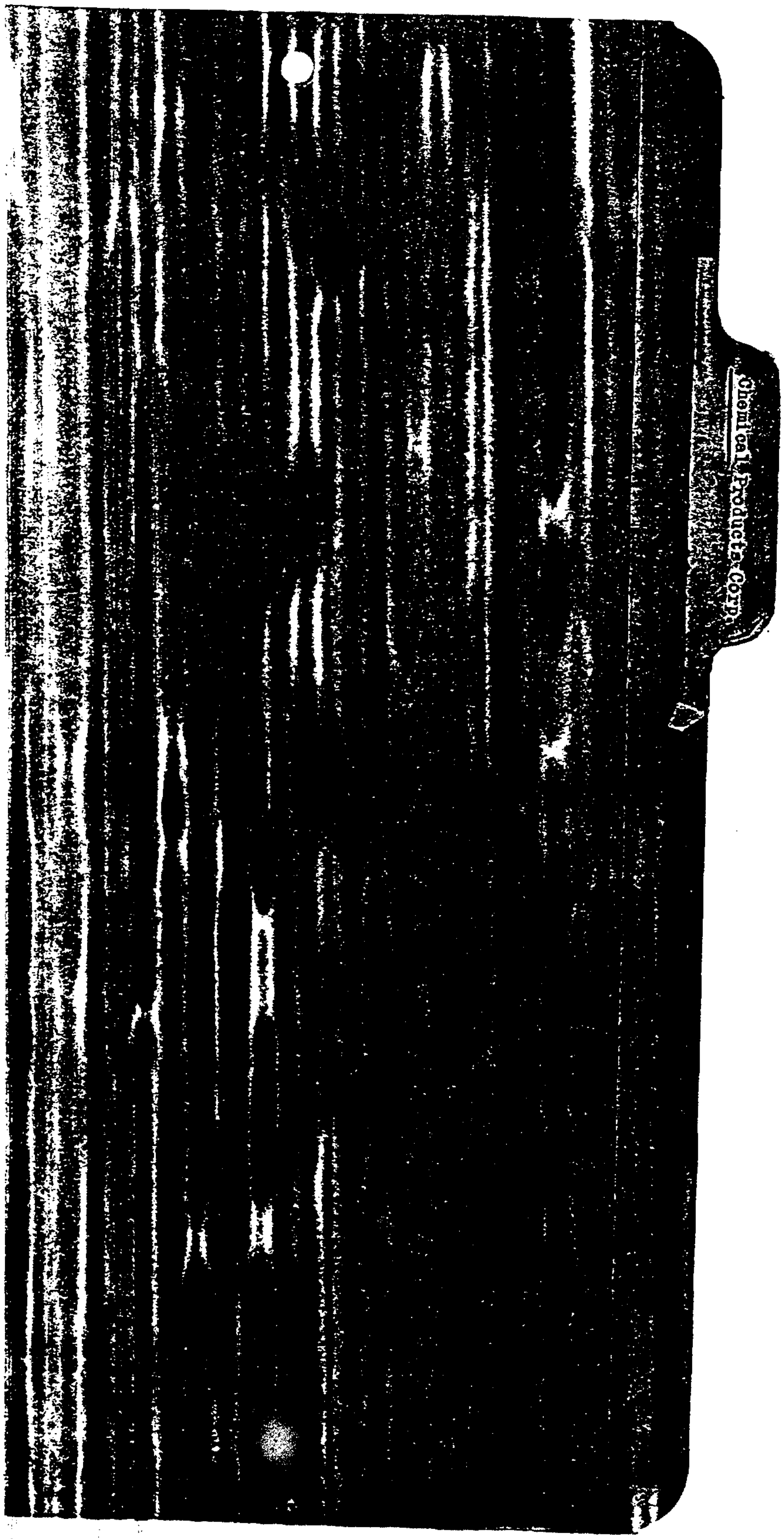
Chemical Products Corp.

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 3 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 including 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 ingredients both by weight and volume as contained in a batch mix at <u>cost prices which were being charged to production in March 1942</u>.

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

Trade Name______________________________
Category______________________________
Color______________________________
Number______________________________
Quality______________________________

	Lbs.	Gals. Yield	Unit Cost	Total Cost
Specification:				
Pigment %:				
Basic Carbonate W. Lead	500	9.0	.081 Lb.	$40.50
Zinc Oxide	400	8.5	.064 Lb.	25.60
Asbestine	100	4.2	.010 Lb.	1.00
Vehicle %:				
Raw Linseed	551	71.0	.851 Gal.	$60.42
Drier	28.4	4.0	.494 Gal.	1.98
V.M.P. Naphtha	30.9	5.0	.118 Gal.	.59
Calculated Yield	1,610.3	101.7		$130.09
Manufacturing Loss %		2.5		
Actual Yield		99.2		

Cost Analysis:	
Material Cost (Total cost divided by yield)	$1.31
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.

OPA 10722