENDING - dependiendo
- 11.- DESIGNATION - señalamiento, designación
- 12.- DIGIT - dígito, cifra

## - E -

- 13.- EQUITY - capital, propiedad neta, equidad
- 14.- ENTERED - asentado
- 15.- ENTERPRISES - empresas

## - K -

- 16.- KEEP - guardar
- 17.- KIND - clase, tipo

## - L -

- 18.- LETTER - letra, carta
- 19.- LEDGER - libro mayor

## - N -

- 20.- NUMBER - número

## - O -

- 21.- OFFICE MACHINES - máquinas de oficina

## - R -

- 22.- RESEMBLES - se parece
- 23.- RECORDED - registrado
- 24.- REMEMBER - recordar
- 25.- RECEIVING - recibiendo
- 26.- RUN - incluir

## - S -

- 27.- SINCE - ya que, desde
- 28.- SCHEDULE - programa, tabla
- 29.- SOURCE - creador, origen, fuente



- 30.- SIZE - tamaño, medida  
 31.- SORTING PROCESS - proceso de selección  
 32.- STARTS - empieza

33.- TRIAL BALANCE - balanza de comprobación

34.- TEMPORARILY - temporal, temporalmente

35.- VALUABLE - valioso

36.- WORK SHEET - hoja de trabajo

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## CHAPTER IV

### RECORDING TRANSACTIONS

In the preceding pages we showed the effects of transactions by making entries in "t" accounts. However these entries do not provide the necessary data for a particular transaction - nor do they provide a chronological record of transactions. The missing information is furnished by the journal.

#### The journal.

The journal, is the book of original entry for accounting data. Subsequently the data is posted to the ledger the book of secondary entry. The various transactions are evidenced by purchase invoices, sales tickets etc. These transactions are entered in chronological order in the journal. The process is called journalizing.

In a business may be used a number of different journals, the sales journal, the cash receipts journal, or the cash payment journal may be grouped into (A) general journals or (b) specialized journals to illustrate journalizing, we use the general journal below.

#### Journalizing

- (a) DATE. The year, month, and day of the first entry in the date column. Do not repeat the year and month until a new month occurs or a new page is needed.

- 30.- SIZE - tamaño, medida  
 31.- SORTING PROCESS - proceso de selección  
 32.- STARTS - empieza

33.- TRIAL BALANCE - balanza de comprobación

34.- TEMPORARILY - temporal, temporalmente

35.- VALUABLE - valioso

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- (a) DATE. The year, month, and day of the first entry in the date column. Do not repeat the year and month until a new month occurs or a new page is needed.



(a) DATE	(b) DESCRIPCION	(c) POST. REF.	(d) DEBIT	(e) CREDIT
197 OCT-5	CASH Robert Brown, capital (F) Invested cash in the business.	1	10,000	10,000

## GENERAL JOURNAL

- (b) DESCRIPTION. The account title to be debited is entered on the first line, next to the date column. The name of the account to be credited is entered on the line below - and indented.
- (c) P.R. (POSTING REFERENCE). Nothing is entered in this column until the particular entry is posted, that is, until the amounts are transferred to the related ledger accounts. The posting process will be described in other section.
- (d) THE DEBIT. The amount for each account is entered in - - this column. Generally there is only one item, but there could be two or more separate items.
- (e) CREDIT. The credit amount for each account is entered in this column, Here again, there is generally only one - account, but there could be two or more accounts involved with different amounts.
- (f) EXPLANATION. A brief description of the transaction is usually made on the line below the credit. Generally a blank line is left between the explanation and the next entry.

## EXAMPLE 1

To help understand the operation of the general journal, let us journalize the transaction previously described for Mr. - Kelly's business.

TRANSACTION (1) Invested in bussiness			
197__.			
Jan-4	Cash	5,000	
	J. Kelly Capital		5,000
	Investment in law practice		
TRANSACTION (2) Bought supplies			
Jan-4	Supplies on hand	300	
	Cash		300
	Bought supplies for cash		

## VOCABULARY VI

- B -

1.- BRIEF - breve

- C -

2.- CHRONOLOGICAL - cronológico

- E -

3.- EFFECTS - efectos

4.- ENTRIES - asientos, anotaciones

5.- EVIDENCED - demostrado, evidenciado

- F -

6.- FURNISHED - proporcionado

- G -

7.- GROUPED - agrupado

- H -

8.- HOWEVER - sin embargo

- I -

9.- INDENTED - sangrado (iniciado con sangría)

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10.- INVOLVED - mezclado, implicado

- J -

11.- JOURNALIZING - contabilización  
(registrar una transacción en el diario)

12.- MISSING - que falta, extraviado

13.- NOR - ni

14.- POSTED - pasada, asentada

15.- PURCHASE INVOICES - facturas de compra

16.- PREVIOUSLY - previamente

17.- PAGES - páginas

18.- PRECEDING - anterior, que procede

- S -

19.- SALES - ventas

20.- SECONDARY - secundaria

- T -

21.- TRANSFERRED - transferido, cambiado

## CHAPTER

### REPETITIVE TRANSACTIONS

#### INTRODUCTION:

In earlier sections, the accounting principles discussed were illustrated in terms of small businesses having relatively few transactions. Each transaction was recorded by means of an entry in the general journal, then posted to the related account in the general ledger.

such a simple system becomes altogether too slow and cumbersome when transactions of various categories occur by hundreds or thousand monthly. In that case, it is more practical to group the repetitive transactions according to type (sales, purchases, cash, etc.) and to provide a separate special journal for each type. Entries not of a repetitive nature, such as corrections, adjusting entries, and closing entries, will still be entered in the general journal.

#### ADVANTAGES OF SPECIAL JOURNALS:

The advantages of using special journals where there are numerous repetitive transactions may be summarized as follows:

- 1) Reduces detailed recording. In the special journal, each transaction is entered on a single line which is designed to provide all necessary information. For example, a sa-

10.- INVOLVED - mezclado, implicado

- J -

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The advantages of using special journals where there are numerous repetitive transactions may be summarized as follows:

- 1) Reduces detailed recording. In the special journal, each transaction is entered on a single line which is designed to provide all necessary information. For example, a sa-



les transaction is recorded on a single line indicating a debit to the customer's account and giving the customer's name, the date, the amount, and any other desired data (such as the invoice number). Under the special-journal concept, individual posting is eliminated. Only one posting for the total amount is made to the appropriate ledger account at the end of the month. Thus, if a firm had 1,000 sales on account during the month, the sales account would be credited once, not 1,000 times.

- 2) Permits better division of labor. Each special journal can be handled by a different person, who becomes more familiar with the special work and therefore more efficient. Just as important journalizing can now be done by a number of people working simultaneously, rather than consecutively.
- 3) Permits better internal control. Having separate journals allows the work to be arranged in such a way that no one person has conflicting responsibilities; for example, the receipt and the recording of cash. Thus, no employee can steal received cash and then make a journal entry to conceal the theft.

#### SPECIAL LEDGERS (SUBSIDIARY LEDGERS):

Further simplification of the general ledger is brought about by the use of subsidiary ledgers. In particular, for those

businesses which sell goods on credit and find it necessary to maintain a separate account with each customer and with each creditor, a special accounts receivable ledger and an accounts payable ledger eliminate multiple entries in the general ledger.

The advantages of special or subsidiary ledgers are similar to those of special journals. These are:

- 1) Reduces ledger detail. Most of the information will be in the subsidiary ledger, and the general ledger will be reserved chiefly for summary or total figures. Therefore, it will be easier to prepare the financial statements.
- 2) Permits better division of labor. Here again, each special or subsidiary ledger may be handled by a different person. Therefore, one person may work on the general ledger accounts while another person may simultaneously work on the subsidiary ledger.
- 3) Permits a different sequence of accounts. In the general ledger, it is desirable to have the accounts in the same sequence as in the balance sheet and income statement. As a further aid, it is desirable to use numbers to locate and reference the accounts. However, in connection with accounts receivable or accounts payable, which involve names of customers or companies, it is preferable to have the accounts in alphabetical sequence.



4) Permits better internal control. Better control is maintained if a person other than the person responsible for the general ledger is responsible for the subsidiary ledger. For example, the accounts receivable or customer's ledger trial balance should agree with the balance of the accounts receivable account in the general ledger. The general ledger account acts as a controlling account, and the subsidiary ledger must agree with the control.

No unauthorized entry could be made in the subsidiary ledger, as it would immediately put that record out of balance with the control account.

The idea of control accounts introduced above is an important one in accounting. Any group of similar accounts may be removed from the general ledger and a controlling account substituted for it. Not only is another level of error-protection thereby provided, but the time needed to prepare the general ledger trial balance and the financial statements becomes further reduced.

## VOCABULARY VII

- A -

- 1.- ALTOGETHER - enteramente del todo
- 2.- ADJUSTING ENTRIES - asientos de ajuste
- 3.- ADVANTAGES - ventajas
- 4.- AS FOLLOWS - como sigue

- C -

- 5.- CLOSING ENTRIES - asientos de cierre
- 6.- CUSTOMER - cliente
- 7.- CONCEAL - ocultar
- 8.- CHIEFLY - primordialmente, principalmente

- D -

- 9.- DETAILED - detallado
- 10.- DESIRED - deseado
- 11.- DURING - durante

- E -

- 12.- EASIER - más fácil
- 13.- EARLIER - al principio
- 14.- ELIMINATE - elimina

- F -

- 15.- FEW - pocos



- H -

16.- HANDLED - manejado

- I -

17.- INVOICES NUMBER - número de factura 5

18.- INTERNAL CONTROL - control interno

- L -

19.- LOCATE - ubicar

- M -

20.- MONTHLY - mensual

- O -

21.- ONCE - una vez

- P -

22.- PREFERABLE - preferible

23.- PRACTICAL - práctico

- S -

24.- SINGLE LINE - línea sencilla

25.- STILL - fijo, inmovil, de aquí, todavía

26.- SLOW - lento

27.- SUCH - igual, tal, semejante

28.- SUBSIDIARY LEDGER - libro mayor auxiliar

- T -

29.- TYPE - tipo

30.- TOO - demasiado, también

31.- TERMS - términos

32.- THEFT - hurto

33.- TIMES - veces

- U -

34.- USING - usando

- W -

35.- WHILE - mientras

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## CHAPTER VI

## SUMMARIZING AND REPORTING VIA THE WORKSHEET

## INTRODUCTION:

The recording of transactions and the adjusting and closing procedures have been discussed in previous chapters. It is reasonable to expect that among the hundreds of computations and clerical tasks involved some errors will occur, such as posting a debit as a credit. Today many financial records are maintained on the computer or on mechanical accounting systems. The use of machine time to correct errors can be very costly and can bring painful questions from high financial executives.

## WORKSHEET PROCEDURES FOR A SERVICE BUSINESS:

We are already familiar with the types of accounts found in a service business--I.E. a business in which revenue comes from services rendered-- so we shall first discuss the worksheet for such a business.

The worksheet is usually prepared in pencil on a large sheet of accounting stationery called analysis paper. On the worksheet the ledger accounts are adjusted, balanced, and arranged in proper form for preparing the financial statements. All procedures can be reviewed quickly and the adjusting and closing entries can be made in the formal records with less

chance of error. Moreover, with the data for the income statement and balance sheet already proved out on the worksheet, these statements can be prepared more quickly.

For a typical service business we may suppose the worksheet to have 10 money columns; namely, a debit and a credit column for five groups of figures: (1) Trial Balance, (2) Adjustments, (3) Adjusted Trial Balance, (4) Income Statement, and (5) Balance Sheet. (later on, with practice, the adjusted trial balance columns may be eliminated). The steps in completing the worksheet are then:

- 1.- Enter the trial balance figures from the ledger.
- 2.- Enter the adjustments.
- 3.- Compute the adjusted trial balances.
- 4.- Extend the adjusted trial balance figures to either the income statement or balance sheet columns.
- 5.- Total the income statement columns and the balance sheet columns.
- 6.- Enter the net income or net loss.

DE BIBLIOTECAS



## VOCABULARY VIII

- A -

- 1.- ADJUSTING - ajuste  
2.- AVOIDING - evitando, evitar

- B -

- 3.- BALANCED - saldada

- C -

- 4.- CLOSING - cierre  
5.- CHANCE - oportunidad  
6.- COMPUTER - máquina calculadora, computador

- E -

- 7.- EITHER - cualquiera, cada uno, ya sea  
8.- EXECUTIVES - ejecutivos  
9.- EXTEND - extender

- F -

- 10.- FAMILIAR - familiarizado

- L -

- 11.- LARGE SHEET - hoja grande

- 12.- LESS - menos

- M -

- 13.- MOREOVER - además, también, más de lo que se ha dicho, más aún

- N -

- 14.- NAMELY - principalmente

- P -

- 15.- PROVED OUT - justificado, mostrado, probado

- Q -

- 16.- QUICKLY - rápidamente

- W -

- 17.- WORKSHEET - hoja de trabajo

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## CHAPTER I

## THE DEVELOPMENT OF MANAGEMENT CONCEPTS

Any attempt to formulate general management concepts is based on the assumption that there is a common set of principles underlying successful managerial performance in a diversity of fields. The purpose of this chapter is to review briefly some of the influences on the development of management concepts during this century. From the standpoint of the history of human managerial activity, these are, of course, relatively recent influences. Thus, we shall discuss Taylor's scientific management, Fayol's general principles of management, the influence of the behavioral sciences, and the systems approach to management. We conclude the chapter by considering some of the cultural factors which have influenced managerial decisions during the past decade.

## A. TAYLOR'S SCIENTIFIC MANAGEMENT

Frederick W. Taylor is generally acknowledged to be the founder of the scientific management movement. His overall goal was higher industrial efficiency, in the form of either higher productivity or lower unit cost. What distinguishes scientific management from other approaches is not so much its goal, but the basic assumptions, specific objectives, and techniques by which industrial efficiency is to be achieved. The techniques of scientific management reflect Taylor's belief that the planning of tasks needs

to be separated from the doing. His book, *The Principles of Scientific Management*, was first published in 1911.

1. One of the assumptions underlying scientific management is that the application of the methods of science to problems of management will lead to high industrial efficiency. It was in this sense that Frederick Taylor believed management should be "scientific"
2. Observation, measurement, and experimental comparison are among the principal methods of science that can be applied to problems of management.
3. A second basic assumption is that the incentive of high wages will promote the mutuality of interest between workers and managers that will result in high industrial efficiency.
4. Thus two basic assumptions underlying the techniques of scientific management are that industrial efficiency can be improved through the application of the methods of science and the payment of high wages.
5. Several specific objectives are included in the scientific management approach to improving industrial efficiency. One is the standardization of working conditions. Determining the best temperature and humidity for archiving productivity has to do with the standardization of



working conditions.

6. The provision for work breaks of optimum duration and frequency is another example of standardization of working conditions to achieve higher industrial efficiency.
7. Closely related to the objective of standardizing working conditions is the standardization of work methods. Determining the best procedure for doing a job is an example related to standardization of work methods.
8. Motion study is the observation of all the motions that compose a particular job and the determination of the best set of motions that leads to the greatest efficiency. Therefore, motion study is a technique used to attain the specific objective of standardizing work methods.
9. Taylor concentrated on observing and measuring performance of high producers in order to discover and develop standardized work methods for particular jobs.
10. The use of motion-picture cameras to record worker movements and work methods is included in the technique of motion study.
11. In addition to the standardization of working conditions and the standardization of work methods, Taylor believed that the planning of a large daily task promotes industrial efficiency.

12. Just as motion study is a technique related to the standardization of work methods, time study is related to the planning of a large daily task for each worker.
13. The use of a stopwatch is related to the technique of time study.
14. Determining the appropriate production standard for a particular job can be accomplished by using the technique of time study.
15. On the other hand, observing the detailed job performance of a number of workers in order to discover the best way to do a job is related to the technique of motion study.
16. Another specific objective of scientific management is that encouragement to stay in a job should be given to (high producers), whereas encouragement to transfer to a different job should be given to (low producers).
17. Accordingly, for those producing above standard the per unit pay under the Taylor Differential Piecework Plan is (higher) than is for those producing below standard.
18. As a result, job transfers for employees producing above standard are (discouraged) by the use of the Taylor Differential Piecework Plan, whereas job transfers for



those producing below standard are (encouraged)

19. Thus two basic assumptions of scientific management are that industrial efficiency can be attained through the application of the methods of science and the payment of high wages.
20. Of the techniques of scientific management, studies of rest breaks, lighting, and the like are related to the objective of defining standardized working conditions.
21. Motion study is related to the objective of defining standardized work methods.
22. The use of the Taylor Differential Piecework Plan is related to the objective of encouraging high producers to stay in the job while encouraging low producers to transfer to another job.
23. The production standard to be used in a wage incentive system can be determined by using the technique of time study.
24. Although the historical connection is not direct recent work in operations research, which emphasizes the application of the methods of science to managerial decision making, is a further development of one of the operating assumptions of Taylor's scientific management.

## B. FAYOL'S GENERAL PRINCIPLES OF MANAGEMENT

In contrast to Taylor's emphasis on management techniques applicable at the working, or operative, level, Henri Fayol's approach to developing management concepts is oriented toward the higher levels of the organization. The so-called "functional approach" to the study of management is a direct outgrowth of Fayol's work. Because all of Chapter 2 is devoted to describing the functional approach to management, our coverage of Fayol's work in this chapter is restricted to providing a brief exposure to the overall frame work that Fayol followed in his development of management concepts.

Henri Fayol was a French industrialist who published his observations about general management principles in 1916 in French, under the title *Administration Industrielle et Générale*. However this monograph was not translated into English until 1929 and was not published in the United States until 1949.

25. Fayol identified six activities which he believed had to be accomplished all organizations. Referring to Figure 1.1 we see that organizational activity concerned with the optimum use of capital is the financial activity.

Figure 1.1 Fayol's identification of the activities to be accomplished in all organizations.



26. Continue referring to Figure 1.1 for the following frames. The buying selling and exchange functions in an organization are related to the commercial activity.
27. Production would be classified as a technical activity in Fayol's analysis.
28. The determination of present financial position is included in the accounting activity.
29. Protection of property would be included in the security activity.
30. Finally, Fayol identified the functions of planning, organizing, commanding, coordinating, and controlling as being included in managerial activity.
31. Most of Fayol's analysis of organizational activities was devoted to the area listed in the preceding frame, i.e., the analysis of managerial activity.
32. Fayol held that the importance of managerial ability increases as one goes up the chain of command. Consequently, one would expect that managerial skill is the most important component of job performance in (top) management positions.

TOP

33. Fayol also identified a number of principles of management listed in Figure 1.2 which apply in varying degrees in all managerial situations. We shall discuss some of these principles briefly in the frames that follow, in order to illustrate his approach to managerial problems. These fourteen concepts, then are considered to be the most important principles of management.

- 1.- DIVISION OF WORK
- 2.- AUTHORITY AND RESPONSIBILITY
- 3.- DISCIPLINE
- 4.- UNITY OF COMMAND
- 5.- UNITY OF DIRECTION
- 6.- SUBORDINATION OF INDIVIDUAL INTEREST TO GENERAL INTEREST
- 7.- REMUNERATION OF PERSONNEL
- 8.- CENTRALIZATION
- 9.- SCALAR CHAIN
- 10.- ORDER
- 11.- EQUITY
- 12.- STABILITY OF TENURE OF PERSONNEL
- 13.- INITIATIVE
- 14.- ESPRIT DE CORPS

Figure 1.2 Fayol's general principles of management.

34. Remuneration of personnel concerns the importance of the remuneration system being fair and affording maximum satisfaction to employee and employer. This principle

is similar to one of the basic assumptions underlying the field of scientific management, which we discussed in the preceding section of this chapter.

35. The scalar chain refers to the chain of superiors from the highest to the lowest rank, which should be short-circuited only when scrupulous following of it would be detrimental. This principle suggests, for example, that an employee (should not) feel free to contact his immediate superior's superior.
36. The unity of command principle suggests that an employee should receive orders from (only one) superior.
37. Initiative is conceived of as the thinking out and execution of a plan. Fayol suggests that since it is one of the "keenest satisfactions for an intelligent man to experience" managers should "sacrifice personal vanity" in order to permit subordinates to exercise it. Fayol thus appears to suggest that managers should share some of their decision-making authority with their subordinates.
38. The principle of division of work suggests that specialization within an enterprise leads to a higher level of efficiency.
39. "A place for everything and everything in its place"

concerns the principle of order. The use of a formal organization chart in a company would be (consistent) with the objective of this principle.

40. Stability of tenure of personnel suggests that high employee turnover is detrimental to an organization.
41. In concluding his discussion of management principles, Fayol stated that he had tried to present only those that he had the most occasion to use in his career as a manager. Thus the principles (were not) regarded as being exhaustive.



## VOCABULARY I

## - A -

- 1.- ATTEMPT - intento
- 2.- ASSUMPTION - suposición, presunción
- 3.- ACKNOWLEDGED - reconocido
- 4.- ACCORDINGLY - de acuerdo a
- 5.- APPROACH - medio, camino, aproximación
- 6.- ALTHOUGH - aunque, a pesar de
- 7.- ACCOMPLISHED - realizado, alcanzado
- 8.- AS BEING - como para ser, de este modo ser
- 9.- APPLIED - aplicado
- 10.- ATTAIN - lograr
- 11.- ACHIEVING - alcanzado, logrando

## - B -

- 12.- BRIEFLY - brevemente
- 13.- BEHAVIORAL - conducta
- 14.- BELIEF - creencia
- 15.- BELIEVED - creyó
- 16.- BETWEEN - entre
- 17.- BUYING - comprar

## - C -

- 18.- CHART - catálogo

- 19.- CONCEPTS - conceptos, ideas
- 20.- CLOSELY - juntamente, estrechamente
- 21.- COMPOSE - componer
- 22.- COMMANDING - mando
- 23.- CHAIN - cadena
- 24.- COMMON - común

## - D -

- 25.- DETRIMENTAL - perjudicial
- 26.- DOING - hacer, hecho
- 27.- DEVOTED - dedicado
- 28.- DETERMINING - determinar
- 29.- DISCOURAGED - desanimado
- 30.- DIVERSITY - diversidad, variedad
- 31.- DECADE - década
- 32.- DEVELOPMENT - desarrollo, evolución
- 33.- DAILY TASKS - tareas diarias
- 34.- DIFFERENTIAL PIECE WORK PLAN - trabajo a destajo

## - E -

- 35.- EITHER - ya sea, cualquiera
- 36.- ENCOURAGED - animado, alentado, impulsado
- 37.- EXPOSURE - exposición
- 38.- EXCHANGE - intercambio

## - F -

- 39.- FOUNDER - fundador

- 40.- FREQUENCY - frecuencia, ocurrencia  
 42.- FOR DOING - para hacer  
 42.- FURTHER - más aún, futuro, posterior  
 43.- FINALLY - finalmente  
 44.- FREE - libre, gratis

46.- GREATEST - más grande

47.- HIGHER - más alto

48.- HUMIDITY - humedad

49.- HELD - sostuvo

50.- HIGHEST - el más alto

- I -

51.- INCENTIVE - incentivo

52.- IN ORDER TO - con el fin de

53.- IN ADDITION TO - además de

54.- IDENTIFIED - identificó, identificado

55.- INITIATIVE - iniciativa

- J -

56.- JOB - trabajo

57.- JUST AS - precisamente

- K -

58.- KEENEST - el más hábil

- L -

59.- LOWER - más bajo

60.- LEAD - conducir

61.- LIGHTING - alumbrado

62.- LISTED - anotado, listado

63.- LOWEST - el más bajo

- M -

64.- MANAGEMENT - administración, manejo

65.- MANAGERIAL - administrativo

66.- MEASUREMENT - medir, medición

67.- MUTUALITY - reciprocidad

68.- MOTION STUDY - estudio de movimientos

69.- MOTIONS - movimientos

- O -

70.- OVERALL GOAL - meta general

71.- OBJECTIVES - objetivos

72.- OBSERVATION - observar

73.- ON THE OTHER HAND - por otra parte

74.- OF - de, tocante a

75.- ORIENTED - orientado

76.- OUTGROWTH - sobreestimado



77.- OF COURSE - por supuesto

- P -

- 78.- PRINCIPLES - principios  
 79.- PROVISION - provisión  
 80.- PROCEDURE - procedimiento  
 81.- PERFORMANCE - ejecución, realización  
 82.- PRODUCERS - productores  
 83.- PROMOTES - promueve  
 84.- PUBLISHED - publicado, publicó  
 85.- PLANNING - planeación

- R -

- 86.- REVIEW - repasar, revisar  
 87.- RELATED - relacionado  
 88.- RESULT - resultado  
 89.- REST BREAKS - pausas de descanso  
 90.- RESEARCH - investigaciones  
 91.- RESTRICTED - limitado  
 92.- REFERRING - refiriendo  
 93.- REMUNERATION - remuneración  
 94.- REFLECT - reflejar

- S -

- 95.- SKILL - destreza  
 96.- SET - serie, juego

- 97.- STOP WATCH - cronometro, reloj marcador  
 98.- SUCCESSFUL - exitoso, afortunado, prospero  
 99.- STANDPOINT - punto de vista  
 100.- SCIENTIFIC MANAGEMENT - administración científica  
 101.- SHOULD BE - debe ser  
 102.- STANDARDIZATION - estandarización  
 103.- SHOULD SHARE - debería compartir  
 104.- SENSE - sentido

- T -

- 105.- TO - a, para  
 106.- THUS - así, de este modo  
 107.- TECHNIQUES - técnicas  
 108.- TRANSFERS - cambios  
 109.- THOSE - esos, aquellos  
 110.- TOWARD - hacia  
 111.- THE OVER ALL FRAMEWORK - el marco general de trabajo

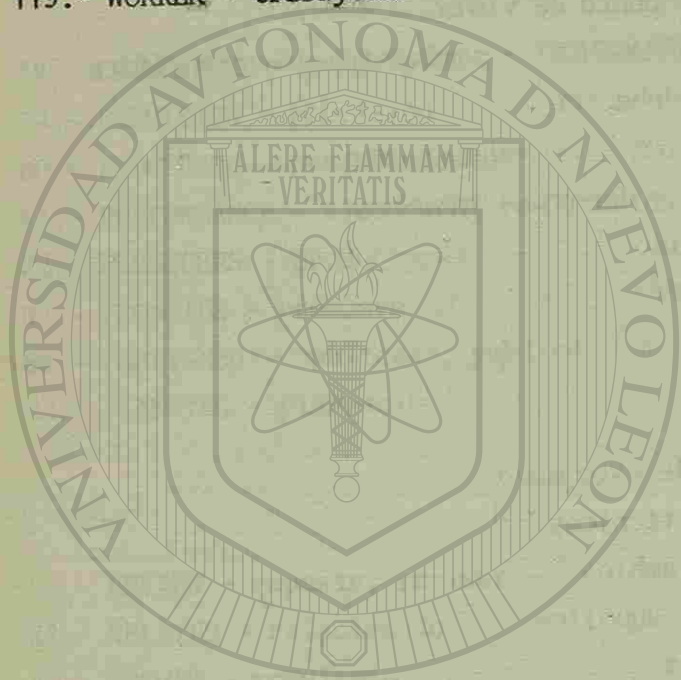
- U -

- 112.- UNDERLYING - reforzado, fortaleciendo, fundamental<sup>®</sup>  
 113.- UNDER - bajo  
 114.- UNTIL - hasta  
 115.- UNITY - unidad

- W -

- 116.- WAGES - salarios

- 117.- WORKING CONDITIONS - condiciones de trabajo  
 118.- WORK BREAKES - pausas de descanso  
 119.- WORKER - trabajador



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## CHAPTER II

### THE FUNCTIONS OF THE MANAGER

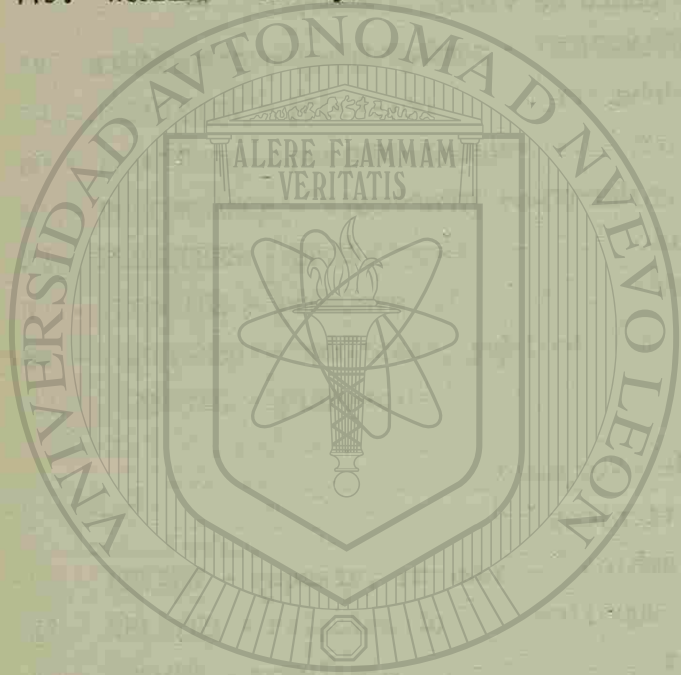
Stemming from the work of Henri Fayol, the functional approach to management focuses upon the managerial activities that have to be carried out in order to achieve organizational objectives. In this chapter we consider the characteristics of the major management functions of planning, organizing, directing, and controlling. There is no universal agreement regarding which activities constitute the major management functions, but these four are listed by the large majority of writers in the field. Along these lines, some have added the function of "staffing" to this list. Fayol himself identified a fifth function he called "coordinating", and in the last section of this unit we discuss why coordinating is better considered an objective of management rather than a function of management. The four major functions described in this chapter serve as the principal basis for organizing the topics in the remainder of this book, and therefore the ideas introduced in this chapter are more fully developed in later chapters.

#### A. THE FUNCTIONAL APPROACH TO MANAGEMENT

In addition to focusing upon what managers do, the functional approach to the study of management emphasizes the universal applicability of the functions. Thus, whether in a small business firm, a governmental agency, or a



- 117.- WORKING CONDITIONS - condiciones de trabajo  
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## CHAPTER II

### THE FUNCTIONS OF THE MANAGER

Stemming from the work of Henri Fayol, the functional approach to management focuses upon the managerial activities that have to be carried out in order to achieve organizational objectives. In this chapter we consider the characteristics of the major management functions of planning, organizing, directing, and controlling. There is no universal agreement regarding which activities constitute the major management functions, but these four are listed by the large majority of writers in the field. Along these lines, some have added the function of "staffing" to this list. Fayol himself identified a fifth function he called "coordinating", and in the last section of this unit we discuss why coordinating is better considered an objective of management rather than a function of management. The four major functions described in this chapter serve as the principal basis for organizing the topics in the remainder of this book, and therefore the ideas introduced in this chapter are more fully developed in later chapters.

#### A. THE FUNCTIONAL APPROACH TO MANAGEMENT

In addition to focusing upon what managers do, the functional approach to the study of management emphasizes the universal applicability of the functions. Thus, whether in a small business firm, a governmental agency, or a



large corporation, whether on the general management level or in a specialized area of work, all managers are involved in carrying out the functions of planning, organizing, directing, and controlling.

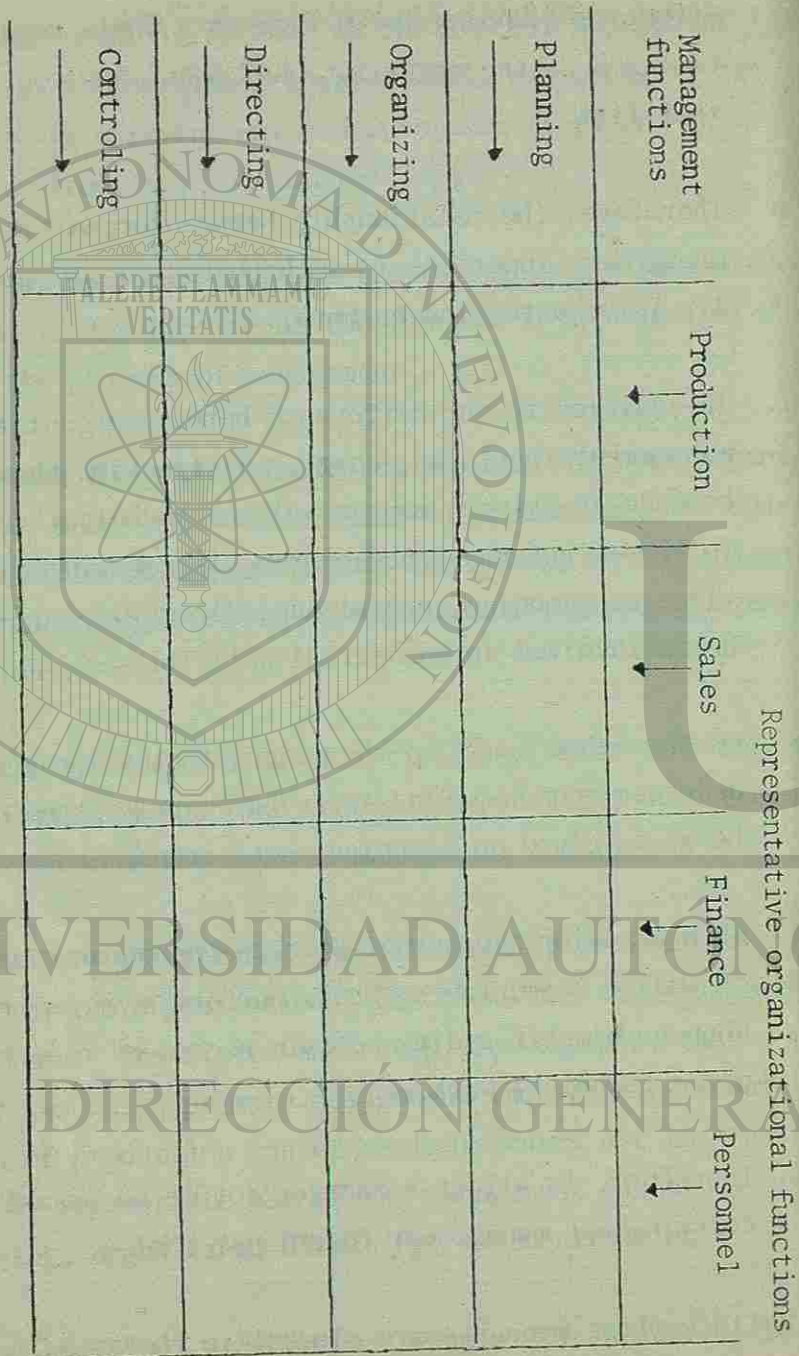
1. Universal applicability and the focusing upon what managers do is descriptive of the functional approach to studying the process of management.
2. Management functions should not be confused with organizational functions. Thus finance, production, and sales are examples of organizational functions, whereas planning, organizing, directing, and controlling are management functions.
3. Is a manager whose area of activity is restricted to one organizational function, such as production, nevertheless concerned with the several management functions? (Yes).
4. Figure 2.1 illustrates the relationship between some representative organizational functions and the management functions. The figure indicates, for example, that a manager who has a primary assignment the organizational function of production can effectively carry out this assignment by appropriate use of the management functions of planning, organizing, directing, and controlling.
5. Viewed the other standpoint, Figure 2.1 indicates that

effective planning for a firm as a whole requires planning for each of the organizational functions represented in that firm.

6. Therefore, the relationship between organizational and management functions is such that a manager must typically (give attention to both).
7. In addition to the difference between organizational and management functions, another distinction that needs to be made is between managerial and technical activities. To the extent that an executive is carrying out the functions of planning, organizing, directing, and controlling, he is involved in managerial activities.
8. On the other hand, to the extent that a manager does not delegate nonmanagerial tasks but carries them out himself, he is involved in technical activities.
9. When a senior accountant directs the efforts of a group of junior accountants, he is performing managerial work. When he himself audits certain record or reports, he is doing technical work.
10. Therefore, is all of a manager's time necessarily spent carrying out management functions? (No)
11. Since these managers are closest to the technical work



Figure 2.1 The relationship between organizational functions and management functions.



being done, the time spent on technical activities is usually greatest at the first-level managerial level.

12. In effect, we are suggesting that a manager is not a manager when he is doing technical work. Similarly, an employee who does not have a managerial title is in fact working as a manager when he has responsibility for any of the management functions.
13. Therefore, the absolute distinction between managers and nonmanagers that is implied by position titles is generally (misleading).
14. Just as the time spent on managerial and technical activities varies with managerial level, the proportion of time spent on planning and organizing, as contrasted to directing and controlling, also varies with the managerial level.
15. Top managers, who need to be concerned about the future position of the organization, are likely to spend relatively more time on the functions of (planning and organizing).
16. On the other hand, first-level managers, whose prime responsibility is to see that work already scheduled is accomplished, are likely to spend more time on the functions of (directing and controlling).



17. Though he included coordinating in his analysis, Fayol had difficulty in distinguishing coordinating from the other management functions. In this chapter we regard coordinating not as a function, but as an objective related to all of the functions.
18. In the following sections of this chapter, we briefly consider the descriptions of the four management functions of planning, organizing, directing, controlling, and more complete development for each of these functions takes place in later chapters.

#### B. PLANNING

From the standpoint of logical progression, the function of planning precedes activities in organizing, directing, and controlling. And within planning, the first logical and necessary step is the identification of the organization's objectives. Following the identification of objectives, necessary policies, procedures, and methods can then be determined.

19. In discussing organizational objectives, we cannot ignore the fact that the groups of people associated with an organization have their own personal objectives that affect the organization's success. The owner and employee groups, for example, are considered to be (within the firm, whereas suppliers and customers are outside) the firm.

20. From this standpoint, equitable distribution of economic gains to the various groups associated with an enterprise (enhances) the likelihood of long-run success.
21. However, an organization can also be viewed as an entity with its own objectives. In their search for a universal organizational objective, management theorists have considered three general objectives: profit, growth and survival, and the product or service objective. Of these, the objective most frequently associated with privately owned firms is profit.
22. For a number of reasons, to be discussed in Chapter 3, most writers in management prefer to identify the production of an economic value in the form of a product or service as being the universal objective of all organizations. This objective assigns particular importance to the influence of (customers) on organization success.
23. As part of the process of defining specific operating objectives, such factors as expected demand, technological changes, and governmental fiscal policy have to be considered. Such factors have been called planning premises because they (not) subject to the firm's direct control.
24. The determination of policies, which are general statements that guide decision making in the organization,



typically follows the identification of the organization's specific operating objectives.

25. In contrast to the needs of top management personnel, a first-level manager needs relatively (specific) policy statements to guide his decision making.
26. Accordingly, policies are often classified according to the managerial level affected.
27. Furthermore, it is also useful to classify policies according to the way they were formed and according to the organizational function involved. An example of the later would be the company's production policies.
28. Whereas a "general guide for decision making" defines a Policy, a procedure specifies the sequence of steps to be taken to attain an objective.
29. On the other hand, a method specifies how someone step of a procedure should be performed, and is thus more detailed than either a policy or a procedure.
30. Overall, the identification of the organization's objectives and the formulation of policies, procedures, and methods are all components of the planning process.
31. Though the skill of decision making is involved in all

management functions, it is especially important in determining the manager's effectiveness in carrying out the function of planning.

32. In addition to research interest in creativity, there has been extensive application of quantitative methods to improve managerial skill in decision making.
33. Some of the techniques of operations research (OR) are presented and discussed in Chapter 5. The development of OR has resulted in expanded application of quantitative methods managerial decision making.

### C. ORGANIZING

The organization chart, which is a kind of model representing the formal organization, indicates the grouping of activities, authority relationships, and certain communication channels. As such, the organization chart represents the result of the management function of organizing. The function itself consists of determining the activities to be performed in an organization, grouping these activities, and assigning managerial authority and responsibility to people employed in the organization.

34. As indicated in the introduction above, the results of the process of organizing are typically represented by



means of an organization chart.

35. Departmentation, which is the grouping of activities, in a business enterprise can be done on the basis of several different factors.
36. For example, grouping of activities according to such factors as sales, finance, production, and the like is departmentation based on organizational functions.
37. Grouping of activities according to the number of people, the product, the territory, the customer, and the process involved are other bases for departmentation.
38. As an organization expands, growth may take place in either a vertical or a horizontal direction. The addition of more levels of management represents vertical growth, whereas the addition of more organizational functions, with the number of levels held constant, represents horizontal growth.
39. Determining the ideal span of management, i.e., the number of employees whose can be effectively supervised by one manager, has been a long standing problem related to the management function of organizing.
40. Whereas classical writers tended to search for an ideal span of management for all situations, contemporary wri-

ters emphasize the importance of such factors as the organization level involved, the type of activity, the type of personnel, and the type of organization.

41. Overall organizational structure is greatly affected by whether the enterprise tends toward a philosophy of managerial centralization or decentralization. Concentration of authority at top management levels is reflective of managerial centralization.
42. On the other hand, wide dissemination of authority in the organization is reflective of a managerial philosophy of (decentralization).
43. Identification of line and staff activities, and definition of the authority relationships between the two, constitutes another dimension of the management function of organizing.
44. Activities that are directly concerned with attaining company objectives are classified as line activities, whereas those that have an indirect relationship are classified as (staff) activities.
45. There are various ways in which the staff gives assistance in attaining the organization's objectives, sometimes involving even staff control of line activities.
46. Further, the manager needs to be aware that in every en-



terprise an informal social organization exists (in addition to) the formal one defined and constructed by the manager.

47. The informal organization serves as an additional communication medium, making possible (faster) flow of information within an enterprise, though the information may or may not be accurate.
48. From what you know about the tendency of people to communicate and get together outside formal organization channels, would you expect it to be possible to eliminate the informal organization in an enterprise? (No)
49. Finally, an organization has to be staffed, which includes the determination of personnel needs and the selection, appraisal, and training of the people who are required. Therefore, such personnel functions can also be considered an inherent part of the management function of organization.

#### D. DIRECTING

The function of directing involves guiding and supervising the efforts of subordinates toward the attainment of the firm's goals. Through research in human motivation, leadership, communication, and employee development,

the behavioral sciences have contributed substantially to our understanding of this function in recent years.

50. In contrast to the classical economic-man assumption, which suggested that amount of pay is the only factor determining worker productivity, recent findings emphasize the diverse motives underlying behavior, thus resulting in more complex motivational models which are (more) realistic.

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## VOCABULARY II

## - A -

- 1.- ALREADY - ya
- 2.- APPROPRIATE - apropiado
- 3.- ACHIEVE - lograr, alcanzar
- 4.- AGREEMENT - convenio, acuerdo
- 5.- ADDED - agregó, agregado
- 6.- APPLICABILITY - aplicabilidad
- 7.- ASSIGNMENT - asignatura, tarea
- 8.- AS A WHOLE - como un todo, en general
- 9.- ASSIGNS - asigna, señala
- 10.- ABOVE - sobre
- 11.- ADDITION - añadidura

## - B -

- 12.- BASIS - bases
- 13.- BUSINESS FIRM - firma comercial
- 14.- BUT - pero, si no, sin embargo

## - C -

- 15.- CONSTITUTE - constituir
- 16.- CONFUSED - confundido
- 17.- CARRY OUT - llevar a cabo
- 18.- CONSTANT - constante
- 19.- CLASSIFY - clasificar

- 20.- CLOSEST - más cerca
- 21.- CHANGES - cambios
- 22.- CHARACTERISTICS - características

## - D -

- 23.- DESCRIBED - descrito
- 24.- DO - hacer
- 25.- DESCRIPTIVE - descriptivo, representativo
- 26.- DONE - hecho
- 27.- DETERMINATION - determinación, resolución
- 28.- DELEGATE - delegar
- 29.- DISTINCTION - distinción
- 30.- DEPARTMENTATION - departamentización

## - E -

- 31.- EXENT - grado
- 32.- EMPLOYEE - empleado
- 33.- ENHANCES - poner en alto
- 34.- EQUITABLE - justa, equitativa
- 35.- EXPECTED - esperado
- 36.- EFFECTIVENESS - efectividad

## - F -

- 37.- FULLY - completamente
- 38.- FOCUSES - enfoque
- 39.- FOLLOWS - sigue



40.- FURTHERMORE - además

41.- FIELD - campo

42.- GUIDE - guía

43.- GROWTH - crecimiento

44.- GAINS - ganancias

45.- GROUPING - grupo, agrupado

46.- GIVE - dar

47.- HOWEVER - sin embargo

48.- INVOLVED - mezclado, implicado

49.- IDENTIFY - identificar

50.- INFLUENCE - influencia

51.- IN DISCUSSING - al examinar, al debatir

52.- LONG-RUN SUCCESS - triunfar, tardó, temprano

53.- LIST - lista

54.- LAST - última

55.- LIKELYHOOD - posibilidad

56.- LIKELY - apto, idoneo, probable

57.- LATER - subsecuenté, más adelante

- M -

58.- MAJOR - principal

59.- MISLEADING - ejecutar lo que no es justo, engañar

60.- MOST - más

- N -

61.- NEVERTHELESS - a menos que

62.- NONMANAGERIAL - no administrativo

- O -

63.- ON THE OTHER HAND - por otra parte

64.- OUTSIDE - fuera

- P -

65.- PRIMARY - primordial

66.- PRIME - primero

67.- PRECEDES - va primero, antecede

68.- PRIVATELY - privadamente

69.- PLANNING PREMISES - premisas de planeación

70.- PERFORMED - ejecutado

71.- POLICES - políticas

72.- PROCEDURES - procedimientos

- Q -

73.- QUANTITATIVE - cuantitativo

## - R -

- 74.- REGARDING - considerando  
 75.- RESTRICTED - limitado  
 76.- REASONS - razones  
 77.- RESPONSABILITY - responsabilidad

## - S -

- 78.- SEQUENCE - secuencia  
 79.- STEMMING - surgiendo  
 80.- STAFFING - asesorando  
 81.- SERVES - sirve  
 82.- SCHEDULED - programado  
 83.- STEP - paso  
 84.- SURVIVAL - supervivencia, conservación  
 85.- SEVERAL - varios  
 86.- SPENT - invirtió, gastó  
 87.- SEARCH - búsqueda  
 88.- SPAN - lapso  
 89.- SUPERVISED - supervisado

## - T -

- 90.- TYPICALLY - típicamente  
 91.- TOPICS - tópicos  
 92.- THUS - así, de este modo  
 93.- THEREFORE - por lo tanto  
 94.- THEORISTS - teóricos  
 95.- TAKEN - tomado

- 96.- TITLES - títulos  
 97.- TOP - alto, superior  
 98.- TAKES PLACE - tiene lugar  
 99.- THOUGH - aunque  
 100.- TENDED - tendía

## - U -

- 101.- UPON - en, sobre  
 102.- USEFUL - útil

## - V -

- 103.- VIEWED - visto  
 104.- VALUE - valor

## - W -

- 105.- WRITERS - escritores  
 106.- WHETHER - ya sea, si  
 107.- WHEREAS - mientras que  
 108.- WHOSE - de quien, cuyo  
 109.- WITHIN - dentro de, adentro de



CHAPTER I

PUBLIC EXPENDITURES:  
ADMINISTRATION AND FINANCE

We have examined in preceding chapters the devices by which the monetary authorities may remove or counteract certain causes such as price changes, or credit expansion and contraction, which tend to promote undesirable fluctuations in business activity. These devices might be regarded as methods for inducing business to stabilize its expenditures, which, being the greatest source of the income of society, make regularization of first importance for a stable economic system. But we have seen also that the monetary measures at the disposal of the authorities cannot be completely successful. Even in booms their efficacy is limited, and in depressions they may be quite unable to stop the process of deflation. Even the cheapest money may not be a stimulant to business, and the flow of purchasing power that business can set in motion, particularly in its expenditures for plant and machinery, may, despite all efforts, be undesirably reduced.

In these circumstances, the government may have to resort to other means of control. These means consist in the purposeful manipulation of public expenditures and taxes and are commonly referred to as "fiscal policy" Through these manipulations, government is in a position to modify the aggregate demand for the goods and services of society, upon which the

levels of output and employment depend.

FISCAL POLICY

The total outlay for the product of society as represented by the gross national product or expenditure is divided at any given time into three components: (1) private consumption expenditures, (2) private outlays on capital goods, including residential buildings, and commonly called "private capital formation", and (3) governmental expenditures for goods and services.

For the year 1954 we have the following data: \*

Gross national product . . . . .	\$ 357.2 billions of dollars
Government expenditures . . . . .	77.5
Private gross capital formation . . . . .	45.7
Consumers' expenditures . . . . .	234.0

\* Source: Economic Reports of the President.

In so far as government can modify its own expenditures or bring about modification of private expenditures it can increase or decrease the total of aggregate demand in any given period. Thus the fiscal policy of the government, determining as it does its rates of expenditures, the level and distribution of taxes, and the rate of payments on the public



debt, offers an important tool for affecting in the interests of public welfare the level and stability of the total economic effort of the community. Fiscal policy is a particularly suitable device in a free enterprise society, since it can influence promptly the flow of purchasing power without any regimentation of private business. Furthermore the instruments of fiscal policy are not strange or novel. They are the - - accepted machinery of governments. We are familiar enough - with taxes and government expenditures. We are even familiar with their use to modify the income structure of society as through progressive taxes or subsidies or relief payments. It needs no great jump of the imagination, no notable change in attitudes of the people, to extend their use in the service of stabilization.

Whereas banking and monetary policy would be regarded as the appropriate instrument of stabilization by those who, like - Hawtrey or Hayek, hold business cycles to be the consequence of monetary instability, fiscal policy has developed under - the influence of Lord Keynes with his emphasis on the importance of maintaining effective demand. Because of this relationship, the emphasis of fiscal policy has been on attacking deflation where the emphasis of banking policy has been on - attacking inflation. Monetary theorists, especially those - who regard depressions as the result of booms, aim to moderate booms. Those who follow Keynes, regarding depressions as avoidable interruptions to periods of high employment, tend to look upon fiscal policy as primarily designed to attack - depression.

The functions of fiscal policy can best be understood if we recall the pattern of analysis developed by Keynes. This pattern may be briefly summarized as follows:

1. Any given level of employment and income can be maintained provided that investment - expenditures on capital goods - such as buildings, factories, machinery, and so on - is adequate and no more than adequate what people save at this level of income; that is, what they do not spend on consumption.
2. Contrary to classical views, there is no certainty that - private investment outlets are effectively adapted to - offset any given volume of savings. This is the more probable considering that habits of consumption and saving - are relatively stable while investment, depending as it - does on the varying prospects of profits, is uncertain, volatile, and capricious.
3. As a result we face the possibility that planned investment may exceed or fall short of savings. If it exceeds savings, aggregate effective demand will rise, and if we have started from a level of high employment, inflation - will set in. If planned investment falls short of saving, aggregate effective demand will fall and we face a period of deflation.
4. A society therefore that wants a high and stable level of employment, and is not prepared to leave the attainment - thereof to luck, must adopt deliberate fiscal measures de-



signed to maintain or restrain effective demand, whenever it falls below or rises above the level necessary to support the desired volume of employment.

#### The instruments of fiscal policy

The fiscal devices at the disposal of the government fall into two general classes:

1. Variations in the aggregate of such governmental expenditures as can be varied, deliberately or by some automatic arrangement, with stabilizing effects. Such stabilizing expenditures lie in two major areas: (a) expenditures on public works, or communal goods such as roads, schools, post offices, hospitals, parks, and the like; (b) transfer payments, not representing any current equivalent in goods or services, such as interest on the public debt, payments to veterans, farm benefits or other subsidies, relief payments, unemployment insurance, and social security benefits.
2. Variation in tax yields or tax rates or the tax structure in such wise as to encourage or restrain private expenditures on consumption or investment. These variations may consist in reducing or increasing taxes in general, or by so modifying the structure of taxes as to increase or decrease the share of income after taxes falling to the classes with a high propensity to consume.

The essential purpose of these fiscal devices is to prevent

total outlay from falling below or rising above the volume required to maintain a desirable level of output and employment. If private expenditures bring outlay below these levels (which would usher in a period of deflation as in 1929-1932) public expenditures should be expanded, taxes, especially on consumption or on the classes with a high propensity to consume, should be reduced and the government should incur a deficit. If private expenditures bring outlay above these levels (which would usher in a period of inflation as in 1946-1948), public expenditures should be restrained, public works postponed, and taxes should be maintained or raised, especially on consumption. Thus the government should accumulate a surplus, which could be used to reduce deficits previously contracted. Thus by alternating deficits and surplus, the government might be able to hold total expenditures to more stabilized levels.

#### AUTOMATIC STABILIZERS

To some extent, the stabilizing effects of expenditures and taxes may be brought about automatically from the natural operation of the expenditures or revenues involved as the economy expands or contracts. This characteristic is sometimes referred to as "built-in", or "automatic", stability, and the expenditures and revenues in question as built-in, or automatic, stabilizers. They constitute a quasi servomechanism which operates to moderate the variations of the economy.

An effective automatic stabilizer would cause government ex-



penditures, which puts money in peoples' hands, to increase in contraction and fall in expansion; and would cause government revenues, which take money away from people, to rise in expansion and fall in contraction. The effect of these fiscal changes would be to reduce the peoples' disposable income in boom and increase it in slump. Unless the government insisted on balancing the budget yearly, these automatic stabilizers would cause a budget surplus in boom and a deficit in slump. Only in this way, indeed, can they be effective.

Automatic, or built-in, stability is found in the income tax, both personal and corporate, the unemployment insurance system, to some extent in social security payments, and in price supports to agriculture.

The personal income tax is a progressive tax with present exemptions of \$ 600 per person for a man, his wife, and dependent children. In a period of expansion, as income rises, more incomes rise above the exemption level, and more and more persons move into higher tax brackets. As a result, the average tax rate and therefore the total tax yield rises more than proportionally to income. In a slump, on the other hand, incomes fall into lower brackets, the number of exemptions increase, and the average tax rate - together with the total tax yield - falls more than proportionally to income. As a result, both expansion and contraction are moderated.

As for corporate income tax, though this is not progressive

for most corporate income, corporate profits rise and fall - disproportionately to the national income, again causing corporation taxes to serve as an automatic brake and easement in boom and slump, respectively.

Unemployment insurance collections increase as payrolls rise (up to maximum levels) and are paid out as benefits as employment falls. They are, therefore, a good example of built-in stabilizers - taking money away in boom, paying it out in slump.

Social security payments are stabilizing to some degree. They tend to be lessened in boom to the degree that recipients, who otherwise might be idle, are employed for wages, thus cutting down benefits. And in slump they tend to reach their maximum levels as recipients find jobs not so available, if available at all. Also, social security taxes vary with the payroll, rising in boom, falling in slump.

Public relief, although to some degree continuing in good years and bad, rises sharply in depression, as do subsidies to agriculture when agricultural prices fall below parity or some proportion thereof.

All these built-in stabilizers tend to reduce the amplitude of the fluctuations of disposable income by creating a deficit in depression when revenues fall relative to expenditures and a surplus in expansion when revenues rise relative to ex



penditures. In depression, government takes away less than it puts back, while in expansion it takes away more than it puts back. This plan eases the strain of depression and moderates the inflationary dangers inherent in a boom.

A.G. Hart estimates that, if we take all the automatic stabilizers together, the effect would be to increase the budget deficit or surplus by "well over a third" of the fall or rise of the national income. That is, a fall in national income of \$ 10 billion would automatically increase the government deficit by \$ 3 or \$ 4 billion. Or, to put it another way, the depressing effects of a \$ 10 billion fall in national income would be alleviated to the extent of \$ 3 to \$ 4 billion increase in government expenditures over government revenues. These deficit expenditures would serve to offset an equivalent fall in private investment and, by being financed through the banking system, would tend to offset any decline in the total money supply.

While these automatic stabilizers thus serve a very useful purpose, they do not cover the whole ground nor are they likely to be powerful enough to justify too exclusive reliance upon them. They should not be regarded as more than a first line of defense. Other measures of a deliberate sort, such as expenditures on public works or changes in the general schedule of taxes made by the decision of the appropriate governmental body, must be taken to prevent more serious economic fluctuation.

The problems arising in these further areas are problems of public policy, involving specific decisions which may have substantial influence on the economy. To these we now turn our attention.

Public works expenditures are well adapted to purposes of stabilization, and the problems they raise and their solution throw so much light on the complications of fiscal policy as it relates to any public expenditures that they will be taken as a generalized example capable of standing for all other stabilizing expenditures. Much of what will be said of public works will apply without much modification to transfer payments and to some extent to increases or decreases in the general levels of taxes. More specific analysis of certain types of transfer payments, such as unemployment insurance benefits, and the general problem of tax variation are taken up in Chapter 25.

#### PUBLIC WORKS

Public works are defined by Clark as "durable goods, primarily fixed structures, produced by the government" They commonly include all public buildings, roads, airports, canals, sewage systems, projects for conservation and development of natural resources such as water power and forests, flood and erosion control, river and harbor development, and similar projects. What they include, of course, depends on the sco-



pe of activity normally carried on by governmental bodies as well as on the state of public opinion in respect to the extension of this activity into relatively new fields. In countries where public utilities are commonly operated by the government, railroads and telegraph and telephone facilities are included in public works, whereas they are private works in the United States. In depressions, deep ones particularly, there is a tendency to widen the scope of public works in order to increase to its maximum the work-giving area. Thus, in the United States, public works under the Roosevelt administration were extended to include slum clearance and the construction of lowcost housing on a large scale. Such an extension of public works is obviously a matter of public policy and social conscience, dependent at any time on the degree to which, in a emergency, public opinion is prepared to see government invade territory normally occupied by private enterprise.

#### How public works may serve as a stabilizer

The stabilizing possibilities of public works lie in the fact that the government in its various units normally exercises a large demand in the field of durable goods, and that this demand, to a very considerable degree, can be arranged in such a manner as to offset the instability of private expenditures. Not being subject to the profit-making commercial considerations that surround private business, government may postpone or advance its demands within wide limits; and this power enables it to stagger its operations in the field of

durable goods against those of private enterprise. This possibility is particularly important because it is in the field of durable goods, such as are involved in public works, that the greatest fluctuations of output and employment occur, and that the greatest social benefit can come from stabilization.

If government followed the habits of private consumers, including business consumption, it would enlarge its purchases when business is good and reduce them when business is bad. In so doing, it would tend to increase the expansion of industrial activity in boom and increase its decline in depression. Moreover, this practice is more or less what it is actuated to follow under its ordinary impulses, for when times are good, not only do taxes flow in more freely and revenues rise, but the demand for government works of all kinds - on roads, bridges, canals, docks, post offices, and so on - rises also. On the contrary, in depression, revenues gradually shrink, ordinary demand for public works falls away, and economy becomes the watchword for all governmental units. In short, government tends to be inflationary in times when inflation is already under way, and deflationary when deflation is already dangerous.

It would seem, therefore, that, if government would revise its practice and deliberately arrange its expenditures to counteract rather than exaggerate the fluctuations of business spending, increasing its activity when business is dull and decreasing when business is active, the aggregate of bu-



business activity in general should certainly be more stable - than it now is.

Society as a whole might, therefore, be made to avoid periods of feverish and unhealthy activity. If depression comes, a means is at hand for utilizing the human and material resources of the community that otherwise will be idle and useless. The use of these resources is then almost costless to the community, and their output is nearly a free gift to society, for the resources are already there. They cost nothing to produce, and even their use costs but little. They have to be supported even in idleness - not only men, who cannot be allowed to starve, but also machinery, which must be kept - from deterioration. In idleness, the expenditures on their support bring no material result to society. At work, society has works of public usefulness in return for its expenditures.

The effectiveness of this stabilizing agent depends on its importance.

## VOCABULARY I

## - A -

- 1.- AS THOUGH - como si
- 2.- ALLOWED TO STARVE - dejar que perezcan
- 3.- AIM - apuntar
- 4.- AVOIDABLE - evitable
- 5.- ATTAINMENT - logro, lo que se pretende
- 6.- AVERAGE - promedio
- 7.- AS PAYROLL RISE - a como se eleva la nómina
- 8.- DO SUBSIDIES - a como subsidia
- 9.- ALLEVIATED - confortado
- 10.- ANY DECLINE - cualquier declinación
- 11.- AS A WHOLE MIGHT - como en general podría
- 12.- A MEAN IS - un medio es
- 13.- AND SO ON - y así sucesivamente
- 14.- AND THE LIKE - y así sucesivamente

## - B -

- 15.- BANKING - banca
- 16.- BOOM - aumentar rápidamente de valor en el mercado, bonanza, auge
- 17.- BRIDGES - puentes
- 18.- BY WELL OVER A THIRD - un poco más

## - C -

- 19.- COUNTERACT - contrarrestar
- 20.- CHEAPEST - el más barato

- 21.- COMMONLY - comunmente  
 22.- CONSUMPTION - consumo  
 23.- CAPRICIOUS - caprichoso  
 24.- CORPORATE INCOME - ingreso de sociedades anónimas  
 25.- CUTTING DOWN - reduciendo  
 26.- CAPABLE - capaz

- D -

- 27.- DEVICES - medios  
 28.- DESPITE - no obstante, a pesar de  
 29.- DISPOSAL - disponer  
 30.- DEGREE - grado  
 31.- DANGERS - peligros  
 32.- DELIBERATE SORT - clase deliberada  
 33.- DURABLE GOODS - bienes durables  
 34.- DEEP ONES - los más profundos  
 35.- DOCKS - muelles, embarcaderos  
 36.- DULL - soso, aburrido

- E -

- 37.- EXPENDITURES - erogaciones, gastos  
 38.- EXEMPTIONS - franquicias  
 39.- EASEMENT - estabilizador  
 40.- ENLARGE - agrandar

- F -

- 41.- FLOW - flujo

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 40.- ENLARGE - agrandar

- F -

- 41.- FLOW - flujo

- 42.- FARM BENEFITS - beneficios agrícolas  
 43.- FALLING - cayendo, bajando  
 44.- FIXED STRUCTURES - estructuras, fijas  
 45.- FLOOD - inundación  
 46.- FREELY - libremente  
 47.- FALLS AWAY - se aparta  
 48.- FEVERISH - con fiebre

- G -

- 49.- GROSS - bruto

- H -

- 50.- HARBOR - puerto  
 51.- HOUSING - vivienda

- I -

- 52.- IN SLUMP - en períodos de recesión, en quiebra  
 53.- IN SO FAR AS - en cuanto a  
 54.- IN SUCH WISE - en tan apropiado  
 55.- INSURANCE - seguro  
 56.- IDLE - ocio  
 57.- IN SO DOING - al hacerlo así  
 58.- IS ACTUATED - se actua  
 59.- ALREADY UNDER WAY - ya esta funcionando  
 60.- IDLENESS - ocio  
 61.- INFLATION WILL SET IN - habrá inflación

- 62.- LOWER BRACKETS - margen más bajo  
 63.- LESSENERED - disminuido  
 64.- LIE - descansa

## - M -

- 65.- MEANS - medios  
 66.- MEASURES - medidas  
 67.- MONEY SUPPLY - oferta monetaria

## - N -

- 68.- NOT BEING SUBJECT - no estando sujetos  
 69.- NOVEL - nuevo, novel, joven

## - O -

- 70.- OUTPUT - producción  
 71.- OUTLAY - gasto  
 72.- OUTLETS - salidas

## - P -

- 73.- PAID OUT - pagado  
 74.- PURPOSEFUL - propósito  
 75.- PROMPTLY - prontamente  
 76.- PROPENSITY - propensión  
 77.- PUBLIC RELIEF - ayuda pública  
 78.- PARITY - paridad  
 79.- PUBLIC USEFULNESS - utilidad pública

- 80.- PATTERN - patrón  
 81.- PRIMARELY - primordial

## - Q -

- 82.- QUASI SERVO MECHANISM - servicio casi automático

## - R -

- 83.- REGIMENTATION - reglamentación  
 84.- RECALL - recordar, renovar  
 85.- RISE - elevar  
 86.- RELIANCE - confianza  
 87.- RAILROADS - vias del ferrocarril  
 88.- REVISE - revisar  
 89.- RESORT - recurrir  
 90.- RELATIONSHIP - relación

## - S -

- 91.- SHRINK - reducidas  
 92.- STABLE - estable, fijo  
 93.- SAVINGS - ahorros  
 94.- SUPPORT - respaldar  
 95.- SHARE - participación  
 96.- SURPLUS - excedente  
 97.- SEWAGE SYSTEM - sistema de drenaje  
 98.- SCOPE - objetivo  
 99.- SUCH AS ARE INVOLVED - tal como las que se incluyen  
 100.- SURROUND - rodear



101.- SLUM CLEARANCE - puentes

- T -

102.- TEND - tiende

103.- TAX YIELDS - rendimientos gravables

104.- TAX RATES - tasas impositivas

105.- TO SOME EXENT - a tal grado

106.- TO AS BUILT IN - integrado

107.- TAKE MONEY AWAY - quitar el dinero

108.- TAX BRACKETS - margen de impuesto

109.- THEREOF - posteriormente

110.- TAKES AWAY THAN IT PUTS BACK - lo retira y lo acerca

111.- TURN - voltear

112.- THROW - arrojar

113.- THE WORK GIVING AREA - el trabajo dando lugar

- U -

114.- UNCERTAIN - incierto

115.- UNLESS - a menos

116.- UNEMPLOYMENT - desempleo

117.- UNHEALTHY - enfermo

118.- USELESS - inútil

119.- UNDESTRABLE - no deseable

120.- USHER - suceder, traer consigo

121.- USEFUL - útil

- V -

122.- VIEWS - puntos de vista

123.- VOLATILE - volátil

- W -

124.- WELFARE - bienestar

125.- WHENEVER - siempre que

126.- WAGES - salarios

127.- WATER POWER - fuerza hidráulica

128.- WIDE - ampliar



## CHAPTER II

## CONTROL OF FIXED COSTS:

## PROGRAMMED AND COMMITTED COSTS

Advances in automation, increases in technical specialization, and pressures toward stable employment have had a substantial effect on the cost behavior patterns of organizations. More costs are tending to become fixed. In this chapter, we shall investigate the techniques for controlling fixed costs.

Fixed costs provide capacity for manufacturing, sales, administration, and research. They often entail relatively heavy sums and long spans of time. Hence, decisions regarding fixed costs are far-reaching and usually have sizable short-run and long-run effects. The implications for managers are twofold: First, planning techniques are crucial. Second, once acquired, the capacity should be utilized as fully as possible provided, of course, that the increase in revenue exceeds the increase in costs as volume increases.

The planning of long-range commitments for plant and equipment, new products, and the like often involves discounted-cash flow techniques. We shall discuss this type of problem-solving in detail in Chapter 14. In this chapter, we shall concentrate on the planning of programmed costs and the utilization of capacity already on hand. The emphasis will be on attention directing.

## PROGRAMMED COSTS

Difficulties of Measurement  
MEDICION

As we defined them in Chapter 8, programmed costs, also called managed costs, are those fixed costs which arise from periodic appropriation decisions that directly reflect top management policies. Programmed costs are an assortment of manufacturing, selling, administrative, and research items. Like committed costs, they should be carefully planned and fully utilized if net income is to be maximized. Unlike committed costs, they can be influenced more easily from period to period. It is also harder to measure the utilization of programmed costs, principally because the results of services like creative personnel, advertising, research, and training programs are much more difficult to isolate and quantify than the results of utilizing plant and equipment to make products.

Lump-sum appropriations for advertising, research, training, public relations, sales promotion, donations, size of sales force, and the like, are usually made annually. In the give-and-take of the process of preparing the master budget, the programmed costs are the most likely to be revised.

Organizational objectives determine programmed costs. For example, a large portion of programmed costs may consist of salaries for salesmen, accountants, clerks, and engineers.

EMPLEADOS DE MOSTRADOR.



Some managements may <sup>Administrar</sup> hire and <sup>despedir</sup> fire more <sup>rapidamente</sup> quickly than others, thus <sup>ejerciendo</sup> exercising short-run cost control. Other managements may believe that such short-run benefits are <sup>acortaplazo</sup> outweighed by the long-run difficulties of attracting and retaining <sup>talento</sup> top-flight talent. The latter tend to have proportionally higher <sup>programados</sup> programmed costs and lower variable costs; the former <sup>el primero</sup> tend to have proportionally lower programmed costs and higher variable costs.

The behavior of some programmed costs is <sup>facil</sup> easy to delineate. Advertising, research, donations, and training programs, for example, are usually formulated with certain objectives in mind. Total costs are then estimated, and requests are made to higher management for an appropriation, an authorization to spend up to a specified dollar <sup>tope</sup> ceiling. The execution of such projects is <sup>Es medida</sup> measured by comparing total expenditures with the appropriation. Because the tendency is to <sup>gastar el</sup> spend the entire appropriation, the resulting dollar <sup>total</sup> variances are generally trivial. But <sup>los</sup> planning is <sup>mucho mas importante</sup> far more important than this kind of <sup>clase</sup> day-to-day control. The perfect execution of an advertising program - in the <sup>sentido</sup> sense that the <sup>total</sup> full amount authorized was spent in the specified media at the predetermined times - will be <sup>infuctuoso</sup> fruitless if the advertisements are unimaginative and <sup>si no</sup> lifeless and if they <sup>alcanzado equiv. publico.</sup> reach the wrong audience.

Because <sup>porque</sup> nonmanufacturing <sup>de no fabrica</sup> costs are predominately <sup>costos nos programados</sup> composed of programmed costs, we shall concentrate on <sup>compruesto de</sup> marketing and administrative costs for the <sup>el volumen</sup> bulk of the <sup>lo que queda</sup> remaining discussion in

this section.

### Comparison of Marketing and Manufacturing Costs.

The marketing function <sup>abarca</sup> embraces all nonmanufacturing activities aimed directly at obtaining and <sup>llevar pedidos</sup> filling orders. Marketing has <sup>frecuentemente ha sido</sup> often been described as a combination of <sup>del pedido</sup> order-getting and <sup>suerte el pedido</sup> order-filling activities. Order-getting is the attainment of a <sup>logro</sup> desired sales volume and <sup>deseado</sup> mix. It is the art of <sup>suerte</sup> landing the order <sup>atraves</sup> through advertising, promoting, and <sup>venta</sup> selling. Order-filling includes <sup>almacenamiento</sup> warehousing, <sup>empaque</sup> packing, <sup>embarque</sup> shipping, <sup>facturacion</sup> billing, and credit and <sup>cobro</sup> collection. Many order-getting and order-filling costs may be variable; however, some are programmed.

The fundamental concepts of planning and control are as applicable to marketing <sup>as to</sup> manufacturing. <sup>cuanto ha</sup> Budgets, standards, <sup>eficiencia</sup> performance reports, investigation of variances, and the like are used in all business operations. <sup>presupuesto</sup> <sup>y similares</sup>

Accounting techniques for planning and control were initially <sup>desarrollado</sup> developed for manufacturing <sup>en lugar de</sup> rather than for marketing. This occurred because manufacturing <sup>input</sup> input and output are <sup>mas facil</sup> easier to classify and measure. The measurement of direct material and direct labor consumed, and of various parts and products produced, is <sup>directo</sup> straightforward. The measurement of the <sup>esfuerzo</sup> efforts (input) of advertising and salesmen and of the <sup>efectiveness</sup> effectiveness (out-put) of advertising and salesmen is often difficult. <sup>venedores present</sup> <sup>gente</sup>



Formal planning and control techniques seem more meaningful - when facilities are fixed, routine is entrenched, and external influences are small. They have traditionally been meaningful when external influences are overwhelming, when many short-run alternatives exist, and when courses of action (and cost incurrence) are heavily influenced by management's opinions or hunches. For example, decisions about marketing are complicated by such interacting factors as product mix, design, types of outlets, pricing, advertising, competition, customer reaction, and general economic conditions.

Marketing managers are becoming increasingly aware that traditional guesses, hunches, and reliance on generalized rules of thumb are no longer enough. Detailed accumulation and analysis of data, including budgets and standards, help identify the products, territories, distribution channels, order-sizes, divisions, departments, and employees most in need of attention. The use of management accounting in marketing is bound to increase because it can yield fruitful insights at little cost.

A successful marketing operation obtains the highest possible contribution to profits over the long run. Note that the objective is contribution to profits, not merely increasing sales or decreasing expenses. That is why marketing executives should know cost-volume-profit relationships. That is why the contribution approach to analysis of marketing performance is superior to other approaches, which fail to distinguish -

the vital influence of various cost behavior patterns.

#### General Characteristics of Order-getting Costs.

The outstanding characteristic of order-getting costs is that they are generally incurred to obtain sales, rather than being a result of sales. For the most part they are programmed costs.

Day-to-day control has little influence on over-all order-getting costs (input). However, day-to-day control may have a considerable impact on the effectiveness of the costs - the quantity and quality of the sales volume obtained (output). The analysis of order-getting costs usually has a central purpose: the shifting or concentration of efforts and resources toward the most profitable course of action.

Sales performance, or output, is influenced by many variables whose independent effects are difficult to isolate - for example, the inter-linking of advertising with other sales efforts, the action of competitors, general business conditions, the personalities of salesmen and of customers, and the short- and long-run effects of order-getting activities.

The difficulties of measurement become more imposing as advertising becomes more general and selling more personal. Still, the efforts and results involved in some order-getting activities are subject to specific measurement. Certain retail and wholesale selling duties, for example, are more akin to



order-filling than to order-getting. Direct-mail advertisements may be evaluated in several specific ways-by their relative effectiveness in different publications, at various times, in various sizes, and in various forms.

The effectiveness of advertising is usually measured by the advertising or market research department. The ideal measure is the variation in net sales as advertising and promotion expenditures are varied. However, the unreliability of such measurements is widely recognized. It is difficult to establish a cause-and-effect relationship between advertising and sales, and conventional accounting tools are not too helpful. However, promising statistical and mathematical approaches have been developed in the field called operations research.

#### Budgeting Order-getting Costs: Influential Factors.

The programming of order-getting costs is affected by the following factors: (1) past experience; (2) general economic conditions; (3) behavior of competitors; (4) new specific objectives; (5) market research and tests; (6) whims of the president; and (7) the maximum that may be spent in light of desired profits.

The last point (7) illustrates the circularity of advertising and sales.

For example, a large soap company introduces new products

which are similar to old products, so that experience with old products, may be used as a guide. Basically, a forecast is prepared as follows:

Sales potential		XX
Manufacturing and other costs	XX	
Desired profit	<u>XX</u>	<u>XX</u>
Remainder available for advertising		<u>XX</u>

If the remainder is sufficient for the advertising necessary to attain the sales potential, the new product is introduced.

#### Measuring Effectiveness: Salesmen's Performance

The fundamental gauge of a salesman's effectiveness is his long-run contribution to net profit. Salesmen should not only know the characteristics of their products; they should also know the relative profitability of the various products. For example, consider a company which sells welding equipment. Lomer is the salesman who consistently attains the highest dollar sales. Kames is the salesman who ranks third out of seven in sales volume, but he is regarded as the most valuable salesman. Why? Because Kames allots the bulk of his time to getting orders that provide a minimum of follow-up and a maximum contribution to profit. In contrast, Lomer quotes the lowest possible prices, incurs large travel and entertainment costs, and makes unrealistic delivery promises. His orders require more follow-up and generate more confusion than any other salesman's



## EXHIBIT 10-1

Salesmen's Performance Report  
For the Quarter Ending June 30, 19-

	Lorner	Karnes
Sales	\$ 100,000	\$ 70,000
Travel expenses (hotel, meals, etc.)	1,400	1,000
Entertainment	300	200
Automobile	400	350
Extra direct charges for special handling, delivery, etc.	1,800	200
Cost of goods sold	80,000	49,000
Total charges	\$ 83,900	\$ 50,750
Sales, less above charges (profit contribution)	\$ 16,100	\$ 19,250

## Alternative One: Commission Based on Sales Volume

Sales	\$ 100,000	\$ 70,000
Commission, assumed rate, 4.15 per cent	4,150	2,905

## Alternative Two: Commission Based on Contribution to Profit

Contribution to profit	\$ 16,100	\$ 19,250
Commission, assumed rate, 20 per cent	3,220	3,850

Exhibit 10-1 is a comparison of the performance of the two salesmen. We make the special assumption that these two have

comparable territories and potential sales: otherwise the expectations could not be the same for each man. Note that Lorner's performance appears better than Karnes' under the commonly used measurement, volume of sales. However, Karnes' performance is clearly better when measured as contribution to profit.

## Order-filling Costs and Administrative Costs: Work Measurement

Order-filling costs include costs for warehousing, packing, shipping, billing, and credit and collection. They are much more akin to manufacturing costs than are order-getting costs. Standards for certain order-filling activities, such as truck loading or truck driving, may have to be less refined than for such manufacturing activities as assembly work, but they still provide the best available formal tool for planning and control.

Companies with heavy order-filling activities and clerical and administrative costs have used work measurement techniques as a basis for formulating standards. This is an extension of the control philosophy that originated in the factory. The general idea is that permanent improvement in any performance is impossible unless "scientific" measurement is used to specify the time required for the job.

Work measurement is a detailed analysis of the order-filling or clerical operation. Its objective is to determine the workload in an operation and the number of workers needed to perform that work efficiently. The techniques used include time and motion



study, observation of a random sample of the work (i.e., work - sampling), and the estimation, by a work measurement analyst - and a line supervisor, of the amount of time required for the work (i.e., time analysis).

#### Budgeting of Clerical Costs: A Comparison of the Variable Cost Approach and the Programmed Cost Approach

As we mentioned in Chapter 8, clerical costs are step-variable costs which may be budgeted flexibly along with strict variable costs.

#### Responsibility Accounting and the Contribution Approach to Cost Allocation

Management reports measure and communicate important information about objectives, plans, and performance. We have investigated standards and budgets as key factors in planning and control. Now we shall concentrate on another key factor: - - fixing responsibility.

Management accounting has developed score-keeping and attention directing techniques for helping management to evaluate performance. In this chapter and the next, we shall discuss the strengths and weaknesses of these techniques. In this chapter - we are concerned with responsibility accounting and the contribution approach to the difficult problems of cost allocation. These two modern techniques facilitate measurement of performance and the making of intelligent decisions.

#### RESPONSIBILITY ACCOUNTING



##### Characteristics of Responsibility Accounting

Individuals operate organizations. Any management accounting system, to be effective, must to be designed - - - around the responsibility centers of individual managers. The accounting system must cohesively reflect the plans and actions



of all responsibility centers in the organization from the smallest to the biggest. This basic idea is being implemented on a wide scale in the form of so-called responsibility accounting, profitability accounting, or activity accounting systems.

The impact of the responsibility accounting approach is described in the following:

The sales department requests a rush production. The plant scheduler argues that it will disrupt his production and cost a substantial though not clearly determined amount of money. The answer coming from sales is: "Do you want to take the responsibility of losing the X Company as a customer?". Of course the production scheduler does not want to take such a responsibility, and he gives up, but not before a heavy exchange of arguments and the accumulation of a substantial backlog of ill feeling. Analysis of the payroll in the assembly department, determining the costs involved in getting out rush orders, eliminated the cause for argument. Henceforth, any rush order was accepted with a smile by the production scheduler, who made sure that the extra cost would be duly recorded and charged to the sales department "no questions asked". As a result, the tension created by rush orders disappeared completely; and, somehow, the number of rush orders

requested by the sales department was progressively reduced to an insignificant level.<sup>1</sup>

Ideally, particular revenues and costs are recorded and automatically traced to the one individual in the organization who shoulders primary responsibility for the item. He is in the best position to evaluate and to influence a situation - to exert control. In practice, the diffusion of control throughout the organization complicates the task of collecting relevant data by responsibility centers. The organizational networks, the communication patterns, and the decision-making processes are complex - far too complex to yield either pat answers or an ideal management accounting system.

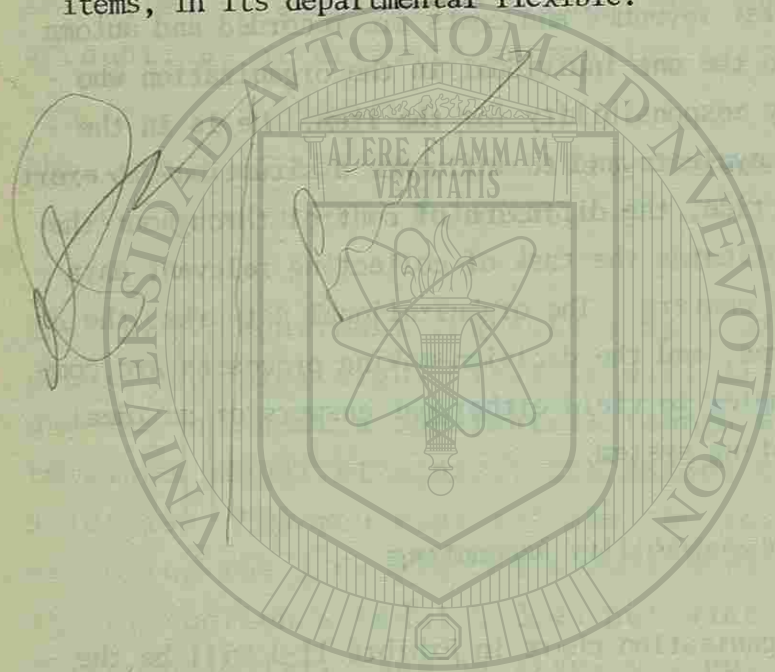
#### Illustration of Responsibility Accounting

The simplified organization chart in Exhibit 11-1 will be the basis for our illustration. We will concentrate on the manufacturing phase of the business. The lines of responsibility are easily seen in Exhibit 11-2, which is an over-all view of responsibility reporting. Starting with the supervisor of the machining department and working toward the top, we shall see how these reports may be integrated through three levels of responsibility.

Note, in Exhibit 11-3, that all direct material is charged at standard unit prices to the machining department only. The other producing departments do not include the same direct material in



their budgets. In this way, the Lustre Co. incorporates direct material and direct labor, as well as the variable overhead items, in its departmental flexible.



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VOCABULARY I I

- A -

1. AUTOMATION	Automatización
2. ARISE	Surge
3. ANNUALY	Anualmente
4. ATTRACTING	Atrayendo
5. AT OBTAINING	Al obtener
6. AS PRODUCT MIX	A como se mezcla el producto
7. ALLOTS THE BULCK	Asigna el volumen
8. ASSEMBLY	Ensamble
9. AN OVER-ALL VIEW	Echar una vista general
10. ARE UNIMAGINATIVE	Son no imaginativas
11. ADVERTISING	Publicidad
12. ASSORIMENT	Asignación, Distribución
13. ARGUES	Argumenta

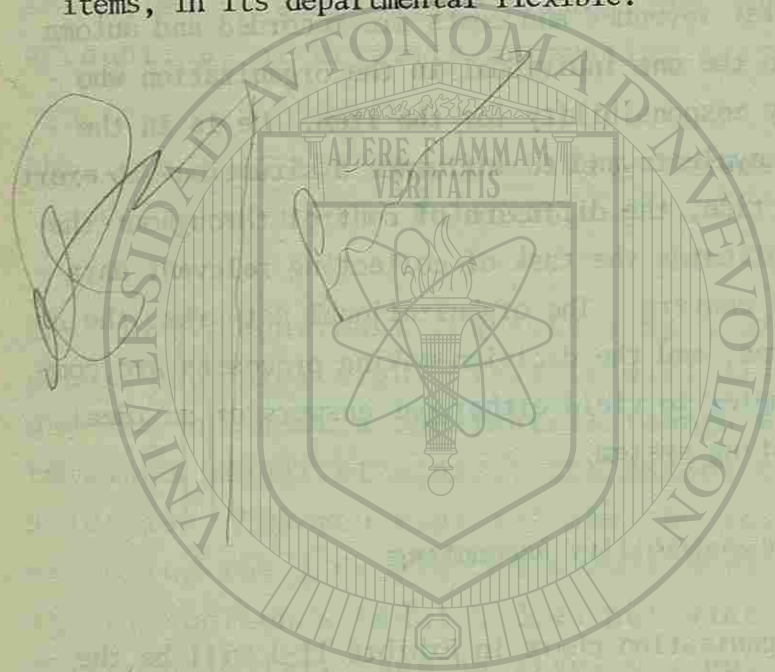
- B -

14. BEHAVIOR	Conducta, Comportamiento
15. BULCK	Volumen
16. BACKLOG	Ordenes atrasadas
17. BOUND	Capacitado

- C -

18. COMMITMENTS	Obligatoriedad, Fianzas, Seguridad.
-----------------	-------------------------------------

their budgets. In this way, the Lustre Co. incorporates direct material and direct labor, as well as the variable overhead items, in its departmental flexible.



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16. BACKLOG	Ordenes atrasadas
17. BOUND	Capacitado

- C -

18. COMMITMENTS	Obligatoriedad, Fianzas, Seguridad.
-----------------	-------------------------------------



19. CREATIVE PERSONNEL	Personal creativo
20. COST-VOLUME-PROFIT RELATIONSHIP	Relación, Ganancia, Costo-Volumen
21. CIRCULARITY	Forma o figura circular, circularidad.
22. CORE	Centro, Médula
23. CLERICAL TASKS	Tareas rutinarias
24. COST ALLOCATION	Distribución de Costos
25. COHESIVELY	Coherentemente
26. COSTS INCURRENCE	Incurrir en costos
- D -	
27. DOLLAR - CEILING	Precio tope
28. DULY	Debidamente, puntualmente, regularmente
29. DETERMINED TIMES	Momentos determinados

## - E -

30. ENTAIL	Trae consigo
31. EASILY	Facilmente
32. EMBRACES	Abarca
33. EFFECTIVENESS	Efectividad
34. ENTERTAINMENT COSTS	Costos de representación
35. ENGINEERING FORCE	Fuerza de ingeniería
36. EXHIBIT	Reporte

## - F -

37. FAR REACHING	Alcanzando en mucho
38. FULLY	Totalmente
39. FLOW	Flujo
40. FORECAST	Pronosticar
41. FAR TOO COMPLEX TO YIELD EITHER	Demasiado complejo para producir
42. PAT ANSWERS	Respuestas correctas
43. FOLLOW UP	Secuencia
44. FRUITLESS	Infructuoso

## - G -

45. GUESSES	Adivinanzas
46. GAUGE	Medida, medidor
47. GIVES UP	Otoroa, se da por vencido
48. GIVE AND TAKE	dar y recibir

## - H -

49. HEAVY	Pesado
50. HENCE	De aquí que
51. HARDER	Más difícil
52. HIRE AND FIRE	Emplear y despedir
53. HUNCHES	Ideas
54. HENCEFORTH	De aquí que

55. ISOLATE	Aislar
56. INPUT AND OUTPUT	Entrada y Salida
57. INTERACTING FACTORS	Factores de interacción
58. IN LIGHT	A la luz
59. INCURS	Incurrir
60. ILL FILLING	Sentirse enfermo
61. IDEALLY	Idealmente
62. IMPOSING	Imponiendo
63. INTER-LINKING	Interconectando
- L -	
64. LONG-RUN	A largo plazo
65. LUMP - SUM	Suma agregada
66. LIKELY	Probable
67. LATTER	El Segundo, posterior, más reciente
68. LIFELESS	Sin vida

69. MORE COSTS ARE TENDING	La Mayoría de los costos tienden
70. MANAGED COSTS	Costos administrados
71. MAXIMIZED	Maximizado
72. MASTER BUDGET	Presupuesto maestro
73. MIND	Mente
74. MARKETING COSTS	Costos de Mercado

75. NONMANUFACTURING	No de fábrica
76. NO QUESTIONS ASKED	Sin preguntas
77. NET WORKS	Sacar el producto neto, hacer redes.

78. OTHER WISE	De otra manera
79. OUTWEIGHT	Con sobre peso
80. ORDER GETTING	La obtención de la forma
81. ORDER SIZES	El tamaño de la orden
82. ORDER GETTING COSTS	Las ordenes para obtener los costos.
83. ORDER FILLING COSTS	Costos de llenar las formas
84. OVERHEAD ITEMS	Partidas generales
85. OVERWHELMING	Sobresaliente

86. PERFORMANCE REPORTS	Reportes de eficiencia <sup>®</sup>
87. PROMISING STATISTICAL	Estadística prometida
88. PAYROLL CLERKS	Empleados de la Nómina
89. PROFITABILITY ACCOUNTING	Contabilidad lucrativa
90. PLANT SCHEDULER	Programador de la planta
91. PROVIDED	Proporcionado



92. QUOTES	Cotiza
- R -	
93. RESEARCH	Investigación
94. REGARDING	Considerando
95. RETAINING	Reteniendo
96. REQUESTS	Peticiones
97. ROUTINE IS ENTRENCHED	La rutina es normal
98. RULES OF THUMB	Por decreto
99. RETAIL SELLING	Ventas al menudeo
100. RANKS	Coloca
101. RANDOM SAMPLE	Muestras casuales
102. RUSH PRODUCTION	Apresurar la producción

103. SPANS	Lapsos
104. SIZABLE	Medible
105. SHORT RUN	A corto plazo
106. SPECIFIED MEDIA	Técnica media
107. STRAIGHTFORWARD	Específico directo
108. SHIFTING	Desplazandose
109. STEP VARIABLE COSTS	Costos de orden variable
110. SCORE KEEPING	Forma de llevar el marcador
111. SOMEHOW	De alguna manera
112. SHOULDERS PRIMARY	Quien primordialmente

113. TWOFOLD	Por duplicado
114. TO SPEND UP	Gastar hasta
115. THE FORMER	El primero
116. TOP FLIGHT	Sobresaliente
117. THE WRONG AUDIENCE	Público equivocado
118. THOUGH	No obstante
119. TO EXERT CONTROL	Ejercer control

120. UNLIKE	Improbable, imposible
121. UNRELIABILITY	Inconformidad

122. WIDELY	Ampliamente
123. WHOLESALE SELLING	Ventas al mayoreo
124. WHIMS	Alternativas
125. WELDING EQUIPMENT	Equipo de soldadura
126. WORKLOAD	Carga de trabajo
127. WORK SAMPLING	Muestras de trabajo



Electronic Data Processing  
and Management  
Information Systems

The introduction of computers and electronic data processing equipment over the last quarter century is, without a doubt, one of the most dramatic events of our generation. Not only does the computer relieve operating personnel from the often repetitive and menial tasks involved in data gathering, recording, summarizing, analysis, and reporting, but, more to the point, the computer is capable of challenging management's imagination by providing facilities for extended analysis to aid in improved planning and control within the firm. The use of such equipment by public utilities has made substantial inroads into the firm's overall operations. Although many small utilities rely on computer equipment for customer billing, fewer have developed a fully integrated data processing system. Those which have frequently rely on computer service bureaus or time-sharing facilities, mainly because of the costs involved. The larger utilities—particularly those in the Class A and B categories—have found it to their advantage either to rent or to purchase some or all of the components of the data processing system. They can justify computer installation for routine customer billing and accounting as a first step toward a complete management information system.

The purpose of this chapter is to acquaint the public utility

accountant with a number of data processing and management information system (MIS) terms, to outline the role of the accountant in the system, to develop a workable guide for investigating the feasibility of a management information system, and to indicate the functions within the utility which are most adaptable to the electronic data processing technique.

ELECTRONIC DATA PROCESSING

Electronic data processing, as opposed to manual or mechanical recording and analysis of accounting data, accomplishes the same tasks through the electronic data computer and its attendant facilities. The principal advantage of such a system is its ability to handle tremendous amounts of information within a very short period of time; speed of operation is the hallmark of the system. Accountants find that the electronic data processing approach is ideal for many routinized procedures requiring the recording and analysis of large amounts of data; payroll computations and billing procedures associated with customer sales are typical examples.

MANAGEMENT INFORMATION SYSTEMS <sup>®</sup>

Management information systems, or the total systems concept, have received considerable attention over the past decade. The growth and complexity of business organizations require that management teams no longer concentrate on small segments of the enterprise and ignore the total economic function. Brush fight



ting and troubleshooting, although techniques that cannot be ignored, are not adequate for management of an ongoing organized institution. Management now has recognized the importance of the total systems concept and the fact that there are a number of subsystems within the firm which interact in creating the whole. Computers are capable of producing more accurate and much more timely information than was available in the past; they are able to take massive amounts of data and, with unusually high speed, translate these data into usable form for alternative courses of action.

The management information system has been defined as "an approach to information systems design that conceives of a business as an integrated entity composed of interrelated systems and subsystems, and which, with the use of appropriate automatic systems tools, attempts to provide a timely and accurate management information system for optimum managerial decision-making".

#### The Role of Accounting

An organization often is defined to include the functions of operating personnel as well as those appointed to the highest managerial posts. This managerial hierarchy frequently is illustrated with the diagram in Figure 5. The broad base of the illustration depicts the firm's work or operational force.

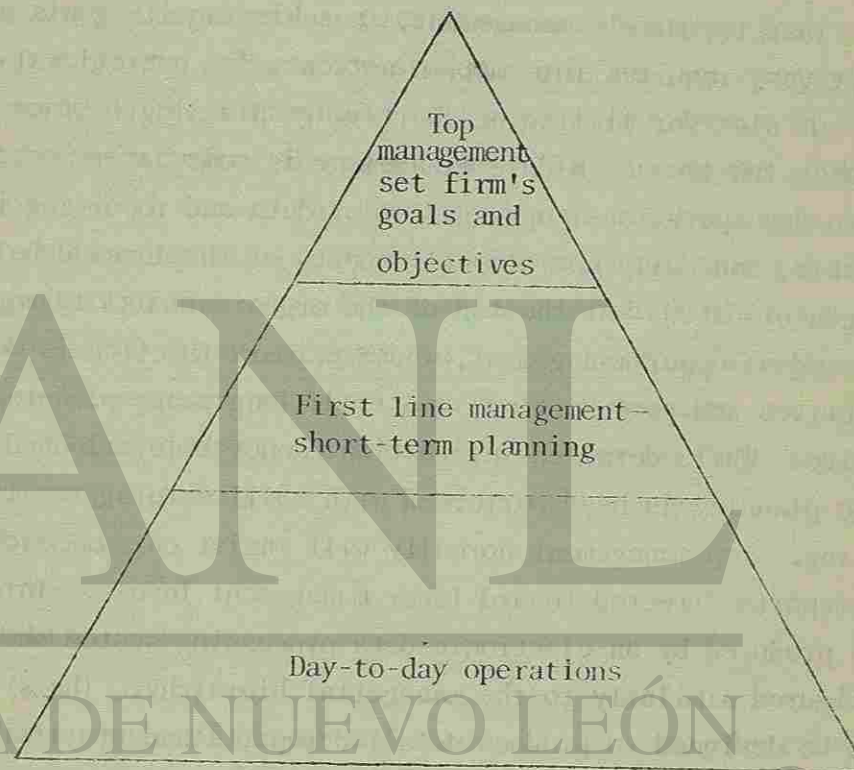


FIGURE 5. Managerial Hierarchy <sup>®</sup>



Lower level supervisors and managers produce huge quantities of data and, in turn, require detailed reports and analyses concerning operational activities. Proceeding upward to middle and top management, one notices needs for further information, but these requirements generally are filled on a more aggregate basis. That is, middle management, in achieving its goals and objectives, requires information not only for operational purposes, but also for limited or short-range planning. Since the planning function of middle management is somewhat removed from day-to-day operations, aggregation of data and reporting is acceptable, and daily operational reports of the lower echelon are consolidated. At the top of the organizational triangle, composed of upper management, whose primary function is defining objectives and goal setting, one finds long-range planning perspective. While detailed information cannot be overlooked, long-range planning is best performed with still more aggregate reporting. Top management normally will insist on summaries of the reports directed toward lower management levels. Information produced by an electronic data processing system should be configured similarly to the managerial hierarchy. The system must be designed to produce detailed reports and statistics for supervisory personnel and aggregate reports for top management's strategic planning and goal setting.

The role of the accountant in providing input for the electronic data processing system is apparent. Historical data with respect to costs, expenses, revenues, and income emanate from the accounting process. This information becomes the basis for ana-

lysis in the management information system. As noted earlier, the advantage of electronic data processing is that it provides timely information so that management can take prompt and effective action. Furthermore, by using a simulation technique management is able to select among alternatives without disrupting present operations or altering actual business processes. Every management information system worthy of the name should be able to do the following: (1) measure the impact of decisions before or after they are made; (2) measure the environment over which management has little control, but which definitely will affect the decision-making process; and (3) provide reports within a current time framework which allow management to see necessary changes and to take meaningful action. Any simulated system analysis permits management to ask many "what if" questions, receive detailed responses, and then choose among alternatives which best fulfill management's goals and objectives.

#### Data Banks

The chief source of historical information is the electronic data processing system's data bank. In computer language, this is the warehouse or storage place for the collection of accounting and statistical information; it is deposited in the bank and, when needed for analysis, is withdrawn by various users. Debate continues as to whether or not a management information system should contain a single or several data banks. Advantages can be cited for either technique. A single storage



facility usually assembles a tremendous amount of data in a single file and necessitates that all subinformation system functions be able to access that material, but redundancy of data - generally is eliminated. For a number of data banks, smaller storage facilities are required and interconnection of facilities is less important, but redundant information often is accumulated.

To overcome either the monumental size of a single data bank or the redundancy within a number of banks, a network type of file organization is suggested. This combination attempts to utilize the best features of both approaches. Each element within the system maintains its own file of data, but each file is accessible to all other users of the computer. The results of a single storage facility are reduction in storage facility needs and elimination of information redundancy.

#### Modular or Total Information Systems

Debate continues over the merits of introducing electronic data processing and management information systems either through smaller, modular subsystems, or through the total information system. In the former, data processing techniques may be introduced center by center. The latter approach advocates a switch over from manual or mechanical methods, or an upgrading of the existing tabulation facilities, to installation of a total and complete management information system in one fell swoop.

The following are advantages and disadvantages of the modular approach. (1) Smaller subsystems generally are straightforward and easier to understand. Examples include the subsystems of customer billing, payroll, and inventory control. (2) Proceeding slowly and cautiously allows elimination of system errors from smaller units. (3) Slow introduction allows operators, supervisory personnel, and management to follow the installation, become acquainted with it, and fully understand its capabilities. Management's cooperation usually is better if they are able to understand what is happening. (4) It recently has been argued that total management information systems, while they have been attempted, never have been fully developed. In fact, such total systems may be at least five to fifteen years in the future. (5) The modular system often is referred to as a bottom-to-top approach. By adapting the simpler accounting and record keeping functions to the computer, some companies find that they never leave this stage of development. (6) Finally, modular facilities often are not compatible with one another. While the bottom-to-top or modular approach often is less painful, the final result may be one in which the pain is everlasting.

The total system approach may be adopted if management suddenly realizes that continued success requires costcutting and more timely information. Evaluation of a complete switchover at one time, often referred to as the top-down or crash approach, should include several considerations. (1) With the total system program, all management and supervisory personnel must co-



operate; everyone is involved together. While this may be more painful, the pain probably is shorter lived. (2) Compatible equipment is available at one time, and incompatibility or redundancies are far more likely to be eliminated. (3) It probably is easier for management to visualize the potential of the information system if all subfunctions are put into operation simultaneously. (4) Among the disadvantages, the cost of such a total system may be prohibitive. (5) Management might rebel because they do not understand all the system's complexities and capabilities. They may feel they are being sold a bill of goods.

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DIRECCIÓN GENERAL DE BIBLIOTECAS

VOCABULARY III

- A -

- |                                    |                                 |
|------------------------------------|---------------------------------|
| 1. ACQUAINT                        | Relacionarse                    |
| 2. AS OPPOSED                      | Contrario a                     |
| 3. ASSEMBLES                       | Ensambla                        |
| 4. A NET WORK TYPE OF FILE         | Un Archivo de tipo general      |
| 5. AS A BOTTOM -TO-TOP<br>APPROACH | En un enfoque de abajo a arriba |
| 6. AS THE TOP-DOWN-                | El enfoque de baja              |
| 7. ADVOCATES                       | Defiende, intercede             |
| - B -                              |                                 |
| 8. BUREAUS                         | Oficinas de servicio            |
| 9. BILLING PROCEDURES              | Procedimientos de facturación   |
| 10. A SWITCHOVER                   | Un cambio                       |
| 11. AN UPGRADING                   | Una valuación                   |
| 12. BRUSH FIGHTING                 | Trabajo individual              |
| - C -                              |                                 |
| 13. COSTCUTTING                    | Reducción de costos             |
| 14. CAPABLE                        | Capaz                           |
| 15. CUSTOMER BILLING               | Facturación al cliente          |
| 16. CURRENT TIME FRAMEWORK         | Marco de tiempo actual          |
| 17. CRASH APPROACH                 | El medio para colarse en, el    |



operate; everyone is involved together. While this may be more painful, the pain probably is shorter lived. (2) Compatible equipment is available at one time, and incompatibility or redundancies are far more likely to be eliminated. (3) It probably is easier for management to visualize the potential of the information system if all subfunctions are put into operation simultaneously. (4) Among the disadvantages, the cost of such a total system may be prohibitive. (5) Management might rebel because they do not understand all the system's complexities and capabilities. They may feel they are being sold a bill of goods.

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| 6. AS THE TOP-DOWN-                | El enfoque de baja              |
| 7. ADVOCATES                       | Defiende, intercede             |
| - B -                              |                                 |
| 8. BUREAUS                         | Oficinas de servicio            |
| 9. BILLING PROCEDURES              | Procedimientos de facturación   |
| 10. A SWITCHOVER                   | Un cambio                       |
| 11. AN UPGRADING                   | Una valuación                   |
| 12. BRUSH FIGHTING                 | Trabajo individual              |
| - C -                              |                                 |
| 13. COSTCUTTING                    | Reducción de costos             |
| 14. CAPABLE                        | Capaz                           |
| 15. CUSTOMER BILLING               | Facturación al cliente          |
| 16. CURRENT TIME FRAMEWORK         | Marco de tiempo actual          |
| 17. CRASH APPROACH                 | El medio para colarse en, el    |

medio para el fracaso repentino

- CH -

18. CHALLENGING

Retando

19. DATA GATHERING

Conjuntar información

20. DEPICTS

Marca

21. EXTENDED ANALYSIS

Análisis ampliados

22. ENVIRONMENT

Medio ambiente

23. FULFILL

Llenar

24. FEASIBILITY

Factibilidad

25. FOR LIMITED OR SHORT-

Para planeación limitada o a

RANGE PLANNING-

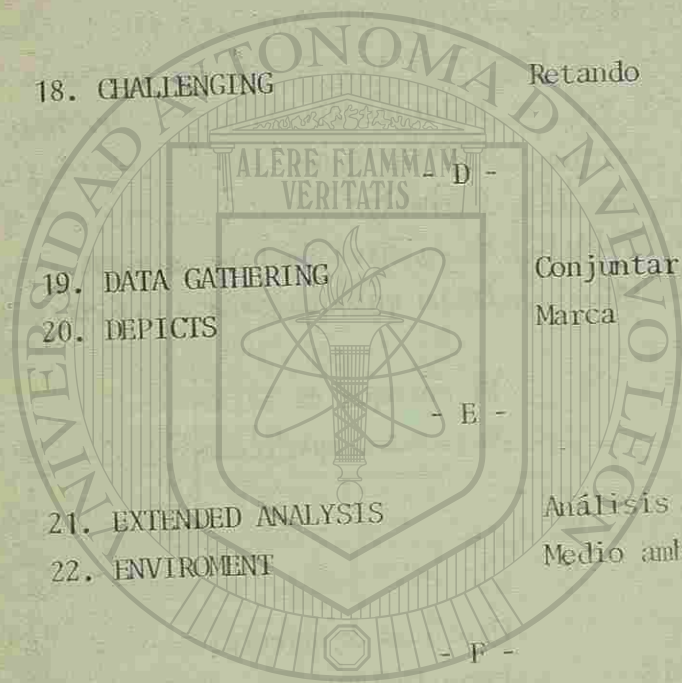
corto plazo

26. GOAL SETTING

Establecimiento de objetivos

27. HALLMARK

Base



- I -

28. INROADS

Entradas

29. ITS A TIENDANT

Su ayudante

30. IN ONE FELL SWOOP

En una manera ordenada

- L -

31. LOWER ECHELON

Escalafón más bajo

- M -

32. MANAGERIAL HIERARCHY

Jerarquía Administrativa

- O -

33. OVERLOOKED

Examinado con cuidado, visto desde lo alto.

- P -

34. PROCEEDING UPWARD TO

Procediendo hacia arriba del nivel medio al nivel más alto de administración.

MIDDLE TOP MANAGAMENT

- R -

35. RELY

Confiar

36. RESPONSES

Respuestas



37. REDUNDANCIES	Redundancias
38. REBEL	Rebelarse
39. SUBSYSTEMS	Subsistemas
40. STATISTICS	Estadísticas
41. STRAIGHTFORWARD	Directo
42. THE ROLE	El papel
43. TO OVERCOME	Resolver
44. WITHDRAWN	Retirado
45. WITHOUT DISRUPTING	Sin interrumpir

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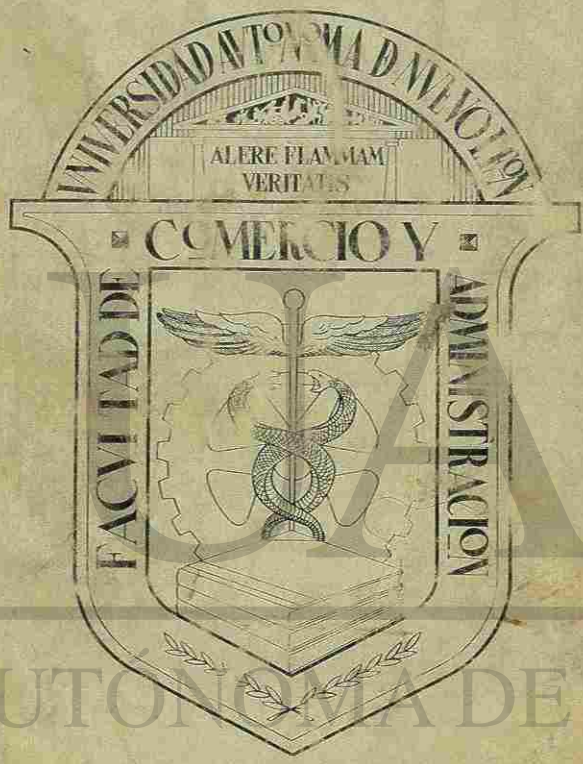
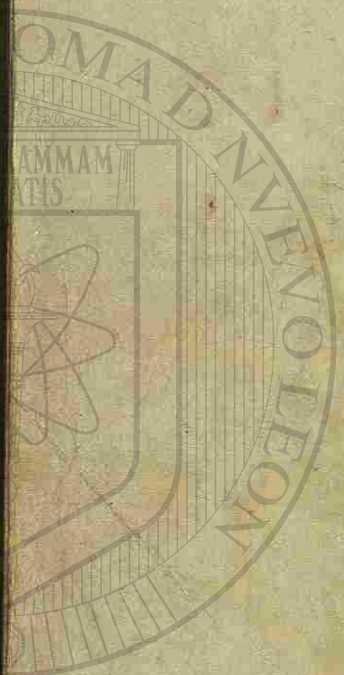
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