

UCCC & SPBCBA & SDHGCBCA & IT

S.Y.B.com Sem. – 4

Advanced Accounting and Auditing Paper – 3

Contract Costing:

Short sums:

1. Contract price Rs 2,00,000. $\frac{3}{4}$ Contract done in the year 2014. Work certified is 80%. Total expenses of the contract Rs 1,00,000. Find out value of uncertified work.

[V.N.S.G.U. Apr. 2015]

2. 80% work of the contract price Rs 25,00,000 is completed, for which the work certified is Rs 17,50,000. Total cost of work is Rs 14,00,000. Find out the cost of uncertified work and amount of uncertified work. *[V.N.S.G.U. Apr. 2017]*

3. The following balances were found in the books of a contractor. From that prepare Work in Progress Account.

Particulars	1/1/2017 (Rs)	31/12/2017 (Rs)
Work certified	1,50,000	2,50,000
Uncertified work	50,000	80,000
Materials on the site of contract	25,000	35,000
Plant and Machinerics at site	50,000	45,000
Reserve profit	30,000	60,000

[V.N.S.G.U. Apr. 2018]

4. A general purpose machine worth Rs 1,00,000 was sent to a site of a contract on 1-1-2012. The machine was sold for Rs. 92,000 on 1-7-2012. Depreciation is charged at 10%. Show the above transaction effect in Contract A/c.

5. State how you will deal with the following details in the books of a contractor.

On 1-3-2017, a special plant of Rs 12,000 was purchased for Contract No. 101. This plant was to be depreciated at 9% p.a. On 31-12-2017, the plant was completely destroyed by fire. Insurance Co. admitted a claim of Rs 5000.

6. Show the following balances at the end of the year in the balance sheet:

Cash received (75% of work certified) – Rs 1,50,000

Uncertified work – 10% of certified work

Reserve profit – Rs 20,000

Materials on site – Rs 30,000 (at the close of the year)

Machinery on site after depreciation – Rs 40,000 (at the close of the year)

Contract price – Rs 5,00,000

[V.N.S.G.U Oct 2017]

Long sums:

7. The following was the expenditure on a contract for Rs 12,00,000 commenced in January 2020.

Materials	Rs. 2,40,000
Wages	Rs. 3,28,000
Plant	Rs. 40,000
Overheads	Rs. 17,200
Work uncertified	Rs. 8000

Cash received on account of contract on 31st December 2020 was Rs 4,80,000, being 80% of the work certified. The value of materials in hand was Rs 12,000. The plant had undergone 20% depreciation.

Prepare contract account.

8. The following balances were extracted from the books of a building contract on 31st March.

2018 regarding Contract No. 165:

Materials issued to site	₹ 6,27,500
Wages Paid	₹ 6,65,600
Plant issued to site on 1st April 2018	₹ 60,000
Direct charges paid	₹ 25,150
Establishment charges	₹ 56,900
Cost of subcontract	₹ 12,500
Sales of scrap	₹ 7,500
Stock of materials at site on 31-3-2018	₹ 27,500
Cost of work not yet certified	₹ 40,000
Reserve profit on 31-3-18	₹ 1,43,190

Additional information:

- (1) The work was commenced on 1st April, 2017 and the contract price agreed at 24,50,000.
- (2) Outstanding on 31-03-2018 were:

Wages	₹ 7,200
Direct charges	₹ 2,150
- (3) Materials worth ₹ 5,000 were partially destroyed by fire. Insurance company accepted a claim of ₹ 3,000
- (4) Cash received from the contractee is 85.5% of work certified.
- (5) Depreciation on plant is to be calculated at 25% per annum.
- (6) $\frac{2}{3}$ part of profit on cash basis to be carried to profit and loss account.

VNSGU OCT-2019

9. Raja construction Co. has taken contract of Rs 21,00,000 on 1-04-2019. The following particulars are relating to contract for the year ended on 31-12-2019.

Particulars	Amt (Rs)
Materials provided to contract	2,58,100
Labour	5,60,500
Foremen's salary	80,300
Plant and machinery sent	2,60,000
Administrative expenses	1,12,000

Additional Information:

1. Supervisor's salary is Rs 4000 per month who devoted $\frac{3}{4}$ of his time to this contract.
2. Machine on this contract has been used for 146 days only.
3. Estimated life of the machine is 7 years and its estimated scrap value is Rs 15,000.
4. Materials at site at year end is Rs 25,400.
5. At the year end $\frac{2}{3}$ work on contract was completed.
6. Certificate has been received for 50% of the contract price.
7. Cash received from the contractee is Rs 8,40,000.
8. Some of the materials costing Rs 4500 was found unsuitable and sold for Rs 4000.

Prepare contract A/c.

[V.N.S.G.U. Apr. 2013]

10. NNM Builders Ltd. commenced a contract on April 1, 2020. The total contract was ₹ 5,00,000. The actual expenditure of the contract for the period April 1, 2020 to March 31, 2021 and the estimated cost for the period April 1, 2021 to December 31, 2021 are given below:

Particulars	2020-21 (actual)	2021-22 (9 months) (estimated)
Materials issued	90,000	85,750
Wages: Paid	75,000	87,325
Outstanding wages at the end	6,250	8,300
Plant	25,000	
Sundry expenses: Paid	7,250	6,875
Prepaid sundry expenses at the end	625	
Establishment charges	14,625	

A part of the material was unsuitable and was sold for ₹ 18,125 (cost being ₹ 15,000) and a part of the plant was scrapped and disposed-off for ₹ 2,875. The value of the plant at site on 31 March, 2021 was ₹ 7,750 and the value of the material at site was ₹ 4,250. Cash received on account to date was ₹ 1,75,000, representing 80% of the work certified. The cost of work uncertified was valued at ₹ 27,375.

The contractor estimated further expenditures that would be incurred in the completion of the contract:

- (1) The contract would be completed by 31st December 2021.
- (2) A further sum of 31,250 would have to be spent on the plant and the residual value of the plant on the completion of the contract would be ₹ 3,750.
- (3) Establishment charges would cost the same amount per month as in the previous year.
- (4) ₹ 10,800 would be sufficient to provide for contingencies.

Prepare a Contract Account for the year ended 31st March, 2021 and Calculate the estimated total profit on this contract.

11. M/s Ambalal and Babubhai run their business on partnership base. The following details have been given by them for Contract No. 155 on 31st December 2014.

(1) Tender Price Rs 5,25,000

(2) Contract amount Rs 5,00,000

(3) Contract work started on 1st May 2014.

(4) Condition of payment: 75% amount of work certified by architect and remaining amount will be paid after completion of the work.

(5) Deposit paid at the time of contract Rs 50,000.

Plant issued on site Rs 1,00,000

Salary and wages Rs 98,000

Materials issued from stores Rs 8000

Materials purchased for contract Rs 27,500

Materials return Rs 500

Proposed net overhead expenses Rs 3000

Materials issued to contract No. 267 Rs 2000

Materials stock (31-12-14) Rs 5000

Plant repairing Rs 3000

Cash received for contract Rs 1,50,000

Cost of work not certified Rs 5000

Additional information:

(1) Prepare Contract Account for the year ended on 31st December 2014 after 2/3 portion of profit transferred to Profit and Loss Account on proportionate profit on cash basis as per certificate issued by architect.

(2) Prepare Work in Progress Account.

(3) Show the balance on 31-12-2014 of Work in Progress Account in Balance Sheet

(4) Depreciation charged on plant at 12%. *[V.N.S.G.U March 2015]*

12. Contractor Janmesh obtained a contract for Rs 15,00,000 to build a college. On 1-4-2007, the contract was started. The following expenditures were incurred up to 31-3-2008:

Materials	Rs 3,50,000
Wages	Rs 1,75,000
Plant	Rs 2,00,000
Sundry expenses	Rs 25,000
Establishment charges	Rs 18,000

Some of the materials costing Rs 25,000 were found unsuitable and were sold for Rs 20,000 and a part of the plant unsuited to the contract was sold for Rs 18,000.

On 31-3-2008 the value of plant at site was Rs 44,000 and the value of material on hand was Rs 6000. Cash received to date was Rs 9,60,000 being 80% of the work certified. 90% work on contract was completed.

In order to complete contract the contractor Janmesh estimated further expenditure as under:

(1) The contract would be completed on 30-9-2008.

(2) The wages on the contract after 31-3-2008 would amount to Rs 1,03,500.

(3) The material in addition to those on hand on 31-3-2008 would cost Rs 2,00,000 and sundry expenses of Rs 8000 would be incurred.

(4) A further sum of Rs 50,000 would have to be spent on plant and the residual value of the plant on the completion of the contract would be Rs 77,000.

(5) The establishment charges would cost the same amount per month as in previous year 2007-08.

(6) 3% of the total cost of the contract would be due to contingencies.

Prepare Contract A/c for the year ended on 31st March 2008 and ascertain the amount of profit to be credited to P and L A/c by preparing Proforma (estimated) contract account.

[V.N.S.G.U. Apr. 2009]

13. Radhika Construction Company started a contract with agreement worth Rs 40,00,000 on 1-5-2015. The details related to the contract are as follows:

Particulars	31/12/2016 Rs	31/12/2017 Rs
Work in progress A/c:		
Certified work	16,00,000	28,00,000
Uncertified work	80,000	3,00,000
Materials at site	25,000	40,000
Machines at site	3,00,000	?
Reserve profit	2,05,000	?

Particulars	Actual cost – Rs 1/1/2017 to 31/12/2017	Estimated cost –Rs 1/1/2018 to 31/3/2018
Materials expenses	5,00,000	3,00,000
Labour expenses	2,50,000	80,000
Indirect expenses	1,50,000	1,00,000
Sales of materials (cost Rs 40,000)	30,000	--
Contingency expenses	--	30,000
Sub contract cost	80,000	--

Other information:

- (1) The contract would be completed by 31/3/2018.
- (2) Machines are depreciated at 15% on straight line method.
- (3) The value of materials on hand will be Rs 25,000 at the end of the contract.
- (4) The machines were sent to the contract's place on the date of beginning of the contract.

From the above information:

- (1) Prepare contract A/c for the year ended on 31/12/2017 and show your calculations of the amount of profit to be credited to Profit and Loss Account.
- (2) Prepare proforma Contract Account.

[V.N.S.G.U. Apr. 2019]

14. A contractor undertook a contract for Rs 5,00,000 on 1-7-2011 for the construction of library building. On 30-6-2012 when the accounts were closed, the following details about the contract were gathered:

Materials purchased	1,00,000
Wages paid	45,000
General expenses	9000
Plant purchased	60,000
Materials in hand on 30-6-2012	25,000
Wages accrued 30-6-2012	5000
Work certified	2,00,000
Work uncertified	15,000
Cash received	1,50,000
Plant depreciation	6000

The above contract contains an escalation clause which reads as follows:

‘In the event of prices of materials and rates of wages increase by more than 5% the contract price would be increased accordingly by 25% of the rise in the cost of materials and wages beyond 5% in each case.’

It was found that since the date of signing the agreement, the prices of materials and wage rates increased by 25%. The value of work certified does not take into account the effect of the above clause.

Prepare contract Account.