

Dewan Meshach Ezekiel

Account Test

18/5/2023/009

Business Admin

SALAMANDER PLC CONSTRUCTION COMPANY

Contract Account for the Period ended 28th February 2011

Direct Materials	75,000	Materials	25,000
Direct expenses (55,000 + 1,150)	56,150	Certified work	490,500
Wages Paid (150,000 + 5,000)	155,000		
Head office expense	10,500		
Material bought on site	195,000		
Plant depreciation (20% x 100,000)	20,000		
Accrued expenses			
Wages	5,000		
Direct tax	6,150		
	511,650		
Cost to date b/f	4,866,50	Value of work certified	511,650
Notional profit:			
profit taken	35,010		
	233,40		
	545,000		

Material b/f 25,000 Profit b/f 233,40

Work in Progress 486,650 Cost to date 35,010 profit taken 521,660

Handwritten notes at the bottom of the page, including 'The contract is...' and 'The contract is...'.

Question 4A

Features of Contract Costing

1. Work is undertaken to customer's special requirement.
2. There may be sub contract.
3. In contract, work is often based on size.
4. The of Job costing is similar to Contract Costing.
5. A formal Contract is made between the customer and the supplier or the Contractee or Contractor.
6. Work are usually for long duration often more than one accounting period.
7. Retention fund may be deducted from progress payment.

Terminologies

1. Retention fee: Is deducted in case of any abnormal at the end of the work or is the money deducted from progress payment as guarantee against a bad or imperfect work which will be released to the Contractor after a specified period of time.
2. Estimated Profit: $\text{Contract price} \rightarrow \text{Estimated Cost of the Contract}$
3. Cost to date: It is the addition of all Cost incurred to date on the Contract.
4. Work certified: The work done upon which the Certificate of work done is issued by an architect.
5. Contract Price: Agreed Price of the Contract between the Contractor and the Contractee.

4B The Objectives

1. A Cost per unit of Services should be Computed.
2. The Cost per unit of services should be Used as part of Control function.
3. Price should be Computed for Services being sold to third Parties.
4. Planned Cost to be Compared with actual Cost and to be difference be Investigated for corrective action as necessary.
5. In order to help managers plan, control and Make decision, Cost should be analysed in fixed, Variable and Mixed Cost.

4c

- (A) Scatter graph method: It is a popular well known method of estimating the fixed and variable cost because it is a quick and easy method to use. It involves drawing a graph of number of units produced against the total cost incurred in the production process. A line of best fit is drawn passing through the data point in the graph. The total fixed cost will be the point on the line drawn touches the y-axis.
- (B) High low Method: This represents an object way of segregating the mixed cost into fixed and variable element by applying the following.
- * Determine the difference between the activity levels
 - * Identify the corresponding cost to both the highest and lowest activity level where inflation makes the cost in each period uncomparable, costs, should be adjusted to the same level by means of a price level index.
 - * Determine the difference between the corresponding cost.
 - * In order to determine the variable cost per unit or the level of variability, divide the difference in cost by difference in activity level
 - * Use the variable cost per unit to determine total variable cost.
- (C) Regression analysis: It uses a series of mathematical equation to find the best possible fit to the line to the data point and thus tends to provide more accurate estimate of fixed and variable cost assuming there are no unusual data points in the data set.
- (D) Statistical Modeling: For the largest & small business; statistical modeling can be very accurate method of cost estimation.

Question 3

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Process Account I				Process Account II			
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Input material	6000	2	12000	Normal loss	600	3	1800
Abt. Material			7000	output	5000	6.3	31,500
Labour			8000	abnormal loss	400		2500
expenses			3000				
other expenses			800				
production overh			5000				
total	6000		35,800	total	6000		35,800

Cost per Unit (cup) = $\frac{\text{Cost} - \text{scrap}}{\text{Input material unit} - \text{normal loss unit}}$

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

Process Account I				Process Account II			
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
process transfer	5000	6.3	31,500	Normal loss	500	3	1500
Abt. Material			8,000		600	13.9	8,340
Labour			10,000				
Expenses			4,500				
other expenses			1,200				
production overhead			9000				
Abnormal profit	1500		20,700				
total	6500		84,900	total	6500		84,900

cup = $\frac{\text{Cost} - \text{scrap}}{\text{Input material} - \text{normal}}$

$$= \frac{84,900 - 1,500}{6,500 - 500} = \frac{83,400}{6,000} = \text{R} 13.9$$

Process Account III

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process II trans fer	6000	13.9	83,400	normal loss	400	3	1,200
Add material			5000	output	4000	18.4	73,600
labour			7000	Abnormal loss	1600		29,600
Expenses			2500				
Other Exp			500				
Production overhead			6000				
	6000		104,400		6000		104,400

$$\begin{aligned}
 \text{CPU} &= \frac{\text{cost} - \text{scrap}}{\text{Input material} - \text{normal}} \\
 &= \frac{104,400 - 1,200}{6000 - 400} = \frac{103,200}{5,600} = \text{\$}18.4
 \end{aligned}$$

Abnormal loss Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
process I	400		2500	Scrap	2000	3	6000
process II	1600		29600	PII			26100
	2000		32100		2000		32,100

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Abnormal Gain Account

Narrator	Qty	Rate	Amount	Narrator	Qty	Rate	Amount
Scrap	1500	3	4500	Process T1	1500		20700
PLK			16200				
	1500		20700		1500		20700