

Republika ng Pilipinas
(Republic of the Philippines)
KAGAWARAN NG EDUKASYON AT KULTURA
(DEPARTMENT OF EDUCATION AND CULTURE)
Manila

October 17, 1975

DEPARTMENT MEMORANDUM
No. 175, s. 1975

PURCHASE OF FURNITURE MADE BY TRADE SCHOOL STUDENTS

To the: Bureau Directors
Regional Directors
Coordinator, State Colleges
and Universities

1. Special Provision No. 6 of Presidential Decree No. 759, the General Appropriation for Fiscal Year 1975-1976, provides:

"x x x 6. Purchase of furniture made by students of arts and trades schools. - In order to enforce maximum economy, furniture and equipment to be used for old and new classes shall be made whenever practicable by students of arts and trades schools as part of their studies who shall be paid the actual cost of labor but not less than 25% of the market value of the furniture and equipment sold."

2. In line with this provision, school superintendents, administrators and principals are enjoined to purchase, whenever practicable, furniture and/or equipment for office and for instructional purposes from schools of arts and trades in their respective areas. It may be so mentioned, in this connection, that this practice will not only result in greater economy but also give incentives to students to produce quality products as well as opportunity to earn.

3. For the information and guidance of all concerned, there is attached a set of guidelines for computing market value, surcharge, and labor cost. Market value, in this connection, means the total of the cost of materials, and cost of labor, plus an

additional 2% surcharge for the use of machines and power of the school.

4. It is desired that this Department Memorandum be given wide publicity among schools.

(SGD.) NARCISO ALBARRACIN
Acting Secretary of Education and Culture

Incl.:
As stated

(Inclosure to Department Memorandum No. 175, s. 1975)

GUIDELINES FOR COMPUTING MARKET VALUE

EXAMPLE I

To determine the surcharge, market value, and payment to students of a furniture with a Cost of Materials of P125.80, and Labor Cost of P50.50:

Cost of Materials	-	P 125.80
Cost of Labor	-	50.50
Sub-total	-	<u>P 176.30</u>
Add:		
2% surcharge (.02 x 176.30)	-	<u>3.53</u>
Market Value	-	<u><u>P 179.83</u></u>
25% of Market Value (.25 x 179.83)	-	<u><u>P 44.96</u></u>

Since the cost of labor of P50.50 is greater than the 25% of the Market Value or P44.96, the students who made the furniture should be paid P50.50, the bigger amount.

EXAMPLE II

To determine the surcharge, the market value, and payment to students for an item of equipment with a Cost of Materials of P 130.50, and Cost of Labor of P 35.00.

Cost of Materials	-	P 130.50
Cost of Labor	-	<u>35.00</u>
Sub-total	-	<u>P 165.50</u>
Add: 2% surcharge (.02 x 165.50)	-	<u>3.32</u>
Market Value	-	<u><u>P 168.81</u></u>
25% of the Market Value (.25 x 168.81)	-	<u><u>P 42.20</u></u>

Analysis: (Example 2)

Market value	-	P 168.81
Less: Cost of materials	-	130.50
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		P 38.31
Less: Payment to students	-	42.20
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LOSS		(P 3.89)

The market value should therefore be revised, using the following formula:

Cost of Materials (equal to)	-	100 %
Cost of Labor	-	x %
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Sub-total	-	100 + x
Surcharge, .02(100 + x)	-	2 + .02x
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Market Value	-	102 + 1.02x
25% of Market value	=	.25(102 + 1.02x)
.25(102 + 1.02x)	=	x (equal to 1)
25.5 + .2550x	=	x
25.5	=	x - .255x
25.5	=	.745x
x	=	25.5
	=	<hr/>
	=	34.23% (Cost of Labor)

If the cost of labor is 34.23% of the cost of materials, the school breaks even.

If the cost of labor is below 34.23% of the cost of materials, the school loses

If the cost of labor is higher than 34.23% of the cost of materials, the school has a profit.

Recomputation of Example 2

Cost of materials	-	₱ 130.50
Cost of labor (34.23% of 130.50)	-	44.67
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Sub-total	-	175.17
Add: 2% surcharge (.02 x 175.17)	-	3.50
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Market Value	-	₱ 178.67
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25% of market value (.25 x 178.67)	-	₱ 44.66
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The students should be paid the amount of ₱44.67.

Analysis:

New market value	-	₱ 178.67
Less: Cost of materials	-	130.50
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		₱ 48.17
Less: Payment to students	-	44.67
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Income of the school	-	₱ 3.50
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