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 Course Code: ACC 204
 MATRIC No: 1815MS31017
 DATE: 9-7-2020

1) Salamander Plc,

Contract Account as at February 28, 2011

Direct materials issued	75,000	Material 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	10,000		
Plant Depreciation (1% 100,000)	20,000		
Accrued Expenses			
Wages	5,000		
Direct Expenses	1,150		
	<u>511,650</u>		<u>511,650</u>

Cost to date b/f 486,650 Value of work certified 545,000

Additional Profit
 Profit taken 35,010
 Profit not taken 23,340
545,000

Material 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
 Cost Received (490,500)
 Work-in-Progress 31,160

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Workings.

Cost Received 490,500

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

National Profit = 58,350

$$\text{Profit taken} = \frac{2}{3} \times \text{National Profit} \times \frac{\text{Cost Received}}{\text{Value Certified}}$$

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

$$= \text{£} 35,010$$

$$\text{Profit Not taken} = (58,350 - 35,010) = \text{£} 23,340$$

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PROCESS I ACCOUNT

Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Normal loss	600	3	1,800				
Abnormal loss	400	6.3	2,520				
Input mat	6,000	2	12,000				
Add: material			9,000				
Labour			8,000				
Expenses			3,000				
Other expense			800				
Production	6,000		35,800				

Cost Per unit (CPU) = $\frac{\text{Cost} - \text{Scrap}}{\text{Input material unit} - \text{Normal Loss unit}}$

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

$$= \frac{34,000}{5,400} = \text{At } 6.31$$

PROCESS II ACCOUNT

Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Normal loss	500	3	1,500				
Output	6,000	13.5	81,000				
Process I Transfer	5,000	6.3	31,500				
Add: material			8,000				
Labour			10,000				
Expenses			4,500				
Other Expenses			1,200				
Production Expenses			9,000				
Abnormal Profit			20,700				
			6,500				
			84,900				

11/20/2019
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Cost - Scrap

Input material - normal

$$= 64,200 - 1,500 = 62,700$$

$$5,000 - 500 = 4,500$$

Abnormal Loss Account:

Description	Qty	Rate	Amount	Description	Qty	Rate	Amount
Process I	400		2,500	Scrap	2,000	3	6,000
Process III	1,600		29,600	PL	2,000		32,100
	2,000		32,100				

Abnormal Gain Account:

Description	Qty	Rate	Amount	Description	Qty	Rate	Amount
Scrap	1,500	3	4,500	Process III	1,500		20,700
PL	1,500		16,200				
			20,400				20,700

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Process III Account:

Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Process II transferred	6,000	13.9	83,400	Normal loss	400	3	1,200
Add: Material			5,000	Output	4,000	18.14	72,600
Labour			9,000	Abnormal loss	1,600		29,600
Expenses			2,500				
Other expense			500				
Production overheads			6,000				
	<u>6,000</u>		<u>104,400</u>		<u>6,000</u>		<u>104,400</u>

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

$$= \frac{104,400 - 1,200}{6,000 - 400} = \frac{103,200}{5,600} = 18.42857$$

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Matric No: 18/SMS03/017

Date: 9-7-2020

A) Features of Contract Costing.

- i) A formal contract is made b/w the customer and the supplier or contractor and the contractor.
- ii) The method of costing is similar to job costing.
- iii) Work is undertaken to customer special requirement.
- iv) The contract work is offered based on size, and the size is determined by the amount involved.
- v) The retention fund or money maybe deducted from progress payment.

Terminologies used in Contract Costing.

- i) Contract Price: An agreed price between the contractor and the contractor.
- ii) Retention fee: It is the money deducted from progress payment as a guarantee for any annual payment.
- iii) Work Certificate: This is work done upon which certificate of work done is issued by an auditor and an expert.
- iv) Cost of work certified: This is the total cost incurred on a portion certified.
- v) Value of work certified: This is the market value certified by the cost accountant.

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(4b)

4b) Objectives of Service Costing.

i) Prices should be compared for services been sold for third party.

ii) In order to help management plan and make decisions. Cost should analysis into fixed, variable and mixed cost.

iii) The cost per unit of service should be compared used as part of control functions.

iv) Plant cost should be compared with actual cost and the difference be investigated for corrective action as necessary.

(4c)

4c) Method of Cost Estimation.

i) Bottom-up Estimation method
In this method, item and physical resources are estimated at the activity level and then aggregated to develop the estimates for work packages, control accounts, and summary project level.

ii) Data Analysis Method.

A data analysis technique used in this process includes but is not limited to alternatives analysis.

iii) Decision-making method.

Some decision techniques are unanimity, majority, plurality, points allocation, and dictatorship. For unanimity, everyone must agree.

11/11/2019 . O. Jessica .
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i) High-Low Method: This is a subject method of Segregation mixed cost into fixed and variable costs through the following process.
- Pick the highest and least activity level among the observed data.

- Calculate the difference between two existing level.

ii) Account Classification method: This is a subjective way of classifying mixed cost into fixed and variable cost using personal experiences by cost accountant.

iii) Graphical or Scattergraph method: As a result of over reliance on high and low values of the high-low method of segregating mixed cost into fixed and variable costs, it was observed that all the observations are next considered in deriving the cost estimate.