AS-7 construction contracts

And AS-11

→ Accounting for revenue from construction of one or more assests & other services directly related to construction, destruction & restoration services.

→ Types :- a) fixed price contracts :- contract price / rate per unit is fixed subject to escalation

b) cost plus contracts :- Revenue = cost + (% of cost / fixed fee)

→ As per AS-7 provides that when the outcome of a construction contract can be estimated reality, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expense respectively with refrence to the stage of completion of the contract activity of reporting date.

→ If total costs > contract revenue

. Estimated loss can be recognised immediately irrespective of

i) % of completion

ii) started work or not

iii) whether or not income from other contracts.

→ % of completion = $\frac{\text{cost to date}}{\text{cumulative cost incurred + estimated cost to complete}} \times 100.$

→ Current revenue from contract = contract price × % of completion − Revenue previosly recognised

Cost todate.

→ Expected loss = $\underbrace{\text{Work certified + Work uncertified}}$ + Estimated cost to complete project − Total value of contract.

→ Amount due from / to customers = contract costs + recognised profits − Recognised losses − progress billings

→ As per AS−7 disclosure

C	contract revenue	xxx
C	contract expense	xxx
R	Recognised profit/loss	xxx
C	contract cost incurred	xxx
C	contract cost relates to future	xxx
P	Progress billings	xxx
U	unbilled contract revenue	xxx
A	Advances	xxx
R	Retentions	xxx
A	Amt due to / from customers	xxx