

Overview

This standard is for those who work in a role within the costing department. It involves reviewing costs against quotations, overheads and calculation of cost centre rates.

Production cost information can be gathered in different ways: at the most basic level, only purchase invoices for materials or outwork may be systematically recorded, often primarily for accounting purposes. The traditional paper method of keeping complete production cost information using time sheets and stores issue notes, has generally been replaced by electronic methods, usually forming part of a Management Information System (MIS). The most sophisticated systems collect data direct from equipment/machinery, recording running times and speeds for jobs and match these directly to the quotation that was prepared before the work was put into production. This information should be collated and reviewed on a regular basis.

Cost accountants have to be able to analyse estimated costs against actual costs and deduce where variations occur. If these variations occur on a regular basis, they have to be reported to management, as the cost centre rates may be inaccurate and need adjusted. Bad estimates or cost centre inefficiency can cost the business profit.

Performance criteria

You must be able to:

Apply standard costing techniques and analyse variances between standard and actual costs

1. collect all relevant production cost information following standard operating procedures
2. compare cost information with original quotations following standard operating procedures
3. investigate differences between estimated and actual costs
4. interpret variances following standard operating procedures
5. identify, record and analyse factors to overheads following standard operating procedures
6. analyse cost information for materials, labour and stock following standard operating procedures
7. provide findings to management following standard operating procedures

Knowledge and understanding

You need to know and understand:

1. confidentiality
2. copyright
3. communication
4. workplace policies
5. safe handling of customer material
6. archiving of digital files/materials
7. selection of process
8. production stages
9. materials and consumables
10. use of management information systems
11. factors relevant to overheads including:
 - 11.1 direct costs
 - 11.2 indirect costs
 - 11.3 fixed costs
 - 11.4 variable costs
12. cost centres
 - 12.1 calculation of rates
 - 12.2 outwork rates
13. factors relevant to mark up and margin

Scope/range

Learners are required to analyse and compare quotations to actual job costs.

This would include:

- Marginal costing statement
 - Break even analysis
 - Contribution analysis
 - Basic variances
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1. Material: price and usage

 2. Labour: rate and efficiency
 - Interpretation of variances
 - Overheads: fixed and variable

GQAPA08



Monitor costing systems

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