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E. I. DU PONT DE NEMOURS & COMPANY
INCORPORATED
WILMINGTON, DELAWARE 19898

CHEMICALS, DYES AND PIGMENTS DEPARTMENT

November 24, 1980

WILMINGTON	NEWARK
H. T. RITTER	J. M. LOETHAR
H. S. ANDERSON	D. O. MILLER
R. P. THOMAS	D. E. CREGAR
J. E. RAUGHLEY	J. R. ZILCH
W. GAAL	R. DUNNAM
S. W. SEVERANCE	M. V. COPPOLA
M. P. O'BRIEN	C. R. CUNNINGHAM
G. V. ALLES	P. E. KING

MEETING - NEWARK PLANT - NOVEMBER 17, 1980

Starting in January 1981 the Color Pigments costs will be reported on a commodity basis and five new O.E. codes will be established. To accomplish this, the Newark Plant GAP ledger requires numerous revisions.

(For details, see 'Newark Plant Accounting Revisions', documentation prepared by J. E. Raughley and C. E. Stevenson, September 1980.)

At this November 17 meeting with the Newark Plant Control Section we discussed the following problem areas which must be resolved before this transition can be made:

- Reconciliation

  GAP trial balance versus Newark stock report

- Stock Adjustments

  Current methods used at Newark

- Production Reporting

  Net production versus GAP adjusted production

The following detailed report includes discussions and proposed solutions for each of these problem areas.

C E Stevenson
C. E. STEVENSON
A&BA DIVISION

CES/jff
Attachment

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DISCUSSIONS AND RECOMMENDATIONS
NOVEMBER 17, 1980 MEETING

RECONCILIATION

P. E. King, Newark, has documented all stock adjustments made to the Newark Stock Report but not included in the GAP trial balance. Also, he has itemized all incorrect GAP ledger entries made during 1980.

Proposed reconciliation would comprise netting the differences, stock adjustments and incorrect entries, for each of the product accounts. These net differences would then be entered into the GAP ledger as physical inventory adjustments. J. E. Raughley will provide pricing data for these adjustments.

See Table I list of proposed adjustments - Lbs. and $. This method for handling the reconciliation was suggested by the Du Pont auditor during discussions with R. Dunnam and P. E. King. If you do not agree with this proposal, please contact R. P. Thomas, J. E. Raughley and the writer.

STOCK ADJUSTMENTS

This is the second year that a major reconciliation has been required for Newark stock inventories. Many transactions are causing problems including returned colors, recoded colors and transfers of constituents and components from one product group to another. However, the largest differences result when the Newark Product Control Group enters stock adjustments on their CRT and these adjustments become part of the Newark Stock Report. Then, no backup information is provided to Newark Accounting so that the same adjustments can be included in the GAP ledger.

During this meeting it was proposed that a new rule be established at Newark:

Only stock adjustments with adequate backup information for Newark Accounting can be entered on the CRT by the Product Control Group.

The GAP trial balance is the official stock inventory record and the Newark stock report must be kept equal to it. The GAP ledger and stock report should be compared each month and kept in balance. This monthly comparison would provide a method for checking the other transactions mentioned at the beginning of this section. Some of the problems associated with these transactions result from methods adopted for reporting GAP production.

PRODUCTION REPORTING

Currently the Newark Plant issues an in-house production report PRD49. In this report net production is equal to batch and mix estimated weights plus or minus yield adjustments. Then the net production column is adjusted to take care of recoded colors, constituents and consumed components to develop an accounting production which is entered in the GAP ledger. However, the net production figures are retained and carried over to other reports such as the Newark Stock Report which is sent to the Wilmington reconciliation group.

Thus other Wilmington Accounting groups are receiving monthly production volumes that differ from the GAP ledger production volumes.

We agreed on the following revisions so that net production will equal net production no matter where it is reported:

Recoded Color - A product code moved and recoded to another product code. Example - A Moly Orange continuous product moved and recoded to a Moly Orange Batch product.

This should be a two-sided entry:

Consumption below the line from the original producing account.

Transfer to the receiving account above the variable cost items with the detail code equal to 100 and special code equal to original producing account.

This is not new production in the receiving account. The transfer will only affect the inventories of the two accounts

Constituent - Saleable product produced in one account and consumed in another account to make a new product. Currently, this transaction is being handled correctly. These constituents are treated as raw materials for producing a new product. The new product is classed as new production and included with the net production volume.

Constituent - Saleable product produced and consumed in the same product group. This transaction comprises a minus entry and a plus entry to production with the net effect of zero new production. This is a change from our current procedure and the production report should be modified to reflect this change.

Components - Intermediates produced at Newark to be used as bases for saleable products. Example - Chrome Yellow components produced as base for Krolor Yellow.

The problem with components should disappear in January 1981. At that time the new accounting revisions will be adopted in the Newark GAP ledger. Cost data and inventories for components will be kept in separate accounts. They will be treated as true intermediates and will be handled by the same methods currently used for lead nitrate and sodium molybdate.

Before the books close in January 1981, this production report, PRD49, has to be revised to include the above changes. Also, this report should show sub-totals for all of the new accounts.

Other in-house reports should be modified where necessary to reflect the accounting revisions which will become official in the January 1981 costs.

I plan to return to Newark on December 2 and 3 to assist with the reformatting of these reports. At that time we can discuss any other problems related to this transition period.

'jff
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NEWARK PLANT - RECONCILIATION SUMMARY

GAP ACCOUNT	DESCRIPTION	STOCK ADJ. THRU OCT.'80 LBS.	INCORRECT GAP ENTRIES[1] LBS.	NET TOTAL LBS.	ADJUSTMENTS $
51001	Moly Orange Batch	1306	(6)	1300	1782
51108	Misc. Inorganics	-	-	-	-
51203	Krolor Yellow	(4700)	-	(4700)	(7473)
51304	Krolor Orange	1540	-	1540	4993
51405	Krolor Red	-	-	-	-
51513	Moly Orange Continuous	4000	-	4000	10878
51614	Chrome Yellow	(39500) [illegible]	63602[2] 100	24102	20002
51710	Zinc Yellow	-	-	-	-
51816	QA-Linear	(791)	3773	2982	33052
51817	QA-Substituted	3880	(7777)	(3897)	(52927)
52018	CPC-Green	102	3313	3415	43880
52120	CPC-Blue	(2883)	713	(2170)	(21776)
52224	PTMA	-	-	-	-
52332	Watchung	(242)	148	(94)	(322)
52436	Other BON	88	(90)	(2)	(6)
52540	Naphthanil Red	43	(121)	(78)	(599)
52644	Toluidine Yellow[3]	-	(4741)	(4741)	(71915)
52746	Dalamar	8030	(10223)	(2193)	(11825)
52850	Green Gold	(10)	29	19	161
53056	Misc. Organics	-	(5475)	(5475)	(13794)
	Totals	(29137)	43145	14008	(65889)

(1) Includes Recoded Color, Transfers, Production, MEV/JEV and Misc.

(2) Stock Adjustment Not Corrected At The End of '79 Because Backup Data Was Not Available.

(3) Unit Cost for Toluidine Yellow Appears To Be Incorrect.

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