

# Job costing business plan

[Business](#), [Marketing](#)



**The organizations procedure for job costing will follow a predetermined process to ensure efficiency and timeliness.**

The initial process in the job costing procedure will be the identification of the levels of direct costs that are attributable to a particular project. The procedure will involve making actual records of the estimated labor and direct materials costs.

In costing the direct labor used by the business for a particular project or for a particular period, the business will make estimations on all the associated costs of labor and prepare a labor projection sheet. This will be used as a benchmark upon which actual costs incurred will be compared. The recording of the actual costs incurred by the business relating to labor will be recorded using time sheets. All the relevant information relating to the provision of labor by each employee will be recorded in a time sheet to effectively monitor the costs of labor.

To effectively monitor the direct material costs, an ordering process for the business will be instituted to ensure efficient and smooth ordering process. The procedure for ordering will start with the evaluation of the materials needed for a particular project. The number, technical specifications and the time they will be needed will be estimated to give a basis for making the actual order. The project supervisor will be responsible for this evaluation of the materials that will be needed for each project. A budget for the materials will be developed based on these requirements. The budget will act as a standard upon which the number, quality and price of the materials purchased will be compared.

The specification of the technical requirements for the materials to be

ordered will be carried out by the supervisor of the project in question. After evaluating the project's magnitude and the client's needs, he should be able to develop the specific technical requirements for the materials that need to be ordered. This will be documented by the use of a technical requirements sheet which will indicate the number of the materials and the time they will be required.

The commercial specification of the materials will be the responsibility of the procurement officer of the business. He will be required to evaluate the vendors who can provide the required quantity and quality of materials as specified in the technical requirements. The process should yield results by identifying the vendor who offers the most competitive prices and the required quality of materials. Documentation of this will be done by the use of a commercial specifications sheet which will include all the commercial details required for the order.

If there is a need to subcontract for a project, the business procurement officer will be responsible for the identification of a suitable subcontractor. A tender for subcontracting will be used to call for bids by qualified subcontractors. The subcontractor who offers the best terms will be awarded the tender.

The estimated number of materials will be valued at the price at which they can be acquired from the market without compromising on quality. The procurement officer of the business will be responsible for carrying out the necessary market research needed to determine the vendors to supply quality materials at an appropriate price.

After the identification of the vendors, actual purchase orders will be

prepared by the accounts clerk under the supervision of the business accountant. The purchase orders will be in a format clearly showing the number, technical specifications and the cost of the product. Each order will have an order number to ensure that a track of the order can be kept. The delivery of the ordered materials will be supervised by the stores officer. A record of the materials received from each vendor will be kept, indicating the number and the conditions of the materials when received will be kept by the storekeeper. Any other related costs such as the transportation costs of the materials will also be recorded at the receipt of the materials. The invoices that are received will be the responsibility of the accounts clerk and the storekeeper. A reconciliation of the number of materials received with those ordered and those invoiced should be made. Any disparities in quality, price or number will be recorded and the necessary action taken to make rectifications on the invoiced amount. The last process in ordering will be the payment for the ordered materials. This will be after the receipt of the materials to the stores of the business and validating their technical and quality specifications. The vendor supplying the materials will be paid through the bank. After the payment for the materials, a cost centre sheet will be prepared for the materials purchased. This will be the responsibility of the company accountant, and from this cost center sheet, all the associated costs of ordering the materials should be indicated to give the total cost of the materials ordered. The actual costs will be contrasted with the budgeted costs of the materials and any disparities will be investigated so as to ensure that necessary

adjustments are made to avoid the overshooting of costs. The business accountant will be responsible for the monitoring of the actual costs against the budgeted costs.