

INTERNATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF BUILT ENVIRONMENT

BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE

PART IV SUPPLEMENTARY EXAMINATIONS AUGUST 2013

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 and a schedule of materials (listed below) **(25 marks)**

DESCRIPTION	TENDER AMOUNT
Contractor's Tender amount	7,500,000.00
Contingencies	350,000.00
Sub Total	7,850,000.00
VAT 15%	1,177,500.00
TOTAL TENDER SUM	9,027,500.00

Schedule of materials (inclusive of VAT)

Cement	3000 bags	\$12.00/bag
Bricks	400000	\$0.35/each
Quarry stone	800m ³	\$45.00/m ³
Sand	1500m ³	\$30.00/m ³

The BOQ has 100pages and 8Copies of BOQ's are required for distribution

Photocopying costs \$1 per 10pages

Binding costs \$3 per document

Question 2

- b) Appendix A is the information collected from a site where two blocks of student residence are under construction. Prepare valuation no.1 for submission to the Architect **(25 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 **(1mark)**

SECTION B

Question 4

On 31 December 2012 CBA Limited had the following uncompleted long term contracts. All the contracts commenced during the year

Contract	A	B	C	Total
	\$	\$	\$	\$
Contract price	100 000	70 000	130 000	300 000
Estimated total cost	80 000	60 000	110 000	250 000
Cost to date				
Materials purchased	20 000	20 000	30 000	70 000
Wages	11 000	9 000	15 000	35 000
Electricity	2 150	3 200	4 550	9 900
Hire of equipment				15 000
Design and technical assistance				20 000
General administration costs				15 000
Finance costs				10 000

Insurance				10 000
Subcontractors	30 000	10 000	20 000	<u>60 000</u>
				<u>\$ 244 900</u>

Additional information

1. CBA Limited utilises the percentage of completion method to determine profit on construction contracts. The percentage of completion is determined by referring to the proportion that contract costs incurred to date bear to the estimated total contract costs
2. Included in the material purchased are the following amounts which were shown as inventories on hand at year end

Contract A	2000
Contract B	5 000
Contract C	5 000

3. The hired equipment was used as follows

Contract A	35%
Contract C	65%

4. Design and technical assistance as well as insurance must be allocated between the different contracts on the basis of estimated total costs
5. Payments to subcontractors include the following prepayments

Contract A	\$20 000
Contract C	\$ 5 000

Required

Calculate the contract profit for each contract as well as the profit before tax of CBA Limited for the year ended 31 December 2012 **(25 marks)**

Question 5

A particular contract X was accepted at \$500 000 and was expected to be completed within 2 years. At 31 December 2011 the following information was available

	\$
Material costs	84 500
Wages paid	14 600
Sub contracted costs	6 300
Plant Rentals	2 700
Other direct costs	11 900
Cash received	135 000
Work certified and invoiced	150 000

Retention is 10%

Administration overheads are 10% of direct contract costs

Required

(a) Prepare a contract X account at 31 December 2011 showing the profit earned and the work in progress **(20 marks)**

(b) The contract cost includes:

- i. Direct costs
- ii. Indirect labour costs
- iii. General costs

Explain each of these costs, with examples of the types of costs that may be included in each category **(5 marks)**

Question 6

Bridge builders Ltd undertook a contract to build a pedestrian footbridge for a fixed price of \$400 000 during the period from May year 1 to July year 2. The following transactions took place

	\$'000
Materials purchased and delivered to site	91
Equipment delivered to site	14
Architect fee	7
Wages paid on site	71
Payment to subcontractors	10
Direct costs	22
Head office charges	6
Value of equipment remaining on site	9
Value of material remaining on site	15
Sales value of work certified	280
Amount due to subcontractors	3
Direct costs incurred but not yet paid	3

Required

- a) Prepare a contract account and determine the profit **(20 marks)**
- b) State and explain the major constituents of contract revenue **(5 marks)**

Question 7

The following information relates to a contract which has been running for one year .The year end is 31 December 2012

Contract price	800 000
Estimated total costs	600 000
Cash received for the year	420 000
Work certified for the year	500 000
Costs incurred for the year	270 000

Additional information

1. The percentage of completion is determined according to the ratio of costs incurred to estimated total costs
2. The retention on the contract is 10%

Required

Prepare the contract account for accounting purposes

(25 marks)

END OF EXAMINATION