

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF BUILT ENVIRONMENT
DEPARTMENT OF QUANTITY SURVEYING
BACHELOR OF QUANTITY SURVEYING HONOURS DEGREE
PART IV FIRST SEMESTER EXAMINATIONS - JANUARY 2011
CONSTRUCTION ACCOUNTING - AQS 4106

Instructions to candidates

Answer any **Two** Questions in Section A and **All** Questions in Section B

Section A

Answer any **Two** Questions in this Section.

All questions in this section are based on the project with the details below

Item	Tender Amount
Preliminaries and general	150 000.00
External works	200 000.00
Contingencies	200 000.00
3no Office blocks @1 000 000 each	3000 000.00
1no Class room block	500 000.00

The BQ has 150 pages. A total of 8 BQ's are required

Photocopying costs 15c a page

Typing costs 40c a page

Binding costs \$5 a document

There were three site visits by the principal partner. The distance from site to the post office in your town is 60km. The partner took 2hrs to travel to site and another hour on site. AA mileage rates are \$2/km and the principal's time charge is \$70/hr.

Question One

Prepare a Quantity Surveyor's fee claim for preparing Bills of Quantities for the above mentioned project. (25 marks)

Question Two

The construction period is five months. At the end of the first month, the following work has been done

Item	Office blocks (3no)	Classroom block
P&G	calculate	calculate
External works	\$5 000	No work done
foundations	\$20 000 for each block	\$50 000
Brickwork	\$60 000 for each block	\$100 000
Labour escalations	\$6000 total	\$9000
Variations to brickwork	\$10 000 on each block	\$2000.00
Overtime approved by architect	\$10 000 on each block	\$12 000
Loss and expense claim	\$600	\$200
Dayworks	\$500	\$500
Materials on site	\$700	\$900
Electrical work done by Kuchi	\$900	\$1200
Materials stolen and replaced by contractor	\$200	

Prepare a valuation certificate for submission to the Architect. (25 marks)

Question Three

With the aid of practical examples, describe what a cost report is (25 marks)

SECTION B

Answer all Questions in this section.

Question Four

a) Define the following terms as used in Construction Accounting:

- | | |
|-----------------------------|----------------------------|
| i) Work certified; | ii) Progress payments; |
| iii) Retention clause; | iv) Work-in-progress; |
| v) Costs to date; | vi) Costs to completion; |
| vii) Notional profit; | viii) Attributable profit |
| ix) Subcontractor's charges | x) Architect's Certificate |

(10 marks)

b) State and explain **four** main characteristics of contract costing. (10 marks)

Question Five

a) Explain how profit should be calculated and losses dealt with on contracts as recommended by International Accounting Standard 1 (IAS 11). (5 marks)

b) From the following information prepare a contract account for the year ended 31 December 2009. Show clearly the amount of profit that may be realized from the contract.

PADDY QUICK CONTRACTING CO.

Contract NO. 1234 (start date 1 January 2009)

	\$
Contract price	850 000
Materials issued to the site during 2009	120 480
Materials returned to stores	1 460
Materials on site, 31 December 2009	15 340
Direct wages	134 200
Wages owing 31 December 2009	5 220
Plant issued to contract (at cost)	82 600
Plant value at 31 December 2009	63 200
Sub-contractors' charge	27 560

Head office expenses charged to contract	71 430
Direct expenses (site expenses)	42 570
Direct expenses owing at 31 December 2009	2 840
Work certified by architect	500 000
Cost of work not yet certified	27 350

The money received from the client (\$425 000) was equivalent to the value of work certified less the agreed 15% retention. Paddy Quick uses the percentage completion method in calculating profits on uncompleted contracts.

(16 marks)

- c) The following details have been collected on three contracts that are in progress at the end of the financial year of ABC Construction Ltd:

<i>Contract</i>	<i>ABC 21</i>	<i>ABC 22</i>	<i>ABC 23</i>
	\$	\$	\$
Contract price	150 000	275 000	185 000
Costs to date	35 000	144 000	154 000
Estimated costs to completion	88 000	96 000	7 000
Value of work certified	40 000	165 000	172 000
Progress payments received	34 000	140 250	146 200
Cost of work certified	28 000	138 000	150 000

Required:

Calculate the interim profits if any, that should be taken on the three contracts? (no profits have been taken so far). (9 marks)