Defense Procurement Circular #55

Page 5

Schedule B

The manufacturing overhead for this production contract amounts to $55,400, at a unit cost of 2.77 - C lb.

Item 8. Other Costs

A. Payroll Added Costs

These costs are based on a standard rate of 24% for hourly operating labor and 16% for salaried supervisory labor to cover the costs of FICA, Unemployment Taxes, Pension and Retirement Plans, Hospitalization, Workmen's Compensation, Insurance, Vacations, Holidays, variance, etc.

B. Supervisory Labor

Includes one supervisor at an annual salary of $11,000.

C. Lab Service

These costs were based on estimated hours of service required at the 1966 standard rate developed for these services. Hours of service required are based on past experience for the time period and production volume involved. The standard rate is $8.00 - 1,000 hours.

D. Maintenance and Operating Supplies

Estimated usage of these supplies is based on past experience. They are charged to production, as used, at our actual purchase price for each individual item. Costs also include outside contract maintenance for painting and other preventative and maintenance work.

E. Equipment Rental

Includes rental of a control panel at an annual rental of $2,544.

F. Taxes, Insurance and Depreciation

Taxes and Insurance are charged to product costs on the basis of asset values. Since the Product X plant is fully depreciated, the only depreciation charge to Product X is a proportionate share of the depreciation for utility and general service facilities as shown in the depreciation ledger used for income tax purposes.