



# Textile Chemical Processing

## NTQF Level -II

# Learning Guides 32

**Unit of Competence: Apply cost Factors to Work Practices**

**Module Title Applying cost Factors to Work Practices**

**LG Code: IND CHP2 Mo8L101LG032**

**TTLM Code: IND CHP2 TTLM100919v1**

**LO1.** Identify cost components in the product

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<b>Version: 1      Revision: 0</b>		



<b>Instruction Sheet</b>	<b>Learning Guide #32</b>
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This learning guide is developed to provide you the necessary information regarding the following content coverage and topics –

- 1.1 Identifying cost components in the product
  - 1.1.1 Fixed costs
  - 1.1.2 Variable costs
- 1.2 Calculating cost
- 1.3 Identifying cost components in the process
  - 1.3.1 Production
  - 1.3.2 Maintenance
  - 1.3.3 Logistics
- 1.4 Recognizing current costs

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to –

- ❖ Identify cost components in the product
- ❖ Recognize the impact of current or alternative actions on costs.

**Learning Instructions:**

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below 3 to 5.
3. Read the information written in the information “Sheet 1, Sheet 2, Sheet 3 and Sheet 4”.
4. Accomplish the “Self-check 1, Self-check t 2, Self-check 3 and Self-check 4” in page respectively.
5. If you earned a satisfactory evaluation from the “Self-check” proceed to “Learning guide 33.how ever if your rating is unsatisfactory, see your teacher for further instructions or go back to “ learning guide32.

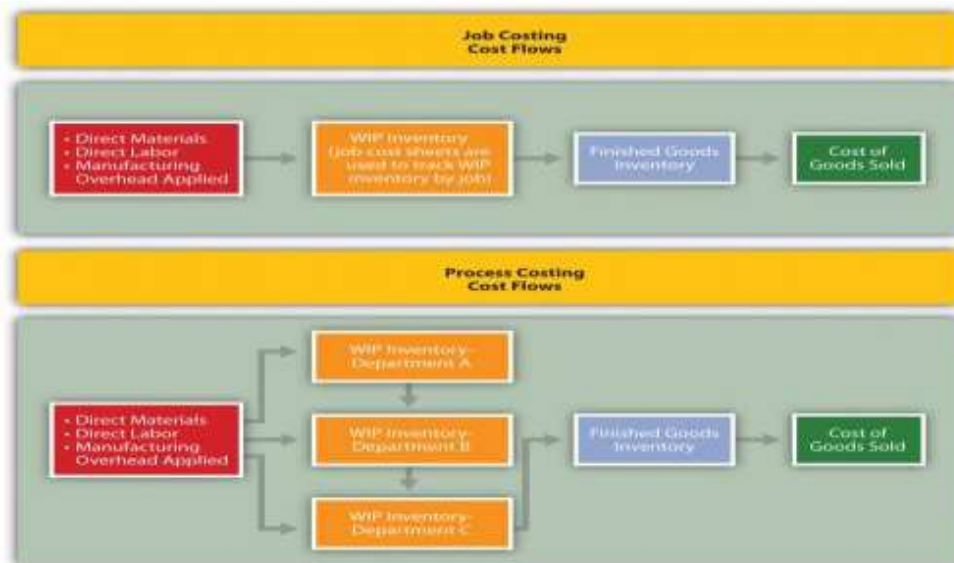
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<b>Information Sheet-1</b>	<b>Identify in own work area major cost components of product or process</b>
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## Definition of cost

These three inventory accounts are used to record product cost information for both process costing and job costing systems. ... Recall the three components of product costs—direct materials, direct labor, and manufacturing overhead



### 1.1 Identifying cost components in the product

#### Direct Materials

The cost of all materials that are an integral part of a finished product and that have a physical presence that is readily traced to that finished product. Examples for a computer maker include the plastic housing of a computer, the face of the monitor screen, the circuit boards within the machine, and so forth. Minor materials such as solder, tiny strands of wire, and the like, while important to the production process, are not cost effective to trace to individual finished

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units. These costs are termed “indirect materials.” Indirect materials are included with other components of manufacturing overhead, as discussed below.

#### Direct Labor

Consists of gross wages paid to those who physically and directly work on the goods being produced.

For example, wages paid to a welder in a bicycle factory who is actually fabricating the frames of bicycles would be included in direct labor. On the other hand, the wages paid to a welder who is building an assembly line that will be used to produce a new line of bicycles is not direct labor. In general, indirect labor pertains to wages of other factory employees (e.g., maintenance personnel, supervisors, guards, etc.) who do not work directly on a product. Indirect labor is considered to be manufacturing overhead.

#### Manufacturing Overhead

All costs of manufacturing other than direct materials and direct labor.

Examples include indirect materials, indirect labor, and factory related depreciation, repair, insurance, maintenance, utilities, property taxes, and so forth. Factory overhead is also known as indirect manufacturing cost, burden, or other synonymous terms. Factory overhead is difficult to trace to specific finished units, but its cost is important and must be allocated to those units. Normally, this allocation is applied to ongoing production based on estimated allocation rates, with subsequent adjustment processes for over- or under-applied overhead. This is quite important to product costing, and will be covered in depth later.

Prime Costs = Direct Labor + Direct Material

Conversion Costs = Direct Labor + Manufacturing Overhead

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### 1.1.1 Fixed costs

A fixed cost is a cost that does not change with an increase or decrease in the amount of goods or services produced or sold. Fixed costs are expenses that have to be paid by a company, independent of any specific business activities. In general, companies can have two types of costs, fixed costs or variable costs, which together result in their total

For example, ABC has a lease of \$10,000 a month on its production facility and it produces 1,000 mugs per month. It can spread the fixed cost of the lease at \$10 per mug. If it produces 10,000 mugs a month, the fixed cost of the lease goes down, to the tune of \$1 per mug.

### 1.1.2 Variable costs

variable cost is a company's cost that is associated with the amount of goods or services it produces. A company's variable cost increases and decreases with its production volume. When production volume goes up, the variable costs will increase. On the other hand, if the volume goes down, so too will the variable costs.

Examples of variable costs include labor costs, utility costs, commissions, and the cost of raw materials that are used in production.

The management of a business is considering the level of production to select for the next quarter- year. Sales are buoyant and any of the production levels set out below can be sold.

Alternative levels	100	200	300
Cost in total	\$	\$	\$
Variable	100	200	300
Fixed	600	600	600

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<b>Self-Check -1</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

- 1 list the components of cost two point (2point)
- 2 what is fixed cost three point(3point )
- 3 Manufacturing Overhead is one point(1point)
  - A All costs of manufacturing other than direct materials and direct labor
  - B Consists of gross wages paid
  - C. cost that does not change
  - D. cost that is associated with the amount of goods

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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<b>Information Sheet-2</b>	Identifying cost components in the process
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Process costing is conducted after year end by using the cumulative figures from the general ledger. This is the responsibility of the Senior Cost Accountant. Due to the vacancy in this position, the Finance Manager (previously the DGM) is currently responsible for producing the 1992/93 costing information.

Attempts have been made to forecast the cost per unit of products to be produced during the year. This forecast begins from the budgeted products at the finishing department and requirements in terms of labor, materials and overheads of individual cost centres are derived by moving backwards up to the blowing department. The costs for the requirements are then calculated to obtain the total and unit cost of product for each cost centre

#### 1.1.1 Production

costs of materials, labor, and overhead transferred into production are debited to work in process account. As goods are finished and moved from the factory floor, their total cost is removed from the work in process account by a credit entry and charged (debited) to finished goods.

#### 1.1.2 Maintenance

Maintenance labor varies from 1 to 2 hours per shift. As with operating labor these values may be reduced or exceeded depending on the size and operating difficulty of a particular unit. The upper end of the range may be required for operation to meet regulations. Maintenance materials costs are assumed to be equal to maintenance labor costs. Maintenance Repair costs occur because of routine maintenance, wear and tear, and accidents operator's maintenance program and mechanical ability.

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### 1.1.3 Logistics

it includes managing the inbound movement of raw materials and supplies, Outbound movements of finished goods (end products) and services. It also includes important support activity for both sales and purchasing activities. The sub-activities in logistics are customer service, demand forecasting, inventory control, distribution communications, material handling, order processing, parts and service support, plant and warehouse site selection, procurement, packaging, storage, reverse logistics, traffic, and transportation. The main fields are:

- \* Procurement Logistics
- \* Production Logistics
- \* Distribution Logistics
- \* After sales Logistics
- \* Disposal Logistics

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<b>Self-Check -2</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. What is Process costing?
2. what are Production?
3. List Logistics cost

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

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### Short Answer Questions

<b>Information Sheet-3</b>	Recognizing current costs
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The term cost recovery refers to an accounting method that reports revenue and the cost of goods sold in the period of sale, but delays recognizing profit until the cash received from customers is in excess of the cost of goods sold. Along with the installment sales method, this approach can be used when companies recognize revenue after deliver

The cost recovery method is similar to the installment method, since both approaches recognize total revenue and the cost of goods sold in the period of the sale. However, while the installment method recognizes income as cash is collected from customers, the cost recovery method delays recognizing profit until the cash received is in excess of the cost of goods sold.

#### Example

Company A recorded \$7,500,000 in installment sales in the current fiscal year. The cost of goods sold associated with these sales was \$6,000,000. Company A was also able to collect \$3,000,000 from customers through their scheduled installment payments. The determination of gross profit to record in the current fiscal period would be as follows:

Installment Sales     \$7,500,000

Cost of Goods Sold   \$6,000,000

Gross Profit           \$1,500,000

Cash Receipts        \$3,000,000

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Realized Gross Profit      \$0

Deferred Gross Profit      \$1,500,000

Since the cash receipts of \$3,000,000 in the current accounting period is less than the cost of goods sold, Company A would defer all gross profit. The journal entries associated with these transactions would be as follows. To record the sales for the current fiscal year

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<b>Self-Check -3</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. what The term cost recovery ?  
A. reports revenue                      C. A and B  
B. the cost of goods sold in the period of sale   D. all
2. what is the cost recovery ?

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

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# **Textile Chemical Processing**

## **NTQF Level -II**

# **Learning Guides 33**

**Unit of Competence: Applying cost Factors to Work Practices**

**Module Title      Applying cost Factors to Work Practices**

**LG Code: IND CHP2 M10L010LG033**

**TTLM Code: IND CHP2 TTLM100919v1**

**LO2. Identify constraints to cost efficiency**

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Instruction Sheet	Learning Guide #33
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This learning guide is developed to provide you the necessary information regarding the following content coverage and topics –

- 1 Identifying production /process rate
- 1.2 Major costs
- 1.3 Identify individual costs factors
- 1.4 Identifying overall cost of production/process
  - 1.4.1 Assessment of negative financial implications
  - 1.4.2 Assessment of positive financial implications
  - 1.4.3 Negative long term issues
    - 1.4.3.1 (OHS)
    - 1.4.3.2 Environmental and regulatory issues
- 1.5 Identifying cost efficiency constraint

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to –

- ❖ Identify required production/process rate and major costs
- ❖ Identify costs factors under the control of the individual or team
- ❖ Relate identified costs factors to impact on **overall cost** of production/process
- ❖ Identify cost factors that are a constraint to cost efficiency in own work area

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### **Learning Instructions:**

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below 3 to 5.
3. Read the information written in the information “Sheet 1, Sheet 2, Sheet 3 and Sheet 4”.
4. Accomplish the “Self-check 1, Self-check t 2, Self-check 3, Self-check 4 and self check” in **page3,7,12 and 14**respectively.
5. If you earned a satisfactory evaluation from the “Self-check” proceed to “Learning guide 34.how ever if your rating is unsatisfactory, see your teacher for further instructions or go back to “ learning guide33

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<b>Information Sheet-1</b>	<b>Identify constraints to cost efficiency</b>
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Cost Constraints The Theory of Constraints is an organizational change method that is focused on profit improvement. The essential concept of TOC is that every organization must have at least one constraint. A constraint is any factor that limits the organization from getting more of whatever it strives for. the cost-benefit relationship constraint is also called cost effectiveness constraints and is pervasive throughout the framework. The companies need to spend money and time in the process of providing financial statements. To be more specific, Costs can constraint the range of information when providing financial reporting on the grounds that the companies must "collect, process, analyze and disseminate relevant information which need time and money. For investors, they want to know all financial information if possible in ideal condition, which may cause tremendous financial burden in the corporations. Moreover, some financial information may not valuable for external users to acquire a huge benefit,

for example, how much money do a company spend for its greening of headquarters. Therefore, when deciding the components of financial reporting, companies need to measure the sense of particular financial information and the expenditure of providing particular information and the benefits they can acquire from this particular information. Properly speaking, If the costs in particular information exceed the benefit they can acquire, companies may choose to not disclose this particular information should

cost constraints of traditional resource efficiency consulting. For a leading global textiles company, building the technology roadmap and business case to ... two retailers to identify new business opportunities from recycling and reuse of clothing ... Resource Efficiency and Other Cost Reduction Innovation.

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### Self-Check -1

### Written Test

**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. What is Cost Constraints?

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

### Answer Sheet

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### Short Answer Questions

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<b>Information Sheet-2</b>	Identifying production /process rate
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Process costing focuses on the direct and allocated costs associated with the operation of a given area of the manufacturing flow. Maybe it's a work center, a cost center, or a specific production line, but what it really represents is an area where you want to determine the unique cost added to the product as a result of traveling through that area.

**Step 1 – Collect Direct Spending** In order to calculate a process cost, the first thing you need is to collect the pools of direct spending at the account or sub-account level. These pools represent dollars that you plan to spend (or actually spend in the case of actual costs) in the area. Typical pools include labor, depreciation, and energy and the information is usually found in the general ledger.

**Step 2 – Allocate Indirect Spending** Next, you need to focus on the spending that occurs outside the manufacturing areas based on the appropriate drivers. Trying to determine the most appropriate driver is sometimes challenging (see Picking the Right Driver Is Important To More Than Just Your Golf Game), but the focus should lie in finding a driver that you are able to measure and capture.

**Step 3 – Calculate Cost Center Rates** Once you've pooled the dollars for the production area, you can then calculate rates expressed in dollars per "something". That something depends on the rate. In most cases, the rate is stated in dollars per machine hour, dollars per batch, or even a simple dollars per unit produced rate.

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**Step 4 – Proper Assignment of Process Rates to Products** Finally you can assign costs to the products using the calculated rates. As products move through the production area, you're able to assign costs at the natural cost element or cost pool level using a different driver for each pool.

## **2.1 Major costs**

There are three major types of expenses we all pay fixed variable and periodic fixed expense are payment we have very little control over as they represent a legal obligation to pay

**Fixed Cost** fixed expenses, we have little control over periodic expenses but where fixed expenses typically recur on the same date every month, periodic ones are what I call “expected surprise” expenses

**Variable cost** These are also known as discretionary cost. While they can be challenging to budget for, this is my favorite category because this is where we have all the control. These are the cost that we can influence with our behaviors costs include repairs and maintenance, fuel, lubrication, and operator labor

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<b>Self-Check -2</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. **Process costing focuses on**

**A. direct and allocated costs**

**C .A and b**

**B. given area of the manufacturing flow**

**D**

2. **Major costs contain**

A. Fixed cost

c. over head cost

B. Variable cost

D. ALL

3. **list out four steppe of product as a result of traveling .four point(4point).**

**Note: Satisfactory rating - 3 points**

**Unsatisfactory - below 3 points**

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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<b>Information Sheet-4</b>	Identify individual costs factors
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There are three main categories of costs for textile manufacturers are, direct materials – contributing about 50% to the total cost, direct labor – contributing about 20% to the total cost and, overheads – contributing about 30% to the total cost:

**Material Costs:** As the name itself suggests, this cost head consists of all the material costs of the product like fabric, thread, trims, etc.

**Labor Costs:** This head chronicles the wages of the employees directly involved with the garment production, like the cutting, sewing and nishing helpers and operators.

**Overheads:** this section comprises of both the variable and fixed, indirect manufacturing costs. This includes indirect labor costs (managerial labor, service personnel, quality control staff, etc. or the staff not directly involved in product manufacturing), occupancy costs like rent, depreciation, property taxes, insurance, and security; and other overheads like administrative costs, material management (carrying costs), machinery and equipment costs, compliance and regulation costs, etc.

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<b>Self-Check -4</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. what is material cost?  
A. variable and fixed  
B. consists of all the material costs of the product  
C. A and B  
D. all
2. list out three categories of costs

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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<b>Information Sheet-4</b>	identifying overall cost of production/process
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The total manufacturing cost is the total expense incurred by a firm's production process during a given period. Management and investors often compare it to total revenues to determine a firm's profitability. The TMC includes direct labor, direct materials, and overhead costs. The cost of direct labor refers to the direct labor that contributes to the manufacturing of a product or a service during a given period. The cost of direct materials is the cost of the materials used for the manufacturing of a product or a service during a given period

#### Example

Company X manufactures copiers. George is the accountant of the company, and he is asked to calculate the total manufacturing cost formula for January. Based on the transactions of the month. George prepares a breakdown of transactions as follows:

##### 1.2.1 Assessment of negative financial

The financial implications of an adjustable rate mortgage is that your monthly mortgage payment will usually look small at the start (else why would you engage in one?) but which is pegged to something outside your control, meaning that your monthly payment is likely to rise, often substantially, just a few years later. When something has financial implications, the "implications" involve both positive outcomes, such as money coming in or stock shares being acquired, etc., and negative outcomes such as debt and ruin.

##### 1.2.2 Assessment of positive financial implications

the Principles for Positive Impact Finance are a high-level, inclusive, meta-framework for holistic impact management by financial institutions at the heart of their business operations. They are the core component of the Positive Impact Initiative for banks and investors. Positive Impact Finance is that which serves to finance Positive Impact

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Business. It is that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the Sustainable Development Goals (SDGs)

#### 1.2.2.1 Environmental and regulatory issues

"environmental law," and the strong influence of environmental law on natural resource laws, did not occur until about the 1960s. At that time, numerous influences - including a growing awareness of the unity and fragility of the biosphere; increased public concern over the impact of industrial activity on natural resources and human health; the increasing strength of the regulatory state; and more broadly the advent and success of environmentalism as a political movement - coalesced to produce a huge new body of law in a relatively

short period of time. While the modern history of environmental law is one of continuing controversy, by the end of the twentieth century environmental law had been established as a component of the legal landscape in all developed nations of the world, many developing ones, and the larger project of international law

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<b>Self-Check -4</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1 The total manufacturing cost includes two point(2point)

- |                     |                    |
|---------------------|--------------------|
| A. direct labor     | C. overhead costs. |
| B. direct materials | D. overhead costs. |

2 what is negative financial assessment? Four point(4point )

3 What is positive financial assessment point(4point )

4

**Note: Satisfactory rating - 3 points**

**Unsatisfactory - below 3 points**

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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<b>Information Sheet-6</b>	identifying cost efficiency constraint
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The term cost / benefit constraint refers to an accounting constraint that states the cost of providing information must be measured against the benefit derived from the use of that same information. Industry Practices is a less dominated constraint compared with cost and relationships and materiality in financial reporting. This constraint means in some industries, it is hard and costly to calculate the production costs and therefore companies in these particular industries choose to only report the current market prices instead of production costs.

For example, in agriculture industry, calculating cost per crop is difficult and expensive and hence they choose to report the price in the current market which is easier for farmers .

The definition of a constraint is a regulation which belongs to prescribed bounds and there are four main types of constraints which are

- the cost-benefit relationship
- materiality
- industry practices
- conservatism

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<b>Self-Check -5</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1 what is The term cost / benefit constraint? Four point(4point)

2 list out four main types of constraints threepoint(3point)

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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# **Textile Chemical Processing**

## **NTQF Level -II**

# **Learning Guides 34**

**Unit of Competence: Applying cost Factors  
to Work Practices**

**Module Title Applying cost Factors to Work  
Practices**

**LG Code: IND CHP2 M10L01LG34**

**TTLM Code: IND CHP2 TTLM100919v1**

**LO3. .Apply cost efficient work practices**

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<b>Instruction Sheet</b>	<b>Learning Guide # 34</b>
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This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Expressing the possible actions to improve cost efficiency
- Identifying non-financial implications of proposed changes
- Selecting actions of minimizing overall costs
- Maintaining cost efficiency Monitor actions

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

- Express the implications of possible actions/changes to improve cost efficiency in simple financial terms
- Identify non-financial implications of proposed changes in discussion with relevant people
- Select actions which minimize overall costs
- Monitor actions to ensure cost efficiency in own work area is maintained

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### Learning Instructions:

6. Read the specific objectives of this Learning Guide.
7. Follow the instructions described below 3 to 5.
8. Read the information written in the information “Sheet 1, Sheet 2, Sheet 3 and Sheet 4”.
9. Accomplish the “Self-check 1, Self-check t 2, Self-check 3, Self-check 4 and self check” in **page6,8,10,13 and 15** respectively.

If you earned a satisfactory evaluation from the “Self-check” proceed to “Learning guide 34.how ever if your rating is unsatisfactory, see your teacher for further instructions or go back to “ learning guide33

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<b>Information Sheet-1</b>	<b>Apply cost efficient work practices</b>
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Definition: It can be explained as a procedure for estimating all costs involved and possible profits to be derived from a business opportunity or proposal. It takes into account both quantitative and qualitative factors for analysis of the value for money for a particular project or investment opportunity. Benefits to costs ratio and other indicators are used to conduct such analyses. Cost efficiency is the strategic choice for many construction companies. When clients are well aware of what they want, and when there are many rules and regulations guiding the buyer and the seller, competition on price prevails. Efficient energy use, sometimes simply called energy efficiency, is the goal to reduce the amount of energy required to provide products and services. For example, insulating a home allows a building to use less heating and cooling energy to achieve and maintain a comfortable temperature. Installing LED lighting, fluorescent lighting, or natural skylight windows reduces the amount of energy required to attain the same level of illumination compared to using traditional incandescent light bulbs. Improvements in energy efficiency are generally achieved by adopting a more efficient technology or production process or by application of commonly accepted methods to reduce energy losses. There are many motivations to improve energy efficiency. Reducing energy use reduces energy costs and may result in a financial cost saving to consumers if the energy savings offset any additional costs of implementing an energy-efficient technology. Reducing energy use is also seen as a solution to the problem of reducing greenhouse gas emissions.

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According to the International Energy Agency, improved energy efficiency in buildings, industrial processes and transportation could reduce the world's energy needs in 2050 by one third, and help control global emissions of greenhouse gases. Another important solution is to remove government-led energy subsidies that promote high energy consumption and inefficient energy use in more than half of the countries in the world. Energy efficiency and renewable energy are said to be the twin pillars of sustainable energy policy and are high priorities in the sustainable energy hierarchy. In many countries energy efficiency is also seen to have a national security benefit because it can be used to reduce the level of energy imports from foreign countries and may slow down the rate of energy at which domestic energy resources are depleted

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<b>Self-Check -1</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1 What is **cost efficient work practices** ? (5 points)

**Note: Satisfactory rating – 5 points**

**Unsatisfactory - below 5 points**

You can ask you teacher for the copy of the correct answers.

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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<b>Information Sheet-2</b>	Expressing the possible actions to improve cost efficiency
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cost-effectiveness analysis helps identify neglected opportunities by highlighting interventions that are relatively inexpensive, yet have the potential to reduce the disease burden substantially. For example, each year more than a million young children die from dehydration when they become ill with diarrhea. Oral rehydration therapy (ORT) does not diminish the incidence of diarrhea, but dramatically reduces its severity and the associated mortality rate. The scientific evidence that ORT can save lives was an important step in identifying this as a neglected opportunity for improving health. Demonstrating that it could cost only US\$2 to US\$4 per life year saved helped make the case that this was something public policy should promote, and many countries responded by promoting

Energy efficiency has proved to be a cost-effective strategy for building economies without necessarily increasing energy consumption. reduction in expenses can have an impact on company profitability. The good news is a large-scale company overhaul isn't necessary. It's often simple, common sense steps that improve the bottom line, especially for a small business

**Way of** improve efficiency reduces cost

- 1.Reduce supply expenses.
- Cut production costs
- .Lower financial expenditures.
- Modernize your marketing efforts.
- Use efficient time strategies.
- Harness virtual technology.
- Narrow your focus.
- Make the most of your space.
- Maximize your employees' skills.

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<b>Self-Check -2</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. What is **cost-effectiveness** ? (5 points)

**Note: Satisfactory rating - 10 points**

**Unsatisfactory - below 10 points**

You can ask you teacher for the copy of the correct answers.

### Answer Sheet

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### Short Answer Questions

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<b>Information Sheet-3</b>	Identifying non-financial implications of proposed changes
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Non-Financial Cost Are The Cost That Doesn't Directly In companies cash Flow Or Income Statement Such As Cost Of Non-Efficient Employees nonfinancial measures include information on such items as revenue percentage per employee, employees who have contact with customers, satisfied customers, research and development costs

Non-financial are quantitative measures that cannot be expressed in monetary units. Common financial metrics include earnings, profit margin, average order value, and return on assets. Measures such as customer satisfaction, market share, category ownership, and new product adoption rate fall into the non-financial metrics.

Studies by Deloitte Touche Tohmatsu Limited and others have found that the board of members and executives of many companies are indeed interested in non-financial performance measures, despite the fact that their ability to monitor these factors remains inadequate. Why? Because financial performance measures such as earnings or return on assets are considered trailing measures of performance. By themselves these metrics do not adequately capture a company's strengths and weaknesses

Non-financial performance measures, on the other hand, can serve as leading indicators of future financial performance and can provide insight as to organization's impact on stakeholders and society. They can provide deeper insights into the inner workings of your business. And the beauty of non-financial metrics is that you can use them to understand.

Four Non-Financial impact Categories that Matter

- Company reputation
- Customer influence and value
- Competitiveness

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- Innovation

<b>Self-Check -3</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

- Non-Financial Cost ? (2 points)
  - Doesn't Directly In companies cash Flow
  - Directly In companies cash Flow
- Non financial measures include (2p0int)
  - revenue percentage per employee
  - satisfied customers
  - development costs
  - all

**Note: Satisfactory rating – 2points**

**Unsatisfactory - below 2points**

You can ask you teacher for the copy of the correct answers.

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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<b>Information Sheet-4</b>	Selecting actions of minimizing overall costs
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Cost minimization is a basic rule used by producers to determine what mix of labor and capital produces output at the lowest cost. In other words, what the most cost-effective method of delivering goods and services would be while maintaining a desired level of quality. Cost minimization is a basic rule used by producers to determine what mix of labor and capital produces output at the lowest cost. In other words, what the most cost-effective method of delivering goods and services would be while maintaining a desired level of quality.

#### Choices of Production Process

In many businesses, there are a number of ways in which a particular quantity of output can get created. If your business is making sweaters, for example, you could produce sweaters either by hiring people and buying knitting needles or by buying or renting some automated knitting machinery.

In economic terms, the first process uses a small quantity of capital and a large quantity of labor (i.e., is "labor intensive"), whereas the second process uses a large quantity of capital and a small quantity of labor (i.e., is "capital intensive").

Given that there are often a number of different ways to produce a given quantity of output, how can a company decide what mix of capital and labor to use? Not surprisingly, companies are generally going to want to choose the combination that produces a given quantity of output at the lowest cost. Cost is minimized at the levels of capital and labor such that the marginal product of labor divided by the wage ( $w$ ) is equal to the marginal product of capital divided by the rental price of capital ( $r$ ). More intuitively, you can think of cost being minimized and, by extension, production being

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most efficient when the additional output per dollar spent on each of the inputs is the same. In less formal terms, you get the same "bang for your buck" from each input.

If you were this company, wouldn't you want to shift resources away from capital and towards labor? This would allow you to produce more output for the same cost, or, equivalently, produce the same quantity of output at a lower cost.

Of course, the concept of diminishing marginal product implies that it's generally not worthwhile to keep shifting from capital to labor forever, since increasing the quantity of labor used will decrease the marginal product of labor, and decreasing the quantity of capital used will increase the marginal product of capital. This phenomenon implies that shifting towards the input with more marginal product per dollar will eventually bring the inputs into cost-minimization balance.

It's worth noting that input doesn't have to have a higher marginal product to have a higher marginal product per dollar, and it may be the case that it could be worthwhile to shift to less productive inputs to production if those inputs are significantly cheaper.

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<b>Self-Check -4</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

1.what is cost minimization? 4point

2 . how Choices of Production Process ?6point

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

**Answer Sheet**

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Short Answer Questions**

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<b>Information Sheet-5</b>	Maintaining cost efficiency Monitor actions
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Cost control is the practice of identifying and reducing business expenses to increase profits, and it starts with the budgeting process. A business owner compares actual results with the budgeted expectations and if actual costs are higher than planned, management takes action. As an example, a company can obtain bids from other vendors that provide the same product or service, which can lower costs. Cost control is an important factor in maintaining and growing profitability.

Outsourcing is used frequently to control costs because many businesses find it cheaper to pay a third party to perform a task than to take on the work within the company.

Corporate payroll, for example, is often outsourced because payroll tax laws change constantly, and employee turnover requires frequent changes to payroll records. A payroll company can calculate the net pay and tax withholdings for each worker, which saves the employer time and expense.

### Key Takeaways

Cost control is the practice of identifying and reducing business expenses to increase profits, and it starts with the budgeting process.

Cost control is an important factor in maintaining and growing profitability.

Outsourcing is a common method to control costs because many businesses find it cheaper to pay a third party to perform a task than to take on the work within the company.

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<b>Self-Check -5</b>	<b>Written Test</b>
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**Directions:** Answer all the questions listed below. Use the Answer sheet provided in the next page:

- saves the employer time and expense is
  - calculate the net pay
  - withholdings for each worker
  - A and B
  - all
- w Maintaining cost efficiency ?

**Note:** Satisfactory rating - 3 points

Unsatisfactory - below 3 points

### Answer Sheet

Score = \_\_\_\_\_

Rating: \_\_\_\_\_

1.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### Short Answer Questions

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## REFERENCES

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