

ACME PLANT

October, 1966

Actual Operating Profit was 15% less than the budgeted figure for October as shown in the following comparison:

Operating Profit: Actual	\$ 91,546
Budget	<u>107,667</u>
Actual Under Budget	\$ 16,121

		<u>Budget</u>		<u>Actual</u>		<u>Over (+)/Under (-)</u>	
		<u>Unit</u>	<u>Amount</u>	<u>Unit</u>	<u>Amount</u>	<u>Unit</u>	<u>Amount</u>
Rock	Tons	4,000	\$ 26,560	1,533	\$ 8,060	-2,467	\$ -18,500
Plaster	Tons	1,050	27,951	2,105	46,047	+1,055	+18,096
Board, Lath & Tile	MSF	10,620	435,420	12,058	458,210	+1,438	+22,790
Joint System	Tons	250	36,185	304	37,351	+ 54	+ 1,166
Other Products	--		<u>500</u>		<u>2,283</u>		<u>+ 783</u>
			\$27,616		\$51,951		\$+24,335

Rock Sales: The sale of rock was 1,454 tons less than the September YTD monthly average, even after having acquired two new customers (Gifford Hill & Texas Industries). Some of the benefit for obtaining the new business was offset by higher freight costs which caused the monthly average freight rate to be higher than previously experienced.

Joint System Sales: The average sales unit was \$21.67 per ton less than the average YTD unit. This difference was caused by the erroneous consideration, by the sales office, of a \$5,994 loss on the sale of defective material (63 tons of ready mix). The loss should have been coded to the defective allowances account and not considered as a \$5,994 reduction in the list sales amount.

Rock Processing Cost: This cost was \$.21 per ton above standard. The \$1,246 charge for the rental of a bulldozer not considered in standards and the low quantity of production (9,468 tons below standard) appear to be the main factors involved in the variation.

Plaster Raw Materials Cost: After taking October's product mix into consideration, the standard cost was \$4.83 per ton; thus, a favorable variation of \$.28 per ton actually existed. This was the result of a \$988 favorable usage variation which was somewhat offset by a \$406 unfavorable price variation. The usage difference consisted mainly of a \$400 adjustment, and the price variation was from the purchase of bags at a price higher than the standard unit cost.

Plaster Processing Cost: A \$.66 per ton favorable variation was displayed for the month. The high quantity of production (635 tons above standard) seems to have been the main cause of the variation.

Board and Lath Saleable Perfects: They averaged 96.6% of gross which is .6% above standard. This amounted to a \$590 gain which was offset by \$1,203 loss on dunnage board.

Paper Cost: The cost of paper exceeded standard by \$.87 per MSF after having taken the product mix into account. The unfavorable variation was mainly brought about by Mr. Rodda's efforts to correct all previous months' errors that were

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Paper Cost (Cont'd)

made in calculating paper usage and to bring the plant's book and physical inventory in line with one another.

Board Raw Materials Cost: The cost of raw materials was in excess of standard by \$.20 per MSF after taking October's product mix into consideration. The difference was brought about by unfavorable price (\$1,768) and usage (\$461) variations. The price variation can be attributed to the purchase price of core adhesive having been \$1.00 above the standard unit cost and to the purchase price of lignosite having been \$1.19 above the standard unit cost.

Board Processing Cost: Board and Lath Manufacturing costs exceeded standard by \$6,279, while board and lath warehousing and loading costs were favorable by \$3,134.

Board and Lath Manufacturing: Unfavorable variations of \$1,464 in Operating Labor, \$2,037 in Maintenance Labor, \$1,282 in Fuel, and \$747 in Extraordinary Maintenance were the main factors involved in the \$6,279 variation. The variation in Maintenance Labor was mainly due to the cost for the preliminary work done before the belt in the Board Plant could be lowered from about five to three foot. (The belt has been lowered). It is felt that the major portion of the remaining variation can be attributed to the machine hours (standard is based on machine hours) having been 204 hours below standard.

Board and Lath Warehousing and Loading: Favorable variations of \$2,160 in Operating Labor and \$975 in Operating Supplies made up the major portion of the variation. The plant personnel feel that the reduction in the number of employees combined with the introduction of more efficient loading procedures brought about the favorable condition.

The favorable variation in Operating Supplies was the effect of the efforts of the plant to reduce their inventory of supplies via decreasing purchases of non-inventoried items.

Joint System Raw Materials Cost: After the product mix for October was taken into consideration, an unfavorable variation of \$1.99 per ton was displayed. The difference was the result of a \$4,804 unfavorable usage variation which was largely offset by a \$3,879 favorable price variation. The material usage variation was made up of the following:

Sodium Citrate	- \$ 453	Resulted from Inventory Adjustment
Casein	- \$1,982	Resulted from Inventory Adjustment
Bags & Boxes	- \$1,993	Resulted from the Scrapping

The major part of the price variation was the outcome of having purchased casein at \$13.50 per cwt. less than the standard unit cost.

Joint System Processing Cost: This cost was \$.75 per ton less than standard due mainly to a favorable variation of \$369 in Operating Supplies. The difference

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Joint System Processing Cost (Cont'd)

was brought about by the decrease in monthly purchases of non-inventoried items. The reduction in purchases is the plant's means of reducing inventory for the year's ending.

Cost of Joint System Sold: This cost was quite high due mainly to the standard mix cost of sales for the month of October having been \$8.76 per ton above the September YTD average unit and to the scrapping of \$646 of obsolete Joint System Finished Products. (Per D. Murphy's letter of 10/8/66) The high standard cost of sales was caused by the sale of 63 tons of ready mix (standard cost of sales of \$125.72 per ton).

General Plant Expense: General Plant had a \$4,261 favorable variation the main source of the difference was the monthly salaries. An adjustment for a previous month's estimate and the number of salaried personnel having been three less than standard were the causes for the variation. The reasons for the decrease in personnel are that the board plant shift foreman was transferred to Grand Rapids, the board and plaster laboratory superintendent was transferred to Akron, and the joint system laboratory superintendent was drafted into the Army.

Selling Expense: This expense exceeded the budgeted figure by \$9,000. The increase from 7.5% to 10.0% of the discount given to Georgia-Pacific Distribution Centers was the cause of the variance.

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