

		Abnormal loss Account					
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I	400		2,500	Scrap			2,500
Process II	1,600		29,600	PL			32,100
	2,000						

		Abnormal Gain Account					
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap	1,500	3	4,500	Process III	1,500		29,200
PL			16,200				
	1,500		20,700		1,500		29,200

**SALAMANA UDUP PLC**

1. Contract Account As at December 31, 2011.

Direct materials issued	15,000	Materials c/f	25,000
Materials brought on site	19,500	Cost to date c/f	486,650
Director expenses	55,000		
Wages paid			
Head office expenses			
Plant Depreciated (20% of 100,000)			
Accrued Expenses			
Wages	5,000	6,150	
Direct expenses	1,150	511,650	511,650
Cost to date b/f		486,650	Value of work certified 545,000
Normal profit			
Profit taken: 35%		58,350	
Profit retained 23,340		545,000	545,000
Material b/f		25,000	Profit b/f 23,340

2) Calculation of work in progress

Cost of date	486,650
Profit taken	35%
	521,660
Cash received	1490,500
Work in progress	31,160

Workings:

Cash received

490,500

Value certified = 490,500 = 545,000

NP = 58,350

Profit taken  $\frac{2}{3}$   $\times$  Notional profit  $\times \frac{\text{Cash received}}{\text{Value certified}}$

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

$$= \text{A } 35,010$$

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

6,000 | 35,800 | 6,000 | 135,000

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

$$= \frac{35,800 - 1,800}{6,000 - 600} = \frac{34,000}{5,400} = \underline{\underline{A6.3}}$$

### Process II Account

Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Process I transfer	5,000	6.3	31,500	Normal loss	500	13.9	1,500
Add: material			8,000	Output	6,000	13.9	83,400
Of labour			10,000				
Expenses			4,500				
Production overhead			1,200				
Abnormal	1,500		20,700				
	6,500		84,900		6,500		84,900

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

$$= \frac{64,200 - 1,500}{5,000 - 500} = \frac{62,700}{4,500} = \underline{\underline{A13.9}}$$

### Process III Account

Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Process II transfer	6,000	13.9	83,400	Normal loss	400	3	1,200
Add: material			5,000	Output	4,000	18.4	23,600
labour			7,000	Abnormal	1,600		29,600
Expenses			2,500				
Other Exp			500				
Production overhead			6,000				
			104,400		6,000		104,400

$$\frac{104,400 - 1,200}{5,000} = \underline{\underline{A20.88}}$$

Paul Suzan Rita  
Business/Admin  
18/SMS03/030

## ACC204 Test

### Features of Contract Costing

1. A formal contract is made between the customer and the Supplier or a Contractee and the Contractor.
2. Work is undertaken to customer special requirement
3. There may be sub-contract
4. The work are usually for long duration of more than one accounting period.
5. The work is frequently contractual in nature

### Terminologies

- i. Contract price: An agreed price between the contractor and the contractee.
- ii. Architect Certification: of work done. Issued by Architect
- iii. Retention fee: It is the money deducted from ~~pro~~ progress payment as a guarantee for any annual
- iv. Estimated profit: Contract price minus the estimated cost of the contract.
- v. Work Certified: This is work done upon which certificate of work done is issued by an architect and an expert.
- vi. Account classification method: This is a subjective way of classifying mixed cost into fixed and variable cost using

Personal experience by cost accountants items of expenditure without the account for some level are inspected and classified as fixed variable or semi variable cost.

2. 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 lowest activity level among the observed data
  - b) Calculate the difference between two activity levels
  - c) Pick the corresponding cost of the highest and lowest activity level

3. Graphical Method: As a result of over reliance on high and low values of the high low methods of Segregation mixed cost into fixed and variable costs, it was observed that all the observations are not considered in giving out the cost estimate and this led to the discovery of graphical method, graphical methods use all observations in the cost estimation.

4. Engineering method: Engineering method is used when there is engineering analysis of technological relationship between input and output e.g. Work Sampling, Method Studies etc. this method processes with clearly defined input or output relationship.

Ex. Kekemake Ltd.

Process Account							
Description	Qty	Rate	Amount	Description	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
Overhead			3,000				
			20,000				