

amount should not include any labor cost or overhead expense which should be properly left in the amount to be used as a basis for estimating Use and Occupancy insurance needs of the next fiscal year.

B3—The amount inserted here represents the total value to be accounted for in respect to the past fiscal year's operations.

B4—The amount entered here represents the value of all stock, materials, and supplies on hand at the end of the past fiscal year's operations after due consideration has been given to actual depreciation or appreciation.

B5—The amount entered here is the difference between *B3* and *B4* which results in the net value to be accounted for in respect of the past fiscal year's operations.

B6—The amount entered here represents those costs which do not enter into the net cost of purchases and yet are not to remain in the basis for estimating Use and Occupancy insurance coverage. Principal among these are bad debts, inter-departmental purchases which might produce a fictitious net Sales figure, or disbursements in respect of some non-operating expense which are actually offset by non-operating income, but are charged on the books against operating income. The items entered here, if any, will differ in each class of business and must receive careful consideration.

B7—The amount entered here represents the sum of *B5* and *B6* or the total amount to be deducted from Income.

C1—The amount entered here represents the difference between the amount entered under Step *A3* (Operating Income) and Step *B7* (Deductions). This difference is the amount from which all salaries, wages, overhead charges and expenses of the business were paid before the operating net profit for the past fiscal year could be established. This result is the actual amount which retrospectively would have been used as a Basis for Use and Occupancy insurance to cover the earnings of a past fiscal year.

C2—The amount entered here represents the prospective increase (or decrease) in the actual amount (*C1* as produced by a past fiscal year's operations) to contemplate the next fiscal year's operations.

**Step "C"—
Basis for
Insurance**