Workings

Cash received = 490,500

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

Notional profit = 58,350

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

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

= ₦35,010

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

Question 2

	Running Cost	₦	₦
Petrol	$\left[\frac{50 \times 2 \times 2 \times 8 \times 50}{8}\right]$	10,000	
Repairs (120 x 8)		960	
Depreciation on lorry	$\left[\frac{20,000 - 2000 \times 5,000}{100,000 \quad 1}\right]$	900	
Depreciation on tyres	$\left[\frac{2,000}{20,000} \times \frac{5,000}{1}\right]$	500	12,360
Running Cost			
Drivers wages		200	
Garage bills	(5 x 10 x 8	400	
Insurance	$\left[\frac{2000}{52} \times 8\right]$	307.7	
Vehicle License	$\left[\frac{5,200}{52} \times 8\right]$	800	
Other overhead cost	$\left[\frac{7,800}{52} \times 8\right]$	1,200	

Continuation On Number 2

Vehicle cost per Kmile = $\frac{₦15,268}{5,000}$ = ₦3.05/Kmile

Total cost /Km = $\frac{₦15,268}{5000/2 \times 12}$ = 0.51 /km

Mileage base = 200 x 2 x ₦3.051/< = ₦1220/mile

Tonnel mile basis = 200 x 10 x 2 x 0.5k = ₦1,020

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

Terminologies Used in contract costing

- Contract price: Agreed price for the contract between the Contractor and the contractee

- Progress payment: This is the money gotten from the continuous progress of the contract or payment made at specific stage of the contract based on certificate of work done.

- Retention fee: This is the amount agreed to be withheld on every progress payment as guaranteed against bad or imperfect work which would be released to the contractor after a specified period.

- Architect Certificate: Certificate of work done issued by an architect at every stage of valuation

- Work certified: This is the work done upon which certificate of work done is issued by an expert or architect

ii) Objectives of service costing

- Planned cost: The planned cost should be compared with the actual cost and the difference should be investigated for corrective actions necessary.

- Cost per unit: The cost pe. unit of service should be used as part of control function.

- Computing cost per unit of service: A cost per unit of service should be documented, recorded or computed in order to ascertain the cost effectively and appropriately.

- Computing prices: The prices should be computed for services

department to a...

- Analysing service cost: In order to help ma... and make decisions, cost should be analysed into... variable and mixed cost..

ii. Four methods of cost estimation:

- Account classification method: This is a subjective way of classifying mixed cost into fixed and variable cost using personal experience by cost accountant. Items of expenditure within the accounts for some levels are inspected and classified as fixed variable or semi-variable cost.

- Engineering method: This method is used when there is an engineering analysis of technological relationship between input and output work sampling methods study and time motion studies. The costs are estimated based on observations of the underlying physical quantities needed for an activity. This method is commonly used for estimating of repetitive processes with clearly defined input-output relationships costs that often associate with direct materials, labour and machine time which can be observed and measured directly.

- High low method: This is the object method of segregation mixed cost into fixed and variable costs through the following process:

a. Pick the highest and least activity level among the observed data
b. Calculate the difference between the two acting levels.
c. Pick the corresponding costs of the highest and lowest activity levels
d. Calculate the difference between the costs of the highest and

lowest activity levels

e Divide the cost difference by the difference in activity levels i.e divide (d) by (b)

f Use f "which is the variable cost per unit to determine total cost or fixed cost using cost formula: TC = FC + VC.

Could also be written as $Y = a + bx$

$Y = TC$, $a = FC$, b = variable cost per unit and X = Unit of output

- 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 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.

Question 4

i Features of Contract Costing

- A formal contract is made between the customer and the supplier i.e a legally binding contract made between the contractee and the contractor.

- There is often an architect engaged by the contractee to supervise and monitor the job and issue certificate of work done at every stage of the valuation. This means that the certificate of work done is also known as work certified or architect valuation.

- The contract may contain clause for penalty for delay in completion of work and a bonus/tip for any completion before the estimated time of work end or at the exact time of expected work end

- The work to be done/carried out is usually for long duration often more than one accounting period.

- Retention money/fund may be deducted from the progress payment.

- The work is often/frequently construction in nature. In other words it frequently involves the building up of something.

- The contract is often based on size.

- Work is undertaken to customers special requirement/desire.

- Payment on account are usually made against work certified.

Continuation On Question 3

$= \frac{64181.5 - 1500}{5000 - 500}$

$= \frac{62681.5}{4,500}$

$= ₦13.9292$

Process II Account

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Process II: Trans.	6,000	13.9292	83575.2	Normal loss	400	3	1,200
Add: Material			5000	Output	4,000	18.4598	73839.2
D/L			7,000	Abnormal loss	1,600	18.4598	29535.68
D/E			2,500				
O/E			500				
Prod. overhead			6,000				
	6,000		104,575		6,000		104,575

Cost Per Unit (CPU) = $\frac{\text{Cost} - \text{Scrap}}{\text{Input materials} - \text{Normal loss}}$

$= \frac{103375.2}{5,600}$

$= ₦18.4698$ ₦18.4598

Abnormal Gain Account

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Scrap	1500	3	4,500	Process II	1,500	13.9292	20893.8
P/L			16393.8				
	1,500		20893.8		1,500		20893.8

Abnormal Loss Account

Particulars	Qty	Rate ₦	Amount ₦	Particulars	Qty	Rate ₦	Amount ₦
Process I	400	6.2963	3148.15	Scrap	1200	3	3,600
Process II	1,600	18.4598	29535.68	P/L	800		57417.18
	2,000		61017.18		2,000		61017.18

Name: Nduka Adanna Christabel

Matric Number: 18/SMS02/037

Question 1

SALAMANDER PLC

Contract Account As At February 28, 2011

		₦	
Direct materials issued		75,000	Materials b/f
Materials bought on site		190,000	Cost to date
Direct expenses		55,000	
Wages paid		150,000	
Head Office expenses		10,500	
Plant depreciation (20% x 100,000)		20,000	
Accrued expenses:			
Wages	5,000		
Direct expenses	1,150	6,150	
		511,650	
Cost to date		486,650	Value of work certified
Notional profit:			
Profit taken	35,010		
Profit not taken	23,340	58,350	
		545,000	
Material b/f		25,000	Profit b/f

(b) Calculation of Work In Progress

	₦
Cost to date	486,650
Profit taken	35,010
	521,660
Cash received	(470,500)
Work-in-progress	31,160