

Chidozie Jessie Ifeoma

Test

Accounting

18/5ms 02/015

ACC 204

cost Accounting

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Question 7

In the books of the contractor

Salamander PLC

Dr	Contract Account		Cr
Head office expenses	10,500	Materials c/f	25,000
Wages paid (w1)	155,000	Cost to date c/f	486,650
Direct expenses	56,150		
Materials bought onsite	195,000		
Direct material issued	75,000		
Depreciation of plant	20,000		
	<u>511,650</u>		<u>511,650</u>
Cost to date b/d	486,650	Value of work certified	<u>545,000</u> <del>490,500</del>
Profit taken	35,010		
Profit not taken	23,340		
	<u>38,500</u>		
(notional profit)	<u>58,350</u>		
545,000	<u>490,500</u>		<u>545,000</u> <u>490,500</u>

Working note

1) wages paid :  $\begin{matrix} \text{due} & \text{owed} \\ 150,000 & + 5,000 \\ \hline & = 155,000 \end{matrix}$

2) Direct expenses:  $\begin{matrix} \text{due} & \text{owed} \\ 55,000 & + 1,150 \\ \hline & = 56,150 \end{matrix}$

3) Profit taken =  $\frac{2}{3} \times \text{notional profit} \times \frac{\text{cash received}}{\text{value of work certified}}$   
 $= \frac{2}{3} \times 58,350 \times \frac{490,500}{545,000} = 58,350 \times \frac{35010}{545000}$

2) Amount to be shown in profit or loss Account

$$= \frac{2}{3} \times \text{notional profit} \times \frac{\text{Cash received}}{\text{value of work certified}}$$

$$\frac{2}{3} \times 58350 \times \frac{490500}{545000} = 35,070$$

(shown on the credit side)  
of profit or loss Account

3) Work-in-progress

#

Cost 486,650

Profit taken 35,070

521,660

Cash received (490,500)

Work in progress 31,160

Question 3

Ke<sup>ke</sup>meke Ltd

Dr

Process 1 Account

Cr

Particulars	Quantity Units	Price #	Amount #	Particulars	Qty Units	Price #	Amount #
Input	6000	2	12000	Normal loss	600	3	1800
Direct mat			7000	Actual Expected output	5000	6.3	31,500
Direct expenses			3000	Abnormal loss	400	6.3	2520
Other expenses			8000				
Direct labour			8000				
Prod'n			5000				
	<u>6000</u>		<u>35800</u>		<u>6000</u>		<u>35820</u>

£

1) Unit price =  $\frac{\text{Cost} - \text{Scrap}}{\text{Input} - \text{normal loss}} = \frac{35800 - 1800}{6000 - 600} = \frac{34,000}{5400} = 6.2962 \approx 6.3$

Dr

Process 2 Account

Cr

Particulars	Qty Units	Price #	Amount #	Particulars	Qty Units	Price #	Amount #
(Transferred from Process 1) Input	5000	6.3	31500	Normal loss	500	3	1500
Direct material			8000	Actual output	5000	13.9	69500
Dir Labour			10,000				
Dir expenses			4500				
Other expenses			1200				
P/O'n			9000				
Abnormal gain	500	13.9	6,950				
	<u>5500</u>		<u>71,150</u>		<u>5500</u>		<u>71000</u>

Cost per unit process 2

Cost - Scrap

Input - normal loss

$$= \frac{64200 - 1500}{5000 - 500} = \frac{62700}{4500} = 13.933 \text{ or } 13.9$$

Process 3 Account

Dr	Qty unit	Price ₹	Amount ₹	Particulars	Qty unit	Price ₹	Amount ₹
Input	5000	13.9	69500	Normal loss	400	3	1200
Direct Mat			5000	Actual output	4000	19.4	77600
Direct Lab			7000	Abnormal loss	600	19.4	11640
Direct exp			2500				
Other exp			500				
Prod'n			600				
	<u>5000</u>		<u>90500</u>		<u>5000</u>		<u>90440</u>

Cost per unit

Cost - Scrap

Input - Normal Loss

$$= \frac{90500 - 1200}{5000 - 400} = \frac{89300}{4600} = 19.413 \text{ or } 19.4$$

Abnormal Loss Account

Dr	Qty	Price ₹	Amount ₹	Particulars	Cr
Process 1	400	6.3	2520	Statement of profit & loss Account	14160
Process 3	600	19.4	11640		

Abnormal Gains Account

Dr	Particulars	Amount ₹	Cr	Particulars	Amount ₹	
Statement of Profit & Loss Account	6950		Process 2	Qty Unit 500	Price ₹ 13.9	Amount ₹ 6,950

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Leke Leke PLC  
Statement of running & standing costs for 8 weeks

Running costs

Petrol  $(8 \times 2 \times 2 \times \overset{+20}{\cancel{20}} \times 5) \times 50 = \frac{3200}{4800} /$

~~19~~ 20

repairs  $(120 \times 8) \quad 960$

~~Driver's wage~~  
Gauge bill  $(10 \times 5 \times 8) \quad 400$

Standing costs

Depreciation  $(\frac{\text{Cost} - \text{Residual value}}{100,000} \times \text{Capacity})$   
 $\frac{20,000 - 2000}{100,000 \text{ km}} = 0.18 \times 120 = 2.16$

Insurance  $(\frac{2000 \times 5 \times 8}{52}) \quad 1,538.46$

Taxes  $(\frac{2000}{20,000}) \times 50 \quad 5$

Cost of vehicle License  $\frac{5200 \times 5 \times 8}{52} \quad 400$

Other overhead cost  $\frac{7800 \times 5 \times 8}{52} \quad 6000$

Total costs: 14106

~~12,505.66~~  
~~12,506~~

12,500.66  
12,500.7  
12,501

$$2) \text{ vehicle cost per km} = \frac{12506}{50} = 250.12$$

$$\text{cost per ton per km} = \frac{(250.12 \times 12)}{50} = 60.0288$$

≈ 60

3) mileage:

$$200 \times 10 \times 250.12 = 120,000 \quad 500.240$$

$$\text{ton/km} = 200 \times 10 \times 60 = 120,000$$

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COST ACCOUNTING

### Question 4

1) Features of contract costing includes:

- 1) It is usually done on sites.
- 2) It is done based on customer i.e. Contractor's requirements.
- 3) For any cash to be paid to the contractor the architect must have issued a certificate of work done.
- 4) A retention fee is usually deducted from the value of work done as against wrongly done jobs by the contractor and it is released back to the contractor after a certain time period.
- 5) It is usually done on the customer's contractor's site.

Objectives of Service costing includes

- i) To identify the cost per unit of service rendered by a service industry.
- ii) For a transport/costing company.

- 1) Certificate of work done: This is also called the architect's certificate is a document issued by an architect showing that the work <sup>done is</sup> certified.
- 2) Contract price: This is cost of money charged by the contractor to the contractee. It is consisted of contract cost plus profit.
- 3) Notional profit: This is profit expected to be gotten by the contractor on the contract work done.
- 4) Profit taken: This is a percentage / portion of the notional profit already taken by the contractor.
- 5) Profit not taken: This is a portion of the notional profit not yet taken up by the contractor.
- 6) Contract cost: This is the actual cost it takes the contractor to render take the contract job.
- 7) Cost

### Objectives of Service Costing include

- (i) To determine the cost per unit of service rendered by a service industry.
- (ii) For a transport company an objective of service costing could be to



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- (i) To determine the cost of a service in the service department
- (ii) To determine the cost of a service in the user department

(iii)

Engineering method: This is a costing technique used to estimate cost when there is a direct relationship between input and output

Advantages

It is used when there is direct relationship between input & output

Disadvantages

It is difficult and expensive.

2) Accounts classification method; This is a cost estimation method used by the cost accountant where he bases his assumptions on past knowledge & experience to classify cost into fixed and variable costs

### Advantages

- 1) It is easy and simple to understand
- 2) It is subjective

### Disadvantages

It is not necessarily reliable since it uses past experiences

3) High-low method - This is an <sup>objective</sup> cost estimation technique that makes use of the highest and lowest output and costs to determine variable & fixed costs

### Advantages

- 1) It is simple & easy to understand

### Disadvantages

- 1) This method uses only some variables/data thus it is not reliable

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Graphical method: This cost estimation method was developed to solve the shortcomings of the highlow method. It basically draws up all data on a graph of a and y axis with costs on the y axis and activity on the x axis

Advantages

It is broad and encompasses all data

Disadvantages

It may be difficult & complex