

DEPRECIATION OF PLANT

VERY few items of cost are less understood and at the same time more important than that which arises from depreciation of plant. By this term is meant not only the decrease in value which arises from the natural wear of type and machinery, but also the decrease which is occasioned by the ever changing condition of things as regards type faces and improvements in machinery. There appears to be but little unanimity of opinion as to what is a fair allowance to make for depreciation of plant from year to year, and the writer has received many communications from employing printers requesting information on this subject. Therefore it is intended in this article to briefly state a few points which may help to a better understanding of the question as to what percentage of the plant account should be written off each year to cover the depreciation in value.

Before entering upon the consideration of this question it may be well to define what constitutes plant. In every well regulated establishment there is supposed to be some system of book-keeping by which all items of expenditure are classified under certain headings. One of these headings would naturally be "Plant Account," and it would seem that very little room should exist for doubt as to what should be entered under such heading.

Experience teaches that there is some doubt on this point, and that items are often put down as plant which belong to other departments, and as a natural accompaniment of such mistakes items which should be entered as plant are to be found under some other head.

In the composing room the following items should be entered as plant. Type, borders, ornaments, trade cuts, wood letter, cases, stands, racks, imposing surfaces, metal quoins and furniture, chases, galleys, composing sticks, rule and lead cutters, mitting machines and all other tools of the trade which have a permanent value, while leads, reglets, brass rule, wooden quoins and furniture, page cord, benzine or other detergents, cuts, or electrotypes procured for special work and not required again, should not be put to plant account, but be charged as "materials" which become used up.

Exception may be taken in the item of brass rule being put down as materials instead of plant; but in most cases this is warranted by the fact that the rule is cut up as required. Of course, where labor-saving fonts are bought and kept in good condition it may be safe to put them down as plant, but every printer knows that brass rule is one of those commodities which he is always buying and of which he never seems to have much when it is wanted.

In the press-room all presses, machinery, shafting, pulleys, hangers, tools, racks, tables, shelves, and other articles, which are calculated to last for several years should be charged to plant account, while ink, rollers, belts, laces, benzine, oil, rags, cotton waste, paste, and all such articles as are used up in the course of operation should be entered as materials.

So in each department of the business care should be exercised to separate those things which have a lasting value and belong to plant from those which are constantly being used up, and therefore should be classed as materials.

Now, having endeavored to show what really belongs to the plant account, it might appear easy and proper to proceed to the consideration of the main question; but before doing so, and in order to throw still further light upon the subject, there are some other points which it will be well to touch upon.

In estimating what should be a fair amount to deduct from the value of plant for depreciation the question as to how that plant was purchased needs to be taken into account. If bought on time it should be treated differently from what it would be if bought for cash, there being sometimes a difference of 25 per cent. between such purchases. The actual net cash price alone should be entered as the value of plant in the account on the books. Any other entry is only fictitious, and can serve no good purpose. Many printers have ignored this point, and as a consequence have had no satisfactory knowledge of the value of their plants.

Another point to be considered is the decrease in the value of plant occasioned by some machinery or type giving out before its time through overworking or improper use. If such machines or type have to be thrown out then the plant account should be charged with their original cost (less the percentage which has already been charged for depreciation), and in the event of their being sold the amount realized should be credited to the plant account. All expenses incurred in repairing plant should be charged against that account, and any expenses incurred in improving and increasing the output of such plant should be credited to the same account.

By carefully attending to these details it will be possible to keep a very nearly accurate account of the value of the plant and what it consists of.

Now let us return to the main question, namely, what is a fair allowance to make for depreciation of plant?

After consulting a great many employing printers on the subject and after many years' experience in operating a large printing business, it appears to the writer that 7½ per cent. would be a fair and safe amount to deduct each year from the value of plant.

Some think that five per cent. is sufficient to