THE BUDGET

The budget plays an important role in stabilizing business, as is shown in detail for various lines in the budget reports issued by the Policyholders' Service Bureau. Properly worked out, it shows the cost of seasonal operation and brings home to the management, in cold figures, the extent to which overhead piles up, regardless of production. It shows the cost of labor turnover, of training new employees, and of lowered efficiency at times when unfinished work begins to run low. It also points the way for many remedies; how to anticipate sales for the necessary control of inventories, how best to correlate the operations of the various departments of a business, how to provide for all foreseeable contingencies, how to check results against expectations.

More and more firms are making the budget a vital instrument of business control. A manufacturer of soap and cooking fats has succeeded in leveling the peaks and valleys in his business through the use of a budget. The sales department estimates its sales for a year, agreeing to sell the goods in the quantity estimated and for delivery in a steady flow throughout the year. This yearly sales budget is worked out from the detailed figures of sales supervisors. Each supervisor is in charge of ten or fifteen salesmen in a territory of about 200,000 population, and knows what each salesman can sell to each outlet. In only one of the four years in which this plan has operated has the estimate been in error, and then the sales manager after six months asked to have the budget increased.

The sales department furnishes the manufacturing department monthly estimates of sales by brands and sizes for the next month. The factory department sees that the raw materials and supplies are on hand to take care of estimated orders. Orders, production and supplies are checked frequently against quotas. Workers are guaranteed steady employment. More effective use of the plant and equipment has come as a result of this plan. Ten per cent. more goods is packed during a