**PRACTICAL ASSIGNMENT**

1. A company operates ABC inventory control system.

Category A: The fewest Items which account for at least 60% of the company’s annual expenditure on inventory.

Category B: Items accounting from the end of items identified as A up to an including 80% annual expenditure on inventory.

Category C: All other items

The following information has been identified in respect of the company’s inventory line in a year.

|  |  |  |
| --- | --- | --- |
| Inventory line | Cost per item | Annual usage in (unit) |
| 101 | N50 | 100 |
| 102 | N380 | 50 |
| 103 | N30 | 120 |
| 104 | N90 | 50 |
| 105 | N30 | 100 |
| 106 | N25 | 180 |
| 107 | N15 | 165 |
| 108 | N150 | 50 |
| 109 | N400 | 75 |
| 110 | N20 | 120 |

The company might want to identify the categories using annual usage. In this case the items are ranked as before but selected based on percentage usage.

1. Rock Star, Inc., which uses a job-costing system, began business on January 1, 20x3 and applies manufacturing overhead on the basis of direct-labor cost. The following information relates to 20x3: • Budgeted direct labor and manufacturing overhead were anticipated to be N200,000 and N250,000, respectively.

Job nos. 1, 2, and 3 were begun during the year and had the following charges for direct material and direct labor:

Job # Direct Materials Direct Labor

1 N145,000 N35,000

2 N320,000 N65,000

3 N 55,000 N 80,000

• Job nos. 1 and 2 were completed and sold on account to customers at a profit of 60% of cost. Job no. 3 remained in production.

• Actual manufacturing overhead by year-end totalled N233,000. Rock Star adjusts all under- and over-applied overhead to cost of goods sold.

Required: a) Compute the company's predetermined overhead application rate

b) Compute Rock Star's ending work-in-process inventory.

c) Determine Rock Star's sales revenue.

d) Was manufacturing overhead under- or over-applied during 20x3? By how much?

e) Present the necessary journal entry to handle under- or over-applied manufacturing overhead at year-end.

f) Does the presence of under- or over-applied overhead at year-end indicate that Rock Star's accountants made a serious error? Briefly explain

1. Ayingba Press Limited was asked to quote for supplying 5,000 and 25,000 booklets. The company normally expects a profit of 10%on sales .Costs were recognized as follows:

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Paper and other materials (per 1,000 copies) 30,000

Wages (per 1,000 copies) 20,000

Layout cost 500,000

Fixed overhead 200,000

Variable overhead=12% of wages

Draft a cost computation, showing minimum selling prices that might be quoted per 1,000 copies each of the supplies.

1. Centrepoint Co. entered into a fixed price contract to build a tower block. The initial amount of revenue agreed is N440m. At the beginning of the contract on 1 January 20X6, the initial estimate of the contract costs was N400m. At the end of 20X6, the estimate of the total costs rose to N404m. During 20X7, Centrepoint agreed to a variation which increases expected revenue from the contract by N10m and incurs additional costs of N6m. At the end of 20X7, there are materials stored on site for use during the following period which cost N5m.

It has been decided to determine the stage of completion of the contract by calculating the proportion of contract costs incurred for work to date compared to the latest estimated total contract costs. The contract costs incurred at the end of each year were as follows:

20X6: N105.04m,

20X7: N274.7m (including materials in store),

20X8: N410m.

*Required*

Calculate the stage of completion for each year of the contract and show how revenues, costs and profits will be recognised in each year.

1. T&T Company produces three chemicals – chemical P, chemical Q and chemical R. Chemical P is sold for N70 per liter, chemical Q for N50 per liter and chemical R for N80 per liter. During the month of July, 20,000 liters of chemical P, 50,000 liters of chemical Q and 30,000 liters of chemical R were produced and sold.

The cost data for July is given below:

Joint Cost;

Material N180000

Labour N1,000,000

Factory overhead N700,000

Processing after split –off point.

P Q R

Direct labour N250,000 N350,000 N180,000

Factory overhead N150,000 N250,000 N12,0000

There were no inventories at the start and end of the month. The company uses market value method for allocating [joint cost](https://www.accountingformanagement.org/joint-products-and-by-products/) to joint products.

**Required:**

1. Allocate joint cost and compute gross profit for each chemical.
2. Decide whether chemical P should be sold at split-off point for N45. per liter or processed further
3. The following data relates to INFOTECH Ltd a software engineering firm for the year 2019-2020.

Salary of software engineers 5persons per year N6million

Salary of Project Leader 2person per year N3.6million

Salary of Project Manager per year N2.4million

Administration expense N1.2million per year

The company executes an information technology project for another company as follows

Project duration -6months

One Project Leader and three software engineers were involved for the duration of the project.

While Project Manager spends 2 months efforts during the execution of the Project

The travelling expenses incurred on the project was N187,500.

Two laptops were purchased at N350,000 each for use in the project and the life their lifespan is 2 years

You are required to prepare a project cost sheet.