

Actual results 1Q 1993	Copy Editors and composers		Pressmen		Aggregate Average
Revenue 1Q 1993					
Hours billed	4,405		8,820		13,225
§1 Basic Amount Billed	\$24.00	\$105,720	\$12.00	\$105,840	\$211,560
Costs in 1Q 1993					
Direct labor costs					
Persons	10		20		
Hours per week	40		40		
Weeks per quarter	13		13		
Hours per quarter	5,200		10,400		15,600
§2 Rate	\$24.00		\$12.00		\$16.00
Total salary, fixed		\$124,800		\$124,800	\$249,600
Overtime hours	223		1,320		
Regular Rate /hour	\$24.00		\$12.00		
Total		\$5,352		\$15,840	\$21,192
§3 Salary paid: payroll		\$130,152		\$140,640	\$270,792
§4 Capacity Slack [§3 / §1]					128.00%
Overtime premium /hour	\$12.00		\$6.00		
§5 Overtime premium		\$2,676		\$7,920	\$10,596
§6 Overtime rate [§5 / §1]		2.53%		7.48%	5.01%
Benefits					
Insurance					
1,300 /person	\$13,000		\$26,000		
Pension					
20.00% x salary	\$24,960		\$24,960		
§7 Total benefits		\$37,960		\$50,960	\$88,920
§8 Benefits rate [§7 / §1]		35.91%		48.15%	42.03%
Total direct labor costs		\$170,788		\$199,520	\$370,308
§9 Markup §4 + §6 + §8					175.04%
§1 Full cost rate [§9 x §2]		\$38.77		\$22.62	\$28.00

Indirect costs

Salary (Including fringe benefits):		Cost	/	Cost driver	=	
§1	Supervisors	\$33,696	/	13,225	=	\$2.55
	Machine maintainance engineers	\$30,888	/	4,410	=	\$7.00
	Machine lease payments	\$31,300	/	4,410	=	\$7.10
	Power and supplies for machine	\$9,600	/	4,410	=	\$2.18
§1	Total indirect costs	\$105,484			Machine rate =	\$16.28
§1	One cost driver rate	\$105,484	/	13,225	=	\$7.98
	Indirect cost markup	\$7.98	/	\$16.00	=	49.85%
	Total labor cost markup	175.04%	+	49.85%	=	224.89%
	Total direct labor costs	\$370,308				
	Total indirect costs	\$105,484				
	Total Labor costs			\$475,792		
	Materials			\$180,000		
	Total production costs (% of revenues)			\$655,792	/	\$918,540 = 71.40%

Selling general and administrative expenses

Purchasing department	\$20,000
Inbound Shipping	\$16,000
Rent	\$10,000
Payroll	\$22,000
General and advertising	\$12,000
Customer Service and sales	\$20,000
Shipping expenses	\$10,000
Taxes and insurance	\$24,000
Total selling general and administrative expenses	\$134,000 / \$918,540 = 14.59%

Revenue estimate

	Hours	Rate	Cost	Quote rate	Revenue	Marked up
Labor	13,225 x	\$16.00	211,600	315.00%	666,540	
Materials			180,000	140.00%	252,000	
§1 Revenue					918,540	918,540
Total production costs						(655,792)
Total selling general and administrative expenses						(134,000)
Profits						128,748
Margin		128,748 / 918,540		=		14.02%
Margins on		Cost	Quote rate	Profit	Rate	
Labor		224.89%	315.00%	90.11%	28.61%	
Materials		100.00%	140.00%	40.00%	28.57%	

The Pennachi Trucking job

Estimate	Hours	Rate	Cost	Quote rate	Charge	Bid
Labor	68	\$16.00	\$1,088	315.00%	\$3,427	3,427
Materials			\$1,800	140.00%	\$2,520	

Reduction in profits from the Pennachi job

	Bid	Actual	Loss	Other losses
Materials	\$1,800	\$1,900	\$100	May be more if purchasing dept, shipping, rent costs go up due to additional material costs
Labor hours	68	72	4	at ??? \$28.00 an hour
Labor costs			\$112	May be more if indirect costs also go up

And ALSO

The costing system used is imprecise

Personnel type	Hours	Costing Systems			
		Single Rate	Separate Rate for Direct Labor Only	Separate Rate for Direct Labor and benefits	Separate Rate for Direct Labor, benefits Two cost pools
Total		\$16.00			
CE and Composers	\$10+\$11		\$24.00	\$38.77	\$41.32
Pressmen total			\$12.00	\$22.62	
Pressmen in binding	\$10+\$11				\$25.17
Pressmen in press room	\$10+\$11+\$12				\$41.45
Benefits + Overtime	75.00%	\$12.00	\$12.00		
Indirect costs	50.00%	\$8.00	\$8.00		
Total	72	\$1,152			
CE and Composers	36		\$864	\$1,396	\$1,487
Pressmen total	36		\$432	\$814	
Pressmen in press room	27				\$1,119
Pressmen in binding	9				\$227
Benefits + Overtime	72	\$864	\$864		
Labor costs		\$2,016	\$2,160	\$2,210	
ABC costs					\$2,833
Indirect costs	72	\$576	\$576	\$576	
Total		\$2,592	\$2,736	\$2,786	\$2,833

The Pennachi job size is less than the average job size which is

$$918,540 / 109 = 8,427$$

Some of the order processing costs could be higher