

Kekameke Ltd

Process I A/c

Description	Qty	Rate	Amount	Description	Qty	Rate	Amount
Input	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

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

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

Process II A/c

Description	Qty	Rate	Amount	Description	Qty	Rate	Amount
Process I	5,000	6.3	31,500	Normal loss	500	2	1,000
Add material			8,000	Output	6,000	13.7	82,200
labour			10,000				
expenses			4,500				
other expenses			1,700				
Production			7,000				
Abnormal loss	500		20,700				
	6,500		74,900		6,500		84,700

$$\text{Cpu} = \frac{\text{Cost} - \text{Scrap}}{\text{Input m} - \text{Normal}} = \frac{84,200 - 1,000}{6,500 - 500} = \frac{83,200}{6,000} = \text{A } 13.7$$

Abnormal loss A/c

Description	Qty	Rate	Amount	Description	Qty	Rate	Amount
Process I	400		2,500	Scrap	200	3	600
Process II	1,000		29,600	P/L			26,100
	2,000		32,100		2,000		32,100

- b) It is used for computing the related operating cost.
- To collect actual cost under different heads.
 - To help to concern to take appropriate decision for reducing the service cost.
 - To decide the definite policy either to use own source or hire from outside for providing service especially in case of transport cost.
 - To fix up the rate to be charged for providing service to customers.

(c)

- Account analysis
- High-low method
- Scatter graph method
- Regression analysis

Account Analysis: - is perhaps the most common starting point for estimating fixed and variable cost.

High-low method: - Identifying fixed and variable cost estimation purposes.

Scatter graph method: - to estimate costs, used to estimate fixed & variable cost.

Regression Analysis: - uses a series of mathematical equations to find the best possible fit of the line of the data points and thus tends to provide more accurate results.

GABRIEL MERCY OJOIA
18/21/2021/025
ACCOUNTING DEPARTMENT

NO 4

- a) Contracts are generally of large and therefore, a contractor usually carries out a contract in the course of one year.
- b) Each contract undertaken is treated as a cost unit.
- c) A contract generally takes more than one year to complete.
- d) Contract costing is less detailed and similar than job costing.

e) There is no heavy investment on assets initially in the case of contract costing.

Terminologies

- a) Contract price - Agreed price of the contract between the contractor and contractor.
- b) Cost to date - This is the addition of sub incurred to date in the contract.
- c) Progress payment - This is the payment made at specific stage of the contract based on certificate of work done.
- d) Estimated profit - This is contract price less the estimation cost of the contract.
- e) Value of work certified (contract) - Value of work certified cost account.

then the scatter graph approach

SALAMANDER PLC (CONTINUED)

Credit Account		to the Period ended 31.12.2021	
Direct materials	75,000	Materials	25,000
Direct expenses (55,000 + 10,000)	65,000	Certified work b/d	490,500
Wages paid (150,000 + 2000)	152,000		
Travel & office expenses	10,500		
Materials bought on s/b	195,000		
Plant depreciation	20,000		
Accrued expenses			
Wages	5,000		
Dep	1,150		
	<u>6,150</u>		
	<u>511,650</u>		<u>511,650</u>
Cost to date b/d	495,650	0-hour work certified	545,000
Natural profit 35,010			
Profit not taken 23,340	<u>58,350</u>		
	<u>545,000</u>		<u>545,000</u>
Material b/f	25,000	Profit b/f	23,340

b) Calculation of work in progress

Cost to date	496,650
Profit taken	<u>35,010</u>
Cash received	521,660
Work in progress	<u>(490,500)</u>
	<u>31,160</u>

Workings

Cash that was received 490,500

Value certified = $\frac{490,500}{670} = 545,000$

Natural profit = 58,350

Profit taken = $\frac{2}{3} \times \text{N. profit} + \frac{\text{cash received}}{\text{value certified}}$

$= \frac{2}{3} \times 58,350 + \frac{490,500}{545,000} = 35,010$

Profit not taken = $(58,350 - 35,010) = 23,340$

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap P/L	6,500	3	19,500	Process II	1,500		20,700
			16,200				
			20,700		1,500		20,700

Process III			Amount				
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	17.4	69,600
Labour			7,000	Abnormal loss	1,600		27,600
Expenses			2,500				
Other expenses			500				
Production			6,000				
	6,000		104,400		6,000		104,400

$$C_{pu} = \frac{\text{Cost} - \text{Scrap}}{\text{Input material} - \text{Normal loss}}$$

$$= \frac{104,400 - 1,200}{6,000 - 400} = \frac{103,200}{5,600} = 18.4$$

Petrol $\left[\frac{50 + 2 + 2 + 8 + 50}{\text{No 2}} \right]$ 16,800

Depreciation on lorry $\left[\frac{20,000 - 20,000 + 5,000}{10,000} \right]$ 900

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

Running cost

Drivers wages 200
 Bills (571078) 400