

SYBCOM (Semester- IV)

Subject: Ad. Acc VII (UBO4DCOM71)

Unit-1 Contract Costing

Q-1 on 1.09.2019, Mr. A undertook a contract no.555 for Rs.2,00,000. The following information is available in respect of these contracting year ended on 31.12.2019.

Particulars	Rs.
Cash recd. From the contractee (being 75% work certified)	30,000
Wages paid	15,000
Materials supplied	20,000
Other expenses	3,000
Plants supplied on 1-1-2018	20,000
Uncertified work	1,100
Materials unused lying at site	800
Wages due but not paid	600

Provide 10% depreciation on plant. Uncertified work has been valued at 10% more than cost price.

Prepare contract no.555 a/c in the books of A.

Q-2 A building contractor has undertaken a construction work at a contract price of Rs. 5,00,000 and contractor began the execution of the work on 1st April,2017.

Particulars	Rs.	Particulars	Rs.
Machinery installed at site	30,000	Work certified by architect	3,90,000
Materials sent to site	1,70,698	Cash received	3,60,000
Labour at site	1,48,750	Cost of work not yet certified	9,000
Direct expenses	6,334	Materials on hand as at 31-3-2018	3,766
Overhead charges allocated	8,252	Wages accrued on 31-3-2018	5,380
Materials returned from the site	1,098	Value of machinery as at 31-3-2018	22,000

2/3 of the profit of the contract on the cash basis received is to be transferred to Profit and Loss account. Prepare Contract Account.

Q-3 The following information is the summary of entries in a contract ledger of Shreyansh Construction:

Company as on 31.12.2019

Particulars	Rs.
Direct materials	60,000
Materials issued from stores	40,000
Wages	30,000
Direct expenses	15,000
Sub-contract cost	19,000
Plant (including special plant of Rs.20,000) issued on 1.1.19	60,000
Sales of scrap	6,000

Additional information:

1. Accrual on 31.12.19 was wages Rs. 10,800 and direct expenses Rs.6,000.
2. The cost of work uncertified was 1/10th of certified work.
3. Special plant was destroyed on 30.09.19 by fire and insurance company and admitted a claim of Rs. 8,000.
4. Plant of Rs.16,000 was sold for Rs.15,000 on 30.06.19.
5. Materials of Rs.4,000 were partly destroyed by fire and were sold for Rs.1600.
6. Materials at site on 31.12.19 was Rs.2,000.
7. Cash received form contract was Rs.1,80,000 being 75% of work certified.
8. Contract price was Rs.3,00,000.
9. Charge depreciation on plant at 10% p.a.
10. Transfer profit on scientific basis to P & L a/c.

Prepare contract account with necessary calculation.

Q-4 (a) Shreyas Construction Co. took a contract to construct a building for a pharmacy college in Vidyanagar at a price of Rs.25,00,000. It commenced the work on 1.4.2017 and incurred the following expenditure upto 31.12.17.

	Rs.
Materials	3,50,000
Machines issued (1.4.2017)	2,25,000
Wages paid	5,12,500
Expenses	81,250
Indirect expenses	45,000
Cost of sub contract	30,000

You have been given the following information:

1. Outstanding wages Rs.18,750 and direct expenses Rs.12,500 on 31.12.17.
2. Materials worth Rs.12,500 are destroyed by accident, scrap of materials realized Rs.6,000.
3. Out of machines, a machines costing Rs.45,000 has been sold at Rs.36,000 on 30.06.17. while a machine costing Rs.25,000 was burnt by fire on 1.10.17 and insurance company accepted a claim of Rs.20,000 against it.
4. Included in the above, summary of entries are wages of Rs.20,000 and other expenses of Rs.10,000 since certification. The value of materials used since certification is Rs.15,000.
5. Cash received Rs.12,60,000 being 90% of the work certified.
6. Materials lying on site as on 31.12.17 Rs.28,125.
7. Provide 10% depreciation on machines.
8. Transfer profit on scientific basis to P & L a/c.

Prepare contract account.

Q-4 (b) Find out cost of uncertified work from the following:

Contract price Rs. 12,00,000 is commenced on 1.1.17. 3/5th work has been done till 31.12.17 while total cost of work is Rs. 5,40,000. Cash received Rs.4,80,000 which is 75% of work certified.

Q-5 Mehul Ltd. Commenced a contract on 1.7.17, the total contract price was Rs. 5,00,000 but Mehul Ltd. accepted the same for Rs. 4,50,000. It was decided to estimate the total profit and to take to the credit of profit and loss a/c that proportion of estimated profit on cash basis which the work completed bore to the total contract. Actual expenditure till 31.12.17 and estimated expenditure in 2018 are given below:

Expenses	Actual till 31.12.17	Estimate for 2018
Materials	75,000	1,30,000
Labour	55,000	60,000
Plant purchased (original cost)	40,000	----
Miscellaneous expenses	20,000	35,500
Plant returned to stores on 31.12.2017 at original cost	10,000	25,000
Materials at site	5,000	Nil
Work certified	2,00,000	Full
Work uncertified	7,500	Nil
Cash received	1,80,000	Full

The plant is subject to annual depreciation @ 20% of original cost. The contract is likely to be completed on 30.9.18. You are required to prepare the contract account for the year ended on 31.12.17. Workings should be clearly given. It is the policy of the company to charge depreciation on time basis.

Q-6 Rucha Construction Co. Ltd. Took up a contract for the construction of building at a contract price of Rs. 1,80,00,000. The contractor has to make progress payment of 82% of the work certified and the remaining is to be paid on completion of contract. Building operations started on 1st April, 2015 and its following information are available in respect of the contract for the year ended 31st March, 2016.

1. Amount received from contract upto 31.3.2016	Rs.56,17,000
2. Uncertified work on 31.3.2016	Rs. 5,53,000
3. Unused material at site on 31.3.2016	Rs. 1,57,000
4. Plant at site on 31.3.2016 (depreciated value)	Rs.8,50,000
5. Wages due but not paid on 31.3.2016	Rs.2,80,000
6. Reserved profit for the year 2015-16	Rs. 3,60,000

The following information is supplied in respect of the contract for the year ended on 31.3.2017.

	Rs.
Materials supplied	25,20,000
Materials transferred to other contract	4,20,000
Materials transferred from other contract	10,04,000
Overheads chargeable to contract	5,50,000
Materials returned to stores	45,000
Water pipe of 1000 ft. purchase at Rs.15 per ft. was stolen away from the site	
Profit on sale of materials (25% profit on cost price)	15,000
Wages paid	10,37,000
Other expenses	2,53,000
Other plant issued on 1.12.2016	1,80,000
Work certified on 31.3.2017	1,30,00,000

Unused material at site on 31.3.2017	5,83,750
Wages due but not paid on 31.3.2017	63,000

1. Provide depreciation on plant at 12.5% by diminishing balance method.
2. The cost of work done but not certified was Rs.5,74,000 on 31.3.2017. This was certified later for Rs.6,00,000.
3. Contractor takes 2/3 profit on cash basis to P & L a/c.
4. Prepare contract account for the year ended on 31.3.17.

Q-7 A company undertook a contract to construct a bridge. The following particulars relate to this bridge for the year ended on 31st March, 2016.

Particulars	Rs.	Particulars	Rs.
Direct materials issued from stores	1,00,000	Materials in hand at 31 st March, 2016	5,000
Wages for laborers	60,000	Wages accrued at 31 st March, 2016	3,000
Plant issued	1,00,000	Cost of extra work done	2,000
Direct expenses	35,000	Cash received for extra work	3,000
Other overheads	10,000	Value of work certified	2,50,000
Materials lost by theft	2,000	Cost of work uncertified	15,000

Contract was commenced on 1st April, 2015. Plant was issued on same date and is to be depreciated at 15% per annum. Cash received from contract is 80% of the work certified.

You are required to

1. Prepare Contract a/c showing profit of the year,
2. Compute profit to be taken to P & L a/c if
 - a. Contract price is Rs.12,00,000
 - b. Contract price is Rs.8,00,000

Q-8 Ram Construction Co. Ltd. Took up a contract for the construction of building at a contract price of Rs. 15,00,000. The contractor has to make progress payment of 75% of the work certified and the remaining is to be paid on completion of contract. Building operations started on 1st January, 2013 and its following information are available in respect of the contract for the year ended 31st Dec., 2013.

Amount received from contract upto 31.12.2013	Rs.3,37,500
Uncertified work on 31.12.2013	Rs. 30,000
Unused material at site on 31.12.2013	Rs. 9,500
Plant at site on 31.12.2013 (depreciated value)	Rs.25,500
Wages due but not paid on 31.12.2013	Rs.2,600
Reserved profit for the year 2013	Rs. 25,000

The following information is supplied in respect of the contract for the year ended on 31.12.2014.

	Rs.		
Materials supplied	1,70,000	Wages paid	90,200
Materials transferred to other contract	32,000	Other expenses	11,800
Materials transferred from other contract	95,000	Other plant issued on 1.9.2014	12,000
Overheads chargeable to contract	45,000	Work certified on 31.12.2014	10,00,000
Materials returned to stores	3,200	Unused material at site on 31.12.2014	23,925
Material stolen away from the site (at cost)	2,800	Wages due but not paid on 31.12.2014	7,400

Sale of materials (cost price Rs. 6800)	8,000		
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Provide depreciation on plant at 15%. The cost of work done but not certified was Rs.27,000 on 31.12.2014. This was certified later for Rs.30,000. Contractor takes 2/3 profit on cash basis to P & L a/c. Prepare contract account for the year ended on 31.12.2014 and Work in Progress a/c.

Q-9 (a) Deep Construction Co. took a contract to construct a building for a commerce college in Anand at a price of Rs.20,00,000. It commenced the work on 1.4.2013 and incurred the following expenditure upto 31.12.13.

	Rs.
Materials	2,80,000
Machines issued (1.4.2013)	1,80,000
Wages paid	4,10,000
Direct Expenses	65,000
Indirect expenses	36,000
Cost of sub contract	24,000

You have been given the following information:

1. Outstanding wages Rs.15,000 and direct expenses Rs.10,000 on 31.12.13.
2. Materials worth Rs.10,000 are destroyed by accident, scrap of materials realized Rs.4,000.
3. Out of machines, a machine costing Rs.30,000 has been sold at Rs.24,000 on 30.06.13. while a machine costing Rs.20,000 was burnt by fire on 1.10.13 and insurance company accepted a claim of Rs.15,000 against it.
4. Included in the above, summary of entries are wages of Rs.16,000 and other expenses of Rs.8,000 since certification. The value of materials used since certification is Rs.12,000.
5. Cash received Rs.10,08,000 being 90% of the work certified.
6. Materials lying on site as on 31.12.03 Rs.22,600.
7. Provide 10% depreciation on machines.
8. Transfer 2/3rd profit to P & L a/c on cash basis.

Prepare a contract account.

Q-9 (b) Find out cost of uncertified work from the following:

Contract price Rs. 9,00,000 is commenced on 1.1.13. 3/5th work has been done till 31.12.13 while total cost of work is Rs. 4,05,000. Cash received Rs.3,60,000 which is 75% of work certified.

Q-10 A contractor undertook a contract of Rs. 20,00,000 and commenced its work from 1.4.2012. The accounting year ends on 31.12.2012. Figures relating to this contract are as under:

	Rs.
Direct materials	4,40,000
Materials issued from stores	60,000
Wages	2,50,000
Direct Expenses	14,000
Indirect expenses	24,000

Architect fees	16,000
Sub contract fees	8,000
Admin. And other expenses	12,000
Materials returned to stores	20,000
Machines issued (1.1.12)	2,00,000
Scrap sold	1,200

Additional information:

1. Out of machines issued, materials of Rs.20,000 was immediately sold for Rs. 15,000.
2. Outstanding wages Rs.12,000 and direct expenses Rs.4,000 on 31.12.12.
3. On 30-6-2012, a machine worth Rs. 32,000 was supplied to another contract.
4. A machine worth Rs. 36,000 was burnt by fire on 31-7-12 and insurance company accepted a claim of Rs. 24,000.
5. On 1-10-12, a machine worth Rs. 12,000 has been sold at Rs. 11,200.
6. Provide 10% depreciation on machines.
7. The cost of work uncertified was Rs. 50,000.
8. On 31.12.12, materials at site were Rs. 40,000.
9. Cash received from the contract was Rs. 9,20,000 being 80% of work certified.

Transfer profit on scientific basis to P & L a/c and Prepare contract account.

Q-11 Shree Krishna Company undertook a contract at a price of Rs. 6,30,000 on 1st January, 2000 to construct a building. The following information is given for the year ended on 31.12.2000:

	Rs.
Materials supplied from stores	1,65,500
Materials bought directly for the contract	54,500
Plant issued (1.4.2000)	40,000
Wages paid	50,500
Supervision charges	18,000
Outstanding wages	4,500
Other Expenses	6,000
Materials Returned To Stores	2,000
Sub contract cost	1,425
Materials transferred to other contract	40,000
Unused material at site on 31.12.2004	15,000
Materials transferred from other contract	20,000
Cash received from contractee (80% of work certified)	2,40,000

On 30.6.2000, a plant worth Rs.3,000 was destroyed by fire and insurance co. accepted a claim of Rs. 2,000. On 30.9.2000 a plant costing Rs.2500 and materials costing Rs. 1500 were sold at Rs.2250 and Rs. 750 respectively. Provide depreciation on plant 20% per annum. Transfer 2/3rd profit on cash basis to Profit and Loss a/c. prepare a contract a/c.

Q-12 The following is the summary of the entries in a contract ledger as on 31st March, 2000 in respect of Contract No.7:

	Rs.
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Materials (direct)	60,000
Materials from stores	13,000
Plant	68,400
Wages	34,600
Direct expenses	13,400
Establishment charges	16,000
Sales of scrap	3,640
Sub contract cost	1,425

You are given the following information:

1. Accruals on 31.3.2000 were wages Rs.1600 and direct expenses Rs. 2200.
2. Depreciation on plant upto 31.3.2000 Rs. 17,100.
3. Included in above summary of abstract are wages Rs.2000 and other expenses Rs.3000 since certification. The value of materials used since certification is Rs.4160.
4. Materials on site on 31.3.2000 costs Rs.20000.
5. Rs.125000 had been certified upto 31.3.2000 when 3/8th of the contract remained uncompleted.
6. The total contract price is Rs.200000.

Prepare Contract A/c no. 7 and show what profit or loss should be taken into account for the year ended 31.3.2000.

Q-13 (a) Vidit Construction Company undertook a contract at a price Rs.6,00,000 on 1st January, 2009 to construct a building. The following information relating to the contract for the year ending to 31.12.2009 is extracted from ledger:

	Rs.
Materials supplied from stores	1,50,000
Materials bought directly for the contract	70,000
Plant issued (1.4.2009)	40,000
Wages paid	50,000
Supervision charges	20,000
Outstanding wages	5,000
Other Expenses	4,000
Materials Returned To Stores	2,000
Sub contract cost	425
Materials transferred to other contract	40,000
Unused material at site on 31.12.2004	15,000
Materials transferred from other contract	20,000
Cash received from contractee (80% of work certified)	2,40,000

On 30.6.2009, a plant worth Rs.3,000 was destroyed by fire and insurance co. accepted a claim of Rs. 2,000. On 30.9.2009, a plant costing Rs.2500 and materials costing Rs. 1500 were sold at Rs.2250 and Rs. 750 respectively. Provide depreciation on plant 20% per annum. Transfer 2/3rd profit on cash basis to Profit and Loss a/c. Prepare a contract a/c for the year ending on 31.12.2009.

Q-13 (b) Contract Price is Rs.12,00,000. 3/4th work has been done upto 31.12.99. but 3/5th work has been certified by an architect. While total cost of the work is Rs.6,00,000. Calculate the cost of Uncertified work.

Q-14 (a) One contractor has undertaken a building contract for Rs.7,50,000. He received in cash 90% sum of the work certified. He had commenced the work on 1.1.98. expenses during the year were Plant and machinery Rs.70,000, Materials Rs.2,00,000, Wages and Salaries Rs.1,50,000 and Miscellaneous Expenses Rs. 70,000.

Plant worth Rs.20,000 were of no use and hence were sold off at a profit of Rs.5,000. On 31.12.98, plant and machinery worth Rs.40,000 and materials worth Rs.30,000 were in stock on site.

He had received in cash Rs.4,38,750 at 90% of the certified work. During 1998, out of the total profit likely to be earned on completing of the contract, profit in proportion to the certified work is to be taken to P & L a/c and some additional expenses likely to be incurred on completion of the remaining work are to be estimated as under:

1. Contract will be completed during 6 months thereafter.
2. Plant worth Rs.5,000 will remain in stock on completion of job.
3. In addition to the stock of 31.12.98, materials worth Rs.1,00,000 and plant worth Rs.20,000 will be needed.
4. During 6 months ending 30.6.99, expenses of wages and salary will be Rs.80,000.
5. Miscellaneous expenses will be as per last year.
6. Provide 2.5% of total cost (without contingency) as contingency expenses.

Prepare a contract a/c for the year ending on 31.12.98 and profit is to be taken to P & L a/c.

Q-14(b) The total profit of a contract is estimated to be Rs.1,80,000 on its completion next year. Total price is Rs.90,000 and work certified in current year is Rs.7,50,00. If the profit of the contract for the current year will be Rs.1,53,000. Calculate the amount to be transferred to Profit and loss a/c.