

Estimating & Costing -1

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Cost estimating procedure

Step 13

- Estimate the selling and distribution expenses, which include packing and delivery charges, advertisement charges, etc.

Step 12

- Now calculate the total cost of the product

Step 10

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

$$\text{Total cost} = \text{Prime cost} + \text{Factory overheads} + \text{Administrative expenses} + \text{Selling and distribution expenses}$$

Step 15

- Decide the profit and add the profit to the total cost to fix the selling price of the part

$$\text{Selling price} = \text{Total cost} + \text{Profit}$$

Step 16

- Finally estimate the time of delivery in consultation with the production and sales department

Estimate form

- After estimating all the elements of cost, these estimated data's entered into an estimate form

Estimate Form

Description		Date	
Drawing No		Enquiry No	
Lot size			
Components		Customer	
		Estimated by	
S.No.	Item of Expenditure	Total cost for the entire Lot	Cost/ Component
1	Direct Material cost/Component		
	1		
	2		
	3		
	Total		
2	Labour cost/component		
	1		
	2		
	3		
	Total		
3	Other Direct Expenses		
4	Factory Expenses		
5	Administrative Expenses		
6	Selling and distribution expenses		
	1.Packing		
	2 Advertising		
	3 Other allied expenses		
	Total		
7	Total cost/component		
8	Profit		
	Usually as % of total cost / component		
9	Total (selling price / component)		

Costing

- Costing is the determination of an actual cost of a component after adding different expenses incurred in various departments