

	1,00,000	LESS : Contingency Reserve	10,875	1,88,625
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Illustration (Large) L4 : From the following particulars in respect of a particular contract for the year ended 31st December, 2002, prepare Contract Account :

	Rs.			Rs.
Materials sent to site	1,90,000	Value of Special Plant as on 31.12.2002		1,70,000
Wages paid	1,20,000	Materials at site as on 31.12.2002		21,000
Wages outstanding	5,500	Total Contract Price		12,00,000
Direct expenses	60,000	Cash received		5,94,000
Establishment charges	52,000	Retention - 10% of Work Certified		
Special Plant installed at cost	2,00,000	Sale of Scrap		2,000
Cost of work not certified	25,000			

General Plant costing Rs.1,20,000 was used for 3 months. Depreciation on that is to be provided at 15% per annum. [C.U., B.Com. Hons.1987]

In the books of (Contractor)

Solution
L4

In the books of _____ (Contractor)

Contract A/c (Contract No.)
for the year ended on 31.12.02

Particulars	Amount Rs	Particulars	Amount Rs
To Materials sent to site	190000	By Bank (Sale of Scrap)	2000
To Wages paid	120000	By Materials at site old	21000
To Direct expenses	60000	By Special plant at site old	170000
To Establishment Charges	52000	By Cost of Contract old	439000
To Special plant installed	200000		
To Depreciation on general plant	4500		
To Wages outstanding old	5500		
	<u>6,32,000</u>		<u>632,000</u>
To Cost of Contract b/d	4,39,000	By work-in-progress old	
To Notional profit old	2,46,000	- Value of work certified	660,000
		- Cost of work uncertified	25,000
	<u>6,85,000</u>		<u>685,000</u>
To Profit & Loss A/c (Profit transferred to P/L A/c)	1,47,600	By Notional Profit b/d	2,46,000
To Work-in-progress old (Provision created against profit)	98,400		
	<u>2,46,000</u>		<u>2,46,000</u>
To Materials at site b/d	21,000	By Wages outstanding b/d	5,500
To Special plant at site b/d	1,70,000		
To Work-in-progress b/d			
Value of work certified	660,000		
Add - Cost of work uncertified	25,000		
	<u>6,85,000</u>		
Less - Profit Provision	<u>98,400</u>		
	5,86,600		

Workings

① Depreciation on general plant = $120000 \times \frac{15}{100} \times \frac{3}{12} = \text{Rs } 4500$

② % of work completed = $\frac{\text{value of work certified}}{\text{Contract Price}} \times 100$

value of work certified = $\frac{\text{Cash Received} \times 100}{90}$
 $= \frac{2594000 \times 100}{90} = \text{Rs } 2,882,222$

$= \frac{660000}{1200000} \times 100 = 55\%$

③ Profit to be transferred to P/L A/c

$= \frac{2}{3} \times \text{Notional Profit} \times \frac{\text{Cash received}}{\text{value of work certified}}$

$= \frac{2}{3} \times 246000 \times \frac{594000}{660000} = \text{Rs } 1,47,600$