

small relative to the amount of joint cost, segments in the combination are best treated as a single unit for external reporting.

Disclosure of sufficient detail to enable users of segment reports to distinguish short-run variable, annual programmed, and long-run capacity costs will be helpful in forecasting earnings.

In a final phase of the study, executives of 70 large companies were interviewed to ascertain their reactions to conclusions drawn from the preceding phases. No serious opposition to segment sales was found but, with some exceptions, opposition to disclosure of segment contributions to profits was strong. Major reasons given for attitudes expressed were (1) that earnings figures meaningful to outsiders cannot be constructed for anything less than the whole enterprise and (2) fear that disclosure of segment earnings margins may provoke reactions from outsiders detrimental to welfare of the stockholders. However, the study suggests

that reporting techniques can be developed to provide useful segment earnings and that some company executives probably underrate analysts' sophistication and skills. The fact that outsiders' information needs can be met with a comparatively few broad segments tends to minimize harmful reactions from disclosure.

The foregoing conclusions are supported by experience of a few companies that now report segment earnings. Executives of these companies stated that the practice has improved understanding of their companies in the financial community with no objectional reactions of consequence.

The report suggests that investors' confidence in reports on segment operations will be improved if independent auditors can accept responsibility for segment data by expressing an opinion on financial statements available to stockholders and creditors.

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THE CONCEPT OF A SINGLE INTEGRATED MANAGEMENT INFORMATION SYSTEM APPEARS TO BE FALLACIOUS

The concept of a single integrated management information system appears to be fallacious. It is doubtful if any one group can develop and implement a unified information system for management. Management information is provided by literally hundreds of different systems, many of which cannot be controlled by an external systems group. For example, managers obtain a great deal of vital information from conferences with their subordinates. Is this going to be controlled by the management information specialist? Obviously not.

From "The Accounting Profession at the Crossroads"
By Professor John Dearden (Harvard Business School)
Cost and Management (Canada), March 1968