

ACTIVITY BASED COSTING MODEL

Manual PO

PURCHASE ORDER

DISTRIBUTOR COSTS - PO

| | | |
|--|----|------|
| Time Faxing Order - 2 minutes | \$ | 1.00 |
| Time Keying Order - 5 minutes | \$ | 2.50 |
| Cost of Fax - LD rate | \$ | 0.15 |
| Cost of ded. phone line / order | \$ | 0.38 |
| Monthly mailbox fee - n/a | \$ | - |
| Kilocharacter Cost - n/a | \$ | - |
| Extra system module Cost / order - n/a | \$ | - |
| Sub-Total / order | \$ | 4.03 |

DISTRIBUTOR ERRORS - PO

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Time Shipping - 10 min. | \$ | 5.00 |
| Shipping costs | \$ | 10.00 |
| Frequency - 5% of orders | | |
| Sub-Total / order | \$ | 1.50 |

TOTAL DISTRIBUTOR COST - PO

\$

5.53

VENDOR COSTS - PO

| | | |
|-----------------------------------|----|------|
| Time Sorting Orders - 0.5 minutes | \$ | 0.25 |
| Time Keying Order - 5 minutes | \$ | 2.50 |
| Cost receiving order - n/a | \$ | - |
| Sub-Total | \$ | 2.75 |

VENDOR ERRORS - PO

| | | |
|--------------------------------------|----|-------|
| Time Receiving Call to fix - 10 min. | \$ | 5.00 |
| Time Re-keying to fix - 5 min. | \$ | 2.50 |
| Time Receiving/re-stocking - 20 min. | \$ | 5.00 |
| Re-Shipping Costs | \$ | 10.00 |
| Frequency - 5% | | |
| Sub-Total | \$ | 1.13 |

TOTAL VENDOR COST - PO

\$

3.88

TOTAL PO COST - BOTH PARTNERS

\$

9.41

TransNet PO

PURCHASE ORDER

DISTRIBUTOR COSTS - PO

| | | |
|--|----|------|
| Time Faxing Order - n/a | \$ | - |
| Time Keying Order - 5 minutes | \$ | 2.50 |
| Cost of Dialup - LD rate | \$ | 0.20 |
| Cost of ded. phone line / order | \$ | 0.38 |
| Monthly mailbox fee - n/a | \$ | - |
| Kilocharacter Cost - n/a | \$ | - |
| Extra system module Cost / order - n/a | \$ | - |
| Sub-Total / order | \$ | 3.08 |

DISTRIBUTOR ERRORS - PO

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Time Shipping - 10 min. | \$ | 5.00 |
| Shipping costs | \$ | 10.00 |
| Frequency - 1% of orders | | |
| Sub-Total / order | \$ | 0.30 |

TOTAL DISTRIBUTOR COST - PO

\$

3.38

VENDOR COSTS - PO

| | | |
|---------------------------------|----|------|
| Time Sorting Orders - n/a | \$ | - |
| Time Keying Order - n/a | \$ | - |
| Cost receiving order - TransNet | \$ | 2.00 |
| Sub-Total | \$ | 2.00 |

VENDOR ERRORS - PO

| | | |
|--------------------------------------|----|-------|
| Time Receiving Call to fix - 10 min. | \$ | 5.00 |
| Time Re-keying to fix - 5 min. | \$ | 2.50 |
| Time Receiving/re-stocking - 20 min. | \$ | 5.00 |
| Re-Shipping Costs | \$ | 10.00 |
| Frequency - 1% | | |
| Sub-Total | \$ | 0.23 |

TOTAL VENDOR COST - PO

\$

2.23

TOTAL PO COST - BOTH PARTNERS

\$

5.61

HDX (EDI) PO

PURCHASE ORDER

DISTRIBUTOR COSTS - PO

| | | |
|---------------------------------------|----|------|
| Time Faxing Order - n/a | \$ | - |
| Time Keying Order - 5 minutes | \$ | 2.50 |
| Cost of Fax - LD rate - n/a | \$ | - |
| Cost of ded. phone line / order - n/a | \$ | - |
| Monthly mailbox fee - n/a | \$ | 0.38 |
| Kilocharacter Cost - 2 kc | \$ | 0.20 |
| Extra system module Cost / order | \$ | 0.12 |
| Sub-Total / order | \$ | 3.20 |

DISTRIBUTOR ERRORS - PO

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Time Shipping - 10 min. | \$ | 5.00 |
| Shipping costs | \$ | 10.00 |
| Frequency - 1% of orders | | |
| Sub-Total / order | \$ | 0.30 |

TOTAL DISTRIBUTOR COST - PO

\$

3.50

VENDOR COSTS - PO

| | | |
|-----------------------------|----|------|
| Time Sorting Orders - n/a | \$ | - |
| Time Keying Order - n/a | \$ | - |
| Cost receiving order - 2 kc | \$ | 0.20 |
| Sub-Total | \$ | 0.20 |

VENDOR ERRORS - PO

| | | |
|--------------------------------------|----|-------|
| Time Receiving Call to fix - 10 min. | \$ | 5.00 |
| Time Re-keying to fix - 5 min. | \$ | 2.50 |
| Time Receiving/re-stocking - 20 min. | \$ | 5.00 |
| Re-Shipping Costs | \$ | 10.00 |
| Frequency - 1% | | |
| Sub-Total | \$ | 0.23 |

TOTAL VENDOR COST - PO

\$

0.43

TOTAL PO COST - BOTH PARTNERS

\$

3.93

Manual Invoices**INVOICE****VENDOR COSTS - INVOICE**

| | | |
|------------------------|----|------|
| Faxed Invoice | \$ | 0.15 |
| Mailed Invoice | \$ | 0.37 |
| EDI invoice - KC - n/a | \$ | - |
| Sub-Total | \$ | 0.52 |

VENDOR ERRORS - INVOICE

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Frequency - 5% of orders | | |
| Sub-Total | \$ | 0.75 |

TOTAL VENDOR COST - INVOICE

\$

1.27**DISTRIBUTOR COSTS - INVOICE**

| | | |
|--|----|-------|
| Time Sorting Invoices - 0.5 minutes | \$ | 0.25 |
| Time Keying Invoices - 5 minutes | \$ | 2.50 |
| Time reconciling and filing - 20 minutes | \$ | 10.00 |
| Cost of ded. phone line / order | \$ | 0.38 |
| Kilocharacter Cost - n/a | \$ | - |
| Extra module Cost / order - n/a | \$ | - |
| Sub-Total | \$ | 13.13 |

DISTRIBUTOR ERRORS - INVOICE

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Frequency - 5% of orders | | |
| Sub-Total | \$ | 0.75 |

TOTAL DISTRIBUTOR COST - INVOICE

\$

13.88**TOTAL INVOICE COST - BOTH PARTNERS**

\$

15.15**2 INVOICES PER ORDER**

\$

30.30**DISTRIBUTOR COSTS - FULL CYCLE**

\$

33.29**VENDOR COSTS - FULL CYCLE**

\$

6.42**GRAND TOTAL COSTS - FULL CYCLE**

\$

39.71**Cost for 200 PO's / Branch**

\$

7,941.00**Manual Invoices****INVOICE****VENDOR COSTS - INVOICE**

| | | |
|------------------------|----|------|
| Faxed Invoice | \$ | 0.15 |
| Mailed Invoice | \$ | 0.37 |
| EDI invoice - KC - n/a | \$ | - |
| Sub-Total | \$ | 0.52 |

VENDOR ERRORS - INVOICE

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Frequency - 5% of orders | | |
| Sub-Total | \$ | 0.75 |

TOTAL VENDOR COST - INVOICE

\$

1.27**DISTRIBUTOR COSTS - INVOICE**

| | | |
|--|----|-------|
| Time Sorting Invoices - 0.5 minutes | \$ | 0.25 |
| Time Keying Invoices - 5 minutes | \$ | 2.50 |
| Time reconciling and filing - 20 minutes | \$ | 10.00 |
| Cost of ded. phone line / order | \$ | 0.38 |
| Kilocharacter Cost - n/a | \$ | - |
| Extra module Cost / order - n/a | \$ | - |
| Sub-Total | \$ | 13.13 |

DISTRIBUTOR ERRORS - INVOICE

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Frequency - 5% of orders | | |
| Sub-Total | \$ | 0.75 |

TOTAL DISTRIBUTOR COST - INVOICE

\$

13.88**TOTAL INVOICE COST - BOTH PARTNERS**

\$

15.15**2 INVOICES PER ORDER**

\$

30.30**DISTRIBUTOR COSTS - FULL CYCLE**

\$

31.14**VENDOR COSTS - FULL CYCLE**

\$

4.77**GRAND TOTAL COSTS - FULL CYCLE**

\$

35.91**Cost for 200 PO's / Branch**

\$

7,181.00**HDX (EDI) Invoices****INVOICE****VENDOR COSTS - INVOICE**

| | | |
|----------------------|----|------|
| Faxed Invoice - n/a | \$ | - |
| Mailed Invoice - n/a | \$ | - |
| EDI invoice - KC | \$ | 0.20 |
| Sub-Total | \$ | 0.20 |

VENDOR ERRORS - INVOICE

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Frequency - 1% of orders | | |
| Sub-Total | \$ | 0.15 |

TOTAL VENDOR COST - INVOICE

\$

0.35**DISTRIBUTOR COSTS - INVOICE**

| | | |
|---------------------------------------|----|------|
| Time Sorting Invoices - n/a | \$ | - |
| Time Keying Invoices - n/a | \$ | - |
| Time reconciling and filing - n/a | \$ | - |
| Cost of ded. phone line / order - n/a | \$ | - |
| Kilocharacter Cost | \$ | 0.20 |
| Extra module Cost / order | \$ | 0.12 |
| Sub-Total | \$ | 0.32 |

DISTRIBUTOR ERRORS - INVOICE

| | | |
|----------------------------------|----|-------|
| Time Researching error - 20 min. | \$ | 10.00 |
| Time Calling to fix - 10 min. | \$ | 5.00 |
| Frequency - 1% of orders | | |
| Sub-Total | \$ | 0.15 |

TOTAL DISTRIBUTOR COST - INVOICE

\$

0.47**TOTAL INVOICE COST - BOTH PARTNERS**

\$

0.82**2 INVOICES PER ORDER**

\$

1.64**DISTRIBUTOR COSTS - FULL CYCLE**

\$

4.44**VENDOR COSTS - FULL CYCLE**

\$

1.13**GRAND TOTAL COSTS - FULL CYCLE**

\$

5.57**Cost for 200 PO's / Branch**

\$

1,113.00

Assumptions

Salaried worker makes \$50,000/year (including benefits)
40 hour weeks ~ \$25/hour (including benefits)
200 purchase orders / month
1 PO or Invoice = 2 kc
2 invoices per purchase order
Vendor faxes and mails invoices
Manual orders are 95% accurate, EDI/Transnet are 99%
HDX Mailbox = \$75/month
Phone line = \$75/month - dedicated needed for purchasing
200 PO's a month

Factors not included:

Software setup fees - one-time fee
Mailbox setup fees - one-time fee
Hardware costs - computers/faxes - should have regardless
Internet ISP costs - should have regardless
Dedicated fax for purchasing - should have regardless