NAME: INNH JANE-FRANCESS CHIEMERIE
MATRIC NO: 18/sms 02/029 : SMS COLLEGE
DATE: 09/07/2020 : ACCOUNTING DEPARTMENT

QUESTION 5

KEKEMEK LTD

Process I Account

Particulars	Qty	Rate	Amount	Particular	Qty	Rate	Amount
Input Mat	6000	2	12,000	Normal loss	600	3	1,800
Add Material			7,000	Output	5000	6·2963	31481·5
Labour			8,000	Abnormal loss	400	6·2963	2518·5
D/E			3,000				
O/E			800				
Prod overhead			5,000				
	6,000		35,800		6,000		35,800

Cost per unit (cpu) = $\dfrac{Cost - Scrap}{Input\ material\ unit - Normal\ loss\ units}$

$= \dfrac{35,800 - 1800}{6,000 - 600} = \dfrac{34,000}{5,400} = ₦6·2963$

Process II Account

Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Process I trans	5,000	6·2963	31481·5	Normal loss	500	3	1,500
b/d: Mat			18,000	Output	6,000	13·9292	83575·2
D/rL			10,000				
D/E			4,500				
Other Exp			1200				
Prod·overhead			9,000				
Normal gain	1500	13·9292	20893·8				
	6500		85075		6,500		85075

CPU = $\dfrac{Cost - Scrap}{Input\ material - Normal\ loss}$ $= \dfrac{64181·5 - 1500}{5000 - 500} = \dfrac{62681·5}{4500}$

$= ₦ 13·9292$

Process III Account

Particulars	Qty	Rate ₹	Amount ₹	Particulars	Qty	Rate ₹	Amount ₹
Process II transfer	6000	13.9292	83575.2	Normal loss	400	3	1,200
Add Material			5,000	Output	4,000	18.4598	73839.2
D/L			7,000	Abnormal loss	1,600	18.4598	29535.68
D/E			2,500				
O/E			500				
Prod overhead			6,000				
Abnormal gain	1600	18.4598	29535.68				
	6,000		104575		6000		104575

$$\text{Cost per unit} = \frac{\text{Cost} - \text{Scrap}}{\text{Input} - \text{Normal loss}} = \frac{104575.2 - 1200}{6000 - 400}$$

$$= \frac{103375.2}{5600} = ₹18.4598$$

Abnormal Gain Account

Particulars	Qty	Rate ₹	Amount ₹	Particulars	Qty	Rate ₹	Amount ₹
Scrap	1500	3	4500.	Process III	1500	13.9292	20893.8
P/L			16393.8	Process III			
	1500		20893.8		1500		20893.8

Abnormal Loss Account

Particulars	Qty	Rate	Amount	Particulars	Qty	Rate ₹	Amount
Process I	400	6.2963	31481.5	Scrap	1200	3	3600
Process III	1600	18.4598	29535.68	P/L	800		57417.18
	2000		61017.18		2000		61017.18

Scanned with CamScanner

QUESTION 4

i. Features of Contract costing

1. It is usually for more than one accounting period.
2. A formal contract is between a customer (contractee) and a supplier (contractor)
3. The contract is usually constructional in nature
4. The method of costing is similar to job costing
5. Contract may contain clause of penalty for delay in completion of work or bonus for early completion.
6. Retention fund may be deducted from progress payment.

ii. Objectives of service costing

1. Planned cost should be compared with actual cost and their differences be investigated for corrective action as necessary
2. A cost per unit of service should be computed
3. Parties should be computed for services being rendered to thired parties
4. In order to help management plan, control and make decision cost should be analysed into fixed, variable and mixed cost.
5. The cost per unit of service should be used as profit by the control function

iii. Methods of cost estimation

1. Engineering method: It is used when there is engineering analysis of technological relationship between input and output.
2. Account classification method. It is a subjective way of classifying mixed cost into fixed and variable cost using personal experience by cost accountant
3. High-Low method: It is object method of segregation mixed cost into fixed and variable costs.
4. Graphical Scatter-graph Method: It uses all observations unlike high low method in arriving at the cost estimate. It is done by plotting the observations agains activity level on graph.

QUESTION 1

SALAMANDER PLC

Contract A/c as at Feb. 28, 2011

DM		75,000	Materials c/d		25,000
Material bought/cash		195,000	Cost to date c/d		486,650
D/E		55,000			
Wages paid		150,000			
H/O Expns		19,500			
Depreciation [Plant]		20,000			
Accrued Expenses:					
Wages	5,000				
D/E	1,150	6,150			
		511,650			511,650
Cost to date b/f		486,650	Value of work certified		545,000
Notional profit		58,350			
		545,000			545,000
Profit taken		35,010			58,350
Profit not taken	23,340	58,350			
					58,350
Material b/f		25,000	Profit b/f		23,340
		25,000			23,340

Calculation for work-in-progress

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

Working Note

QUESTION 2   LEKELEKE PLC

	₦	₦
Running cost		
Petrol $\left[\left(\dfrac{60 \times 2 \times 8}{8}\right) \times 50\right)$	10,000	
Repairs (120×8)	960	
Depreciation on lorry $\left(\dfrac{20,000 - 2000}{100,000}\right)(5000)$	900	
Depreciation on tyre $\left[\dfrac{2000 \times 5000}{20,000}\right]$	500	
		12360
Running Cost		
Drivers wages	200	
Garage bills $(5 \times 10 \times 8)$	400	
Insurance $\left(\dfrac{2000}{52} \times 8\right)$	307.69	
vehicle license $\left(\dfrac{5200}{52} \times 8\right)$	800	2907.69
Other overhead cost $\left(\dfrac{7800 \times 8}{52}\right)$	1200	~~2907.69~~
Standing cost		15267.69

Vehicle cost per mile $= \dfrac{15,268}{5000} = $ ~~₦2.9456~~ $= ₦3.05/mile$

Total cost/mile $= \dfrac{15,268}{5000} \times 12 = $ ~~35.34 tonne/km~~ 0.51 tonnes/km

Tonne/mile travelled $= \dfrac{5000 \times 12}{2}$ tonnes

$= 30,000$ tonnes/mile

Mileage bases $= 200 \times 2 \times 3.05k = ₦1220/mile$

Tonne/mile basis $= 200 \times 10 \times 0.5k = ₦10.20$

Working Note:
- Cash Received = 490,500
- Value certified = $\frac{490,500}{0.90}$ = 545,000
- Notional profit = 58,350

• Profit taken = $\frac{2}{3}$ × 58,350 × $\frac{490,500}{645,000}$

= # 35,010

Profit Not taken = (58,350 - 35,010) = # 23,340

5 Least square / Linear Regression Method. The application of linear equation formula. $y = a + bx$ is used to derive the regression equation. y stands for total mixed

i Terms in contract costing
1 Contract price: If is the agreed price of the contract.
2 Architect certificate is a certificate given to the contractor by the architect at every stage of valuation.
3 Progress payment: It money gotten from the continuous progress of the work
4 Rentention fee: It is deducted from progress payment to guarantee for anomalies
5 Cost - to date: It is the addition of all cost to-date on the contract