

FINANCIAL ADMINISTRATION IN THE MISSION FIELD¹

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AN excellent and instructive article on 'Some Aspects of the Work of a Treasurer of a Foreign Mission Board' appeared in this Review in April 1915. It is now proposed to deal with the very practical question of financial administration in the field. The subject may appear dull and uninteresting, and there is certainly no romance about it; but if economy and the saving of time and labour are valuable, there is quite sufficient justification for some consideration and perhaps discussion of what is really a most important part of an organized mission administration.

In order to give all the necessary details in a clear and simple manner which will illustrate the broad and general principles which underlie this important part in the administration of a mission, it will be well to describe what, from the writer's point of view, will be found in its practical working to be the best and the most economical system. Let us assume then that there are three agencies concerned, namely: the home board; the local finance secretary (hereafter called the secretary), assisted where possible by a small committee of laymen unconnected with the mission; the missionaries in charge of districts or of institutions. The co-operation of all three is essential to the successful working of a large mission, and very much depends on the character of their interrelation. This may vary in different missions, and probably must do so in different countries,

¹ This article is written from the standpoint of a British society working in India. In the case of American and continental societies, or of societies working in lands in which there are no banking facilities, there may be some differences in the mode of remitting money to and in the mission, but the general principles advocated will remain the same.

especially in those in which the ordinary facilities for the transaction of financial operations are not forthcoming. However, on these exceptional cases we need not now dwell, but proceed to portray the working of a system under more favourable conditions.

I

We are not now concerned with the finance work of the home board, except so far as it is related to the secretary in the field, and to his administration therein. In some missions he receives an annual block grant, to which during the year nothing is added and from which nothing is deducted. At first sight this plan appears to have the great advantage of simplicity, but simple though it may be to the home board, it is not so to the secretary, and it is not an economical system. Under this arrangement the difficulty which confronts the secretary arises from the fact that there are certain charges, the amount of which it is difficult to forecast, and which vary greatly from year to year. For instance, the sum required—say for passages—may one year be quite abnormal, but as his block grant is fixed he can only meet an unexpected expenditure by serious curtailment of some work. The case would be partly met by setting aside a sum equivalent to the average expenditure of some years on this head of account, or on other similarly disturbing ones; but with a small income it is exceedingly difficult to carry out such a plan. The home board has a wider field of operation and a very much larger income. It is much easier for it to strike averages on the special heads of account which require such attention, and all such adjustments should be made by it.

The other and more preferable plan is to allot under such major heads of account as may be arranged a sum of money, not as a block grant, but as a credit to be drawn against, keeping out of the budget such disturbing elements as passages, new buildings, and so on, which can be arranged

for separately. The home board with its fuller information and larger means can make provision for all exceptional expenditure, and add what may be needed from time to time to the sanctioned budget for any particular mission. In the budget there may be certain items which are strictly block grants, and which the secretary simply passes on, as for instance a diminishing grant-in-aid to a church council which is gradually becoming self-supporting; but it is of the first importance to remember that with such slight exceptions, the sum sanctioned in the annual budget is not a block grant but a credit given, against which the secretary must only draw what he actually requires to meet the cost of work already sanctioned, leaving the amount short-drawn in the office of the home board. When this important principle is fully understood and acted upon, the relation of the two offices becomes cordial. Economy at the one end leads to generous consideration at the other, which results in much advantage to the mission, when, as must occasionally happen, some sudden and unforeseen burden is placed upon it.

II

We can now pass on to consider the position and work of the secretary. The secretary occupies an intermediate position. On the one hand, he is a subordinate official working under the home board, carrying out in financial matters its instructions, and controlling with jealous care the expenditure of its funds; on the other hand, it is his duty to see that the various mission agencies are kept constantly supplied with the necessary means for their efficient operations. There are times when the interests of the one position seem to clash with those of the other, and it is not always easy to see on which side the weight of his influence should be thrown. Then the burden of responsibility becomes heavy. It is then that the value of a small finance committee of men accustomed to affairs and able to judge wisely amongst apparently conflicting interests

becomes apparent. Whilst he must often act on his own judgment and must not be afraid to accept responsibility, there are times and occasions when he will do well to be not over-confident and to seek for counsel and advice.

One of the main duties of the secretary will be the preparation of an annual budget stating what he actually requires.¹ He will receive from each missionary an estimate of the annual amount required for the sanctioned work in the district or institution under his charge. He will then collate these documents, classifying the total amounts under such heads of accounts as may be used by the home board. He will have some general idea of the amount which can be allotted to his mission. The sum total of the separate estimates sent to him will probably far exceed that, and so he must use discretion and bring his budget within reasonable limits, looking at the mission as a whole and not favouring any particular station. Naturally each missionary looks upon his own work as the most important of all. The secretary should take a wider view and treat the mission as a whole, just as the home board takes a still wider view and weighs the respective claims of the several missions under its control.

So far we have only considered the normal expenditure, but from time to time there will be calls for advance involving larger credits of a recurring nature. These require special care, and full details must be given. All administrations suffer much at times from the fact that persons who submit new schemes for consideration are apt to forget that those who have to consider them have not such intimate knowledge of the facts of the case as those who submit them for consideration possess. The secretary must therefore acquire the useful 'art of putting things.' He must make the whole matter so plain and clear, and by a full statement of the merits of the case and by a logical arrangement of his arguments leave the impression on the

¹ It should be understood that all the secretary's financial operations have the sanction of his finance committee.

minds of the members of the home board that the scheme submitted for consideration is not only a good one, but is in reality the most important of all the various ones which lie before them. He must not assume too much knowledge on their part, and must do his best to impart the information which he will do well to believe that they do not possess. Aptitude of this kind comes only by experience, but when once it is obtained, the road to success lies open and wide.

Whether such additional requests for aid should be incorporated in the annual ordinary budget or be a supplemental one is a matter of detail. Personally I prefer the former plan, but there is an element of danger in it. The finance committees of a home board sometimes set aside the consideration of extra grants on the ground that it is not their function to deal with the general policy or with administrative questions not yet decided on by the home board. If such is the attitude adopted, the secretary should some time before he submits such schemes for financial consideration—say six months or a year before—get the general approval of the home board to such plans, provided that the necessary funds are available. Having gained this he anticipates the probable objection of the finance committee, and makes the way quite clear for them to meet his wishes, provided always that they have funds sufficient to provide what is required.

In due course the budget is sanctioned more or less to the secretary's satisfaction, and he proceeds to its allotment to the several stations and institutions concerned. But before we explain how this should be done, let us spend a little time in examining the work of his office. He must, of course, keep his accounts in the form determined on by the home board, to which, when duly audited, they must be submitted. It will settle the names of the major and minor heads of account under which expenditure will be shown. The accounts will be far simpler than those of a trading concern. The secretary will have nothing to do with the percentage of trade charges to the capital employed,

to goods purchased or manufactured, or with capital, stock, or profit and loss accounts; all of which require a thorough and accurate knowledge of mercantile transactions. Owing to the fact that home boards do not, or perhaps cannot, usually place trained accountants in their foreign secretarial offices, they should require only the simplest form of accounts from abroad, and all such adjustments as may be necessary should be made in the home office, where presumably trained accountants are employed. All that a secretary requires is a cash book, journal and ledger, with a few subsidiary books, some of which will be described presently. The actual book-keeping is simple. The more interesting and more difficult part is the financing as distinct from mere book-keeping. This is a gift only to be acquired by close observation and constant practice. Aptitude in it once acquired is invaluable.

It is also desirable that the main account connected with the budget should be kept distinct from all other accounts. There are, besides money received from the credit under it, remittances from special funds, endowed or otherwise, and from donations for some specific object. If they are added, as the months go on, to the credit under the budget, the secretary should simply pass them through this main account and not leave them in it. It is well also to have for the budget account, which for convenience of reference we will call account A, a special bank account as well as a separate set of books. It will be then quite easy for him at all times to see how his expenditure and the drawings to meet it stand with relation to the credit which the home office holds at his disposal.

For the purposes of all extraneous sums he should have a separate set of books and another bank account, which we may call account B. This, of course, must also be duly audited and a statement regarding it submitted annually to the home office; but it will have nothing whatever to do with the budget, the funds for which are wholly found by the home board from its annual income.

We will deal first with account A. There are various ways in which it receives its income. Some societies simply divide the annual grant into twelve parts, and remit monthly by bank draft or by telegraphic transfer one part. This is not at all a good plan. In the first place, the society's income is not regular, and there are lean months in the year, but it gets no relief in the allotted payments. On the other hand, the expenditure in the field is not regular; there are non-recurring charges which can often be postponed till later on in the year, and, if this is done, the secretary does not in some months, especially in the earlier ones, require one-twelfth of his budget allotment. However, it still comes, and money accumulates in his bank. Now it may be laid down as a principle that considerable balances in foreign banks may mean overdrafts in home banks and consequent unnecessary borrowing by the home board. It is far better to let the secretary draw bills of exchange or cheques against the sum kept to his credit at home. He will then draw only just what he needs, and with a little forethought he can so arrange matters that his heaviest drawings will fall on the home office in those months when it has its largest income flowing in. If bills of exchange are drawn, the usance must be fixed by the home office.

Sometimes a bank account, say in London, is opened, on which the secretary is authorized to operate. He then sells cheques instead of bills of exchange. The remarks in the preceding paragraph apply equally to this. This plan has three advantages: the home secretary is not troubled with the acceptance of bills, and there is some saving in stamp duties, e.g. the stamp on a bill of exchange for £1000 is the equivalent of twelve shillings; on a cheque for a similar amount it is one penny. The secretary to the home board, in this arrangement, does not establish as a credit to be drawn against the whole amount of the annual budget, but limits it by the monthly payments he makes to the bank and thus keeps some control over the monthly amount the secretary can draw. He must,

of course, be prepared to place to the credit of the account all that experience shows to be needed from time to time, but no more. This is a check on reckless drawings. A cheque is practically a bill of exchange at sight, and like it has the advantage of allowing the home secretary to retain money a few weeks longer in his possession, that is, the value of the cheque is received in the mission before it is paid at home. Care, however, must be taken that money is always forthcoming in the bank account to meet such cheques, and so it is very advisable that the secretary should intimate to the home secretary a mail before he sells a cheque what amount he is going to draw for in the following week. Presumably it will be some three weeks or so before the cheque is presented in London for payment, and so the home secretary gets a little longer use of the money. By this simple arrangement he is able to hold on to his funds until the last available moment. Of course, if the home secretary in some months cannot find the money necessary for this transaction, the plan by which money is received in the mission by the sale of cheques may have to be given up entirely or temporarily, and the sale of bills of exchange at varying usances of thirty-five days, three months and so on may have to be substituted for it, but the loss by exchange may then become heavier than the interest on borrowed money to meet cheques. It is, therefore, better finance to meet liabilities at sight.

The next step is to settle for each station the monthly grants under those heads of account which may concern them. It is well to fix for each station its recurring charges for a period of three months, and later on to renew them in full, or with such modifications as any change of circumstances may show to be necessary. As the unexpected may happen later on in the year, it is advisable to commence it with the recurring expenditure well within this income. On some selected heads of account the monthly payments on these should be 5 per cent or so below the sanctioned estimate. Thus a small temporary

reserve fund is built up, from which an unforeseen contingency can be provided for. If this is not done, and if the budget is from the beginning of the year fully worked up to, financial difficulties are certain to arise, and supplemental estimates will have to be sent to the home board. Now the secretary should by all means avoid supplemental estimates. They are very disturbing elements to the financial administration of the home board, and tend to impair its confidence in the judicious administration in the field. That is a misfortune, for continued confidence in its economical and cautious financial administration is a very valuable asset to the mission. Translated into action it means generous consideration of its needs when they actually arise and cannot otherwise be met.

When this has been done, the money has to be placed in the possession of the missionaries. Banks are found only in very large towns, and so in some societies the secretary draws the required sum from his bank and remits it in notes or money orders to the several stations. This is not a good plan, for it often places in the hands of the missionary more than he requires at the moment. It also involves the bringing into the office and paying out from it large sums in cash, which for obvious reasons is not advisable. The expense of money orders is also considerable. The better plan is to open in the name of the society, if incorporated, or in the name of the corporation which acts for it, a separate bank account for each station, and for the competent authority, through the secretary, to give to the bank the names of the missionaries who, until further notice from the secretary, will operate on these several accounts. The secretary can thus close, open or transfer an account, and himself resume control of it when needed. The secretary can then by one or by a few cheques pay to the bank the full amount required for all the stations for a month. The bank will divide the proceeds of the secretary's cheques or cheque between the several accounts. In stations where there is no local

bank at which cheques on the head bank can be cashed, the missionary will often find officials or native merchants who are generally very glad to get cheques on the head bank and to pay cash for them. In this case the missionary can sell cheques for just as much as he requires, and as a rule there is no expense involved. Sometimes, however, native merchants charge a small commission. When cheques cannot be thus sold, then money must be obtained by notes or money orders. The missionary then instructs the bank to send him in one of these ways exactly what he needs, and his mission account is debited with the amount plus the cost of remitting it. It is a sound administrative principle that one should not do for others what they can equally well do for themselves, so the secretary need not be troubled with these details. It is more economical and more satisfactory for each missionary to do his own business, and to use the bank and not the secretary for this purpose. He has, of course, the right to recover from the secretary by a contingent bill any expense incurred for commission on the cashing of cheques or the remittance of money orders or notes.

With an arrangement like this, the secretary is able to do all his business by cheques, which is a much safer plan than having cash flowing in and out of an office. Small payments may be made from petty cash, for which purpose a clerk who has given a sufficient security may hold a small sum of money. Payments will be made by him on vouchers initialled by the secretary or some person acting on his authority, and once a month the items will be checked, and through the journal will be debited to the heads of account to which they belong. No other cash payments should be made. Subscriptions may sometimes be received in cash. This money should always be sent to the bank and never used for payments. When money is sent by a messenger to the bank, he should, on his return, at once show the secretary the paying-in book, that is, the book in which the sums sent are entered, and the counterfoil

of which is initialled by an official of the bank. The cash chest should be in the sole charge of the secretary. On no account should the office accountant have anything to do with it. It may be laid down as an axiom that the accountant should not be the cashier. This does not refer to the petty cash transactions.

The secretary having now started on the year's work will find that all will go smoothly at first, but as the months go on difficulties will arise. Large sums may be required for repairs, and on other heads of account there may be considerable, and sometimes unforeseen, expenditure required. All this will need most careful watching, for he must ever remember that he must keep, if possible, the whole outlay within the limits of his sanctioned budget. He will now find a great advantage from the use of a subsidiary book, called an analytical ledger. In this book the January total expenditure, extracted from the large office ledger, is entered on one page under the separate heads of account. To this the total amount under the various heads for February is added, and the combined total is shown, and so onwards for each month. By a glance at the last line the total sum on each head spent up to date for the whole mission can be easily seen. This, deducted from the credit under the various heads in the sanctioned budget, shows at once what sum is available under each head for the remainder of the year. If, say, in September, it is shown that there is not enough to last out, then there is time before the last quarter's payments are fixed to take the necessary step to avoid a deficit. By the use of another subsidiary book, which we may call the station detail book, the secretary will be able, at any time, to see at a glance exactly what has been the total amount spent in each station on the heads of account with which it is concerned. A close scrutiny of the various station accounts will show that, most probably, some one or more of them can bear a temporary reduction, if money is needed elsewhere, or is running short. In any case the

secretary knows where he is and cannot blindly fall into debt. To avoid doing so, he must always have his ledger posted close up to date and his few subsidiary books in perfect order. He should be able always, say, in the space of ten minutes, to know exactly what his assets and his liabilities are, and his financial position with reference to the home board on the one side and to the missionaries on the other. Perfect knowledge of these details is absolutely necessary, and with a proper system and an ordinary amount of intelligence it can be easily and promptly obtained.

We may now briefly refer to accounts which lie outside the budget. These should be kept in account B, each under its own heading and the whole in a separate set of books and in a separate bank account. A good deal of this money is simply passed on to the missionaries, who will also keep it in a separate set of books, and render an annual statement showing all receipts and expenditure. In this account the secretary will keep all proceeds of local endowments, from which, from time to time, investments will be made in the name of the corporate body which can hold them. Floating balances, which are not of a permanent nature, can be placed in fixed deposits in the bank. In this way weak funds can be nursed. With great care and foresight money may be thus earned. The operation is simple and safe, and the method so obvious that further explanation is not needed. The great advantage is that operations connected with these special funds do not disturb or complicate the account connected with the budget, nor delay its audit. That account can, therefore, be submitted to the home board within a few weeks after the close of the financial year. It is one between the foreign and the home offices, and should be kept by both free from all extraneous matter.

It is desirable to have a concurrent audit, say, once a month. It is far easier to trace an error only a few weeks old than to have to look through a whole year's accounts for it. There is also the further advantage that the

accountant must have his books posted up to date, and unless this is done, the secretary is working in the dark. At the end of the year there will be only one month's audit and the closing entries to be done, and so the accounts, duly audited, can be promptly sent away to the home board. As time goes on, the secretary will be able to devise methods of simplifying work and to invent forms which will act as checks on various parts of the office work and render easy the account-keeping in the several stations. Simplicity and accuracy should be his watchwords.

III

We may now in conclusion pass on to consider briefly the relation of the missionaries as regards financial matters to the home board and to the secretary. They have supplied information on which, after it has been discussed and put into a suitable form by the secretary and his finance committee, the annual budget can be framed and considered by the home board. In due course it comes back to the mission. In some cases it is passed on to the missionary conference, which may be tempted to look at it as a block grant to be divided in full amongst the several stations. This policy, if adopted, is fatal. It contravenes the very first principle of a sound financial system, namely, that the budget is a credit to be drawn against and not a block grant. It is also, as we shall show, a bad policy for the missionaries themselves. Where it is carried out there is no obvious reason for the existence of the secretary and his finance committee. The home board might suppress them altogether and remit monthly drafts to each station. The sounder plan is for the secretary to deal with the home board, and having done so, then to decide what sums as recurring charges under the budget can be allotted to each station. From station accounts sent in periodically, and from his right of access to the various station bank accounts which he has opened, he

knows exactly what available balances there are in each station account, and can fix accurately the monthly grant required for the time being. It may happen that the sum total of these is less than the budget allotments under the heads concerned. Under such happy conditions he is able for the time being, if not altogether, to draw less from home, which affords relief when it is often greatly needed. In some cases more than the usual recurring grants must, for a time at least, be given to some one or more stations. The secretary has to look at the mission as a whole and to see that each part of it is sufficiently provided with the necessary funds for the prosecution of all sanctioned work. Now all this can only be done when the financial control is centralized. Some persons may call this plan a despotic one ; but a kindly despotism is not a bad thing in financial matters. Kindly it must be, and the man who exercises it must consider it to be his bounden duty never to let any one station be short of funds for the sanctioned work. If this obligation is realized and carried out, the advantage is great to the missionaries in charge, who can feel that, whilst only sufficient funds can be given to them, they may be perfectly sure that such will always be forthcoming. How that is to be done may not be apparent to them : it is not their business : but the man who exercises control should know how to do it. Thus, to come back to first principles, when the difference between a block grant and a credit to be drawn against is clearly understood by all, the whole administration goes smoothly forward and all concerned are saved from anxiety. We are not, of course, here dealing with extension work which necessitates special credits from, and sanction by, the home board before such new expenditure passes into the normal monthly grants. When perfect mutual confidence is thus established, the central control ceases to cause irritation, and produces a happy contentment.

The account books of the various stations should be uniform and simple. They should be supplied by the

central office in the mission. A cash book and a ledger, with a journal for the purpose of making occasional transfers, are all that are needed. An intelligent person totally unacquainted with accounts can learn their use in a very short time. Accounts in the form prescribed, and where possible audited, should be submitted at such times and in such forms as the finance committee may decide upon. The mission station account connected with the budget is one between the missionary in charge and the secretary. The missionary is debtor for all he receives, and creditor for all he spends. If he receives more than he spends, he owes the balance to the secretary ; if he spends more than he receives, the secretary owes the balance to him ; but a cautious secretary will have taken good care to notify beforehand that he cannot accept liability for excess expenditure unless it has been previously sanctioned by the competent authority. In the same way the secretary keeps his account with the secretary to the home board, and similar principles apply to their relationship.

Another point of great importance is that no private money should be kept in public accounts—in other words, the mission station bank account must deal with mission money alone. Private funds must be kept in a private bank account, or in such a way that they do not become mixed up with public money.

When one man hands over charge of his station to another, he should balance his books, and when the person who takes over charge is satisfied with their correctness, and that the balance shown is in the bank or in cash, he should notify to the secretary that he is satisfied with the correctness of the station accounts and is prepared to take over charge. The secretary should then inform the bank that such and such a person will, until further notice, operate on the mission bank account concerned. The power of the missionary is limited strictly to thus operating on the bank account. He cannot transfer it to anyone else or make any investments with money in it. If a

temporary investment is to be made, he should send the money to the secretary, who will invest it in some suitable manner and repay it when it is needed, or when it matures, if it is placed in a fixed deposit with a bank. The missionary does not lose control over it, but it is essential that all investments, temporary or otherwise, should be made in the central office of the mission. If a missionary should die, the station bank account does not pass into his estate, but automatically reverts to the secretary, who represents the society, to which it really belongs.

Some missionaries receive considerable sums of money from friends and other sources. Whilst the controlling authorities of a mission cannot divest themselves of all responsibility as to the expenditure of such funds, the control should be light. For instance, it would be unwise for the secretary to cut down seriously the budget grant to a station on the ground that the missionary in charge had considerable sums given to him for special objects. In cases like this he must act with great consideration. What may be required, however, is that before the commencement of new work involving recurring charges, the mission authorities should have a considerable voice in the matter. The position is not always easy. The inflow of such special grants is not to be retarded, but care must be taken that, when they cease, the mission is not burdened with expenditure it cannot then meet. Again, it is possible to conceive that such special funds may grow to such an extent that the general fund, with which alone the budget is concerned, may be so depleted as to cause financial difficulties. A claim may then be made on such contributions in order to relieve the position. It is impossible to lay down hard-and-fast rules. Common sense and mutual trust must deal with each case as it arises.

Schools and colleges draw their income from fees, government grants and the society's contribution, which supplements the two former. When they are good, the amount supplied by the mission may be lessened and the

secretary pays accordingly. He is thus often able to transfer considerable sums to other institutions which, from causes beyond control, are in temporary need. For instance, the conversion of a pupil may cause a serious loss in the fee income of a school for a time, and the mission grant must be at once increased. This shows the value of the central control of all finance, for by it the secretary can now fulfil his obligation never to let any part of the work suffer financially. At the same time, if a school or college does exceptionally well in fees or government grants, the society's contribution must not be too rigorously cut down. Some at least of its extra income earned by good work may properly be spent in improved plant or for some other useful object connected with it. A little common sense and consideration is all that is needed in such cases.

When a native church council raises the greater part of its income itself and receives a diminishing block grant and not a credit to be drawn against from the society, the control must be much lighter. Its members must be trained to manage their own affairs. The council may, however, be requested to send to the secretary a copy of its annual estimate of income and expenditure, and also of the annual accounts duly audited. When the grant from home is small or ceases altogether, any money saved will be the property of the council and will not revert, as in other cases, to the home board.

IV

In dealing with the work of the secretary in keeping his accounts connected with the budget, I said that there were certain books and financial operations with which he need not be acquainted. The case is, however, quite different if he, or any one of the missionaries, is in charge of an industrial institution. In that case the superintendent of such a concern must have accurate knowledge of commercial accounts. Take the case of a mission printing-

press, in the administration of which it is a very common error to infer that, if the receipts exceed the expenditure, a profit is made; but a cash balance is not necessarily a sign of prosperity. There are many other things to be taken into consideration. The account must be debited with interest—say, 5 per cent—on the capital invested in buildings and plant, with rates and taxes, and with depreciation on premises and plant. The rate of depreciation should be $12\frac{1}{2}$ per cent on type in constant use, and less on others; 10 per cent on running machinery; and smaller percentages on other articles used. This involves the knowledge of capital and of stock accounts. Another absolutely necessary operation is the settling the percentage of what is called ‘trade charges,’ or sometimes ‘overhead charges.’ These terms cover the total cost of superintendence, office establishment, servants, foremen’s pay, lighting, fuel for machinery, stationery, consumable stores and many small items. To this must be added those charges already mentioned and which have been debited to the account. When all this has been totalled it is compared with the expenditure on compositors’ wages, which is the first element in the cost of production. It is rather an intricate operation, but it is a very necessary one. In England, where wages are high, the ratio of ‘overhead charges’ is not excessive. In India the reverse is the case. Wages are low; superintendence, if by Europeans, is relatively very high. In some large presses the ‘overhead charges’ may rise to between 75 and 100 per cent. When the percentage has been ascertained, it must be added to wages paid for work done and to the cost of material—paper, for instance. When the ratio of ‘overhead charges’ to the primary cost of production is high, in many cases it will be found that the price charged for work produced is actually less than its true cost, arrived at by this sound business method. To this cost the required profit must be added, when the article is sold. The loss does not always appear, as depreciation has not been written off, ‘overhead charges’

have not been taken into account, and generally the financial arrangements are hopelessly wrong. It may be said, Why should the account be debited with interest on the mission's capital? The reply is obvious. If the mission had no press, its money would be earning interest, whereas according to the objection raised it gets none and may lose all its money. There are several ways of getting out of the difficulty. If it is found that the press makes no net profit, as distinguished from gross profit, then the cost of superintendence and the 'overhead charges' generally must be reduced, or work must be expedited by the use of better machinery and putting men on piece work instead of a monthly wage. Another remedy is to increase the output of work. When that doubles it is obvious that the profit will be largely increased, by the reduction of the percentage of 'overhead charges' to production. Take another simple illustration. The wood for a chair costs say Rs4, the work on it Rs2. It is sold for Rs7·8 and apparently a profit of 25 per cent is made. But to the prime cost of Rs6 for the chair must be added the 'overhead charges'—say 50 per cent. The chair will then have cost Rs9 and is, therefore, sold at a loss. Of course the ratio of 'overhead charges' will vary greatly under different managers. All that I am now concerned to do is to enforce the necessity of understanding the system and of intelligently applying it. I do not lay down any ratio of percentages. All that I have now said shows the necessity for giving missionaries who will have to control industrial institutions some training in commercial accounts, which are quite different to the simple mission accounts described elsewhere. This instruction should be given at home and if possible in the office of a large manufactory. It is not too much to say that the ignorance of a sound system of commercial accounts in the administration of industrial institutions in the mission field leads annually to considerable loss, though it may seem that all is going on well. A case is known to the writer of an industrial institution, which in the usual

way in which such work is conducted seemed to be paying its way ; but which if looked at as any business man would do, was run at a loss. As a matter of fact, if it had never been started and if the capital employed in it had been invested at compound interest, that mission to-day might have been some £1600 better off. It is admitted that sometimes it may be necessary to run an institution at a loss as part of the general machinery of a mission. If so, let the loss appear by the correct use of commercial accounts. This is far better than, by a lax method of accounts, falling into the delusion that a press, workshop or store is paying its way or even making a profit when it is doing neither the one nor the other.

To any business man all that has been written in this article must seem so obvious that he may wonder why it is necessary to publish it ; but missionaries often have little business aptitude and so a sound and simple financial system is most useful. The writer is fully aware that the views he advocates as regards central control and the distinction between block grants and credits may not command general assent. All he can say is that for more than a third of a century he has worked a very large mission on these principles, and by so doing has short-drawn many thousands of pounds from the home board, has avoided deficits and, with very few exceptions, has been able to provide for the recurring charges of all work sanctioned and in progress in the various districts and institutions in the mission. Calls for extension have not always been met. Such an increase in the operations of a mission depends on the income of the home board and is therefore beyond his control. A system which proves economical to the home board, relieves the missionaries of all financial anxiety, keeps a mission out of debt, supplies all its normal needs and is prepared even to meet an occasional crisis, surely justifies its existence.

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