

deducting from this sum the weight of "Own Scrap" on hand at the beginning of the month. "Own Scrap" means steel poured from the furnace that is later recovered as scrap from the manufacture of castings, that is, it is all scrap which is returned to the furnaces for remelting.

Melting and Foundry Loss:

This item represents all metal that is lost and cannot be recovered, such as oxidation loss during melting, oxidation loss during annealing, fins and spills lost in heap sand, metal removed and lost as dust in grinding castings, oxidation loss during the removal of heads and gates by gas cutting, and other metal unaccounted for. This melting and foundry loss can be determined periodically from calculations involving inventories of "own scrap," the weight of the castings scrapped during the period, the weight of the good castings produced during the period, and the total amount of all metals charged into the furnaces during the period. It is usually from 7 percent to 10 percent of the metal charged for foundries operating open hearth furnaces or electric furnaces, and from 18 percent to 22 percent for foundries operating converters.

Total Charge:

The total charge is the total weight of the metals charged into the furnaces during the month. This is obtained from the heat reports and it represents actual weights of metals used.

ACCOUNTING FOR MATERIALS, SUPPLIES AND OTHER CHARGES

Data for the various items in the Standard Classification of Cost Accounts pertaining to the cost of materials, supplies, and other charges, are obtained from heat reports, monthly inventories, stores' requisitions, voucher records, and reserve accounts in the cost ledger. It is important that these charges be correctly classified and applied to the proper cost accounts.

ACCOUNTING FOR LABOR

Labor is of the greatest importance to the foundrymen because it is most potent in contributing toward the success or failure in making castings. It is one of the items most susceptible to manipulation and economy.

The method of collecting labor data for the cost accounting records is very important, unless it is performed with accuracy and ease the results are unreliable and misleading. Since the costs of individual castings are dependent largely on correct labor costs, it is evident that incorrect labor data may lead to disastrous cost finding.

The labor data for the various accounts given in the Standard Classification of Cost Accounts, are obtained from the records used for distributing the time or service records for all employes to the different accounts in each department, that is, the classification of labor according to its nature. Data for employes receiving salaries are obtained from the salary roll.

DEPRECIATION

Depreciation of the plant and equipment must be charged into current costs of production as it is an item of expense. The need of charging depreciation to current costs arises from the fact that working assets gradually give out or become obsolete, or in other words, they are used up in production, and the cost of this usage or consumption of capital is part of the cost of the product being manufactured.

The test for depreciation is how long the property will function, how many units it will produce before it is scrapped or becomes obsolete, and what will be its cost of replacement. When this question is answered, then the amount of depreciation—which is the actual cost of the property less any salvage—to be charged to current costs can be determined. This charge to costs for depreciation cannot be abandoned simply because profits are non-existent, for depreciation accrues whether or not there is a dollar of profit.