

Research and Development

27. The charge for general research to the product divisions concerned should be recovered in costs as a percentage of works cost. Materials, labour and overhead expenses incurred by the product divisions in developing and proving new or improved standard designs prior to putting such new or improved standard designs into production should be recovered in costs as a percentage of works cost. All research and development expenses referred to in this paragraph should be charged to *home trade business* only.

28. Special development should be charged direct to the contract under the appropriate headings design and drawing office expenses, tools and patterns or research and development. This expenditure includes special engineering and drawing office work, patterns and tools for a specific contract together with special modifications.

Packing

29. Packing materials used should be charged to the job at cost where separately identifiable. Packing labour employed on the job should be charged at the rates paid. Overhead expenses of the department should be collected in a departmental account and recovered as a percentage of the labour cost of the department.

Delivery

30. The cost of hired transport, or charges for own transport, for delivery should be charged direct to the job.

Post Construction Maintenance Expenses

31. The charge in the product costs to cover post construction maintenance should be a provision based on past experience and anticipated future trends, and should be a percentage of the works cost. The provision relates to all maintenance expenses incurred after the date of commissioning.

II. PRESENTATION OF COSTS

Cost Return

32. Attached at appendix B is a cost schedule setting out the form in which the costs of the grid switchgear, compiled in accordance with paragraphs 2 to 31 of this memorandum, should be presented.

33. The cost schedule sets out the elements of cost under which the costs should be analysed. For guidance, definitions of the elements of cost are set out in paragraphs 34 to 38.

Materials

34. Materials represent items purchased or requisitioned from stores in accordance with the contract specification, other than those items coming within the definition of sub-contracted work (see paragraph 35).

Sub-Contracted Work

35. Sub-contracted work consists of processing, by outside firms, on material supplied by the main contractor. Where practicable, the cost of the material supplied should be included under "materials" and the charge for processing included under "sub-contracted work."

Direct Labour

36. Direct labour may be defined as the work engaged in altering the form or shape of materials in fabricating or processing.

Overhead Expenses

37. The works overhead expenses are those indirect costs applicable to the manufacturer of the product, or expended in ancillary and service departments, as set out on appendix A.

38. Administration and selling expenses are those expenses incurred in the management and administration of the Company, and the sale of its products, as set out on appendix A.