

Name: Omochiere Happiness

Matric No: 18/sms09/075

Level: 200 Level

Question 1

Salamander PLC

Contract A/c	ACAT	beginning 28, 2011	
Direct materials issued	75,000	material @/t	25,000
materials bought on site	195,000	cost to date cl'd	486,650
Direct Expenses	55,000 5,000		
wages paid	150,000		
Head office expenses	10,500		
plant Depreciation (20% x 100,000)	20,000		
Accrued Expenses			
wages			
	5,000		
Direct expenses	<u>1,150</u>		
cost to date b/d	<u>511,650</u>		<u>511,650</u>
Notional profit	486,650	value of work certified	545,000
profit taken 35,010			
profit not taken <u>23,340</u>	<u>58,350</u>		
	<u>545,000</u>		<u>545,000</u>
material b/d	25,000	profit b/d	23,340

Question 3

Kekeemeke Ltd

Process

Account

Narration	Qty	Rate	Amt	Narration	Qty	Rate	Amt
input mat	6,000	2	12,000	Normal loss	6,000	3	1,800
Add: material			7,000	Output	5,000	6.3	31,500
labour			8,000	Abnormal loss	400		2,500
expenses			3,000				
Production cost			8,000				
			55,000				
	6,000		55,800		6,000		25,000

$$\begin{aligned}
 \text{cost per unit (CPE)} &= \frac{\text{cost} - \text{scrap}}{\text{input material unit} - \text{normal loss unit}} \\
 &= \frac{35,800 - 1,800}{6,000 - 600} = \frac{34,000}{5,400} \\
 &= \text{K} 6.3
 \end{aligned}$$

Process TEL Acct

Narration	Qty	Rate	(Rs) Amt	Narration	Qty	Rate	(Rs) Amt
Process A transfer	6,000	13.9	83,400	Normal loss	400	3	1,200
Add: material			5,000	Output	4,000	18.4	73,600
Labour			7,000	Abnormal loss	1,600		29,600
Expenses			2,500				
Other exp			500				
Production Overhead			6,000				
	6,000		104,400		6,000		104,400

$$CPU = \frac{\text{Cost} - \text{Scrap}}{\text{input material} - \text{normal}}$$

$$= \frac{104,400 - 1,200}{6,000 - 400} = \frac{103,200}{5,600} = 18.4$$

Question (4)

(4a) Features of Contract Costing

* Certificate of Completion:

The contracts do not pay the full value of works certified as completed but remain a certain percent under the terms of agreement.

* Bill of Sub-contracting:

Parts of large contracts are often done by third parties under sub-contracts. Sub-contracting is a practice normally followed on the ground of economy, specialized nature of works, want of capacity, etc.

* Direct charges:

Most of the cost which are normally treated as indirect can be identified specially with a particular contract and are charged to as direct cost.

* Wages

The wages which cannot be charged directly to any contract are treated as indirect wages that require apportionment.

* Materials:

The bulks of materials purchased and delivered direct to the contract site or obtained from the central stores through the requisition slips.

Terminologies used in Contract Costing

a) cost to date: the addition or total sum of all cost to date on the contract

b) ~~cost~~ cost of works satisfied: this is the total cost incurred on the portion certified

Question 4:

~~(4)~~ (4iii)

(c) Engineering method:

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

Advantages:

* it is good when direct cost form a large part of the total cost