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1,500   2,147   2,467   20   10   10   10   10   10   10   10	15,000   2,147   2,147   2,147   2,147   2,147   2,148   2,000   2,100   2,140   2,1	1,1,100   2,147   2,477   2,		Orana tino	(Repress	WENGIES KEPURI - ' Monues to August olst. 1921 (Expressed in Thousands)	epus)	8t. 1921			OPERATIES SUMMAY EXPRESSED IN PER CENT OF SALES AT 1195	SED IN PER CE	TT OF SALE	S AT LIST	
1, 1, 1, 1,   1, 1, 1,   1, 1,   1,	1, 1, 1	14 jist   Actual   Standard   Gommont   Actual   Standard   Gommont   Actual   Standard   Gommont   Actual   Standard   Gommont   Gommont   Actual   Gommont   Gommo		Sta ) p.s.		100	Towle	46.00	Donosht To	winkle Goot		waguer orac.	1351.		
16,000   2,447   2,457   20   .0851   .0800   .0800   .0801   .0800   .0800   .0800   .0800   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800   .0801   .0800	16,000   2,447   2,457   20   .0487   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0544   .0500   .0500   .0544   .0500   .0500   .0544   .0500	16,000   2,417   2,457   20   .0667   .0651   .0600   .0467   .0600   .0467   .0600   .0651   .0600		At List	Actual	+	Good	Đ.	August	Standard	Elements	Commod	\$4 ¥		1
16,000   2,447   2,457   20   .0467   .0500   .0467	16,000   2,447   2,467   20   .0467   .0500   .0467   .0467   .0460   .0467	16,000   2,447   2,457   20  0500  0	Pres. & Gen. Mgr.									Standard	-	Standard	Actual
16,000   2,447   2,467   20   .0467   .0550   .0567   .0560   .0667   .0560   .0667   .0667   .0667	16,000   2,447   2,467   20   .0487   .0500   .0521   .0600   .0620   .0620	16,000   2,147   2,147   2,147   20   .0487   .0500	dom: A. Cor.					-							
16,000   2,447   2,467   20   .0467   .0500   .0500   .2669   .2660	16,000   2,447   2,467   20   .0437   .0500   .1500   .2500	16,000   2,417   2,427   2,427   2,000   1	Development			. 1					Management	.0600	.0487	0500	2
15,000   2,427   2,467   20   .0437   .0500   .0501   .0500   .2500	16,000   2,447   2,467   20   .0487   .0500   .0587   .0500   .2669	15,000   2,427   2,427   2,427   20   .0437   .0500   .0501   .0500   .2500	Personnel			,		THE STATE OF THE S							<u>.</u>
16,000   2,417   2,467   20   .0467   .0500   .1860   .1860   .2660	16,000   2,447   2,467   20   .0487   .0500   .1800   .1800   .2669   .2669   .2669   .2660   .2660	16,000   2,417   2,467   20   .0467   .0500   .0500   .0500   .2669   .2660	Int. Relations	,							Froduction Overhead .	.0500	.0531	.0800	.0531
16,000   2,447   2,457   20   .0467   .0500   .0504   .2000	16,000   2,447   2,467   20   .0467   .0500   .1874   .2600   .2664   .2600   .2600   .2600	16,000   2,447   2,467   20   .0467   .0500   .0504   .2000   .2004   .2000   .2004   .2000   .2004   .2000   .2004   .2000   .2004   .2000   .2004   .2000   .2004	Purchasing		-						Materials	9500	9,7,0	-	
16,000   2,447   2,457   20   .0467   .0500   .1704   .1800   .1800   .2000	16,000   2,447   2,457   20   .0069	16,000   2,447   2,487   20   10489   100000   100000   100000   100000   100000   10000   1	Accounting	e.									. 2409	0002.	.2469
16,000 2,447 2,467 20 Cotto	16,000 2,447 2,467 20	16,000 2,447 2,467 20 COS3   INTERPRETE COS3   15600 1,5549 1,5549 1,5549 1,5500 1,5549 1,5	Credits									-2000	.2062	. 2000	2069
15,000   2,817   2,467   10   10,000	15,000   2,817   2,427   10   10   10   10   10   10   10   1	15,000   2,817   2,467   10   10   10   10   10   10   10   1	HANAGEMENT	16,000	2,447	2,467	02		.0487	.0500					
15,000   2,517   2,467   20   0551   0500   000000147 \$3.50   0.0010   0.0015   0.0015   0.	16,000   2,857   2,467   10   10   10   10   10   10   10   1	15,000   2,517   2,467   20   10   10   10   10   10   10   10	Production						-		INVENTORY COSTS	8	2000		
15,000   2,817   2,427   100   2,817   2,427   100   2,817   2,427   100   2,817   2,427   100   2,817   2,427   100   2,812   2,800   2,817   2,427   100   2,812   2,800   2,812   2,800   2,812	16,000   2,817   2,467   100	15,000   2,817   2,427   10   10   10   10   10   10   10   1	Saupe Saupe			•		-			obs. A.		6900+	0099	. 5549
16,000   2,517   2,467   2,1	16,000   2,507   2,467   2,467   20   10   12652   12500   136,000   3,500   4,000   12652   12600   126,000   3,500   4,000   126,000   3,500   4,000   126,000   3,500   126,000   3,500   126,000   3,500   126,000	15,000   2,517   2,467   2,1	Cost					_		,	Distribution Overhead	.0290	00200	0880	0200
15,000   2,507   2,100   1,0	15,000   2,507   2,5	15,000   2,507   2,4	Stores	Money				_			Commodity Sales Surervision	6100			}
16,000   3,900   4,000   6.0   2.656	16,000   5,787   5,657   100   2,852   2,800   1,800   2,804   2,800   1,800   2,804   2,800   1,800   2,804   2,800   1,800   2,804   2,800	16,000	Production Ovrhd.	16.000	2 617	2 469		2	VERN	0.00	4		97000	9700.	.0019
16,000   5,200   100	16,000   5,200   5,200   1,0	16,000   5,700   5,700   100	aterials	16,000	3,950	4.000	. 50	3	5469	0000					
16,000 9,787 9,567   150 .5052 .5000   BRAUTH SLIPS COST   1700 .12400 .12400   1100     16,000 6,13 697   16 0000 0.0290   1200 0.1400   1700   1700   1800     16,000 148 1420   18	15,000   9,787   9,567   150   1502   1500   15032   1500   150	16,000 9,787 9,567   150 1.5562 1.5500   Emaine Sales Superitation 1.1400 1.1400 1.1500     16,000 6,13 697	Direct Labor	16,000	3,300	3,200		100	2062	2000	PASTO SALES COST	• 5800	. 5864	.5800	. 5868
14,000   613   697   110   1	16,000   613   657   16   1700   1.05	14,000   613   697   14   10   10   10   10   10   10   10	PRODUCTION	16,000	9,767	499*6		150	.5062	. 5000	Branch Gales Grasses of ca				
1,000   1,10	16,000   613   697   10 0.000	1,000   1,100   1,100   1,100   1,100   1,00	Distribution								HOTSTA Jeding spaces	.1400	- 1440	.1100	.1200
16,000   613   697   18   18   18   18   18   18   18   1	16,000   613   697   10   0.000   0.250   2.200   1.	16,000   613   697   10   0000   0.0990   10   0.000   0.0990   10   0.000   0.0990   10   0.000   0.0990   10   0.000   0.0990   10   0.000   0.0990   10   0.000   0.0990   10   0.000   0.000   10   0.000	dwertieing					and the same			- 45.				
16,000   613   6597   13   0.000   0.0016   0.	16,000   613   614   6	16,000   613   657   10   10   10   10   10   10   10   1	(erchandise					Attorio			BRANCH SALES COST	.7200	.7304	0089	2000
2,200   428   16   6   1,440   1,400	2,200   428   16   6   1,440   1,400   1,400   1,400   1,400   1,100	2,200   428   420   42	STRBIM. OV.HD.	16,000	613	269		3.6	•0300	0620				0000	000.
7,000   428   420   62   62   62   62   62   62   62	7,000   418   420   42	7,000   418   420   42	Com. A Sales	9,250	(2)	16		9	.0016	.0010	Basto Gales Cont				
1,206   1,20	1,206   1,20	1,200   1,20	ome A Brane	200	428	420		<b>6</b>	.1440	.1400		0099	- 5864	• 5800	. 5868
1,000   1,00	6.750 179 173 277 0 170 0 1700 1700 1700 1700 1700 17	6.750 177 177 177 177 177 177 177 177 177 17	Come A Right	255	1 2	2.5	-	66	1206	1150	Jobbers Sales Supervision	.1150	1906	2	
1,000   677   827   120   11200   11500   11	1,000   677   827   120   11200   11	1,000   1,00	Jom. B Sales	6,750	61	12	•	9	6100	0100			2	207	00010
1,000   146   186   20   1,1350   1,150   1,	1,000   146   186   20   1,1350   1,156   1,	1,000   146   186   20   1,1350   1,156   1,	lom. B Bran.	2,000	877	927		23	1200	.1100	and a contract				
100   100	15   15   15   15   15   15   15   15	10,700   15,754   10,200   15,754   11,750   11,750   12,750   15,754   11,750   12,750   15,754   11,750   12,754   11,750   12,754   11,750   12,754   11,750   12,754   11,750   12,754   11,750   12,754   11,750   1	Jone B Jobb.	1,000	148	168	20	-	.1350	.1550	CORPORAS COST	•6950	0.407.	.7350	.7218
15.00   15.34   15.00   21.25   125	15,000   15,84   18,000   21   125	15,000   15,84   15,000   21   125	come B sprp.	180	103	102	-	-	.1119	.1107	Committee of the second		The second second		- Common or a
15.704	15,000   1	15.704   15.704   15.705   1714   7705   7714   7705   7714   7705   7714   7705   7714   7705   7714   7705   7714   7705   7714   7705   7714   7705   7714   7	NISTRIBUTION	16,000	3,170	2,066	21	125	.1565	1500	Basic Sales Cost				
### Strong And Liability Strongers as shown on Export Sales Supervision .1450 .1367 .1367 ### 100 .1			COST	15.000	10,384	15,200	6	272	.7114	. 7000		0000	. 5864	. 5800	.5868
ASSRS AND LIABILITY STATEMENT. EXPORT SALES COST7286 .7284 .6907	ASSENCE AND LIABILITY STATEMENT.  Exponer alies cost .7280 .7284 .6907  Exhibit L	ASSENS AND LIABILITY STATEMENT.  EXPORT BALES COST  B  Exhibit L  Exhibit M	PROFIT	\$616	Equal to 1	noreage in H	et Assetn	an short	- 8		Export Sales Supervision	.1480	.1420	2011.	1114
EXPORT SLES COST .7284 .6807	8 TOO COST 18.25 COST	# Exhibit M			ASSETS AND	LIABILITY 3	TATEMENT.		1						,,,,,,
1059: 927: 027:	1.049. 897.1 ADD. 1.11.11.11.11.11.11.11.11.11.11.11.11.	Exhibit M						,			EXPORT SALES COST	7200	900		
	N. C.	N 1			,						And Annual Control of the Control of		200	1069.	.6985
						-			-		2				

You will remember in connection with Exhibits E and F that sales values are based on list price rather than on net sales price. The discounts under different must find the difference between the individual commethods of distribution are treated as expense in making up the organization unit budgets as per Exhibit G, and in making up operating statements as per Exhibit J. This is to assure that the per cent of cost to sales price under different methods of selling will be comparable. If we used net sales prices and should give only 10 per cent to our own branches because we have to carry the branch cost, and 15 per cent to jobbers because they carry their own branch cost, you will see that the net results would be misleading. Under the method used the figures shown in this exhibit for cost of goods sold under different conditions are comparable, and it is possible to see at a glance the relative merits of the different methods of distribution.

All of the figures on this statement are with reference to Variable Cost, but because we know the Fixed Cost for each item and that the total Fixed Cost is \$6,000,000 a year, we are able to figure the effect upon profit and loss which any change in policy would make.

For the sake of clearness I shall work out the effect on profit if we should reduce the price on Commodity B five per cent with the expectation of increasing the business an additional \$2,000,000.

The present Variable Cost of Commodity B, we shall say for easy figuring, is 70 per cent of sales. This leaves a Contribution to Fixed Cost and Profit of \$.30. If we reduce the price 5 per cent this would be \$.05 on each dollar of sales, which would leave us \$.25:

•		Prospective Sales. Prospective Contri-	\$8,750,000
Present Sales Present Contribu-	\$6,750,000	bution	.25
tion	.30		\$2,187.500
	\$2,025,000		2,025,000
Advantage of 5 per it results in an ir	cent reduct	ion in price provided	\$162 500

I have already said that few individual commodity prices are based on a uniform margin of profit. 'Most successful businesses are based on prices for different commodities which produce very different profits, yet which produce the greatest aggregate profit for the business as a whole.

Certain articles are sometimes sold at cost-or even at a loss-as a leader, to meet certain competition, to keep the plant going or for other reasons. Therefore, in order to work out the combination of prices to produce the greatest aggregate profit, we must know the cost of each individual commodity.

In Exhibits L and M we have used average figures. Therefore, to get figures for any one commodity, we modity and the average, and add or deduct this amountto or from the average.

Take, for example, Commodity A 1 A sold to jobbers. From Exhibit F we find the material and labor cost is \$.5472, but also from Exhibit F we find the average is \$.4500. The difference is \$.0972, which must be added to the average total cost of Commodity A sold to jobbers as shown on Exhibit M of \$.7070. This means the Variable Cost of Commodity A 1 A is \$.8042 as compared with an average of \$.7070 for all Commodity A items sold to jobbers. The Contribution to Fixed Cost and Profit is then \$.1958 as compared with the average of \$.2930.

Again let us see what the Contribution to Fixed Cost and Profit will be if we reduce the price five per cent. Since the figures are already on a per cent basis, it would reduce the contribution as many cents per one dollar of sales as is taken off of the price in percentage. "The contribution would then be \$.2430.

Again let us see what the result would be if the cost of material and labor were increased say 10 per cent. Material and labor are 45 per cent of the total Variable Cost, so 10 per cent added to them would be equal to S.045 on each dollar of sales. The contribution would then be \$.2480.

Or if all of the foregoing possibilities were taken into consideration in connection with the same item, namely, Commodity A 1 A, the result would be as follows: Starting with an average contribution of \$.2930 we should deduct \$.0972 to bring it to the cost of the individual item. This would leave us \$.1958. We should then deduct \$.05 representing 5 per cent reduction in price, bringing it to \$.1458, and then \$.045 representing a 10 per cent increase in cost of material and labor, bringing it to \$.1008.

It is not likely that all of these things will happen at one time to any one item, yet such things have happened within the past year. I have made these figures merely to show you the flexibility of figures when expressed in terms of Fixed Cost and Variable

## 6. FINANCIAL FORECAST'S

Finance is too usually regarded as separate and apart from operating. Many concerns have gotten into trouble, especially in the last year or so, through too complete separation of these two major functions. Actual records show that many of the difficulties of