



FREDERICK UNIVERSITY

ABSA 205: Cost and Management Accounting I

Tutorial Exercises

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SUBJECT OUTLINE

Objectives of the subject

The aims of this course are to develop the students understanding of management and cost accounting principles and techniques, and their application to various decision making situations. Emphasis will be given on developing the students' analytical and critical abilities.

Content (Major units)

1. Introduction to Cost and Management Account. The differences between Financial Accounting and Cost Accounting. Understanding how costs may be classified and how various costs behave.
2. Costing for Materials – applying the FIFO, LIFO and Weighted average methods of stock valuation. Understanding how each method may affect the firm's profitability.
3. Costing for Labour - understand different methods of remuneration such as the time basis and piecework basis and applying these methods.
4. Costing for Overheads – the overhead analysis sheet and its application to determining an overhead absorption rate. Understanding the process of determining the overhead rate.
5. Understanding and applying job order costing techniques to mini case studies. An understanding of other specific order costing techniques such as batch processing and contract costing.
6. Applying the bookkeeping principles for process costing. Understanding the treatment of losses (normal and abnormal).
7. Understanding the techniques involved in Costing for joint and by-products.
8. Double entry bookkeeping for costing systems.

Bibliography

Wood, F, Business Accounting Volume I and II, 11th Edition, Pitman Publishing 2009.

Drury, C, Management and Cost Accounting, 6th Edition, Thomson Press 2007.

Other texts may be used to supplement as an alternative to the above book. Additional titles of texts and specific readings will be given during lectures.

Assessment

1. Two test required, 40% of the final grade the first in the 4th week and the second in 8th week.
2. Final examination, 60% (end of semester).

Class Activity 1

Charalambides Ltd is a wholesale company. Shown below are its receipts and issues of one stock item during the month of January 2004, for which there was no opening stock:

1 January	Bought	300 @ £10 each
4 January	Bought	200 @ £12 each
7 January	Sold	200 @ £20 each
10 January	Bought	500 @ £12 each
15 January	Sold	300 @ £20 each
22 January	Sold	400 @ £24 each
26 January	Bought	800 @ £13 each
31 January	Sold	300 @ £20 each

Required:

- (a) For Charalambides Ltd, calculate the balance of the stock in hand for each day using the FIFO, LIFO, and AVCO methods.
- (b) Which method is not acceptable for external reporting.
- (c) Calculate the total amount to amount of Sales.

NOTE:

Calculations should be rounded up or down to the nearest £, as appropriate.

Class Activity 2

Chistis dairies Ltd is a wholesale company. Shown below are its receipts and issues of one stock item during the month of January 2004, for which there was no opening stock:

1 January	Bought	400 @ £15 each
4 January	Sold	200 @ £30 each
7 January	Bought	200 @ £16 each
10 January	Bought	600 @ £16 each
15 January	Sold	300 @ £40 each
22 January	Sold	400 @ £40 each
26 January	Bought	700 @ £15 each
31 January	Sold	300 @ £40 each

Required:

- (a) For Christis dairies Ltd, calculate the balance of the stock in hand for each day using the FIFO, LIFO, and AVCO methods.
- (c) Which method is not acceptable for external reporting.
- (c) Calculate the total amount of Sales.

Class Activity 3

Mr. Andreou had the following transactions for Product X for May 2007:

May 3	Bought 100 units @ £10
May 5	Bought 100 units @ £12
May 6	Sold 150 units
May 8	Bought 250 units @ £11
May 14	Sold 100 units
May 22	Bought 200 units @ £15
May 28	Sold 200 units

You are required to:

Prepare a stock statement using the following methods:

- 1. First in First Out (FIFO)**
- 2. Weighted Average (AVCO)**

Class Activity 4

Zoumpi Ltd is a wholesale company. Shown below are its receipts and issues of one stock item during the month of January Year 4, for which there was opening stock of £200 made up of 20 units:

2 January	Bought	40 @ £11 each
4 January	Bought	20 @ £12 each
7 January	Sold	60 @ £30 each
10 January	Bought	50 @ £14 each
15 January	Sold	40 @ £30 each
22 January	Sold	20 @ £30 each
26 January	Bought	90 @ £15 each
31 January	Sold	50 @ £30 each

Required:

Prepare a stock statement using the following methods:

- 1. First in First Out (F.I.F.O)**
- 2. Weighted Average (AV.CO)**

Class Activity 5

Mr. Zavos had the following transactions for Product Kioftes for November 2007:

May 3	Bought 100 units @ £12
May 5	Bought 100 units @ £14
May 6	Sold 150 units @ £25
May 8	Bought 250 units @ £13
May 14	Sold 100 units @ £25
May 22	Bought 200 units @ £15
May 28	Sold 200 units @ £25

You are required to:

- 3. First in First Out (FIFO)**
- 4. Weighted Average (AVCO)**
- 5. Last in First Out (L.I.FO)**

NOTE:

Calculations should be made to 2 decimal places, if necessary, except for the balance, in which figures should be rounded up or down to the nearest £, as appropriate.

Class Activity 6

Frape Ltd purchases 500,000 litres of a material each year from a single supplier. At the moment, the company obtains the material in batch sizes of 20,000 litres. The material costs £10 per litre; the cost of ordering a new batch from the supplier is £24 and the cost of holding one litre in stock, due to certain technical difficulties, is £4 per annum plus an interest cost equal to 10% of the purchase price of the material.

Requirements:

- (a) Calculate the economic order quantity.
- (b) The annual savings which would be obtained if this order quantity replaced the current order size of litres.

Class Activity 7

Frape Ltd has been approached by another supplier a big discount merchant who is offering a substantial reduction in price, 50% of the current price if the order size is in bathes of 100,000. The ordering cost is predicted to decrease by 20% of the current price.

- (c) Advice Frape Ltd whether they should take on the new supplier.

Class Activity 8

You are required to draw a graph showing the cost behaviour of the following:

- a) Direct labour.
- b) Telephone.
- c) Depreciation of Machinery under the straight-line method.
- d) The wages of a factory manager who has a monthly salary of £1800 and who will get a lump sum bonus of £200 if 10000 units are produced in the month.
- e) The variable cost per unit.
- f) The fixed cost per unit

Class Activity 9

Bert Limited has 20 employees who work a 40-hour week. Each of the employees earns €10 per hour. However during the month of December the employees have worked on average 45 hours per week. It should be noted that overtime is paid 1.5 times the normal rate.

The company is considering changing the way it pays its employees. One proposal by the accounting department is that employees should be paid a basic wage of €8 per hour with a bonus of €1 per unit for each employee for each unit produced above the target output that is 20,000 units per month. The actual output for May was 21,000 units. You are to assume that each month has 4 weeks.

You are required to:

- a) Evaluate the current scheme against the proposal for remuneration from the company's viewpoint. Use calculations to support your answer.**

- b) Compare and contrast the time basis of remuneration against incentive schemes that have a basic wage.**

Class Activity 10

Kezapsogiou Ltd estimates that on a given working day (of which there are 320 in a year) the number of litres of concentrate 'citron' which will be demanded will be either 8000 litres (probability 0.7) or 10000 (probability 0.3). At the moment, the company obtains the material in batch sizes of 12000 litres. The material costs £2 per litre; the cost of ordering a new batch from the supplier is £60 and the cost of holding one litre in stock, due to certain technical difficulties, is £5 per annum plus an interest cost equal to 10% of the purchase price of the material.

Required

Calculate the economic order quantity.

Class Activity 11

Rasta Ltd has 40 employees who each work 40-hour week. Each of the employees earns £5 per hour. However during the month of December the employees worked on an average 45 hours per week. It should be noted that overtime is paid 1.5 times the normal rate.

The company is considering changing the way it pays its employees. One proposal from the accountant is that employees should be paid a basic wage of £4 per hour with a bonus of £1 per unit for each unit produced above the target output, which is 20,000 units per month. The actual output was 24,000 units. You are to assume that each month has 4 working weeks.

Required

- (a) Calculate the total wages and wages per employee under the existing time basis scheme for December.

- (b) Calculate the total wages and wages per employee under the new proposal for December.

- (c) Explain whether you believe the employees are likely to accept the new proposal for remuneration giving reasons.

- (d) Explain the following and what is their use?
 - i. Clock Cards
 - ii. Job Cards
 - iii. Time sheets

Class Activity 12

Milkshake Ltd purchases 800,000 litres of a material each year from a single supplier. At the moment, the company obtains the material in batch sizes of 40,000 litres. The material costs £10 per litre; the cost of ordering a new batch from the supplier is £24 and the cost of holding one litre in stock, due to certain technical difficulties, is £4 per annum plus an interest cost equal to 10% of the purchase price of the material.

Requirements:

- (b) Calculate the economic order quantity.

- (b) The annual savings, which would be obtained if this order quantity replaced the current order size of litres.

Milkshake Ltd has been approached by another supplier, a big discount merchant, who is offering a substantial reduction in price, 50% of the current price if the order size is in batches of 100,000. The ordering cost is predicted to decrease by 20% of the current price.

(c) Advise Milkshake Ltd whether they should take on the new supplier;

Class Activity 13

Express Limited has 20 employees who work a 40-hour week. Each of the employees earns €10 per hour. However during the month of December the employees have worked on average 45 hours per week. It should be noted that overtime is paid 1.5 times the normal rate.

The company is considering changing the way it pays its employees. One proposal by the accounting department is that employees should be paid a basic wage of €8 per hour with a bonus of €1 per unit for each employee for each unit produced above the target output that is 20,000 units per month. The actual output for May was 21,000 units. You are to assume that each month has 4 weeks.

You are required to:

- a) Evaluate the current scheme against the proposal for remuneration from the company's viewpoint. Use calculations to support your answer.**
- b) Compare and contrast the time basis of remuneration against incentive schemes that have a basic wage.**

Class Activity 14

Kezapsogiou Ltd estimates that on a given working day (of which there are 320 in a year) the number of litres of concentrate 'citron' which will be demanded will be either 8000 litres (probability 0.7) or 10000 (probability 0.3). At the moment, the company obtains the material in batch sizes of 12000 litres. The material costs £2 per litre; the cost of ordering a new batch from the supplier is £60 and the cost of holding one litre in stock, due to certain technical difficulties, is £5 per annum plus an interest cost equal to 10% of the purchase price of the material.

You are required to:

- (a) Calculate the economic order quantity.
- (b) The annual savings that will be obtained if this order quantity replaced the current order size of litres.
- (c) Fouartas Ltd has made an offer to kezapsogiou Ltd to supply concentrate 'citron' at a reduce price of £ 1.80 per litre if the order size is for 100000 litres, such order will decrease order cost by 40% per annum, but the annual cost of holding one litre of stock due to technical difficulties will rise by 10% percent.

Advise Kezapsogiou Ltd if the should accept the offer made by Fouartas Ltd.

Class Activity 15

1. Samsung Ltd. is a company that manufactures televisions. The current production is 1,000,000 televisions. It has three production departments and a service department. Cost center expenses of the company have been budgeted as follows:

Direct Materials cost £40 per television

Direct Labour cost £20 per television

Dept.	Service			
	Dept. A	Dept. B	Dept. C	Stores
	£	£	£	£
	Totals			
Unallocated costs	£			
Indirect Labour	31,000			
Rent and Rates	88,000			
Light and heat	34,000			
Power	68,000			
Machine Insurance	20,000			
Repairs to Buildings	25,000			
Depreciation of Machinery	40,000			

The production and service departments are located on one site the details of which together with other information are given below:

Dept.	Service			
	Dept. A	Dept. B	Dept. C	Stores
Floor Area (sq metres)	10,000	20,000	9,000	5,000
Effective horse power	40	30	44	22
Plant & Machinery Cost £	50,000	60,000	60,000	30,000
Building at Cost £	60,000	80,000	70,000	40,000
Stores Requisitions	40	60	20	-
Number of Employees	9	10	9	3
Direct Labour hours	100,000	160,000	140,000	-
Machine hours	50,000	10,000	60,000	-

REQUIRED:

- (a) Apportion the unallocated costs between the departments using the basis of apportionment that is most appropriate from the information given and determine the total overhead budget for each department.
- (b) Calculate the budgeted overhead absorption rates for each of the production departments using the most appropriate basis for recovery in each case.
- (c) Calculate the cost per television for Samsung Ltd.
- (d) Calculate the total cost for producing the 1,000,000 televisions for Samsung Ltd.

Class Activity 16

Angel Ltd. is a manufacturer of equipment and it has three production departments (Assembly, Machining and Finishing) and a service department (Stores). The Overhead costs of the company have been budgeted as follows together with other relevant information:

	Total	Assembly	Machining	Finishing	Stores
	£	£	£	£	£
Allocated costs:					
Indirect expenses	149,600	55,300	49,600	29,400	15,300
Indirect materials	15,900	5,300	4,100	3,600	2,900
Unallocated costs:					
Indirect labour	140,000				
Rent and Rates	36,000				
Power	48,000				
Insurance of buildings	27,500				
Depreciation of Machines	30,400				
Other information:					
Floor area (metres)	90,000	30,000	30,000	20,000	10,000
Horse power	400	100	200	60	40
Plant and Machine at cost (£)	760,000	210,000	470,000	80,000	Nil
Building costs (£)	550,000	200,000	180,000	120,000	50,000
Number of employees	280	150	80	40	10
Direct labour hours		300,000	100,000	50,000	
Machine Hours		100,000	200,000	20,000	
Stores requisitions	500	250	200	50	

- Apportion the unallocated costs between the departments using the basis of apportionment that is most appropriate from the information given and determine the total overhead budget for each department.
- Calculate the overhead rate for each of the production cost centres. Assume that the Machining Department is based on machine hours and the Assembly and Finishing Departments on direct labour hours.
- If the annual production is 500,000 units of equipment, the materials cost £8 per unit and the direct labour is £5 per unit what is the total cost of production per annum

Class Activity 17

Notis Ltd. is a manufacturer of equipment and it has three production departments (Assembly, Machining and Finishing) and a service department (Stores). The Overhead costs of the company have been budgeted as follows together with other relevant information:

	Total	Assembly	Machining	Finishing	Stores
	£	£	£	£	£
Allocated costs:					
Indirect expenses	149,600	55,300	49,600	29,400	15,300
Indirect materials	15,900	5,300	4,100	3,600	2,900
Unallocated costs:					
Indirect labour	140,000				
Rent and Rates	36,000				
Power	48,000				
Insurance of buildings	27,500				
Depreciation of Machines	30,400				
Other information:					
Floor area (metres)	90,000	30,000	30,000	20,000	10,000
Horse power	400	100	200	60	40
Plant and Machine at cost (£)	760,000	210,000	470,000	80,000	Nil
Building costs (£)	550,000	200,000	180,000	120,000	50,000
Number of employees	280	150	80	40	10
Direct labour hours		300,000	100,000	50,000	
Machine Hours		100,000	200,000	20,000	
Stores requisitions	500	250	200	50	

You are required to:

- Calculate the overhead rate for each of the production cost centres. Assume that the Machining Department is based on machine hours and the Assembly and Finishing Departments on direct labour hours.
- Briefly explain what the overhead absorption rates are used for.

Class Activity 18

Geel Ltd. Is a company that manufactures ladies bags, it has three production departments and a service department. Cost center expenses of the company have been budgeted as follows:

Dept.					Service
Unallocated Costs	Total	Dept. A	Dept. B	Dept. C	Stores
	£	£	£	£	£
Indirect Labour	48,000				
Rent and Rates	81,000				
Light and heat	36,000				
Power	64,000				
Machine Insurance	40,000				
Repairs to Buildings	20,000				

The production and service departments are located on one site the details of which together with other information are given below:

Dept.					Service
	Dept. A	Dept. B	Dept. C		Stores
Floor Area (sq metres)	10,000	20,000	15,000		5,000
Effective horse power	170	120	10		40
Plant & Machinery Cost £	50,000	60,000	20,000		20,000
Building at Cost £	50,000	60,000	40,000		50,000
Stores Requisitions	90	60	50		-
Number of Employees	12	10	7		3
Direct Labour hours	200,000	120,000	280,000		-
Machine hours	100,000	20,000	80,000		

REQUIRED:

- Apportion the unallocated costs between the departments using the basis of apportionment that is most appropriate from the information given and determine the total overhead budget for each department.
- Calculate the budgeted overhead absorption rates for each of the production departments using the most appropriate basis for recovery in each case.

Class Activity 19

Stephani Argoporidou Ltd. is a manufacturer of equipment and it has three production departments (Assembly, Machining and Finishing) and two services departments (Stores) and (Canteen). The Overhead costs of the company have been budgeted as follows together with other relevant information:

	Total	Assembly	Machining	Finishing	Stores	Canteen
	£	£	£	£	£	£
Allocated costs:						
Indirect expenses		55,300	49,600	29,400	15,300	9,500
Indirect materials		5,300	4,100	3,600	2,900	3,000
Unallocated costs:						
Indirect labour	200,000					
Rent and Rates	100,000					
Power	200,000					
Insurance of buildings	50,000					
Depreciation of Machines	140,000					
Other information:						
Floor area (metres)		30,000	30,000	20,000	10,000	10,000
Horse power		100	200	60	40	0
Plant and Machine at cost (£)		200,000	400,000	80,000	Nil	20,000
Building costs (£)		200,000	180,000	120,000	50,000	50,000
Number of employees		160	80	40	10	10
Direct labour hours		300,000	100,000	50,000		
Machine Hours		100,000	200,000	20,000		
Stores requisitions		250	200	50		Nil
Canteen costs		25%	25%	25%	25%	Nil

Required

- (a) Apportion the unallocated costs between the departments using the basis of apportionment that is most appropriate from the information given and determine the total overhead budget for each department.
- (b) Calculate the budgeted overhead absorption rates for each of the production departments using the most appropriate basis for recovery in each case.
- (c) You have been asked to calculate a selling price for a job: Job TX8. The details for Job TX8 are as follows:
1. Direct materials: 10 units at €15.40.
 2. Direct labour: 20 hours for department A, 10 hours for department B and, 12 hours for department C. The labour rates are as follows: €3.80 (A), €3.30 (B) and €3.50 (C).
 3. The overhead rates to be used for each departments are: €12.86 (A), €14.03 (B) and €12.40 (C).
 4. The firm expects a profit of 20% on the total cost.

Class Activity 20

Natasa Arostidou Ltd. is a manufacturer of equipment and it has three production departments (Assembly, Machining and Finishing) and two services departments (Stores) and (Canteen). The Overhead costs of the company have been budgeted as follows together with other relevant information:

	Total	Assembly	Machining	Finishing	Stores	Canteen
	£	£	£	£	£	£
Allocated costs:						
Direct Materials		55,300	49,600	29,400	15,300	9,500
Indirect materials		5,300	4,100	3,600	2,900	3,000
Unallocated costs:						
Indirect labour	200,000					
Rent and Rates	100,000					
Power	200,000					
Insurance of buildings	50,000					
Depreciation of Machines	140,000					
Other information:						
Floor area (metres)		30,000	30,000	20,000	10,000	10,000
Horse power		100	200	60	40	0
Plant and Machine at cost (£)		200,000	400,000	80,000	Nil	20,000
Building costs (£)		200,000	180,000	120,000	50,000	50,000
Number of employees		160	80	40	10	10
Direct labour hours		300,000	100,000	50,000		
Machine Hours		100,000	200,000	20,000		
Stores requisitions		250	200	50		Nil
Canteen costs		25%	25%	25%	25%	Nil

Required

- Apportion the unallocated costs between the departments using the basis of apportionment that is most appropriate from the information given and determine the total overhead budget for each department.
- Calculate the budgeted overhead absorption rates for each of the production departments using the most appropriate basis for recovery in each case.
- You have been asked to estimate a selling price for Job 8058X. Direct materials used on the job were £45. Three employees each worked 10 hours on the job and each was paid £5 per hour. The Variable Overhead rate was £1 per direct labour hour. Administration and other Fixed Overheads are recovered at 20% on production cost. The business requires a profit on each job of 50% of total costs.
- Briefly explain what the overhead absorption rates are used for.

Class Activity 21

Fredstrom Ltd. is a manufacturer of equipment and it has three production departments (Assembly, Machining and Finishing) and two services departments (Stores) and (Canteen). The Overhead costs of the company have been budgeted as follows together with other relevant information:

	Total	Assembly	Machining	Finishing	Stores	Canteen
	£	£	£	£	£	£
Allocated costs:						
Indirect expenses		55,300	49,600	29,400	15,300	9,500
Indirect materials		5,300	4,100	3,600	2,900	3,000
Unallocated costs:						
Indirect labour	200,000					
Rent and Rates	100,000					
Power	200,000					
Insurance of buildings	50,000					
Depreciation of Machines	140,000					
Other information:						
Floor area (metres)		30,000	30,000	20,000	10,000	10,000
Horse power		100	200	60	40	0
Plant and Machine at cost (£)		200,000	400,000	80,000	Nil	20,000
Building costs (£)		200,000	180,000	120,000	50,000	50,000
Number of employees		160	80	40	10	10
Direct labour hours		300,000	100,000	50,000		
Machine Hours		100,000	200,000	20,000		
Stores requisitions		250	200	50		Nil
Canteen costs		25%	25%	25%	25%	Nil

Required

- Apportion the unallocated costs between the departments using the basis of apportionment that is most appropriate from the information given and determine the total overhead budget for each department.
- Calculate the budgeted overhead absorption rates for each of the production departments using the most appropriate basis for recovery in each case.

Class Activity 22

You have been asked to calculate a selling price for two jobs: Job TT5 and Job KK2. The details for Job TT5 are as follows:

5. Direct materials: 10 units at €12.40.
6. Direct labour: 20 hours for department A, 10 hours for department B and, 12 hours for department C. The labour rates are as follows: €3.80 (A); €3.30 (B) and €3.50 (C).
7. The overhead rates to be used for each departments are: €8.86 (A), €9.03 (B) and €8.40 (C).
8. The firm expects a profit of 20% on the total cost.

The details for Job KK2 are as follows:

1. Direct materials: 10 units at €10.80.
2. Direct labour: 16 hours for department A, 10 hours for department B and, 14 hours for department C. The labour rates are as follows: €3.80 (A); €3.30 (B) and €3.50 (C).
3. The overhead rates to be used for each departments are: €12.86 (A), €14.03 (B) and €12.40 (C).
4. The firm expects a profit of 20% on the total cost.

a) You are required to prepare a statement showing the total cost and estimated selling price of Jobs TT5 and KK2.

b) A competitor has quoted a selling price of €800 for Job TT2. Is your estimated selling price likely to be successful? Justify your answer.

Class Activity 23

Visco 2000 is an industrial lubricant formed by subjecting certain crude chemicals to two successive processes. The output of Process 1 is passed to Process 2 where it is blended with other chemicals. The process costs for December 2006 were as follows:

Process 1:

Materials — 4000 kilos at £0.25 per kilo

Labour - £150

Process Plant time — 6 hours at £5.5 per hour

Process 2:

Materials — 2000 kilos at £0.4 per kilo

Labour - £225

Process Plant time — 10 hours at £5 per hour

General overhead for December 2006 amounted to £1000 and is absorbed into process costs on the basis of process labour costs.

The normal output of Process 1 is 80% of input and of Process 2, 90% of input.

Waste matter from Process 1 is sold for £0.20 per kilo and that from Process 2, for £0.60 per kilo.

The output for December 2006 is as follows:

Process 1 — 3200 kilos

Process 2 — 3400 kilos

There is no stock or work in process at either the beginning or end of December 2006.

Required

Show how the foregoing data would be recorded in a system of cost accounts.

Class Activity 24

BP X5 is an industrial lubricant formed by subjecting certain crude chemicals to two successive processes. The output of Process 1 is passed to Process 2 where it is blended with other chemicals. The process costs for December 2007 were as follows:

Process 1:

Materials — 4000 kilos at £0.25 per kilo

Labour - £150

Process Plant time — 6 hours at £5.5 per hour

Process 2:

Materials — 2000 kilos at £0.4 per kilo

Labour - £225

Process Plant time — 10 hours at £5 per hour

General overhead for December 2007 amounted to £1600 and is absorbed into process costs on the basis of process Plant time costs.

The normal output of Process 1 is 80% of input and of Process 2, 90% of input.

Waste matter from Process 1 is sold for £0.20 per kilo and that from Process 2, for £0.60 per kilo.

The output for December 2007 is as follows:

Process 1 — 3200 kilos

Process 2 — 4800 kilos

There is no stock or work in process at either the beginning or end of December 2007.

Required

Show how the foregoing data would be recorded in a system of cost accounts.

Class Activity 25

Malaberdas Limited has three processes in its manufacturing division: Process A that is then followed by Process B and then following by Process C. When goods have finished from Process 3 they are then placed into the warehouse with other Finished Goods Stock.

For the month of January 2009 who have been provided the following data concerning the three processes:

	Process A	Process B	Process C
Inputs (units)	2,000	2,000	1,500
Input costs:			
Materials (£)	25,000	0	
Labour (£)	15,200	21,500	18,000
Variable Overheads (£)	9,800	8,500	12,000
Fixed Overheads (£)	10,000	10,000	15,000
Outputs	2,000	1,500	1,200

You are required to:

- a) **Prepare the process accounts for the month showing the calculation of the unit cost for each process.**
- b) **Briefly explain the difference between “normal and abnormal losses”.**