

Estimating & Costing -1

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

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

Costing - Definition

- Costing may be defined as a systematic procedure for recording accurately every item of expenditure incurred on the manufacture of a product by different sections of any manufacturing concern

Aims of Costing

Cost determination:-

- ◉ *To determine the actual cost of each cost of each component and cost of the final product*

For fixing selling price:-

- ◉ *To provide information to ascertain the selling price of the product*

Cost control:-

- ◉ *To analyze the expenses incurred in production, so that control can be kept over them*

Comparison with estimate:-

- ◉ *To compare the actual cost with the estimated cost to know whether the estimate had been realistic or not*

Make or buy decisions:-

- ◉ *To decide which of the components to be manufactured and which parts to be purchased from outside*

Aims of Costing

Wastage reduction:-

- ◉ *To help in detecting the undesirable wastages and expenses, so that corrective measures can be taken*

Suggest changes in design:-

- ◉ *To provide changes, if the cost of part is higher as compared to the competing product*

Profit & Loss:-

- ◉ *To locate the reasons for the increase or decrease in profit or loss of a company*

Fixing the discount:-

- ◉ *To help in determining the discount on catalogue or market price of the product*

Pricing policy:-

- ◉ *To help in formulating the policies for changing/price of the product*

Aims of Costing

Budget preparation:-

- ◉ *To the enterprise to prepare its budget*

Prepare quotations/tenders:-

- ◉ *To facilitate preparation of estimate for submitting quotations/tenders*

Output targets:-

- ◉ *To help in regulating, from time to time, the production of a job so that the enterprise can earn more profits*

Legal provisions:-

- ◉ *To meet certain legal and government regulations, cost data is necessary*

Purchasing new one:-

- ◉ *To provide information for economic consideration for purchasing new plants/machines, etc.*

Methods of Costing

Job/order costing:-

- ◉ Find the cost of the each individual job/contract
- ◉ The total cost of each order is obtained from the daily cost sheet

Example:- ship building, machine fabricarion, building, etc.

Batch costing:-

- ◉ Batch costing is a form of job costing
- ◉ Instead of costing each components, each batch of components is taken

Example:- automobile switches, Plastic components, etc.

Process costing :-

- ◉ Employed for a product which involved a number of distinct process performed in a definite sequence
- ◉ This method indicates the cost of a product at different stages as it passes through various operations
- ◉ Example:- Oil refining, chemical, cement, paint, paper making