NAME: UMEAKU WILLIAMS KENECHUKWU

MATRICNO: 19/SMS03/025

DEPARTMENT: BUSINESS ADMIN

COURSE CODE: ACC 204

QUESTION 1

SALAMANDER PLC.

CONTRACT ACCOUNT AS AT FEB 28, 2011

	₦		₦
Direct materials issued	75,000	materials c/f	25,000
materials bought on site	195000	Cost of to date c/f	486,650
Direct Expenses	55000		
Wages paid	150000		
Head office Expenses	10,500		
plant depreciation ($\frac{20}{100}$ x 100,000)	20,000		
Accrued Expenses			
Wages 5000			
Direct Expenses 1150	6150		
	511,650		511,650
cost to date b/f	486,650	Value of work certified	545 000
National profit			
profit taken 35,010			
Profit not taken 23,340	58,350		
	545000		
material b/f	25,000	profit b/f	545,000
			23,340

(B.) Workings for Work in progress:

	₦
Cost to date	486,650
profit taken	35,010
	521,660
cash received	(490,500)
Wor kin-progress	31,160

~~workings~~

Workings

cash received = 490,500

Value certified = $\frac{490500}{0.90}$ = 545,000

Normal profit = 58,350

Profit taken = $\frac{2}{3}$ x Normal profit x $\frac{\text{cash received}}{\text{value certified}}$

= $\frac{2}{3}$ x 58350 x $\frac{490500}{545,000}$

= ₦ 35,010

Profit taken = (58350 - 35,010)

= ₦ 23,340

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QUESTION 3

KEKEMEKE LTD

PROCESS I ACCOUNT

Narration	Qty	Rate	Amount ₦	Narration	Qty	Rate	Amount ₦
Input met	6000	2	12,000	Normal loss	600	3	1800
Add: material			7000	output	5000	6.3	31500
Labour			8000	Abnormal loss	400		2500
Expenses			3000				
other expenses			800				
production overhead			5000				
	6000		35,800		6000		35,800

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

$= \frac{35\,800 - 1800}{6000 - 600} = \frac{34000}{5400}$

$= ₦6.3$

PROCESS II ACCOUNT

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I Transfer	5000	6.3	31500	Normal loss	500	3	1500
Add: material			8000	output	6000	13.9	83400
Labour			10000				
Expenses			4500				
other Expenses			1200				
production overhead			9000				
Abnormal profit	1500		20,400				
	6500		84900		6500		84900

Cost per unit = $\frac{\text{cost - scrap}}{\text{input material - normal loss unit}}$

$= \frac{64,200 - 1500}{5000 - 500} = \frac{62,700}{4500}$

$= ₦13.9$

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Process III Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process II Transfer	6000	13.9	83,400	Normal loss	400	3	1200
Add: material			5,000	output	4000	18.4	73600
Labour			7,000	Abnormal loss	1600		29600
Expenses			2500				
other expenses			500				
production overhead			6000				
	6000		104,400		6000		104,400

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

$= \frac{104,400 - 1200}{6000 - 400} = \frac{103,200}{5600} = ₦ 18.4$

Abnormal loss Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I	400		2500	Scrap	2000	3	6000
Process II	1600		29600	P/L			26100
	2000		32,100		2000		32,100

Abnormal Gain Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap	1500	3	45,00	process II	1500		20,700
P/L			16,200				
	1500		20,700		1,500		20700

QUESTION 4

I. Features of contract costing include;

a. A formal contract is made between a contractee and contractor
b. Work is done to suit customers requirements.
c. There may be sub-contracts.
d. The work is usually done for more than one accounting period
e. The method of costing is similar to job costing.

Terminologies used in contract costing;

a. Retention fee: This is the amount agreed to be witheld on every progress payment as guarantee against imperfect work.
b. Contract price: This is the agreed price of a contract.
c. Progress payment: This is payment made at specific stages of the contract based on certificate of work done
d. Cost to date: This is the addition of all incurred costs to date.
e. Work certified: This is the work done up on which certificate is issued

II The basic objectives of service costing include;

a. To control cost in the service department. This can be done by comparing actual cost against target cost
b. Cost per unit of services should be used as part of control function.
c. A cost per unit of service should be computed.
d. Prices should be computed for services sold to third parties.

III Four methods of cost estimation include the following;

a Scatter graph method: This method takes all data points into consideration and not just the highest or lowest levels of activity and output.

b High low method: This involves using historical information or records from previous accounting periods to estimate cost.

c Regression analysis: This involves the use of of mathematical equations to derive the most accurate data.

d Account analysis (classification): This involves the reviewing of appropriate accounts and determining whether the costs are fixed or variable.