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1 discuss briefly the matters you would consider in planning a costing estimate for a manufacturing company.

Firstly, a cost estimate is the approximation of the cost of a program, project, or operation. The cost estimate is the product of the cost estimating process. The cost estimate has a single total value and may have identifiable component values. A problem with a cost overrun can be avoided with a credible, reliable, and accurate cost estimate. A cost estimator is the professional who prepares cost estimates.

For a manufacturing company the matters you will consider are:

• A Parts List (often called a "Bill of Materials") with the quantities of each component needed for every unit produced. Group this by the product styles and variations you want studied. Don't forget to consider packaging and containers. (Sometimes the box is the most expensive single component.) Group the component parts as follows:

* Off-the-shelf - provide as much detail as you now know – i.e. make & model. Even if you don't know the manufacturer, list the retailers you know.
* Custom designed and/or manufactured - provide a sketch and describe as much as you can about the part including how you think it might be made and from what materials.
* Concepts (anything not completely tested and proven) - describe and sketch how you envision the component or assembly might work. Elaborate regarding any tests that have been done to verify that it will work that way.

• Production levels ("units per year") to consider for each style. Indicate where common parts may be used between styles and variations. This will increase the production volume for those parts which will decrease their cost. Describe the intended use for the items made at each level – i.e. - non-working models, engineering tests, in-house product tests, market tests, initial sales, and low-level, mid-range, or full production.

• Peak capacity ("units per day") desired. Will your production be steady and predictable? Or, like some seasonal products, will a large number of units need to be produced in a short time?

• Reaction Time to Changes in Demand - How quickly should production increase if demand is greater than capacity? This may be closely related to peak capacity, but there are other considerations. Would you invest more in tooling that can be quickly modified to produce more parts? Or, do you want to gamble that you can obtain new, higher capacity tooling in time to meet demand and avoid losing market share? Tool delivery time can often be many months.

• Labor Cost - Tools that produce parts which are nearly ready for use cost more than tools which produce parts that need some hand finishing. Also, automated equipment can reduce handling and packing labor. Your consultant will need to know what labor cost to consider to recommend tool cost vs. labor trade-offs.

All of this information will help your expert recommend tooling and production options. It will be hard for any inventor to know the answers with much certainty at the start. However, just knowing that you need to think about these questions will help.

Other factors to consider are the budget and how much should be bet on your market predictions. Do you want the optimum tools and the most expensive options so that you will save money in the long run if you are right about exactly what the market will want? Or do you want to take a less risky approach with conservative options in case you learn that some changes would increase sales and profits?

2. Why do firms find it advantageous to introduce a system of cost accounts in addition to the financial accounts.

Firstly, cost accounting is the process of collecting and interpreting information to determine how an article organization earns and uses funds. There are multiple advantages to using cost accounting, since it provides vastly more actionable information than the financial statements produced through financial accounting. Here are the key advantages of cost accounting to consider:

• Cost object analysis. Revenues and expenses can be clustered by cost object, such as by product, product line, and distribution channel, to determine which ones are profitable or require further support.

• Discovers causes. An effective cost accountant not only locates problems within a company, but also drills down through the data to determine the exact cause of the issue, and also recommends solutions to management.

• Trend analysis. Costs can be tracked on a trend line to discover expense surges that may be indicative of long-term trends.

• Modeling. Costs can be modeled at different activity levels. For example, if management is contemplating the addition of a second shift, cost accounting can be used to derive the additional costs associated with that shift.

• Acquisitions. The cost structures of possible acquisition candidates can be examined to see if costs can be pruned in some areas, thereby justifying the cost of the acquisition.

• Project billings. If a company is billing a customer based on costs incurred, cost accounting can be used to accumulate costs by project and roll this information into customer billings.

• Budget compliance. Actual costs incurred can be compared to budgeted or standard costs, to see if any part of a business is spending more than expected.

• Capacity. The ability of a business to support increased sales levels can be examined by exploring the amount of its excess capacity. Conversely, equipment that is idle can be sold off, thereby reducing the asset base of the organization.

• Inventory valuation: The cost accountant is usually tasked with accumulating the cost of inventory for financial reporting purposes. This includes charging direct labor to inventory, as well as allocating factory overhead to inventory.

3. List the main matters to be introduced to make good the system deficiencies

Number 1: Controlling Changes

Controlling changes within a project can prove to be the most difficult aspect of cost management. While a budget may be set for a project, inevitably a variation or scope change will come into play. Established business rules must be followed based on the type of contract or type of project and organization is working with. Various questions then arise relating to accurately reporting who approved a change and when. How did the variable affect the budget and the forecast? Were all changes accurately reported on? Does the current budget and forecast reflect the change? Building on the other challenges faced (insufficient resources, disconnected data and systems, manual compilation of data), a mismanaged change can severely impact the accuracy of reporting and jeopardize the potential success of a project.

Number 2: Insufficient Resources for Controls

There seems to be a greater demand for cost reporting, better planning, and scenario analysis. In a more complex environment, where there may be mergers and acquisitions, there are massive collaborations between different organizations on a project. At the same time, there is great pressure on the limited resources of the organization. The challenge becomes having the resources to provide detailed, accurate reporting in a timely fashion.

Number 3: Accuracy of Reports

Once the data has been collected and the format has been established for a report, there then comes the need to ensure that the report is accurate and understandable. For example, a summary report should be able to provide accurate details in WBS or costs and provide a level of clarity on the project.

Number 4: Managing the Customer Relationship

A project will always have customers. Even in a situation where there is one owner of a project, there are still customers for the project: stakeholders, funding authorities, the business unit that requested an IT solution, etc. Often, a client will want to see cost and performance measurements in a manner that your organization does not currently provide. Therefore, we often see organizations focus their resources on obtaining reports for the customer in the format they have requested. However, the time and effort spent in producing the client-specified report may not be the ideal way for the organization to forecast and plan ahead for the benefit of the project. Ultimately, attempting to please the client diverts efforts from actually improving project performance, which would be the greater client “reward.”

Number 5: Time and Effort Involved with Reporting

Aside from the difficulty that lies in pulling information from different sources in a project, a bigger concern is the time and effort it takes to actually gather this information for reporting purposes. Often there are various sources where organizations are receiving their data. A cost controls system and scheduling system will output different codes of information which must then be consolidated and pulled together without room for error. However, the typical solution is a manual one, which is tedious, time consuming, and prone to error from a multitude of sources.

Number 6: Aligning Data between Multiple Source Systems

Data alignment between multiple sources has also been cited as a problem faced by project managers. Not just in regards to the schedule and costs aspects of a project, but very often, projects will have to align data from different sources such as a time sheet system, asset management systems, funds management systems, contract management systems, and so on. Many organizations use spreadsheet software such as Microsoft® Excel to record the voluminous data pulled from various locations. However, due to the complex nature of some projects, a software solution without security, version control, and reliance on many disconnected files is often not the ideal manner to report and analyze cost performance data.

Number 7: Integrating Schedule and Cost

The integration of schedule and cost is also another cause for concern among project controllers. Schedulers tend to work in terms of work breakdown structures(WBS) structures and activities, whereas cost analysts and finance report and manage by cost codes, transactions, and fiscal periods. Each side typically has different managers who are reviewing their data and schedules. Scheduling and cost are also often using different tools to report their data. Therefore, pulling information from both sides has been a challenge.

Number 8: Getting Progress Data from Multiple Subcontractors

Attempting to pull together an integrated master schedule from many different subcontractors is a problematic task. The process of gathering progress data such as percent complete, or ensuring that sign-offs are accurately reported from different subcontractors, is difficult in itself. That data should then ideally be used to provide a meaningful report or analysis of the project. But the cumbersome nature of obtaining this data, and the often irregular delivery of this information, often results in delayed or inaccurate reports. Larger projects infer more subcontractors, which can easily compound the problem

Number 9: Budgeting and Forecasting Effectively

In many cases, approaches to budgeting and forecasting can vary based upon the background and approach of the person doing the work. Therefore, consistency across these elements of a project can be lost. Organizations face the need to standardize their budgets and forecasts so that there is a level of reliability in how budgets and forecasts are created in one project versus another part of the project.

Number 10: Cost Accounting, Not Cost Analysis

A growing frustration among project controls professionals stems from being perceived as cost “accountants,” responsible for accounting for work that was performed relatively long ago. They find that a great deal of their job entails reconciling and ensuring that recorded data is accurate. Capital planners or cost analysts of a project should be creating scenarios, and planning and analyzing the data of a project, not counting costs.

4. Use the following figures to calculate each of the level

Maximum usage: 100 per week

Normal usage: 60 per week

Minimum usage: 20 per week

Recorder quantity: 400 per week

Recorder period: 3-7 weeks

* Recorder level: maximum consumption x max recorder period

100units x 7weeks = 700 units

* Minimum stock level: Recorder level –( Normal consumption x Normal recorder level)

700 –( 60 x 5weeks )= 400 units

* Maximum stock level: RL –(Min. C x Min. RP) + RQ

700 –( 20 units x 3weeks ) + 400 = 1,040 units

* Average stock level: maximum stock level + Minimum stock level

2

1,040 + 400

2

= 720 units