Internship Report
On

Accounting Systems of Construction Company: A Study on Five Star Construction

Supervised By

Prof. Md. Alamin Mollah

Professor

Department of Accounting

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Submitted To

Md. Ujjal Mia

ID- BBA1801013026

BBA Program

Department of Accounting

Sonargaon University, Dhaka.

Date of Submission: 9th September, 2024

Letter of Transmittal

Date: 9th September, 2024

To
Prof. Md. Alamin Mollah
Professor
Department of Accounting
Sonargaon University, Dhaka

Subject: Submission of the internship report on Accounting Systems of Construction Company: A Study on Five Star Construction.

Dear Sir,

It is my great pleasure to submit my internship report on "Accounting Systems of Construction Company: A Study on Five Star Construction**"**. I have completed my internship from January to March 2024.

Here is my overview of the focused activities of Accounting Systems of Five Star Construction. I have tried to explain my learning and experience briefly throughout my report. In preparation of this report, I have followed and maintained the format and rules of a formal internship report as instructed by you.

I appreciate that the approach really contributes to giving my course learning a lasting shape on me. I have put my best effort into completing the report with all the information that I have collected during my stay on Five Star Construction. The entire report is based on my practical experience in Five Star Construction which will be helped in my future Professional career.

I have great hope that the report will meet your expectation and aid you in getting a clearer idea about the subject.

Sincerest gratitude for your illuminating guidance.

Sincerely yours,

……..

Md. Ujjal Mia
ID- BBA1801013026
BBA Program
Department of Accounting
Sonargaon University, Dhaka.

Letter of Acceptance

This is to confirm that the work incorporated in the report entitled "**Accounting Systems of Construction Company: A Study on Five Star Construction.**" is a record of work carried out by **Md. Ujjal Mia** under my guidance and supervision for fulfillment of the requirement of Master of Business Administration (BBA) degree from the Department of Accounting, Sonargaon University, Dhaka. The report has been set up under my direction and is a record of the work completed effectively.

His internship Placement was at Five Star Construction. I am Pleased to state that he was worked in preparing this report and he has able to present a good picture of the concerned organization. To the best my knowledge and as per his declaration, the report is an authentic on the issue.

I approved his report with full gratification and wish his bright future.

……..

Prof. Md. Alamin Mollah
Professor
Department of Accounting
Sonargaon University, Dhaka

Supervisor's Declaration

I am very pleased to declare that **Md. Ujjal Mia**, ID- BBA1801013026, Program: BBA, Department of Accounting, Sonargaon University, Dhaka has given with the topic "**Accounting Systems of Construction Company: A Study on Five Star Construction**" for writing an internship report on the subject. He has reviewed all the relevant literature and has been surveyed practically at **Five Star Construction** for three months to collect both primary and secondary data. I have supervised him throughout the preparation of the internship paper.

I also certify that the internship paper is an original one and has not been submitted elsewhere previously for publication in any form.

He is wished all the best in his effort.

…….

Prof. Md. Alamin Mollah
Professor
Department of Accounting
Sonargaon University, Dhaka

Student's Declaration

I declare that the report entitled "**Accounting Systems of Construction Company: A Study on Five Star Construction**", submitted as requirements of **BBA program of Sonargaon University**, **Dhaka**, was prepared be me. I was tried to my best to collect necessary information that made the report unique and original. I may assure you that the report was uniquely prepared by me.

……..

Md. Ujjal Mia
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Acknowledgement

At the very beginning, I would like to express my deepest gratitude to the almighty Allah for giving me the strength and capability to continue my everyday tasks both inside and outside the workplace during the whole period of my internship program to finish the task within the schedule time.

Then, I would like to express my indebtedness and deep sense of gratitude to me honorable supervisor **Prof. Md. Alamin Mollah, Professor,** Department of Accounting, Sonargaon University, Dhaka, for scholastic supervision, kind and sympathetic guidance, warm advice and encouragement have enabled me to materialize this report successfully.

My deepest appreciation and special thanks go to department of AIS of Sonargaon University, Dhaka for providing me an opportunity to come closer to the real world and help me in enriching my knowledge.

I would like to express my sincere gratitude to all executives, officers and employees of Five Star Construction and others, who had responded cordially to meet my needs relating to the report and gave me feeling that I am not alone in this great responsibility. Of them, I like to mention the name of –

1. Md. Rofiqul Islam, Sr. Assistant Director, Head of Accounts & Finance Division.
2. Sahad Mahmud Prince, Sr. Officer, Accounts & Finance Division
3. Cash In-charge, Accounts & Finance Division
4. Cash Assistant, Accounts & Finance Division

Without their effort, it would be impossible to bring this report to the light.

I shall never forget the help from some book, term papers, journals etc., above all I really be indebted to authors of these works.

I am grateful to my beloved parents, friends and well-wishers for their inspiration that lead me to go ahead.

Finally, I thank all the persons who have directly or indirectly contributed in preparing this report.

Then at last I shall be grateful to those persons who read this report and who shall get benefit from this report at present and future.

Executive Summary

An internship program is very important & essential for acquiring experience through learning and spreading the scope of knowledge. I have done my internship program in Five Star Construction.

The construction industry plays a vital role in the economic development and prosperity of the country. Also seen as an economic growth driver especially in the third world countries which is unluckily often overlooked in a country such as ours. This industry plays an important role by reducing unemployment and developing the aggregate economy by providing employment opportunities. Economic efficiency is improved when the industry material resources and human resources effectively in the development of housing, infrastructure and their maintenance. Internee's purpose of study was to be indulged and work in the practical environment of the organization for seeing how they uses Accounting Systems in their organization. How the activities take place and are managed specifically relating to the accounting practices, the aim was to increase in the internee's practical knowledge make analysis and then give recommendation in benefit of the organization. Methods used for the collection of data during the internship period were both primary and secondary sources. The main and biggest source of information was from the accounting transaction and the order forms of information's.

This internship report is aimed at providing a comprehensive picture to the areas of uses of Accounting Systems of Five Star Construction. The report has been divided into five parts. These are: Introduction, Profile Summary of Five Star Construction, Accounting Systems for the construction companies, Experience in the organization, Recommendations & Conclusive opinion of the organization.

I have taken all the reasonable care to ensure the accuracy and quality to make the report standard. And I believe that it has included all the necessary information to be relevant.

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Chapter 1: Introduction

Chapter 1: Introduction

1.1 Introduction

The essential characteristics of accounting are identification, measurement, and communication of financial information about economic entities to interested parties. Accounting is an information system which provides information regarding debt outstanding, sales increasing or decreasing, cash, asset, profit or loss and so forth. An efficient accounting system is beneficial for every organization. Financial accounting is the process that culminates in the preparation of financial report on the enterprise as a whole for the use by both internal and external parties. Users of those financial reports include investors, creditors, director and governments agencies. However, accounting is the process of identifying, measuring analyzing, and communicating financial information needed by management plan, evaluate and control an organization's operations. The report has been completed as an academic requirement of achieving BBA degree through three months internship program by me, Md Saiful Islam, BBA student from the Department of Accounting of Sonargaon University, joined Five Star Construction for finishing the internship program and requested our honorable course teacher Prof. Md. Alamin Mollah, Professor, Department of Accounting, Sonargaon University, to supervise me during my internship program. He kindly accepted my request and said to me to prepare a report on "Accounting Systems of Construction Company; A Study on Five Star Construction" after my internship period thereon. A standard Accounting Cycle:

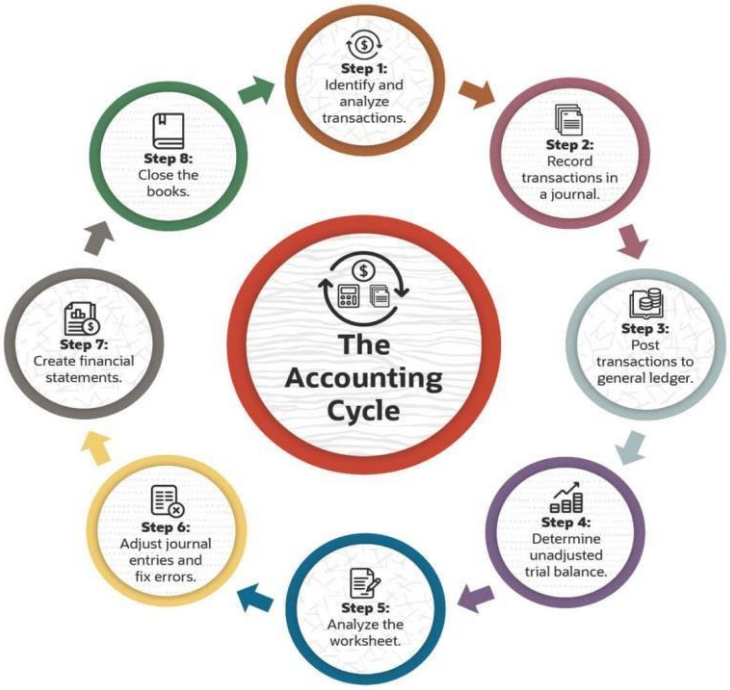


Figure 1.1: Accounting Cycle

1.2 Objectives of the Study

1.2.1 General Objective:

The General Objective is to prepare & submit a report on the topic "Accounting Systems of Construction Company: A Study on Five Star Construction**".**

1.2.2 Specific Objective:

- **i.** To know the processes of recording journal, ledger, contra entry.
- **ii.** To know the accounting concept and overview of the Construction Company
- **iii.** To evaluate the present performance of the Construction Company

1.3 Scope of the Study

My job in the organization was to work in Accounts & Finance Department. I was assisting accounts officers. The team consisted of four people excluding me. First few days I do not have to do anything except observing them and I was asked to learn by communicating and staying with Accounts & Finance Department. At the first month my primary work was to learn how to operate a customize software which is used for maintaining organization account. Then, I practically involved in work with the Accounts & Finance Department team. I was mainly handling Cash book, Debit voucher posting, Credit voucher posting, Journal voucher posting, Contra voucher posting, Supplier bill posting, Supplier ledger posting, cheque register book, Bank reconciliation and Daily Income posting. Where I kept record of each cheque received payment from client. In addition, I had to make a notification report every day according to the cheques drawing date. It is worth to mention that, I had great opportunity to be a part of audit of the organization. As a result, I had to extend my internship period. At that time my responsibility was to find out the total account receivable. To be part of the team it is responsible for maintaining an efficient and accurate Accounting function. Basically, I had to verify calculations, maintained cheque book register and prepared cheques for payment.

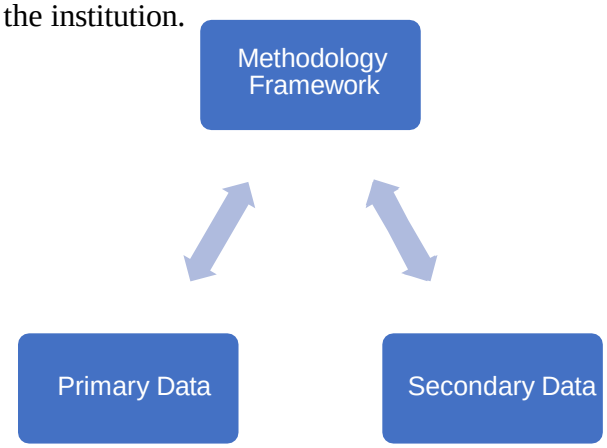
1.4 Methodology of the Study

- ***Primary sources:***

To Primary sources of data collection from the *Organization is* not available but I have tried to collect information on internal control practices within the organization, this study used survey

method. A questionnaire, consisting of various separate questions was prepared. These questions were primarily close ended; additional questions captured descriptive comments. With a view to getting an overview of the current situation of construction sector in Bangladesh. These are as follows:

1. Face to face conversation with the institution's officers and staffs
2. Direct conversation with the officers and staffs
3. Personal investigation with the officers and staffs
4. Study of different files of different section of the institution.
5. Practical deskwork.



❖ ***Secondary Sources:***

The secondary sources information's are:

- Keeping daily diary
- Annual Report of the organization
- Various reporting data & printing materials of the organization
- Audited Report
- Browsing Internet.
- Different kinds of ICAB books
- Different articles.
- Unpublished data received from the organization.

1.5 Limitation of the Study

This internship tenure far doing the work on such an important topic is not really sufficient. Moreover, this is an individual work where only as individual person need to undertake the whole process done alone but the time frame work did not permit me and my work done in my job station as a scientific manner and also it is very difficult for me to make a comprehensive qualitative survey within a stipulated time. In all respect some limitation and weakness remain within which I failed to escape by any means. These are follows:

- To continue this report, it requires a big deal in time. As an employee I have a very few times to prepare this report, which is not enough.
- It requires lot of assistance from all level officers and staffs but as a Construction sector everyone are so busy in doing their respective duties.
- As an employee of this institute, it's difficult to maintain report after completing daily works & don't have enough time to give the information elaborately.
- Its needs to proper support & guideline from respective superior to make this effective report.
- In many cases the relevant authorities are not aware about internship report & they are unwillingness to provide data due to confidentiality.
- It is too much difficult to comment and suggest based on this data of the report.
- Website of the organization wasn't effective to gather valuable information.
- Lack of organizing chain of command.
- Lack of instruction book, and any change. They are following traditional accounting.

Chapter 2: Profile of Five Star Construction

Chapter 2: Profile of Five Star Construction

2.1 Historical Background of Five Star Construction

Five Star construction. is a construction management organization. It was established in 2021 with specific objectives to execute and implement all types of R.C.C. piling works, R.C.C. shore piling, joist driving and construction management of all types of government, residential, commercial and industrial buildings. Since its inception the organization has progressively strengthened its proficiency and has successfully completed several large industrial and residential projects.

The team of five-star construction consisting of high skilled engineers, architects and other professionals with extensive experience in technical and managerial works. A large number of well-trained workers are currently employed in various construction projects. The devotion, sincerely, hard work and high level of moral standard of the team are what bring stability, reliability and gradual improvement of the organization.

Five Star construction is an organization committed to quality construction with highest level of technical standards. The guidelines mentioned in the Bangladesh National Building Code (BNBC) are fully complied in all the construction projects of the organization. The structures constructed by our organization are capable of withstanding the BNBC specified natural forces like earthquake and wind. Occupational health and safety are maintained in all projects according to international standard. Moreover, all construction equipment's are procured measuring high performance rating and ensuring great care to obtain the highest standard of quality. The expert technical team of the organization has the knowledge of construction materials, methods and modern technology to ensure economic, environmental and social sustainability in all the project.

2.2 Vision of Five Star Construction:

To become the leading construction firm, while delivering projects that consistently exceed international standards and provide exceptional customer satisfaction. To continually deliver excellent value & innovative construction solutions to meet our clients' requirements. Using modern principles and sophisticated technologies, Organization's envision being the primary preference at all times both nationally and globally, for their renowned excellence, quality, performance and reliability in all types of constructions.

2.3 Mission of Five Star Construction:

- To construct structure with quality and safety within time and budget.
- To prepare appropriate construction plans, project specifications and other documentations for implementing the proposed project successfully.
- To apply construction knowledge on materials, methods and equipment's to safely and effectively execute construction activities and processes.
- To perform as a team of diversified professional skills and techniques using modern technologies in construction industry.
- To understand professional and ethical obligations and strive to work accordingly.
- To communicate effectively in order to achieve the ultimate target.
- To renovate old structures in limited budget and shortest possible time but maintaining quality construction.

2.4 Motto of Five Star Construction:

Provide high quality service with better performance.

2.5 Guiding principle of Five Star Construction:

Five Star construction's guiding principle comprises of 6 components. These qualities tie its kin together with an accentuation that they are basic to everything being done in the organization.

2.6 Organogram of Five Star Construction:

The organogram of Five Star Construction is as followed:

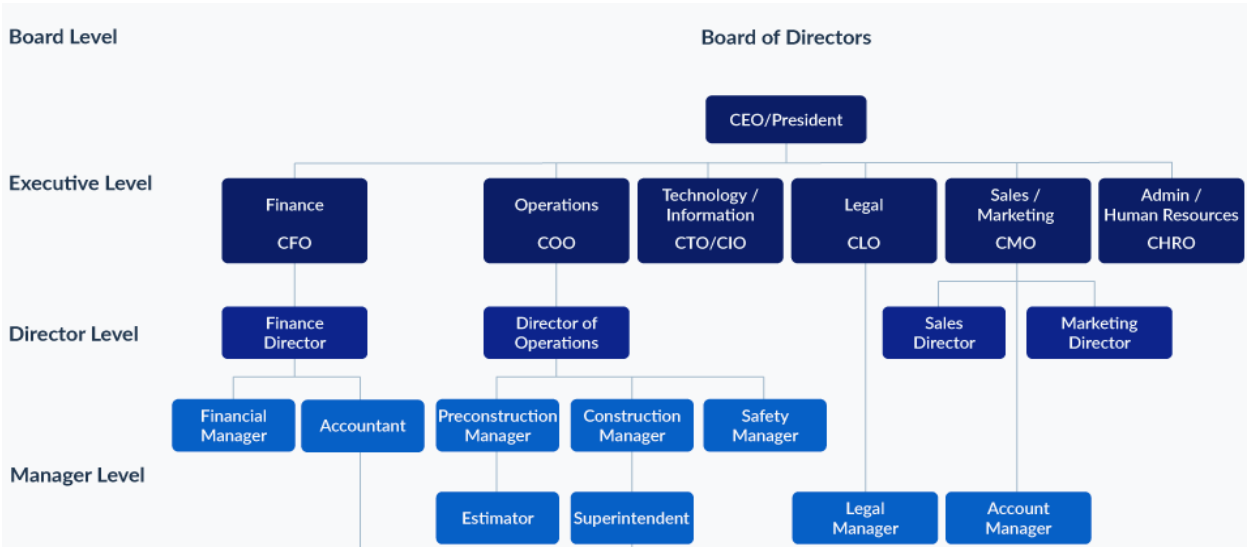


Figure 2.1 Organogram of the organization

2.7 Quality Policy:

- Responsible action and holistic thinking of each employee;
- Identifying and considering the requirements of the customers;
- Accurate processing of each task adapted to customer's wishes;
- Efficiency of the processing;
- Performing the work on schedule and in accordance with the contract within the prescribed cost framework;
- Ensuring that the expertise required for the project is deployed for the benefit of the client;

2.8 SWOT Analysis

Construction is the process of building and constructing objects, infrastructure, roads, organizations, houses, and industrial facilities. Repairing, maintenance, and demolishing also fall into the category of the construction industry. Since the construction industry is the process of combining art and science, therefore, it involves mapping, designing, planning, financing, building, repairing, maintaining, dismantling, and demolishing.

The construction industry is one of the leading businesses. However, it contributes over 10% to the world GDP, and it provides employment opportunities to 7% of the world's population. The infrastructure of construction is the cornerstone of letting us travel from one point to another. It would have been very difficult without it.

SWOT Analysis means companies Qualitative performance Analysis, it must be considered for evaluating organization's financial performance. SWOT Analysis means analyzing the **Strengths, Weaknesses, Opportunities and Threats** of the organizations to know the present conditions. This is very common analysis to determine the organization's capabilities of doing effectiveness.

In the swot analysis of the Five-star construction, I am discussing the strengths and opportunities and how they can be used to minimize threats and weaknesses. SWOT Analysis of my own observations is:

Strengths of the Organization

Some of the strengths of the organization is as follows;

i. **Dynamic**
ii. **Efficient**
iii. **Follow Deadlines**
iv. **Well-experience Management**
v. **Variety of Projects**
vi. **Doesn't Go Down Easily**
vii. Reputation of the organization
viii. Exceptional quality and professionalism in its service offering to the Clients
ix. Excellent clients service
x. An experienced and dedicated senior management team
xi. Strong relationship with existing clients
xii. Good Working Machinery
xiii. Expert Engineers
xiv. Trusted employees

Weaknesses of the Organization

Some of the weaknesses of the organization is as follows:

i. **Relying on One Client**
ii. **Limited New Projects**
iii. **Costly Poor Decision**
iv. Limited financial capacity
v. Relatively higher expenses
vi. Materials Market not favorable
vii. Higher level of financial risk
viii. Lack of experienced personnel
ix. Few employee motivations schemes
x. Lack of job commitment of the employees

Opportunities of the Organization

Some of the opportunities that the construction companies should use to overcome weaknesses and threats are as follow;

i. **Separate Staff for New Clients**
ii. **Notice Trends**
iii. **Smart Houses**
iv. If proper marketing is carried out to make it more attractive to people, it will be very good source of their Clients.
v. Better services provided by them is very attractive as it gives very high response to the clients
vi. Clients become more concern regarding the quality of goods rather than price

Threats to the Organization

Some of the external that is out of the control of the organization are as follow;

i. **Economic Recession**
ii. **COVID-19**
iii. The market is becoming dreadfully competitive
iv. Continuously increasing materials and machinery price
v. Continuously increasing VAT and tax on the machinery
vi. Changing bank policy into increase Costs

After studying the swot analysis of a Construction Company, we have realized that the construction industry is a very profitable business if the economy of the country is good. The organization should also follow new trends and adapt prevailing tech changes.

2.9 Accounting Practice in the Organization:

Daily tasks:

- Cash book
- Progress Billings
- Debit Voucher
- Credit voucher
- Journal Voucher posting
- Cash register
- Cheque register
- Cost analysis
- Profit or loss analysis
- dues collection
- Supplier bill posting

- Suppliers (party) ledger posting

Monthly tasks:

- Profit & Loss Accounts
- Cash Flow Statement
- Source Tax
- VAT
- Depreciation
- Loan A/C
- Bank reconciliation
- Balance Sheet

Yearly:

- Budget
- Audit
- Tax assessment
- Credit rating

Report

- Receipt & Payment
- Department wise Income Statement
- Bank Reconciliation
- Monthly Suppliers (Liabilities) bill
- Monthly Liabilities (Bank loan) Report
- Consolidated Income Expenses report
- Dues collection list

Meeting

- Weekly departmental meeting
- Monthly store co-ordination meeting
- Weekly purchase co-ordination meeting
- Bank meeting (per 2 month)
- HR co-ordination meeting (per month)

Materials

- Salary certificate
- Project Bill
- Payment Bill
- Bill Clearance
- Bill of voucher
- Tender Bill

Chapter 3: Accounting Systems in the Construction Company

Chapter 3: Accounting Systems

3.1 Concepts of Accounting

Accounting is the process of recording, summarizing, analyzing, and reporting results of financial transactions of a business to the interested users.

According to Weygandt, Kieso, and Kimmel; "Accounting is an information system that identifies records and communicates the economic events of an organization to the interested users".

- Father of Accounting: Luca Pacioli (1445-1557), Italy.

❖ ***Objectives of Accounting:***

1. ***Primary Objective:*** Record the financial transactions.
2. ***Main Objective:*** Provide the necessary information to the interested users.

❖ ***Accounting Information Systems (AIS):***

AIS is a computer-based method used for tracking accounting activities that involves collecting, storing, processing, organizing, and summarizing accounting data and information for proving the necessary information to the interested users.

❖ ***Different Types of Accounting:***

Financial accounting- Financial accounting refers to the phase of accounting that is concerned with reporting historical financial to the external parties, such as stockholders, creditors and regulators.

- ➢ It is mandatory as per IAS and IFRS.
- ➢ Emphasize financial consequences of past activities.
- ➢ Reports to those outside the organization:

i. Owners
ii. Creditors
iii. Regulators
iv. Tax authorities

Managerial Accounting- Managerial accounting refers to the phase of accounting that is concerned with providing information to the managers for use within the organization.

- It is not mandatory as per IAS and IFRS.
- Emphasize decisions affecting the future.
- Reports to managers inside the organization for;
    i. Planning
    ii. Controlling
    iii. Decision making

Responsibility Accounting- Responsibility accounting refers to a system of accountability in which managers are held responsible for those items of revenue and cost and only those items over which they can exert significant control. The managers are held responsible for differences between budgeted and actual results.

Administrative Accounting- Administrative accounting is a formal methodology for gathering, recording, and evaluating data that deals with efficiency of management planning and control.

Cost Accounting- Cost accounting is the art and science of recording, classifying, summarizing, and analyzing costs with the objective of cost control, cost calculations, and projections, and cost reduction that help management to make prudent business decisions.

Executive Accounting- Executive Accounting is a type of accounting that is specifically designed for a business that offers services to users.

Forensic Accounting- Forensic accounting is the investigation of fraud or financial manipulation by performing extremely detailed research and analysis of financial information.

Private Accounting- Private accounting refers to the performing accounting activities such as planning, recording, analyzing and preparing financial statements by an accountant who is a regular employee of that organization.

Public Accounting- Public accounting is an area of accounting in which the accountant offers expert service to the general public or corporations.

❖ ***Users of Accounting Information:***

- **Internal Users:** Internal users of accounting information are the inside people who plan, organize and run the business for the interest of the organization. They are-
  i. Proprietors of sole business
  ii. Managers (production, marketing, accounting etc.)
  iii. Internal auditor
- **External Users:** External users of accounting information are the outside people who want financial information for their own interest. They are-
  i. Investor
  ii. Creditors
  iii. Workers
  iv. Labour union
  v. Customers
  vi. Tax authority
  vii. External auditor
  viii. General public

3.2 Accounting Principles, Assumption & Concepts

Principles of Accounting- According to GAAP, "the common sets of standards, policies, and procedures that companies follow to prepare their financial statements are called principles of accounting".

❖ **Conceptual Framework of Accounting-** The conceptual framework of accounting a set of accounting principles, assumptions, objectives and fundamentals, developed by the international accounting standards board (IASB) to ensure uniformity in interpretation across various accounting methodologies.

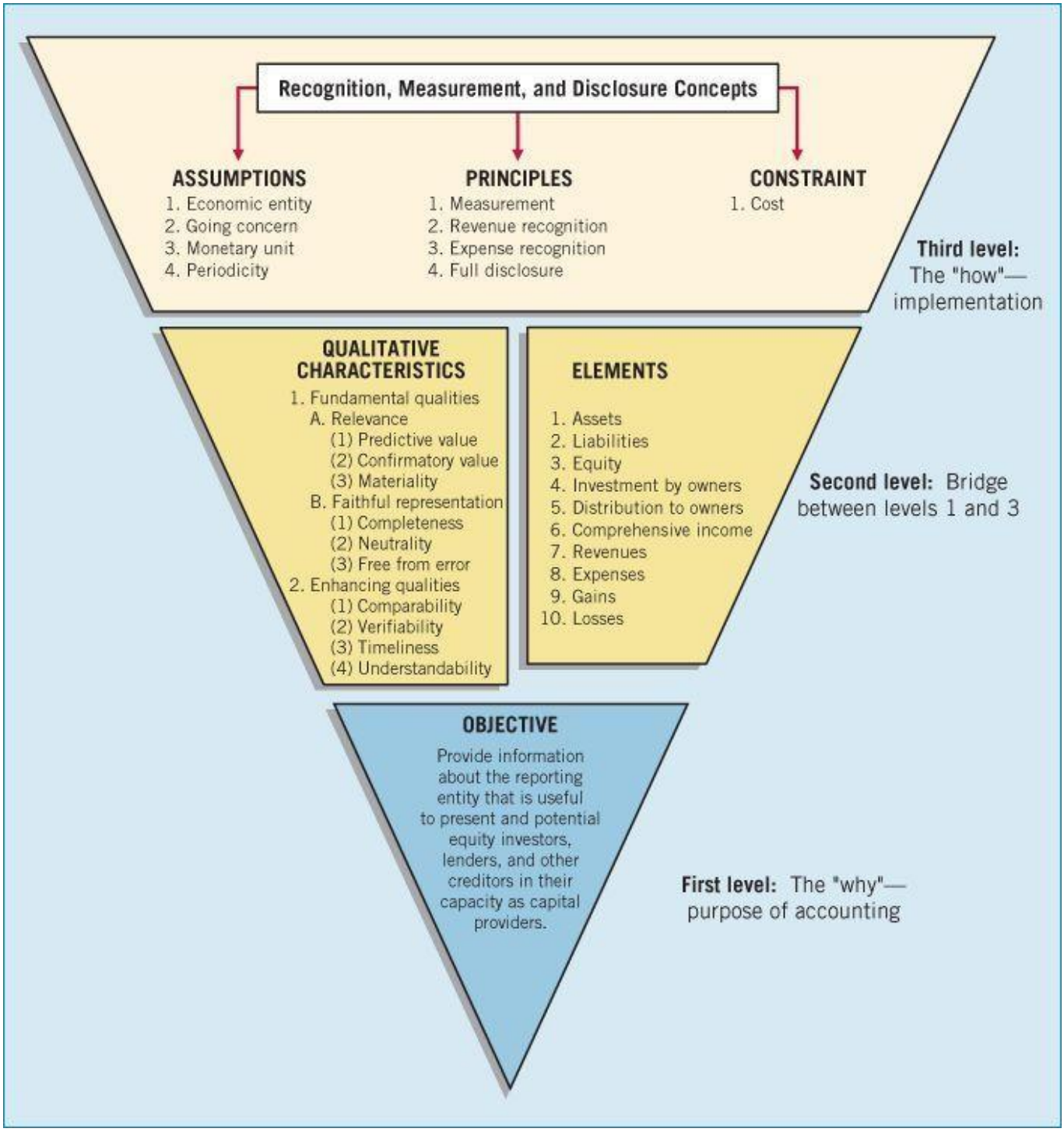


Figure 3.2: Conceptual Framework of Accounting

3.3 *Accounting Standard*

An accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices.

- ***Generally Accepted Accounting Principles (GAAP)***

Generally accepted accounting principles (GAAP) refer to a common set of accounting principles, standards, and procedures issued by the Financial Accounting Standards Board (FASB). Public companies in the United States must follow GAAP.

GAAP aims to improve the clarity, consistency, and comparability of the communication of financial information.

- **Difference between GAAP and IFRS:**
  i. **Local vs. Global:** GAAP is used only in USA where IFRS is used in more than 120 countries.
  ii. **Rules vs. Principles:** GAAP is rule based (specific rules) where IFRS is principle based (require judgement)
- **Alternative to GAAP:**

Alternative to GAAP is the International Financial Reporting Standards (IFRS), which is regulated by the International Accounting Standards Board (IASB).

- ***IAS and IFRS***
  i. IAS=International Accounting Standards
  ii. IFRS=International Financial Reporting Standards
- **Difference between IAS and IFRS:**
  i. The IAS was a set of standards that was developed by the International Accounting Standards Committee (IASC) while IFRS was developed by the International Accounting Standards Board (IASB).
  ii. IAS standards were published between 1973 and 2001 but they have been replaced by the IFRS in 2001 so IFRS standards were published from 2001 onwards.
  iii. Principles of the IFRS take precedence if there's contradiction with those of the IAS.
  iv. There are currently 41-IAS and 17-IFRS.
- ***List of International Accounting Standards (IAS): (Total IAS 41):***

IAS no.	Name
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 3	Consolidated Financial Statements
IAS 4	Depreciation Accounting
IAS 5	Information to Be Disclosed in Financial Statements
IAS 6	Accounting Responses to Changing Prices
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

IAS 9	Accounting for Research and Development Activities
IAS 10	Events After the Reporting Period
IAS 12	Income Taxes
IAS 13	Presentation of Current Assets and Current Liabilities
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 22	Business Combinations
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 25	Accounting for Investments
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 33	Earnings Per Share
IAS 34	Interim Financial Reporting
IAS 35	Discontinuing Operations
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 40	Investment Property
IAS 41	Agriculture

- ***List of International Financial Reporting Standards (IFRS):(Total IFRS-17)***

IFRS No.	**Name**
IFRS 1	First-time adoption of International Financial Reporting Standards
IFRS 2	Share-based payment
IFRS 3	Business combinations
IFRS 4	Insurance contracts
IFRS 5	Non-current assets held for sale and discontinued operations
IFRS 6	Exploration for and evaluation of mineral resources
IFRS 7	Financial instruments: disclosures
IFRS 8	Operating segments
IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IFRS 14	Regulatory deferral accounts
IFRS 15	Revenues from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance Contract

3.4 An Accounting System

An accounting system is a set of accounting processes with integrated procedures and controls. The intent of an accounting system is to record business transactions, summarize those transactions into an aggregated form, and create reports that can be used by decision makers to monitor, analyze, and improve operations.

Though an accounting system can be entirely paper-based, this situation is usually only found in quite small businesses. In most cases, Accounting Systems are largely based upon off-the-shelf accounting software, supplemented by any procedures needed to input information into the software.

3.5 Contents of an Accounting System

An accounting system typically includes coverage of the major functional areas of an organization, including the purchase of goods and services, sales of goods of services, payments to employees for wages earned, and financing activities, such as obtaining debt, selling shares, and paying interest to lenders. The specific components of an accounting system include accounts payable, billings and accounts receivable, fixed assets, inventory, and payroll. Depending on the volume of transactions being processed, there may be specialized accounting staff assigned to each of the preceding modules.

3.6 Construction accounting

3.6.1 Account for Construction

Construction accounting is a form of project accounting in which costs are assigned to specific contracts. A separate job is set up in the accounting system for each construction project, and costs are assigned to the project by coding costs to the unique job number as the costs are incurred. These costs are primarily comprised of materials and labor, with additional charges for such items as consulting and architectural fees. A number of indirect costs are also charged to construction projects, including the costs of supervision, equipment rentals, support costs, and insurance. Administrative costs are not charged to a construction project unless this is allowed by the customer.

3.6.2 Types of Construction Contracts

There are several types of contracts than a contractor can enter into with a client. Each type has specific characteristics that tend to favor one party or the other, depending on the circumstances. We explain each one below.

i. Fixed Fee Contract

A fixed fee contract is used when the contractor commits to being paid a fixed amount by the client. In this situation, the costs incurred by the contractor have no impact on the price paid. This arrangement would appear to strongly favor the client, since there is no risk of paying more than the contract price. In fact, this arrangement is most common in a multi-party bidding scenario where a number of potential contractors are forced to bid against each other. It is best from the perspectives of both the client and contractor to create quite detailed specifications for a fixed fee contract, so there is little question about what is expected of the contractor and what constitutes an acceptable final outcome.

ii. Cost Plus Contract

A cost-plus contract is a cost-based method for setting the price of a construction project under a contractual arrangement. The contractor adds together the direct material cost, direct labor cost, and overhead costs for a project and adds to it a markup percentage in order to derive the price to be billed. From the client's perspective, this can be an expensive pricing system, since costs may spiral well above initial expectations. However, it is an ideal system when there is a high degree of uncertainty regarding the design specifications of the final product.

iii. Time-and-Materials Contract

A time-and-materials contract is a variation on the preceding cost-plus contract. Customers are billed a standard hourly rate per hour worked, plus the actual cost of materials used. The standard labor rate per hour being billed does not necessarily relate to the underlying cost of the labor; instead, it may be based on the market rate for the services of someone having a certain skill set, or the cost of labor plus a designated profit percentage.

iv. Unit-Price Contract

A unit-price contract is an arrangement in which the client pays a specific price for each unit of output. This arrangement is rarely used in a large, complex construction project where there are few units of output that are easily replicated. For example, a client is unlikely to demand a

unit-price contract for each of a cluster of apartment buildings. However, the general contractor may use this type of contract with its subcontractors for selected work arrangements. For example, a general contractor for the construction of a road could enter into a unit-price contract that pays a certain amount per square foot of sidewalk installed.

v. Revenue Recognition

The revenue recognized under a contract may be based on the completed contract method when it is not possible to determine the percentage of completion of a project. As the name implies, this means that the contractor recognizes all of the project revenue and profit only when a project has been completed. More commonly, the percentage of completion method is used, under which the contractor recognizes revenue by applying the estimated percentage of completion to the total anticipated profit. This approach allows the contractor to recognize revenue and profits at regular intervals over the term of a project. Another option is the cash method, under which revenue is recognized only when cash is received; this approach works best for smaller, short-duration projects.

vi. Percentage of Completion Method

The percentage of completion method involves the ongoing recognition of revenue and income related to longer-term projects. By doing so, the organization can recognize some gain or loss related to a project in every accounting period in which the project continues to be active. For example, if a project is 20% complete, the organization can recognize 20% of the expected revenue, expense, and profit. The method works best when it is reasonably possible to estimate the stages of project completion on an ongoing basis, or at least to estimate the remaining costs to complete a project.

Conversely, this method should not be used when there are significant uncertainties about the percentage of completion or the remaining costs to be incurred. The estimating abilities of the business should be considered sufficient to use the percentage of completion method if it can estimate the minimum total revenue and maximum total cost with sufficient confidence to justify a contract bid.

In essence, the percentage of completion method allows you to recognize as income that percentage of total income that matches the percentage of completion of a project. The percentage of completion may be measured in any of the ways noted below.

vii. Cost-to-Cost Method

The cost-to-cost method is a comparison of the contract cost incurred to date to the total expected contract cost. The cost of items already purchased for a contract but which have not yet been installed should not be included in the determination of the percentage of completion of a project, unless they were specifically produced for the contract. Also, allocate the cost of equipment over the contract period, rather than up-front, unless title to the equipment is being transferred to the customer.

viii. Efforts-Expended Method

The efforts-expended method is the proportion of effort expended to date in comparison to the total effort expected to be expended for the contract. For example, the percentage of completion might be based on labor hours expended to date.

ix. Units of Work Performed Method

The units of work performed method is the proportion of physical units of production that have been completed to date. For example, the percentage of completion could be based on material quantities installed, such as square yards of concrete laid or cubic yards of material excavated to date. This approach does not work well when significant costs are incurred prior to or following the production of physical units. For example, laying a pipeline involves building an access road to the pipeline location; the cost of constructing the road would result in no earned revenues if the percentage of completion is based on the number of feet of pipe laid.

x. Completed Contract Method

Under the completed contract method, business recognizes all of the revenue and profit associated with a project only after the project has been completed. This method is used when there is uncertainty about the collection of funds due from a client under the terms of a contract. For example, it would be used for a speculative project where there is no buyer of a property.

This method yields the same results as the percentage of completion method, but only after a project has been completed. Since revenue and expense recognition only occurs at the end of a project, the timing of revenue recognition can be both delayed and highly irregular. Given these issues, the method should only be used under the following circumstances:

- When it is not possible to derive dependable estimates about the percentage of completion of a project; or
- When there are inherent hazards that may interfere with completion of a project; or

- When contracts are of such a short-term nature that the results reported under the completed contract method and the percentage of completion method would not vary materially.

If a contract is being accounted for under this method, record billings issued and costs incurred on the balance sheet during all periods prior to the completion of the contract and then shift the entire amount of these billings and costs to the income statement upon completion of the underlying contract. A contract is assumed to be complete when the remaining costs and risks are insignificant.

If there is an expectation of a loss on a contract, record it at once even under the completed contract method; do not wait under the end of the contract period to do so.

3.6.3 Unpriced Change Orders

A Construction Company is dealing with an unpriced change order when the parties cannot initially agree on the price to be charged by the organization to the client for a modification of the underlying construction contract. The recovery of funds from an unpriced change order is considered probable when the client has approved of the scope change in writing, and the contractor has documented the related costs of the change, and the contractor has a favorable history of settling change orders. There are three variations on how to deal with an unpriced change order. They are as follows:

- When it is not probable that the costs associated with an unpriced change order will be paid back to the contractor through a price increase, the costs are added to the total estimated cost of the project; the result is a decline in the estimated amount of profit that the job will generate.
- When it is probable that an upward adjustment to the contract price will be forthcoming, defer the recognition of any costs incurred under the change order until the price has been settled.
- When it is probable that the prospective upward adjustment to the contract price will exceed the costs associated with the contract and the amount of the price can be reliably estimated, adjust the contract price to reflect the amount of the increase in costs. Do not recognize revenue exceeding the amount of costs incurred for the change order unless receipt of the estimated revenue amount is assured beyond a reasonable doubt.

- When a change order is in dispute, it should be evaluated as a claim rather than a change order (as noted next).

3.6.4 Contract Claims

A Construction Company is not usually allowed to recognize any revenue associated with claims, given the risk that the client will not pay for them. Revenue recognition is only allowed when it is probable that additional revenue will result and that the amount of the additional revenue can be reliably estimated. For these criteria to be present, the following conditions must be satisfied:

- The evidence upon which the claim is based is objective and verifiable
- There is a legal basis for the claim or a legal opinion states that there is a legal basis for the claim
- The additional costs were caused by unforeseen circumstances
- The additional costs are not the result of the contractor's poor performance
- The costs linked to the claim are readily identifiable
- The costs linked to the claim are reasonable, based on the contractor's work

Even when all of the preceding conditions have been satisfied, the amount of revenue that can be recorded is limited to the contract costs associated with the claim.

3.6.5 Overbilling Liabilities

When the amount billed on a construction project is greater than the cost incurred, the difference is treated as a liability of the contractor until the cost incurred catches up with the billing.

3.6.6 Contract Retainage

A customer may withhold a specified amount from the contract price until satisfied with the completed work. Doing so gives the customer some leverage over the contractor to complete the work in a satisfactory manner. These retainage amounts may still be recorded as receivables, but could be classified as long-term receivables if the customer has the right to hold these amounts for more than a year. In addition, the IRS allows a organization to exclude retainages from the recognition of income until there is an unconditional right to receive them.

Chapter 4: Experience during Internship Period in Five Star Construction

Chapter 4: Experience during Internship Period in Five Star Construction

4.1 Accounting Systems practice in Five Star Construction

Throughout my internship period, I found that Five-star construction's keep its daily transaction record by maintaining four books and keep software record. Those books are cash book, bank book, all types rod, shuttering & costing Works (Drop Wall) ledger book, general ledger book and software. Five-star construction maintains its accounts in accordance with International Accounting Standards, as applicable. All incomes or expenditure received or paid and/or accrued during any particulars years is accounted for in the year to which it related.

- **Accounting Period:**

  The accounting period of the organization is form 1st July to 30th June in year.

4.1.1 Cash Book

In the cash book, the organization maintains their daily cash transactions. Any types of cash received like from client, withdrew from owns bank account, service charge and loan from bank, other organization or chairman. Afterwards, daily cash expenses are also recorded. It is worthwhile to mention that every transaction is record from the journal voucher. Journal voucher refers to a voucher which functions as a journal book. It keeps transaction with date and explanation.

4.1.2 Bank Book

Bank book is kept to record all transaction regarding bank. Organization is maintaining two types of bank account in the same bank. One of them is current account and other is SND. Current account is to maintain small amount and frequent transaction whereas SND account is maintained for big amount transaction. Bank book play a vital role in bank reconciliation. Most of the time clients deposit in organization's bank account. Often bank charge for online transaction or letter of credit purpose. In this circumstance bank book and bank statement from bank are the primary sources of data for bank reconciliation.

4.1.3 Progress Billing

Progress Billings is a separate account that the entity should create to keep track of Revenue that is collected for each individual project. The entity will submit bills for work completed throughout the project. These are not billed for the completed project and therefore should not

be credited directly to the “Sales” or “Revenue” accounts. Instead of using the “Revenue” account, these progress billings are recorded under a separate “Progress Billing” account for each project.

4.1.4 General ledger book:

General ledger book has huge number of accounts head. Most of those are expense of the organization. Usually conveyance, office maintenance, rent, bill, legal fees, advertisement, salary, tax account recorded in this ledger book. In addition, there is also client receivable which is the control ledger, under this ledger cash collection are maintained. Furthermore, purchase account is also a control ledger under which purchase are recorded by the organization.

4.1.5 Customized software:

There is customized software in the organization to maintain their account. The software is not good enough for accounting. The software is limited use only, to illustrate, it cannot record general ledger book's account head but it is useful for maintaining some transaction. As a result, the software lost its importance. In contrast, I felt myself there are lack of professional person to operate this software otherwise the limitation of the software might be outweigh compared to the advantage of using this software.

4.1.6 Cheque register book

Five-star construction maintain cheque register book which has very significant role. This book records the information regarding cheque received from clients and them also'. In this register book it is found the date of cheque received, Clients name, bank name and cheque number, amount of taka, drawing date, expired date. In addition, this book can inform account management department regarding total number of cheques, total amount in taka, number of cash cheque, expired cheque as well as invalid cheque.

4.1.7 Monthly Report

Monthly report shows the expenses and received money from any sources. Monthly report made on the basis of monthly income, expenditure, cash book, bank book and general ledger book. Monthly report is essential in the end of every month's financial meeting.

4.1.8 Income source:

- ✓ Payment receives from customer

- ✓ Progress bill and payment
- ✓ Sells miscellaneous items

4.2 Construction Contracts: Measuring Revenues, Expenses and COGS

Construction contracts can span several fiscal years/reporting periods, which makes it difficult to determine how much revenue, expense and profit/loss should be recognized. The new IFRS 15 guidelines specify when to recognize revenue associated with contracts.

For a summary of IFRS 15 Revenue recognition criteria, visit our Revenue article. Specifically, IFRS 15, Paragraph 35 deals with Obligations that are satisfied over time. Revenue should be recognized over a period of time, if one of the following criteria is met:

"the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; OR

the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; OR

the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date."

Construction contracts that span several years fall under the third point, where the construction of an asset would not create something that the entity could use themselves, and the entity should have enforceable right to payment (likely through a signed contract). However, we still need clarity on how much revenue and expense to recognize. Below, we review the special rules for how construction contracts are recognized.

- ❖ ***Two types of Construction Contracts:***

There are two different types of Construction Contracts, and these are accounted for differently.

i. **Fixed Price**: Parties agree to a fixed price for the contract, or on a per-unit basis.

ii. **Cost Plus**: Client repays costs incurred, plus either a percentage of the costs or a fixed amount to cover labor and profits.

- ❖ **Progress Billings**:

Progress Billings is a separate account that the entity should create to keep track of Revenue that is collected for each individual project. The entity will submit bills for work completed throughout the project. These are not billed for the completed project and therefore should not be credited directly to the "Sales" or "Revenue" accounts. Instead of using the "Revenue" account, these progress billings are recorded under a separate "Progress Billing" account for each project.

Progress Billing Journal Entries in Entity's Books:

Dr.	Accounts Receivable	X	
Cr.	Progress Billing - Project A	X	-> temporary account, replacing Revenue

When Cash is received:

Dr.	Cash	X	
Cr.	Accounts Receivable	X	

Similarly, to the Progress Billing account, the client will have a "Construction in Progress" account, that acts like a temporary asset account, in which the client will record their construction progress.

Progress Billing Journal Entries in the Client's Books:

Dr.	Construction in Progress - Project A	X	-> a temporary Asset account
Cr.	Cash or Accounts Payable	X	

Contract Revenues and Expenses:

For the entity building the asset, they will need to recognize Revenues and Expenses at each reporting period.

Contract Revenue (added to Progress Billing account) = Initial amount that has been agreed upon + Variations in contract (they must be probable and reliably measured) - Penalties imposed (such as late penalties, etc.)

Note: Penalties are netted from revenue, these are not added to Expenses.

Contract Costs/Expenses includes:

i. Costs related to the contract directly, such as materials and labor
ii. Direct Construction Overheads
iii. Anything else in the terms of the contract that are meant to be paid by the client
iv. If it is probable that the contractor will obtain the contract, costs incurred in obtaining the contract can also be included in the Costs/Expenses. Note that when this cost is expensed, it cannot be reversed.

Contract Costs/Expenses do not include:

i. General administrative expenses or overheads
ii. Research and development costs
iii. Selling and marketing costs
iv. Depreciation on plant and equipment that are not being used in the contract (idle PPE)

Stage of Completion:

The Revenue and Expense figures may be based on stage of completion. For example:

Revenue recorded for the period = (Total Revenue expected for the project) x (% completion)

or

Expenses recorded for the period = (Total Expenses expected for the project) x (% completion)

4.3 Calculating Revenue, Expenses and COGS

The amount of Revenue, Expense, Profit and Loss recognized by the entity will depend on two factors:

1) whether the project is expected to make a profit or loss and

2) whether the estimate is reliable or not.

A summary of how the two factors influence the amount of Revenue and Expense which should be recognized can be found below. The steps/approach to calculating each element is shown in the section below.

Summary of Treatment:

Does the contract make a Profit or a Loss and are the estimates Reliable or Unreliable?

	Profitable	**Loss**
Reliable Estimate	Revenue: Stage of completion* COGS: Stage of completion* Profit: Revenues to date - COGS to date	Revenue: Stage of completion* COGS: Record sufficient Cost to reach the appropriate Loss, i.e.: Revenue + Loss = COGS Loss: Total expected loss immediately recognized

Not Reliable Estimate	Revenue: Costs incurred COGS: Costs incurred Profit: None Recognized	Revenue: Costs incurred COGS: Record sufficient Cost to reach the appropriate Loss, i.e.: Revenue + Loss = COGS Loss: Total expected loss immediately recognized

*As from the definitions above, stage of completion means:

Revenue recorded for the period = (Total Revenues expected for the project) x (% completion)

Or,

Expenses recorded for the period = (Total Expenses expected for the project) x (% completion)

- ***Step 1***

Calculate whether the contract will make an overall profit or loss, and percentage completion.

Overall Profit or Loss

Note - this is "overall" and should include revenues received, expected revenue to be received, costs incurred and expected costs for the remainder of the period.

Profit or Loss = (Total Revenues + Approved Variations) - Total Costs

If we are not given the Total Revenues and Approved Variations, we can calculate the % completion using the following formula:

Percentage Completion = Costs Incurred to Date / Total Estimated Project Costs

Reliable Estimate:

Oftentimes, a reliable estimate can only be obtained when the project is far enough along. If you are writing an exam case, the case might state that the estimate is reliable if the contract is at least X% complete, otherwise they will be considered unreliable. Use case facts (in an exam situation) or discuss with a project manager (in real life) to determine how far along the project is, and whether this estimate is reliable.

Outcomes can be estimated reliably when:

i. Total contract revenue can be assessed reliably
ii. It is probable that the economic benefits will flow to the organization
iii. Both contract costs to complete and stage of completion can be measured reliably
iv. Contract costs can be clearly identified and measured reliably

For Fixed Price contracts, all 4 criteria must be met to be considered reliable. For Cost Plus contracts, only 2. and 4. are required.

- **Step 2**

Using the Summary table above, as a guide, calculate the Revenue to be recognized for the reporting period.

Journal entry in Entity's book:

Dr.	Construction in Progress - Project A	X	->a temporary Asset account (similar to Inventory)
Cr.	Revenue	X	

This journal entry recognizes Revenue associated with an unfinished construction Project A.

Note: The Construction in Progress account will show in the Balance Sheet under "Assets".

- **Step 3**

Calculate the COGS, using the table above as a guide.

For Losses:

Total Loss recognized = Total estimated Revenue for whole project - Total estimated COGS

Journal entry in Entity's book:

Dr.	COGS	X	
Cr.	Construction in Progress - Project A		X

- **Step 4**

Calculate the Accounts Receivable and Amounts Due To or From the Client.

Account Receivable:

Account Receivable are amounts for which we have billed the client, but have not yet received payment.

Accounts Receivable = Progress Billings Invoiced - Progress Billings Received

Amount Due to or From the Client:

"Amounts Due To" or "Amounts Due From" the client are amounts that are owed to/from the client, but have not yet been billed. It is important to note that these are different from A/R and A/P. Since we have not yet billed the client these are not yet an A/R or A/P accounts. These accounts will still appear in the Balance Sheet under either Current Assets ("Amounts Due From") or Current Liabilities ("Amounts Due To").

Costs Incurred	X
Add: Recognized* Profit/Loss	X or (X)
Less: Progress Billings Invoiced to date	(X)
= Gross amount due to/from client	X or (X)

* Recognized means this is what was calculated from the steps above.

If Gross amount is a Debit balance, the client still owes for costs incurred and/or work completed, but has not yet been invoiced. This is presented as under Current Assets category of the Balance Sheet.

If Gross amount is a Credit balance, we owe the client money, as they have been over-invoiced. This is presented under the Current Liabilities category of the Balance Sheet.

Cost Plus Contracts

Costs are recognized to the extent that they are incurred. Although estimates were initially made, it is important to use only Actual costs incurred. Revenues are recognized based on the Costs + % margin added.

Revenues = Actual Costs Incurred + % Markup on Actual Costs incurred

COGS = Actual Costs Incurred

4.4 Presentation

Excerpt from Statement of Comprehensive Income/Income Statement:

Revenue	X
COGS	(X)
Gross Profit	X or (X)

Note: Revenue from all the different contracts can be added together. Similarly, COGS can be added together.

Excerpt from Statement of Financial Position / Balance Sheet:

Current Assets:

Accounts Receivables	X
Gross Amount Due from Clients	X

Non-Current Assets:

Etc…

Current Liabilities:

Account Payables	X
Gross Amount Due to Clients	X

Non-current Liabilities

Etc..

As shown, we can add all of the accounts within "Gross Amount Due from Clients" as well as those within "Gross Amount Due to Client", across several contracts, to show one number on the Balance Sheet for each category. However, NEVER EVER net the two off of each other. Do not subtract "Gross Amount Due from Clients" from "Gross Amount Due to Clients." These must be presented as separate categories.

➢ *Closing the Accounts*

Upon completion of the contract, the entity should close all temporary accounts.

Example journal entry in entity's book:

Dr.	Progress Billings		X
	Cr. Construction in Progress - Project A		X

4.5 Financial statement

Financial statements reflect the collection, tabulation, and the final summarization of the accounting date.

There are some statements are involved:

1. Statement of financial position
2. Statement of comprehensive income & Expenditure
3. Ratio analysis
4. Notes of the statement
5. Profit and loss accounts
6. Income statement

Statement of financial position shows the financial condition of the organization at the end of the period whereas income statement measures the results of operation during the period. Then, the statement of comprehensive income & Expenditure reports the total income and expenditure during the period. Ratio analysis shows solvency ratio, profitability ratio and turnover ratio. Finally, notes of the statement.

4.6 Abstract of Cost

Name of work: 1st Variation work for Construction of 2 Nos 14 (Fourteen)Storied Residential Flat Building (Building No-4, 5) With Basement Having 104 Nos 1338 Sft Flats In each Building at Section-16, Mirpur, Dhaka.

Abstract of Cost

1.	Estimated amount put to tender:	TK.	902,627,247.71
A.	Tender Amount as per contract agreement:	TK.	944,734,020.35
B.	Excess Amount (Work done within 25% *BOQ* or 1% of contract price.)		
	a) Excess Amount as per Quoted Rate:		
	Part A: Civil Work	TK .	107,833,436.91
	Part B: Sanitary Work	TK .	14,455,614.80

Part C: Gas Connection		TK .	601,895.40
Part D: Int. Electrification Work		TK .	7,028,785.40
		Total (a) TK.	129,919,732.51
b) Less amount as per Quoted Rate:			
Part A: Civil Work		TK .	80,687,322.41
Part B: Sanitary Work		TK .	3,280,397.60
Part C: Gas Connection		TK .	-
Part D: Int. Electrification Work		TK .	3,319,332.32
		Total (b) TK.	87,287,052,33
Net Excess Amount as per Quoted rate	Total B= (a-b)	TK.	42,632,680.18
C. Excess amount (More than 25% BOQ or exceed 1% of Contract Price) of Contract amount	Total (C)	TK.	6,882,567.12
D. Value of Quantuty Variation for Excess work (as per tender item of work)	Total D= (B+C)	TK.	49,515,247.30
E. Value of variation for non-tender item of works (1st Variation)			
i. Civil Work		TK .	23,216,080.64
ii. Sanitary Work		TK .	3,054,384.10
iii. Int. Electrification Work		TK .	6,226,583.07
	Total E	TK	32,497,047.81
F. Total overall value of 1st variation work: [Value of Present Excess/Less/variation work (as per tender & non-tender item of works). (Proposed 1st variation)}	Total F= (D+E)	TK	82,012,295.11
G. Percentage of total variation work.	G=(F/A) %		8.68%
H. Total Value of Work= (Tender agreement value + variation amount)	Total H=(A+F)	TK	1026746315.46

1	**Name of Work**	**1st Variation work for Construction of 2 Nos 14(Fourteen) Storied Residential Flat Building (Building No-4, 5) With Basement Having 104 Nos 1338 Sft Flats In each Building at Section-16, Mirpur, Dhaka.**
2	Name of Division:	Mirpur Housing and Settlement Division-2, Mirpur, Dhaka.

3	Name of Agency:	MCL-HSL (JV).
4	Notification of Award (NOA) No & Date	NHA/EHM-II /3/405/1055, Date-26.06.2018.
5	Date of Completion as Per Agreement	30 (Thirty) Months.
6	Tendered Amount as Per Agreement	Tk. 94,47,34,020.35

Abstract of Excess/Less

SL.NO	Description of Works	As Per Tender Amount (Tk.)	Work done/to be done amount with contract rate (Tk.)	Excess Work done/to be done with Negotiated rate (Tk.)	Total Work done / To be done Amount (Tk.)	Excess / Less Amount (Tk.)
A).	Civil Works	869,692,973.28	896,839,087.78	6,882,567.12	903,721,654.90	34,028,681.62
B).	Sanitary and Plumbing Works	30,442,077.00	41,617,294.20	-	41,617,294.20	11,175,217.20
C).	Gas Connection Works	1,870,890.00	2,472,785.40	-	2,472,785.40	601,895.40
D).	Internal Electrification Works	42,728,080.07	46,437,533.15	-	46,437,533.15	3,709,453.09
	Grand Total Amount=	**944,734,020.35**	**987,366,700.53**	**6,882,567.12**	**994,249,267.65**	**49,515,247.30**

Non-Tender

A. Civil Work 23,216,080.64

B. Sanitary Work 3,054,384.10

C. Electrification 6,226,583.07

Non-Tender Total = 32,497,047.81

Tender & Non-Tender Total= 1,026,746,315.46

Excess = 82,012,295.11 8.68%

4.7 Progress Bills

Name of Work: All Type Rod, Shuttering & casting works. (Drop Wall)

VASANTEAK Project,

Mirpur-16, Dhaka.

5th Running Activity Bill

Item No	Description of work		Quantity	Rate (Tk.)	Amount (Tk.)
Item No-1	Only Labour Charges for Steel or wooden Shuttering works-do-do-etc. All complete As Per Design.	Unit			
	(A). 1st Floor Shuttering (above 5%)				
	i) Drop Wall (8 Unit)	Sft	1448.28	16.17	23418.65
	(B). 2nd Floor Shuttering (above 10%)				
	ii) Drop Wall (3 Unit)	Sft	1448.28	16.94	24533.83
	(C). 3rd Floor Shuttering (above 15%)				
	iii) Drop Wall (8 Unit)	Sft	1448.28	17.71	25649.00
	(D). 5th Floor Shuttering (above 25%)				
	iv) Drop Wall (8 Unit)	Sft	1330.17	19.25	25605.77
	(E). 6th Floor Shuttering (above 30%)				
	iv) Drop Wall (8 Unit)	Sft	1330.17	20.02	26630.00
	(F). 7th Floor Shuttering (above 35%)				
	iv) Drop Wall (8 Unit)	Sft	1330.17	20.79	27654.23
	(G). 8th Floor Shuttering (above 40%)				
	iv) Drop Wall (8 Unit)	Sft	1330.17	21.56	28678.47
	(j). 10th Floor Shuttering (above 50%)				
	iv) Drop Wall (8 Unit)	Sft	1448.28	23.10	33455.22
	(k). 11th Floor Shuttering (above 55%)				
	v) Drop Wall (8 Unit)	Sft	1448.28	23.87	34570.39
	(1).12th Floor Shuttering (above 60%)				
	vi) Drop Wall (8 Unit)	Sft	1448.28	24.64	35685.56
Item No-2	Only Labour Charges for M.S.Rod Binding, Cutting, Fabrication etc. All complete As Per Design.				
	(A). 1st Floor (above 5%)				
	i) Drop Wall (8 Unit)	Ton	0.48	3580.50	1717.32
	(B). 2nd Floor (above 10%)				
	ii) Drop Wall (8 Unit)	Ton	0.48	3751.00	1799.10

	(C). 3rd Floor (above 15%)				
	iii) Drop Wall (8 Unit)	Ton	0.48	3921.50	1880.88
	(D). 5th Floor (above 25%)				,
	iv) Drop Wall (8 Unit)	Ton	0.44	4262.00	1875.28
	(E). 6th Floor (above 30%)				
	iv) Drop Wall (8 Unit)	Ton	0.44	4433.00	1950.52
	(F). 7th Floor (above 35%)				
	iv) Drop Wall (8 Unit)	Ton	0.44	4603.50	2025.54
	(G). 8th Floor (above 40%)				
	iv) Drop Wall (8 Unit)	Ton	0.44	4774.00	2100.56
	(j).10 Floor (above 50%)				
	iv) Drop Wall (8 Unit)	Ton	0.48	5115.00	2453.32
	(k).11 Floor (above 55%)				
	v) Drop Wall (8 Unit)	Ton	0.48	5285.50	2535.10
	(l). 12 Floor (above 60%)				
	vi) Drop Wall (8 Unit)	Ton	0.48	5456.00	2616.88
Item No-3	Only Labour Charges for Drop Wall Casting all complete etc.				
	(A). 1st Floor (above 5%)				
	i) Drop Wall (8 Unit)	Cft	186.31	22.57	4204.92
	(B). 2nd Floor (above 10%)				
	ii) Drop Wall (8 Unit)	Cft	186.31	23.65	4406.13
	(C). 3rd Floor (above 15%)				
	iii) Drop Wall (8 Unit)	Cft	186.31	24.72	4605.47
	(D). 5th Floor (above 25%)				
	iv) Drop Wall (8 Unit)	Cft	186.31	26.88	4596.48
	(E). 6th Floor (above 30%)				
	iv) Drop Wall (8 Unit)	Cft	186.31	27.95	4779.45
	(F). 7th Floor (above 35%)				
	iv) Drop Wall (8 Unit)	Cft	186.31	29.02	4962.42
	(G). 8th Floor (above 40%)				
	iv) Drop Wall (8 Unit)	Cft	186.31	30.10	5147.10
	(j).10 Floor (above 50%)				
	iv) Drop Wall (8 Unit)	Cft	186.31	32.25	6008.35
	(k).11 Floor (above 55%)				
	v) Drop Wall (8 Unit)	Cft	186.31	33.32	6207.70
	(l). 12 Floor (above 60%)				
	vi) Drop Wall (8 Unit)	Cft	186.31	34.40	6408.91
Item no-4	Only Labour (Charges for Steel Shuttering Cleaning & Grainding) etc. all complete as	Sft	14010.35	1.10	15411.38
				Total=	**373573.94**

Chapter 5: Findings, Recommendations and Conclusion

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5.1 Findings:

- Most of the clients of the Five-star Construction Company are satisfied with the services provided by them.
- All the employees are so much helpful and work in a friendly environment. They help each other, when any officer fails to work properly.
- The top executives and officers are very helpful to the clients. Some of the clients do not know the exact details of construction materials. The officers of five-star construction Limited help them properly to execute their model.
- Numbers of employees are fewer than the volume of works which creates problem to provide prompt services.
- Uses only few numbers of Accounting Systemsin the organization.
- Not so enough uses of Accounting Systemsin the Construction Company. Only use some of the cost and benefits for the analysis of the profits and losses.
- Lack of financial information and also lack of proper maintaining of accounting standards, principles, and policies.
- In the information there are huge gap between reality and try to hide accounts related information.
- Keeps only contract related information and provide for the audit and make financial report.
- Only three months are not enough to understand the overall operations of an organization and a new department.
- Accounts departments usually have policy of not disclosing some sensitive date and information for obvious reason posed an obstacle to the practical orientation that could be very much useful.

5.2 Recommendations

It is not unexpected to have problems in any organization. There must be problems to operate an organization. But there must be remedies to follow. The following commendations can be suggested to solve the above-mentioned problems:

Working at Five Star Construction was a great experience for me. I have learnt many things throughout my internship period. From my little knowledge what I have some recommendations as follows:

Five Star Construction have a very few employees at accounting and finance department whereas the work pressure is high. So, the department could increase their workforce and share the work together.

Secondly, they should try to increase the perfection of use of Accounting Systemsin the organization and try to maintain proper accounts and make proper reports. And try to follow accounting standard, principles, and polices.

Third, to increase the rate of work efficiency they need faster computer with user friendly operating system. There is customized accounting software in the organization which is not beneficial. They should update or add more features in that software and appoint a professional operator so that it might save time, money, labor and execute an impact for the long run.

5.3 Conclusion

Five Star Construction is a 3rd class government Construction Company. And a leading organization to future work. This was an added challenge to all the accounting staffs as the listing the accountability of the organization has gained a higher reach. The Accounts department took the challenge and proved their spirit by the timely publication of yearly Annual Financial Reports. Each and every section in the department deserves to be complemented. In this report, I have tried my level best to identify accounting technique and procedures used by Five Star Construction. What and how they use accounting information for decision making and external financial reporting along with describing the procedure and systems of using accounting information. In this report, I imply our acquired knowledge from my department and try to comply with the techniques procedure and systems followed by the organization.

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