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MATRIC NO: 18/smso02/021
COURSE: ACC 204

1 (1a)

SALAMANDA PLC

Contract account as at February 28, 2011

	₦		₦
Direct materials issued	75,000	materials c/f	25,000
materials bought on site	195,000	cost of date c/f	486,650
Direct expenses	55,000		
wages paid	150,000		
Head office expenses	10,500		
plant dep: (20% × 100,000)	20,000		
accrued expenses			
wages 5000			
Direct exp 1,150	6,150		
	511,650		511,650
Cost of date b/f	486,650	value of work certified	545,000
Notional profit			
profit taken 35,101			
profit not-taken 23,349	58,350		
	545,000		545,000
material b/f	25,000	profit b/f	23,349

b Calculation for work in progress

	₦
Cost to date	486,650
profit taken	35,101
	521,660
cash received	(490,500)
work-in-progress	31,160

Process III Account.

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	4000	18·4	73,600
Labour			7,000	Abnormal loss	1,600		29,600
Expenses			2,500				
other expenses			500				
production overhe			6,000				
	6,000		104,400		6,000		104,400

$$CPU = \frac{\text{Cost} - \text{Scrap}}{\text{Input material} - \text{normal}}$$

$$= \frac{104,400 - 1200}{6,000 - 400} = \frac{103,200}{5,600}$$

$$= ₦18.4$$

$$CPU = \frac{\text{Cost} - \text{Scrap}}{\text{Input material} - \text{normal}}$$

$$= \frac{64,200 - 1,500}{5000 - 500} \qquad = \frac{62,700}{4500}$$

$$= ₦13.9$$

Abnormal loss account

Narration	Qty	Rate	₦ Amount	Narration	Qty	rate	₦ Amount
Process I	400		2,500	Scrap	2,000	3	6,000
Process II	1,600		29,600	P/L			26,100
	2,000		32,100		2,000		32,100

Abnormal gain account:

Narration	Qty	rate	Amount	Narration	Qty	Rate	Amount
Scrap	1,500	3	4,500	process II	1500		20,700
P/L			16,200				
	1,500		20,700		1500		20,700

(37) Kekemeke Ltd

Narration	Quantity	rate	amount ₦	Narration	Qty	rate	Amount ₦
Input mat	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 exp			800				
production			5,000				
	6,000		35,800		6000		35,800

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

$= \frac{35,800 - 1,800}{6000 - 600} = \frac{34,000}{5,400}$

$= ₦ 6.3$

Narration	Qty	rate	amount ₦	Narration	Qty	rate	amount
process I	5000	6·3	31,500	Normal loss	500	3	1500
Add: material			500	output	6000	13·9	83,400
Labour			19,000				
expenses			4,500				
other expenses			2,00				
production overhead			9000				
Abnormal profit	1,500		20,700				
	6500		84,900		6,500		84,900

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(4A)

4 Features of Contract Costing

1 A formal contract is made between the customer and the supplier or a Contractor and Contractee.
2 work is undertaken to customers special requirement.
3 The works frequently are constructional in nature
4 The method of costing is similar to Job costing.
5 Contract may contain clause for penalty for delay in completion and bonus for any completion.

Terminologies used in Contract costing.

1 Contract price : The amount of price agreed between Contractor and Contractee.
2 Progress payment: This is the money paid for continuous progress. It is the payment made at specific stage of the Contract based on certificate of valuation or work done or architect valuation
3 Cost to date : Amount which has been spent till present date. Total sum and addition of all cost incurred till date on the Contract.
4) work certified : This is the work done upon which Certificate of work done is issued by experts or by architects.
5 Estimated profit : The Contract price mines the estimated cost of the Contract.

(4C)

1 ENGINEERING METHOD: Is used when there is engineering analysis of technological relationship between input and output e.g work sampling methods study and time motion on studies cost are eliminated based on observation of the underlying physical quantities needed for the activity.

2 ACCOUNT CLASSIFICATION METHOD: This is a subjective way of classifying mixed cost into fixed cost and variable cost using personal experience by cost accountants.

3 GRAPHICAL OR SCATTER GRAPH METHOD: As a result of over reliance on high and low values of the high low method of segregating mixed cost into fixed cost and variable cost. It is observed that all the observations are not considered in driving at the cost estimate and this led to the discovery of graphical method.

workings

Cash received 490,500

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

Notional profit = 58,350

Profit taken = 2/3 × Notional × $\frac{\text{Cash received}}{\text{Value certified}}$

= 2/3 × 58,350 × $\frac{490,550}{545,000}$

= ₦35,010

profit not taken = (58,350 − 35,010)