**CONTRACT COSTING**

1 .A firm of building contractors undertook a contract. On 31.12.2016,the position pertaining to contract No 51 was as follows which commenced 10 months above:-

(i)Materials supplied Rs 3,75,000

(ii)Materials on hand Rs 15,000

(iii)Wages Rs 4,37,500

(iv)Wages outstanding Rs 6,250

(v)Proportionate share of indirect expenses Rs 18,750

(vi)Cost of Plant Rs 62,500

(vii)The value of work certified was Rs 9,00,000 of which Rs 6,75,000 had been received in cash

(viii)Work completed but uncertified amount to Rs 25,000

(ix)The contract price was Rs 15,00,000

(x)The plant on the site was valued at Rs 50,000 on 31.12.2016

You are required to prepare contract account no 51 after taking credit for profit which you think reasonable.

**Ans : Profit Rs 45,000**

2. On 1.4.2016 Modern Builders Ltd undertook a contract .The following was the expenditure on a contract of Rs 6,00,000.

Materials issued to contract Rs 1,02,000

Plant issued to contract Rs 30,000

Wages Rs 1,62,000

Other Expenses Rs 10,000

Cash received on account to 31.3.2017 amounted to Rs 2,56,000 being 80% of the work certified. Of the plant and materials charged to the contract , plant costing Rs 3,000 and materials costing Rs 5,000 were lost. On 31.3.2017 plant which costs Rs 2,000 was returned to the stores and the cost of work done but uncertified was Rs 2,000 and materials costing Rs 2,900 were in hand on site. Provide 15% depreciation on plant , reserve 1/3 of profit received and prepare contract account to the above particulars.

**Ans : Notional Profit : 26,400**

3. The following is the summary of the entries in a contract ledger as on 31.12.2016 in respect of contract No 60.Prepare the contract account

Materials bought directly Rs 45,000

Materials from stores Rs 7,000

Wages Rs 18,000

Direct Expenses Rs 7,000

Establishment Charges Rs 8,000

Plant Rs 34,200

Stores Sold Rs 1,820

Cost of sub contract Rs 7,500

you are further supplied with the following information :

(1)Accruals in 31.12.2016 are wages Rs 900 and direct expenses Rs 1,200

(2)Included in the above summary of entries are wages Rs 1,000 and other expenses Rs 1,500 since certification .The value of materials used since certification .The value of materials used since certification is Rs 2,200

(3)Depreciation till 31.12.2016 on plant is Rs 8,600

(4)Materials on hand on 31.12.2016 Rs 10,000

(5)The total contract price is Rs 1,00,000

(6)Rs 62500 had been certified up to 31.12.2016 when 5/8 of the contract had been completed.

**Ans: Loss Rs 24,180**

(4) Gina Engineering Co undertook a contract for constructing a Building at a contract price of Rs 2,00,000. Their accounts show the following position for the year ended 31.12.2016.

Materials Rs 40,000

Wages Rs 16,000

Wages to be paid Rs 2,000

Plant issued to the contract on 1.7.2016 for 6 months only Rs 80,000

Overhead charges Rs 4,000

Sub contract cost Rs 10,000

Materials at site at the end Rs 4,000

Progress money being 90% of work certified 1,08,000

work uncertified Rs 6,000

plant costing Rs 10000 was sold on 31.10.2016 for Rs 8,000

Charge depreciation on plant at 12% per annum

Cost of extra work done and completed on this contract (Not included in the original contract ) was Rs 9,000 and Rs 12,000 was agreed to pay separately for it. Prepare the contract account.

**Ans : Notional profit 53,400**

(5)Following expenses were incurred by a contractor on a contract which he started on 1 st January.

Materials Rs 40,000

Wages Rs 50,000

Other Expenses 15,000

Plant at Cost Rs 50,000

Work certified Rs 1,20,000

Work uncertified Rs 60,000

Materials on Hand (on 31st dec) Rs 11,000

Plant Value at Close Rs 43,000

Cash received from contractee Rs 1,00,000

Materials returned to store Rs 2,000

Prepare contract account and work in progress assuming that the contract price was Rs 3,50,000 .How will work in progress appear in the balance Sheet of the contractor.

**Ans: Notional Profit Rs 81,000 Profit & Loss a/c 22,500**

(6)The following was the expenditure on a contract for Rs 12,00,000 commenced in January.

Materials Rs 2,40,000

wages Rs 3,28,000

Plant Rs 40,000

overheads Rs 17,200

Cash received on account of the contract up to 31st dec was Rs 480000 being 80% of the work certified .The value of materials in hand was Rs 20,000.The plant had undergone 20% of depreciation .Prepare contract account.

**Ans: Notional profit Rs 26,800.Profit & Loss ac 14,293**

(7)A firm of builders ,carrying out large contracts kept in a contract ledger separated accounts for each contract .The following particulars relate to a certain contract carried out during the year ended 30 th jun2016

Work certified by Architects Rs 1,43,000

Cash received from the contractee - Rs 1,30,000

Materials sent to site Rs 64,500

Labour engaged on site Rs 54,800

Plant installed at site Rs 11,300

Value of plant at 30th jun (closing)Rs 8,200

Cost of work not yet certified Rs 3,400

Establishment charges Rs 3,250

Direct expenditure Rs 2,400

Wages accrued due Rs 1,800

Materials closing balance Rs 1,400

Materials returned to store Rs 400

Direct expenses accrued due Rs 200

You are required to prepare an account showing the profit on the contract upto 30th june 2016.

**Ans : Notional profit Rs 18,150 Profit & loss ac Rs 11,000**

(8)The following information relates to two contracts of BCM contractors in 2016:

Contract A Contract B

Materials sent to site Rs 1,70,698 Rs 1,46,534

Labour Rs 1,48,750 Rs 1,37,046

Plant Rs 30,000 Rs 25,000

Direct Expenses Rs 6,334 Rs 5,718

Establishment charges Rs 8,252 Rs 7,704

Materials returned to store Rs 1,098 Rs 1,264

Work certified Rs 3,90,000 Rs 2,90,000

Work uncertified Rs 9,000 Rs 6,000

material at site (31-12-2016) Rs 3,766 Rs 3,472

Wages accrued Rs 4,800 Rs 4,200

Direct expenses accrued(31-12-2016) Rs 480 Rs 360

Contract Price Rs.5,00,000 Rs4,00,000

Cash received being 80% of work certified.

Prepare (i)contract account(ii) Contractees account

(9)A company undertook a contract for construction of a large building complex. The construction work commenced on 1 st April 2016 and the following data are available for the year ended 31st march 2017(fig in 000)

Contract price Rs 35,000 Plant hire charges Rs 1,750

Work certified Rs 20,000 Wages related costs Rs 500

Progress payments received Rs 15,000 Site office costs Rs 678

Materials issued to site Rs 7,500 Head office expenses Apportioned Rs 375

Planning & Estimating costs Rs 1,000 Site expenses incurred Rs 902

Direct wages paid Rs 4,000 Work not certified Rs 149

Materials Returned from site Rs 250

The contractor own a plant which originally cost Rs 20 lacs has been continuously in use in this contract throughout the year. The residual value of the plant after 5 years of life is expected to be Rs 5 lacs .Straight line method of depreciation is in use. As on 31st march 2017 the direct wages due and payable amounted to Rs 2,70,000 and the materials at site were estimated at Rs 2,00,000.Prepare contract account for the year ended 31st march 2017 and show the calculation of profit to be taken to profit and loss account.

**Ans: Notional Profit Rs 3324**

(10) Construction ltd is engaged on two contracts A & B during the year. Following particulars are obtained at the yearend (Dec31)

Contract A Contract B

Date of Commencement April 1 September 1

Contract price Rs.6,00,000 Rs5,00,000

Materials issued 1,60,000 60,000

Materials returned 4,000 2,000

Materials at Site(Dec 31) 22,000 8,000

Direct labor 1,50,000 42,000

Site Expenses 66,000 35,000

Establishment expenses 25,000 7,000

Plant installed at site 80,000 70,000

Value of plant(Dec31) 65,000 64,000

cost of contract not yet certified 23,000 10,000

value of contract certified 4,20,000 1,35,000

Cash received from contractees 3,78,000 1,25,000

Architects fees 2,000 1,000

During the periods materials amounting to Rs 9000 have been transferred from contract A to contract B .You are required to show (a) Contract accounts(b) Contractees accounts and (c) Extract from balance sheet as on December 31 clearly showing the calculation of work in progress.

**Ans: Notional profit A Rs 60000 Notional loss B 5000**

(11) SV construction ltd has obtained a contract for the construction of a bridge .The value of the contract is Rs 12 lacs and the work commenced on 1 st October 2013 Following details are shown in their books for the year ended 30 th September 2014.Plant purchased Rs 60000,Wages paid Rs 340000 Materials issued to site Rs 336000,site expenses Rs 8000,General overhead apportioned Rs 32000 Wages accrued as on 30.09.2014 Rs 2800 Materials at site as on 30.09.2014 Rs 4000 Direct expenses accrued as on 30.09.2014 Rs 1200 work not yet certified at cost Rs 14000 cash received being 80% of work certified Rs 600000.Life of plant purchased is 5 years and scrap value is nil;. Prepare contract account for the year ended 30 th sept 2014 (2) show the amount of profit which you consider might be fairly taken on the contract and how you have calculated it.

**Ans " Notional profit Rs 36000 Profit transferred to pl ac Rs 19200**

(12)Following information relates to building contract for Rs 1000000 and for which 80% of the value of workin progress as certified by the architect is being paid by the contractee

2012 2013 2014

Rs Rs Rs

Materials issued 120000 145000 84000

Direct wages 110000 155000 110000

Site expenses 5000 17000 6000

Indirect exp 2000 2600 500

Work certified31st december 235000 750000 1000000

work done but not certified 2800 8000 nil

materials at site 2000 5000 8000

value of plant issued 14000 nil nil

The value of plant at the end of 2012,2013,and 2014 was Rs 11200 Rs 7000 and Rs 3000 respectively. prepare contract account for the three years taking into account such profit as you think proper on incomplete contract.

**Ans : 2012 NO profit,2013 - profit 106347,2014 - Rs 133553**

(13) m/s Promising company undertook a contract for erecting sewerage treatment plant for prosperous municipilaty for a total value of Rs 24 lacs .It was estimated that the job would be completed by 31 st jan 2014

You are asked to prepare the contract account for the year ending 31 st jan 2014 fron the following particulars

(i)Materials Rs 300000

(ii\_ Wages Rs 600000

(iii\_ Overhead charges Rs 120000

Special plant Rs 200000

(v) Work certified was for Rs 1600000 and 80% of the same was received in cash

(vi) Material lying at site as on 31.01.2014 Rs 40000

(vii) Depreciate plant by 10 %

(viii) 5 % of the valve of material issued and 6 % of wages may be taken to have been incurred for the portion of the work completed but not yet certified ,Overheads are charged as a percentage of direct wages

(ix)Ignore depreciation of plant for use on uncertified portion of work

(x) Ascertain the amount to be transferred to profit and loss ac on the basis of realized profit

**Ans : Notional profit Rs 658200 Profit transferred to pl ac Rs 351040 Work uncertified Rs 58200**

14. A contract account in the books of contractors ltd appears as follows Jun30 2014 material issued to site Rs 5000, plant issued to site Rs 12500 , Direct labor Rs 4600 ,Indirect labor Rs 640 Overhead expenses Rs 1950,You are informed that it is the practice of the firm to take credit for two thirds of the profit earned on the contracts in progress after taking into account the value of the work certified for payment by architects. You are required to(a) complete the contract account to jun 30(b) show the amount which you would transfer to profit and loss account along with necessary calculations(c) show relevant entries in the balance sheet as on 30 th jun.For this purpose you are supplied with the following further information as at that date: Value of work certified for payment Rs 10000 Value of plant at site after depreciation Rs 11875 Cost of work carried out but not certified Rs 3800 Cash received from the contractee Rs 9000, Stock of materials not used Rs 950

**Ans: Notional profit Rs 1935 Profit taken to pl ac Rs 1161 work in progress Rs 13026**