

Estimating & Costing -1

Slide Making By : **Nur Nahar Akter Santa**

**Jr .Instructor
Civil Technology
Daffodil Institute of IT,Chittagong**

7. Cost of tools, jigs, fixtures, etc.

- ◉ During this stage, includes the estimated cost and maintenance charges for the tools, jigs, fixtures, die etc. required for production
- ◉ It considers their present prices, market trend and the number of times a particular tool can be used during its life time

$$\textit{Total cost per unit produced} = \frac{\textit{Estimated cost}}{\textit{Number of jobs}}$$

8. Overhead cost

- This can not be charged directly
- All expenses other than direct cost are known as overhead cost or Indirect expenses, ex:- Administrative expenses, selling and distribution expenses, etc.
- It can be estimated by referring the previous records

$$\textit{Total cost per unit produced} = \frac{\textit{Estimated cost}}{\textit{Number of jobs}}$$

Cost estimating procedure

Step 1

- Study the cost estimation request thoroughly and understand it completely

Step 2

- Analyze the product and decide the requirements and specifications of the product

Step 3

- Prepare the list of all the parts of the product and their bill of Materials

Step 4

- Take make or buy decisions and prepare a separate list of parts to be purchased & manufactured

Step 5

- Estimate the materials cost for the parts to be manufactured in the plant

Step 6

- Determine the cost of the parts to be purchased from outside

Step 7

- Make a manufacturing process plan for the parts to be manufactured in the plant

Cost estimating procedure

Step 8

- Estimate the machining time for each operations listed in the manufacturing process plan

Step 9

- Determine the direct labour cost

Step 10

- Determine the prime cost by adding direct expenses, direct material cost, and direct labour cost

prime cost = direct expenses + direct material cost + direct labour cost

Step 11

- Estimate the factory overheads, which include all indirect expenditure incurred during production such as indirect material cost, indirect labour cost, depreciation and expenditure on maintenance of the plant, machinery, power, etc.

Step 12

- Estimate the administrative expenses