

Chicago

March 24th, 1920

Z E Martin

3-19

Martin Varnish Co. Audit

I have your letter of the 19th acknowledging comments regarding the last audit of the Martin Varnish Co. Referring to the previous audits, you will recollect that the writer explained to you when last in Chicago that we did not consider either of these audits had been made correctly as one was on the basis of gallons and the other according to units, whereas the surplus that had been earned was on the basis of dollars and cents.

This surplus, as I explained in my letter of the 8th, was accumulated as the result of overcharge in costs of raw materials, also department burden, general burden and package additions and is on the basis of the final trading and profit statement made up in the Chicago office for the Varnish Company. By going over these final statements for last year you will find the figures I gave you in my letter of the 8th were taken from the surplus for overcharge in costs and it is according to the proportion of the amount of the deliveries under the various captions that the overcharge has been distributed on a dollars and cents basis.

We have had these figures very carefully checked and rechecked by three different auditors as we are anxious that they should be correct and feel confident you will find that the analysis we have made makes a proper distribution of this surplus or overcharge in costs. I will be very glad indeed, however, to go over the figures further with you on your return to Chicago, and will appreciate it if you will let me know when you are ready to take the matter up.

I am glad to know that you are enjoying a good rest and have also been pleased to learn of the good work that Dan Lauer has been doing on the Coast, and hope you will meet with good luck on your trip through Texas.

With my very kindest regards, I remain

Yours very truly,

RFL:E

Vice President.

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