NAME → NZEGWU AFOMACHUKWU LIDOLISA.

MATRICULATION NUMBER → 18/SMS02/040.

QUESTION 3

KEKEMEKE LTD

Process 1 Account

Narration	Qty	Rate ₦	Amount ₦	Narration	Qty	Rate ₦	Amount ₦
Input material	6000	2	12000	Normal Loss	600	3	1800
Add: material	-		7000	Output	5000	6·3	375,600
Labour			8000	Abnormal loss	400	6·3	3120
Expenses			3000				
Other Expenses			800				
Production overhead			5000				
	6,000		104,400		6,000		104,400

Cost per unit (CPU) = Cost − scrap / Input material − Normal loss units

$= \frac{36,300 - 1800}{6000 - 600} = \frac{34500}{5400} = ₦6·3$

Process 2 Account

Narration	Qty	Rate ₦	Amount ₦	Narration	Qty	Rate ₦	Amount ₦
Process 1 Transfer	5000	6·3	31,500	Normal loss	500	3	1500
Add: material			8000	Output	6000	13·9	83,400
Labour			10,000				
Expenses			4,500				
other expen. - P/OV			1,200				
			4000				
Abnormal gain	1,500		20,700				
	6,500		84,900		6,500		84,400

CONT'D OF QUESTION 3

Cost per unit (CPU) = cost - scrap
Input material unit - normal loss unit

$= \frac{64,200 - 1,500}{5000 - 500} = \frac{62,700}{4,500}$

$= ₦13.9$

Process 3 Account

Narration	Qty	Rate ₦	Amount ₦	Narration	Qty	Rate ₦	Amount ₦
Process II transfer	6000	13.9	83,400	Normal loss	400	3	1,200
Add: material			5000	Output	4,000	18.4	73,600
Labour			7000	Abnormal loss	1,600		24,600
Expenses			2500				
Other expenses			500				
production overhead			6,000				
	6,000		104,400		6000		104,400

CPU = Cost - scrap
Input material - normal loss

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

$= ₦18.4$

ABNORMAL LOSS ACCOUNT

Narration	Qty	Rate ₦	Amount ₦	Narration	Qty	Rate ₦	Amount ₦
Process I	400		2,500	Scrap	2,000	3	6000
Process III	1,600		24,600	P/L			26,100
	2,000		32,100		2,000		32,100

CONTD of QUESTION 3

ABNORMAL GAIN ACCOUNT

Narration	Qty	Rate	Amount	Narration	Qty.	Rate	Amount ₦
Scrap	1500	3	4,500	Process II	1,500		20,700
P/L			16,200				
	1,500		20,700		1,500		20,700

QUESTION 2

LEKELEKE PLC

		₦	₦
Running Costs			
Petrol cost	$\frac{50 \times 2 \times 2 \times 8 \times 7}{20} \times 50$	28000	
Repairs	120 × 8wks	960	
Depreciation on lorry	$\left[\frac{20,000 - }{100,000} \times \frac{11,200}{1}\right]$	2,240	
Depreciation on tyres	$\left[\frac{2,000}{20,000} \times \frac{11,200}{1}\right]$	1,120	
		32,320	
Running cost			32,320
STANDING COST/Charge			
Drivers' wages (200 × 8)		1600	
Garage bill (5 × 8 × 10)		400	
Insurance $\left[\frac{2000}{52} \times 8\right]$		307.64	
Vehicle license $\left[\frac{5200}{52} \times 8\right]$		800	
Other overhead cost $\left[\frac{7800}{52} \times 8\right]$		1200	

③

CONT'D 2

STANDING COST / FIXED COST

4,307.69
36627.64

Bi) vehicle cost per mile = ₦ 36627.64 / 11,200 = 3.270k/mile.

ii) Total cost per mile = ₦ 36627.64 / 11,200 × 12 = 39.24 konnes/km

C. i) Mileage basis = 200 × 2 × 3.270k = ₦1,308 per mile

~~ii) Total cost/mile.~~

iii) Tonne/mile basis = 200 × 10 × 39.24 = ₦78480

QUESTION 1

SALAMANDER PLC

A:] CONTRACT ACCOUNT AS AT FEBRUARY 28, 2011

	₦		₦
Direct materials issued	75000	Materials c/f	25,000
Materials bought on site	145,000	Cost to date c/f	486,650
Direct expenses	55,000		
Wages paid	159000		
Head office expenses	10,500		
Plant depreciation (20% x 100,000)	20,000		
Accrued Expenses			
Wages 5,000			
Direct expenses 1,150	6150		
	511,650		511,650
Cost to date b/f	486,650	value of work certified	545,000
Notional profit			
Profit taken 35,010			
Profit not taken 23,340	58,350		
	₦545,000		545,000
Material b/f	25,000	Profit b/f	23,340

B:] Calculation of work in progress

	₦
Cost to date	486,650
profit taken	35,010
	521,660
Cash received	(490,500)
Work-in-progress	31,160

(5)

CONT'D OF QUESTION 1.

Workings:

Cash received 440,500

Value certified = $\frac{440,500}{0.90}$ = 545,000

Notional profit = 58350

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

= $\frac{2}{3}$ × 58,350 × $\frac{440,550}{545,000}$

= ₦35,010

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

QUESTION 4 Terminologies.

4i:] 1.] Contract price -> Is the agreed price of the contract between the contractor and the contractee.

2.] Prentention fee -> Is deducted incase of any anormali at the end of the work.

3.] Estimated profit -> Is contract price - Estimated Cost of the contract.

4.] Work certified -> The work done upon which the certificate of work done is issued by an architect.

5.] Cost to date -> Is the addition of all cost incurred to date on the contract.

Features.

1.] A formal contract is made between the customer and the supplier or the contractee or contractor.

2.] Prentention money may be deducted from progress payment.

3.] Payments on account are often made against work certified.

4.] Contract may contain clause for penalty for delay in completion and or for early completion.

5.] Payment on account are usually made against work certified.

4ii:] 1.] To control the cost in service costing can be established in the following ways;

- comparing actual cost against standard or target cost.
- comparing present actual cost against previous actual cost of previous periods.

2.] To control the cost of the user department -> Is necessary to prevent abitrary use of internal services The charging of service costs on user department will cost;

- Accurate establishment of overhead cost of user departments -> It will enhance identification of same

CONT'D 4

service department variable cost as directly attributable cost of the user department.

- It helps user department to achieve cost efficiency by sourcing for low cost services externally.
- It checkmates or monitors their excessive or wasteful use of services department in cases where there is high service department charges on user department.

4(iii) 1. Engineering method is used when there is engineering analysis of technological relationship between input and output. e.g work sampling. e.t.c. Is commonly used for estimating of ~~repetitive~~ repetitive processes with clearly defined input-output relationship.

Advantage

1. It is good when direct costs form a large part of the total cost.

Disadvantage.

1.] It is expensive to apply.

2.] Account classification method -> Is a subjective way of classifying mixed cost into fixed and variable costs using personal experience by cost accountant.

Advantage

1.] It is fast.

2.] It is not expensive

Disadvantage

1.] It is subjective.

3.] High-Low method -> Is object method of segregation mixed cost into fixed and variable costs through the following processi

A.] Pick the highest and least activity level among the observed data

B.] calculate the difference between the two level activity

CONT'D 4

C:] Pick the corresponding cost of the highest and lowest activity levels.

D:] Calculate the difference between costs of highest and lowest activity levels.

E:] Divide the cost difference by the difference bet in activity level.

F:] Use "e" which is the variable cost per unit to determine the total cost or fixed cost.

Advantange

1.] It is fast and expensive

Disadvantage

1.] It is based on past cost.

4:] Graphical or Scatergraph method → The graphical method uses all observations in arriving at the cost estimate. It is used by plotting the observations against activity level on graph ~~and~~ and a line of best-fit is drawn diagonally a cross the observed graph be equally dividing them into equal part by the line.

~~QUESTION~~ 2