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BUSINESS RESEARCH

Door de vriendelijkheid der beide heeren, die op 12 Juli 1926 in de Aula der Gemeentelijke Universiteit van Amsterdam over bovengenoemd onderwerp hebben gesproken, zijn wij in de gelegenheid om den oorspronkelijken tekst van hun referaten onverkort in ons blad op te nemen.

Het werk, dat onder den term „Business Research“ wordt samengevat verdient alleszins de belangstelling van den accountant.

Het heeft ons daarom genoeg gedaan, dat onder de onderteekenaars der circulaire, waarmede op de bovengenoemde voordrachten t.z.t. de aandacht werd gevestigd, niet slechts economen en leiders van ondernemingen, doch ook accountants voorkwamen.

Uit de groote opkomst uit alle kringen van handel en bedrijf, waarin de Sprekers zich mochten verheugen, mag worden afgeleid, dat door velen wordt begrepen, dat het onderwerp hunner voordrachten van actueel belang is.

Business Research in American Universities

Business Research is carried on in the United States by a variety of agencies.

Industrial and commercial research is carried to some extent by all important industrial and public service concerns. The American Telephone and Telegraph Company, and many of the railroad companies as well as the General Electric Company and others of the same character are outstanding examples of such research activities carried on by concerns to safeguard their future developments.

Another important development has taken place in recent years in the United States through the undertaking of research by the various Trade Associations in the interests of their members. The standardization of terms, the simplification and standardization of the products, the introduction of uniform systems of cost accounting are only some of the many forms which such activities have thus far taken.

Many of the banks also have established economic and research departments, partly to supply information to the management of the bank itself, partly to serve the customers of the bank who turn to it for business advice.

Some of the larger newspapers have also undertaken certain research work to enable them to guide their advertisers in securing the largest possible returns from the advertising expenditure.

Finally, there has grown up a new profession in the United States, the profession of management engineer, which occupies itself with the organization and direction of industrial research and the interpretation of the data secured.

The universities are, therefore, by no means the only organizations which occupy themselves at present with the conduct of business research.

It is to be expected that business research is carried on

systematically only by those universities who have faculties of commerce and among these again only by those where the commerce faculty is of sufficient importance to undertake the work.

Although individual faculty members carry on research in all our universities, organized business research, such as we have here under discussion, is, therefore, found in only a comparatively small number of our institutions. The obstacle in the way of its development may be stated in two terms — time and money.

Business is subject to so many and such rapid changes that no investigation of current importance can be carried on in its domain unless the investigator can devote his entire time to the work and preferably has the assistance of at least a small number of trained assistants. A considerable amount of clerical and statistical work is almost always involved. All this means that the university which undertakes serious business research must be prepared to make considerable expenditures of money and must see its way clear to allow some of its outstanding faculty members to devote the major portion of their time to the project or to make a special appointment for the purpose.

In some cases the large expenses resulting from the clerical and statistical work involved are kept within a reasonable limit by employing at a nominal salary advanced students in the University who, in this manner, secure the practical contact with business problems which should form a part of the equipment of all scientifically trained business men.

The employing of such young men is, however, not free from objections for it will often take a considerable time before they have been sufficiently trained in the methods of business research to be valuable assistants. And it is a common experience that once they have become valuable to the Bureau of Business Research they quickly become dissatisfied with the routine work and prefer to withdraw from the connection and to devote themselves wholly to their further studies or to enter upon a business career.

Especially in those cases where a special appointment is made and the work of the Bureau of Business Research is placed under a Director not a regular member of the teaching staff, it has proven a wise policy to place the supervision of the bureau under a faculty committee which directs and controls the policies and commitments of the bureau. In other cases the supervision of the bureau is placed under the Dean of the School of Business.

After this short statement of the organization of these bureaus a few concrete examples.

The Ohio State University Bureau of Business Research enjoys an annual appropriation of \$ 35,000 per year for salaries and \$ 25,000 for maintenance or a total of \$ 60,000 annually.

A Director devotes full time to the work of the Bureau. He has a staff of three full time assistants and three members of the faculty devote one-half their time to the Bureau.

Advanced students are also employed and their forms work part of a seminar in Business Research.

In the university of Nebraska a faculty committee on Business Research directs the work of the Bureau; the chairman of this committee devotes three-fourths of his time to the Bureau. Business men of the State have established a number of research fellowships of \$ 500 each. Advanced students may present work in the Bureau in partial fulfilment of the requirements for the Master's degree.

In the University of Michigan the routine work is carried on by a paid independent staff. The work is directed by the various faculty members in whose field of study the investigation lies. There is no controlling faculty committee nor an independent

Director.

In New York University an independent Director with an independent paid staff carried on all research but receives the cooperation of the faculty in investigation in special fields.

Enough has been said to show that there is no uniformity in the manner in which these bureaus are organized.

The kinds of research undertaken by these Bureaus is also diversified but in the main it may be said that the research has confined itself largely to the following fields:

- Problems of marketing and distribution;
- Problems of accounting standardization leading to uniform accounting systems;
- The collection and distributing of data relative to the business cycle.

It must be stated at this point that in the State Universities much research is being carried on which is almost wholly of local interest. When the annual appropriation depends to a large degree upon the usefulness to the State which the legislature detects in the work undertaken it is only natural that the fields of research selected should reflect the desire of the Bureau to prove its value to the State.

So we find among the studies of the University of Illinois several which concern themselves with Illinois Taxes, and among those of the University of Indiana which deal with such objects as Law of Incorporation in Indiana; Inheritance Tax Laws of Indiana; Survey of Indiana Industry.

In fact, the purpose of the Bureau of Business Research of the University of Illinois is stated as: „To study and explain economic and industrial conditions within the State and to direct attention to experience-tested practices of good business management”.

But in the main, the problems investigated are those stated under the three groups above mentioned, and it must be said that they are problems with which our Bureaus may legitimately concern themselves.

To give some concrete examples of the investigation made under the heading — Marketing and distribution — allow me to give you a short list selected from the more important publications which have thus far appeared:

1. Methods of Training Employees in stores of moderate size (University of Ill);
2. Study of Sales force compensation and expenses of Ohio wholesale grocers (Ohio State University);
3. Latest Common Figures on the Cost of Doing Business in Various Wholesale and Retail Trades. (Harvard University)
4. Some aspects of Grocery-Store Failures (University of Nebraska).
5. An analysis of the National Market for Automobiles (University of Michigan).

In the field of uniform accounting systems, Harvard University has contributed a large amount of material which has been described to you by Mr. George Doriot.

Some titles from other Universities suggest themselves such as:

1. A uniform system of accounts for retail furniture dealers. (Prepared upon the suggestion of the Ohio Valley Retail Furniture Dealers' Association by the Bureau of Business Research of Ohio State University).
2. Accounting Methods in Kansas Real Estate Offices. (University of Kansas).
3. Bookkeeping Records for Retail Meat Dealers. (Northwestern University).

The field of business analysis on the basis of the business cycle is favoured with a particularly rich list of publications and the titles range from Business forecasting (University of Pittsburgh) to detailed statistical and analytical studies of specific industries as:

“The Ratio Analysis of Utility Balance Sheets, to show the changing characteristics of the utilities studied in relation to general business conditions”. (University of Illinois).

The work of the Harvard Bureau of Business Research along this line has already been explained to you.

Having thus roughly outlined the organization and activities of University Bureaus of Business Research in general, allow me to discuss specifically the organization and work of the Bureau connected with New York University which I have the honour to represent.

The Bureau of Business Research of New York University was organized in 1921.

Dr. *Louis H. Haney*, formerly Professor of Economics at the University of Texas, chief examiner of the Federal Trade Commission and more recently of the United States Department of Agriculture, was appointed its Director. At that time, one assistant was appointed to work under his direction; at present the Bureau staff consists of 35 men and women, among whom are two fellows who are graduate students in the University and two chief investigators, one in charge of the Business Forecasting Statistics; the other directing the marketing research work.

The Bureau was organized not so much to make scientific investigations upon topics which are considered important by members of the faculty but rather to function as a more or less independent research organization, which would serve directly the business community.

The investigations are, therefore, almost without exception carried out upon the request of some business interests and are almost wholly financed by the organizations interested in the research undertaken.

It goes without saying that in carrying on research on this basis the Bureau maintains absolute independence and that it undertakes only such investigations as concern matters of social interest. All problems which may be even remotely connected with propaganda of any sort are carefully avoided.

Often the Bureau will refuse to make an investigation unless it obtains the right to publish the results. But it can easily be seen that this condition always be made nor is there any good reason why it should always be made.

The advantage of confining the work of the bureau to such investigations as business interests are willing to pay for is that only investigations of practical business value are launched. The Bureau is constantly applying scientific principles to concrete vital business problems and although some of the most spectacular and possibly the most interesting investigations may thus be neglected, a definite contribution is made to the scientific knowledge of business. The fact that the information secured is of practical value enhances its value from the point of view of science.

If we briefly describe the subject which thus far have been investigated by the bureau, we shall obtain a clear picture of its scope.

One of the most ambitious things the Bureau has undertaken is a

“Survey of the New York Market”.

The purpose of this survey was to obtain definite information

concerning the purchasing power and the buying habits of the various sections of the City of New York with its 7,000,000 inhabitants and also to collect information concerning the methods of merchandising followed by various trades serving the community.

This survey, of which a copy has placed on display, was undertaken upon request of the Daily Newspaper Advertising Managers Association, in which 11 of the newspaper of greater New York are represented.

The result of this survey is placed free of charge in the hands of commercial advertisers.

Another study prepared by the Bureau for this same organization is the retail store census which gives a complete record of retail stores of the city, their location and the products they sell. This material has been organized in maps according to the products marketed and these maps are again placed in the hands of advertisers who take a non-cancellable contract for a certain amount. These maps are used as a basis for routing the travelling salesmen through the city.

Special merchandising studies have been made to supplement these surveys. These studies cover an analysis of the leading brands and the reasons for their popularity, the methods of merchandising used in specific trades, the price policies and the prevalence of price cutting.

As an example may be quoted the Radio Merchandising Study. Representatives of the Bureau went around as shoppers to the more than 200 radio dealers, selling over \$ 75,000,000 annually and collected information about such matters as: the value allowed on old radio sets, the prevalence of price cutting, what sets the radio dealer would recommend and what reasons he gave for his preference and the terms of payment offered by the dealer. This information is also placed at the disposal of the advertisers.

Other products which have thus been analysed are: - cigars, tea, coffee, toothpaste, cocoa and shaving cream.

Of interest in this connection are the following studies: The newspaper reading habits study, which gives the advertisers the information they need to select the right media for their advertisements thereby enabling them to economise on their advertising expenditure:

The attention value of advertisements, attempts to solve the problem of which is the most effective size for an advertisement and the most effective make-up for newspaper advertisers.

Finally the study made Professor *Hotchkiss* entitled “Advertising Mortality”. In this investigation an answer is given for the discontinuing of important advertisements in the national magazines.

Many trade associations have referred their problems to the Bureau for solution.

The Better Business Bureau requested an enquiry into the kinds and manner of distribution of unsound stocks. The evidence collected was made the basis for a number of articles in financial and popular magazines intended to warn the investing public against the dangerous stockselling schemes. A number of investigations were made for the New York wholesale grocers Association, a series of Reports on the percentage of receivables to sales, a study of Trucking Costs and Delivery charges, operating expenses, and profits of the New York wholesale grocers, Unfair competition in the grocery trade, A Motor truck cost accounting system for wholesale grocers, are but a few of the many topics upon which monographs have appeared.

The National Vigilance Committee of the Associated Advertising Clubs of the World asked the Bureau to prepare a statement of the many misleading terms current in the textile trade and the result was the booklet “Textile Trade Terms”, which

has become the basis of the terms now generally adopted in the United States. The Director of the Bureau has been called in as advisor in many cases brought before the Federal Trade Commission which has frequently used the Bureau's publication in its hearings.

The National Coffee Roasters Association, the National Garment Retailers' Association, and many other national trade associations have in a similar way profited by the expert services of the Bureau.

Finally, the accomplishments of the Bureau in the field of Business Forecasting must be mentioned.

The Bureau cooperates with the Franklin Statistical Service in preparing a weekly analysis and forecast of business and the stock market. The Bureau assumes no responsibility except for the accuracy of the data which it furnishes and the charts which the Bureau itself prepares.

In these forecasts the charts are all prepared by the Bureau staff. They consist largely of the plotting of the P/V line, a line introduced by Dr. *Levin H. Haney*, the director of the Bureau, and which holds at present the record of having without fault forecasted the trend of business since 1919, approximately 3 months in advance.

The explanation of the P/V Line would take too much time and falls outside the scope of this paper. In short, it may be stated that P represents the price, while V. represents the volume of trade, therefore, reflects the strength of the demand which means the condition of the market.

On the basis of the general forecast, the Bureau prepares special forecasts for special branches.

It is the opinion of the Bureau that general forecasts are of very little practical value to the manufacturer or dealer for a more difficult question remains for him to solve: "How is my business going to be affected by this trend?"

The Bureau undertakes to answer this question at present by:

1. A monthly letter in the publication of the National Retail Garment Dealers' Association;
2. An analysis and forecast in the Iron Age;
3. And a weekly analysis and forecast in the Textile World. This latter service includes separate treatment of the cotton, wool and silk industries. The Bureau has, therefore, been fortunate in accurately forecasting the price trends in these various special fields.

This, then, is the scope of the Bureau of Business Research and of the Bureau of New York University in particular.

The Director of the Bureau, as well as Dean Madden of the School of Commerce, assure you that any attempts to inaugurate a Bureau of Business Research in Amsterdam will receive our most hearty cooperation.

J. ANTON DE HAAS

INTERNATIONAAL ACCOUNTANTSCONGRES AMSTERDAM 1926

DE TWEEDE WERKDAG

Woensdagmorgen om 9 uur werd de vergadering heropend door den Heer *Van Dien*.

Het onderwerp was „De Wettelijke Regeling van het Accountantsberoep” en hierover waren referaten ingediend door Prof. *Rob. H. Montgomery* uit New York en door Mr. *I. Goudekot* uit Amsterdam.

Mr. *Montgomery* propageert in zijn referaat een gelijke be-

tekenis voor den accountantstitel door de geheele wereld. Wettelijke regeling voor te stellen alsof het een belang voor 't publiek is, is misleidend; trouwens niemand geloofde dit en alle pogingen tot dusverre aangewend werden gedaan door de accountants zelf.

Er zijn, volgens den inleider, twee wettelijke regelingen en wel:

- a. die, welke voortspruit uit het recht van vereeniging en die verder geen ander gevolg hebben dan dat vakgenooten zich aanéensluiten;
- b. die, welke ten doel heeft het beroep als zoodanig te erkennen, en die hen, die de noodige bevoegdheden bezitten, rechten of privilegiën toekent, welke den onbevoegden worden onthouden.

In zijn referaat wijst Prof. *Montgomery* er voorts op, dat naar zijn meening in de Staat New York, waar een wettelijke regeling van den titel is, geen beduidende resultaten er mede bereikt werden. De zakenleiders vragen niet of de accountants, dien zij opdrachten geven, wel accountants zijn van den Staat New-York, maar wel of ze hun werk goed doen. In 1896 is de wettelijke regeling in den Staat New-York ingevoerd en praktisch is zij van geen betekenis want men mag wel aannemen, dat 75 % van al het belangrijke accountantswerk in New York gedaan wordt door accountants, die niet C. P. A. van den Staat New York zijn.

Laat ons toch niet ons zelf kleineeren door een wettelijke regeling te vragen, waarvan het eenige doel is onze positie finantieel te versterken, schrijft Prof. M. Het beroep is zoo sterk, dat een dergelijke regeling volgens den inleider overbodig is. Alleen sterk maken door studie is noodzakelijk en geeft voldoening. De heele kwestie der wettelijke regeling heeft voor de groote bestaande accountantskantoren geen enkele betekenis. Deze zijn groot geworden, ook zonder wettelijke regeling.

Anders staat de zaak voor de jongeren door den invloed op de opleiding die er van uit kan gaan; maar toch ook voor hen acht Prof. *Montgomery* een sterken steun van de oudere collega's, dus feitelijk onderlinge hulp, aan te bevelen boven een ingrijpen van de wetgeving.

De inleider vergelijkt vervolgens de toestanden voor geneesheeren, advocaten en accountants. Voor geneesheeren is, op grond van 't feit, dat met het uitoefenen van het vak door onbevoegden menschenlevens gemoeid kunnen zijn, een wettelijks regeling noodzakelijk. Voor advocaten is het eenmaal een kwestie van sleur geworden.

Vervolgens behandelt Prof. M. in zijn referaat de regelingen zooals ze bestaan in de verschillende landen; de gegevens vóór 1905 zijn ontleend aan „A History of Accounting” van *Richard Brown C. A.* De inleider zou het van groot belang voor het beroep achten indien alle pogingen, die in de geheele wereld in de jaren 1905—1926 gedaan zijn om tot wettelijke regelingen te komen, eens verzameld zouden worden en hij hoopte dat iemand dit werk zou ondernemen.

Op blz. 15 zegt Prof M.

„The most precious possessions of a professional man are the personal confidence of his clients and the personal esteem of his fellow practitioners. Neither one seems to have been affected in the slightest degree by legislation”.

Tot nu toe hebben de accountants door een hooge opvatting van hunne plichten en door discipline maatregelen van de belangrijke vereenigingen het vak beschermd. Deze bescherming verdient de voorkeur boven die van den wetgever, die vaak moeilijk van politieke invloeden zal zijn vrij te houden.

In korte trekken is dit de inhoud, Typeerend voor dezen inleider als persoon was zijn speech op 't congres zelve. Deze luidde ongeveer als volgt: