

Problem 7.2 Modern contractors have undertaken the following two contracts on 1 January 2018.

	<i>Contract A</i>	<i>Contract B</i>
	₹	₹
Materials sent to sites	85,349	73,267
Labour engaged on sites	74,375	68,523
Plants installed at sites at cost	15,000	12,500
Direct expenditures	3,167	2,859
Establishment charges	4,126	3,852
Materials returned to store	549	632
Work certified	1,95,000	1,45,000
Cost of work not certified	4,500	3,000
Materials in hand on 31 December 2018	1,883	1,736
Wages accrued on 31 December 2018	2,400	2,100
Direct expenditure accrued on 31 December 2018	240	180
Value of plant on 31 December 2018	11,000	9,500

The contract prices have been agreed at ₹2,50,000 for contract *A* and ₹2,00,000 for contract *B*. Cash has been received from the contractees as follows:

Contract *A* ₹1,80,000 and contract *B* ₹1,40,000.

Prepare Contract Accounts, Contractee's Accounts and show how the work-in-progress shall appear in the Balance Sheet of the contractor.



Problem 7.3 The following information relates to a building contract for ₹10,00,000 for two years, i.e., 2017 and 2018:

	2017	2018
	₹	₹
Materials issued	3,00,000	84,000
Direct wages	2,30,000	1,05,000
Direct expenses	22,000	10,000
Indirect expenses	6,000	1,400
Work certified	7,50,000	10,00,000
Work uncertified	8,000	—
Materials at site	5,000	7,000
Plant issued	14,000	2,000
Cash received from contractee	6,00,000	10,00,000

The value of plant at the end of 2017 and 2018 was ₹7,000 and ₹5,000, respectively.

Prepare (i) Contract Account, and (ii) Contractee's Account for two years 2017 and 2018

taking into consideration such profit for transfer to Profit and Loss Accounts as you think

proper.



Scanned with
CamScanner

Company Ltd commenced its business of construction on 1-1-2018. The trial balance as on 31-12-2018 showed the following balances:

	<i>Dr. (₹)</i>	<i>Cr. (₹)</i>
Paid up share capital	—	1,00,000
Cash received on account of contract (80% of work certified)	—	1,20,000
Land and buildings	30,000	—
Machinery at cost (75% at site)	40,000	—
Bank	4,000	—
Materials at site	40,000	—
Direct labour	55,000	—

7.16

		<i>Contract Costing</i>
Expenses at site	2,000	—
Lorries and vehicles	30,000	—
Furniture	1,000	—
Office equipment	10,000	—
Postage and telegrams	500	—
Office expenses	2,000	—
Rates and taxes	3,000	—
Fuel and power	2,500	—
	<u>2,20,000</u>	<u>2,20,000</u>

The contract price is ₹3,00,000 and work certified is ₹1,50,000. The work completed since certification is estimated at ₹1,000 (at cost). Machinery costing ₹2,000 was returned to stores at the end of the year. Stock of material at site on 31-12-2018 was of the value of ₹5,000. Wages outstanding were ₹200. Depreciation on machinery was at 10%.

You are required to calculate the profit from the contract and show how the work-in-progress will appear in the Balance Sheet as on 31-12-2018. (B.Com. Hons., Delhi)

Problem 7.7 The following is the trial balance of M/s K K Construction Co., engaged in the execution of Contract No. 1247, for the year ending 31 December 2018.

	₹	₹
Contractee's Account (amount received)	—	3,00,000
Building	1,60,000	
Creditors	—	72,000
Bank Balance	35,000	
Capital Account	—	5,00,000
Materials	2,00,000	—
Wages	1,80,000	—
Expenses	47,000	—
Plant	2,50,000	—
	<u>8,72,000</u>	<u>8,72,000</u>

The work on Contract No. 1247 was commenced on 1 January 2018. Materials costing ₹1,70,000 were sent to the site of the contract but those worth ₹6,000 were destroyed in an accident. The wages of ₹1,80,000 were paid during the year. A plant costing ₹50,000 was used on the contract all through the year. Another plant with a cost of ₹2,00,000 was used from 1 January to 30 September and was then returned to the store. Materials of the cost of ₹4,000 were at site on 31 December 2018.

The contract was for ₹6,00,000 and the contractee pays 75% of the work certified. The work certified was 80% of the total contract work at the end of 2018. Uncertified work was estimated at ₹15,000 on 31 December 2018. Expenses are charged to contract at 25% of wages. The plant is to be depreciated at 10% for the entire year.

Prepare Contract No. 1247 Account for the year 2018 and make out the Balance Sheet as on 31 December 2018 in the books of K K Construction Co.

Problem 7.10 Surya Construction Ltd, with a paid-up share capital of ₹50 lakh, undertook a contract to construct MIG apartments. The work commenced on the contract on 1 April 2017. The contract price was ₹60 lakh. Cash received on account of the contract up to 31 March 2018 was ₹18 lakh (being 90% of the work certified). Work completed but not certified was estimated at ₹1,00,000. As on 31 March 2018, material at site was estimated



Scanned with
CamScanner

at ₹30,000, machinery at site costing ₹2,00,000 was returned to stores and wages outstanding were ₹5,000. Plant and machinery at site is to be depreciated at 5%.

The following were the ledger balances (Dr.), as per trial balance, as on 31 March 2018:

	₹
Land and Building	23,00,000
Plant and Machinery (60% at site)	25,00,000
Furniture	60,000
Materials	14,00,000
Fuel and Power	1,25,000
Site expenses	5,000
Office expenses	12,000
Rates and taxes	15,000
Cash at Bank	1,33,000
Wages	2,50,000