

**AS 7****Construction Contracts****Question 1**

X Ltd. negotiates with Bharat Petroleum Corporation Ltd (BPCL), for construction of "Franchise Retail Petrol Outlet Stations". Based on proposals submitted to different Zonal offices of BPCL, the final approval for one outlet each in Zone A, Zone B, Zone C, Zone D, is awarded to X Ltd. Agreement (in single document) is entered into with BPCL for Rs. 490 lakhs. The agreement lays down values for each of the four outlets (Rs. 88 + 132 + 160 + 110 lakhs) in addition to individual completion time. You are required to examine and comment whether X Ltd., will treat it as a single contract or four separate contracts.

**(MTP Oct '19, MTP Mar'18, MTP Aug'18 5 Marks) (Same concepts different figures RTP May'19)**

**Answer 1**

As per AS 7 on 'Construction Contracts', when a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when:

- (a) separate proposals have been submitted for each asset;
- (b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and
- (c) the costs and revenues of each asset can be identified.

In the given case, each outlet is submitted as a separate proposal to different Zonal Office, which can be separately negotiated, and costs and revenues thereof can be separately identified. Hence, each asset will be treated as a "single contract" even if there is one document of contract. Therefore, four separate contract accounts have to be recorded and maintained in the books of X Ltd. For each contract, principles of revenue and cost recognition have to be applied separately and net income will be determined for each asset as per AS 7.

**Question 2**

M/s Highway Constructions undertook the construction of a highway on 01.04.2016. The contract was to be completed in 2 years. The contract price was estimated at Rs.150 crores. Up to 31.03.2017 the company incurred Rs. 120 crores on the construction. The engineers involved in the project estimated that a further Rs. 45 crores would be incurred for completing the work. What amount should be charged to profit and loss statement for the year 2016 -17 as per the provisions of Accounting Standard 7 "Construction Contracts"?

**(MTP Oct'18 5 Marks)**

**Answer 2**

Statement showing amount to be charged to Profit and Loss Statement as per AS 7

	Rs. in crores
Cost of construction incurred upto 31.03.2017Add:	120
Estimated future cost	45
Total estimated cost of construction	<u>165</u>
Degree of completion (120/165 x 100)	72.73%



Revenue recognized (72.73% of 150)	109 (approx)
Total foreseeable loss (165 – 150)	15
Less: Loss for the current year (120 – 109)	<u>11</u>
Loss to be provided for in the P&L statement	<u>4</u>

### Question 3

PRZ & Sons Ltd. are Heavy Engineering contractors specializing in construction of dams. From the records of the company, the following data is available pertaining to year ended 31st March, 2021:

	(Rs. crore)
Total Contract Price	2,400
Work Certified	1,250
Work pending certification	250
Estimated further cost to completion	1,750
Stage wise payments received	1,100
Progress payments in pipe line	300

Using the given data and applying the relevant Accounting Standard you are required to:

- Compute the amount of profit/loss for the year ended 31st March, 2021.
- Arrive at the contract work in progress as at the end of financial year 2020-21.
- Determine the amount of revenue to be recognized out of the total contract value.
- Work out the amount due from/to customers as at year end. (MTP 5 Marks Oct '21 & April '23)(Same concept different figures MTP 5 Marks Mar'22, PYP 5 Marks May'18 & May '23)

### Answer 3

(i)	Calculation of profit/ loss for the year ended 31st March, 2021	(Rs. in crores)
	Total estimated cost of construction (1,250 + 250 + 1,750)	3,250
	Less: Total contract price	(2,400)
	Total foreseeable loss to be recognized as expense	850

According to AS 7 (Revised 2002) "Construction Contracts", when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.

(ii)	Contract work-in-progress i.e. cost incurred to date	(Rs. in crores)
	Work certified	1,250
	Work not certified	250
		1,500

### (iii) Proportion of total contract value recognized as revenue

Percentage of completion of contract to total estimated cost of construction

$$= (1,500 / 3,250) \times 100 = 46.15\%$$

Revenue to be recognized till date = 46.15% of Rs. 2,400 crores = Rs. 1,107.60 crores.

(iv) Amount due from / to customers = Contract costs + Recognized profits – Recognized losses – (Progress payments received + Progress payments to be received)

$$= \text{Rs. } [1,500 + \text{Nil} - 850 - (1100 + 300)] \text{ crores}$$

$$= \text{Rs. } [1,500 - 850 - 1,400] \text{ crores}$$

Amount due to customers (shown as liability) = Rs. 750 crores.



### Question 4

A contractor firm obtained a contract for construction of bridge. The following details are available in the records kept for the year ended March 31, 2021:

	(Rs. In Crore)
Total Contract Price	500
Work Certified	250
Work not Certified	80
Estimated further Cost to Completion	220
Progress Payment Received	200
Payment to be Received	70

You are required to calculate :

- The amount of revenue to be recognized.
- The amount of profit or loss to be recognized.
- The amount due from/ to customers.

Also present relevant disclosures as per AS-7 (Revised).

**(MTP 5 Marks Nov '21)(Same concept different figures Old & New SM)**

### Answer 4

(i) Proportion of total contract value recognized as revenue

Percentage of completion of contract to total estimated cost of construction =  $[(250 + 80) / (250 + 80 + 220)] \times 100 = 60\%$  Revenue to be recognized till date = 60% of Rs. 500 crore = Rs. 300 crore.

(ii)

Calculation of profit/ loss for the year ended 31st March, 2021	(Rs. in crore)
Total estimated cost of construction	
Work certified 250	
Work not certified 80	
Estimated further cost to completion 220	550
Less: Total contract price	(500)
Total foreseeable loss to be recognized as expense	50

According to AS 7 "Construction Contracts", when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.

(iii) Amount due from / to customers = Contract costs incurred till date + Recognized profits – Recognized losses – (Progress payments received + Progress payments to be received)

= Rs.  $[(250 + 80) + Nil - 50 - (200 + 70)]$  crore = Rs.  $[330 - 50 - 270]$  crore

Amount due from customers (shown as an asset) = Rs. 10 crore.

(iv) The relevant disclosures under AS 7 (Revised) are given below:

	Rs. in crores
Contract revenue till 31st March, 2021	300
Contract expenses till 31st March, 2021	330
Recognized losses for the year 31st March, 2021	50
Progress billings Rs. (200+ 70)	270
Progress (billed but not received from contractee)	70
Gross amount due from customers	10



### Question 5

Bricks Ltd. signed on 01/04/21, a construction contract for Rs. 1,50,00,000. Following particulars are extracted in respect of contract, for the period ending 31/03/22:

- Materials issued Rs. 75,00,000
- Labour charges paid Rs. 36,00,000
- Hire charges of plant Rs. 10,00,000
- Another contract cost incurred Rs. 15,00,000
- Out of material issued, material lying unused at the end of period is Rs. 4,00,000
- Labour charges of Rs. 2,00,000 are still outstanding on 31.3.22.
- It is estimated that by spending further Rs. 33,50,000 (including material unused Rs. 4,00,000), the work can be completed in all respect. You are required to compute profit/loss to be taken to Profit & Loss Account and additional provision for foreseeable loss as per AS 7.

**(MTP 5 Marks April 22, Mar 21, Oct 20 & Oct '23 Old & New SM)**

### Answer 5

Statement showing the amount of profit/loss to be taken to Profit and Loss Account and additional provision for the foreseeable loss as per AS 7

	Cost of Construction	Rs.	Rs.
	Material Issued	75,00,000	
<b>Less:</b>	Unused Material at the end of period	4,00,000	71,00,000
	Labour Charges paid	36,00,000	
<b>Add:</b>	Outstanding on 31.03.2022	2,00,000	38,00,000
	Hire Charges of Plant		10,00,000
	Other Contract cost incurred		15,00,000
	Cost incurred upto 31.03.2022		1,34,00,000
<b>Add:</b>	Estimated future cost		33,50,000
	Total Estimated cost of construction		1,67,50,000
	Degree of completion $(1,34,00,000/1,67,50,000 \times 100)$		80%
	Revenue recognized (80% of 1,50,00,000)		1,20,00,000
	Total foreseeable loss $(1,67,50,000 - 1,50,00,000)$		17,50,000
<b>Less:</b>	Loss for the current year $(1,34,00,000 - 1,20,00,000)$		14,00,000
	Loss to be provided for		3,50,000

### Question 6

On 1st December, 2019, Mahindra Construction Co. Ltd. undertook a contract to construct a building for ₹ 170 lakhs. On 31st March, 2020, the company found that it had already spent ₹ 1,29,98,000 on the construction. Prudent estimate of additional cost for completion was ₹ 64,02,000. Calculate total estimated loss on contract and what should be shown in statement of profit and loss account as contract revenue and contract cost in the final accounts for the year ended 31 st March, 2020, as per provision of Accounting Standard 7 (Revised)

**(MTP 5 Marks Sep'22) (Same concept different figures Old & New SM, RTP Nov'19, Nov'22)**

### Answer 6





	₹
Cost incurred till 31st March, 2020	129,98,000
Prudent estimate of additional cost for completion	64,02,000
Total cost of construction	194,00,000
Less: Contract price	(170,00,000)
Total foreseeable loss	24,00,000

As per AS 7 Construction Contracts, when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately. Hence the foreseeable loss of ₹ 24,00,000 should be recognized as an expense immediately in the year ended 31st March 2020.

Contract work in progress =  $129,98,000/194,00,000 \times 100 = 67\%$  Proportion of contract value recognized as turnover as per AS 7 =  $67\%$  of ₹ 170,00,000 = ₹ 113,90,000.

### Question 7

The following data is provided for M/s. Raj Construction Co.

- (i) Contract Price - ₹ 85 lakhs
- (ii) Materials issued - ₹ 21 Lakhs out of which Materials costing ₹ 4 Lakhs is still lying unused at the end of the period.
- (iii) Labour Expenses for workers engaged at site - ₹ 16 Lakhs (out of which ₹ 1 Lakh is still unpaid)
- (iv) Specific Contract Costs = ₹ 5 Lakhs
- (v) Sub-Contract Costs for work executed - ₹ 7 Lakhs, Advances paid to Sub-Contractors - ₹ 4 Lakhs
- (vi) Further Cost estimated to be incurred to complete the contract - ₹ 35 Lakhs

You are required to compute the Percentage of Completion, the Contract Revenue and Cost to be recognized as per AS-7. (MTP 5 Marks Oct'22, PYP 5 Marks July 21)

### Answer 7

Computation of contract cost

	₹ Lakh	₹ Lakh
Material cost incurred on the contract (net of closing stock)	21-4	17
Add: Labour cost incurred on the contract (including outstanding amount)		16
Specified contract cost	given	5
Sub-contract cost (advances should not be considered)		7
Cost incurred (till date)		45
Add: further cost to be incurred		35
Total contract cost		80

Percentage of completion =  $\text{Cost incurred till date} / \text{Estimated total cost}$

$$= ₹ 45,00,000 / ₹ 80,00,000 = 56.25\%$$

Contract revenue and costs to be recognized

$$\text{Contract revenue } (₹ 85,00,000 \times 56.25\%) = ₹ 47,81,250 \quad \text{Contract costs} = ₹ 45,00,000$$



### **Question 8**

- (a) *In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably only when certain conditions prescribed under AS 7 are satisfied. You are required to describe these conditions mentioned in the standard.*
- (b) *Mr. 'X' as a contractor has just entered into a contract with a local municipal body for building a flyover. As per the contract terms, 'X' will receive an additional Rs. 2 crore if the construction of the flyover were to be finished within a period of two years of the commencement of the contract. Mr. X wants to recognize this revenue since in the past he has been able to meet similar targets very easily. Is X correct in his proposal? Discuss. (RTP Nov '21)*

### **Answer 8**

- (a) *In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:*
- (i) *total contract revenue can be measured reliably;*
  - (ii) *it is probable that the economic benefits associated with the contract will flow to the enterprise;*
  - (iii) *both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and*
  - (iv) *the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.*
- (b) *According to AS 7 (Revised) 'Construction Contracts', incentive payments are additional amounts payable to the contractor if specified performance standards are met or exceeded. For example, a contract may allow for an incentive payment to the contractor for early completion of the contract. Incentive payments are included in contract revenue when: (i) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and (ii) the amount of the incentive payment can be measured reliably. In the given problem, the contract has not even begun and hence the contractor (Mr. X) should not recognize any revenue of this contract.*

### **Question 9**

- (a) *Sky Limited belongs to Heavy Engineering Contractors specializing in construction of Flyovers. The company just entered into a contract with a local municipal corporation for building a flyover. No activity has started on this contract.*
- (b) *As per the terms of the contract, Sky Limited will receive an additional Rs. 50 lakhs if the construction of the flyover were to be finished within a period of two years from the commencement of the contract. The accountant of the entity wants to recognize this revenue since in the past the company has been able to meet similar targets very easily. Give your opinion on this treatment.*
- (c) *ABC Ltd., a construction contractor, undertakes the construction of commercial complex for XYZ Ltd. ABC Ltd. submitted separate proposals for each of 3 units of commercial complex. A single agreement is entered into between the two parties. The agreement lays down the value of each of the 3 units i.e. Rs. 50 lakhs, Rs. 60 lakh and Rs. 75 lakhs respectively. Agreement also lays down the completion time for each unit.*
- (d) *Comment, with reference to AS 7, whether ABC Ltd., should treat it as a single contract or three separate contracts. (RTP May '21 May '23 & Nov '23)*

### **Answer 9**



According to AS 7 'Construction Contracts', incentive payments are additional amounts payable to the contractor if specified performance standards are met or exceeded. For example, a contract may allow for an incentive payment to the contractor for early completion of the contract. Incentive payments are included in contract revenue when both the conditions are met: the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and the amount of the incentive payment can be measured reliably.

In the given problem, the contract has not even begun and hence the contractor (Sky Limited) should not recognize any revenue of this contract. Therefore, the accountant's contention for recognizing Rs. 50 lakhs as revenue are not correct.

As per AS 7 'Construction Contracts', when a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when: separate proposals have been submitted for each asset; each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and the costs and revenues of each asset can be identified.

ABC Ltd. has submitted separate proposals for each of the 3 units of commercial complex. Also the revenue and completion time has been laid down for each unit separately which implies separate negotiation for them.

Therefore, ABC Ltd. is required to treat construction of each unit as a separate construction contract as the above-mentioned conditions of AS 7 are fulfilled in the given case.

### **Question 10**

**Uday Constructions undertake to construct a bridge for the Government of Uttar Pradesh. The construction commenced during the financial year ending 31.03.2019 and is likely to be completed by the next financial year. The contract is for a fixed price of Rs. 12 crores with an escalation clause. You are given the following information for the year ended 31.03.2019:**

<b>Cost incurred upto 31.03.2019</b>	<b>Rs. 4 crore</b>
<b>Further cost estimated to complete the contract</b>	<b>Rs. 6 crore</b>

**Escalation in cost was by 5%. Hence, the contract price is also increased by 5%.**

**You are required to ascertain the stage of completion and compute the amount of revenue and profit to be recognized for the year as per AS 7. (RTP Nov'20, Nov '18 & May '18)**

### **Answer 10**

	Rs. in crore
Cost of construction of bridge incurred upto 31.3.2019	4.00
Add: Estimated future cost	6.00
Total estimated cost of construction	10.00
Contract Price (12 crore x 1.05)	12.60 crore

### **Stage of completion**

Percentage of completion till date to total estimated cost of construction  
 $= (4/10) \times 100 = 40\%$



**Revenue and Profit to be recognized for the year ended 31st March, 2019 as per AS 7:**

Proportion of total contract value recognized as revenue

= Contract price x percentage of completion

= Rs. 12.60 crore x 40% = Rs. 5.04 crore Profit for the year ended 31st March, 2019 = Rs. 5.04 crore – Rs. 4 crore = 1.04 crore.

**Question 11**

A construction contractor has a fixed price contract for Rs. 9,000 lacs to build a bridge in 3 years time frame. A summary of some of the financial data is as under:

(Amount Rs. in lacs)

	Year 1	Year 2	Year 3
Initial Amount for revenue agreed in contract	9,000	9,000	9,000
Variation in Revenue (+)	-	200	200
Contracts costs incurred up to the reporting date	2,093	6,168*	8,100**
Estimated profit for whole contract	950	1,000	1,000

\*Includes Rs. 100 lacs for standard materials stored at the site to be used in year 3 to complete the work.

\*\*Excludes Rs. 100 lacs for standard material brought forward from year 2. The variation in cost and revenue in year 2 has been approved by customer.

Compute year wise amount of revenue, expenses, contract cost to complete and profit or loss to be recognized in the Statement of Profit and Loss as per AS -7 (revised). (RTP May'20, Old &amp; New SM)

**Answer 11**

The amounts of revenue, expenses and profit recognized in the statement of profit and loss in three years are computed below:

(Amount in Rs. Lakhs)

	Up to the reporting date	Recognized in previous years	Recognized in current year
<b>Year 1</b>			
Revenue (9,000 x 26%)	2,340	-	2,340
Expenses (8,050 x 26%)	<u>2,093</u>	-	<u>2,093</u>
Profit	<u>247</u>	-	<u>247</u>
<b>Year 2</b>			
Revenue (9,200 x 74%)	6,808	2,340	4,468
Expenses (8,200 x 74%)	<u>6,068</u>	<u>2,093</u>	<u>3,975</u>
Profit	<u>740</u>	<u>247</u>	<u>493</u>
<b>Year 3</b>			
Revenue (9,200 x 100%)	9,200	6,808	2,392
Expenses (8,200 x 100%)	<u>8,200</u>	<u>6,068</u>	<u>2,132</u>
Profit	<u>1,000</u>	<u>740</u>	<u>260</u>
<b>Working Note:</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Revenue after considering variations	9,000	9,200	9,200



Less: Estimated profit for whole contract	<u>950</u>	<u>1,000</u>	<u>1,000</u>
Estimated total cost of the contract (A)	<u>8,050</u>	<u>8,200</u>	<u>8,200</u>
Actual cost incurred upto the reporting date (B)	2,093	6,068	8,200
Degree of completion (B/A)	26%	(6,168 -100)	(8,100+100)
		74%	100%

### Question 12

**B Ltd. undertook a construction contract for ₹ 50 crores in April, 2020. The cost of construction was initially estimated at ₹ 35 crores. The contract is to be completed in 3 years. While executing the contract, the company estimated that the cost of completion of the contract would be ₹ 53 crores.**

**Can the company provide for the expected loss in the financial Statements for the year ended 31st March, 2021? Explain. (RTP May 22)**

### Answer 12

As per para 35 of AS 7 "Construction Contracts", when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately. Therefore, the foreseeable loss of ₹ 3 crores (₹ 53 crores less ₹ 50 crores) should be recognized as an expense immediately in the year ended 31st March, 2021. The amount of loss is determined irrespective of

- Whether or not work has commenced on the contract;
- Stage of completion of contract activity; or
- The amount of profits expected to arise on other contracts which are not treated as a single construction contract in accordance provisions of AS 7.

### Question 13

**On 1st December, 2021, GR Construction Co. Ltd. undertook a contract to construct a building for ₹ 45 lakhs. On 31st March, 2022, the company found that it had already spent ₹ 32.50 lakhs on the construction. Additional cost of completion is estimated at ₹ 15.10 lakhs. What amount should be charged to revenue in the final accounts for the year ended 31st March, 2022 as per provisions of AS-7?**

**(RTP May '23 & Nov '23, PYP 5 Marks May '19)**

### Answer 13

	₹ in lakhs
Cost of construction incurred till date	32.50
Add: Estimated future cost	15.10
Total estimated cost of construction	47.60

Percentage of completion till date to total estimated cost of construction

$$= (32.50/47.60) \times 100 = 68.28\%$$

Proportion of total contract value recognized as revenue for the year ended 31st March, 2022 per AS 7 (Revised)

$$= \text{Contract price} \times \text{percentage of completion}$$

$$= ₹ 45 \text{ lakh} \times 68.28\% = ₹ 30.73 \text{ lakhs.}$$



	(₹ in lakhs)
Total cost of construction	47.60
Less: Total contract price	(45.00)
Total foreseeable loss to be recognized as expense	2.60

According to of AS 7, when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.

#### Question 14

Rajendra undertook a contract ₹ 20,00,000 on an arrangement that 80% of the value of work done, as certified by the architect of the contractee should be paid immediately and that the remaining 20% be retained until the Contract was completed. In Year 1, the amounts expended were ₹ 8,60,000, the work was certified for ₹ 8,00,000 and 80% of this was paid as agreed. It was estimated that future expenditure to complete the Contract would be ₹ 10,00,000. In Year 2, the amounts expended were ₹ 4,75,000. Three-fourth of the work under contract was certified as done by December 31st and 80% of this was received accordingly. It was estimated that future expenditure to complete the Contract would be ₹ 4,00,000. In Year 3, the amounts expended were ₹ 3,10,000 and on June 30th, the whole Contract was completed. Show how Contract revenue would be recognized in the P & L A/c of Mr. Rajendra each year.

(PYP 5 Marks , Nov 20)(MTP 5 Marks Sep '23)

#### Answer 14

(a) Year 1	₹
Actual expenditure	8,60,000
Future estimated expenditure	<u>10,00,000</u>
Total Expenditure	<u>18,60,000</u>

% of work completed =  $8,60,000/18,60,000 \times 100 = 46.24\%$ (Rounded off)

Revenue to be recognized (cumulative) =  $20,00,000 \times 76.95\% = 15,39,000$

Less: revenue recognized in Year 1 = ( 9,24,800 )

Revenue to be recognized in Year 2 ₹ 6,14,200

Year 2	
Actual expenditure	4,75,000
Future Expenditure	4,00,000
Expenditure incurred in year 1	8,60,000
	17,35,000

% of work completed =  $4,75,000+8,60,000/17,35,000 = 76.95\%$ (Rounded off)

Revenue to be recognized (cumulative) =  $20,00,000 \times 76.95\% = 15,39,000$

Less: revenue recognized in Year 1 = (9,24,800) Revenue to be recognized in Year 1 = Rs. 6,14,200

#### Year 3

Whole contract got completed therefore total contract value less revenue recognized up to year 2 will be amount of revenue to be recognized in year 3 i.e.  $20,00,000 - 15,39,000 (9,24,800 + 6,14,200) = ₹ 4,61,000$ . Note: Calendar year has been considered as accounting year.



**Question 15**

Grace Ltd., a firm of contractors provided the following information in respect of a contract for the year ended on 31st March, 2022:

Particulars	(₹ in '000)
Fixed Price Contract with an escalation clause Work Certified	35,000
Work not Certified (includes ₹ 26,25,000 for materials issued, out of which material lying unused at the end of the period is ₹ 1,40,000)	17,500
Estimated further cost to completion	3,815
Progress Payment Received Payment to be Received	17,325
Escalation in cost is by 8% and accordingly the contract price is increased by 8%	14,000
	4,900

From the above information, you are required to:

- I. Compute the contract revenue to be recognized.
- II. Calculate Profit /Loss for the year ended 31st March, 2022 and additional provision for loss to be made, if any, for the year ended 31st March, 2022. (MTP 5 Marks May'22)

**Answer 15**

Calculation of total estimated cost of construction

		₹ in thousand
Cost of Contract incurred till date		
Work certified	17,500	
Work not certified (3,815 thousand – 140 thousand)	3,675	21,175
Add: Estimated future cost		17,325
Total estimated cost of construction		38,500
Contract Price (35,000 thousand x 1.08)		37,800

Stage of completion

Percentage of completion till date to total estimated cost of construction = [Cost of work completed till date / total estimated cost of the contract] x 100

$$= [₹ 21,175 \text{ thousand} / ₹ 38,500 \text{ thousand}] \times 100 = 55\%$$

**Revenue to be recognized for the year ended 31st March, 2022**

Proportion of total contract value recognized as revenue = Contract price x percentage of completion = ₹ 37,800 thousand x 55% = ₹ 20,790 thousand

**Loss to be recognized for the year ended 31<sup>st</sup> March, 2022**

Loss for the year ended 31st March, 2022 = Cost incurred till date – Revenue to be recognized for the year ended 31st March, 2022

$$= ₹ 21,175 \text{ thousand} - ₹ 20,790 \text{ thousand} = ₹ 385 \text{ thousand}$$

**Provision for loss to be made at the end of 31st March, 2022**

		₹ in thousand
Total estimated loss on the contract		
Total estimated cost of the contract	38,500	
Less: Total revised contract price	(37,800)	700
Less: Loss recognized for the year ended 31st March, 2022		(385)
Provision for loss to be made at the end of 31st March, 2022		315

