

CMA		CA R. K. Mehta
Test - 11		
Time Allowed : 50 Min.	CONTRACT COSTING	Total Marks: 30 Marks

Q.1: Explain Sub-Contracting. (5 Marks)

Q.2: An amount of ₹ 19,80,000 was incurred on a contract work upto 31-03-2004. Certificates have been received to date to the value of ₹ 24,00,000 against which ₹ 21,60,000 has been received in cash. The cost of work done but not certified amounted to ₹ 45,000. It is estimated that by spending an additional amount of ₹ 1,20,000 (including provision for contingencies), the work can be completed in all respects in another two months. The agreed contract price of the work is ₹ 25 lakhs. **Compute** the profit to be taken to the Profit and Loss account under different methods.

(5 Marks)

Q.3: Kunal Construction signed a contract for the construction of a building at a contract price of ₹ 30 lakhs. During the first year, the following amounts were spent, against which ₹ 11,25,000 (which is equal to 90% of the work certified) was received by the contractor: -

Material used - ₹ 5,25,000	Wages paid - ₹ 3,00,000	Overhead expenses - ₹ 75,000
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The following expenses were incurred during the second year: -

Material - ₹ 7,50,000	Wages - ₹ 6,00,000	Overhead - ₹ 1,50,000
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During the second year, the contract was completed. In the second year ₹ 18,75,000 was received by the contractor. **Prepare** the contract account and the Contractee's account for both the years and determine the profits.

(10Marks)

Q.4: MNP Ltd. commenced a contract on April 1, 2008 at a total cost of ₹ 17,50,000. It was decided to estimate the total profit and to take to the credit of Profit and Loss A/c. the proportion of estimated profit on cash basis which work completed before to the total value of contract. Actual expenditure in 2008-09 and estimated expenditure in 2009-2010 are given below:

Particulars	2008-2009 (Actual)	2009-2010 (Estimated)
Materials issued	₹ 3,00,000	₹ 5,50,000
Labour - Paid	2,00,000	2,50,000
- Outstanding at end	20,000	30,000
Plant purchased	1,50,000	---
Expenses - Paid	75,000	1,50,000
- Prepaid at end	15,000	---
Plant returned to stores (historical cost)	50,000 (March 31, 2009)	1,00,000(December 31, 2009)
Material at site	20,000	50,000
Work certified	8,00,000	Full
Work uncertified	25,000	---
Cash received	6,00,000	Full

The plant is subject to annual depreciation @ 25% of WDV cost. The contract is likely to be completed on December 31, 2009. **Prepare** the Contract A/c and determine the profit on the contract for the year 2008-2009, which has to be credited to Profit and Loss A/c.

(10 Marks)