

of his time directing the work of workmen. Every part of the product of the factory must bear its due proportion of these expenses; and if, in the business under consideration, we wish to find the cost per pound of the candy in a department, we shall have to add workshop expenses to the cost of material and labour.

The financial statement at the end of the year shows cost of material for the year, cost of wages, workshop expenses, and general expenses. From this we may find what proportion of the cost of manufactured goods is made up of workshop expenses. It is usual, however, to calculate the percentage not on total cost but on wages—for the reason that this amount is more constant than is the cost of material, or even the cost of material plus wages; and, moreover, wages vary with the time occupied in manufacture, as do most of the workshop expenses. If then we find that workshop expenses for a year amount to, say, \$560, and workshop wages to \$2240, we conclude that the workshop expenses amount to 25% of the workshop wages, and to find the cost per pound for any period we add this proportion of the wages for the period to cover workshop expenses. This percentage should be compared from year to year with actual results and corrected as experience requires.

GENERAL EXPENSES

In the same way, the percentage of general expenses on workshop wages may be ascertained. The two percentages may be taken separately or they may be added together if desired.

The term "General Expenses" has been used here to include expenses of administration, of maintenance, of distribution, and even bad debts. By using the term with this meaning, the cost we find will be the complete cost, beyond which all we are able to obtain from our customers would be net profit.

If we wished to find the cost when the goods are ready for market, the selling expenses and bad debts would have to be excluded from the general expenses, as would also a proportion of the administration expenses, and the expenses of maintenance so far as the selling side of the business is concerned.

In a business such as we are dealing with, it does not seem necessary to make this division.

Cost per pound.—The items entering into the complete cost have now been ascertained, and they must be combined, thus:

CHOCOLATES

Cost of Material, from the Foreman's Report of Material Used	-
Cost of Wages for the Department, from the Pay Roll	-
Percentage of Workshop Expenses on Wages of the Department	-
Percentage of General Expenses on Wages of the Department	-
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Total cost of Goods manufactured	-
Quantity produced, from Foreman's Report of Goods Produced	-
Cost per pound	-