

The next table indicates the position of the various companies in the matter of overhead expenses in their relation to sales. It will be noticed that expenses have been treated both inclusive and exclusive of income-tax, and it may be explained that for the purpose of judging the overhead efficiency of a company it is necessary to eliminate income-tax—a charge which is relative to the profit made, and which has no very direct relation to the management of the enterprise. For that reason, particular consideration should be given to the percentages shown in the right-hand column:—

Company.	Year.	(1)	(2)	Percentage of (2) to (1).	(3)	Percentage of (3) to (1).
		Sales.	Overhead Charge, inclusive of Income-tax.		Overhead Charge, exclusive of Income-tax.	
		£	£		£	
A ..	1914 ..	9,934	2,543	25·6	2,543	25·6
	1918 ..	17,420	3,060	17·6	2,617	15·0
	1919 ..	28,212	4,440	15·8	4,343	15·4
B ..	1914 ..	26,265	2,844	10·8	2,814	10·7
	1918 ..	51,610	7,292	14·1	4,046	7·8
	1919 ..	62,291	8,178	13·1	4,296	6·9
C ..	1914 ..	38,005	4,935	12·9	4,864	12·8
	1918 ..	86,298	12,833	14·9	7,435	8·6
	1919 ..	80,987	14,830	18·3	9,618	11·8
D ..	1914 ..	239,725	49,470	20·6	47,352	19·7
	1918 ..	449,578	76,697	17·1	58,409	13·0
	1919 ..	449,509	64,784	14·4	47,100	10·5
E ..	1914 ..	943,863	113,539	12·0	110,052	11·7
	1918 ..	1,748,010	261,478	14·9	215,125	12·3
	1919 ..	1,720,613	277,376	16·1	192,664	11·2
F ..	1914 ..	144,413	18,857	13·1	18,522	12·8
	1918 ..	289,912	36,954	12·7	24,698	8·5
	1919 ..	298,386	35,350	11·8	22,419	7·5
G ..	1914 ..	76,080	15,278	20·1	14,711	19·3
	1918 ..	159,285	40,081	25·1	31,479	19·7
	1919 ..	152,064	37,940	24·9	30,480	20·0
H ..	1914 ..	47,933	6,364	13·3	5,972	12·5
	1918 ..	122,091	19,533	16·0	11,662	9·5
	1919 ..	132,314	22,332	16·8	13,922	10·5
I ..	1914 ..	43,272	6,023	13·9	5,890	13·6
	1918 ..	103,074	14,665	14·2	10,115	9·8
	1919 ..	111,423	16,172	14·5	11,728	10·5
Total ..	1914 ..	1,569,490	219,853	14·0	212,720	13·5
..	1918 ..	3,027,278	472,593	15·6	365,586	12·0
..	1919 ..	3,028,747	481,402	15·9	336,570	11·1

It will be seen by reference to the first table on page 8 that the net profits of Company E in that table in relation to the capital of the company were in each year considerably in excess of the rate of net profit taken by the other companies. Companies F, G, H, and I were also somewhat above the average during the years 1918 and 1919. These latter companies, however, were among the least successful in pre-war years, and, being small firms, hardly merit particular consideration here.

Company E, however, may be said to have a case to answer. This firm is shown as Company H in the two tables immediately preceding, and appears as Company F in the third table on page 7. A summary of the figures for this firm are given below:—

	1914.	1918.	1919.
	£	£	£
Gross capital	50,725	82,918	90,616
Sales	47,933	122,091	132,314
Gross profit	11,538	38,746	46,325
Overhead expenses, exclusive of income-tax	5,972	11,662	13,922
Net profit from trading (relative to sales)	5,174	18,912	22,994
Net profit for purpose of comparison with gross capital	6,242	21,476	27,436
Percentage of sales to gross capital	94·50	147·24	146·00
Average all companies	102·20	157·09	135·54
Percentage of gross profit to sales	24·1	31·7	35·0
Average all companies	21·4	24·5	23·1
Percentage of overhead expenses to sales	12·5	9·5	10·5
Average all companies	13·5	12·0	11·1
Percentage of net profit on sales	10·80	15·49	17·37
Average all companies	5·5	8·7	7·9
Percentage of net profit on gross capital	12·3	25·9	30·3
Average all companies	6·0	14·4	11·9

An examination of the above figures will show that while the overhead expenses of this firm are, in relation to sales, slightly below the average, the percentage of sales to gross capital does not vary greatly from the average results of all the companies combined. The rate of gross profit on sales, however, is materially above the average, and this has undoubtedly been the main cause of the high rates of net profit on sales and of net profit on capital.