



ESTIMATION OF BUSINESS EXPENSES

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INTRODUCTION :

- A business estimate is a document that provides potential clients with an approximation of the costs associated with the goods or services they are interested in. It is important to remember that an estimate is not a binding contract, but rather a tool used to help secure

business



PURPOSE

- Estimates are important because they allow businesses to set expectations for their customers. They also help businesses determine whether or not a project is feasible and how much profit they can expect to make. Estimating also allows businesses to plan for unforeseen expenses and keep track of spending.

- **PROBLEM
UNDERSTANDING :**

Understanding Business Cost Calculation Methods

Depending on the context in terms of assets and actors, the term "cost" has slightly different meanings and may be calculated in different ways.

Calculating Costs: Producers

In most cases, calculating production costs is straightforward. The producer of a good or service normally uses the actual costs/actual output method of accounting. If a company incurs \$100,000 in operating costs, and that leads to the production of 100,000 units of consumable goods, the producer realizes a simple \$1:1 ratio of unit output.

Though simple, this figure helps to highlight both how efficiently a company operates and how well it has forecasted the future.

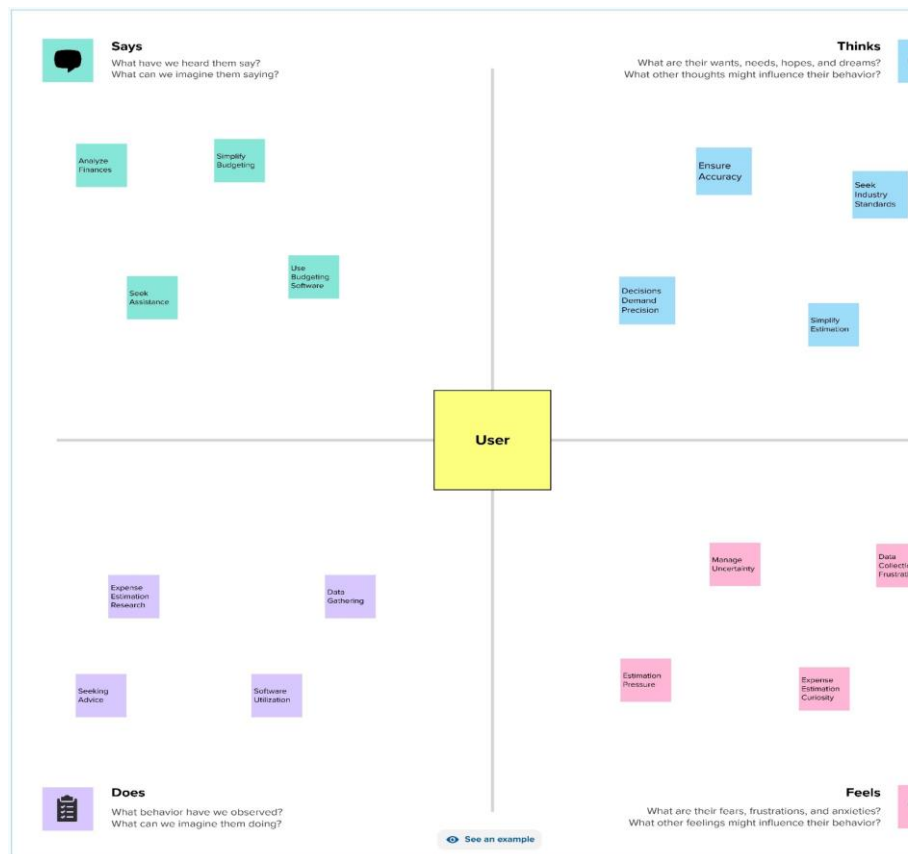
If producers have been extremely inefficient with material resources or production is significantly less than capacity, other calculations are necessary when preparing an income statement. Otherwise, the actual costs/actual output is sufficient.



Calculating Costs: Cost Basis

Cost basis is the taxable amount paid for assets or investments and is particularly important for determining capital gains. The Internal Revenue Service allows for three separate methods of calculating costs for tax purposes: average cost; first in, first out (FIFO); and specific identification. Cost basis accounting varies depending on whether the items in question are stocks, bonds, mutual funds, capital equipment, or other assets

● EMPATHY MAP :



IDEATION OF BRAIN STORMING MAP :



● RESULT

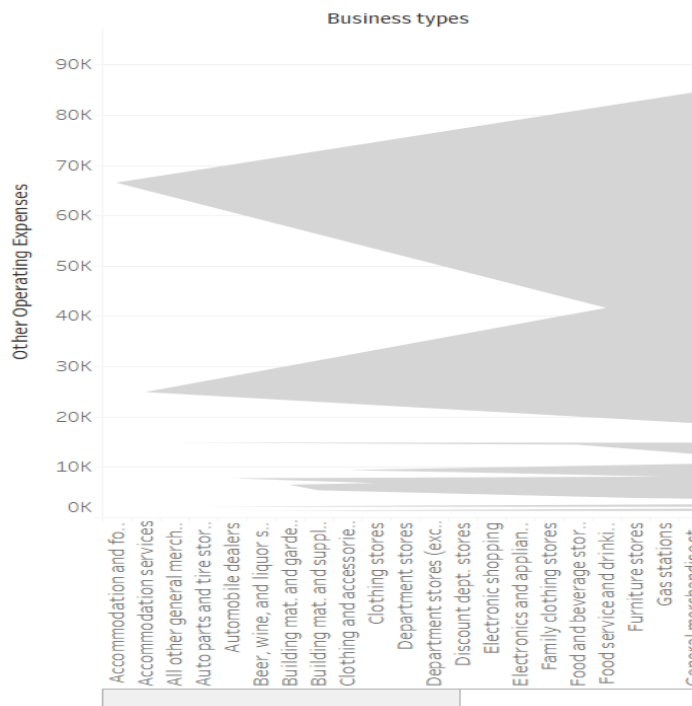
- Advertising and marketing expenses
- Credit card processing fees
- Education and training expenses for employees
- Certain legal fees
- License and regulatory fees
- Wages paid to contract employees
- Employee benefits programs
- Equipment rentals
- Insurance costs
- Interest paid
- Office expenses and supplies
- Maintenance and repair costs
- Office lease costs
- Utility expense

Introduction :

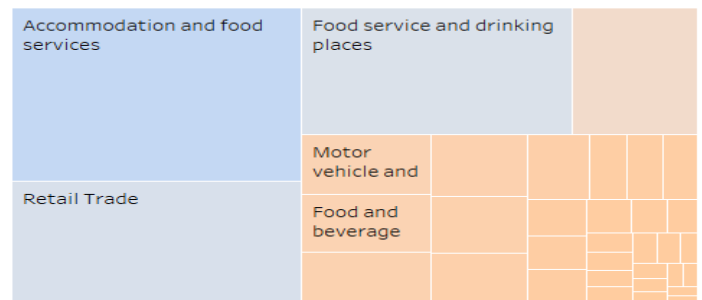
The introduction of details given

Other Operating Expenses , Fuels , Contact labor costs

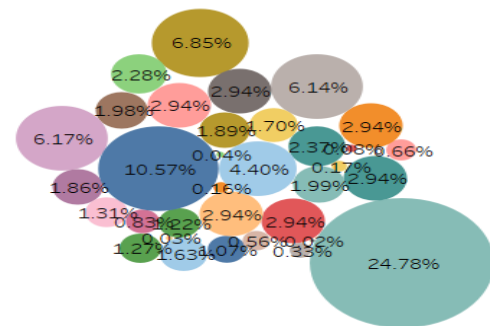
Other Operating Expenses



Fuels



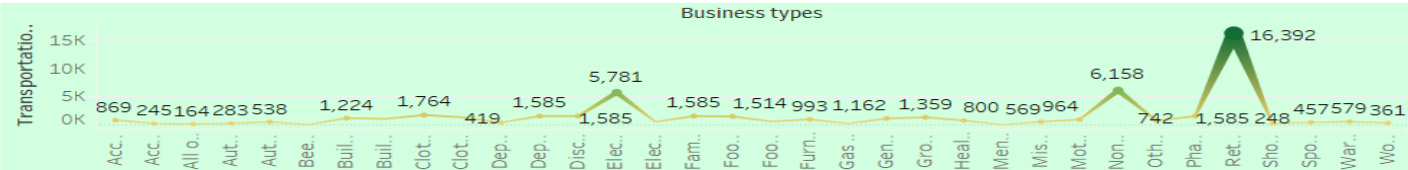
Contract labor costs



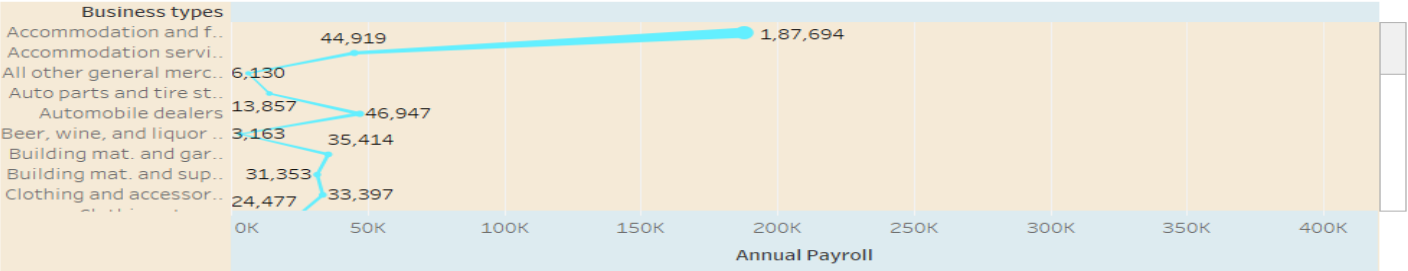
Business types :

EMPLOYER COSTS HEALTH INSURANCE , TRANSPORTATION SHIPPING , ANNUL PAYROLL

Transportation Shipping Warehousing



Annul Payroll

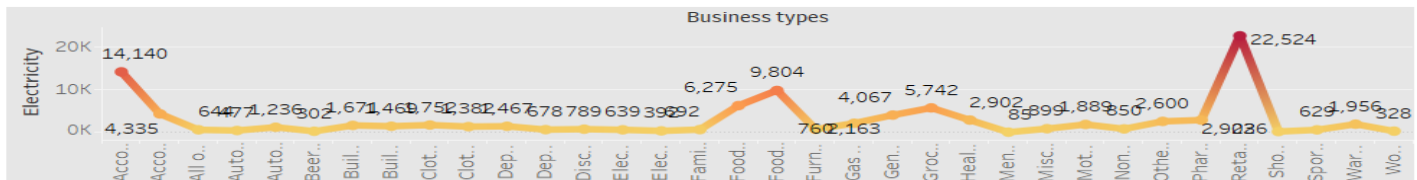


EMPLOYER COSTS HEALTH INSURANCE

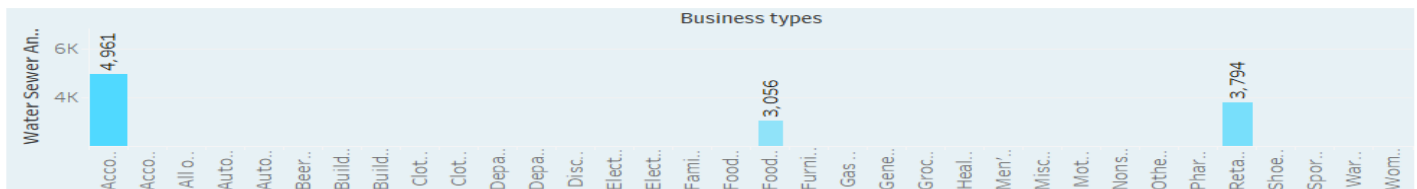


Purehases of Software , Water sewer And Other Utility , Elrctricity

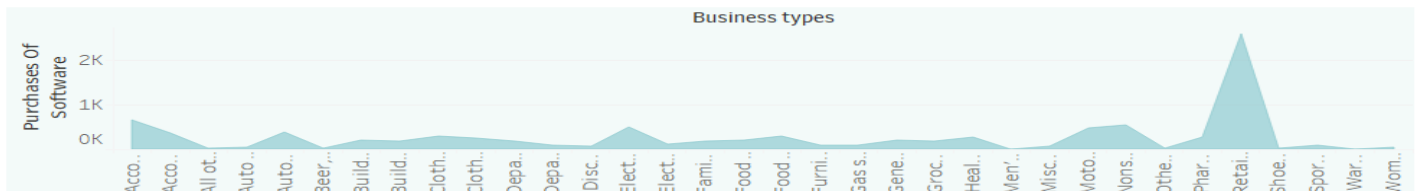
Electricity



Water Sewer And Other Utility



Purchase Of Software



ADVANTAGES & DISADVANTAGES

Advantage: Clarity in Unpredictable Situations

Performing a cost benefit analysis gives you the opportunity to delve into specifics about what you are spending to launch a product or to invest in an advertising campaign. The act of defining and listing these costs is a valuable exercise, forcing you to **identify and evaluate each upcoming expenditure**. The process can benefit you, even though it's often impossible to fully predict every expense you will incur. Unpredictable situations and expenditures are an inevitable part of every venture, but trying to predict them will help you anticipate some curve balls.

Disadvantage: Does Not Account for All Variables

The ostensible clarity provided by a cost benefit analysis can give you the illusion that you have covered your bases, when actually there is so much more to know. Just as you will almost certainly encounter unforeseen costs, you may reap benefits that you did not anticipate or a venture may fail to yield the advantages you anticipated. Performing a cost benefit analysis may lead you to believe that you know what to expect and have made a clear and informed decision, when the **actual outcome depends on many variables** that will unfold over time.

Advantage: Helps You Make Rational Decisions

A cost benefit analysis is in part a tool geared toward helping you **make rational, rather than emotional, decisions**. By laying out the costs you will incur, to the best of your knowledge, you circumvent the impulse to launch a venture simply because it appeals to you or because you have an emotional tie to a vendor or to an anticipated outcome. The act of listing and evaluating costs and benefits forces you to look at these variables as objectively as possible.

Disadvantage: Removes Gut Instinct

However, making **decisions based on gut instinct isn't necessarily a faulty approach**. If you feel strongly that a course of action is the right one for your business, even though your cost benefit analysis shows it may not be worth the expense, proceed with caution. Act with the awareness that you're taking a risk, and then measure and evaluate the results so that you can proactively change course, if the costs really do end up outweighing the benefits.

CONCLUSION :

In conclusion, cost estimation is an important component of project management that ensures projects are finished on schedule and within budget. Since inaccurate cost estimates can have serious financial consequences for businesses, accurate cost estimating is crucial for all stakeholders engaged in a project

In conclusion, cost estimation is an important component of project management that ensures projects are finished on schedule and within budget. Since inaccurate cost estimates can have serious financial consequences for businesses, accurate cost estimating is crucial for all stakeholders engaged in a project. It is crucial to consider a

variety of elements that affect cost build-up, such as the complexity of the project, scale and scope, time, proper project planning, familiarity with essential procedures, and the client's financial status, in order to increase the accuracy of cost estimating. In addition, the cost estimation techniques and practices that can be used can greatly contribute to improving the accuracy of the cost estimate or how it can be build-up, including bottom-up estimating, parametric estimating, analogous estimating, and mixed approaches. Based on the information available, these methodologies use both qualitative and quantitative methods to create estimates of project costs. To increase accuracy, it is crucial to compile all pertinent data regarding the variables affecting cost estimation and to use the appropriate approaches, models, and methodologies. Nevertheless, there are challenges and there is plenty of opportunity for improvement in cost estimation management. These include addressing weaknesses in current techniques and methods, improving the accuracy of cost modeling, and considering human communication when estimating projects. Furthermore, achieving customer-centric profitability depends on a knowledge of the link between expenses and customer pleasure. Overall, accurate cost estimating is essential for project managers to make informed decisions, complete projects efficiently, and prevent cost overruns. Project managers can improve the accuracy of cost estimates and ensure successful project cost management by considering all factors affecting cost build-up and using the right estimating strategies

FUTURE SCOPE :

As per AACE International, recommended practice 10S-90, "scope is the sum of all that is to be or has been invested in and delivered by the performance of an activity or project. In project planning, the scope is usually documented (i.e., the scope document), but it may be verbally or otherwise communicated and relied upon. It is generally limited to that which has been agreed to by the stakeholders in an activity or project".

Scope definition is dividing all major project deliverables into smaller, more manageable components to:

- Improve the accuracy of cost, schedule, and resource estimates
- Define a baseline for performance measurement and control
- Facilitate clear responsibility assignments

A six-step process is being suggested to ensure all the required work is included in the project:

- Collect Project Requirements
- Define Scope
- Create Work Break-Down Structure (WBS)
- Verify Scope
- Control Scope
- Scope of Work and Communications

APPENDIX :

A business plan is essential in starting a business, improving a business, or raising capital, and is a detailed view of the business. A Sample Business Plan is found in Appendix J. Low-cost assistance and training in preparing a business plan is available from Small Business Development Centers (SBDC) located throughout the United States. Although a complete business plan as found in Appendix J is recommended, the minimum requirements for the Business Plan are as follows: 1. Documentation of Business, Company, or Organization 2. Narrative Description of Who Will Perform Work 3. Description of Business Experience and Past Performance Evaluations 4. Financial Resources (Financial Statement, Form FS-6500-24, and Request for Verification, Form FS-6500-25) Appendix 17 & 18. 5. Payment History/Credit References 6. Cash Flow Projection for The First Three Years of Operation 7. Income Projection by Month

For the First Three Years of Operation 8. Estimated Fee to the Government Additional requirements for the Business Plan are specified below:



