

CONTRACT COSTING

		CONTRACT A/c		
I	To materials issued / sent	xx	By WIP	
	To labour	xx	Week certified	xx
	To Supervision salary	xx	Week uncertified	xx
	To Depreciation	xx	By closing stock	
	To Indirect expenses	xx	Material @ site	xx
	To P&L A/c (profit on sale)	xx	Machinery @ site	xx
			By materials returned to stores	xx
			By P&L A/c (loss on sale)	xx
			By sale proceeds of materials	xx
		To Notional profit b/d	xx	
II	To P&L (Profit Transferred) (*)	xx	By notional profit b/d	xx
	To Reserve for contingencies	xx		xx
		xx		xx
III	To WIP b/d		By reserve for contingency b/d	xx
	Week certified	xx		
	Week uncertified	xx		
	To material / machinery @ site (no balancing)		xx	

Completion %	25-50%	51-90%	Notional Profit transferred to P&L A/c	100%	Formula
-25%			190-99%		* % completion = $\frac{WC}{TCP}$ (work certified / total contract price)
↓	$\frac{1}{3} \times NP \times \frac{CR}{WC}$	$\frac{2}{3} \times NP \times \frac{CR}{WC}$	↓	a) Full contract price rec'd	
X → P&L			estimated profit	Full → P&L	* Total contract cost (incurred + to be incurred) -
only to reserve	CR = cash rec'd			b) Full CP - X rec'd	Estimated profit = Total contract price - Total contract cost (C1 + NI)
	- bal to reserve	- balance to reserve		= $NP \times \frac{CR}{WC}$	incurred + 2b incurred

NP - either by preparing contract A/c
= week certified - cost of work certified.

91-99% a) EP X $\frac{CR}{CP}$ * When the % completion is $\uparrow 25\%$.

b) EP X % completion $\left[\frac{\text{cost incurred}}{\text{Total cost (CI+NI)}} \right]$

c) EP X % completion X $\frac{CR}{WC}$

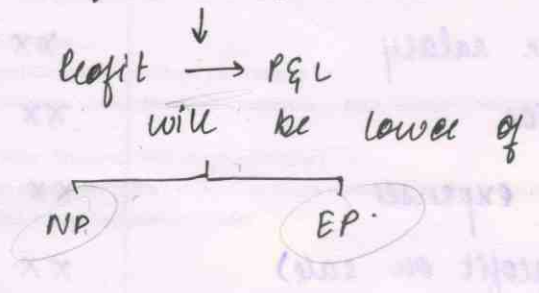
d) EP X $\frac{WC}{CP}$

e) NP X $\frac{WC}{CP}$

b) NP X $\frac{2}{3}$ X $\frac{CR}{WC}$

[in absence of info use - is]

estimated profit can be found on future cost



Loss Provisioning

NL ✓ EP ✓	NP EL
- Provide NL & X EP	NP \rightarrow reserve for contingency.
P&L A/c To Provision for loss	Provide EL P&L To Provision for loss

B/s format

NL EL	WC X X +WVC X X \rightarrow reserve (X X)
Higher of the two losses will be provided	P&L (X X) X X
diff as provision.	

* work certified = cost + profit
work uncertified = cost only

* depⁿ :- $\frac{\text{cost}}{\text{WDV}}$
net: depⁿ effect
P&L :- remain month depⁿ if any

* profit on completion = estimated p
profit up to date = EP X $\frac{CR}{CP}$