

## DYNAMIC COST MODEL Customer Instructions

The cost model is available either as a PowerPoint file (.ppt or .pps file) or as an Acrobat (.pdf) file. In each case the dynamic interactive features of the file require that the computer has “flash file” capability.

*This is usually a free download from the Web from [www.macromedia.com](http://www.macromedia.com) - go to “products” section and then go to “Free Players” at the end of the products list and download “Flash Player 8”. **CAUTION** Some Companies restrict employees from downloading programs from the Internet. Please check with Your IT System Administrator before downloading .*

There are two PowerPoint files, both of which open in PowerPoint. One is a conventional .ppt file and to open the dynamic feature you have to go to the “View” menu and select “Slide Show”. The second is a .pps file which opens in dynamic mode as this is basically a Flash file. The Acrobat .pdf file is also a flash file. Instructions for the PowerPoint files apply equally to the Acrobat file.

On opening one of the files a blank form appears. You will see a set of horizontal bar graphs with pointers and you can move these by placing a mouse over the pointer and moving it. You can vary most of the parameters by moving the pointers and all other features of the table will respond dynamically. This will give you cost per event and cost per year based on the information which you input. Those bars without pointers are calculated values and you cannot change these directly but they will change as you move the parameter pointers. For example the hours worked per year will vary if you change any of the pointers above it.

In some companies annual sales and gross margins may be confidential information. This is very understandable in private companies. It is usually possible to make an estimate of annual sales and any numbers can be refined at a later date.

In some cost analysis models lost margin may be overlooked particularly at the Plant level. If the plant is running at, or close to, capacity then sales are lost and cannot easily be recovered by working overtime etc. The important point is that if a plant is running close to capacity all of the fixed costs are being fully absorbed at some lower level of activity and when lost sales occur then the loss of margin is Sales value less VARIABLE costs only. In other words they are losing some of their most profitable sales, those at the margin of capacity.

In companies where it is possible to recover lost production, typically those working less than 24hrs/day and less than 6 days /week, the lost margin may not be an issue. To eliminate the lost margin component move the pointer marked annual sales to zero when all lost margin disappears and the numbers recalculate. You do NOT achieve the same effect by moving the gross margin to zero.

There is usually a cost to recovering lost production so, if lost margin is eliminated, it is important that the lost material event must include all rework and additional recovery costs per event including overtime premium, additional supervision etc.

For large companies with sales > 1 billion dollars, there is an alternative model, please call Omniverter at 416-849-2299 or email [info@omniverter.com](mailto:info@omniverter.com) There are also models available for varying inflation rates and other financial parameters.

After trying the variations close the program and reopen it when all the values will revert to the original numbers. To close go to lower left hand corner and click on rectangle.

If you need to print copies, run the .ppt version in Slide Show, make all the changes then close the show but not the file, Select View and go to Normal when the numbers will be captured so you can print these but once you close the file the numbers will revert to their original values.

There is another alternative to saving data and this is to make changes to the values then click on the “**Scenario Button**”, top right . You will then see 3 commands, **Save, Load** and **Delete**. You can save the file using any name you like e.g. model1 and this saves the model as an alternate scenario.

If you use this feature and then close the PowerPoint file the model is saved. When you reopen the ppt or pps file the values will revert to the originals but if you wish to use the model 1 numbers go to the scenario button , click it and press LOAD, select the model you wish to use and click on it when it will change to the model 1 values.

You can have several different scenario models , limited only by the variable FLASH memory space on the computer. Please note if you now try to move the model to another computer the Scenario models are NOT linked so you will have to recreate these. The print feature is therefore well worthwhile to remember what was done.

If you wish to proceed further and ask Omniverter for a quotation to help solve your problems these same figures can be used in an expanded version of the file which Omniverter will supply to you with the quotation. This will be the same dynamic display but will show savings by year, 5 Year Internal Rate of Return, Payback period in months and 5 year cumulative cash flow. With the expanded version of the dynamic model you can still vary any of the parameters and see the results reflected in the IRR , cash flow and payback.

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