Bendix Bean Counting in Baltimore
by George Sauthoff

When the Bendix Radio Corporation, a consolidation of four small radio companies acquired by the Bendix Aviation Corporation in 1936, moved to Baltimore from Chicago in 1937, it brought with it an accounting system similar to that of the automotive giant General Motors Corp. Not unlikely, since General Motors owned over 25% of Bendix Aviation Corp. stock and held two seats on its board of directors. Both the chart of accounts and many financial report formats were similar, if not identical, to those in use at General Motors.

General Motors, as did much of Bendix Aviation, produced standard commercial products and utilized a standard cost system to record and account for the cost of manufacturing. In such system, the standard cost to produce given commercial products is determined based on the projected "should cost" of the necessary material and labor. Inventories of materials, work-in-process and finished goods are valued at that standard. Any difference between the actual cost incurred and that standard, or standard cost variance, is written off as period cost to income and expense. Engineering development and production support costs were charged to engineering projects and amortized over the sale of products.

Over the years, Bendix Radio became diversified with several dissimilar product lines including automobile radio, aviation electronics, mobile radio, home radio and television, government products, field engineering and commercial service. Engineering and manufacturing technologies and practices differed for the various product lines. So much so that in 1956 a decision was made to split the remaining product lines into three separate and distinct product groups: Automotive Electronics, Avionics and Government Electronics, which at that time included field engineering service. While Automotive and Avionics were producing generally standard products, with some modification for specific applications, Government Electronics primarily was developing and/or producing products for specific government contracts. Therefore, a standard cost system was entirely appropriate for Automotive and Avionics but not so for Government Products where a record of the actual cost of performing a given government contract was necessary. The nuances of government contracting, including progress billings (payments), Government Furnished Property or Material, cost reimbursable contracts, termination clauses, paid research and development, unique specifications, etc. necessitated a change in cost accounting from a standard cost system to a job order cost system.

In a job order cost system, generally one or more unique job (or production) orders and/or engineering project orders are assigned to each separate government contract. As work progresses, the actual cost of material and labor is charged to the appropriate job order or engineering project and inventoried at the actual cost incurred. Thus, the actual cost of performing any specific government contract is readily available.

The Bendix Radio Government Products Group appropriately converted to a job order cost system in the mid 1950's. Bendix Radio had one Accounting Department, with one general accounting section, one payroll section, one tax accounting section, one internal audit section, etc., but separate cost accounting sections for each respective product group. As each of the Bendix Radio Product Groups became separate and distinct divisions, each established its own Accounting Department with its own unique cost accounting system. Government Products became the Bendix Communications Division within the Bendix Aerospace Sector and continued utilizing a job order cost system..

The accumulation of the accounting general ledger that resulted in the modified Balance Sheet and

Income and Expense Statement was, and continued to be, in accordance with generally accepted accounting practices and corporate procedures. This general accounting at Bendix (as elsewhere) was endearingly referred to as "bean counting", a practice that was prudently and judicially enacted.

Those of us, like me, who are not CPA's, should be respectful of this profession. Second only to engineering, "bean counting" can be a creative science.

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