

AMATEMESO BESSIE  
18/11/2013  
ACCOUNTING  
Question 1

SALAMANDER PLC

Contract Account as at  
 Direct materials issued 75,000  
 materials bought on site 195,000  
 Direct expenses 55,000  
 wages paid 150,000  
 Head office expense 10,500  
 Plant operation @ 0% x 100,000 20,000

Accrued expenses  
 wages 5,000  
 Direct expenses 1,150  
6,150  
511,650

Cost to date b/d 486,650  
 Notional profit  
 Profit taken 35,010  
 Profit not taken 23,340  
58,350  
545,000

materials b/p 25,000

February 28, 2011  
 materials 9p 25,000  
 Cost to date 9p 486,650

511,650  
 value of work certified 545,000

545,000

Profit b/p

23,340

b) Calculation of work in Progress  
 Cost to date 486,650  
 Profit taken 350,010  
 Cash Received 521,660  
 Cash Received (490,500)  
31,160



Workings

Cash Received = 490,500

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

Notional Profit = 58,350

$$\text{Profit taken} = \frac{2}{3} \times \text{Notional Profit} \times \frac{\text{Cash Received}}{\text{Value Certified}}$$

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

$$= \text{£ } 35,010$$

$$\text{Profit Not taken} = (58,350 - 35,010) = \text{£ } 23,340$$



Number 2. 18/5/50 2/6/13

Running cost  
Petrol  $\left[ \frac{50 \times 2 \times 2 \times 8 \times 50}{8} \right]$  10,000

Repairs  $(120 \times 8)$  960

Depreciation on lorry  $\left[ \frac{20,000 - 2,000 \times 5,000}{5,000} \right]$  900

Depreciation on tyres  $\left[ \frac{2,000}{20,000} \times \frac{5,000}{1} \right]$  500

Running cost

Drivers wages

Garage bills  $(5 \times 10 \times 8)$

Insurance  $\left[ \frac{2,000}{52} \times 8 \right]$

Vehicle license  $\left[ \frac{5,000}{52} \times 8 \right]$

Other Overhead Cost  $\left[ \frac{7,800}{52} \times 8 \right]$

200

400



Number 5  
kekekemak Ltd

18/5/2013

Process Account							
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Input mat	6,000	2	12,000	Normal loss	600	3	1,800
Add: material			7,000	Output	5,000	6.3	31,500
labour			8,000	Abnormal loss	400		2,500
Expenses			3,000				
Other Expenses			800				
Production			5,000				
	6,000		35,800		6,000		35,800

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

$$= \frac{35,800 - 1,800}{6,000 - 600} = \frac{34,000}{5,400} = \text{# } 6.3$$

Process II Account							
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I Transfer	5,000	6.3	31,500	Normal loss	500	3	1,500
Add material			8,000	Output	6,000	13.9	83,400
labour			10,000				
Expenses			4,500				
Other Expenses			1,200				
Production overhead			9,000				
Abnormal Profit	1,500		20,700				
	6,500		84,900		6,500		84,900

Cpu =  $\frac{\text{Cost} - \text{Scrap}}{\text{Input material} - \text{normal}}$

$$= \frac{64,200 - 1,500}{5,000 - 500} = \frac{62,700}{4,500} = \text{# } 13.9$$



Abnormal loss account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I	400		2,500	Scrap	2,000	3	6,000
Process II	1,600		29,600	p/l			26,100
	2,000		32,100		2,000		32,100

Abnormal gain account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap	1,500	3	4,500	Process II	1,500		20,700
p/l			16,200				
	1,500		20,700		1,500		20,700

Process III Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process II transfer	6,000	13.9	83,400	Normal loss	400	3	1,200
Add material			5,000	Output	4,000	18.4	73,600
labour			7,000	Abnormal loss	1,600		29,600
Expenses			2,500				
other exp			500				
Production overhead			6,000				
	6,000		104,400		6,000		104,400

$CPU = \text{Cost} - \text{Scrap}$

Input material normal

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

$= \text{\$} 18.4$



Cost Accounting

- Features of Contract Costing
- It is a special method of costing
- It is used for the purpose of ascertaining the cost of each contract
- It is used for the purpose of ascertaining the profit on each contract
- It is used for the purpose of ascertaining the cost of each contract

Contract Costing is a special method of costing which is used for the purpose of ascertaining the cost of each contract. It is used for the purpose of ascertaining the profit on each contract. It is used for the purpose of ascertaining the cost of each contract.

- Cost of work completed
- Cost of work in progress
- Cost of work under contract
- Cost of work under contract

(4R)

- Characteristics of Contract Costing
- The cost per unit is constant
- A cost per unit of work done will be computed
- The cost per unit of work done will be computed
- The cost per unit of work done will be computed
- The cost per unit of work done will be computed



## AC

### A methods of cost estimation

- 1.) Cost Estimation is used to predict the quantity, cost and price of the resources required by the scope of a project.
- ii) ~~Cost~~ Engineering Method:- It is used when there is engineering analysis of technological relationship between input and output e.g work sampling methods study and time motion studies.
- iii) Account Classification Method:- Accounts are classified using one of two approaches - modern approach or traditional approach. Modern approach is used in almost every advanced country. The use of traditional approach is very limited.
- iv) GRAPHICAL or Scatter graph 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.
- v) The least square method:- It is a statistical procedure to find the best fit for a set of data points by minimizing the sum of the offsets or residuals of points from the plotted curve.