GLOSSARY OF TERMS AND CONCEPTS

Factory

Factory is one which is registered under sections 2m(i) and 2m(ii) of the Factories Act, 1948. The sections 2m(i) and 2m(ii) refer to any premises including the precints thereof 1) whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on or (ii) whereon twenty or more workers are working or were working on any day of the preceding twelve months and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on.

Gross Value of Plant And Machinery

It represents the total original (undepreciated) value of installed plant and machinery as at the end of the accounting year. It includes the book value of own constructed plants and machinery, if installed, and the approximate value of rented-in plants and machinery as at the time of renting in but excludes the value of rented-out plants and machinery. Total value of all the plants and machinery acquired on hire-purchase basis is also included.

Fixed Capital

It represents the depreciated value of fixed assets owned by the factory as on the closing day of the accounting year. Fixed assets are those which have normal productive life of more than one year. Fixed capital covers all types of assets, new or used or own constructed, deployed for production, transportation, living or recreational facilities, hospitals, schools, etc. for factory personnel. It includes the fixed assets of the head office allocable to the factory and also the full value of assets taken on hire-purchase basis (whether fully paid or not) excluding interest element. It excludes intangible assets and assets solely used for post manufacturing activities such as sale, storage, distribution etc.
Working Capital

It is the sum total of the physical working capital as already defined above and the cash deposits in hand and at bank and the net balance of amounts receivable over amounts payable at the end of the accounting year. Working capital, however, excludes unused overdraft facility, fixed deposits irrespective of duration, advances for acquisition of fixed assets, long-term loans including interest thereon and investments.

Productive Capital

It is the total of fixed capital and working capital.

Price - Cost Margin

It is defined as the margin between total value of output and the total production cost such as materials cost, wages and salaries, fuel and energy cost and depreciation cost.

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\text{Gross Price-cost Margin} = \frac{R - D}{R} \\
\text{Net Price-cost Margin} = \frac{R - C}{R}
\]

Return on Capital

Return on capital is defined as the difference between to be revenue (R) and the total direct cost (D) expressed in terms of capital employed (K)

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\text{Gross Return on Capital} = \frac{R - D}{K}
\]
**Employees**

It includes all workers defined above and persons receiving wages and holding positions of supervision or management, engaged in administrative office, store keeping section and welfare section, watch and ward staff, sales department as also those engaged in purchase of raw materials etc. or production of fixed assets for the factory.

**Wages**

Wages are defined to include all remuneration capable of being expressed in monetary terms and also payable more or less regularly in each pay period to workers (defined above) as compensation for work done during the accounting year. It includes (a) direct wages and salary (i.e. basic wages/salaries, payment of overtime, dearness, compensatory, house rent and other allowances) (b) remuneration for period not worked (i.e. basic wages, salaries and allowances payable for leave period, paid holiday, lay off payments and compensation for unemployment, if not paid from sources other than employers) (c) bonuses and ex-gratia payment paid both at regular and less frequent intervals etc.). It excludes lay off payment which are made from trust or to her special funds set up expressly for this purpose i.e. payments not made by the employer. It also excludes imputed value of benefits in kind, employers contribution to old age benefits and other social security charges, direct expenditure on maternity benefits and other group benefits. Traveling and other expenditure incurred for business purposes and reimbursed by the employer are excluded. The wages are expressed in terms of gross value i.e. before deductions for fines, damages, taxes, provident fund, employee's state insurance contribution etc.
Total Emoluments

Total emoluments are defined in the same way as wages defined above but paid to all employees plus imputed value of benefits in kind i.e. the net cost to the employer on those goods and services provided to employees free of charge or at markedly reduced cost which are clearly and primarily of benefits to the employees as consumers.

Gross Output

Gross output is defined to include the ex-factory value of products and by-products manufactured during the accounting year. It also includes the net value of the semi-finished goods completed (Represents the excess of value of semi-finished goods or work in progress at the end of the accounting year over that at the beginning of the year plus net balance of semi-finished fixed assets on factory’s capital accounts) or work in progress and also the receipts for industrial and non-industrial services rendered to others, value of semi-finished goods of last year sold in current year and sale value of goods sold in the same condition as purchased. This terms gross output, value of output and total output have been used in the text interchangeably to mean the same thing.

Depreciation

Depreciation is consumption of fixed capital by the factory due to wear and tear and obsolescence during the accounting year and is taken as provided by the factory owner or is estimated on the basis of cost of installation and working life of the fixed assets.

Net Value Added

Net Value Added is the increment to the value of goods and services that is contributed by the factory and is obtained by deducting the value of total inputs and depreciation from value of output.
**Capital-labour ratio**

It is the average relationship that exists between the number of employees engaged and the magnitude of productive capital (fixed capital + working capital) used in an enterprise.

**Capital-Output ratio**

It is the average relationship between the gross fixed capital and the gross value added.

**Out-put Labour Ratio**

The volume of Gross Out-put produced per Employee is defined as the Out-put Labour Ratio.

**Wage Rate**

Wage rate in this study is defined as the total emoluments paid per unit of labour employed. It is arrived at by dividing the total emoluments paid by a factory establishment by the total number of persons employed.