

DABUJI Lucy

CHUMOSO

18/5/23/03/2023

BUSINESS ADMINISTRATION

COST ACCOUNTING TEST

ACC 204

SALAMANDER PLC

①

CONTRACT ACCOUNT ACAT FEBRUARY 28, 2011

Direct material issued	75,000	Materials c/f	25,000
Material bought on site	195,000	Cost to date c/f	486,650
Direct Expenses	55,000		
Wages Paid	10,500		
Plant depreciation (20% x 100,000)	20,000		
Account and Expenses			
Wages	5,000		
Direct expenses	<u>1,150</u>		
	61,150		
	<u>511,650</u>		
			<u>511,650</u>
Cost of date b/d	486,650	Value of work Certified	545,000
National Profit			
Profit taken	35,010		
Profit not taken	<u>23,340</u>		
	58,350		
	<u>545,000</u>		
		Profit b/f	<u>545,000</u>
			<u>23,340</u>

b)

Calculation of work Progress

Cost to date      ₦ 486,650

Profit taken      35,010

Cash Received    526,660

(490,500)

Work in Progress    31,160

Solution

Cash Received      490,500

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

National profit = 58,350

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

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

$$= \text{₦ } 35,010$$

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

3) Kekemeke Ltd

Process Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Input mat	6,000	2	12,000	Normal loss	6,000	3	18,000
Add: material			7,000	Output	5,000	6.3	31,500
Labour			8,000	Abnormal loss	400		2,500
Expenses			3,000				
Other expenses			900				
Production order			5,000				
	6,000		35,000		6,000		35,000

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

$$= \frac{35,000 - 18,000}{6,000 - 600} = \frac{17,000}{5,400}$$

$$= \text{K} 6.3$$

Process II Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I transit	5,000	6.3	31,500	Normal loss	500	3	1,500
Acld: material			8,000	output	6,000	13.9	83,400
Labour			10,000				
Expenses			4,500				
Other Expenses			1,200				
Production Overhead			9,000				
Abnormal Profit	1500		20,700				
	6,500		84,900		6,500		84,900

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

$$= \frac{64,200 - 1500}{5,000 - 500} = \frac{62,700}{4,500}$$

$$= ₹ 13.9$$

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		2,7600	PL			26,100
	2,000		32,100		2,000		32,100

Abnormal gain Account

Narrator	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap	1,500	3	4,500	Process II	1,500		20,700
PL			16,200				
	1,500		20,700		1,500		20,700
					<del>2,000</del>		<del>32,100</del>

Process III Account							
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Profit II transfer	6,000	13.9	83,400	Normal loss	400	3	1,200
Add: material			5,000	Output	40,000	18.4	73,600
Labour			7,000	Abnormal loss	1,000		29,600
Expenses			2,500				
Other Exp			500				
Production overhead			6,000				
	6,000		104,400		6,000		104,400

CPU - Cost - Scrap

Input material - normal

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

= 18.4

#### Number 4(i)

- 1) Payment on accounting are usually made against work certified.
- 2) A formal Contract is made between the Customer and the Supplier or a Contractor.
- 3) There may be Sub-Contract
- 4) Retention fund may be deducted from Progress payment
- 5) Contract may contain clause for Penalty for delay in Completion and bonus for any Completion

#### (ii)

- 1) Planned Cost should be compared with actual cost and difference be investigated for corrective action as necessary
- 2) The Cost per unit of Service should be used as part of Control function
- 3) A Cost per-unit of Service should be computed
- 4) Prices should be computed for Service been sold to third parties that is department Services
- 5) In order to help management plan, control and make decisions, cost should be analysed into fixed, Variable and mixed cost



B)

### Least Square or Linear Regression Method

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

$Y$  stands for total or mixed cost,  $a$  stands for constant factor or total fixed cost,  $b$  stands for variable cost and  $x$  stands for activity level or independent variable

~~Using least square method,  $a$  and  $b$  can be derived from the~~

C) 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

Studies. Costs are estimated based on observation of the underlying physical quantities needed for an activity.

This method is commonly used for estimating of repetitive processes with clearly defined input-output relationship costs and often associate with direct material, labour and machine time which can be observed and measured directly

(4iii)

a) High low method

This is object method of Segregation mixed cost into fixed and variable costs through the following process

a) Pick the highest and least activity among the observed data

b) Calculate the difference between the two activity levels

c) Pick the corresponding cost of the highest and lowest activity level.

d) Calculate the difference between the cost of highest and lowest activity levels

e) divide the cost <sup>differences by the differences</sup> of highest and lowest in activity level  
ie divided by b

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

$$TC = FC + VC$$

which can also expressed as  $y = a + bx$

$y = TC$ ,  $a = FC$ ,  $b = \text{variable cost per unit}$  and  $x = \text{unit or output}$

D)

## GRAPHICAL AND SCATERGRAPH METHOD

As a result of over reliance on high and low value of the high-low method of segregating mixed cost into fixed and variable cost, it was observed and not considered in arriving at the cost estimate and this led to the discovery of graphical method. Graphical method uses all observation in arriving at the cost estimate & it is used by plotting the observation against activity level on graph and a line of best-fit is drawn diagonally across the observed graph by equally dividing them into equal part by the line.

The interception of the line of best fit on y axis is the fixed cost (a) while the gradient or slope of the line is the variable cost.