

Allyu Rhotiyat Akorok  
 18/03/006 18/03/03/006  
 Business Administration  
 Question 1

SALAMANBER

Contract Account

Contract Account AS AT February 28, 2011		
Direct material issued	25,000	Materials b/f 25,000
Material bought on site	25,000	Cost to date 476,650
Direct expenses	5,000	
Wages Paid	15,000	
Head office expenses	10,500	
Plant depreciation (10% x 100,000)	20,000	
Accrued Expenses		
Wages	5,000	
Plant Expense	1,150	6,150
	511,650	511,650
Cost to date	476,650	
Notional profit		
profit taken	25,010	
profit not taken	23,340	47,350
	525,000	545,000
Material b/f	25,000	profit b/f 23,340

calculation of work in progress

cost to date	476,650
profit taken	25,010
cash received	521,660
	(170,300)
Work in progress	31,160

Working Note  
 Cash Received = 1,90,000 = 545,000  
 0.90

Abnormal profit = 58,350  
 profit taken =  $\frac{2}{3} \times \text{normal profit} \times \frac{\text{cash received}}{\text{value certified}}$   
 $= \frac{2}{3} \times 58,350 \times \frac{1,90,550}{545,000}$   
 $= \text{₹ } 25,010 \text{ ₹ } 25,010$

Profit Not taken = (58,350 - 25,010) = ₹ 23,340

Question 3

Process Account		No						
N								
S	Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
	Input mat	6,000	2	12,000	Normal loss	600	3	1,800
	Add: material			7,000	output	5,000	6.3	31,500
	Labour			8,000	abnormal loss	4,000		2,500
	Expense			3,000				
	other expense			800				
	production over			5,000				
N	Balance							35,000
S		6,000		35,000		6,000		35,000

Cost per unit (cpu) =  $\frac{\text{cost} - \text{scrap}}{\text{input material unit} - \text{normal loss}}$   
 $= \frac{35,800 - 1,800}{6,000 - 600} = \frac{34,000}{5,400}$   
 $= \text{₹ } 6.3$

Process II Account							
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process I transfer	5,000	6.3	31,500	Normal loss	500	3	1,500
Add material			8,000	output	6,000	13.9	83,400
Labour			10,000				
Expenses			4,500				
Other Expenses			1,200				
Production overhead			9,000				
Abnormal profit	1,500		20,200				
	<u>6,500</u>		<u>84,900</u>		<u>6,500</u>		<u>84,900</u>

CPU = cost - scrap

Input material - normal

$$= \frac{84,200 - 1,500}{5,000 - 500} = \frac{62,700}{4,500}$$

= 13.9

Process III Account							
Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Process II 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			2,000	Abnormal loss	1,600		21,000
Expenses			2,500				
Other expenses			500				
Production overhead			6,000				
	<u>6,000</u>		<u>104,600</u>		<u>6,000</u>		<u>84,900</u>

Cost per unit

$$= \frac{\text{cost} - \text{scrap}}{\text{input material} - \text{normal}}$$

$$= \frac{64,200 - 1,500}{5}$$

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

$$A = 18.4$$

Abnormal ~~Loss~~ <sup>Gain</sup> Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap	1,500	3	4,500	process II	1,500		20,700
P/L			16,200				
	<u>1,500</u>		<u>20,400</u>		<u>1,500</u>		<u>20,700</u>

Abnormal ~~Gain~~ <sup>Loss</sup> Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap	<del>1,500</del> 400	<del>3</del> 15	<del>4,500</del> 2,500	scrap	2,000	3	6,000
P/L			16,200	P/L			26,100
	<u>2,000</u>		<u>32,100</u>		<u>2,000</u>		<u>32,100</u>

Cost per unit

- cost - Scrap

Input material - normal

=  $\frac{64,200 - 1,500}{5}$

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

$6000 - 400 = 5,600$

$\frac{A}{18.4}$

Abnormal ~~Loss~~ <sup>Gain</sup> Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
Scrap	1,500	3	4,500	process II	1,500		20,200
PLL			16,200				
	1,500		20,400		1,500		20,200

Abnormal ~~Loss~~ <sup>Loss</sup> Account

Narration	Qty	Rate	Amount	Narration	Qty	Rate	Amount
scrap	400	3	1,200	scrap	2000	3	6,000
	<del>1,500</del>		<del>4,500</del>	PLL			26,100
PLL	1,600		16,200				32,100
	2,000		22,100		2,000		32,100

Name: Aunu Rhodiyat Akorode  
Matric: 18/sms03/006  
Dept: Business Admin  
Course: Acc 204  
Course: Cost Accounting

#### Question (4) Terminologies

1) Contract Awarded by Architect

Certificate of work done issued or awarded by Architect to the contractor for work certified.

2) Contract price

Agreed price of the contract between the contractor and the contractor.

3) Cost to date <sup>information</sup>

This is additional of all cost incurred to date on the contract.

4) Retention fee

This money held by the contractor as guarantee against bad or imperfect work.

5) Cost of work certified: This is the total cost incurred on the portion certified.

#### Features

1) The work are usually for a long duration often more than one accounting period.

2. Retention fund or money may be deducted from progress payment.

3. Contract may contain clause for penalty for delay in completion and bonus for completion.

## 4) Methods of cost estimation

- Engineering method
- Account classification method
- High low Method
- Graphical or scattergraph method
- Least squares or linear regression

Engineering method is used when there is engineering analysis of technological relationship between input and output e.g. work sampling methods, motion studies cost are estimated based on observation of the underlying physical quantities need for an activity.

High low method: This is a direct method of segregation mixed cost into fixed and variable costs through pick the highest and least activity level among the observed data.

Account classification: This is a subjective way of classifying mixed cost into fixed variable cost using Question & personal experience by cost Accountant.

~~Kettnerke Ltd~~  
Salamander PLC

### Contract Account

Material <sup>bought</sup> <del>used</del> on site	195,000
Direct Material used	75,000
Direct expenses	55,000
Wages paid	150,000

## 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 or mixed cost,  $a$  stands for constant portion or total fixed cost,  $b$  stands for variable cost and  $x$  stands for activity level or independent variable.

## Graphical method

As a result of over reliance on high and low values of the high-low method of segregating into mixed cost into fixed and variable costs, it was observed that all observations are not considered in deriving cost estimate <sup>and</sup> this ~~was~~ led to the discovery of graphical method.

Question 3

K.K. Mehta Ltd



3)

4b

1) to control the cost in the service department  
control measures in service costing can be evolved  
by comparing actual cost with previous

2) to control the cost of service department  
this is necessary to prevent arbitrary use of  
interest services the charging of service  
costing of user department

B

A