

Estimating & Costing -1

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Cost Estimating - Purpose

- The purpose of cost estimating is to find the cost of the manufacturing operations and to assist in setting the price for the product



Define

- ◉ Cost estimating may be defined as the process of determining the probable cost of the product before the start of manufacture

Features

- ◉ Important activity in engineering design and production
- ◉ It is forecasting the future cost
- ◉ Cost estimating & process planning are prominent activities in the manufacturing system
- ◉ It considers all the expenditures involved like engineering, administration, etc
- ◉ It requires high technical knowledge

Importance of cost estimating

- ⦿ The only accurate estimating can enable the leaders to make vital decisions such as manufacturing, selling policies

Case1

- ⦿ If job is over estimated,
 - › The firm will not be able to compete with its competitors
- ⦿ If the job is under estimated,
 - › The firm will face huge financial loss

Aims of cost estimation

- ◉ To establish the selling price of a product, so as to ensure reasonable profit to the company
- ◉ To determine the most economical process
- ◉ To make/buy decisions
- ◉ To evaluate the alternate designs
- ◉ To prepare production budget
- ◉ TO initiate the cost reduction in existing facilities

Estimation types – used

- ◉ To fix the selling price of the product
- ◉ To help the contractors to submit the accurate tenders
- ◉ To forecast the progress of production and cost
- ◉ To set the various Standards