

Dipos Lading 50 Bunka
18/303 = 3/021

Abnormal Loss Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I	400		2500	Surp	2000	3	6000
Process II	1670		29,600	P/L			26,100
	2070		32,100		2000		32,100

Abnormal gain account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Surp	1500	3	4500	Process II	1500		20,700
P/L			16,200				
	1500		20,700		1500		20,700

Process II Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I transfer	6000	18.4	110,400	Abnormal loss	400	3	1,200
Material			5000	input	4000	18.4	73,600
Labour			7000	Abnormal loss	1670		29,600
Expenses			2000				
Other exp			500				
Production overhead			6000				
	6000		104,400		6000		104,400

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

$$= \frac{104,400 - 1,200}{6000 - 400} = \frac{103,200}{5,600} = 18.4$$

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Process I method

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Input unit	6000	2	12,000	Normal loss	600	3	1,800
Add: material			7,000	output	5000	6.3	31,500
Labour			8,000	Normal loss	400		2,500
Expenses			3,000				
Other expenses			800				
Production overhead			5,000				
	6,000		35,800		6000		35,800

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

$$= \frac{35,800 - 1,800}{6000 - 600} = \frac{34,000}{5400}$$

$$= \text{Rp } 6.3$$

Process II Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I Transfer	5000	6.3	31,500	Normal Loss	500	2	1,000
Add: material			8,000	Output	6000	13.9	83,400
Labour			10,000				
Expenses			4,500				
Other Expenses			1,200				
Production overhead			9,000				
Normal profit	1500		20,700				
	6,500		84,900		6,500		84,900

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

$$= \frac{84,200 - 1,500}{6000 - 500} = \frac{82,700}{4,500}$$

$$= \text{Rp } 13.9$$

Obj. Q. No. 20 - Bank
18/04/22/029

4. Using least squares method, a and b can be determined as per the following copy from scanned material.

- Graphical or Scatter graph method. As a result of inter-relationship of high and low values of the high-low method of segregating mixed cost into fixed and variable cost.

Obj. Q. No. 20 Bank 18/04/22/029

2	Amount	A	B
	Rs. in 2018	10,000	
	Fuel $[20 \times 500 \times 100]$	10,000	
	Repairs $[120 \times 80]$	960	
	Depreciation of tyre $[2000 \times 5000]$ $[20,000 \quad 1]$	500	12,460
	Running cost		
	Driver's wages	200	
	Garage bills $[50 \times 80]$	400	

4b) Objectives of Service costing:

- Planned costs to be compared with actual costs and the differences will be investigated for corrective action if necessary.
- The costs per unit of service should be used as part of control function.
- The cost per unit of service should be computed.
- Prices should be computed for services being sold to third parties.
- Cost should be analysed into fixed variable and mixed cost.

4c) Explain 4 methods of cost estimation:

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

- pick the highest and least activity level among the observed data.
- Calculate the difference between the two activity levels.
- pick the corresponding cost of the highest and lowest activity levels.
- Calculate the difference between the costs of highest and lowest activity levels.
- Divide the cost difference by the difference in activity levels.
- Use 'a' which is the variable cost per unit to determine total cost or fixed cost using cost formula $TC = fc + vc$ which can also be expressed 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 equations of standards for total or mixed cost, b stands for variable cost and x stands for activity level or independent variable.

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Matric No: 18/SMS 03/029

DEPT: Business Administration

Dec 2014

10) Selannuider PLC

Control account as at 28th February 2011.

Direct materials issued	75,000	Materials b/f	25,000 ^x
Materials bought on site	195,000	Cost of date b/f	486,650
Direct expenses	55,000		
Wages paid	150,000		
Head office expenses	10,500		
Plant depreciation 20% of 100,000	20,000		
<u>Accrued Expenses</u>			
Wages	5,000		
Direct expenses	1,150	6,150	
		<u>511,650</u>	<u>511,650</u>
Cost of date b/f	486,650	Value of work certified	545,000
<u>Notional profit</u>			
Profit taken	35,010		
Profit not taken	23,340	58,350	
		<u>545,000</u>	<u>545,000</u>
Material b/f	25,000	Profit b/f	23,340

b) Calculation of Work-In-Progress

Cost of date	486,650
Profit taken	35,010
	<u>521,660</u>
Cash received	<u>440,500</u>
Work-In-Progress	<u>31,160</u>

WIP

Okekechukwu Ebenezer
18/Jan 2021

Workings on Illustration 1

Cash received 490,500

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

National profit = 58,350

Profit taken = $\frac{2}{3} \times \text{National Profit} \times \frac{\text{Cash received}}{\text{Value certified}}$

$$\begin{aligned} &= \frac{2}{3} \times 58,350 \times \frac{490,500}{545,000} \\ &= \frac{2}{3} \times 58,350 \times \frac{490,500}{545,000} \\ &= \text{N}35,010 \end{aligned}$$

Profit NOT taken = $[58,350 - 35,010] = \text{N}23,340$

4.)

Features of Contract costing

- There ~~are~~ maybe subcontracts
- Work is undertaken to customer's special requirements.
- The work is frequently constructional in nature.
- Payments on account are usually made against work satisfied.
- In some contracts, retention fund / money maybe deducted from the progress payments.

Terminologies used in Contract costing

- Estimated profit: This is the contract price minus estimate cost of the contract.
- Cost to date: This is the addition of all cost incurred to date on the contract.
- Cost of work certified
- Progress payment: The money given gotten from the progress of the contract.
- National profit or loss: This is the profit earned on the contract to date.

4 Using least squares method, a and b can be determined as per the following: copy paste scanned material

- 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 and variable cost.

CPA Practice Exam 18/09/2016

2	Amount	A	B
	Variable cost	10,000	
	Fuel $[50 \times 20 \times 10]$	10,000	
	Repairs $[100 \times 10]$	1,000	
	Depreciation of tyre $[2000 \times 5000 / 10,000]$	500	12,460

Variable cost

Driver's wages	200
Garage bills $[50 \times 10 \times 10]$	500