How to do Costing for Export?

The first step is to use below **cost-plus** method to determine the export pricing competitiveness of your products.

The Cost Plus Method of Calculation require a **costing sheet** so that it enable the exporter or manufacturer to: Check that every expense has been covered in arriving at the selling price and provide a detailed record of the terms that have been quoted to the foreign buyer.

The items covered by the export costing sheet are:

1. Unit cost of Product - The starting point in export pricing is the production cost per unit of the product. This would be the variable cost plus fixed cost or overhead.

2. Profit - Normally, profit will have already been included in the domestic price. However, if it is insufficient for the risk involved in selling abroad, an extra allowance for profit can now be added.

3. Agent's commission abroad - This is usually calculated on a percentage basis.

4. Packing - The cost of packing for overseas shipment will vary according to the product, destination, and means of transportation. The manufacturer must include reasonable provision for it.

5. Labels - These may have to be printed in a foreign language, perhaps containing information not included in the labels used within the exporter's country. Also, from the

sales point of view, they must be suitable to the foreign consumer. The selling price of the product must include sufficient allowance for these extra labeling costs.

6.Marking - A small cost is involved in stenciling an identification mark on each package for export.

7.Strapping - Each carton may have to be wire-strapped to help prevent it from being accidentally opened en route to its destination. Small packages must be wire-strapped together to discourage pilferage and other loss.

8.Cartage - Allowance must be made for transporting the goods to be transported to the local railway station or container depot.

9.Freight to seaboard - The cost of transporting the goods from the inland town or city to the seaport for shipment abroad e.g. K.L. to Port Klang.

10.Unloading charge - There is a charge for unloading goods from railway cars or trucks. This cost will be incurred when the goods arrive at the seaport.

11.Terminals - These are handling, wharfage and harbor dues that must be paid by the exporter to the wharfage Company.

12.Long or heavy load charge - If the shipment is exceptionally long or heavy, an extra charge may be incurred.

13.Consular Documents - These documents can be quite expensive, particularly in the case of export to the Latin American countries. Initially, the exporter may wish to quote to the foreign customer a price of so many dollars plus the cost of consular documents. If not, it must make adequate provision in the price to cover their cost.

14.Other charges - Here, space is left for the inclusion of unexpected additional expenses such as the cost of overseas telegrams or telephone calls, extra storage charges etc.

15. Ocean freight - The cost of shipping the goods by sea to the foreign port. The cost may be quoted by the ocean carrier in local currency or U.S. dollars.

16.Freight forwarder's fee - If the exporter uses the services of "Freight Forwarder" for documentation and book the shipping space required, allowance must be made for the fee involved. The amount of these fees can be obtained in advance from the forwarder or shipping agent.

17.Financing charges - Until payment is received, the export firm will have part of its working capital tied up in export merchandise. Even if no credit is given, it will have to wait until the goods are shipped or delivered before payment is made.

If credit are given to the foreign customer, it may have to wait an additional 60, 90, or 180 days for payment. The selling price should include an amount to cover the cost of this working capital.

If the exporter intends to discount at its bank a time draft that has been accepted by the foreign importer, so that the exporter can obtain its money sooner. Then allowance must be made in the export price for bank discount charges.

18. Export credits insurance - The exporter may buy insurance or "Factoring" on its credit sales abroad. Allowance should be made for it.

19.Total (C. & F.) - The total of the previous items, each of which should be rechecked, is the C. and F. cost of the export goods.

20.Marine insurance - The exporter will want to insure itself against financial loss from all possible risks, including damage to the goods or theft, while they are being shipped abroad. Usually, ocean ships are insured for 110 percent of their total cost to cover anticipated profit and the interest cost of working capital tied up in the shipment.

21. Total (C.I.F. local funds) - This is the total price of the goods calculated in such a way as to include all the various costs involved, including insurance and freight. It is the total in item 19, plus the insurance premium.

22. Conversion into Foreign Exchange
The foreign buyer will usually ask for a price quotation in U.S. dollars or perhaps in German marks, Japanese yen, or some other currency. Therefore, the price in the exporter's local currency must be converted to a price into the foreign currency.

Care must be taken to use the correct exchange rate. The exporter may wish to eliminate the risk of an exchange loss by selling the foreign currency to a bank on a forward basis, in exchange for local currency.

The cost of this bank service, which provides the exporter with a predetermined, fixed rate of exchange for its foreign currency should be included in the export price quoted to the foreign importer.