

**Unit of Competency****Functional Area: Finance**

Title	Master cost and price estimation of new products
Code	105233L4
Range	This unit of competency is applicable to practitioners in the import and export industry to establish target price and conduct cost analysis of new products.
Level	4
Credit	6 (for reference only)
Competency	<p>Performance Requirement</p> <ol style="list-style-type: none"> <li>1. Describe the use of materials and work process of new products <ul style="list-style-type: none"> <li>• Apply relevant tools in costing of new product development (e.g., target costing) in estimating costs</li> <li>• Use the target cost formula (e.g., target cost = target price – profit margin) to calculate target cost</li> </ul> </li> <li>2.1. Establish target price <ul style="list-style-type: none"> <li>• Planning and market analysis <ul style="list-style-type: none"> <li>• Identify and document customer niche</li> <li>• Evaluate competitors and their potential reactions</li> </ul> </li> <li>• Concept development <ul style="list-style-type: none"> <li>• Identify customer requirements</li> <li>• Testing and reformulate product to meet customer needs</li> </ul> </li> </ul> </li> <li>2.2. Attain target cost <ul style="list-style-type: none"> <li>• Production design <ul style="list-style-type: none"> <li>• Use value engineering to determine the least production cost to produce the product desired by customers</li> </ul> </li> <li>• Production and continuous improvement <ul style="list-style-type: none"> <li>• Use continuous improvement process to produce product to attain target cost</li> </ul> </li> </ul> </li> <li>2.3. Conduct target costing analysis <ul style="list-style-type: none"> <li>• Identify the target price through interaction with customers</li> <li>• Determine the acceptable profit margin for the product</li> <li>• Compute the target cost (i.e., difference between target price and profit margin, and compare the results with the cost of resources to create and produce the product</li> </ul> </li> </ol>
Assessment Criteria	<p>The integrated outcome requirements of this unit of competency are:</p> <ul style="list-style-type: none"> <li>• Capable of establishing target price and attaining target cost</li> <li>• Capable of conducting target costing analysis</li> </ul>
Remark	