Exhibit 2

COMPOSITION OF TOTAL INVENTORY CARRYING COSTS AS A PERCENT OF INVENTORY VALUE

Carrying Cost Item	Percent of Inventory Value		
	Alford & Bangs Production Handbook	Remington Rand Inventory Control for Wholesalers	NAW Profit Planning Seminar 17 Participants
Obsolescence	10.00%	7.00%	4.00%
Interest on Capital Invested	6.00	5.00	7.00
Deterioration or Its Prevention	5.00	4.00	4.00
Handling and Distribution	2.50	2.00	3.00
Transportation	.50	.50	1.00
Taxes	.50	.50	.50
Insurance	.25	.25	.25
Storage Facilities	.25	.75	.25
TOTAL	**25.00%**	**20.00%**	**20.00%**

See source note: Page 9

COMPUTING INVENTORY CARRYING COSTS

This computation would be made by adding all the costs connected with the *"owning"* or *"holding"* of inventory for a given period of time and dividing the total of these costs by the dollar amount of the average value of the inventory held during this period. Since each of the costs of possession cannot be found directly in accounting records, it might be helpful to enumerate the various cost elements which comprise the typical wholesale-distributor's **TOTAL COST OF CARRYING INVENTORY.** These would include the following:

STORAGE SPACE COSTS
(Proportionate share of each)

1. Taxes on land and building
2. Insurance on building
3. Depreciation on building (if owned)
4. Depreciation on warehouse installations
5. Maintenance and repairs of building
6. Utility costs, including heat, light and water
7. Janitor, watchman and maintenance salaries
8. Rent (if paid)

HANDLING EQUIPMENT COSTS

9. Depreciation on equipment
10. Fuel for equipment
11. Maintenance and repair of equipment
12. Insurance and taxes on equipment

INVENTORY RISK COSTS

13. Insurance on inventory
14. Obsolescence of inventory
15. Physical deterioration of inventory
16. Pilferage
17. Losses resulting from inventory price declines

INVENTORY SERVICE COSTS

18. Taxes on inventory
19. Labor costs of handling and maintaining stocks
20. Clerical costs of keeping records
21. Employer contribution to social security for all "space," "handling" and inventory "service" personnel
22. Unemployment compensation insurance for all "space," "handling" and inventory "service" personnel
23. Employer contributions to pension plans, group life, health and accident insurance programs for all "space," "handling" and inventory "service" personnel
24. A proportionate share of general administrative overhead, including all taxes, social security, pension and employer contributions to insurance programs for administrative personnel

CAPITAL COSTS

25. Interest on money invested in inventory
26. Interest on money invested in inventory handling and control equipment
27. Interest on money invested in land and building to store inventory (if owned)

The above costs are **REAL.** It may take some time to calculate them for your firm **BUT, can you afford NOT to know what YOUR INVENTORY CARRYING COSTS ARE?**