

10. AS 7 - "CONSTRUCTION CONTRACTS"

Question 14:

An Entity entered into the contract to construct a Building for Customer.

Initial agreed price was 80,00,000. Total Revenue

Expected to complete in 3 yrs.

Following additional Information is given:-

Particulars	1 st Year	2 nd Year	3 rd Year
Material Purchased	16,00,000	15,00,000 ✓	13,00,000
Labour Paid	7,00,000	12,00,000	8,00,000
Labour Payable	1,00,000	-	1,50,000
Supervisor Salary attributable	50,000	50,000 ✓	50,000
Sub Constrictor cost	90,000	60,000 ✓	1,00,000
Ab. Loss X	10,000	-	30,000
Cost of Hiring PPE	2,00,000	2,00,000 ✓	2,00,000
Further Cost to be incurred	40,10,000	25,00,000	-
Unused Material	2,50,000	-	-
Variations (Increase in Revenue)		1,00,000	-
Incentives	-	-	1,00,000
Progress Payment received	20,00,000	41,00,000	-
Progress Payment to be received	5,00,000	3,00,000	-

Note: Material unused in First year was actually used in 2nd yr. & not included in purchase of 2nd Year.

	<u>1</u>	<u>2</u>	<u>3</u>
Material Used	1350000 ✓	1750000 ✓	1300000 ✓
Labour	800000 ✓	1200000 ✓	950000 ✓
Supervisor	50000 ✓	50000 ✓	50000 ✓
Sub Contr.	90000 ✓	60000 ✓	100000 ✓
Hiring of PPE	200000 ✓	200000 ✓	200000 ✓
Cost during the year	2490000	3260000 ✓	2600000 ✓
(+) Cost till last year	0	2490000	5750000
Cost incurred till date	2490000	5750000	8350000

Further Cost to Complete 40,10,000 25,00,000 ✓ 0

Total Est. Cost of Contract 65,00,000 82,50,000 ✓ 83,50,000

% of Comp. $\frac{24.90}{65}$ $\frac{57.50}{82.50}$ 100%

38.31% 69.70%

Calculation of Conto. Rev. & Cost

	<u>1</u>	<u>2</u>	<u>3</u>
% Perm	38.31%	69.70%	100%
Total Price ✓	80,00,000	81,00,000	82,00,000
Revenue till date	30,64,800	56,45,700	82,00,000
(-) Rev. till Py.	0	(30,64,800)	(56,45,700)
Cy Revenue ✓	30,64,800	25,80,900	25,54,300
Cy Cost ✓	24,90,000	32,60,000	26,00,000 - 45,700
Profit	5,74,800	-	-
Loss	-	6,79,100	-

Calculation of Foreseeable Loss ✓

	<u>2nd</u>	<u>3rd</u>
Total Revenue	8100000	8200000
Total est cost	8250000	8350000
Total est. Loss	<u>150000</u>	<u>150000</u>
(+) profit already recognised	= 574800	574800
(-) loss already booked	= (679100)	(724800)
Prov. for foresee. Loss	<u>45700</u>	<u>0</u>

Cy Total Loss
Recognised
(679100 + 45700)

724800

Asset due from / due to Customer

	<u>1</u>	<u>2</u>	<u>3</u>
Cost incurred till date	✓ 24,90,000	✓ 57,50,000	83,50,000
(+) Profit	✓ 5,74,800	5,74,800	5,74,800
(-) Loss	-	(7,24,800) ✓	(7,24,800)
	<hr/> ✓ 30,64,800	<hr/> 56,00,000	<hr/> 82,00,000
(-) Progress Billing	✓ 25,00,000	✓ 44,00,000	82,00,000
Due from	56,48,000	<hr/> 12,00,000	<hr/> 0