Question 3

KEKEMEK LTD

Process I Account

Particular	Qty	Rate ₦	Amount ₦	Particular	Qty	Rate ₦	Amount ₦
Input Material	6,000	2	12,000	Normal loss	600	3	1,800
Add; Material			7,000	Output	5000	62963	31481.5
Labour			8,000	Abnormal loss	400	62963	2518.5
D/E			3,000				
O/E			800				
Prod. over-head			5,000				
	6000		35,800		6,000		35,800

Cost Per Unit (CPU) = Cost - Scrap

Input material Unit - Normal loss units

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

$= \frac{34,000}{5,400}$

= ₦ 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 ! Material			18,000	Output	6000	13.9292	83575.2
D/L			10,000				
D/E			4,600				
Other Exp			1,200				
Prod. overhead			9,000				
Normal gain	1500	13.9292	20873.8				
	6,500		85,075		6,500		85,075

Cost Per Unit (CPU) = Cost - Scrap

Input material - Normal Loss

Name: Ezeforonsa Esther Ifeyinwa

Matric No: 18/SMS03/013

f^n iii) Methods of cost estimation

a) least Square or linear Regression method.

This application of linear equation formula: $y = a + bx$ is used to derive regression equations. y = total or mixed cost, b = variable cost and x stands for activity level or independent variable.

b) Account classification method

This is a subjective way of classifying mixed cost into fixed and variable cost into fixed using personal experience by cost accountant. Items of expenditure within the account for some output level. Some advantages are: It is not expensive, It is fast, It is subjective etc.

c) Scattergraph or graphical method

This is as a result of over reliance on high and low values of the high-low method of segregating mixed cost into fixed and variable cost. Graphical method uses all observations in arriving at the cost estimate

d) Engineering Method

This is used when there is engineering analysis of technological relationship between input and output. An example is work sampling / methods study and time motion studies. This method is commonly used in estimating or repetitive processes. The following are the

advantages:

- When relationships between output and input are fairly stable overtime.
- It is good when direct costs form a large part of the total cost.

Disadvantage

- It is expensive to apply.

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SALAMANDER PLC

Contract Account as at 1st FEBRUARY 28, 2011.

Direct materials issued	75,000	Materials b/f	25,000
Materials bought on site.	195,000	Cost to date b/f	486,650
Direct expenses	55,000		
Wages paid	150,000		

Name: Gwogwuma Esther Stephen.

Matric No: 18/SMS03/013.

Continuation of number 1.

Accrued expenses
- bilages 5,000
Direct expenses 1,150

6,150

511,650

Cost to date b/f 511,650
Notional Profit 186,650
Profit-taken 35,010
Profit not-taken 23,340

58,350

Material b/f 545,000

545,000

25,000 Profit b/f

23,340

Calculation of work in Progress

Cost to date	186,650
Profit taken	35,010
	521,660
Cash received	490,500
W.I.P	31,160

Workings.

Cash received / value certified

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

Notional Profit = 58,350

Profit taken = 2/3 × NP × cash received / value certified

= 2/3 × 58,350 × 490,500 / 545,000

= 35,010

Profit not taken = (58,350 − 35,010) = ₦ 23,340

3 Name: Ogbonna Esther Okpion
Matric No: 18/Sms03/013.

3. KEFGMEK LTD

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Input	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			800				
O/E			5,000				
Prod cost			35,800				35,800
	6000		35,800		6000		

Cost per unit (CPU) = $\frac{\text{Cost - scrap}}{\text{Input material unit - Normal loss units.}}$

$= \frac{35,800 - 1800}{6,000 - 600} = \frac{34,000}{5,400} = ₦ 6.2963$

Process II account

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Process I	5,000	6.2963	31481.5	Normal loss	500	3	1,500
Bld mat		18,000	18,000	output	6,000	13.9292	83575.2
D/L		10,000	10,000				
D/E		4,500	4,500				
O/E		1,200	1,200				
Ofc/pr exp		9,000	9,000				
Prod Overload			208936				
Normal gain	1500						
	6,500		85075		6,500		85075

CPU = $\frac{\text{cost - Scrap}}{\text{Input material - Normal loss}} = \frac{64181.5 - 1500}{5000 - 500} = \frac{62681.5}{4,500}$

$= ₦ 13.9292.$

Name: Gadzama Esther Stephen

Department: Maths No: 18/SMS03/013

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No 3. Continuation of No 3

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Process transfer	6000	13.9292	83,579.2	Normal loss	400	3	1,200
Add material			5,000	Output	1,000	18.4575	7383.72
B/L			9,000	Abnormal loss	1,000	18.4598	29535.68
B/E			2,500				
B/E			500				
B/G			6,000				
Prepaid overhead							
	6,000		104575		6,000		104575

$$\text{Cost per unit} = \frac{\text{Cost} - \text{scrap}}{\text{Input} - \text{Normal loss}} = \frac{104575.2 - 1200}{6,000 - 400}$$

$$= \frac{10.3375.2}{5600} = ₦\ 184575$$

Abnormal Gain Account

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Scrap	1500	3	4500	Process II	1500	13.7292	20593.8
P/L			16393.8				
	1500		20893.8		1500		20893.8

Abnormal loss Account

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Process I	400	6.2963	3148.15	Scrap	1200	3	3600
Process II	1600	18.4598	29535.68				

Name: Godfrey Esther Stephen

Reg No: 18/ENG08/013.

4i) Feature used in contract costing:

a) The contract work is often based on the size determined
b) The work is usually of long duration often more than
c) There may be sub contract
d) The work undertaken to customers special requirem
e) A formal contract is made between the customer
contractee and the contractor.

Terminologies used in contract costing:

a) Cost price: The total sum of of all cost
b) Estimated profit: This is the cost price minus th
Contract.
c) Architects certificate: This is a certificate of work
d) Cost of work certified: This is the total co
certified.
e) Value of work certified: This is the market va
accountant.

4ii) Objectives of service costing.

a) Fees should be computed for service being
b) The cost per unit of services should be us
c) A cost per unit of service should be
d) Planned cost should be compared wi
be investigated.
e) Also the management plan should be
be analysed into mixed cost, variable c