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Estimate File #2193

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REVISED ECONOMIC INVESTIGATION FOR M/721-2 CARBINE

Reference: Our original estimate on topic dated 4-26-61

At the request of M.H. Walker, a review of the Carbine costing was made assuming that the stock sanding and finishing would be similar to the 500 Series stock process rather than the M/721-2 stock process.

In the course of this review, it was determined that the original economics required revision due to a misinterpretation in the direct expense portion of the cost. This revision in cost has reduced the operative earning potential of the Carbine to the lower percentages show in the first tabulation below. The effect of the lower cost stock sanding and finishing process is reflected in the second tabulation and amounts to a reduction in standard labor of approximately \$.15 per gun.

The oversight in our original estimate is regretted and we trust that this correction provides the necessary data for your future development work on this version.

Tabulation 1

Revised Original Cost and Earning Tabulation

	<u>First Year Economics-Full Book</u>				<u>Third Year Economics Full-Book</u>			
	<u>5,000</u>	<u>10,000</u>	<u>15,000</u>	<u>20,000</u>	<u>5,000</u>	<u>10,000</u>	<u>15,000</u>	<u>20,000</u>
Sales Quantity								
Net Selling	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17
Factory Cost	39.22	37.74	37.16	36.78	34.85	34.75	34.63	34.54
Sell'g, Admin. & Tech.	5.42	5.42	5.42	5.42	5.42	5.42	5.42	5.42
Total Cost	44.64	43.16	42.58	42.20	40.27	40.17	40.05	39.96
Operative Earnings	.53	2.01	2.59	2.97	4.90	5.00	5.12	5.21
% of Net Selling	1.2%	4.4%	5.7%	6.6%	10.9%	11.1%	11.3%	11.5%

Tabulation 2

Cost and Earning Tabulation-Low Cost Stock Finish Process

	<u>First Year Economics-Full Book</u>				<u>Third Year Economics-Full Book</u>			
	<u>5,000</u>	<u>10,000</u>	<u>15,000</u>	<u>20,000</u>	<u>5,000</u>	<u>10,000</u>	<u>15,000</u>	<u>20,000</u>
Sales Quantity								
Net Selling	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17	\$45.17
Factory Cost	38.47	36.96	36.38	36.02	34.15	34.02	33.92	33.81
Sell'g, Admin. & Tech.	5.42	5.42	5.42	5.42	5.42	5.42	5.42	5.42
Total Cost	43.89	42.38	41.80	41.44	39.57	39.44	39.34	39.23
Operative Earnings	1.28	2.79	3.37	3.73	5.60	5.73	5.83	5.94
% of Net Selling	2.8%	6.2%	7.5%	8.3%	12.4%	12.7%	12.9%	13.2%

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