



**Australian Government**

**Department of Education, Employment and Workplace Relations**

# **LMFFT4010B Identify and calculate production costs**

**Revision Number: 1**

## LMFFT4010B Identify and calculate production costs

### Modification History

Not applicable.

### Unit Descriptor

<b>Unit descriptor</b>	This unit covers the competency to estimate materials, labour and time requirements and establish costs for the provision of products, including all overheads.
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### Application of the Unit

<b>Application of the unit</b>	
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### Licensing/Regulatory Information

Not applicable.

### Pre-Requisites

<b>Prerequisite units</b>	Nil	

### Employability Skills Information

<b>Employability skills</b>	This unit contains employability skills.
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## Elements and Performance Criteria Pre-Content

<p>Elements describe the essential outcomes of a unit of competency.</p>	<p>Performance criteria describe the performance needed to demonstrate achievement of the element. Where <b>bold italicised</b> text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.</p>
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## Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Gather information	1.1. Details of the particular product and competition products are obtained 1.2. Details of the proposed production operation are obtained and analysed 1.3. Labour unit cost projections are obtained and agreed 1.4. Logistic support contracts, supply agreements or equivalent are obtained and analysed 1.5. Details of proposed warehousing and physical distribution systems and related cost factors are obtained 1.6. Information is converted to usable form and stored ready for retrieval and application
2. Estimate materials and labour	2.1. Types and quantities of materials required for production are estimated and recorded 2.2. Time requirements for production activities and other lead times are estimated 2.3. Labour requirements for direct production and handling operations are estimated and recorded
3. Determine/calculate overheads	3.1. Components contributing to overhead costs are identified 3.2. Overhead costs to be attributed to work in accordance with commercial and enterprise procedures are identified
4. Calculate costs	4.1. Total materials costs and labour costs are calculated in accordance with enterprise procedures 4.2. Total production cost is calculated, including overheads and mark-up percentages 4.3. Final cost to customer is calculated in conjunction with marketing/sales personnel
5. Document details and verify where necessary	5.1. Details of costs and charges are documented in accordance with enterprise practice 5.2. Costs, calculations or other details are verified by other enterprise personnel, as required 5.3. Details are documented for future reference in accordance with enterprise practice

## Required Skills and Knowledge

### REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

#### Required skills

- research, collect, organise and understand information related to production costing including the relevant technical, commercial, industrial and accounting requirements
- communicate ideas and information to enable clarification of the production and related requirements and to present the outcomes in an appropriate manner
- plan and organise activities to avoid backtracking and re-working of solutions
- work with others and in a team by recognising dependencies and using cooperative approaches to optimise workflow and productivity
- use mathematical ideas and techniques to correctly estimate and validate labour, materials and on-costs and calculate production costs
- create and apply systematic problem solving techniques to anticipate costing problems, avoid re-working and avoid wastage
- use the workplace technology related to costing, including calculators and measuring devices and computing/computer-aided systems

#### Required knowledge

- production systems documentation processes
- enterprise costing procedures
- mathematical formulae and processes relevant to costing
- components of labour costs
- enterprise/commercial approach to overhead costs
- enterprise/commercial approaches to warehousing and physical distribution costs
- enterprise information management processes, including storage requirements

## Evidence Guide

### EVIDENCE GUIDE

The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

#### Critical aspects of evidence

- Apply safety requirements throughout the work sequence, including the use of personal protective clothing and equipment
- For a significant mass production operation, determine the production and product costs using the following or equivalent steps:
  - obtain all information relevant to the determination of costs
  - interpret plans, specifications and instructions for production and materials to be used
  - estimate quantities of materials required
  - determine the types and amount of labour required to complete the work
  - estimate time required to complete the work
  - determine/calculate overheads
  - document the process and outcomes
- Work effectively with others

#### Resource implications

Access is required to real or appropriately simulated situations involving estimation and costing of production operations and products.

Access is required to specifications and costs of relevant equipment and materials and information on labour costs and availability, on costs, safety costs, regulations, quality standards, and enterprise procedures.

Access is required to all necessary facilities and associated equipment, including calculators, computers and relevant software.

#### Method of assessment

Assessment methods must confirm consistency or the potential for consistency of performance over time and in a range of workplace relevant contexts.

Assessment should be by direct observation of performance and samples of work outcomes and questioning on underpinning knowledge.

Assessment may be conducted over time and may be in conjunction with assessment of other units of

<b>EVIDENCE GUIDE</b>	
	competency.
<b>Context of assessment</b>	Assessment may occur on the job or in a simulated workplace facility with a relevant scenario, simulated work instructions and deadlines.

## Range Statement

<b>RANGE STATEMENT</b>	
<p>The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.</p>	
<b>Unit scope</b>	<ul style="list-style-type: none"> <li>• Work involves the estimating and costing of production and products in a significant mass production environment</li> <li>• Work may involve referral of matters to other enterprise personnel</li> </ul>
<b>Unit context</b>	<ul style="list-style-type: none"> <li>• OHS requirements include legislation, building codes, material safety management systems, hazardous substances and dangerous goods codes and safe operating procedures</li> <li>• Work is carried out in accordance with legislative obligations, environmental legislation, relevant health regulations, authorised handling procedures and organisation insurance requirements</li> <li>• Work requires individuals to demonstrate organisational and administrative ability, discretion, judgement and problem solving skills</li> </ul>
<b>Workplace environment</b>	<ul style="list-style-type: none"> <li>• Work undertaken in accordance with established procedures involving a range of products, equipment and installation sites</li> <li>• Interaction with customers and other personnel from the operator's workplace</li> <li>• Use of relevant tools, equipment and resources, including:               <ul style="list-style-type: none"> <li>• measuring equipment</li> <li>• product sales literature</li> <li>• product samples</li> </ul> </li> </ul>
<b>Overhead costs</b>	<p>Overheads may be calculated for a specific product or be a constant component based on historical records and may include such costs as rental/lease costs, utilities, non-production resources, depreciation of plant and equipment, warehousing margins, physical distribution unit costs, insurance and other costs incurred by doing</p>



<b>RANGE STATEMENT</b>	
	business
<b>Information and procedures</b>	<ul style="list-style-type: none"> <li>• Enterprise production plan and schedule</li> <li>• Enterprise financial management policy and procedures</li> <li>• Enterprise policy and procedures for cost and apportioning overheads</li> <li>• Labour employment costs (awards, EBA, contracts)</li> <li>• Material/supply costs (contracts, standing agreements, market rates, warehousing margins)</li> <li>• Physical distribution contracts or arrangements</li> <li>• Australian, international and enterprise quality standards and procedures</li> </ul>

### Unit Sector(s)

<b>Unit sector</b>	Furnishing Technology
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### Competency field

<b>Competency field</b>	
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### Co-requisite units

<b>Co-requisite units</b>	