

# **THE COST OF PRODUCTION**

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The Cost of Production by Charles J. Watts

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**CHARLES J. WATTS**

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#### BY THE SAME AUTHOR

**SYSTEM IN BUYING.** A purchasing agent's complete organization—the result of several years of experiment and test. Fully illustrated and described in **SYSTEM**, November and December, 1901, and January, 1902. The three numbers, 25 cents.

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## THE COST OF PRODUCTION.

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To devise a simple, effective and economical system for securing accurate factory costs is a problem many manufacturers have yet to solve. In these days of fierce competition, the average maker of a standard line of goods is tempted to use the selling prices of his competitors as a guide in determining his own.

But, he cannot be certain that the result obtained by this means will ensure a profit under the conditions peculiar to his factory. He is at all times confronted with the idea that his competitors may be more progressive and that the systems employed by them may facilitate the operations in their factories and thus reduce the cost of production. With this uncertainty of his competitors' methods and systems he cannot with safety base his cost simply on their selling prices.

Again, the manufacturer who operates his factory on the basis of the cost of material and of flat

labor, adding a percentage to cover non-productive labor, manufacturing expense and general expense, as well as contemplated profits, is no nearer the solution of the problem of factory costs than the one relying simply on the prices charged for similar goods by other concerns.

In these pages is presented a cost system, which, while free from all the intricate problems of a balance-ledger system, furnishes information sufficiently accurate for all practical purposes. It will also enable the progressive manufacturer to determine his own costs absolutely, as well as to point out to his superintendent any weakness existing in the operation of the factory and so provide for a speedy reduction of excessive expense in the cost of manufacture.

This system is a clear and concise statement of what the factory is consuming in labor and in material, as well as of its operating expenses. No profits are included.

As there are but five main accounts to be considered, it is more simple, but at the same time as complete and as effective as many which are more elaborate and complicated.

The terms and illustrations used in describing and explaining the workings of this system are taken from the author's experience in the manufacture of agricultural implements. They are

simply illustrative. To apply the principles to the conditions existing in any factory; it is only necessary to substitute for those used in this book, the terms and units of your own product.

The principal items which contribute to the costs in a factory, are material, labor, manufacturing supplies, special items of cost and general expense.