



INTERNAL CORRESPONDENCE

Resin Dept

CHEMICALS AND PLASTICS

SOUTH CHARLESTON PLANT P. O. BOX 3004, SOUTH CHARLESTON, W. VA. 25360

To (Name)
Company
LocationMr. E. Bell
BOUND BROOK, N. J.

Date April 7, 1970

Originating Dept.

Answering letter date

Copy to

Mr. A. S. Amatangelo
Mr. J. A. Grady, BB
Mr. G. R. Kraft
Mr. J. R. Matthews
Dr. A. B. Steele, NYOSubject Dispersion Resins
Profit Center 383
In-Plant Distribution Costs

Dispersion Resins Profit Center 383 will be over-charged at least \$200,000 for in-plant distribution costs in 1970. Since this Profit Center has an estimated ROI Income of \$366,000, elimination of these excessive charges will have an appreciable effect on profit in 1970.

These charges result from accounting assumptions or simplifications that lump all bag distribution costs under a single account. Costs are charged out of this account on a per-bag basis. Since dispersion resin bags are 40 pounds net and all other resin bags are 50 pounds net, this automatically guarantees that in-plant cost for dispersion resin is 125% of other resins on a per-pound basis. Further investigation of actual cost for dispersion resin shows the following:

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	1970 Plant Standard Cost	Estimated Actual Dispersion Resin Cost Domestic	Export
Bags	\$0.1174	\$0.1200	\$0.1700
Filling	0.2533	0.1620	0.1620
<u>Loading</u>			
Labor	\$0.1405	\$0.1405	
Material	0.0768	0.0768	
Total	0.3398	0.2173	0.2173
<u>Warehousing</u>			
In & Out	0.0540	0.0540	
Storage	0.0222	0.0222	
*Stenciling, etc.	0.0268	0.0268	
Total	0.1578	0.1030	0.1030
GRAND TOTAL/Bag	\$0.8683	\$0.6023	\$0.6523

*Not required for all shipments

Ratio Standard Cost/Actual

\$1.442

\$1.331

Based on the apparent profitability of other resins such as solvent and PVA - PVB, there is certainly no need for a distribution subsidy from Dispersion Resins. If all packaging, loading, and warehousing costs must be pooled as they now are, they should at least be allocated on a per-pound shipped basis instead of per bag. This simple change should cut the Dispersion Resin in-plant distribution subsidy to other resins by \$165,000.

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Mr. E. Bell

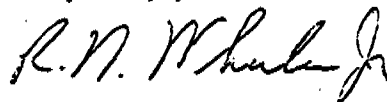
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Comparison of 1969 standard costs with 1970 standard costs for filling, loading, and warehousing also raises a question regarding errors in generating 1970 standards. The standard cost of bag, filling, loading, and warehousing for vinyl resins in 1969 was \$0.5170 per bag. The 1970 standards are 168% of this number at \$0.86836 per bag. An 8% increase in 1970 labor costs can hardly be the cause of such a sharp increase. F.W.S. costs for chemicals in steel drums rose only 2.4% from 1969 to 1970.

I hope the foregoing items will prompt an investigation of Dispersion Resin F.W.S. costs and lead to a more accurate and equitable system than we now have.

Very truly yours,



R. N. Wheeler, Jr.

RNWJr/ra

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