

line there, and certain printing on it, is due to me, because I got this sheet up myself. On one side you notice "Expense," or two main headings "Expense," "Materials." Together they comprise the expense for the week. On the other side, like the debit 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 per cent. down at the bottom. That 12 per cent. allows for freight allowances, cash 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 pay-roll. 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. The sales department expense usually goes on whether the salesman sells little or big bills; his salary goes on and his expense goes on. Rent, heat, light, power, sales department men, and all that, is figured out, as you could find by looking back, continuously from week to week, and there is no work other than jotting it down to figure in this total.

The repair sundries is also arbitrary at \$150.00. The machine shop, however, is available. It appears alongside of "Investment." "Investment" is crossed out, and "Machine Shop" written in. There is a reason for that. The time was at the inception of our business when every machine built by us was so much additional added to the value of our plant. In other words, it was like investing more money in it, in the plant, but the time came, when we quit making machines, and then we simply kept them in repair, and we charged that to expense, crossing out "Investment" and putting down "Machine Shop" as an expense item.