



Study Material - Contract Costing 15/05/2020

B.COM PART-3

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Contract or terminal costing is the term applied to the system adopted by those

businesses which carry out substantial

building or constructional contracts "

Method - 1

Contract Account

To Material Consumed	₹ 4,000	₹
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Method - 2 Contract Account

To material issued from	₹	By material returned to store	₹ 400
• Stores (9,000 + 400 + 600)	5,000	By material at site	600

When Contract is Incomplete

(i) Cost of Work certified:

(ii) Cost of work uncertified.

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$$\text{Work Certified} = \frac{\text{Cash received} \times 100}{\% \text{ of cash received}}$$

(i) Example - Cash received = 2,40,000
% of cash received = 80%

$$\text{Work certified} = \frac{2,40,000 \times 100}{80} = ₹ 3,00,000$$

(ii) Cash received = 3,00,000
% = 75%

$$\text{Work certified} = \frac{3,00,000 \times 100}{75} = ₹ 4,00,000$$