

De Cost Gaet Voor De Baet Uyt

(dutch saying: Costs will arise before all the benefits can be reaped.
Often used in the same context as English proverb “no pain, no gain”.)

Picture 1



Picture 2

1. “You know you’re priced right when your customers complain—but buy anyway.” - John Harrison [Pricing News Daily, 2014].
2. “What I 'charge' today has nothing to do with yesterday or tomorrow. It has to do with 'now!'”- David Wayne Wilson [Pricing News Daily, 2014].

Cost calculation by the blacksmith

Author: Paul Vos, De IJzeren Vos, Paul Vos, De Smid van Maren Kessel (The Netherlands)
Sources: Philip Vercammen
Lecturer CVO Gent / Academy of Fine Arts Anderlecht, blacksmith and member of the
Ambachtelijke Smedersgilde van Belgie , ASG
Peter De Beus
Manager of art forge De Beus and teaches blacksmithing at the Academy in
Anderlecht (Belgium)
Steel Construction Calculation Program Software
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Useful links:

The following url may already be interesting for someone who wants to start.Dutch language area.
Mijn eigen zaak. Starten met kennis van zaken | Agentschap Innoveren en Ondernemen (vlaio.be)
<https://www.vlaio.be/nl/publicaties/mijn-eigen-zaak-starten-met-kennis-van-zaken>
Every country has a helpdesk for starting entrepreneurs.

A reference to an online course taught by Mr. Jerry Coe.
<https://abana.org/business-of-blacksmithing/#!event-register/2022/1/22/business-of-blacksmithing-class-with-jerry-coe>

General information / Reference text:

This is the theory. Of course, in many companies the calculation is almost completely automated.

Cost price calculation system.

Final sheet Tender Budget

An example of a traditional final sheet of a cost estimate as is still widely used today.

In Dutch terms, these are called the **staartkosten (staart = tail)**, the tail costs, literally translated.

In a spreadsheet of course.

Voorbeeld staart

materialen		f. 100.000,=
lonen	4000 m.u. á f. 35,=	f. 140.000,=
verlet	4% van f. 140.000,=	f. 5.600,=
netto stelposten		f. 10.000,=
ondersaannemers		f. 44.400,=
		f. 300.000,=
Algemene kosten	5%	f. 15.000,=
		f. 315.000,=
prijestijgingen lonen en materialen	2%	f. 6.300,=
		f. 321.300,=
winst	3% over f. 321.300,=	f. 9.639,=
risico	2% over f. 321.300,=	f. 6.426,=
		f. 337.355,=
Stelposten bruto		f. 21.000,=
		f. 358.355,=
C.A.R.	4 b/oo	f. 1.434,=
Aannameessom exclusief B.T.W.		f. 359.789,=

example tail

PRINCIPE-OPSTELLING VAN EEN BEGROTING

(afgerond op hele guldens)

a Directe arbeid ... manuren		f
b Verleturen 5% van		f
c Som a en b = ... manuren × uurloon		f
d Sociale lasten ca. 60% van c		f
e Directe materialen, onderaannemers en materieel		f
f Algemene bouwplaatskosten		f
g	Totaal	f
h Algemene kosten 5% van g		f
i	Totaal	f
j Risico en winst 10% van i		f
k	Totaal	f
l Stelposten (inclusief winst)		f
m Aanneemsom		f
n Omzetbelasting (BTW) 16% van m		f

principle preparation of a budget

the tail

Tender Budget.

In order not to forget anything, the materials and labor costs for the tender budget will be made in order of the specifications.

In the tail of the tender budget, the amounts from the budget are collected, after which the miscellaneous surcharges are added to arrive at the correct offer price.

- Materialen:

Materials. Total of material costs

- Lonen:

Wages / Man Hours. Total costs

- Verlet:

Waste hours / loss of time due to unworkable weather (storm, snow, frost, etc.);

- Netto stelposten:

Net provisional posts. These provisional items are included net in the construction estimate or calculation. This means that the contractor's commission is calculated on the amount (risk, management, etc.)

- Onderaannemers:

Sub-contractors. Total amount.

- Algemene kosten:

General costs are costs that are not directly passed on to the work;

- Prijsstijgingen lonen en materialen:

Price increases wages and materials

- Winst:

Profit. See Policy Grounds Note below *;

- Risico:

Risks. Risks for material and wage price increases;

-Stelposten bruto:

Gross Provisional post. A lump sum included in the contract by a contractor for a specific part of the construction, of which it is not clear in advance exactly how it will be carried out. Afterwards, the actual costs will be settled with the budget and a refund or additional payment must be made.

- C.A.R.

C.A.R. is the mandatory construction all risk insurance.

- Aannemingsom excl. b.t.w.

Contract price excl. VAT

The tender budget is therefore the basis for the blacksmith / contractor's tender amount.

The percentages given in the example are indicative and depend on market conditions, business economic considerations and commercial considerations.

For example: In the current market conditions, a 15% surcharge for general costs is not unusual.

*

On policy grounds, the contractor will increase or possibly even decrease the calculated budget to determine the tender amount. If a percentage of risk is included in the cost price of a construction, the profit is not included. The size of the profit (the profit percentage) is determined individually for each work and is sensitive to the economic cycle.

Budgeting in general.

A budget is subdivided into the following cost groups:

- direct labor;

This includes all labor costs insofar as they arise on the construction site and can be directly attributed to specific parts of the work. (see further explanation below)

- direct materials;

This includes all materials that are processed or consumed on the building concerned and that are directly related to parts of the work. (see further explanation below)

- material;

Equipment is understood to mean: durable means of production that are used more than once during construction.

- subcontractors;

Subcontractors, often specialized in a certain part (galvanizing company, painting company, etc.) accept these parts from the main contractor for a pre-agreed amount.

Different forms can be distinguished, such as for example:

- subcontracting with labor and delivery of materials;

- subcontracting only with labor;

- subcontracting involving labor and use of equipment.

The costs for work and deliveries by subcontractors are often entered separately as an item in the budget, after checking the quotation issued by the subcontractor.

During this check, the calculator must carefully check whether there are additional activities and/or costs that are directly for the account of the main contractor.

Think about:

- making auxiliary materials, scaffolding, etc. available;

- assistance with transport, loading and unloading work, etc.;

- dimensions of the required recesses;

- terms of payment;

- any expected price increases;

- connection costs;

- etc.

- general construction site costs;

General construction site costs include all costs that are directly related to the construction project as a whole but not directly related to the specific parts of the product.

- general operating expenses;

By general operating costs we mean the collection of all costs directly related to the contractor's office and to the management and control that takes place from there.

- profit and risk.

This is part of the so-called tail of the budget.

The budget statement / quantity statement.

A budget statement is a statement in which the allocated quantities, a short description of the deliveries or the services to be performed, the unit prices and the prices per part are noted, in order to show the cost price resp. determine the offer price for a future construction.

An example of a traditional *budget statement* of a cost estimate as is still widely used today. In Dutch terms, these are called the **begrotingsstaat**, the tail costs, literally translated. In a spreadsheet of course.

1	2	3	4		5		6
Art. van het bestek	Omschrijving	Hoeveelheid	Per eenheid		Per onderdeel		Stelposten
			man-uren	mate-riaal	man-uren	mate-riaal	

The column heads translated:

1. article of the building specification | 2. Description part | 3. Quantity | 4. Unit | **Man Hours** | **Materials** |
| 5. Per Part | **Man Hours** | **Materials** | 6. Provisional Posts |

Financing the implementation.

We have a wide variety of payment arrangements. In all their differences, they have one thing in common: The payments always lag behind the costs incurred by the contractor.

The budget for a work must therefore also include an amount for the costs of financing the implementation, insofar as these are not covered by installment payments and the supplier's credit.

The client for a forging work will often pay its installments through its (borrowed) long-term capital . However, the contractor must raise its "peak" cash needs on the terms of short-term credit, i.e. at a higher interest rate than the client (may) pay for its construction financing.

It is therefore advantageous for the client to have such an installment payment arrangement that the contractor needs to borrow as little as possible. After all, the contractor will include his financing costs in the budget.