

**Time: 1.5 Hrs.**

**Contract Costing**

**Max.Marks:50**

- Q.1** The following details are available from the books of accounts (for the year ended 31<sup>st</sup> March, 2018) of a contractor with respect to a particular contract (No. 113), he has undertaken for an organization:

Work in progress on 1-4-2017 (including Rs.28,000 estimated profit taken to Reserve)	Rs.2,00,000
Material in hand on 1.4.2017	8,000
Materials sent to site	5,11,800
Labour paid at site	4,66,100
Cost of plant installed at site	1,00,000
Direct expenses	24,000
Establishment expenses	29,000
Materials returned to stores	2,120
Work certified as on 31-3-18	10,70,000
Cost of work not certified	31,000
Materials in hand (as on 31 <sup>st</sup> March, 2018)	12,220
Accrued wages (as on 31 <sup>st</sup> March, 2017)	11,160
Accrued direct expenses (as on 31 <sup>st</sup> March, 2018)	1,330
Value of plant (as revalued on 31 <sup>st</sup> March, 2018)	88,000

The contract price agreed upon with contractee is Rs.13,00,000. Payment of Rs.9,50,000 has been received from the contractee. **You are required** to prepare the Contract Account No. 113 for the year ended 31<sup>st</sup> March 2018. [8]

- Q.2** Rex Limited commenced a contract on 1.4.2016. The total contract price was Rs.5,00,000 but Rex Limited accepted the same for Rs.4,80,000. It was decided to estimate the total profit and to take to the credit of profit & loss account that proportion of estimated profit on cash basis, which the work completed, bore to the total contract. Actual expenditure till 31.12.2016 and estimated expenditure in 2017 are given below:

	Actual Till 31.12.16	Estimate For 2017
Expenses		
Materials issued to site	Rs.75,000	Rs.1,30,000
Labour paid	55,000	60,000
Accrued Wages	4,000	---
Plant Purchased (original cost)	40,000	---
Misc. Expenses	20,000	35,500
Plant Returned to Stores at original cost	15,000	20,000
	On 31.12.16	As at (30.6.17)
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% on WDV basis. The contract is likely to be completed on 30.6.17. **You are required** to prepare the contract account for the year ended 31.12.2016. Workings should be clearly given. It is the policy of the company to charge depreciation on time basis. [10]

- Q.3** A contractor commenced a building contract on October 1, 2016. The contract price is Rs.4,80,000. The following data pertaining to the contract for the 2017-18 has been compiled from his books and is as under:

April 1, 2017	Work-in-progress not certified	Rs.58,000
	Prepaid Wages	2,000
2017-18	Expenses incurred:	
	Materials issued	1,12,000
	Wages paid	1,08,000
	Hire of plant	20,000
	Other expenses	34,000
March 31, 2018	Materials at site	4,000
	Work-in-progress: Not certified	8,000
	Cash received from contractee	3,64,000

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The cash received represents 80% of work certified. It has been estimated that further cost to complete the contract will be Rs.27,000 other than the materials at site as on March 31, 2018. Material costing Rs.20,000 sold at a profit of 20% of sales.

**Determine** the profit on the contract for the year 2017-18 on prudent basis, which has to be credited to P/L A/c. [8]

**Q.4** A contractor, who prepares his account on 31<sup>st</sup> Dec. each year, commenced a contract on 1<sup>st</sup> April 2017. The costing records concerning the said contract reveal the following information on 31<sup>st</sup> December, 2017:

Material charged to site	Rs. 2,85,100
Labour engaged	5,60,500
Foreman's salary	79,300

Plants costing Rs.2,60,000 had been on site for 164 days. Their working life is estimated at 8 years and their final scrap value at Rs.25,000. A supervisor, who is paid Rs.4,000 p.m., has devoted approximately three fourths of his time to this contract. The administrative and other expenses amount to Rs.1,40,000. Materials in hand at site on 31<sup>st</sup> December, 2017 cost Rs.15,400. Some of the material costing Rs.4,500 was found unsuitable and was sold for Rs.5,000 and a part of the plant costing Rs.5,500 (on 31.12.17) unsuited to the contract was sold at a profit of Rs.1,000. The contract price was Rs.22,00,000. On 31<sup>st</sup> December, 2017 3/5 of the contract was completed. Architect's certificate had been issued covering 50% of contract price and Rs.10,00,000 had so far been paid on account. **Prepare** contract a/c for the year ended 31<sup>st</sup> Dec.2017. Also prepare the Contractee's account & Balance sheet as 31<sup>st</sup> December, 2017. [10]

**Q.5** The following Trial Balance was extracted on 31<sup>st</sup> Dec,2017 from the Books of SSP Co. Ltd Contractors:

Share Capital: Shares of ` 10 each		3,51,800
Profit & Loss A/c on 1 <sup>st</sup> Jan. 2017		25,000
Provision for depreciation on machinery		63,000
Cash received on account: Contract 7		12,60,000
Creditors		81,200
Dividend		32,000
Land and Building (Cost)	74,000	
Machinery (Cost)	52,000	
Bank	57,000	
Investment	1,00,000	
Contract 7:		
Materials	4,00,000	
Direct Labour	7,30,000	
Expenses	2,40,000	
Machinery on site (Cost)	<u>1,60,000</u>	
	<u>18,13,000</u>	<u>18,13,000</u>

Contract 7 was begun on 1<sup>st</sup> Jan, 2017. The contract price is ` 24,00,000 and the customer has so far paid ` 12,60,000 being 75% of the work certified.

The cost of the work done since certification is estimated at ` 16,000.

On 31<sup>st</sup> Dec. 2017, after the above Trial Balance was extracted, machinery costing ` 32,000 was returned to stores, and materials then on site were valued at ` 27,000. Material costing 15,000 destroyed by fire and insurance claim admitted is 60%.

Direct labour includes prepaid amount of ` 16,000 and depreciation of all machinery at 15% on cost. Expenses are charged to the contract at 25% of Wages. Provide income tax @ 30%.

**You are required** to prepare (a) the contract account (b) a statement of profit, if any, to be properly credited to Profit and Loss A/c for 2017 and (c) the Balance Sheet as per revised schedule III of companies act 2013 of SSP Co. Ltd as on 31<sup>st</sup> Dec. 2017. [14]