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Australian Standard[®]

**Guide to the determination and
use of quality costs**

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Australasian Institute of Metals
Australasian Institute of Mining and Metallurgy
Australian Institute of Management
Australian Organization for Quality Control
Bureau of Steel Manufacturers of Australia
CSIRO, Division of Mathematics and Statistics
Confederation of Australian Industry
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PREFACE

This standard was prepared by the Association's Committee on Quality Control to provide guidance to the identification, collection, analysis and use of quality cost data, as part of a general initiative to improve the management of quality in industry.

The need to improve this management is specifically addressed in the standards AS 1821—1823 and AS 2000 which respectively spell out the requirements of supplier quality control systems and give guidance on system design and implementation. A joint survey of the use of quality control in the manufacturing sector was published in 1977 by the Australian Organization for Quality Control and the then Department of Productivity. It was apparent from this survey that Australian industry should be given as much guidance as possible in the computation and use of quality costs.

In the preparation of this standard, consideration was given to a number of overseas documents on quality costs. It was decided that none of these were entirely suitable for use as an Australian standard. Reference was made to the British publication 'Quality Costs' published jointly by the U.K. Council for Quality and Reliability and the Institute of Cost and Works Accountants, to the American Society for Quality Control publications 'Quality Costs—What and How' and 'Guide for Reducing Quality Costs', as well as to the DGQ publication 'Qualitätskosten—Rahmen—empfehlungen zu ihrer Definition, Erfassung, Beurteilung' ('Quality Costs—Basic Recommendations for their Definition, Calculation and Appraisal') from which a number of figures and tables have also been used. Acknowledgement is made of the assistance from these sources.

This standard sets out definitions for quality costs and summarizes the various quality costs encountered in industry into their respective categories. It deals with the practical aspects of collection, recording, analysis and reporting of quality cost data and also with the use of this data by management for adjustment and optimization of quality costs in manufacturing industry.

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STANDARDS ASSOCIATION OF AUSTRALIA

Australian Standard
for
GUIDE TO THE DETERMINATION AND USE OF QUALITY COSTS

FOREWORD

The object of this standard is to provide all managers in Australian industry, and quality assurance and cost accounting managers in particular, with methods whereby the costs incurred in producing high quality products may be identified, controlled and minimized. The control of quality costs is an essential part of the control of quality and the prevention of failure. For smaller and developing companies particularly, there is a need to identify and control the causes of failure costs so that profits may be increased and the companies may grow.

Though the language of this standard may appear more appropriate for some types of industries, it is intended for use, with suitable interpretation, throughout the entire range of Australian manufacturing industry. Industries which may have unique terminologies and therefore require special definition, include those producing foods, clothes, pharmaceuticals and the chemical or raw material processors.

Cost-accounting procedures currently practised in many industries may require some adjustment to enable the control of quality costs. These adjustments will require new divisions of the categories in which costs are accumulated, thereby segregating those costs identified as quality costs. This standard explains the new cost categories which are required.

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