

3. Workshop expenses, which include wages of Superintendence and Foremen—

Lighting	} Of Plant and Buildings.
Heating	
Rent	
Taxes	
Insurance	
Depreciation and Upkeep	

4. General Expenses (Distribution and Administration); Salaries of Officers and Directors; Upkeep of Office and Warehouse; Interest and Bank charges; Travellers' Salaries, Commissions and Expenses; Bad Debts.

5. Profits.

The first three sections given above make up the prime cost of the product; the first four sections make up the gross cost or cost of production; and the five sections make up the selling price.

Cost accounts may be divided into two classes, in which, while the principles involved are the same, the methods of record are different.

In the first class are the accounts of all factories having a uniform output, such as breadstuffs, textile fabrics, etc. For these it is necessary to collect the data in such a way as to show the cost of processes or the cost of the product on the basis of a given unit—a pound, yard, etc. The cost of processes may in some cases be most readily found by special tests. Care must be taken, however, to have the conditions of the test as nearly as possible the normal conditions of production.

In the second class are the accounts of all factories producing special articles or filling special contracts. For this class the data must be collected so as to show the cost of the completed article, or of all the articles included in a particular contract.

As the method of the record suitable for a factory in the first class would not be suitable for a factory in the second class, and as the former is the simpler of the two, we shall consider it first. And, further, for the sake of clearness, we shall take a particular instance.

We shall take the Confectionery Department of the business of Set VI, divide it into three departments, "Chocolates," "Bonbons," "Taffies," and record the transactions for June.

The books are to be arranged to show the average price per pound in each department. The price of each grade of goods in each department will be found by special tests. By adopting this method we shall be able to arrange a system of cost accounts in comparatively simple form, and at the same time obtain all the results required of such a system.

The usual books of account will be kept. There will be the Material, Manufacturing and Trading account for each department, and the Trading accounts will show the gross profits in each department for the month.

The special books will have reference to the material. The record of wages requires nothing different from that of last month. It will only be necessary to rearrange the names on the pay roll to correspond to the change in departments.

The elements of cost may be considered in order.

MATERIAL

THE STOREKEEPER'S RECORD

The Material, being usually an important item in the cost of manufacture, should be accounted for as carefully as is the cash or the time of the employees, and should be placed in charge of a storekeeper who checks up all invoices of material received and issues it to the factory upon orders from the foremen