

## Illustrations for Chapter 14, Money as Measurement

Figure 14.1 Projected Next Year's Profit

DEPARTMENT	(A) PROJECTED EXPENSES	(B) PROJECTED GROSS REVENUE	(C) PROJECTED % PROFIT $((B - A)/B)$
A	\$ .95M	\$1M	5%
B	\$2.65M	\$3M	12%
C	\$3.60M	\$4M	10%
TOTALS	\$7.20M	\$8M	10%

Figure 14.2 Company-Wide Weighting Factors

PARTICIPANT	(A) VALUE OF REQUIRED CONTRIBUTION	(B) LAST YEAR GROSS REVENUE	(C) WEIGHTING FACTOR $(A/B)$
Company Reserve Requirement Amount set by top circle	\$0.5M	\$8M	0.06
Investors' market value of shares at end of fiscal year, professional estimate, or book value of company	\$1M	\$8M	0.13
Staff: indirect staff base salaries last fiscal year	\$1.2	\$8M	0.15

Figure 14.3 Amount of STM to Be Divided

Amount of Order (Revenue)		\$50,000
Cost to fill order:		
Materials	\$22,500	
Labor	<u>\$20,000</u>	
Total Cost		<u>\$42,500</u>
Net profit (Revenue - Cost)		\$ 7,500
Less expected profit (5%)		<u>\$ 2,500</u>
Amount of STM to be divided		\$ 5,000

Figure 14.4 Determining Direct Labor Weighting Factors by Individual

WORKER	(A) ORIGINALLY ESTIMATED HOURS	(B) BASE WAGE RATE	(C) ORIGINALLY ESTIMATED BASE LABOR COST (A*B)	(D) ORIGINALLY ESTIMATED TOTAL CONTRACT VALUE	(E) WEIGHTING FACTOR (C/D)
Jones	200	\$40/hr	\$8,000	\$50,000	0.16
Smith	200	\$35/hr	\$7,000	\$50,000	0.14
Green	500	\$20/hr	\$10,000	\$50,000	0.20

Figure 14.5. Calculation of STM in Dollars Using Weighting Factors in Figures 14.2 and 14.4

PARTY	(A) WEIGHTING FACTOR	(B) STM CALCULATION FACTOR (A/SUM A)	(C) DOLLAR SHARE OF STM (B*5,000)
Reserve	0.06	0.071	\$357.14
Investors	0.13	0.155	\$773.81
Indirect Staff	0.15	0.179	\$892.86
Jones	0.16	0.190	\$952.38
Smith	0.14	0.167	\$833.33
Green	0.20	0.238	\$1,190.48
SUM	0.84	1.000	\$5,000.00