



BellHawk® Activity Based Costing Option

A major problem for many make-to-order manufacturers is that they do not produce accurate cost estimates for jobs and as a result often under or over bid jobs. Even worse, many manufacturers do not know what each job costs as it is shipped, nor do they have a detailed breakdown of estimated versus actual costs. As a result they often lose money on repeat orders, when they could have the data to prepare accurate cost estimates and present quotations on which they can make money and win jobs. Manufacturers often make 80% of their profits on 20% of their jobs and then throw it all away on the other 80% of the jobs.

The BellHawk Activity Based Costing (ABC) option generates cost estimates for work orders based upon the following data setup for each route step in BellHawk for a work order:

- Operations needed to make products
- Labor required for each operation by labor class
- Materials required for each operation
- Equipment setup, run, and clean-up time required for each operation.
- Quantity to be produced.

ABC then computes actual costs based upon:

- Actual labor used at loaded labor rates for each person
- Actual material used, at purchased cost or cost-to-make or standard cost, including scrap and wastage.
- Actual equipment time used as well as setup, cleanup, and any down-time incurred at loaded cost per hour rates for the machine, when running and not running.
- Actual operations performed including rework operations not on original route.

ABC generates the following reports:

- Estimate of costs, showing a complete breakdown by operations of labor, material, and machine times and costs for the quantity to be made.
- Actual costs, showing a complete breakdown by operation of labor, material, and machine times and costs.
- Comparison of planned versus actual cost, including the effect of unscheduled operations and use of alternate resources.

ABC takes into account the allocation of labor between multiple work orders, when employees are working on the same work orders at the same time. The inclusion of equipment costs requires the equipment/line tracking option (ETO).

For more information, please see www.BellHawk.com.

