

Subject- Cost Accounting  
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Chapter - Contract Costing

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Format of Contract Account.

Contract A/c. [If Contract Complete].

Particulars	₹	Particulars	₹
To Material	.....	By Material Return	.....
To Wages	.....	By P&L [Material]	.....
(+) Outstanding	.....	By Material at Site	.....
To Overhead	.....	By Plant at Site	.....
To Plant Purchase	.....	By Plant Sold	.....
To other Exp. Related to Contract	.....	By Contractee	.....
To P&L A/c [BIF]	.....	By P&L A/c [Loss]	.....
	.....		.....

Contract A/c [Incomplete Contract]

Particulars	₹	Particulars	₹
To Material	.....	By Material Return	.....
To Wages	.....	By P&L [Material]	.....
(+) Outstanding	.....	By Material at Site	.....
To Overhead	.....	By Plant at Site	.....
To Plant Purchase	.....	By Plant Sold	.....
To other Exp Related to Cont.	.....	By WIP c/d	.....
To Notional Profit c/d	.....	Work Certified	.....
[Estimated or Imaginary]	.....	Work Uncertified	.....
	.....	By P&L [Loss] (BIF)	.....
	.....		.....
To P&L	.....	By Notional Profit b/d	.....
To WIP [Reserve]	.....		.....
	.....		.....

Examples Related to Fixed Price Complete Contracts.

July-

In the books of Lalit Ltd.  
Contract A/c.

Date	Particulars	₹	Date	Particulars	₹
1 Jan.	To Plant Purchased.	20000	30 Sep.	By Materials in hand	2000
30 Sep.	To Material Issued i- Mat Consumed. 10000		30 Sep.	By Plant in hand i- Cost 20000	
	Mat. in hand. 2000	12000		By Dep[20000x10%] 2000	18000
30 Sep.	To Wages	10000	30 Sep.	By Contractee's A/c.	100000
30 Sep.	To Direct Expenses.	40000			
30 Sep.	To Indirect Expenses. [10000 x 20%]	2000			
30 Sep.	To P&L [Total Profit]	36000			
		120000			120000

Contractee's A/c.

Date	Particulars	₹	Date	Particulars	₹
2019 30 Sep.	To Contract A/c.	100000	2019 30 Sep.	By Cash/Bank A/c.	100000
		100000			100000

Journal Entries.

(i) Cash A/c                                      -- Dr 100000

    To Contractee's A/c                                      100000

[Being Contract Completed]

(ii) Contractee's A/c                                      -- Dr 100000

    To Contract A/c.                                      100000

Q.5 - In the book of Shyam and Company,  
Contract A/c.

Date	Particulars	₹	Date	Particulars	₹
	To Direct Materials.	1,18,800		By Stores Returned.	2670
	To Wages.	79,200		By Loose Tools Returned	6600
	To Stores Issued.	21,120		By Plant Returned:-	
	To Special Plant.	52,800		Cost.	52,800
	To Loose Tools.	9,900		+ Dep [52,800 x 20%]	10,560
	To Running Cost of Tractor & Running Mat.	1160			42,240
	Wages of driver	16,000		By balance being WC A/c	26,1370
	To other Direct Expense	7,900			
	To Dep. on Tractor.	6,000			
	[ 60,000 x 20% x 6/12 ]				
		3,12,880			3,12,880
	To bal. being WC b/d.	26,1370		By Contractor's A/c.	30,0000
	To Administration Exp.	26,137			
	[ 26,1370 x 10% ]				
	To P&L [Total Profit]	12,493			
		3,00,000			3,00,000

Contractee's A/c.

Date	Particulars	₹	Date	Particulars	₹
	To Contract A/c.	30,0000		By Cash/ Bank A/c	30,0000
		30,0000			30,0000

Long Answer Numerical Questions,  
Fixed Price Completed Contracts.

1. In the Books of Mr. Rajan.  
Contract A/c.

Particulars	₹	Particulars	₹
To Materials Consumed.	125000	By Material in hand	40000
To Material in Hand	40000	By Plant in hand	80000
To Wages.	60000	Cost.	80000
To Direct Expenses.	64000	Dep [80000 × 20%]	16000
To Plant Purchased.	80000	By Contractee's A/c.	500000
To Indirect Expenses. [60000 × 20%]	12000		
To P/L [Total Profit]	223000		
	604000		604000

Contractee's A/c.

Particulars	₹	Particulars	₹
To Contract A/c.	500000	By Cash/Bank A/c.	500000
	500000		500000

2.

In the books of Contractor.  
Contract A/c.

Particulars	₹	Particulars	₹
To Material Issued:-		By Material in hand.	2200
Material 60000		By Plant in hand-	
Mat. in hand.	60000	Cost.	36000
To Wages [60000 x 50%]	30000	- Dep [36000 x 10%]	3600
To Plant.	36000	By Contractor's A/c.	120000
To Sund. Exp. [30000 x 50%]	15000		
To Profit on Contract	12600		
	153600		153600

3.

Contract A/c.

Particulars	₹	Particulars	₹
To Materials.	100000	By Mat. Return to Store	21500
To Labour	150000	By Material in hand.	5000
To Direct Expenses.	3000	By Plant in hand.	
To Loose Tools.	5000	Cost.	50000
To Running Cost of Plant	11000	- Dep [50000 x 15%]	7500
To Plant Issued.	50000	By Contractor's A/c.	300000
To Mat. Recd from Contract	8000		
To Accrued Wages.	2000		
To Profit [B/A].	40000		
	369000		369000

4.)

In the Books of Contractor.

Contract A/c.

Particulars	₹	Particulars	₹
To Direct Materials.	20250	By loose tools.	200
To Direct wages.	15500	By Stakes Returned.	3000
To Stakes Issued	10500	By Plant	16000
To Loose Tools.	2400	By Balance being Work Cost A/c.	58150
To Tractor Expenses:-			
Running Material. 2300			
Wages of Drivers 3000	5300		
To other Direct charges.	2650		
To Plant $[16000 \times \frac{100}{80}]$	20000		
To Dep on Tractor.	750		
$[20000 \times 15\% \times \frac{13}{52}]$			
	77350		77350
To Bal. being work cost b/d.	58150	By Contractor's A/c.	90000
To Adm. Exp $[58150 \times 10\%]$	5815		
To P&L A/c [Total Profit]	26035		
	90000		90000

Contractee's A/c.

Particulars	₹	Particulars	₹
To Contract A/c.	90000	By Cash/Bank A/c.	90000
	90000		90000

5.] Contract A/c.			
Particulars	₹	Particulars	₹
To Materials Purchased.	12000	By Mat. Returned to Store.	7000
To Mat. Issued from Store.	8000	By Contractor's	80000
To Direct wages	2000		
To Direct expenses.	30000		
To Works O/H [20000 x 20%]	4000		
To office O/H.	6300		
[63000 x 10%]			
To Profit [B/F]	6700		
	87000		87000

Working Note - Material Consumed = 12000 + 8000 - 7000 = 13000  
 Prime Cost = Materials Consumed + Direct Wages + Direct Expenses.  
 = 13000 + 20000 + 30000 = 63000