AS-7 Construction Contracts

- **Objective**
  - Contract Revenue & Cost
- **Scope**
  - Contractors only.
- **Types.**
  - Fixed price contract
  - Cost plus contract.
- **Contract Revenue Contract cost**
  - Based on outcome from a contract
    - **Can be Estimated**
      - Recognise Revenue & cost based on Percentage of Completion of contract →
        - * Cost Incurred
        - Survey Method
        - Completion of Physical proportion of contract
      - **Revenue**
        - Contract price xxx
        - (+) Variations (customer specification) xx
        - + Escalation clause xx
        - + Claim (wrong specif.) xx
        - + Incentives xx
        - − Penalties (delay) xx
        - xxx
      - **Cost**
        - **Includes**
          - Specific cost
          - Attributable cost
          - other cost (as per contract)
        - **Excludes**
          - unallocable cost.
    - **Can't be reliably estimated**
      - Revenue = cost incurred during the year
      - No profit / No loss.
- **Combining & Segmenting construction Contracts.**
  - **Combining contract**
    - Negotiation as a single Package
    - All contracts - closely inter related
    - performed at same time / one after another
  - **Segmenting contract**
    - Separate Proposal for each
    - Parties can accept / reject the proposal wise
    - Cost & Revenue can be identifiable - each Asset.
- **Impact of uncertainty**
  - Simillar to AS-9
- **Expecting a loss from contract.**
  - Recognise loss immediately
  - Irrespective of
    - Work started / not
    - % of completion
    - Profit from other Projects.
- **Disclosure**
  - For completed contracts.
    - Amt of revenue recognised
    - Method for revenue
    - Method for % of completion
  - For In progress contract.
    - Cost & profit upto B/S date
    - Advance Money
    - Retention Money

$$* \ \text{\% of completion of contract} = \frac{\text{Contract cost Incurred till the B/S Date}}{\text{Estimated Total contract cost}} \times 100$$