

and credit sides of a ledger is the "value", "gross Value" of the goods which have been packed up during a given week.

Down here below you will notice "Less repacked." You remember the repacked, that I told you about, the pencils taken out of stock and repacked to make them move better. That value is deducted, so that it won't allow error to enter into this figure. Then we take off 12% down at the bottom. That 12% allows for freight allowances, cash discounts, inside trade discounts, and possibly other allowances, and gives us the net value or the net amount of money for those pencils, which the treasury of the Pencil Company receives in the last analysis.

On the other side is the materials, the cost of materials, that went into the making of those pencils, based on the amounts and kinds of pencils, which of course, as in this instance, comes from the data sheet.

The first item under "expense" items is "Labor," and the labor is divided, as you all know, into the two classes, direct and indirect. The direct labor is that, which goes directly into the making of the pencils themselves, and the indirect constitutes the supervising, shipping, office, clerical help, and so forth. These figures are brought directly from the payroll. The indirect labor, however--as in this case \$155.00--is an empirical figure, a figure, which we have found out by experiment to be the correct figure, and we arbitrarily decide on it, and keep it until such time as we think we ought to change it and then change. The burden that a business has to carry is the fixed charges, the expense that it carries, irrespective of whether it will produce two gross or 200,000 gross, like rent, insurance, light, heat, power, and the sales department.