

Q107

Calculation of Stage of Completion (I in Cover)
(% of Completion)

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>
Cost incurred till date	52.52	151.70 (154.20 - 2.5)	205
Cost incurred for the year	52.52	99.18	53.30
Total est. cost	202	205	205
% of Comp.	$\frac{52.52}{202} \times 100$ 26%	$\frac{151.70}{205} \times 100$ 74%	$\frac{205}{205} \times 100$ 100%

Calculation of Contract profit/loss

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>
a) Total Revenue	220	225	225
b) % PCM	26%	74%	100%

c) Cumulative Revenue	57.20	166.50	225
d) Revenue For the Year	57.20	109.30	58.50
e) Cost incurred during the Year	52.52	99.18	53.30
f) Contract Profit (d - e)	4.68	10.12	5.2 = 20

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7) When it is expected that Total Cost of project will exceed total Revenue then the entire loss shall be recorded immediately.

Ex:- Pcm(%) $\frac{1}{35\%}$ $\frac{2}{80\%}$ $\frac{3}{100\%}$

Revenue agreed = 10,00,000

Cost incurred in cy = 4,20,000

Total est. Cost of project = 12,00,000

Solution :-

1st Year

Revenue Recognise @ 35% = 3,50,000

(-) Cost incurred = 4,20,000

Cy Loss = 70,000

(+) Provision for foreseeable Loss in Future = 1,30,000

12,00,000
- 10,00,000

2,00,000

70,000
Loss
already Booked

Total Loss 2,00,000

EXAMPLE 6: (Provision for Expected Loss)

Contractual Term = 3 Years

Contract Revenue = 3000 Cr.

	1	2	3
Contract Cost incurred till date	800	1900	3200
Further Estimated cost to be incurred	1750	1300	-

Calculate Contract Profit/Loss every year.

Sol) :- Pcm (%)

	<u>1</u>	<u>2</u>	<u>3</u>
Pcm	$\frac{800}{2550} \times 100$ 31.37%	$\frac{1900}{3200} \times 100$ 59.37%	100%

1st year

$$\begin{aligned} \text{Revenue Recognise} &= 941.10 \\ (-) \text{ Cost incurred} &= 800 \\ \hline \text{Gain} &= 141.10 \end{aligned}$$

2nd year

$$\text{Total est. Cost} = 3200$$

$$\text{Total Revenue} = 3000$$

$$\text{Total Loss Est} = 200$$

$$\text{Revenue Cumulative} = 1781.10$$

$$(-) \text{ 1st yr. Revenue} = 941.10$$

$$\text{Cys Revenue} = 840$$

$$(-) \text{ y Cost} = 1100$$

$$\text{y Loss recog.} = \underline{\underline{(260)}}$$

Calculation for provision on foreseeable loss :-

$$1^{\text{st}} \text{ yr. Gain Recognised} = 121.10$$

$$(-) 2^{\text{nd}} \text{ yr Loss Recognised} = \underline{\underline{(260)}}$$

$$\text{Net Loss recog till date} = 118.90$$

$$\text{Total Loss of project} = \underline{\underline{200}}$$

$$\text{Provision for Further Loss} = \underline{\underline{81.10}}$$

EXAMPLE 8:

Agreed Price = 5,000 lakhs

Term = 3 Years

Year	1	2	3
Contract Cost incurred till date	1,750	4,500	5,200
Estimated Total Cost	4,650	5,200	5,200
PCM (%)	37.63%	86.54%	100%

SOLUTION:

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