NAME: UMUNNAH PRAYER

MAT NO: 18/SMS03/031

DEPT: BUS ADMIN

~~COLLEGE~~

LEVEL: 200 Level

Quest 1)

SALAMANDER A/C

CONTRACT ACCOUNT AS AT FEBRUARY 08, 2011

Direct materials issued	15,000	Materials c/f	25,000
Materials bought on site	195,000	Cost to date c/f	486,650
Direct Expenses	55,000		
Wages Paid	150,000		
Head office expenses	10,500		
Plant Depreciation (20% × 100,000)	20,000		
Accrued expenses			
Wages 5,000			
Direct Expenses 1,150	6,150		
	545,000		545,000
Cost to date b/f	486,650	Value of work certified	545,000
~~Material b/f~~	~~25,000~~		
Notional profit			
Profit taken 35,010			
Profit not taken 23,340	58,350		
	545,000		545,000
Materials b/f	25,000	Profit b/f	23,340

2) Calculation of work in Progress

Cost to date	486,650
Profit taken	35,010
	521,660
Cash Received	(490,500)
Work-in-Progress	31,160

Workings

Cash Received 490,500

Value certified = 490,500 / 0.90 = 545,000

Notional Profit = 58,350

Profit taken = 2/3 × Notional Pro × Cash received / value certified

= 2/3 × 58,350 × 490,550 / 545,000

= ₦35,010

Profit not taken (58,350 − 35,010)

= ₦23,340.

UMMONDAH MAKOLLAR.

Quest 3

KEKEMEKG Ltd

Process Account

Narration	Qty	Rate	Amount ₦	Narration	Qty	Rate	Amount ₦
Input met	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				
othe expenses			800				
Production over			5000				
	6,000		35,800		6,000		35,800

Cost Per unit (CPU) = $\frac{\text{Cost} - \text{Scrap}}{\text{input material unit} - \text{Normal loss unit.}}$

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

$= ₦6.3$

Process II Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process: I transfer	5,000	6.3	31,800	Normal loss	500	3	1,800
Add: material			8,000	output	6,000	13.9	83,48[illegible]
labour			10,000				
expenses			4,500				
othe Exp			1,200				
Production overhead			9000				
Abnormal Prof	1,500		20,700				
	6,500		84,900		6,500		84,[illegible]

UTULUNAH FIAKO

$$CPU = \frac{\text{Cost} - \text{Scrap}}{\text{Input national} - \text{income}}$$

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

$$= ₦18.4$$

Name: UMUNNAH MARIOUR.

(Quest 4) Features of contract costing.

a) Work is undertaken to customers special requirements
b) There maybe Sub-contract
c) Work is frequently Constructional in nature
d) The method of contract costing is similar to Job costing
e) Retension money maybe deducteed from Progress Payment
f) Payment on account are usually made against work satisfied
g) Contract may contain clause for penalty of for delay in completion and bonus for early completion.

Terminologies Used in Contract costing

a) Retantion fee: A guarantee for bad work.
b) Architect Certificate: This is the certificate of workdone
c) Estimateed Profit: This is the contract price minus the estimateed cost of the contract.
d) Cost of work satisfied: This is the total cost incurred on the portion certificed.
e) Cost to date: The addition or total sum of all cost to on the contract.

4ii) Objectives of service costing

a) A cost per unit of service should be computed
b) The cost per unit of service should be used as part of control funct
c) In other to help manage Plan, control and make decision
d) Price should be computed for services been sold to third Part
e) Cost should be analysed into fixed variable and mixed cost

A(iii) UMUONAH MARIOUR

* Engineering cost method! This is used when there is engineering analysis of technological relationship between input and output e.g work sampling methods study and time motion studies. cost are estimated based on observation of the underlying physical quantities needed for an activity

* High-Low method

This is based method of segregation mixed cost into fixed and variable cost through the following process:

a) pick the highest and least activity level among the observed data.

b) calculate the difference between the two activity levels.

c) Pick the corresponding cost of the highest and lowest activity levels

d) use "e" which is the variable cost per unit to determine total cost or fixed cost using formula

$TC = FC + VC$

which can also be expressed a

$Y = a + bX$

$Y = TC$, $a = FC$, $b =$ Variable cost per unit and $X =$ unit of output.

* Scattergraph Method:

As a results of over reliance on high and low values of the high-low method of segregation mixed cost into fixed and variable costs, it was 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 observations in arriving at the cost estimate.

* Least Square Method:

The application of linear formula: $Y = a + bx$ is used to derive the regression equations.

Y stands for constant factor or total fixed cost,
b stands for ~~variable~~ variable cost and
x stands for activity level or independent variable.

* Account classification method:

This is a subjective way of classifying mixed cost into fixed and variable cost accountant.

Items of expenditure in the accounts for some activity level are inspected and classified fixed variable or semi variable cost.

Adv

* It is fast
* It is not expensive
* It is easy to understand

Disadv

* It is subjective
* It is based on historical cost
* It uses arbitrary method to segregate cost.