# What is Kaizen Costing?

Worksheet

Kaizen costing sets small, continuous cost-reduction targets during production, calculated as: New Cost = Current Cost (1 Kaizen Reduction Rate).

## Questions

1. Current cost is $200, kaizen reduction rate is 5%. What is the new cost?

A) $210
B) $190
C) $195
D) $180

2. Kaizen costing is applied mainly during:

A) Product design, before production
B) The production phase, after launch
C) The disposal phase
D) Only during marketing

3. Kaizen costing is based on which improvement cycle?

A) SWOT
B) PDCA (Plan-Do-Check-Act)
C) Five Forces
D) BCG Matrix

4. If a cost dropped from $100 to $95, what kaizen reduction rate was achieved?

A) 10%
B) 5%
C) 95%
D) 0.5%

5. A part currently costs $50 to produce. The team sets a 4% kaizen reduction target for this period. What is the new target cost?

6. A production line's current cost is $1,200 per batch. Over 3 successive quarters, the kaizen target is 2% reduction each quarter. What is the cost after 3 quarters?

7. A factory reduced cost from $80 to $76 in one period. What was the kaizen reduction rate achieved?

8. Define: What is kaizen costing?

9. Define: What is the kaizen costing formula?

10. Define: How does kaizen costing differ from target costing?

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# Answer Key

1. B) $190 - NC = 200 (1 0.05) = 200 0.95 = $190.

2. B) The production phase, after launch - Unlike target costing, kaizen costing operates continuously during production.

3. B) PDCA (Plan-Do-Check-Act) - Kaizen relies on the PDCA continuous-improvement cycle.

4. B) 5% - Reduction = 5/100 = 5%.

5. r = 4% = 0.04 NC = CC (1 r) = 50 (1 0.04) = 50 0.96 = $48

6. Q1: 1,200 0.98 = $1,176 Q2: 1,176 0.98 = $1,152.48 Q3: 1,152.48 0.98 = $1,129.43 (rounded)

7. Reduction = 80 76 = $4 Rate = 4 / 80 = 0.05 = 5% The team achieved a 5% kaizen reduction rate

8. A continuous-improvement method that sets small, repeated cost-reduction targets during production.

9. New Cost = Current Cost (1 Kaizen Reduction Rate).

10. Target costing sets cost before production starts; kaizen costing keeps reducing cost after production begins.

**Bounlu**

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