

Should-Cost Analysis Checklist

A one-page companion to the Emithran guide: emithran.com/blog/should-cost-analysis-guide

1. Define the part and scope

- ☐ Drawing or CAD model, material spec, tolerances and surface finish collected
- ☐ Order quantity (batch and annual volume) confirmed
- ☐ Sourcing region chosen, so rates match the supplier location

2. Material

- ☐ Material grade and stock form identified
- ☐ Gross (stock) weight used, not finished weight
- ☐ Current price per kg from an index, distributor or purchasing data
- ☐ Scrap, yield and any scrap resale value accounted for

3. Process and machine

- ☐ Every operation listed (cutting, milling, turning, heat treat, inspection)
- ☐ Cycle time per operation from CAM, shop data or time study
- ☐ Machine hour rate covers depreciation, power, maintenance and floor space

4. Labour

- ☐ Fully loaded labour rate for the modelled region
- ☐ Only the share of operator time that applies to this part
- ☐ Labour not double-counted inside the machine hour rate

5. Tooling and setup

- ☐ Setup, fixtures, programming and first-article costs identified
- ☐ One-time costs divided by the actual order quantity

6. Overhead and margin

- ☐ Overhead (SG&A) % from a defensible source, region and supplier size
- ☐ Profit margin reasonable for the industry and risk profile
- ☐ Uncertain figures shown as a range

7. Compare and negotiate

- ☐ Should-cost compared with the quote line by line
- ☐ Largest gaps prioritised first
- ☐ Legitimate gaps (batch size, certification, region) separated from negotiable ones
- ☐ Assumptions shared as questions, not as an ultimatum
- ☐ Improvement ideas noted (tolerance, stock size, combined ops, batch)
- ☐ Review date set to refresh material, labour and energy inputs