

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF THE BUILT ENVIRONMENT
BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE
PART IV FIRST SEMESTER EXAMINATION DECEMBER 2011
CONSTRUCTION ACCOUNTING – AQS4106

Time: 3 hours

Total marks: 100

Instructions to candidates

Answer any **two** questions from Section A and **ALL** in Section B.

Fee schedule booklet to be provided.

SECTION A

All questions in this section are based on the following:

A city college project has the following details upon signing contract with winning bidder. The project is expected to be completed in 24 months.

Item	Amount (US\$)
Demolitions	100 000.00
Preliminaries and General	800 000.00
2no.Lecture room blocks @ 3 000 000.00 each	6 000 000.00
Specialist services (all blocks)	2 000 000.00
Contingency sum	200 000.00
Total Tender Sum	9 100 000.00

Halfway in the construction, the following was noted.

Item	Amount
Demolitions	100%
Preliminaries and General	Calculate
Measured works(for all blocks)	3 600 000.00
Specialist services (all blocks)	8 00 000.00

Remeasurement of Provisional Quantities

Item	Omissions	Additions
Foundations	72 000.00	104 000.00
Reinforcement	22 000.00	28 500.00

Variations

Item	Omissions	Additions
Variation 1	50 000.00	95 000.00
Variation 2	0.00	45 000.00

Increased costs

Main Contractor	35 000.00
Nominated Subcontractors	15 000.00

Question 1

Prepare a fee note no.2 covering all the above, given that during tendering stage 8 BOQ's each with 120pages were required for distribution to tenderers. **(25 marks)**

Typing @ \$0.10/page

Photocopying @\$0.25/page

Binding @ \$2 per document

Note: Your company had previously claimed Fee note no.1 which was valued at **\$169 625.00** inclusive of V.A.T

Question 2

You are informed that the last valuation No.11 was valued at \$3 600 000.00, prepare a valuation certificate no. 12 for submission to the architect. **(25 marks)**

Question 3

You have just assumed duty in a Consultant Quantity Surveyor's office and you are tasked to prepare a draft final account of the above project which had been completed and issued a practical completion certificate. Discuss giving practical examples, the various steps you will take in preparing the final account hielighting the critical components to be considered.

(25 marks)

SECTION B

(Answer both questions in this Section).

Question 4

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

- i) Contract Price;
- ii) Retention Clause;
- iii) Progress Payments;
- iv) Subcontractor;
- v) Cost of work not yet certified;
- vi) Site Expenses;
- vii) Variation Clause;
- viii) Cost of stages certified;
- ix) Value of work certified;
- x) Notional Profit

(10 marks)

b) Explain four (4) characteristics of long-term contracts

(6 marks)

c) How and why do companies account for profits on uncompleted contracts?

(6 marks)

d) Explain how head office charges may be dealt with in Construction Accounting.

(3 marks)

Question 5

- a) The following information relates to Contract No 1234 as at 31 December 2010.

Carassava Construction Co.
Contract No. 1234 (Start date 1 January 2010)

	\$
Contract price	850 000
Materials issued to site during 2010	120 480
Materials returned to stores	1 460
Cash received on sale of material	1 340
Materials on site, 31 December, 2010	14 000
Direct wages	134 200
Wages owing at 31 December 2010	5 220
Plant issued to contract (at cost)	82 600
Plant value at 31 December 2010	63 200
Subcontractors charges	27 560
Head office expenses charged to contract	71 430
Direct expenses (site expenses)	42 570
Direct expenses owing at 31 December 2010	2 840
Work certified by architect	500 000
Cost of work not yet certified	27 350
Progress payments received from client	425 000

Carassava Construction Co uses the percentage of completion method in calculating realized profits on its long-term contracts.

Required:

Prepare a contract account for the year ending 31 December 2010 showing clearly the amount of profit that may prudently be taken. **(20 marks)**

- b) Determine the retention percentage for this contract and also state the figure of Contract Debtors at year end.

(5 marks)