

Per return

Acme Plant

September, 1966

Actual Operating Profit was 40% less than the budgeted figure for September as shown in the following comparison:

PLAINTIFF'S EXHIBIT

GP-864

Operating Profit:	Actual	\$113,522
	Budget	<u>187,624</u>
	Actual Under Budget	\$ 74,102

		Budget		Actual		Over (+)/Under (-)	
		Unit	Amount	Unit	Amount	Unit	Amount
Rock	Tons	5,500	\$ 18,590	2,266	\$ 14,839	-3,234	\$ -3,751
Plaster	Tons	700	18,529	1,872	40,469	+1,172	+21,940
Bd., Lath, Tile	MSF	17,230	689,200	10,888	421,926	-6,342	-267,274
Joint System	Ton	250	36,440	238	40,451	-12	+4,011
Other Products		-	<u>1,500</u>	-	<u>1,634</u>	-	<u>+134</u>
Total			\$764,759		\$519,319		\$-244,940

Rock Processing Cost: This cost was \$.27 per ton above standard because of low production, a \$1350 unfavorable variation in operational supplies and equipment rental, and a \$1032 unfavorable variation in extraordinary maintenance.

The monthly production of 9378 tons was 1429 tons less than August's YTD average monthly production. This brought about high unit costs and resulted in the usage of 2629 tons of August's closing inventory.

The unfavorable variation in Operational Supplies and Equipment Rentals was due to a \$1246 charge for the rental of a bulldozer which is now being used in stripping, but was not considered in standards.

The undesirable amount of \$1032 in extraordinary maintenance was the result of the Distribution of an accrued budgeted amount by a predetermined curve which was based on a higher estimated production.

Plaster Raw Materials Cost: The standard unit cost was \$4.64 per ton after having considered September's product mix. Thus, an unfavorable variation of \$.53 per ton existed for the month. It consisted of an unfavorable price (\$441) and usage (\$751) variations. The price variation resulted from the purchase of 80,300 bags at \$10.20 per thousand above standard unit cost. The usage variation was the result of the come back of a \$1300 inventory error which was somewhat offset by favorable variations in several raw materials.

Plaster Processing Cost: A favorable variation of \$.27 per ton was displayed. It is felt that the large quantities of production in re-grinding (194% above August's YTD average monthly figure), tubing (295% above August's YTD average monthly production), and Plaster Packing and Shipping (194% above August's YTD average monthly figure) were the main reasons for the favorable cost condition having existed.

SGP 0002801

Board and Lath Salable cost of the month was 17.6% of gross which is 1.6% above standard. The result was a \$100 favorable variation for Salable Board. However, the monthly activity was actually unfavorable, for included in September's figures was 215 MSF of board which was produced in August but not recorded as such. This amounted to \$3050. Also, the plant produced 194 MSF more dunnage board than was needed, with respect to standard, for September's shipments. This added a \$2110 unfavorable variation to the waste and off goods variation.

Paper Cost: The standard cost of paper was \$7.80 per MSF after September's product mix was taken into consideration. Thus, an unfavorable variation of \$.67 per MSF existed. An unfavorable usage variation of \$16,191 and a somewhat offsetting favorable price variation of \$9,082 were the factors involved.

The main portions of the variations were due to the discovery of large usage and inventory errors at the plant by Mr. Rodda. The remainder of the variation was attributed to the monthly activity.

An unfavorable usage variation of \$4320 existed for the month. This was somewhat offset by an \$827 favorable price variation. The price difference was the result of Pryor's paper weighing less than standard (72# ivory weighed 71.5# and 72# greyback weighed 71.2#).

Board Raw Materials Cost: After product mix was taken into consideration, the standard unit cost was 2.01. Thus, a \$.03 per MSF variation existed. However, a credit of \$2500 to correct a previous month duplication error, offset a \$2058 unfavorable usage variation. The usage variation was due mainly to the following:

- ASP Clay: (\$-1029) -- not considered in 1966 standards.
- Lignosite: (\$-462) -- the large quantity of usage was because of the need to decrease drying time in light weight board.
- Sarasperse: (\$-429) -- not considered in 1966 standards. It is a very good, but high cost, dispersing agent which reduces drying time of board. It can be used in place of Lignosite.

Board Processing Cost: Board and Lath manufacturing cost was \$2475. over standard, and board warehousing and loading cost was less than standard by \$5702.

Board and Lath Manufacturing had the major part of its variation brought about by unfavorable variations of \$1186 in operating labor, of \$1165 in Maintenance Labor, of \$941 in Extraordinary Maintenance, and of \$387 in water which were somewhat offset by a \$1227 favorable difference in Maintenance Supplies. It is felt that the unfavorable variations can be attributed to the machine hours (standard is based on machine hours) having 220 hours below standard.

Favorable variation was brought about by the efforts of the plant to reduce their inventory of supplies via decreasing purchases.

Board Warehousing and Loading's variation consisted of favorable variations of \$1879 in Operating Labor and \$1613 in Operational Supplies. Purchases of

supplies were reduced in order to bring about a reduction in the inventory on hand.

Joint System Raw Materials Cost: The standard unit cost was \$77.81 per ton after September's product mix was considered. Resulting in a \$8.28 per ton favorable variation. The major part of the variation was the result of having purchased casein at \$13.50 per cwt. less than the standard unit cost.

Joint System Processing Cost: A favorable variation of \$1.60 per ton existed for the month. Favorable variations of \$510 in Operating Labor and \$246 in Maintenance Labor were the major factors causing the desirable condition. The high quantity of production (120 tons above standard) seems to have been the main reason for the favorable unit costs.

Administrative Cost: A \$4,000 unfavorable variation existed in the area of administration. The cost for transferring John Rodda to Acme was the reason for \$2018 of the above difference. The remainder of the variations was mainly due to the plant's having accrued and remitted payment for the telephone, telegraph, and teletype charges for the month, thereby duplicating the costs.

8 mos. To date -

1966
Stand

1967
Stand -

- 9277.	Total Rock -	.597	.528
1166.	Grinding -	.310	.321
4311.	Calcinung -	.577	.628
372.	Regrinding -	1.354	1.722
- 80	Tubing -	.473	.457
- 1390.	P&S -	2.507	2.318
- 188.	O.S.P. Ldg. -	1.487	.805
- 223	Cr. Rk. Ldg. -	.113	.104
2584.	Jt. Sys. -	8.307	8.858
- 164.	Blk. mfg. -	36.556	33.662
- 27032.	Bd. mfg. -	90.979	83.679
- 781.	Lamen. -	50.729	43.073
3598.	Bd. Whse + Ldg. -	1.720	1.757
3041.	Auto Trucks. -		
- 13814.	Plant Lab. -		
8527.	Maint OH. -		
8012.	Gen. Pct. -		
5867.	Rehandlg. Rm. -		
11633.	Gen. Pct OH. (Total) -		
- 9134.	Admin. -		
10219.	Fixed Costs -		

Total = 14385.