

JOB AND CONTRACT COSTING

Job costing meaning:

- Job costing, generally, means a specific accounting methodology used to track the expense of creating a unique product. Due to the fact that certain projects, such as construction, require different operations, accountants use this methodology to trace the expenses of each job in order to use this information for analysis and tax needs . Job costing forms have spaces to include directlabor, direct materials, and overhead.

Features of Job Costing

- The following are the features of job costing.
- 1. The products are produced only against customer's order and not for maintaining stock for sale.
- 2. The costs are accumulated to each job separately.
- 3. A job is performed according to the customer's specifications.
- 4. The job costing method falls under the category of specific order costing.

- ⑤ 5. Each job is differentiated from others. The reason is that the specification of one customer is differing from other.
- ⑥ 6. There is no continuous production.
- ⑦ 7. Each job requires special attention and skill for completion.
- ⑧ 8. There is no large-scale production of goods.
- ⑨ 9. All the jobs are not passed through all the departments.
- ⑩ 10. The unit of measurement of each job is unique and special.
- ⑪ 11. There is no standardization of jobs.

Contract Costing

- Contract Costing is a special type of job costing where the unit of cost is a single contract. The contract itself is a cost centre and is executed under the customer's specifications. Contract costing is a variant of job costing system applicable particularly in case of the organization's doing construction work. It is also known as terminal costing. Each contract, short term or long term is treated as a job.
- It is understood from common sense that construction work involves massive investment and labour employment. So no organization can undertake a large number of contracts at a time.

Features of Contract Costing

- A cost unit is a specific contract. Each contract takes a long time to complete.

Features of Contract Costing

1. Materials
2. Wages
3. Direct Charges
4. Bill of sub-contractors
5. Certificate of completion



◎ Materials

- ◎ The bulk of the materials purchased and delivered direct to the contract site or obtained from the central stores through the requisition slips.

◎ Wages

- ◎ The wages which cannot be charged directly to any contract are treated as indirect wages that require apportionment.

◎ Direct Charges

- ◎ Most of the costs which are normally treated as indirect can be identified specifically with a particular contract and are charged to it as direct costs.

◎ Bill of sub-contractors

- ◎ Parts of large contracts are often done by third parties under sub-contracts. Sub-contracts is a practice normally followed on the region of economy, specialized nature of work, want of capacity, etc.

◎ Certificate of completion

- ◎ The contracts do not pay the full value of the work certified as completed but retain a certain percent under the terms of the agreement.

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