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Accounting dejetment

SMS College

Cost Accounting II ACC 204

4i) a) Contract price :- The agreed price of contract between Contractor and Contractee

b) Certificate of work done A Chitect certificate is a certificate issued to work done to the contractor by an architect

c) Estimated Profit:- Contract price - Estimated cost of the contract

d) Work certified :- It is work done to which certificate of work done is issued.

e) cost of work certified :- Total cost incurred on the position of work certified.

ii.) (a) The cost per unit of service should be used as cost control function.

i.) A cost per unit of service should be computed

ii) Prices should computed for services being sold to the third party

iv) In order to help management plan, control and make cost should be analysed into fixed Variable and mixed cost

v) Planned cost should be compared with actual and the difference be investigated for corrective actions as necessary.

iii) High Low method

This is object method of segregation mixed cost into fixed and variable costs through the following process:

a) Pick the highest and least activity level among the observed data.

b) Calculate the difference between the two activity levels

c) Pick the corresponding cost of the highest and lowest activity levels

d) Calculate the difference between the cost of highest and lowest activity levels.

b) Engineering methods: is used when there is engineering analysis or technological relationship between input and output e.g work sampling, method studies etc. This method is commonly used for estimating of repetitive processes with clearly desired input or output relationships.

Account classification method: This is a subjective way of classifying mixed cost into fixed and variable cost using personal experience by cost accountant. Items of expenditure within the ledger for

some levels are inspected and classified as fixed variable or semi-variable cost.

Graphical method:- It is a results of over reliance on high and low values of the high-low method of segregating mixed cost into fixed and variable cost, It was observed that all the observations not considered in giving at the observations are not considered in giving at cost, estimate and this led to the discovery of graphical method, graphical method uses all observations in arriving at the cost estimate.

4) Features of contract costing

-> There maybe sub contract

-> Work in undertaking to customer special equipment.

-> The work is frequently constructional in nature.

-> Payment on account are usually made against work certi

-> In some contract fund/money may be deducted from t
payment.

1) Solomons PLC

Contract account as at January 31, 2011

	₦		₦
Direct materials b/d	75,000		
materials bought during the year	195,000	materials c/d	25,000
Direct expenses	66,000	cost to date c/d	450,650
wages paid	150,000		
Head office expenses	10,000		
Plant depreciation (25% × 100,000)	20,000		
Accrued expenses			
wages 500			
Direct expenses 1,150	1650		
	475,650		475,650

cost to date b/f	456,650	value of work certified	545,000
notional profit			
profit taken 35,010			
profit not taken 21,340	58,350		
	545,000		545,000

b) Calculations of work in progress

cost to date	496,650
profit taken	35,010
	521,660
cost received	(490,500)
work-in-progress	31,160

workings

Cash received 490,500

Value certified = $\frac{490,500}{0.90}$ = 545,000

Notional profit = 58,350

Profit taken = 2/3 × notional profit × $\frac{\text{cash received}}{\text{value certified}}$

= 2/3 × 37,350 × 490,500 / 545,000

= ₦ 35.010

Profit not taken = (57.350 - 35.010) = ₦ 25,340

3)

Process 1 Account

Narration	Qty	Rate	₦ Amount	Narration	Qty	rate	₦ Amount
Input mat	1,000	2	12000	Normal loss	600	5	1,200
Add: Material			7000	output	5000	6.5	31,500
Labour			8000	Abnormal loss	400		2,600
Expenses			3000				
Ove- heads			2000				
Production			5000				
	6000		35,200		6400		35,200

Cost Per unit (CPU) = $\frac{\text{cost - scrap}}{\text{input material unit — Normal cost unit}}$

= $\frac{35,200 - 1,200}{1000 - 600}$ = $\frac{34,000}{5,000}$

= ₦ 6.5

Process II account

Narration	Qty	rate	₦ Amount	Narration	Qty	rate	₦ Amount
Previous unit	5,000	1.5	31,500	Normal loss	500	5	1,500
Add: material			7,000	output	6,000	13.9	83,400
labour			10,000				
Exp.			4,900				
Oh. exp.			4,200				
Fin. overhead			9,000				
Abnormal gain	1,500		20,700				
	6,500		84,900		6,500		84,900

CPU = cost - scrap / input material - normal

= $\frac{₦4,200 - 1,500}{5,000 - 500}$ = $\frac{₦2,700}{4,500}$

= ₦13.9

Abnormal loss account

Narration	qty	rate	Amount	Narration	qty	rate	Amount
process I	400		2500	scrap	400	5	4,000
process II	1,600		29,600	P/L			28,100
	2,000		32,100		2,000		32,100

Abnormal loss gen account

Narration	qty	rate	Amount	Narration	qty	rate	Amount
Scrap	1,200	3	4,800		1,500		20,700
P/L			16,200				
	1500		20,700		1,500		20,700

Process III account

Narration	qty	rate	Amount	Narration	qty	rate	Amount
Process II transfer	6,000	17.9	88,400	Normal loss	400	3	1,200
Direct material			5,000	output	4,000	18	73,600
Labour			7,000	Abnormal loss	1,600		29,600
Expenses			2,500				
Other OCP			500				
Prod. closed			6,000				
	6,000		104,400		6,000		104,400

$$CPU = \frac{\text{cost} - \text{scrap}}{\text{input material} - \text{normal}}$$

$$= \frac{104,400 - 1,200}{6,000 - 400} = \frac{103,200}{5,600}$$

$$= \text{₦}18.4$$