(1)

Salamander Plc

Contract Account for the Period ended February 28, 2011

	₦	₦		₦
Materials issued		75,000	Materials c/f	25,000
Materials brought onsite		195,000	Cost to date c/f	486,650
Wages paid		55,000		
Head office		10,500		
Plant Dep (20% x 100,000)		20,000		
Accrued exp				
Wages	5,000			
Direct exp	1,150	6,150		
		511,650		511,650
Cost to date b/f		486,650	Value of Work Certified	545,000
National profit				
Profit taken	35,010			
Profit non-taken	23,340	58,350		
		545,000		545,000
Material b/f		25,000	profit b/f	23,340

Calculation of Work In Progress

	₦
cost to date	486,650
Profit taken	35,010
	521,660
Cash received	490,500
Work-in-progress	31,160

Workings

Cash received ₦490,500

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

Notional profit = 58,350

Profit taken = $2/3 \times NP \times \frac{\text{Cash Received}}{\text{Value certified}}$

$= 2/3 \times 58,350 \times \frac{490,500}{545,000}$

= ₦35,010

Profit Not taken = (58,350 - 35,010) = ₦23,340

(3)

Kekeme LTD

Process I Account

Particular	Qty	Rate	Amount	Particular	Qty	Rate	Amount
Input met	6000	2	120,000	Normal loss	600	3	1,800
Abnormal			7,000	Output	5000	6.2963	31481.5
Labour			8,000	Abnormal loss	400	6.2963	2518.5
D/E			3,000				
O/E			800				
Prod overhead			5,000				
	6,000		35,800		6,000		35,800

Cost per unit (CPU) = $\frac{\text{Cost} - \text{Scrap}}{\text{Input material unit} - \text{Normal loss unit}}$

$= \frac{35\,800 - 1800}{6,000 - 600} = \frac{34,000}{5400}$

$= ₦6.2963$

Process II Amount

Particular	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Proces I transf	5,000	62963	314181.5	Normal loss	500	3	₦500
D/Mat			18,000	Output	6,000	13.9712	85762
D/L			10,000				
D/E			4,500				
other Exp			1,200				
Prod-Overhead			9,000				
Abnormal gain	1,500	13.9712	20938				
	6,500		85075		6,500		85075

$$\text{CPU} = \frac{\text{Cost} - \text{Scrap}}{\text{Input material} - \text{Normal loss}} = \frac{62681.5 - 1500}{5000 - 500}$$

$$= \frac{62681.5}{4500} = ₦13.9292$$

Process III Account

Particular	Qty	Rate	Amount	particulars	Qty	Rate	Amount
Process II transfer	6,000	13.9292	83,575.2	Normal loss	400	3	1,200
Add. Material			5,000	Output	4,000	18.4598	73839.2
D/L			7,000	Abnormal loss	1,600	18.4598	2955.68
D/E			2,500				
OIE			500				
Prod overhead			6,000				
	6,000		104575		6,000		104575

Cost per unit = $\frac{\text{Cost} - \text{Scrap}}{\text{Input} - \text{Normal loss}}$

$\frac{104575.2 - 1200}{6000 - 400}$

$= \frac{103575.2}{5600} = ₹18.4598$

Abnormal Gain Amount

Particulars	Qty	Rate	Amount	particulars	Qty	Rate	Amount
Scrap	1,500	3	4500	Process II	1500	13.7862	20693.8
P/L			16298.8				
	1500		20693.8		1500		20693.8

Abnormal loss Account

Particulars	Qty	Rate	Amount	particulars	Qty	Rate	Amount
Process I	400	6.2963	3145.15	Scrap	1200	3	5600
Process II	1600	18.4598	29535.68	P/L	800		5747.18
	2000		61017.18		2000		61017.18

Question 4

1) Explain the features and five terminologies used in Contract costing.

-> Contract price: Agreed price on the Contract between the Contractors and the Contractee.
-> Architect Certificate: it is the Certificate of work done at every stage, it is the Certificate of work done issued to the Contractor.
-> Work Certified: it is the workdone upon which Certificate is ~~issued~~ issued by architect.
-> Value of Work Certified: This is the Market Value of Work Certified by Cost Account
-> National profit or Loss: This is the profit earned On the Contract to date. It is the difference between the Value of Work Certified and Cost of Work Certified.

Features
-> A formal Contract is made between the Customer and the supplier or a Contractee and the Contractor.
-> There may be a Sub-Contract
-> The Work is frequently constructed in nature
-> The Method of Costing is similar to Job Costing
-> Work is Undertaken to Customers special requirement.

A ii)

Service costing Objective are

i) To Control the cost in the Service department
ii) to Control the cost of the User department
iii) Accurate establishment of overhead cost of user department
iv) it Check mates the existence of wasteful use of service department:
v) it helps the user department to achieve cost efficiency by sourcing for lower cost Service externally.

Aiii) Engineering Methods :- Engineering Method is used when there is engineering analysis of technological relationship between input and output eg Work Sampling, Method studies e.t.c. This method is commonly used for estimating of repetitive Processes with clearly defined 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 account for some level are inspected and classified as fixed variable or semi-variable cost.

3) High low Method: This is Object Method of Segregation mixed cost into fixed and Variable costs through the following process
-> Pick the highest and least activity level among the Observed data.
-> Calculate the difference between two activity levels
-> Pick the corresponding cost of the highest and lowest activity level.

4) Graphical or Scattergraph Method: As a result of over reliance on high and low values of the high-low Method of Segregating Mixed Cost into fixed and Variable costs, it was Observed that all the observations are next considered in driving at the cost estimate and this led to the discovery of graphical Method, graphical Method uses all Observations in arriving at the cost estimate.

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18/SMS02/033
Accounting department

Question 2

	Running cost	₦	₦
Petrol	$\left[\frac{50 \times 2 \times 2 \times 8}{8} \times 50\right]$	10,000	
Repairs (120×8)		960	
Depreciation on tyes	$\left[\frac{2000}{20,000} \times \frac{5000}{1}\right]$	500	12,300
Running Cost			
Drivers Wage		200	
garage bills (5×10×8)		400	
Insurance	$\left[\frac{1000}{52} \times 8\right]$	307.7	
Vehicle license	$\left[\frac{5200}{52} \times 8\right]$	800	
Other Overhead cost	$\left[\frac{1800}{52} \times 8\right]$	600	