



**Study on Costing Techniques in Garments Sector of Bangladesh:
SME Sweaters Limited as a Case**

An Internship Report Presented in Partial Fulfillment of the
Requirements for the Degree of Bachelor of Business Administration

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September 26, 2011.

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Subject: Submission of the Internship Report

Dear Sir,

With profound respect and honor I would like to inform that, I have completed my Internship Report titled “Study on Costing Techniques in garments sector of Bangladesh- SME Sweaters Ltd. as a case”. This is a partial requirement to fulfill my Bachelor of Business Administration degree.

My paper covers the methods of collecting information to prepare this paper, objectives and scope of the paper, the limitations that I had in my preparations and I have attempted with whatever expertise I have, to analyze activity and prepare possible recommendations and suggestions as to how it could have been improved perhaps. Under this paper I hope that you will find all the necessary information of our procedures into our findings and analyses.

I express my sincere gratitude for your guidance and suggestions in preparing the report. I would be glad to answer any inquiries and offer clarifications if required.

Sincerely yours,

Md.AL-Amin Sarker
Id# 07104083
BRAC Business School,
BRAC University.

Acknowledgment

At First, I would like to thank almighty Allah for giving me the opportunity to complete my internship. I also want to thank all the people, who have given their support and assistance and extremely grateful to all of them for the completion of the report successfully. BRAC University and SME Sweaters Ltd. both provided me with enormous support and guidance for my internship program to be completed successfully. Preparing this report was exciting and hard work at the same time. It is for the first time that I have been able to gather real life experience by working on beverage market.

I would like to thank Mr. Md. Kamrul Hasan, Managing Director of SME Sweaters Ltd. and my reporting boss for his valuable time and constant guidelines and encouragement throughout the internship period.

I would also like to thank my honorable supervisor, Probal Dutta, Assistant Professor, BRAC Business School for his kind concern, valuable time, advice and constant guideline throughout the internship period and making of the report.

I would also like to express my foremost gratitude to other officials of SME Sweaters Ltd. who helped me and gave me their valuable time, providing me with the most relevant information on the basis of which I have prepared this report. I am thankful to all of them for helping and guiding me and for being nice and kind to me.

And finally I would like to thank SME Sweaters Ltd. for providing me with the opportunity to do my internship in the reputed group of organization.

Executive Summary

The Merchandising department is the most important part of the export oriented business. It increases the opportunity for entrepreneurship development in garment sector. Thus it helps the unemployed people as well as the government to remove unemployment problem and also play an important role in the economic development of the country.

I have worked there three months as requirement of the internship phase of BBA program under the BRAC Business School. My topic is Costing Techniques in Garments Sector of Bangladesh: SME Sweaters Limited as a Case. This Report is originated as a partial requirement of BBA program.

In order to achieve perfect garment costing, one must know about all the activities including purchase of fabrics, sewing, packing, transport, overheads, etc and also about their costs, procedures, advantages and risk factors.

The Bangladeshi apparel industry is very large and diverse, employing 6 million people and accounting for 87 per cent of the country's exports. The apparel industry plays a pivotal role as a key driver of the national economy and has grown to be the most significant contributor to the country's economy over nearly three decades of its existence. However, during last 10 years, the industry's actions, government policies as well as market events have begun to converge, providing several growth opportunities for the sector domestically as well as in the global market.

As the MFA quota-regime ended, Bangladesh presented many opportunities for buyers, suppliers and investors to collaborate with its textile industry, and to profit from the partnership. While the industry recorded a remarkable growth in a protected market environment, it faces a series of challenges that have come to the fore in the post-quota situation, notably in areas such as:

- Price competitiveness.
- Faster lead times.
- High raw material base.
- Full service offering.

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PART-1

ORGANIZATION OVERVIEW

Organization Overview

Profile of the Organization

SME Sweaters Ltd. is an export oriented sweater manufacturer and exporters in Bangladesh. It was established in 2005. **SME Sweaters Ltd.** is one of the biggest sweater garment factories in Bangladesh. In 2007 incises its production capability by 80%.

The company is not use to promote any product in domestic market. The object of the company is to produce various types of readymade sweaters.

The factory has been running by highly trained and skilled manpower, which have been in this sector for quite a long time, and are able to keep continuing the production process with utmost accuracy and flawless finishing. The company has guaranteed uninterrupted production and timely supply of sweaters as per the schedule and time frame of buyers. The production unit has its own high powered generator that is being used as back-up sources of electricity, which gives the manufacturing chain a lot more dynamism and continuity. Wide array of indoor and outdoor facilities along with safety measures is one of the prominent features.

Vision of the Organization

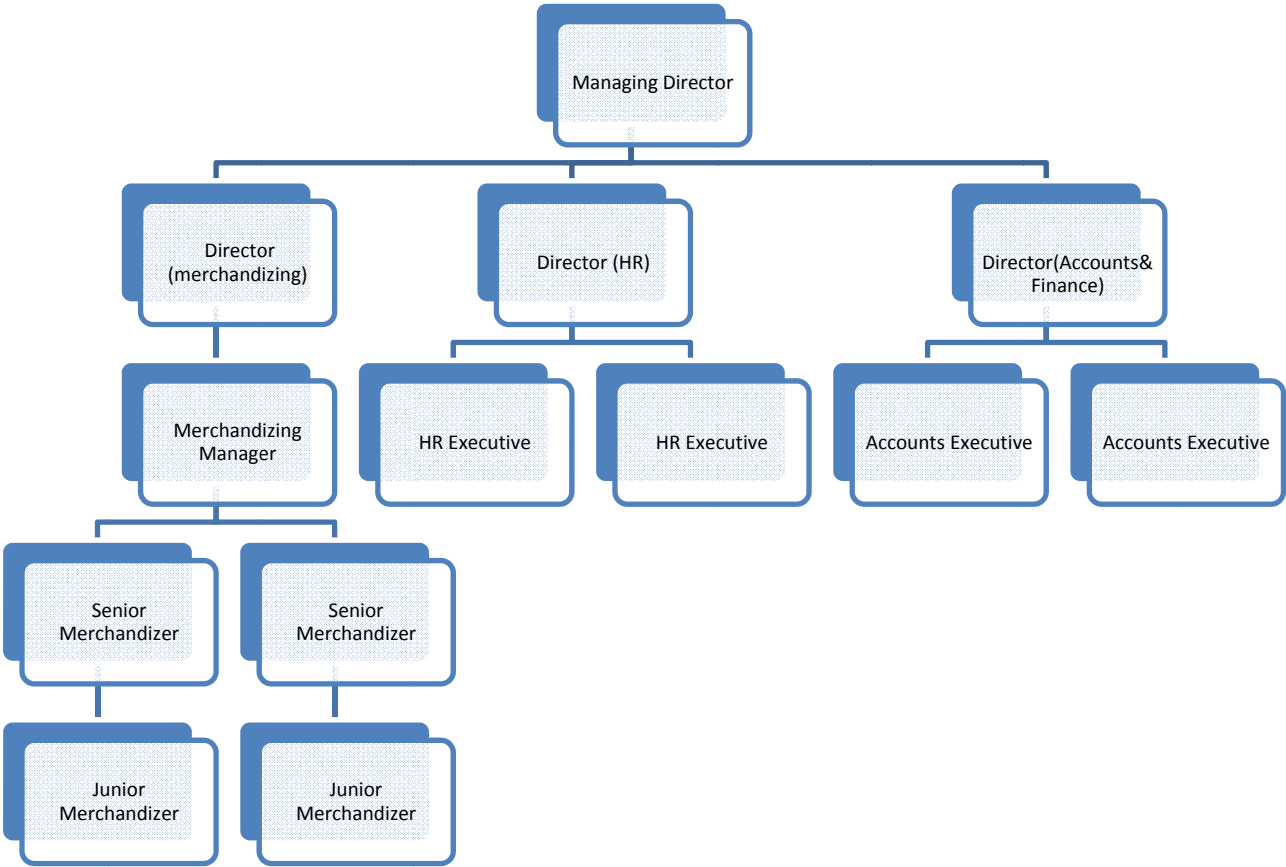
To obtain a leading position in the Buying House sectors of Bangladesh as well as international through maintaining standard quality.

- In time action
- Clear understanding of customer's instructions.
- Clear communication with vendors
- Clear instructions for production
- Strict compliance with quality control system.
- Total devotion maintains first class quality standard.
- Absolute efforts for in time shipments

Mission of the Organization

SME Sweaters Ltd. is committed to maintain discipline, punctuality and quality products at reasonable price and ensure quality service. Their focus is on the customer needs and satisfaction. They always maintain delivery schedule according to buyer’s requirement.

Organ gram of SME Sweaters LTD



Products of SME Sweaters Ltd

SME Sweaters Ltd. produces categories of product for men and women such as:

- Crew-Neck Sweaters
- Polo Sweaters
- Turtleneck Sweaters
- V-Neck Sweaters
- Boat Neck Sweaters

SME Garments Provide Services to

Importers / Buyers

- As an exporter
- As a buying agent
- As a sourcing company
- To set-up QA system

Factories / Vendors in Bangladesh

- As an order supplier
- As a liaison agent between factory and buyer
- For technical assistant

SME Sweaters Ltd. has factories with the latest machinery, manpower with commitment towards delivery & quality standards. These factories can produce any quantities under our guidance and control. Some factories are approved for quality from buyers like GAP, WAL-MART, TARGET, PVH and JC PENNEY etc.

PART -02

DUTIES, POSITIONS & LEARNING POINTS

The Internship Program

I did my internship at SME Sweaters Ltd. from 22 July, 2011. I got the opportunity to work as an internee in the merchandising Department of SME Sweaters Ltd.

The Job Description

It was clearly mentioned in my joining letter that I was supposed to give regular attendance at the place where I would be depend to work on my project. As an internee I was suppose to perform the following works.

- Typing mail for foreign clients.
- Follow up different types of accessories.
- Check the mail and give the answer Position of the production.

The Daily Routine

I worked in the merchandizing section of SME Sweaters Ltd. I worked there 5 days in a week. My office hour was 9 am to 5 pm. But sometime I had to stay more than 8 hour for work. At the beginning of my internship they tell me about my duties and then they introduce me about the whole system of merchandising department of SME Sweaters Ltd. They give me primary data about the function of the different section of the buying house sector. My job was to communicate with the whole sellers of garments accessories and. receive and send e-mail as an employee of the organization. Sometimes I was used to note down the problem of store department as well as my merchandising department with my supervisor of SME Sweaters Ltd.

Use of Office Machinery

In SME Sweaters Ltd. as an internee I was authorized to use all the machineries of the office. I used the following machinery.

- Computer for preparing different document
- Photocopy machine for copy documents
- Fax Machine for fax.

Essential Knowledge

Merchandisers must have some essential knowledge and skill about the buying house accessories. Merchandisers should have to know about the buying house accessories like fabrics and yarn, types of fabric, quality of the fabrics, size of the yarn, dyeing method fabrics, finishing and also know about some accessories which are essential for production such as sewing threads, zippers, plastic accessories, interlining, elastic, woven label etc. This is significant for a merchandiser since they want to make a deal with the buyer; a merchandiser can inquire a buyer about what type of buying house accessories they want to apply to the manufacture of the product. When the buyer provides their opinion, the merchandiser can easily identify what they want, because bad quality accessories or wrong accessories used can cause the merchandiser to be rejected or returned by the buyer. So the merchandiser must be careful about the buying house accessories.

Preparing Accessories List

A merchandiser has to know the total accessories of the production of a product and the estimated cost of that garment's product. I have learned how to prepare an accessories list. There are different types of accessories and work done in the production level.

- **Threads:** There are different types of threads such as: 20/2, 20/3, 40/2, 40/3, 40/4, 50/2, 50/3, etc
- **Label:** Main label, size label, care label, bar label.
- **Zipper:** There are two types of zipper like lock and unlock zipper.
- **Button:** There are three types of button: Metal button, plastic button, and clear button. Button has some size: 142, 18 c etc.
- **Tag:** An object to show the product's object. Three types of tag: Hang, price & joker.
- **Tag pin:** It is necessary for Hang tag and other tag.
- **Hanger:** Sometime a buyer wants a hanger with final goods.
- **Poly:** Primary cover of the products.
- **Cartons:** The container of the products. There are two types of carton: inner carton & master carton.
- **Color chip:** Specific remarks for a specific company.
- **Metal Chip:** For the carton some metal clips are needed.

Learning

Seals and merchandising section is very important section in SME Sweaters Ltd. The factory overall seals depends on the merchandising section. Merchandising section done some specific work. They are given below:

- Communicate with buyer and receive the order.
- Meet the buyer and approve the sample.
- Collection raw materials and all accessories.
- Monitoring the production progress.
- Help the buyer for inspection of product.

PART-3

INTRODUCTION OF THE PROJECT

Rationale of the Study

Bangladesh got great opportunity to earn foreign currency by garments sector. It is a great opportunity to learn about the costing techniques in garments sector of Bangladesh. As an accounting student learning the merchandising sector will be helpful in feature. After completing the report BRAC Business can understand about the merchandise process and could get some idea about recent garments situation.

Statement of the Problems

Here I will be focusing on the element which are effected the merchandiser to make the costing of the product and how they motivated the buyers to buy the SMEs products. How they are getting the raw materials. How they are getting the order and supply of raw material. Who are their whole sellers? These are the things that we want to find from this study.

Scope of the Study

For any business school student only curriculum activities are not enough for handling the real business situation. Internship is a part of the Bachelor of Business Administration (BBA) Degree that provides a job experience for the students. Internship program is a perfect match of the theoretical and practical knowledge. The Report is originated to fulfill the requirement of the internship program under BBA program.

I tried to collect more information about the importance of marketing and merchandising section for the export oriented sweaters garments industry. The current strategy of SME Sweaters Limited is emphasized specially in marketing and merchandising division. The principle of the company is to develop and maintain strong relation with buyers and retailers.

- The study will also help me to understand the costing techniques in garments sector.
- The study will give a clear idea about the costing activities of SME SWEATERS LTD.

- The guiding principle of the company is to develop and maintain strong, secure relation with buyers and retailers and to support the customers.

Delimitations of the Study

I tried to make the Report complete and successful. But I faced many problems when I conducted with directors and other officers of SME Sweaters Ltd. They tried to avoid many questions. It was not possible for me to collect all the care information from the organization. The management personnel and clients were too busy to provide me much time for interview. As we know that merchandising is very big part of garments industry. So three month is very short time to learn. So it was very hard for me to know every part of merchandising and make a complete Report.

The major delimitations are pointed below:

- Due to time limitation many of the aspects could not be discussed in the present report.
- Every organization has their own secrecy that is not revealed to others. That in the reason they did not disclose much information.
- Since the buying house personnel were very busy, they could provide me very little time.

Objective of the study

Broad Objective

The broad objective of this study is to analyze the costing techniques of SME Sweaters Ltd, how the merchandisers do the costing of their job order while they carry out merchandising process.

Specific Objectives

The specific objectives of this report are as follows:

- To analyze the costing techniques in a manufacturing company.
- To identify the merchandising division's work of SME Sweats LTD.
- To find out the duties and responsibilities of merchandisers.
- To find out how merchandiser keep good relationship with buying house.
- To examine the efficiency and effectiveness of SME Sweats LTD.

Methodology of the Study

The report is based on both primary and secondary data. But maximum data used in this report are collected from secondary sources. Thus the report is basically qualitative in nature. However, primary data is also used depending on the requirement.

Sources of Data Collection

Primary Data

The primary data were collected on the basis of:

- Observation method was followed, as I have to study the entire merchandising process in depth.
- Interview with merchandisers
- Group discussion with the company personnel and the clients.

Secondary Data

The secondary data were collected on the basis of:

- Organizational profile of NETWORK CLOTHING LTD.
- Internet
- Newspaper
- Merchandising related books.

Literature Review

The RMG industry of Bangladesh has expanded dramatically over the last three decades. Traditionally, the jute industry dominated the industrial sector of the country until the 1970s. Since the early 1980s, the RMG industry has emerged as an important player in the economy of the country and has gradually replaced the jute industry. The “export-quota system” in trading garment products played a significant role in the success of the industry. However, that quota system came to an end in 2004. Therefore, the competitiveness issue needs to be addressed, with special attention given to the long-term sustainability of the industry.

Charles T. Horngren is the Edmund W. Littlefield professor of Accounting, Emeritus, at Stanford University. He is the author of financial Statement Analysis, published by Prentice Hall. He is co-author of Activity-Based Management Consortium Study (APQC and CAM) and Marketing. Cost Management and Management Accounting (CAM-1). Manufacturing costs and selling and administrative costs are traced to products in an ABC system. Note that treating selling and administrative costs in this way is not acceptable for external reporting.

Charles T. Horngren in “cost Accounting: A managerial Emphasis” has described different cost management Techniques. There has been a significant increase in the attention placed on cost management in recent years as new techniques have been developed to help management in this aspect of their responsibilities. It has become evident that in an increasingly competitive environment, management of costs can be a critical success factor for many organizations.

It has been suggested that the pricing decisions is one of the most important and the most difficult decisions that management have to take. Too much high price may prevent customers from buying. Low demand may result in the company not covering fix costs and therefore a loss will result. A low level of demand may be below the breakeven level. If the price is set too low, the company may generate a negative contribution- a loss again will arise

Hyman, Jeffrey A.; Homan, Molly E, January 1, 2001, Falling merchandise (Retail liability for injuries caused by merchandise falling from shelves) Merchants know falling merchandise presents dangerous risks to unwary customers, and courts are holding them accountable.

Posch, Robert November 1, 1994 Direct Marketing Substituted or unordered merchandise (Inventory management) Managing your inventory requires that you perform a delicate balancing act. Too little inventory makes for unhappy customers and lost sales/good will. Too much inventory incurs high financing and storage costs. Information technology makes the process more flexible, but the tension of a just-in-time ordering mindset grappling with a customer accustomed to superior service remains a primary administrative and legal problem of the database marketing manager.

Islandia, N.Y.--(Business Wire)--October 2, 1997--o determine the resources required to bring its 6,000 custom-designed legacy software programs into compliance with the Year 2000 century date change requirement, Service Merchandise Company has selected CA-Impact/2000, a key component of Computer Associates' Discovery 2000 solution. America's largest jewelry retailer, Service Merchandise operates 357 stores in 37 states.

This study considers costing techniques in garments industry of Bangladesh and other indicators to measure competitive price. Costing includes all the activities like purchase of fabrics and accessories, processing and finishing of fabrics, sewing and packing of garments, transport and conveyance, shipping, over heads, banking charges and commissions.

The paper is structured as follows. Part 1 sets the company overview. Part 2 provides the information about my duties, responsibilities and learning points. Part 3 introduces the study. Part 4 focuses on analysis and interpretation of data. Finally, section 6 concludes the study.

PART 04

ANALYSIS AND INTERPRETATION OF DATA

Analysis and Interpretation of Data

Process Flow Chart of Merchandising

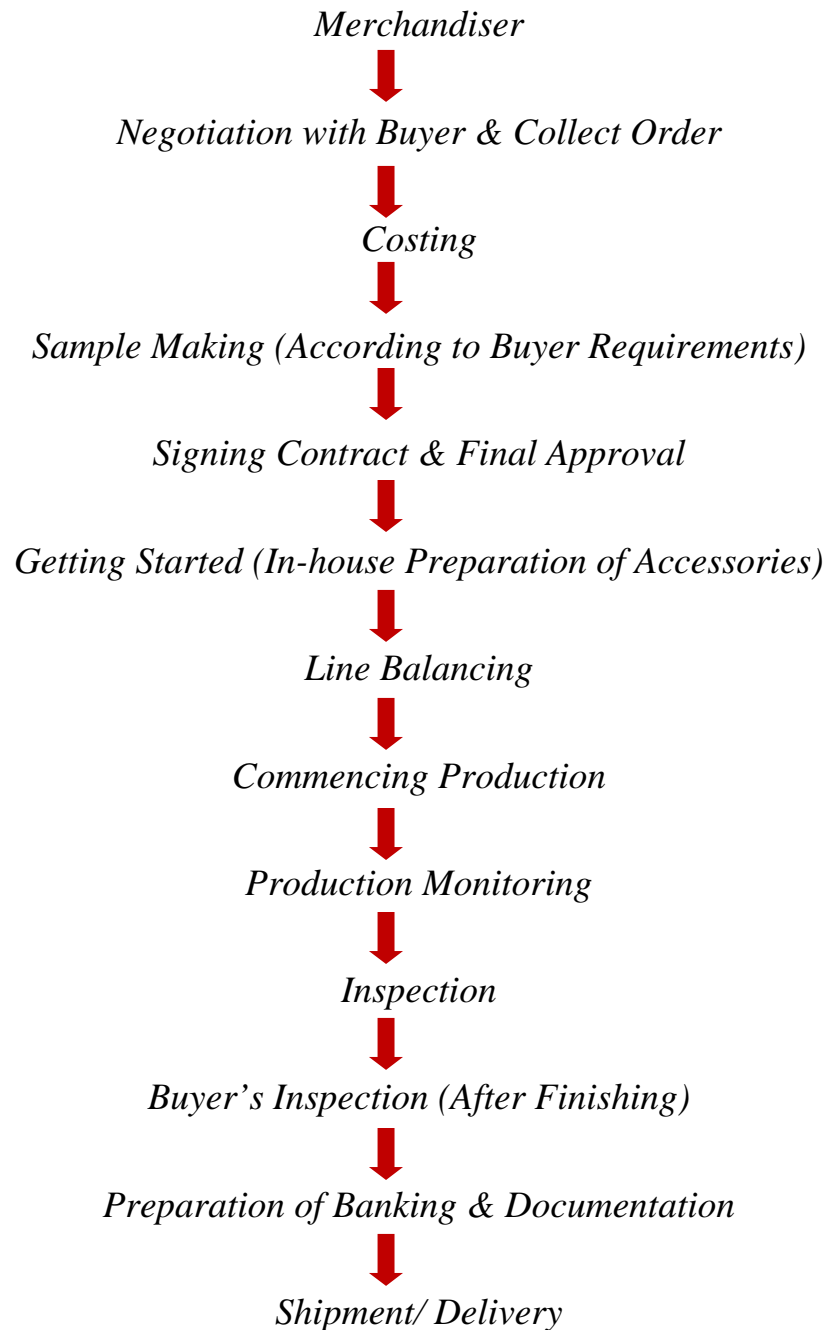


Fig. 1 Process Flow Chart of Merchandiser

Merchandiser

Definition of Merchandiser

The main role of a garments merchandiser is to collect garments export order (export L/C), produce the garments, export the garments and earn profit, to perform those functions successfully needs lot of knowledge, experience & tremendous effort for a merchandiser. The term merchandising is defined as follows:

Definition of Merchandising

- The term merchandising related with trade
 - Trade means buying & selling
 - The person who is involved with trade, he/she is a merchandiser
- And the activities of a merchandiser is known as a merchandising

Functions of the Merchandiser

Activities of a Junior Merchandiser (In a Factory)

- Costing of the job order.
- Main task is “production monitoring”
- Collect “inventory report” from store
- Swatch making & getting approval from buyer
- Arrange preproduction meeting in order to prepare a schedule for smooth production
- Place order to different production unit.
- Collect Daily Production Report & Daily Quality Report
- If any shortage in store, arrange locally
- Arrange Final Inspection

Responsibilities of a Senior Merchandiser

- Sample Development
- Price Negotiation
- Order Confirmation
- L/C Opening
- Opening Summary
- Sourcing
- Material Collection
- Production Planning
- Production Monitoring
- Quality Assurance
- Arrange Final Inspection
- Arrange Shipment

Qualities of a Merchandiser

- Language Skills
- Computer Skills
- Marketing Skills
- Right consumption knowledge of various goods
- Costing knowledge of raw materials
- Order getting ability (That is if the merchandiser is known by actual rate of raw materials, so that he can negotiate perfectly with buyer. In this way, the possibility of getting order is hundred percent.)
- Sincere & Responsible
- Hard Work

Negotiation with the buyers

Business Collaboration

The most critical work is the procurement of garment export order. Normally garment export order is found from the potential garment importers called garment buyer. Anybody wants to collect garments export order, should be able to convince the buyer. When the buyer is convinced about garment production, garments quality, garments costing and shipment ability of a garments exporter, he or she can think about issuing a garments export order.

Without clear confidence among buyer & exporter from both sides, may be a risky business deal. If a garment exporter can continuously deal with only three or four buyer with buyer's satisfaction, it will be sufficient enough to run garment production & garment export business smoothly round the year.

A successful negotiation outcome does not generally occur through luck, but by following a clear process. The process reflects the different levels of knowledge of the subject of negotiation, various parties and the way they communicate at various stages in the negotiation. The following is an outline of steps essential to effective negotiation:

Researching the Needs of Both Parties

The greater the knowledge a buyer has of their own and the supplier's requirements, the better able they are to construct an acceptable solution. The buyer must be clear about both the department mark-up to be placed on the product cost and the intended retail selling price so that she or he can judge the viability of the suppliers' products.

Preparation

Effective preparation is also vital to successful communication. It is essential that the buyer also has identified the maximum and minimum positions that she will accept for a range of factors including:

- Product Price
- Order Size
- Lead- time

Offer

The buyer and supplier can make specific proposals to set the boundaries of the negotiation.

Discussion

There will be areas on which one side can move than more than the other and vice versa. It is important for the buyer to make a note of which ones provide the greatest and least opportunities for flexibility.

Counter and Revised Offers

This is the real bargaining where elements of the order, such as number of units, product details, and lead-time and so on are being decided in the context of an overall cost price the buyer should make firm proposals.

Processing of Order

After receiving the garment export order, without wasting any time, it is essential to prepare a schedule for the jobs to be done for safe execution of the export order. The main jobs for the execution of an export order are as follows:

- Details Analysis of Export L/C
- Preparation of a Time Schedule for the Export L/C
- Collection of Fabric & Accessories for the Garment to be Exported [Source, Quantity of the Items, Cost of the Items, Receiving Data of the items, Quality & Quantity, Inspection of the Items, etc]
- Distribution of Responsibilities for the Jobs & Duties
- Production Plan
- Inspection of the Produced Garments for Quality, Quantity, Packing & other Requirements of the Buyer.
- Preparation of Banking & Shipment Formalities
- Continuous Follow-up Progress
- Others

Costing of job order

Costing Techniques in Garments Sector of Bangladesh: SME Sweaters Limited as a Case

Cost decision & allocation typically depends on multiple variables. For any manufacturing firm it is always confirmed that the cost is dependent of production volume. Hence it is also considered that other dependent variables like overhead costs, transportation etc. has an impact on the overall costing. As a part of my internship project I have tried to convey an in depth study on the costing strategy of a manufacturing firm. SME Sweaters Ltd. is basically a sweater manufacturing firm. This organization follows traditional rule for their costing.

The classification of cost for this organization is differently presented. The cost here is classified as Primary & Secondary cost which simply refers to Direct & Indirect cost. SME Sweaters Ltd. Categorize the Primary Costs as-

- Merchandising Cost
- Production Cost &
- Placement Cost

And the Secondary Costs as-

- Overhead Cost
- Transportation Cost &
- Other Costs

The basic categories are even further classified into different specific cost elements.

Primary Costs

Merchandising Cost

Merchandising cost refers to direct purchases related to production. This cost typically depends on Order Quantity. Merchandising cost includes all the costs starting from the initial buying

process to the placement process of merchandise. The merchandise cost can also be referred as direct material cost. The negotiation with supplier basically depends on-

- **Product Price:** The product price clearly portrays the interest of both the parties in buying decision. As a buyer the organization traditionally manages the cost as a benefit out of the alliance. As a sweater manufacturing firm SME manages alliances with around 15 different suppliers. As international product Sweater has demands all around the world especially in Europe. The different merchandise requirement for sweater manufacturing is met through overseas contracts. The wool as fabric, yarn, etc. The knitwear is a product which generally has a huge order quantity and therefore the order for buying quantity.
- **Order Size:** Order quantity depends on the order taken from the buyer of knitwear. Generally the order is placed taking a month time. The quantity ordered is decided after the order is placed. Generally the order is maximized for merchandise as referred to wastage. The order is maximized by 5% which pretended to be wastage after production. So, that cost is also included & adjusted after the order is delivered. And the un-wasted products are kept as sample & also released to local market and the cost is also adjusted through that but the revenue is here declined. The wastage cost is annually adjusted however the damaged products are released to open market in lots.

Production Cost

This is to most crucial cost as a direct cost. The direct cost of Garments Sector of Bangladesh depends on different factors as this is a Government Subsidized sector. The Production cost is allocated as follows-

Direct Labor Cost: Direct labor cost is directly related to the production. The direct labor cost refers to the workers related to the production process. The factory workers are regularly paid & also paid for the overtime. The overtime cost is 100% markup of regular pay for any worker as per the labor law of Bangladesh.

The Direct labor cost sometimes estimated as hourly pay and sometimes production unit based. In order to calculate the per unit production cost it is required to find out the per unit labor cost for direct labor. In SME the labors are hourly paid for production however the production perimeter for an hour is set by the line manager.

Placement Cost

The placement cost in SME is referred to the order delivery cost. After the production is completed now it is time to deliver the product to the buyer. The merchandiser is held responsible for all the communication made with the buyer. The delivery process also encounters some cost those are regarded to be primary cost for the organization.

The delivery is cost divided into different parts like-

Details Analysis of Export L/C and Opening L/C

As the orders are overseas, SME opens L/C of required amount for export of certain amount of product.

Shipment Cost

The organization then books the carrier to carry the shipment. It is the duty of the supplier to manage the transport towards the buyer.

Insurance

The organization also pays for the insurance of the shipment. To eliminate the risk of damage the organization needs to make insurance for the freight.

Travel Cost

Sometimes a representative on behalf of the Company is sent to the buyer to ensure the proper hand over of the ordered product.

Secondary Costs

Overhead Cost

Indirect Materials

The indirect material cost is considered to be the important factor for the organization. The indirect material for SME refers to the threading, buttons, zippers, labels etc. The costing for indirect materials is typically done through the local suppliers. The orders are placed to the suppliers for the delivery. Like the direct material cost the indirect materials are ordered 5% more than the order received for the product.

Indirect Labor

The indirect labor here is considered to be the labors that are not directly related to the production process. For example the supervisors, line managers, factory managers etc. who are not directly related to the production process are considered as indirect labor. For these criteria they are not paid as direct labor but on a monthly basis. And their payment is not converted to per unit production cost as this cost is annually adjusted to the balance.

Factory Overhead

Factory overhead cost is an annual cost which is annually adjusted to the cost sheet of the company. The factory overhead cost includes the factory maintenance, depreciation of machineries, maintenance & repair of machineries etc.

Indirect Production Cost

The direct production cost refers to the technical cost of production. The electricity usage during production referred to the unit of electricity used for production is taken into account and then it is divided with the total production unit to find out the unit production cost.

Transportation Cost

All the transportation made internally & externally is encountered under the secondary cost. The freight in & freight out is paid by the company. This is adjusted as annual cost. Generally the transportation cost arises from freight from doc to warehouse, warehouse to factory & the reverse in time of delivery.

Other Costs

Other indirect costs are not related directly to the production but annually these costs arise. These costs are as follows-

- Selling Expense
- Administrative Expenses
- Interest expense
- Capital Expenditure

Knit Consumption

Knit Consumption Calculation for 1 dozen POLO sweaters

For a Men's POLO sweater:

a) G.S.M (Given by buyer) Body : 145-150
 Neck/Rib : 175-180

b) Sewing & seam allowances (Not given by buyer) – 1.50- 3cm

c) Wastage % (Not given by buyer) – 7%

d) Measurement chart (given by buyer)

Measurement Chart

Parameter	Given	Estimated with Sewing Allowance
a) Chest	96cm	102cm
b) HPS	65cm	70cm
c) Sleeve Length	20cm	25cm
d) Arm Hole	46cm	49cm
e) Neck	58cm	61cm
f) Neck Width	2+2=4cm	7cm
g) Bottom Hem	2cm	

Formula

$$\text{Cpd} = \frac{L \times W \times 12 \times \text{GSM}}{10000000} \text{ kg}$$

Where, Cpd = Consumption per dozen

L = Length

W = Width

$$\text{A) Cpd (body)} = \frac{L \times W \times 12 \times \text{GSM}}{10000000} \text{ kg}$$

$$= \frac{70 \times 102 \times 12 \times 150}{10000000} \text{ kg}$$

$$= 1.28 \text{ kg}$$

$$\text{B) Cpd (Sleeve)} = \frac{L \times W \times 12 \times 2 \times \text{GSM}}{10000000} \text{ kg}$$

$$= \frac{25 \times 49 \times 12 \times 2 \times 150}{10000000} \text{ kg}$$

$$= 0.44 \text{ kg}$$

$$\text{C) Cpd (Neck)} = \frac{L \times W \times 12 \times \text{GSM}}{10000000} \text{ kg}$$

$$= \frac{61 \times 7 \times 12 \times 180}{10000000} \text{ kg}$$

$$10000000$$

$$= 0.092 \text{ kg}$$

So, Total CPD = (A + B+C)

$$= (1.28 + 0.44 + 0.09) \text{ kg}$$

$$= 1.81 \text{ kg}$$

Actual CPD = Total CPD + 7% Wastage

$$= (1.81 + 7\%)$$

$$= 1.94 \text{ kg}$$

So, the knit consumption for men's POLO sweater is 1.94 kg per dozen.

Quotation of Price for 1 dozen Men's POLO Sweaters

Pre-requisites:

	<u>Unit price</u>	<u>Costing</u>
1. knit consumption 2 kg/dz	\$5.0/kg	\$10/kg
2. Accessories	\$2/dz	\$2/dz
3. CM (cost of manufacturing)	\$2/dz	\$2/dz

	Total =	\$14

A) Direct cost (raw materials) = \$14.0

B) Indirect cost (15% to 20% of direct cost)

$$\begin{aligned}\text{Indirect cost} &= \$14.0 \times 20\% \\ &= \$2.8\end{aligned}$$

$$\begin{aligned}\text{Total} &= \$14.0 + \$2.8 \\ &= \$16.8\end{aligned}$$

$$\begin{aligned}\text{C) Profit @5\%} &= \$16.8 \times 5\% \\ &= @0.84\end{aligned}$$

$$\begin{aligned}\text{Therefore, total cost} &= \$16.8 + \$0.84 \\ &= \$17.64 \\ &= \$18\end{aligned}$$

So, the cost for 1 dozen men's T-shirt is \$18

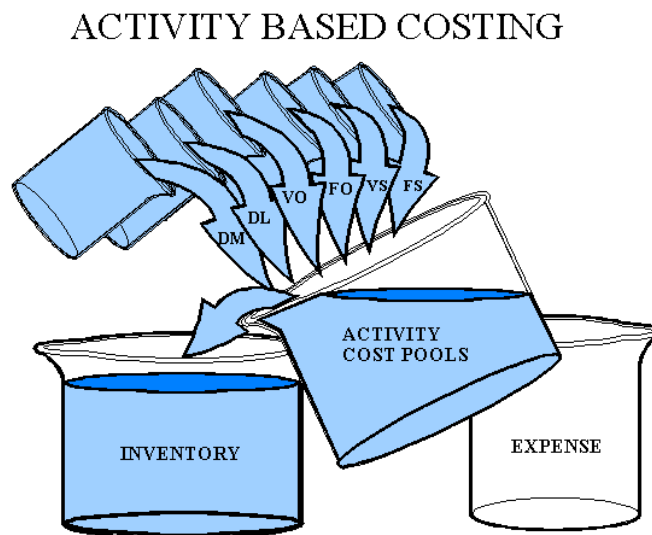
After finding the actual cost of production merchandiser do negotiate with buyers and they fixed there contract.

Analysis of Costing

I have discussed the costing & classification of costing followed by SME Sweater Ltd. Now discussing the above scenario we can conclude that in order to maintain proper accountability and getting precise information about the costing & for more accuracy SME Sweater Ltd. follows the typical costing technique which is widely known as Activity Based Costing (ABC) technique.

The Activity Based Method

Activity based costing is a relatively new type of procedure that can be used as an inventory valuation method. The technique was developed to provide more accurate product costs. This improved accuracy is accomplished by tracing costs to products through activities. In other words, costs are traced to activities (activity costing) and then these costs are traced, in a second stage, to the products that use the activities. The concept of ABC is illustrated in the enlarged graphic below. Another way to express the idea is to say that activities consume resources and products consume activities. Essentially, an attempt is made to treat all costs as variable, recognizing that all costs vary with something, whether it is production volume or some non-production volume related phenomenon. Both manufacturing costs and selling and administrative costs are traced to products in an ABC system. Note that treating selling and administrative costs in this way is not acceptable for external reporting.



Findings

There are two types of garments, namely woven and knitted garments. Shirt, trouser, bed spreads, blankets, towels and made ups are woven. T-shirts, sweaters, undergarments, pyjamas and socks are knits.

Costing is the deciding factor for fixing of prices and the important thing to follow in all stages like purchase, production, marketing, sales, etc. Also update knowledge about everything related to garments, is essential to make perfect costing.

Costing includes all the activities like purchase of fabrics and accessories, processing and finishing of fabrics, sewing and packing of garments, transport and conveyance, shipping, over heads, banking charges and commissions, etc.

We must be aware that there are always fluctuations in the costs of raw materials and accessories, charges of knitting, processing, finishing, sewing and packing, charges of transport and conveyance. The method of making costing will vary from style to style. As there are many different styles in garments. Hence let us take men's basic T-shirt style as example which is in regular in use.

To find out the costing of a garment, the following things should things be calculated

- Fabric consumption.
- Gross weight of other components of garment.
- Fabric cost per kg.
- Fabric cost per garment.
- Other charges (print, embroidery, etc).
- Cost of trims (labels, tags, badges, twill tapes, buttons, bows, etc).
- CMT charges.
- Cost of accessories (hangers, inner boards, polybags, cartons, etc).
- Cost of a garment.
- Price of a garment.

Recommendations

Actually merchandising field is a large area where a lot of business work is done by a lot of ways. The most important thing is that, we have needed to choose the better & easier way to do our work. For example if I want to say about L/C, that which types of L/C is the best for business? By knowing about the L/C it seems to me that irrevocable is the best but in Revocable L/C, where no terms and condition is present. All rights reserved for buyer or bank that opened it. He can stop it any time without any notice. But in irrevocable L/C, there have terms and conditions for opening L/C. Once the L/C is opened for beneficiaries & accepted, buyer or banker never reserve any right to close it. So it will help for both parties.

Another important thing is fabric consumption. During the time of measurement, it is necessary to take highest part of the garments that is chest, body length etc. it will help to find out the right consumption for garments & help in costing. Costing is important for a company. Right costing helps to get better profit for company. So it should be made carefully.

Another thing is that merchandiser should take over all view on fabric faults during the time of production & inspection. Because it seems to me that a merchandiser can everything for his company. That's why merchandiser should take better inspection process during the time of final inspection.

Other suggestions are:

- Reduce the wastage of recourses by developing strict management and controlling system.
- SME Sweaters Ltd. should take their necessary decisions promptly. Their internal communication should be more flexible so that top management can take decision quickly and it could manage more buyers' satisfaction.
- SME Sweaters Ltd. should appoint efficient cutting master to reduce wastage in sample section.

- Operational and internal control department and technological training for the employees should be introduced in SME Sweaters Ltd. that increase the production efficiency in minimum lead time and can reduce the cost of the production.
- SME Sweaters Ltd. should introduce new marketing department for establishing the marketing plan. Every organization needs to have their marketing plan. In SME Sweaters Ltd. Different marketing department needed so that they can improve their business plan according to their capability and resource. As garments sector depends on mainly one to one communication so for that skilled employees needed in this sector that can convince actual buyers for getting orders and they can motivate potential buyers for future orders.
- SME Sweaters Ltd. would have to introduce expert research and development unit to maintain operational control. The competition is arising day by day that's why the cost control and operational efficiency is very much needed in this sector. That's why SME Sweaters Ltd. must introduce research and development department in their organization for recent changes coming in market.
- SME Sweaters Ltd. Should uses the latest technology. As they should use their own web page and it should be upgrade monthly. As so many potential customers can randomly visit there site and can understand better about the organization. Also can easily contact with them.

Conclusions

Bangladesh is a developing country. In this country unemployment problem is slightly overcoming by our garments or apparel sector. A huge number of people are working in this sector. Initially, the situation of this sector is not so good but now a day this sector is earning a lot of foreign currency, around 75%-80% of our total economic growth which is making our economic sector very strong. And merchandisers are those people who are working here day to night in order to develop this sector. Merchandisers' goal is to collect order, execute, develop the best & supply the best.

It was a great pleasure for me to work in merchandising sector of SME Sweaters Ltd., which provides me a wide range of scope to observe different function of buying house industry through the cordial assistance of the employees and seniors. All the employees of SME Sweaters Ltd. tried to give optimum service.

Now a day the buying house industries are facing a lot of challenges because of changing demand of world. Besides this many competitors are also a main factor that makes this sector challenging. So, SME Sweaters Ltd. should take proper step to survive properly in this sector by removing their weaknesses. They should give authority to take independent decision at high level officer. If that, the company can be benefited because of taking decision the work some time delay. They should justify competitive key factors in the management practices like cost, product quality, image & reputation, distribution & control of resources, capabilities etc.

From the learning point of view I can say that I really enjoyed my internship at SME Sweaters Ltd. from the very first day. I am confident that these three months internship program at this buying house will definitely help me to realize my future carrier in the job.

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APPENDICES

Appendix-1

Costing sheet:

FABRIC BEADING & YARN APPROVAL SHEET
3rd Bead

RKL # : 039
Style # : 1887478
Order No. : D 8847
M/S No. :
Customer : ZARA
Commodity : Tank Top
Weight : 180 gsm
Shipment Dt. : 29.01.08
Destination : MEXICO
Factory : RKL

Date: 22/11/08

Assess/Item/Size	S	M	L	XL	Total
Weight/Cm	0.95	1.15	1.35	1.60	
Colour	Pcs	Pcs	Pcs	Pcs	Pcs
350	800	1,100	500	200	2700
800	500	500	400	200	1600
716	700	800	400	200	2100
892	400	800	500	200	1900
632	600	800	450	300	2150
402	800	900	450	300	2450
644	500	800	400	200	1900
510	400	600	500	200	1700
Total	4,600	6,100	3,650	2,000	16350

Fabric yard:
Fabric : 100% Cotton 173 Rib, 150 Gsm

Assess/Item/Size	S	M	L	XL	Total (Kgs)
1/2 Chest or Dia	27" Dia Tube	31" Tube	35" Tube	38" Dia Tube	
Machine Dia					
350	55	70	40	20	185
800	40	77	40	20	177
716	55	77	40	20	192
892	32	58	30	15	135
632	48	65	31	16	160
402	48	60	31	16	155
644	48	60	31	16	155
510	32	58	30	15	135
Total	364	625	411	250	1650

DTM Piping 173 Rib 150 Gsm

Color	Weight (Kgs)	Dia	Total (Kgs)
350	100	28" Tube	100
800	118		118
716	118		118
892	138		138
632	141		141
402	141		141
644	141		141
510	100		100
Total	1055		1055

Special Note:

- Color Fastness shall be 3
- Shrinkage shall be below 4%
- Tearing shall be within 1%
- CDM shall be 1
- Staplers will not be acceptable
- Fabric must be in good condition

Yarn approval	Composition		Req. Yarn
	100% Cotton 173 Rib 150 Gsm	2800 Kgs	
	90% Cotton 10% Lyc. millinet 173 Rib 150 Gsm	300 Kgs	

Note: Req. Yarn - Considering 10.5% Process loss with Body Fabric
Source: We will advise about 80% 100% Cotton Yarn.

Handwritten signatures and dates:

- Taufique 22.01.08
- 22/11/08
- 22/11/08
- 24/11
- 23/11/08
- 22/11/08

Appendix-1

Sample Making:

UNTESSILE S.p.A.		MEASURES					BRAND:	FROM SIZE:	TO SIZE:	SAMPLE SIZE:
							02 Iana			6M
							SALE ACTION:	MODEL:	FABRIC:	
							1014611	A0 6122	14 1679 0	
							SEASON: Primavera/Estate IANA 2010			
							DESCRIPTION: FELPA M/L			
FINISHED GARMENT MEASURES										
*A1-A2	1/2 chest width			6M	9M	12M	18M	24M		
*B1-B2	length from shoulder point to bottom			27.0	28.3	29.6	30.9	32.2		
*C1-C2	sleeve length from sleeve cap			32.6	34.3	36.0	37.7	39.5		
*D1-D2	sleeve length from back centre neckline			22.8	25.1	27.3	29.5	31.8		
*F1-F2	measurement of 1/2 finished neckline			33.7	36.4	39.2	41.9	44.7		
*G1-G2	height of bottom sleeve fold			14.5	14.9	15.3	15.7	16.1		
*H1-H2	height of bottom fold			2.0	2.0	2.0	2.0	2.0		
*M1-M2	Neckline drop			2.0	2.0	2.0	2.0	2.0		
*N1-N2	length of back opening			3.3	3.5	3.7	3.9	4.1		
ACCESSORIES:										
buttons for back		Molt	LidM	6M	9M	12M	18M	24M		
		0	NR	2	2	2	2	2		
Created on 25/02/2009 by bovon Modified on 25/06/2009 by pavann Printed on 29/06/2009 by favaroa 69514 #										
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A0 5335 20 986 var. 1000*



A0 5335 20 986 var. 9002



A0 5335 20 986 var. 8211

