



MEMORANDUM

To: Joseph K. Moore June 25, 1942
 From: Percy L. Hansen

Subject: Chemical Products Corporation, 55 Pawtucket Avenue,
 Rumford, Rhode Island. Letter of June 15 in Further Reference
 to Letters of May 28, May 29, and June 2 Requesting a Formula
 for Pricing Special Types of Paint and Varnish.

The applicant suggests that he be permitted to use the same
 average margin of profit as realized in prior months in determining a
 maximum selling price. This procedure appears to be sound and conforms
 with that suggested by this office in similar cases.

Cost analyses on eight specific products have been submitted
 by the applicant but the figures shown are not in sufficient detail for
 review by us. We suggest, therefore, that you request the applicant to
 furnish the following data upon which we can base a pricing formula:

1. Submit separately the specifications and the completed
 cost per gallon or per pound, in containers, of each type
 of product upon which a maximum selling price must be
 determined. Costs are to include all costs to and in-
 cluding packaging. (Selling, shipping, and administrative
 expenses are not to be included.) The specifications are
 to show the names of each of the pigments and vehicles
 being employed by you in the manufacture of the specific
 type of product, and the amounts of each of these in-
 gredients both by weight and volume as contained in a
 batch mix at cost prices which were being charged to
 production in March 1942.

The following illustration in which hypothetical figures
 are used will serve to show the type of exhibit required:

2. Submit copies of your profit and loss statement for the
 years 1939, 1940, 1941 and the first quarter of 1942. These statements
 are to be dated as of the end of the year (line 11 of the cost of goods sold
 statement referred to above) and must show a breakdown of selling,
 administrative, and other expenses.

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Trade Name _____
 Category _____
 Color _____
 Number _____
 Quality _____

Specification:	Approximate		Unit	Total
	Lbs.	Yield	Cost	
<u>Pigment #1:</u>				
Basic Carbonate W. Lead	500	9.0	.081 Lb.	\$40.50
Zinc Oxide	400	8.5	.084 Lb.	25.60
Asbestine	100	4.2	.010 Lb.	1.00
<u>Vehicle #2:</u>				
Raw Linseed	551	71.0	.851 Gal.	\$60.42
Drier	28.4	4.0	.494 Gal.	1.98
T.M.P. Naphtha	30.9	5.0	.118 Gal.	.59
Calculated Yield	1,810.3	101.7		\$120.09
Manufacturing Loss %		2.5		
Actual Yield		99.2		

<u>Cost Analysis:</u>	
Material Cost (Total cost divided by yield)	\$1.21
Direct Manufacturing Labor (per gallon)	.04
Factory Overhead (per gallon)	.08
Bulk Cost per Gallon	\$1.43
Packaging Cost (Container and Filling Expense)	.13
Factory Cost per Gallon in Container	\$1.56

2. A tabulation of proposed selling prices on each of the specific products in various quantities.

3. Submit a statement of sales, and cost of goods manufactured and sold in accordance with the enclosed form prepared according to the specific instructions attached thereto.

4. Submit copies of your profit and loss statements for the years 1939, 1940, 1941 and the first quarter of 1942. These statements may show cost of sales in total (line 36 of the cost of goods sold statement referred to above) and must show a breakdown of Selling, Administrative, and Shipping Expenses.