

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF BUILT ENVIRONMENT

BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE

PART IV FIRST SEMESTER EXAMINATIONS JANUARY 2013 FINAL

CONSTRUCTION ACCOUNTING – AQS 4106

TIME: 3 Hours

TOTAL MARKS: 100

INSTRUCTIONS:

Answer TWO Questions in Section A and TWO Questions in Section B

Each Question carries 25 marks

Where information is insufficient, candidates are allowed to make reasonable and stated assumptions

Quantity Surveyors' fee schedule will be provided

SECTION A

Question 1

- (a) Given the following information, prepare a Quantity Surveyor's fee claim for the preparation of Bills of Quantities for the works. **(25 marks)**

DESCRIPTION	TENDER AMOUNT
Preliminaries and General	2,200,000.00
Contingencies	450,000.00
2No. Student residence blocks @\$5 500 000 each	11,000,000.00
1No. Administration block	6,000,000.00
2No. Ablution blocks	500,000.00
External works	450,000.00
Tender Sum	20,600,000.00
VAT 15%	3,090,000.00
TOTAL TENDER SUM	23,690,000.00

Question 2

- a) Explain the main purpose of Interim valuations **(5 marks)**
- b) Appendix A is the information collected from a site under construction. Given that the net amount previously certified in Valuation No.5 is \$379,500.00 inclusive of 15% VAT and the amount in the retention fund is \$32,670.00, prepare a valuation for submission to the Architect **(20 marks)**

Question 3

- a) State six components to be considered when preparing a final account **(6 marks)**
- b) Giving practical examples, discuss how each of the components in (a) are dealt with **(18 marks)**
- c) What is a penultimate certificate **(1 mark)**

SECTION B

Answer any two questions

Question 4

The following information is available for a contract for the year ended 31 December 2012

Contract price	2 600 000
Total estimated contract costs	2 000 000
Costs incurred to date	500 000
Work certified	750 000
Penalty to be incurred at the end of the contract	100 000

Construction started during the current year and will continue over the next two years.

The physical proportion of the contract completed at 31 December 2012 is 35%

Required

Prepare the contract account using the following methods for determining the stage of completion

1. The proportion of contract costs incurred to date to total estimated costs
2. Surveys of work performed (work certified to total contract work)
3. Completion of a physical proportion of the contract work

(25 marks)

Question 5

XY Limited is currently busy with a long term contract for which the following information is available

	\$
Contract price	100 000
Estimated total costs	80 000
31 December 2011	
Cost to date	30 000

Certified to date / progress billing 40 000

Amounts received to date 35 000

31 December 2012

Cost to date of completion 79 000

Certified to date /Progress billing 100 000

Amounts received to date 100 000

Required

Calculate the revenue and profit before tax for the above mentioned contract for the year ended 31 December 2011 and 2012. The percentage of completion is calculated by referring to contract costs incurred to date in relation to estimated total contract costs. **(25 marks)**

Question 6

(a) Site and contract work pose particular difficulties for cost control and accurate cost accounting.

Describe the problems associated with site and contract work which might arise and how these can be overcome or mitigated. **(15 marks)**

(b) What are the arguments for and against charging individual contracts with Head office costs

(10 marks)

END OF EXAMINATION