

*Summary: Transaction- and stockresults and the theory of replacement value*

The possibility of splitting up the results of an enterprise into transaction- and stockresults is one of the main assets of the theory of replacement value. The realization of this possibility however often gives rise to misunderstandings. It is therefore subjected to a further examination.

It is assumed that in the case of a transaction which is economically justified there will always have to be a positive difference between the proceeds of the transaction and the sacrifices that go with it. There is no causal relation between possible losses and the individual transactions. The cause of these losses may be found in the necessity which sometimes exists to value the sacrifices lower than their historical cost or their replacement value. In this case however it is a question of a loss on the stock of which the objects valued are a part.

This principle has first of all been worked out for the case of continuous production. The conclusion is drawn that in this case the theory of replacement value does not treat the cases of a rising price level differently from those of a falling price level and that accordingly price-rises with normal necessary stocks are dealt with in the same way as price-falls. As long as the replacement value remains below the return-value it is impossible for profits to be made on normal stocks, neither are there any losses to be suffered. Those losses however do occur, if the replacement value is higher than the return-value. The nature of these losses depends on the way in which the business world will react with respect to the above mentioned value relations. It will eventually be the expectations which decide whether this is a question of undercapacity or of revaluation losses.

Naturally profits and losses may always occur in the case of speculative stocks. The results of this speculation will have to be strictly kept apart from the normal stockresults. The normal stockresults are those that result from fluctuations of the stock between minimum and maximum size. The distance between these two is fixed by the optimum size of the purchasing-orders. Next attention is paid to the seasonal production, in which the production, through causes which can be foreseen is bound up with a certain period of time. There is no reason here to adopt a different line with reference to the forming of value judgements from that taken in the case of continuous production.

Finally, in the case of the enterprises with an irregular succession of production processes, the raw- and auxiliary materials as well as further necessities will generally speaking only be ordered at the moment when the orders concerned have been accepted. They are then however not part of the economic stock of the enterprise concerned and are therefore not subject to its valuation.