**BTEC Assignment Brief**

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| **Qualification** | Pearson BTEC Level 3 National Diploma in Engineering Pearson BTEC Level 3 National Extended Diploma in Engineering  |
| **Unit number and title** | **Unit 4: Applied Commercial and Quality Principles in Engineering** |
| **Learning aim(s)** (For NQF only) | **B:** Explore activity-based costing as a method to control costs and to determine if an engineering product or service is profitable |
| **Assignment title** | Activity-Based Costing |
| **Assessor** | J Kupper |
| **Issue date** | 23/09/19 |
| **Hand in deadline**  | 07/09/19 |
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| **Vocational Scenario or Context** | You are working as a final year apprentice in a small engineering company. Your supervisor is pleased with the investigations you completed into ways that your company could gain a competitive advantage. Your supervisor has now asked you to investigate reasons why an engineering organisation would wish to control costs, so they can be considered in your organisation.To do this, your supervisor wants you to find out about the different types of costs that an engineering organisation will encounter, and ways in which these costs could be controlled. |
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| **Task 1** | You are going to investigate a) how an engineering organisation allocates costs; and b) the ways in which costs can be controlled within an engineering organisation. You will also use activity-based costing to identify any inefficiencies associated with the engineering activities.**To do this:** Your tutor will provide you with a case study that includes financial information about an engineering organisation which either produces engineering products or provides an engineering service. **You should then:*** Investigate and report on the reasons why engineering organisations want to analyse and control costs, including how decision making can be influenced.
* Use the case study to research the costs associated with either producing a product or providing an engineering service. You should investigate how costs are allocated to individual activities, including direct costs, indirect costs, variable costs, semi-variable costs, fixed costs and general/administration costs.
* You should then use the case study to complete and record an iterative activity-based costing exercise to generate an activity-based cost model for an engineering product or service. This costing exercise should include five stages: 1) identifying activities; 2) assigning resource costs to activities; 3) identifying outputs; 4) assigning activity costs to outputs; and 5) assigning activity cost pools.
* Finally, you should reflect on the results of your activity-based costing exercise, by: a) explaining how costs are categorised; b) identifying those cost areas that have the greatest impact on the profitability of the product or service that you have investigated; and c) evaluating the reasons for producing an activity-based cost model.
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| **Checklist of evidence required**  | A research and problem solving project to explore the costs associated with engineering activities and to complete an activity-based cost model for a product or service. |
| **Criteria covered by this task:** |
| Unit/Criteria reference | To achieve the criteria you must show that you are able to: |
| 4/B.D2 | Produce an accurate and refined activity-based costing model, during the process, for a product or service to determine the major cost areas that could impact on profitability, explaining the reasons for cost controls |
| 4/B.M2 | Produce accurately an activity-based cost model for an engineering product or service, explaining the reasons for cost controls |
| 4/B.P3 | Explain why an engineering organisation controls costs  |
| 4/B.P4 | Produce an activity-based cost model for an engineering product or service |
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| **Sources of information to support you with this Assignment** | <http://www.bluefinsolutions.com/blogs/steve-mainprize/november-2014/a-worked-example-for-activity-based-costing>[http://kfknowledgebank.kaplan.co.uk/KFKB/Wiki%20Pages/Activity%20Based%20Costing%20(ABC).aspx](http://kfknowledgebank.kaplan.co.uk/KFKB/Wiki%20Pages/Activity%20Based%20Costing%20%28ABC%29.aspx) |
| **Other assessment materials attached to this Assignment Brief** | Case study |