

Internship Report
On
“Costing Procedure of Nassa Group”

Submitted To

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Submitted By

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To

Md. Arif Hassan

Assistant Professor,
Department of Business Administration
Faculty of Business & Economics
Daffodil International University

Subject: Internship report on “Costing Procedure of NASSA Group”

Dear Sir,

With due respect to state that It is my pleasure to submit this Internship Report on “**Costing Procedure of Nassa Group**” to you. I tried my best to follow the directions that you have given me. This report has been prepared to complete the requirement of the MBA Program. This report has been extremely exciting, interesting and rewarding experience to me. I would like to express my deepest gratitude to you for providing me such an opportunity.

I shall be highly encouraged if you are kind enough to receive this report. Thank you for your consideration and collaboration.

Sincerely yours,

Md. Farid Ahmed

ID: 152-14-1811

MBA Program

Department of Business Administration
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Letter of Approval

This is to certify that Md.Farid Ahmed D: 152-14-1811, a student of Daffodil International University of MBA program has completed the internship report titled “**Costing Procedure**”, under my direction. His internship assignment was at “ **Nassa Group**”. I am pleased to state that he has worked hard in preparing this report and he has been able to present a good picture of the concerned organization. The data and findings presented in the report seem to be authentic.

I wish her every success in life.

Md. Arif Hassan

Assistant Professor,
Department of Business Administration
Faculty of Business & Economics
Daffodil International University

A C K N O W L E D G E M E N T

At first, I remember the name of Almighty Allah. I acknowledge my sincere appreciation to Assistant Prof. **Mr. Md. Arif Hassan**, Department of Business Administration, DIU, , who supervised my study work. He helps me for the entire study time. His eagerness, inspiration and cordial co-operation helped me much in preparing my project report. I will always remember his contribution.

I am very much indebted to my all respective teachers of the Department of Business Administration, Who have been the real source of inspiration during the course of my study at the DIU. I have really grateful to them and special thanks to Md. Shamim Ahsan, General Manager (Accounts & Finance). I am also grateful to Mr. Estiak Ahmed, Senior Officer (Accounts & Finance), Nassa Group, who supported me by providing necessary data and information. I have taken much help from different text books, and Magazines ,during preparing the report.

Through I have paid careful attention in preparing the reports, there may have some unexpected errors in the report. I beg and apology, for any mistake. If any user gets any benefit from this report, my efforts will be successful.

Executive Summary

Nassa Group, is leading manufacturer and exporter of readymade garments in Bangladesh. They are playing vital role to build country's economy. There are also doing social work for building nation. They have established agriculture university, Madrasa and they are providing scholarship for students.

This report has structured in six chapters. Introduction part has been discussed in chapter one. In chapter one it has been discussed about study, background, origin, objective, methodology and limitations of this report.

In the second chapter over view of Nassa Group. This chapter contains company's background, mission, vision, values, products services and business. Third chapter includes theoretical knowledge, costing tools, measurement techniques and the application of costing performance as like discussed about composition of cost of garments, fabrics costing calculation , accessories costing, CM (cost of making) calculation , division of cost ,Job costing, batch costing, statement of cost different costing tools to identify man , machine performance .

Fourth chapter is very significant part of the report, before cost control I have to know overall business process, I have tried to show overall business process than costing analysis. It includes the Cost savings from purchase procedure, average selling price per unit, average cost of manufactured per unit, break even analysis, target CM (cost of Making), Pre cost & Post cost calculation, SMV (standard Minutes value) calculation, Bid Cost sheet & Final Cost Sheet, Items wise sales report, Break even calculation to overcome fixed cost. From the analysis the result is quite satisfactory. And made some findings based on analysis.

Finally in the last or five chapters some suggestions provide for improvement in costing procedure and over all conclusions is given in this chapter.

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Introduction

Chapter1

1.1. Introduction

Apparel costing is used for a number of reasons, including for: Division of Costs, Control of Materials cost, Labor and Overhead Costs for Business Policies. It helps the management to take decisions. It benefits to create an expansion strategy. Ensures Optimum Profitability, and helps the management to take suitable steps to meet seasonal variations in volume and costs etc.

In this report the financial performances of Nassa Group have been analyzed by using the help of some costing tools and techniques as like break even Analysis, Budgeted cost & actual cost. SMV Analysis.

1.2. Background of the Study

After completion of 36 credit hours of MBA demands a report on project work. Project is a must standard for Master of Business Administration (MBA) students, designed to put them in a challenging environment of the relevant field, where the students get sample opportunity to apply their theoretical knowledge into analytical applications. During the project training, students have the opportunity to analysis a particular environment of the organization. It provides a unique opportunity to see the reality of business during student life, which enables them to building confidence and working knowledge in advance of the start of their career. To fulfill this requirement every university of business arrange a program of project. Here we get a chance to apply our theoretical knowledge that we acquired from class lectures, books, journals, case studies, seminar, project, workshop, etc and compare them with practical setting.

1.3. Objective of the Report

- i. **Main objectives:** The main objective of this report is to analyze the costing procedure of Nassa Group.
- ii. **Specific Objectives:**
the study aims to achieve the followings:
 1. To know the pre costing & Post costing procedure.
 2. To understand the target CM (cost of Making).
 3. To analyze the fabrics costing procedure.
 4. To know the procedure of saving from purchase.
 5. To identify the factory efficiency.

1.4. Methodology

The report was prepared by the help of both primary and secondary information. The details of these sources are highlighted below:

- i. **Primary Sources:** Primary data were collected directly from the office through work & Discusses with General manger, Manager & Others officers.
- ii. **Secondary Sources:**
Relevant papers and different books.
Official web site of Nassa group
Prior research reports.

1.5. Limitations of the Studies

There have some limitations which were faced to make the report. These are given below:

- Time frame for the research is limited. So large scale investigation was not possible due to time constraints.
- Some relevant data has not been getting due to confidentiality.
- Preparing such intense report, requires huge amount of information. While preparing this report, many limitation and hindrance have been faced to going on further. Still I managed to bring up the best within my access limit

Organizational part

Chapter-2

2.1. About Nassa Group Limited

NASSA Group of Industries was started in 1990 by business entrepreneur Mr. Nazrul Islam Mazumder. Under his leadership, The group has established to achieve status as one of Bangladesh's largest industrial corporations and best investors to play vital roles for nation's economy.

NASSA Group has invest in Garment Industry, Real Estate, Stock Brokering, Banking, Education and Travel and most highly Business Social Responsibility.

NASSA Group's readymade garment and textile manufacturing division has achieved globally respected status as a supplier of yarns, textiles and ready-made garments for branded and private label clients worldwide. The manufacturing operation boasts 1.1 million sq. ft. of production space, across which more than 30,000 skilled workers operate in 34 vertically factories.

NASSA Properties Limited has been established to develop major profitable properties in the Dhaka..

NASSA Group is deeply committed to play vital role of education in Bangladesh to achieve socio-economic, financial and commercial growth.

2.2. Nassa Group Mission

Nassa Group recognize that the world in which they operate is changing. Consumers are increasingly bringing their views as citizens into their buying decisions, demanding more from the companies behind the brands. They want companies and brands they trust. To be a dynamic business group, building robust businesses that excel at serving their customers and stakeholders through exceptional products and services in industries and markets that support progression and economic growth at community, society and country level.

2.3. Vision of Nassa Group.

The mission statement of the business- “ Our global quest is to improve the quality of human life by enabling people to do more, feel better and live longer”.

We want to Export Good Qualities Product than our economical based are increased.

2.4. Values

Quality: NG. Always tries to provide better quality product to its customer.

Customer Focus: The main focus of NG. is its customer.

Innovation: NG. tries to innovated new service for its customer. Recently its introduce its new product that is Real Estate.

Fairness & Transparency: NG. is a fair and transparent to its customer and shareowner, for this reason they provides annual report in every year.

2.6. Product and Services of Nassa Group.

NASSA has diversified into three major strategic business divisions which include Garments. Real-estate & Washing.

A. Strategic Business Units:

Products

Apparel, Textile

Services

Banking, Real Estate, Financial Services, Travel, Education

Garments Product:

- Basic 5 Pocket Long Pant.
- Basic 5 Pocket Short Pant.
- Jacket.
- Chino Pant.
- Cargo Pant.
- Dress Pant.

Costing Procedure of Nassa Group (Garments Unit)

Chapter 3

3.1. Costing Analysis:

02) Garment Costing

Apparel costing is very much valuable for Budgeting and for setting standards for calculating efficiencies. It helps to use the limited resources and is a tool of management control. It helps to cost Audit, and Price determination. It calculates the cost per unit of different products manufactured and provides a correct analysis of cost both by process and operations. It ascertains the profitability of each product

that is manufactured and exercises effective control of stocks of raw materials at various stages. Implements cost control systems. It guides the management in the formulation and implementation of incentive bonus plans and helps in preparation of budgets and also helps in implementation of budgetary control.

02) Elements of Costs

There are three main elements of costs. They are: Materials, Labour and other expenses.

Materials - Direct material or indirect material.

Labour - Direct or indirect.

Other expenses - Direct or Indirect.

Indirect Expenses is Overhead expenses.

This includes: Production overheads, Administrative Overhead, Selling & distribution overhead, Research and Development overhead.

Division of Costs

Cost can be divided by some ways which mention below:.

Direct Materials, Direct Labours, Direct Expenses= Prime Cost

Prime Cost, Factory Overheads= Factory Cost

Factory Cost, Administration Overheads= Cost of Production

Cost of Production, Selling Overhead, Distribution Overhead=Cost of Sale

Cost Classifications

Costs can be classified: Nature or Elements or Analytics, by functions, as direct or indirect cost by variability, controllability, normality, and time, according to planning and control and for managerial costs.

By Nature, Elements or Analytics.

Costs can be classified by Nature, Elements or Analytical classification: This includes Material, labour and expenses.

Managerial Costs

Costs calculated on the basis of managerial purposes. This includes: Marginal costs, replacement costs opportunity costs, and, avoidable and unavoidable cost.

Cost is a measurement, in monetary terms, of the amount of resources used for some purpose.

Fixed costs are those costs which remain fixed in total amount, with increase or decrease in the volume of output for a given point of time.

Fixed Cost per unit decreases as production increases, and increases as production declines.

Variable costs which are vary in total in direct proportion to the volume of output. These costs per unit remain constant with changes in production.

Semi-Variable costs are the costs which are partly fixed and partly variable. Marginal cost is the total of variable costs that is prime cost plus variable overhead. Extra cost incurred to manufacture one extra unit of production.

Average Cost = Total Cost / Number of Units Produced

Cost Sheet / Statement of Cost

The details of the cost sheet includes, Direct materials, direct labour and direct expenses. The Prime costs are the work overheads. The work cost is the administrative overheads. The cost of production is the selling and distribution of overheads. The total cost as well as the cost per unit for each of these should be calculated. There is no prescribed format for a cost sheet. It may vary from industry to industry. Here is a specimen format of a cost sheet. Remember a cost sheet is a statement, which shows the various components of total cost of a particular product. A cost sheet is prepared on the basis of: Historical cost and estimated cost.

Composition of Cost of Garment

In continuation of the other functions, a merchandiser is also required to do the costing of the product. The costing is done by keeping in mind the cost of the various raw materials, operating cost of the company, the competition and expected profit of the organization. At the same time, it is necessary to keep in mind the buyers costing expectations.

Garments cost components:: Fabric, Trims, CM (Cost of Making) and,printing, embroidery, washing, testing of the garment, quality, transportation cost, profit of the manufacturing organization.

Fabric

Fabric is the most major factor in costing of garment. Fabric accounts for 60 to 70% of the total cost of garments. In many cases, evaluating the quality and the quantity of fabric consumed in the garment indicates better than any other factor, the cost of producing it.

The cost of fabric depends upon the type of fabric that is going to be utilised in the garment.

Fabrics Types: Woven or knitted fabric, power loom or automatic loom fabric, fibre or yarn

Fabric, dyed fabric, fibre content of fabric, such as cotton, wool, polyester, silk, blended fabric etc., type of dyeing and finish used, gram per square meter / weight of fabric, type of yarn used, such as ring spun, open ended, or carded / combed etc.

Calculating the Cost of Fabric

Fabrics cost can be calculated by the following way:

Total fabric manufacturing Cost.=

(Yarn cost, Fabric Manufacturing Cost ,dyeing cost , finishing cost)

Cost Calculation of Fabric in a Garment

Knitting fabric consumption for T-shirt can be calculated as:

Fabric consumption in kg

$$= \frac{(\text{Body length} + \text{Sleeve length} + \text{allowance}) * (\text{Chest} + \text{allowance}) * 2 * \text{GSM}}{10000}$$

Fabric Consumption for Woven Fabric

Woven fabric consumption for Shirt can be calculated as:

Fabric consumption in metres

$$= \frac{(\text{Full length} + \text{Sleeve length} + \text{allowance}) * (\text{Chest} + \text{allowance}) * 2 * \text{Fabric width}}{39.37}$$

These methods are used to calculate the fabric consumption approximately at sampling stage by Merchandiser. These formulas will give estimated calculation for pre costing stage of the garment. Sometimes fabric consumption is also done by CAD department.

Trims

Trims include all materials except fabric used in the garment. For example Threads, elastics, zippers, buttons, labels, and miscellaneous items.

.The different trims have different Unit of Measurement; even same trim can have 2-3 different UOMs

That can be summarised as:

UOM of Trims Used in Garments

Trims.	Unit of Measurement
Thread	Meter /Cone
Labels	Unit
Zippers	Unit
Buttons	Gross (144 Units) or GG (1728 Units)
Polybag	Unit ,
Carton	Unit
Hand tags	Unit
Shanks	Gross
Rivets	Unit
Hanger	Unit
Tapes / Velcro	Meter /Kg
Elastics	Meter/Kg

Thread

Thread is another vital component to calculate cost most.. Normally thread consumption calculated by IE department .Sometimes, consumption of thread can be calculated as while preparing the sample. In this case they have kept 10 to15% wastage, which include in pre cost sheet.

Labels.

Some labels are used in product such as, main label, care label, and content label. The cost of label depends upon make of label, that is, Fibre content, Printed, Jacquard label, Size of labels, colours used in label etc.,.

Zipper.

Difference type of Zipper uses on garments like nylon zipper, metallic zipper etc. which plays the important role in cost of zipper. Merchandiser should clear idea about parameter of zipper for accurate costing and negotiation. MOQ is the limit which affects the cost of zipper considerably.

Buttons.

Buttons can be different types, plastic buttons, nylon buttons, , acrylic based buttons, wood, shell, or metal. Each type of button has its own MOQ, which is decided by manufacturer of button.

144 Pcs= 1 Grs

Polybags.

The poly bag cost is highly depends on thickness, dimension and raw material used. The poly bag ordered in terms of number of pieces. The cost of poly bag is equally important asset give significant difference when we consider the whole order quantity.

Cartons.

The cost of cartons is very dependent on material used and dimensions. Depending upon these factors cost of cartons is decided, the UOM of cartons generally is number of pieces while cost varies with MOQ.

These are purchased based on the number of plies, size of the carton and GSM of the paper used to make the carton. Generally, the number of plies used in carton box is 3, 7 and 9 ply.

Example: 9 ply, 60*40*40, 4 side calico, 1 side print and 180 GSM.

Hand Tags.

Hand tags or price tags are used as packing material, the cost of hand tags are dependent upon material used, printing on it and MOQ.

Shanks and Rivets.

Shanks and Rivets are trims that are made up of metallic. The UOM of shanks and rivets is gross and No. of pieces respectively. The cost of shanks and rivets is dependent upon the MOQ and material used.

Hangers.

Hangers are usually made up of hard plastics or sometimes wood. The cost of a hanger depends on the material used, size, print and colour on it. Normally, transparent hangers are costlier than coloured ones.

Tags and Velcro

Tapes are purchased based on the width and Mobil on tapes are purchased in kg. Thus, increase in width by 100% increases the cost by 80%. For satin tapes increase in width by 150% increases the cost by 250%. Another factor that affects cost is MOQ.

Calculation of Trim Charges.

Trims charges are generally calculated as for the different type of sourcing and mode of transportation. If Air shipment then the trim cost + 15-25% more cost is quoted to buyer, depending on the freight charges. If sea shipment then trims cost + 10-15% more cost is quoted to buyer depending upon freight charges. When it is domestic sourcing then there are transportation charges local taxes, is bound to add in the total trim cost. These additions are done by the merchandiser, depending upon the business outlook.

CM (Cost of Making) Cost

CM calculated on the basis of total factory cost per month multiplied by the number of hours it takes to make the style and divided by the number of units produced if the making is done by a contractor; the contractor adds profit on to this amount.

Labour cost per minute = (Operator monthly salary / Total monthly available minutes) @ 100% efficiency.

CM cost = (Each Garments SAM * Minute cost of the labour)/Line efficiency (%).

C. Washing , Embroidary & Printing .

The cost has been added for special process like embroidery, printing, washing used to impart the type of look buyers wants.

These are associated cost of garment manufacturing are wet processing chemicals, washing and contracted operations. Wet processing chemicals include bleaches, detergents, softeners, neutralizers, wetting agents and resins

The example of garments has given by assuming the following size for polo neck T- shirt, no. of pieces = 5000, salary of the operator = 8000 Tk./month=100\$/month no. of Working Days = 26, Line Efficiency =50%, Sewing SAM= 15 min., Cutting SAM= 7 min. 80 BDT = \$1, Chest = 60 cm, Length (HSP to waist) = 78 CM, Sleeve length = 28 CM. Fabric used is 2/60s 100% cotton S/J fabric. GSM is 18

Calculating the Fabric Consumption

Fabric consumption in kg

$$= \frac{(\text{Body Length} + \text{Sleeve Length} + \text{Allowance}) \times (\text{Chest} + \text{Allowance}) \times 2 \times \text{GSM}}{10000}$$

$$= \frac{(78 + 28 + 2) \times (60 + 1) \times 2 \times 180}{10000}$$

$$= 237.12 \text{ Kg}$$

Calculation of CM Charges.

CM charges are calculated as: Total available capacity per month =26

Working days * 8 hours per day * 60=12,480 minutes.

Labour Cost per Minute.

Labour cost per minute = (Monthly salary of an operators/Total minutes available in the month) at 100%

$$= \frac{8000}{12480} = 0.64 \text{ (Taka).}$$

Sewing Cost.

Sewing cost = (SAM of the garment * Minute cost of the labour)/Line efficiency (percent)

$$= \frac{15 \times 0.64}{50}$$

$$= 0.192 \text{ Dllr}$$

Cutting Cost.

Cutting cost = (SAM of cutting * Minute cost of the labour) / cutting efficiency (percent)

$$= \frac{7 \times 0.64}{50}$$

$$= 0.0896 \text{ dollars.}$$

Trimming cost is considered as 0.08 dollars, as it depends upon how many operators are there for trimming.

Production Cost of Garment (CMT)

Production cost of garment (CMT) = sewing cost + cutting cost + trimming cost
 = 0.192+0.0896+0.08
 = 0.362 dollars.

FOB Specimen Cost Sheet of Garment:

ITEM	Usage Dzn/Mtr	Usage Pcs/Mtr	Per Mtr Price	Unite Price	P/I bill value
Fabrics	31	2.58	\$1.90 /Mtr	\$ 1.90	\$ 175,656.24
Button	100	8.3	\$45/GG	\$ 0.03	\$ 7,766
Main Label	12	1.0	Dzn	\$ 0.04	\$ 1,431
Size Label	12	1.0	Dzn	\$ 0.01	\$ 286
Care Label	12	1.0	Dzn	\$ 0.02	\$ 716
UPC Ticket	12	1.0	Dzn	\$ 0.09	\$ 3,113
Swing Ticket	12	1.0	Dzn	\$ 0.04	\$ 1,253
Hanger	12	1.0	pcs	\$ 0.40	\$ 14,315
Sizer for hanger.	12	1.0	Dzn	\$ 0.02	\$ 716
TOP Thread : Aman SABC tex 60 TKR 50 All top stitch.	2200	183.3	3000 Mtr/Cone	\$ 0.00	\$ 4,905
Twill Tape	12	1.0	Roll	\$ 0.02	\$ 709
Polybag (Individual Hanger)	12	1.0	Dz	\$ 0.10	\$ 3,544
Finishing Item	12	1.0	Pcs	\$ 0.02	\$ 579
Total Cost of Accessories					\$ 52,036.10
Total Cost of Fabrics & Accessories					\$ 227,692.35
Factory CM			35437		\$ 84,000
Total Cost			35437		\$ 311,692.3
Financial + Commercial Cost -5%			35437		\$ 20,182
Local Transport + Testing + Courier Charge-3%			35437		\$ 12,204
LIYANA Commission-5%			35437		\$ 22,237
Total cost with Liyana commission			35437		\$ 366,315

3.2 Costing Techniques & Tools:

1. Line Labor Productivity:

=Total Number of output per day per line/Number of worker

2. Line Machine Productivity:

=Total Number of output per day per line/Number of Machine used

3. Line Efficiency:

=Total output per day per line*SAM/Total manpower per line*total working minutes per day*100%

4. Theoretical Manpower:

=Target per hours/Process capacity per hours

5. Target:

Total man power per line * Total working minutes per day/SAM*100%

6. GSD

$GSD = (\text{Man Power} * \text{Work Hour}) / \text{Target}$

7. SMV

$SMV = \text{Basic time} + (\text{Basic time} * \text{Allowance})$

8. Basic time

$\text{Basic time} = \text{Observed time} * \text{Rating}$

9. Observed time

$\text{Observed time} = \text{Total Cycle time} / \text{No of cycle}$

10. Rating

Rating = (Observed Rating * Standard rating) / Standard rating

11. Earn minute

Earn minute = No of Pc's (Production) * Garments SMV

12. Available minute

Available minute = Work hour * Manpower

13. Daily output

Daily output = Work hour / SMV

14. Factory capacity

Factory capacity = (Work hour / SMV) * Total worker * Working day * Efficiency

15. Required no of operator

Required no of operator = Target daily output / Daily output per operator

16. P.P.M(Price per Minute) Calculation

= (S.A.M*Value of minute) / Achieve approx Factory Efficiency

Analysis and Findings Part

Chapter 4

4.1 Pre & Post Production Analysis.

NASSA GROUP Hemayetpur, Savar, Dhaka

Analytical Instrument			
Man power	Budget	Actual Need	Variance
Operator	60	59	1
Helper	13	19	-6
Ironman	4	6	-2
Total	77	84	-7
SMV/SAM		54.96	Mints
Working Hours		10	Hours
Factory Efficiency		65	%
Per Day Target		596	Pcs
Items		Jacket	
Required Machine		59	Pcs

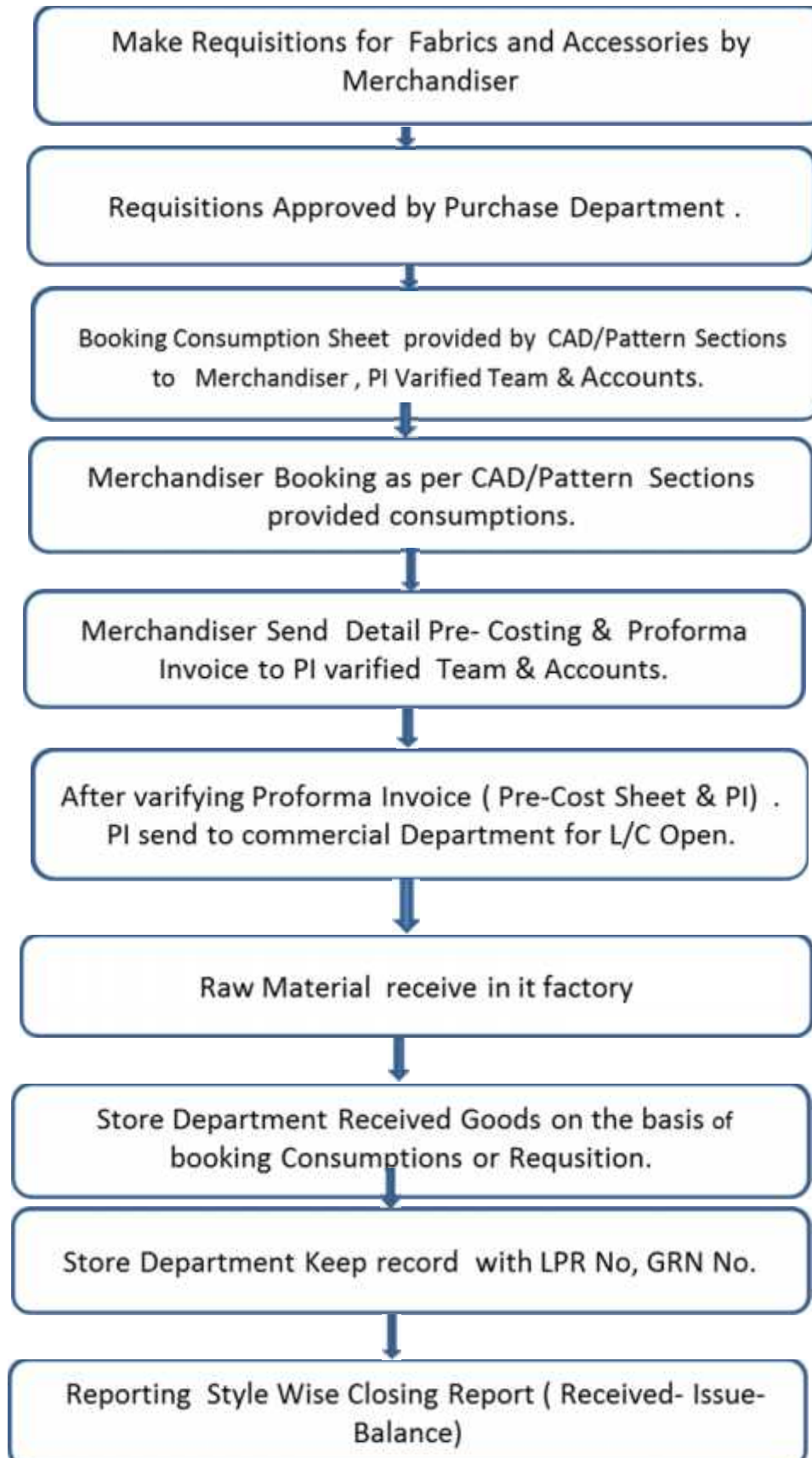
Order Recape	Planned	Actual	Variance
Order Summary	Qty	Qty	Qty
Expected Order Qty	34745	35439	694
6 days Production	2201	2201	0
Balance to Produce	32544	33238	694
Peak Production	596	591	5
Need Total Days	61	60	-1
Average Productivity	570	591	21
Line Cost	\$1,400	\$ 1,400	\$ 0
Total Line Cost	\$85,400	\$84,000	1400
Need CM/PCS	\$2.46	\$2.37	.09
CM Per DZ (\$)	\$29.49	\$28.44	\$ 1.05
Need CM/PCS	\$ 2.70	\$2.37	\$.33
CM Per DZ	\$ 32.44	\$28.44	\$ 4

CM (Cost of Making) Per Dzn



Interpretation: This report has been prepared at initial stage of order. This analysis is very much vital To take this order. We can get clear idea by this analysis.(Manpower, Machine, working hours, Working Days, Machine type, Total production cost for those days,What will be the target CM. On the basis of this report merchandiser should take this order. Above mention one order which mention required manpower 77 , require machine-59 , total days need to be complete this style- 61 days , Line cost for one day \$ 1400 , Per day production target 573 Pcs, So total production cost (\$1400*61 Days) \$ 85,400. Merchandiser should bring order ($\$85400/34745*12*10\%$ (CM \$ 32.44 (cost of making+ Profit) charge has taken from buyer on the basis of cost per minutes & SMV. Above We have seen that our estimated production day was 61 days but actual days has taken 62 . We have brought \$ 32.44 CM /Dzn including profit mark up. Actual cost incurred \$28.44/Dzn during this production days. So we can earn profit \$4.00 per dzn.

4.2. MATERIAL (Fabrics & Accessories) PURCHASE PROCEDURE

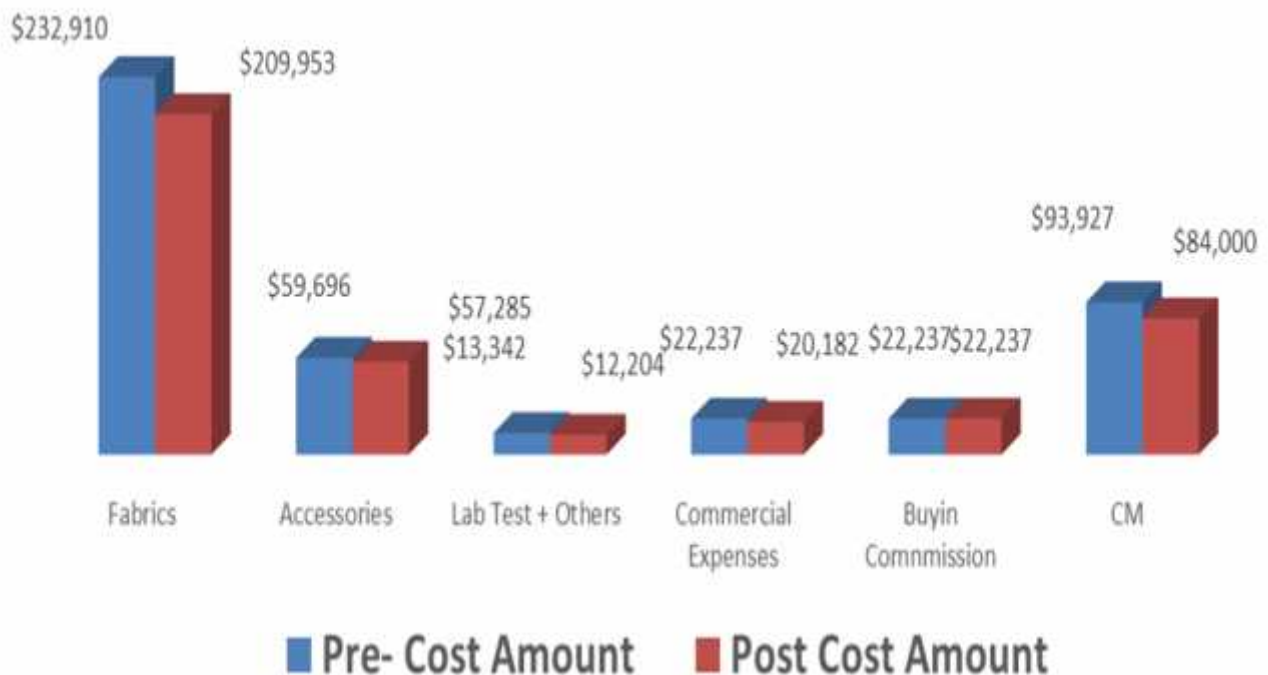


4.3 .Order wise Profit & Loss report.

STYLE	Order Qty .	Cutting Qty.	Output	Shipped	Rate	Amount
Liyana	34745	35440	35437	34745	\$ 12.80	\$ 443,741
Total	34745	35440	35437	34745		\$ 443,741

SUMMARY

Details:			Pre- Cost Amount	Post Cost Amount	Gain/(Loss)	%
Fabrics			\$ 232,910	\$ 209,953	\$ 22,957	10%
Accessories			\$ 59,696	\$ 57,285	\$ 2,411	4%
Lab Test + Others			\$ 13,342	\$ 12,204	\$ 1,138	9%
Commercial Expenses			\$ 22,237	\$ 20,182	\$ 2,055	9%
Buyin Commission			\$ 22,237	\$ 22,237	\$ -	0%
CM			\$ 93,927	\$ 84,000	\$ 9,927	11%
Total			\$ 444,349	\$ 405,861	\$ 38,488	9%



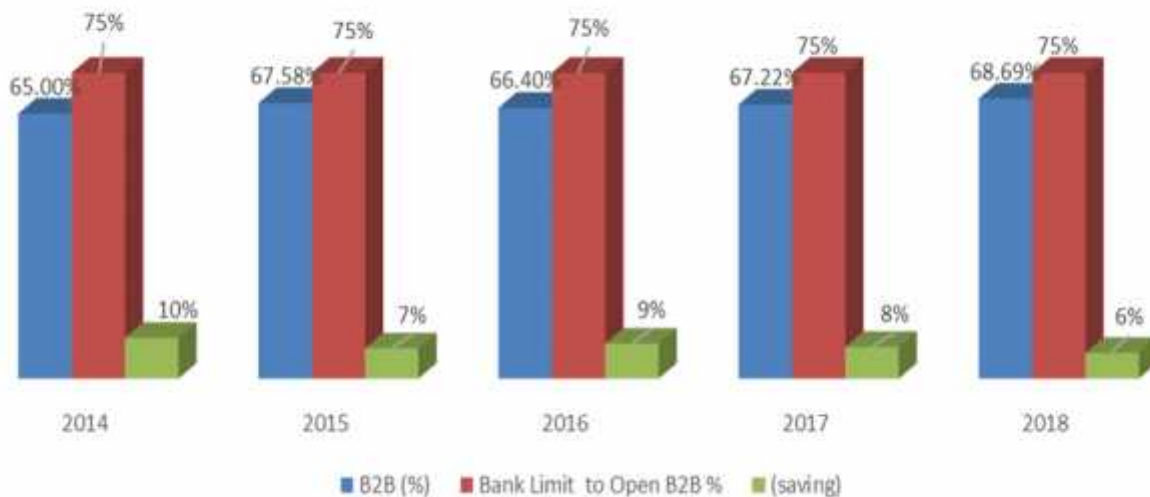
Interpretation : Pre-Cost prepared by merchandiser to collect order form buyer . In this case this pre cost sheet send to sourcing or procurement department , they will purchase lower price against this pre cost sheet. Above shows that actual fabrics cost less than budgetted cos pre cost .Where fabrics amount \$232,910 but when purchase this purchase value \$209953. Accessories Pre cost amount \$59696 and actual cost \$57285. Lab test & Others pre cost amount \$13342 and actual \$ 12204. Commercial cost Precost amount \$22,237 and actual cost \$20,182. Buying commission is same because of the condition. CM (cost of making) is the vital issue for each and every garments factory. Profit is depend on this CM. So actual CM always lower then precost CM .Management strictly follow this. Actaul cost always lower than pre cost amount.

4.4 Savings from raw material purchase: -

NASSA GROUP Raw Material Purchase %

Particulars	Back to Back Open (Purchase %)					
	2014	2015	2016	2017	2018	Average
Qty.	1,476,150	1,672,970	1,771,380	1,968,242	2,096,463	1,797,041
Revenue	934,402,660	1,058,989,681	1,121,283,192	1,245,870,213	1,265,322,844	1,125,173,718
Cost of Material	607,361,729	715,665,226	744,532,039	837,516,793	869,115,106	754,838,179
B2B (%)	65.00%	67.58%	66.40%	67.22%	68.69%	66.98%
Bank Limit to Open B2B %	75%	75%	75%	75%	75%	75%
(saving)	10%	7%	9%	8%	6%	8%

Back To Back savings



Interpretation : Bank has been provided 75 % B2B (credit) facility to purchase raw material against total sales contract value. In 2014 sales revenue was Taka 934,402,660 and Purchase was Taka 607,361,729 , Here BB % was 65 % where bank provide 75 % . So from this year we got 10 % Savings from material purchase. In 2015 sales revenue was Taka 1,058,989,681 and Purchase was Taka 715,665,226, Here BB % was 67.58 % where bank provide 75 % . So from this year we got 7 % Savings from material purchase. IN 2016 sales revenue was Taka 1,121,283,191 and Purchase was Taka 744,532,039, Here BB % was 66.40 % where bank provide 75 % . So from this year we got 9 % Savings from material purchase. IN 2017 sales revenue was Taka 1,245,870,213 and Purchase was Taka 837,516,793 , Here BB % was 67.22 % where bank provide 75 % . So from this year we got 8 % Savings from material purchase. In 2018 sales revenue was Taka 1,265,322,844 and Purchase was Taka 869,115,106 , Here BB % was 68.69 % where bank provide 75 % . So from this year we got 6 % Savings from raw material purchase.

4.5: Selling price against cost of goods manufactured:

NASSA GROUP

Selling Price Calculation on the basis of last 5 Years

Particulars	Selling Price Per Unit last 5 Years					
	2014	2015	2016	2017	2018	Average
Revenue	934,402,660	1,058,989,681	1,121,283,192	1,245,870,213	1,265,322,844	1,125,173,718
Qty.	1,476,150	1,672,970	1,771,380	1,968,242	2,096,463	1,797,041
FOB or Selling price per unit (Avg) (USD)	\$ 8.20	\$ 8.44	\$ 8.12	\$ 7.72	\$ 7.36	\$ 7.97
Sales Increasing %		13.33%	5.88%	11.11%	1.56%	7.97%

Particulars	Cost of Goods Manufactured					
	2014	2015	2016	2017	2018	Average
Qty.	1,476,150	1,672,970	1,771,380	1,968,242	2,096,463	1,797,041
Cost of goods Manufactured (Taka)	772,259,367	902,549,217	942,409,205	1,057,380,311	1,093,462,255	953,612,071
Cost of goods Manufactured. (Per Pcs) USD	\$ 6.38	\$ 6.58	\$ 6.49	\$ 6.55	\$ 6.36	\$ 6.47

Selling Price against cost



Interpretation : We have calculated this report on the basis of 5 Years (2014 to 2018) . In 2014 Companys total revenue was Taka 934,402,660 & Cost of goods manufactured was Taka 772,259,367 . In 2015 Companys total revenue was Taka 1,058,989,681 & Cost of goods manufactured was Taka 902,549,216 . In 2016 Companys total revenue was Taka 1,121,283,191 & Cost of goods manufactured was Taka 942,409,205. In 2017 Companys total revenue was Taka 1,245,870,213 & Cost of goods manufactured was Taka 1,057,380,311. In 2018 Companys total revenue was Taka 1,265,322,844 & Cost of goods manufactured was Taka 1,093,462,255. From above calculation it has been found that Selling unit per pcs 2014 was \$8.20 and cost per unit \$ 6.38. 2015 selling unit price \$8.44 and cost per unit \$ 6.58. In 2016 Selling unit price \$ 8.12 and cost \$ 6.49 . In 2017 selling unit price \$ 7.72 and cost \$6.55. In 2018 Selling unit price 7.36 and cost per unit \$ 6.36.

4.6- Product wise Shipment Analysis:

Nassa Group Shipment Analysis for the year (2017-2018)

S.N	Items	Shipment-2017				Shipment-2018			
		Target Shipment (Pcs)	Actual Shipment (Pcs)	Average FOB (Pcs)	Amount	Target Shipment (Pcs)	Actual Shipment (Pcs)	Average FOB (Pcs)	Amount
1	5 Pocket	700000	675,242	\$ 6.00	\$ 4,051,452	700000	785,463	\$ 5.85	\$ 4,594,959
2	Chino Pant	600000	550,000	\$ 7.50	\$ 4,125,000	600000	550,000	\$ 7.00	\$ 3,850,000
3	Cargo Pant	440000	400,000	\$ 11.50	\$ 4,600,000	440000	400,000	\$11.25	\$ 4,500,000
4	Dress Pant	300000	283,000	\$ 9.00	\$ 2,547,000	300000	301,000	\$ 8.80	\$ 2,648,800
5	Denim Jacket	100000	60,000	\$ 13.41	\$ 804,318	100000	60,000	\$13.10	\$ 786,000
Total		2140000	1,968,242		\$16,127,770	2140000	2,096,463		\$ 16,379,759

Shipment Varince



Interpretation : IN 2017 we estimated that our shipment will be 214000 pcs (5 pocket 700,000 , Chino pant 600,000 pcs, cargo Pant 440,000 Pcs, Dress pant 300,000 Pcs Denim jacket 100,000 Pcs) but actual shipment was 1,968,242 Pcs (5 pocket 675,242 , Chino pant 550,000 pcs, cargo Pant 400,000 Pcs, Dress pant 283,000 Pcs Denim jacket 60,000 Pcs) . Short quantity was 171,758 Pcs. IN 2018 we estimated that our shipment will be 214000 pcs (5 pocket 700,000 , Chino pant 600,000 pcs, cargo Pant 440,000 Pcs, Dress pant 300,000 Pcs Denim jacket 100,000 Pcs) but actual shipment was 2,096,463 Pcs (5 pocket 785,463 , Chino pant 550,000 pcs, cargo Pant 400,000 Pcs, Dress pant 301,000 Pcs Denim jacket 60,000 Pcs) . Short quantity was 43,537 Pcs.

4.7 Break Even Calculation :

Nassa Group.

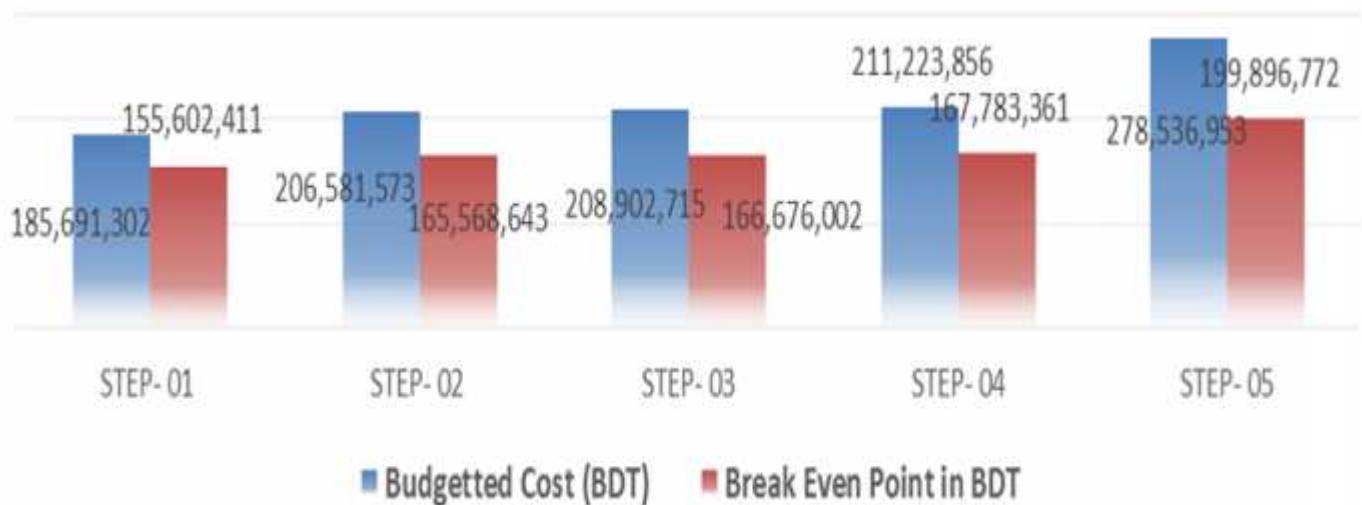
Yearly Budgeted Cost & Break Even Point Calculations

BREAK EVEN CALCULATIONS

Nassa group has been calculating their profit margin on the basis of CM (Cost of Making) . I have tried to show the break even analysis on the basis of this cost.

S.N	Particulars	STEP- 01	STEP- 02	STEP- 03	STEP- 04	STEP- 05
A	Budgetted Quantity	2,000,000	2,225,000	2,250,000	2,275,000	3,000,000
B	Budgetted Cost (BDT)	185,691,302	206,581,573	208,902,715	211,223,856	278,536,953
C	Required CM earning, maintaining 10% profit (BDT)	206,323,669	229,535,081	232,114,127	234,693,173	309,485,503
D	Variable Expenses (BDT))	133,950,255	149,019,658	150,694,036	152,368,415	200,925,382
E	Contribution Mergin (BDT) (C-D)	72,373,414	80,515,423	81,420,091	82,324,759	108,560,121
F	Contribution Mergin (BDT/ Pcs) E÷F	36.19	36.19	36.19	36.19	36.19
G	Total Fixed Cost	54,582,579	58,078,557	58,466,999	58,855,441	70,120,259
H	Break Even Point (Pcs) G÷F	1,508,360	1,604,969	1,615,704	1,626,438	1,937,735
I	Break Even Point in BDT	155,602,411	165,568,643	166,676,002	167,783,361	199,896,772

BREAK EVEN POINT (BDT)



Interpretation : Management every month prepare their target on the basis of booking order. Here mention above that Step: 01 if company's monthly production cost Taka 185,691,302, so in this case company has to sale BDT 155,602,411 to cover fixed cost . Step-2. If company's monthly production cost Taka 206,581,573 , so in this case company has to sale BDT 1165,568,643 to cover fixed cost . Step:03 if company's monthly production cost Taka 208,902,715 So in this case company has to sale BDT 166,676,002 to cover fixed cost Step:04 if company's monthly production cost Taka - 211,223,856 , so in this case company has to sale BDT 167,783,361 to over fixed cost Step:05 if company's monthly production cost Taka 278,536,953 his case company has to sale BDT 199,896,772 to cover fixed cost.

4.7. Findings

After analyzing above issues we have found some finding which is mentioned below:

- 1) Last five 05 years average selling price per unit is \$7.97 whereas average cost of goods manufactured per unit \$ 6.47. So so, our gross profit per pcs \$ 1.50.
- 2) Where average last 05 years company generate saving 8 % from purchase raw materials.
- 3) Sales has been increasing average 7 % on last five years, where company target to increase their sales at 10%. In this case they are trying to achieve their target.
- 4) Fabrics cost reduced by 10% through company's internal policy.
- 5) Savings 7% to 10% is mandatory for each order. Where company has been generated profit 8.06 % on jacket order.
- 6) Factory efficiency 65% to complete each order. Where standard efficiency is 70%.
- 7) Production target 596 Pcs per day per line, actual production 591 pcs per day.
- 8) To complete 01 Jacket factory take time SMV (Standard Minute Value) is 54.96 Mints to complete each jacket.
- 9) Management declared target CM (Cost of Making) \$ 32.44 per dzn for jacket on the basis of factory line cost, whereas actual CM is \$ 28.44. So from this order company earn \$4.00 per dzn
- 10) Jacket FOB is higher rather than others, Where Jacket average FOB \$ 13.10 and Others \$8.23 .So company has been giving highly emphasis on jacket.
- 11) The company should sale Taka 165,568,643 to recover fixed cost .when estimated total cost Taka 206,581,573.

Recommendations and Conclusion

Chapter 5

5.1. Recommendations

As we all know that NASSA Group is one of the well-known organizations in our country. Still from my learning and observation, I am giving following recommendation to follow:

- They should improve their factory operator efficiency through quality training.
- Sales should increase by proper marketing.
- Company can more savings from raw material purchase through set up separate purchase department.
- Fabrics cost will more save if they control fabrics consumptions.
- They should maintain timely shipment through maintain proper SMV.
- They should control CM (Cost of making) by reducing their excess overhead cost.

5.2. Conclusion

Nassa Group is one of the largest group in Bangladesh. Their management style, decentralised decision making environment & the policies is really remarkable.

This report has prepared basically to understand their costing procedure.

This costing system are playing vital role to gain high profit. In this digital era the information is key to success of business.

The overall analysis is indicating that the company's progress has mainly attained through dedication of employees. The effectiveness of its management, their willingness to take advantage of opportunities and face challenges of changing economic picture, this all contributes to the very much improved and sound position of company.

References:

1. Internal Costing Report (Confidential)
2. Various others financial Report
3. Appendix 1& 2

