GBAILEBO AMEERAH OPEYEMI
18/SMS02/026
ACCOUNTING

Question 4:

1) features

- Rentention fund may be deducted from Progress payment
- Contract may contain clause for penalty for delay in competion and bonus for any completion.
- payment on accaunt are usually made against work certified.
- The method of contract Costing is simular to Job costing
- The work frequently are constructional in nature
- work is under taken to customer specified requirement.

Terminologies:

- cost todate, An amount has been spent till Present date. Total sum and addition of all cost incured till date on the contract
- Estimated profit; The contract price minus the estimated cost of the contract.
- Contract price; the amount or price agreed between contractor and contractee.
- Archete certificate; certificate is issued to contract for work done.

cost of work certified; This is the total cost incurred on the portion certified.

ii) ~~Stud~~ A cost per unit of service should be ~~Compensated~~ computed

- the cost per unit ~~of~~ for service should be ~~pere~~ used as part of the control function
- Price should be compulated for service bee sold to third parties.
- Planned cost to be compared with actual cost and differences be investigated for corrective actions.
- In order to help management plar, control and make decsions cost should be analysed into fixed variable and mix cost.

iii) Account Classification method; This is a subjective way of classifying mixed cost into fixed cost and variable cost using personal experience by cost accountants.

*Engineering method; this is used when there is engineering analysis ~~tech~~ of technological relationship between input and out put e.g. work sampling method study and time motion on studies. cost are eliminated based on observation of the underlying Physical quantities needed for activity.

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Graphical or Scattergraph method:

As a result of over reliance on high and low value of the high-low method of segregating mixed cost into fixed and variable cost. It is observed that all the observations are not considered in arriving at the cost estimate and this led to the discovery of graphical method. It uses all observation in arriving at the cost estimate.

Least square or Linear Regression method:

the application of linear equation formula; $y=a+bx$ is used to derive the regression equations

y is total or mixed cost,
a is for constant factor or fixed cost
b is for variable cost and
x is for activity level or independent variable

Question 1:

SALAMANDER PLC

Contract Account AS AT February 28, 2011

	₦	₦		₦
Direct materials issued		75,000	Materials c/f	25,000
materials bought on site		195,000	cost to date c/f	486,650
Direct expense		55,000		
wages paid		150,000		
Head office exp.		10,500		
Plant dep (20% of 100000)		20,000		
accured exp				
wages	5000			
Direct exp.	1,150	6150		
		511650		511650
cost to date b/f		486,650	value of work certified	545000
Notional profit				
profit taken	35,010			
profit not taken	23,340	58,350		
		545000		545000
material b/f		25000	Profit b/f	23,340

b. Calculation of work in progress

Cost to date	₦486,650
Profit taken	35,010
~~Cash received~~	521,660
Cash received	(490,500)
Work in progress	31,160

Workings.

Cash received 490,500

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

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

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

$= ₦35{,}010$

profit not taken $= (58{,}350 - 35010) = 23{,}340$

Question 3

Kekemeke ltd

Narration	Qty	Rate	Amount ₦	Narration	Qty	Rate	Amount ₦
Input met	6000	2	12,000	Normal loss	600	3	1,800
Add: material			7000	Output	5,000	6.3	31,500
Labour			8000	Abnormal loss	400		2,500
Expense			3000				
Other exp.			800				
Production ovh			5,000				
	6000		35,800		6000		35,800

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

$= \frac{35,800 - 1800}{6,000 - 600}$ $= \frac{34,000}{5,400}$

$= ₦ 6.3$

Process II Account

Narration	Qty	Rate	Amount ₦	Narration	Qty	Rate	Amount ₦
Process I trans	5000	6.3	31,500	Normal loss	500	3	1500
Add material			8000	Output	6000	13.9	83,400
Labour			10,000				
Exp.			4500				
Other exp			1,200				
Production Overhead			9000				
			20,700				
Abnormal profit	1500						
	6500		84,900		6500		84,900

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

$= \frac{64,200 - 1500}{5,000 - 500}$ $= \frac{62700}{4,500}$

$= ₦ 13.9$

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Process III Account

Narration	Qty	Rate	Amount	Narration	Qty	rate	Amount
Process II transaction	6000	13.9	83400	Normal loss	400	3	1200
Add: Material			500				
Labour			7000	Output	4800	18.4	73,60
Exp			2500				
Other Exp			500	Abnormal loss	1600		29,60
production			6000				
	6000		104,400		6000		1044

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

$$= \frac{104,400 - 1200}{6,000 - 400}$$

$$= \frac{103,200}{5,600}$$

$$= ₦18.4$$

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Abnormal loss ACCOUNT

Narration	Qty	Rate	Amount
Process 1	400		3500
Process 2	1600		29,600
	2000		32100

Narration	@t	rate	Amount
Scrap	2000	3	6000
			26100
	2000		32,100

Abnormal gain ACCOUNT

Narration	Qty	rate	Amount
Scrap	1500	3	4500
P/L			16,200
	1500		20,700

Narration	@ty	Rate	Amount
Process II	1500		20,700
	1500		2070