Title	**Demonstrate and apply knowledge of costing for an activity within an entity**		
Level	**5**	**Credits**	**6**

Purpose	People credited with this unit standard are able to, for an activity within an entity: explain and classify costs; determine and allocate costs; and make recommendations based on cost information. This unit standard is for people who are not financial specialists or experts but who need financial knowledge and skills in their workplace.

Classification	Financial Management > Financial Skills

Available grade	Achieved

Guidance Information

1 People must be assessed against this unit standard in their workplace using naturally occurring evidence, or in a realistic simulation of such a context. Competence must be demonstrated within timeframes expected in a commercial environment.

2 An *entity* may include but is not limited to – an entire organisation; a part of an organisation such as a cost-centre, department, or branch; a small-to-medium enterprise (SME); a community group such as a sports club.

3 *Activity* may include but is not limited to – manufacturing, retail, event, service provision. The activity must be suitable to enable the demonstration and application of knowledge to meet the criteria for level 5 in the NQF Levels Descriptors.

Outcomes and performance criteria

Outcome 1

Explain and classify costs for an activity within an entity.

Performance criteria

1.1 Costs are classified in relation to the activity.

Range costs, as relevant to the activity – direct, indirect, fixed, variable, product, period, overhead;
evidence is required for four costs.

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1.2 Costing terms are explained in terms of the activity.

Range break-even point, variable, fixed, direct, indirect.

1.3 Cost sources are described in terms of their effect on the activity.

Range cost sources, as relevant to the activity – labour, materials, overheads, capital, depreciation;
evidence is required for four cost sources.

1.4 Costing methods are described in terms of whether or not they are suitable for the activity.

Range historical, unit, standard, zero-based, job, process;
evidence is required for at least three methods, including the cost method used for the activity.

Outcome 2

Determine and allocate costs for an activity within an entity.

Performance criteria

2.1 Direct and indirect resource costs are determined and allocated for the activity.

Range resources – plant, materials, human.

2.2 Indirect operational costs are determined and allocated for the activity.

Range operational costs may include but are not limited to – consumables, machinery, maintenance, capital;
evidence is required for two operational costs.

2.3 Overhead costs are determined and allocated for the activity.

Range costs – management, sales and marketing, administration, compliance;
allocation options may include but are not limited to – materials, labour, overheads, work in progress, completed jobs.

Outcome 3

Make recommendations for an activity within an entity, based on cost information.

Range the activity and/or the cost information may be those from outcome 2;
recommendations will address at least two of – planning, quotations, estimates, pricing, capital investment, production, make/buy, cost-control.

Performance criteria

3.1 The recommendations are justified in terms of the activity's purpose.

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3.2 The recommendations are justified in terms of the cost information.

Replacement information	This unit standard replaced unit standard 1858 and unit standard 6409.

This unit standard is expiring. Assessment against the standard must take place by the last date for assessment set out below.

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	21 May 2010	31 December 2016
Rollover and Revision	2	18 April 2013	31 December 2020
Rollover and Revision	3	17 September 2015	31 December 2024
Review	4	10 December 2020	31 December 2027
Rollover	5	24 November 2022	31 December 2027
Rollover	6	27 April 2023	31 December 2027
Rollover	7	25 September 2025	31 December 2027

Consent and Moderation Requirements (CMR) reference	0113

This CMR can be accessed at http://www.nzqa.govt.nz/framework/search/index.do.

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