

**VIVEKANANDA COLLEGE
THAKURPUKUR
KOLKATA-700063**

NAAC ACCREDITED 'A' GRADE



Topic: Contract Costing

Course Title: B.Com (UNDER CBCS SYSTEM)

Paper: Cost & Mgt Accounting-1

Unit: 04

Semester: 2nd Semester

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Name of the Department: COMMERCE

Revisional Problems

1 A firm of Building contractors undertook a contract for Rs. 3,50,000. The following particulars are furnished for the year ended 31st December, 2011 :

	Rs.
Materials :	
Direct purchased	30,000
Issued from stores	10,000
Wages for Labour	40,000
General Plant in use :	
Written down value	90,000
Depreciation thereon	10,000
Direct Expenses	2,500
Subcontract charges	6,000
Share of general overhead	2,000
Materials in hand on 31. 12. 2011	2,000
Material lost by fire	500
Salvage value thereof	150
Outstanding wages on 31. 12. 2011	6,000
Direct expenses accrued on 31. 12. 2011	1,000
Cash received (90% of work certified)	1,62,000
Cost of uncertified work	5,000

[C.U. B.Com. (Hons.) 2012]

Prepare Contract Account.

2 S. & Co. (2013) Ltd., a firm of Building contractors, undertook a contract for Rs. 6,50,000 to realise on the basis of the value of work certified by the architect subject to a retention of 10%. The work commenced on 1.4.2012 but it remained incomplete on 31.12.2012 when the final accounts are to be prepared. The facts and figures of the contract are :

	Rs.
Materials charged to contract	1,80,000
Wages paid for Labour	87,000
Plant charged to contract at the commencement	32,000
Expenses incurred on contract	38,750

Total establishment expenses amounted to Rs. 41,000 out of which 25% is attributable to this contract. Out of the materials issued to the contract, materials costing Rs. 4,000 were sold for Rs. 5,000. A part of the plant (cost Rs. 2,000) was damaged on 01.10.2012 and the scrap realised Rs. 300 only. Plant costing Rs. 3,000 was transferred to another contract site on 31.12.2012. Plant is to be depreciated @10% p.a. Materials on hand on 31.12.2012 Rs. 17,500. Cash received from the contractee Rs. 3,06,000. Cost of work not yet certified Rs. 30,000.

Prepare Contract Account showing therein the amount of profit or loss to be transferred to profit and loss account.

[C.U. B.Com. (Hons.) 2013]

3 A firm of building contractors undertook a contract for Rs. 3,00,000. The following particulars are furnished for the year ended 31st December, 2013 :

	Rs.
Materials :	40,000
Direct purchases	20,000
Issued from stores	30,000
Wages for Labour	80,000
General Plant in use :	
Written down value	10,000
Depreciation thereon	

Materials :	Rs.
Direct Expenses	2,500
Subcontract charges	6,000
Share of general overhead	2,000
Materials in hand on 31.12.2013	2,000
Outstanding wages on 31.12.2013	2,000
Direct expenses accrued on 31.12.2013	2,000
Cash received (80% of work certified)	1,60,000
Cost of uncertified work	50,000

Prepare contract account, value of work-in-progress and show how the various items would appear in the Balance Sheet. [C.U. B.Com. (Hons.) 2014]

4 M/s. Eastern contractors undertook a contract for construction of a Highway on 1st April, 2014. The following expenses were incurred during the year ended on 31st March, 2015 :

	Rs.
Materials issued	30,000
Stores purchased	8,000
Direct wages	25,000
Plant issued	40,000
Supervision expenses	10,000
Sub-contract cost	20,000

Other information :

- The contract price as per agreement was Rs. 1,00,000.
- Depreciation to be charged on plant @ 20% p.a.
- 25% of the plants was destroyed in an accident on 30.9.14. However, a compensation of Rs. 5,000 was realised from insurance company.
- Materials transferred to another contract Rs. 8,000, returned to store Rs. 2,000.
- Balance of materials and stores at site were Rs. 7,000 and Rs. 3,000 respectively besides the plants.
- Cost of work completed but not certified Rs. 10,000 and cost of work not completed and not certified Rs. 3,000. Surveyors fees due Rs. 4,000.
- The architect had certified $\frac{1}{5}$ th of the contract. Cash was received 90% of work certified.
- Charge for establishment expenses @ 20% of direct wages and office overhead @ 10% works cost.

Prepare Contract A/c and Contractee A/c.

[C.U. B.Com. (Hons.) 2015]

5 Sinha & Co. undertook a contract to construct a building for which the following information are supplied on 31.12.15 :
Construction started on 1st January, '15.

	Rs.
Contract price	16,00,000
Materials sent to site	3,00,000
Wages paid	3,60,000
Wages unpaid	2,000
Other Expenses	52,000
Plant sent to site	4,00,000
Cash received	7,20,000
Materials returned to stores	10,000
Materials lying unconsumed	16,000
Materials stolen from site	20,000
Insurance claim admitted for materials stolen	14,000
Work-uncertified	22,000

Plant is subject to depreciation @ 7.5% p.a. and cash has been received for 90% of work-certified. Prepare Contract A/c and Direct Material Stolen A/c in the books of Sinha & Co. for the year ended 31st December, 2015. [C.U. B.Com. (Hons.) 2016]

6 Biswakarma Construction Ltd. entered into a contract to construct a building. The contract price was Rs. 6,50,000 payable on the basis of the value of work certified by the architect subject to a retention of 15%. The work commenced on 1.4.2016 but remained incomplete on 31.12.2016.

The particulars are given below :

	Rs.
Plant installed at site on 01.04.16	32,000
Materials consumed	1,80,000
Wages paid	85,000
Expenses paid	38,750
Total Establishment expenses out of which 25% is attributable to this contract	41,000
Wages outstanding on 31.12.16	2,000
Plant costing Rs. 2,000 was damaged on 1.10.16 and sold as scrap	300
Plant costing Rs. 3,000 was transferred to another contract on 30.11.16	
Materials in hand on 31.12.16	17,500
Cash received	2,89,000
Cost of work not certified	30,000
Plant is to depreciated @ 10% p.a.	

Prepare Contract Account showing therein the amount of profit to be transferred to Profit and Loss Account. [C.U. B.Com. (Hons.) 2017]

Revisional Prob Solve

In the Books of ...
Contract a/c.
for the year ended 31-12-11

[100]

1 2012

31-12-11		31-12-11	
To Mat Purchased Directly	30,000	By Mat at site c/d	20,000
" " issued from Stores	10,000	(10,000)	
" wages of Labour	40,000	By Mat at site c/d	20,000
Dep. on General Plant	10,000	By Bank	150
" D. Exp.	2,500	- Salvage value of Mat	
" Subcontract charge	6,000	By Costing P/L	350
" Short Gen. oth	2,000	- Loss of Mat by fire (500 - 150)	
" Accrued wages c/d	6,000	By Bal. c/d	1,05,000
" Accrued D. Exp. c/d	1,000	- Cost to date.	
	1,07,500		1,07,500
To Bal b/d	1,05,000	By WIP c/d	5,000
		- Cost of un-certified work	5,000
To Notional Profit c/d	80,000	- Value of certified work (1,62,000 x 10/90)	1,18,000
	1,18,500		1,18,500
To Costing P/L ③	48,000	By Notional Profit b/d	80,000
- Prop. of Profit transferred	48,000		
" WIP c/d	32,000		
- Prop. (Bal. P/L)	80,000		
	80,000		80,000
$\frac{1}{12}$		$\frac{1}{12}$	
To Mat. at site b/d	20,000	By Accrued wages b/d	6,000
" WIP b/d		" Accrued D. Exp b/d	1,000
- Cost of un-certified work 5,000			
+ Value of certified work 1,18,000			
Ans: Prop. 1,18,500	1,18,500		
	1,53,100		

Working
① % of Completion of work = $\frac{\text{value of W. Certified} \times 100}{\text{Contract Price}} = \frac{1,18,000}{3,15,000} \times 100 = 37.46\%$

② Profit on realized bills = $\text{N. Profit} \times \frac{\text{Cash received}}{\text{W. Certified}} = 80,000 \times \frac{1,62,000}{1,18,000} = 1,10,000$

③ Prop. of Profit transfers to P/L = $\text{Profit on realized bills} \times \frac{2}{3} = 1,10,000 \times \frac{2}{3} = 73,333$

2

2013

In the Books of S & Co Ld.
Contract a/c
for the year ended - 31-12-12

21

31-12-12		31-12-12	
To Mat. charged	1,80,000	By Bank	5,10,000
a wages paid.	87,100	- Sale of Mat.	
ii Plant issued	32,100	By Bank	300
ii Exp. incurred	38,750	- Scrap realized	
ii Estab. charge (41,000 x 25%)	10,250	By Costing P/L	1,600
ii Costing P/L - Profit on Sale (5000 - 4000)	1,000	- Loss of Plant [2,000 - (2,000 x 10% x $\frac{6}{12}$) - 300]	
		By Plant transferred	2,775
		[3000 - (3000 x 10% x $\frac{9}{12})]$	
		By Plant at site c/d	24,975
		[27000 - 27000 x 10% x $\frac{9}{12}]$	
		ii Mat at site c/d	17,500
		ii Bal. c/d	2,96,850
		- cost to date	
	<u>3,49,100</u>		<u>3,49,100</u>
To Bal b/d	2,96,850	By WIP c/d	30,000
		- Cost of uncertified work	
To Notional Profit c/d	73,150	- value of certified work (3,06,100 x 100/90)	3,40,000
	<u>3,70,000</u>		<u>3,70,000</u>
To Costing P/L	43,890	By Notional Profit b/d	73,150
- Prop. of Profit transferred			
ii WIP c/d	29,260		
- Prv.			
	<u>73,150</u>		<u>73,150</u>
1-1-13		1-1-13	
To Plant at site b/d.	24,975		
ii Mat at site b/d	17,500		
ii WIP b/d			
- Cost of uncertified work 30,000			
+ value of certified work 3,40,000			
= Prv. 29,260			
	<u>3,40,740</u>		

- working
- ① % of Completion of work = $\frac{\text{W. Certified}}{\text{Contract Price}} \times 100 = \frac{3,40,000}{6,50,000} \times 100 = 52.30\%$
 - ② Profit on released basis = $\text{N.P} \times \frac{\text{Cost of work certified}}{\text{work certified}} = 73,150 \times 90\% = 65,835$
 - ③ Prop of Profit transferred = Profit on realized basis x $\frac{2}{3}$
 $= 65,835 \times \frac{2}{3}$
 $= 43,890$

③ Same as prob 1 2014

4

2015

In the Books of M/s Eastern Contractive
Contract a/c
for the year ended 31-3-15

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31-3-15		31-3-15	
To Mat. issued	30,000	By Bank pay. claim	5,000
" Stores Purchased	8,000	By Plant destroyed	4,000
" D. wages	25,000	(40,000 x 25%) - (40,000 x 25% x 6/12)	
" Plant issued	40,000	- 5,000 x 20%	
" Supervision Exp.	10,000	By plant at site c/d	24,000
" Sub. Contract Cost	20,000	(40,000 x 75%) - (40,000 x 75% x 20%)	
" Accrued Sup. fee c/d	4,000	By Mat transferred.	8,000
" Estab. Exp. (25,000 x 20%)	5,000	" Mat returned to store	2,000
		" Mat at site c/d	7,000
		" Stores at site c/d	3,000
		" Wom cost c/d	89,000
	1,142,000		
To Wom cost bid	89,000	By Bal. c/d	97,900
" office OH (89,000 x 10%)	8,900	- Cost to date	
	97,900		97,900
To Bal bid	97,900	By W & P. c/d	13,000
		- Cost of uncutted work (10,000 + 3,000)	
		- Value of cutted work (1,00,000 x 4/5)	80,000
		By Costing P/L	4,900
		- Loss transferred	
	97,900		97,900
1-4-15		1-4-15	
To plant at site bid	24,000	By Accrued Sup. fee bid.	4,000
" Mat at site bid	7,000		
" Stores at site bid	3,000		
" W & P bid			
- Cost of uncutted work 13,000	93,000		
Value of cutted work 80,000			

Contractee a/c

To Bal. c/d	7,200	By Bank Amt. received (8,00,000 x 90%)	7,20,000
	7,200		7,20,000

5 2016

In the Books of Simha & Co.
Contract a/c
for the year ended - 31-12-15

31-12-15	
To Mat sent to site	3,00,00
u Wages Paid	3,60,00
u Accrued wages b/d	2,00
u office Exp.	52,00
u Plant sent to site	4,00,00
	<u>11,14,00</u>
To Bal b/d	6,98,00
To Notional Profit b/d	1,24,00
	<u>8,22,00</u>
To Costing P/L	74,400
- Prop. of Profit transfer	49,600
To WIP b/d	
- P/W	
	<u>1,24,00</u>
1-1-16	
To Mat at site b/d	16,00
u Plant at site b/d	3,70,00
u WIP b/d	
- uncertified work	22,00
Certified work	8,00,00
an P/W	<u>49,600</u>
	<u>7,72,400</u>

31-12-15	
By Mat. returned to store	10,00
u Mat at site c/d	16,00
u Mat	16,00
u Plant	3,70,00
u WIP	22,00
By plant at site c/d	3,70,00
(4,00,00 - 4,00,00 x 7.5%)	
By D. Mat. stolen a/c	20,00
u Bal. c/d	6,98,00
- Cost to date.	<u>11,14,00</u>
1-1-16	
By WIP c/d	22,00
- Cost of uncertified work	
- value of certified work	8,00,00
(7,20,00 x 110/90)	
	<u>8,22,00</u>
By Notional Profit b/d	1,24,00
	<u>1,24,00</u>
1-1-16	
By Accrued wages b/d	2,00

① % of work completion = $\frac{8,00,00}{16,00,00} \times 100 = 50\%$
 ② Profit on realized basis = $1,24,00 \times 90\% = 1,11,600$
 ③ Prop of Profit transferred = $1,11,600 \times \frac{2}{3} = 74,400$

D. Mat. Stolen a/c	
To Contract 20,00	By Bank - Dem. claim 14,00
	u Costing P/L 6,00
	- Loss
<u>20,00</u>	<u>20,00</u>

6 2017

In the Books of Biswakarma...
Contract all in the year ended 31-12-16

31-12-16		31-12-16	
To Plant installed	32,000	By Bank	300
u Mat issued (Mat consumed + Mat at end) (11,800 + 1750)	1,97,500	- Sale of Scrap	
u wages paid	85,000	u Costing P/L	1,600
u Exp. Paid.	38,175	Plant damage	
u Estab. Chg (41,000 x 25%)	10,250	[2,000 - 2000 x 10% x $\frac{9}{12}$ - 300]	
u Accrued wages	2,000	u Plant transfer	2,800
		(3,000 - 300 x 10% x $\frac{9}{12}$)	
		By Mat at site cl'd.	17,500
		u Plant at site cl'd	24,975
		[(32,000 - 5000) - (27,000 x 10% x $\frac{9}{12}$)]	
		u Bal. cl'd	3,18,325
		- Cost to date	3,65,500
	3,65,500		
To Bal cl'd	3,18,325	By W & P. cl'd	30,000
u Notional Profit cl'd	51,675	- Cost of uncertified work	
		+ Value of Certified work	3,40,000
		(2,89,000 x $\frac{100}{85}$)	
	3,70,000		3,70,000
To Costing P/L	29,396	By N. Profit cl'd	51,675
- Prop. of Profit transfer			
To W & P. cl'd	22,279		
- Prv.			
	51,675		51,675
1-1-17		1-1-17	
To Mat at site cl'd.	17,500	By Accrued wages	2,000
u Plant at site cl'd.	24,975		
u W & P. cl'd			
- Cost of uncertified work 30,000			
- Value of cert work 3,40,000			
u Prv. 3,70,000			
u Prv. 22,279			
	3,47,721		

① % of work completion = $\frac{3,40,000}{6,50,000} \times 100 = 52.30\%$

② Profit as realized Basis = $51,675 \times 85\% = 44,094$

③ Prop of Profit transfer = $44,094 \times \frac{2}{3} = 29,396$