

Process II Account				Qty	Rate	Amount	
Navigation							
Process II drans	6,000	13.91	83,400	Normal Cost	400	3	1,200
Accl. Mater			5,000	Output	4000	18.4	73,600
Labour			2,000				
Expenses			2,500				
Other exp			500				
Production			6,000				
	6,000		104,400		6,000		104,400

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

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

$$= \text{₹ } 18.4$$

(4ii)

- 1) Planned cost should be compared with actual and the difference be investigated for corrective actions as necessary.
- 2) The cost per unit of service should be used as part of control function.
- 3) A cost per unit of service should be computed.
- 4) Prices should be computed for services being sold to the third parties.
- 5) In order to help management plan, control and make cost should be analysed fixed, variable and mixed costs.

Working

Cash Received 490,000

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

National Profit = 58,350

Profit taken = $\frac{2}{3} \times \text{National Profit} \times \frac{\text{Cash Received}}{\text{Value Certified}}$

$$= \frac{2}{3} \times 58,350 \times \frac{490,550}{545,000}$$

$$= \text{£} 35,010$$

Profit Not taken = $(58,350 - 35,010) = 23,340$

18/SM303/015

(3)

Kekemeke Ltd

Process: Accrued

Description	Qty	Rate	Amount	Variance	Qty	Rate	Amount
Input mat	6,000	2	12,000	Normal loss	600	3	1,800
Add: Material			7,000	Waste put	5,000	6.3	31,500
Labour			8,000	Abnormal loss	400		2,500
Expenses			3,000				
Other expense			800				
Production order			5,000				
	6,000		35,000				

$$\begin{aligned}
 \text{Cost per unit (CPU)} &= \frac{\text{Cost} - \text{Scrap}}{\text{Input material unit} - \text{Normal loss unit}} \\
 &= \frac{35,800 - 1,800}{6,000 - 600} = \frac{34,000}{5,400} \\
 &= \text{\$}6.3
 \end{aligned}$$

Process II Account							
Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Process I Transfer	5,000	6.3	31,500	Normal loss	500	3	1,500
Acid Material			8,000	Output	6,000	13.5	81,000
Labour			10,000				
Expenses			4,500				
Other expenses			1,200				
Production overhead			9,000				
Abnormal profit	1,500		20,700				
	6,500		64,900				

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

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

$$= 13.9$$

(4/11)

- 1) 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 is commonly used for estimating of repetitive processes with clearly defined input or output relationship.
- 2) 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 within the account for some level are inspected and classified as fixed variable or semi-variable cost.
- 3) High low method: This is object method of segregation mixed cost into fixed and variable cost through the following process
- 4) Graphical or Scattergraph method: As a resume of the above methods on high and low values of the high-low method of segregating mixed cost into fixed and variable cost it was observed that all the observations are next considered. In deriving at the cost estimate and this led to the discovery of graphical method, graph method uses all observations in arriving at the cost estimate.

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~~16/5/11~~
18/SM503/015

SALAMANDRE PLC

CONTRACT ACCOUNT AS AT FEBRUARY 28, 2011			
Direct materials issued	75,000	Materials c/d	25,000
Materials bought on site	195,000	Cost to date c/d	486,000
Direct Expenses	55,000		
Wages paid	150,000		
Head office Expenses	10,500		
Plant Depreciation taken	200,000 - 20,000		
Accrued Expenses			
Wages	5,000		
Direct Expenses	1150	6,150	
		<u>511,650</u>	<u>511,650</u>
Cost to date b/d	486,650	Value of work Certified	545,000
Notional Profit			
Profit taken	35,010		
Profit not taken	23,340	58,350	
		<u>545,000</u>	<u>545,000</u>
Material b/d	25,000	Profit b/f	23,340

b. Calculation of work in Progress

Cost to date	486,650
Profit taken	35,010
	<u>521,660</u>
Cash Received	490,500
Work-in-Progress	<u>31,160</u>

Five terminologies used in Contract Costing

1. Contract Price: The agreed price of Contractor to the Contractee and Contractee.
2. Certificate of work done/Archive Certificate: is a certificate issued for work done to the contractor by an architect.
3. Progress payment: Money gotten on continuous progress of the contract. Payment made at specific stage of the contract based on Certificate of work done.
4. Cost of date: addition/sum of all cost incurred to the date on the contract.
5. Retention fee: is money deducted from progress payment to guarantee for anomalies. Amount agreed to be withheld on every progress payment as guarantee against bad or imperfect work which will be released to the contractor after a specified period.

Abnormal Loss Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I	400		2,500	Scrap	2,000	3	6,000
Process II	1,600		29,000	P/L			26,100
	2,000		32,100		2,000		32,100

Abnormal Gain Account

Narrator	Qty	Rate	Amount	Narrator
Scrap	1,500	3	4,500	Process II
P/L			16,200	
	1,500		20,400	