GLOSSARY OF TERMS AND CONDITIONS.

FACTORY

A registered 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 precincts thereof (a) where on 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 (b) where on 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 carried on.

FIXED CAPITAL

Fixed capital 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 personal. 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 elements. It excludes intangible assets and assets solely used for post manufacturing activities such as sale, storage, distribution etc.

GROSS FIXED CAPITAL

Gross fixed capital represents the gross value of total plant and machinery (original undepreciated) as at the end of the accounting year. It includes the book value of own constructed plants and machinery.
ALL EMPLOYEES

It comprises of all persons employed i.e workers employed directly in any manufacturing process and also persons directly or indirectly connected with or subject to the manufacturing process. It also includes administration, technical, clerical and other staff employed to discharge supervisory and executive responsibilities.

TOTAL EMOLUMENTS

Total emoluments is defined as the sum of wages and salaries, employers contribution as provident funds and workmen and staff welfare expenses.

MATERIAL CONSUMED

It represents the total delivered value of items of raw materials, components, chemicals, packing materials, and stores which actually enter in to production process of the factory during the accounting year.

DEPRECIATION

Depreciation is consumption of fixed capital by the factory due to wear and tear and obsolescence during 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.

TOTAL INPUT

Total input comprises total value of fuels, materials consumed as well as expenditures such as cost of contract and commission work done by others on material supplied by the factory, cost of materials consumed for repair and maintenance of factory’s fixed assets, inward fright and transport charges, rates and taxes, postage, telephone and telex expenses, insurance charges, banking charges, cost of printing and stationery and purchase value of goods sold in the same condition as purchased.
TOTAL OUTPUT

It comprises total ex-factory value products and by-products manufactured as well as other receipts such as receipts from non-industrial services rendered to others, work done for others on material supplied by them, value of electricity produced and sold, sale value of goods sold in the same condition as purchased, addition in stock of semi-finished goods and own construction.

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.

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.

Gross Price-Cost margin

\[ R - D/R \]

Net Price-Cost Margin

\[ R - C/R \]

Where

\( R = \) total value of products (total value of outputs)
\( D = \) total direct cost
\( C = \) total cost of production
RETURN ON CAPITAL

Return on capital is defined as the difference between Total Revenue (R) and the total Direct Cost (D) expressed in terms of Capital Employed (K).

Gross Return on Capital

\[ R-D/K \]

Net Return On Capital

\[ R-C/K \]

CAPITAL -LABOUR RATIO

It is the average relationship that exist 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.

OUTPUT-LABOUR RATIO

The volume of gross output produced per employee is defined as the output–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.