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Exposure Draft

Accounting Standard (AS) 11
Construction Contracts

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Issued by
Accounting Standards Board
The Institute of Chartered Accountants of India

Exposure Draft

Accounting Standard (AS) 11, *Construction Contracts*

(The Indian Accounting Standards (Ind AS), as notified by the Ministry of Corporate Affairs in February, 2015, have been applicable to the specified class of companies. Accounting Standards are applicable to entities other than those to whom Ind AS are applicable. However, the Ministry of Corporate Affairs has requested the Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) to update Accounting Standards, as notified under Companies (Accounting Standards) Rules, 2006, to bring them nearer to Indian Accounting Standards. Accordingly, the Accounting Standards Board, ICAI, initiated to update these standards which will be applicable to all entities to whom Ind AS are not applicable. While formulating these Accounting Standards, the Accounting Standards Board, ICAI, decided to maintain the consistency with the paragraph numbers and with the numbering of Standards of the Indian Accounting Standards.)

As per the Approach Paper for upgradation of existing Accounting Standards to bring them nearer to the Ind AS as finalised by the ICAI, AS on Construction Contracts, and Revenue Recognition, corresponding to Ind AS 11, Construction Contracts, and Ind AS 18, Revenue, respectively have been upgraded and AS corresponding to Ind AS 115 has not been formulated. In this direction, following is the Exposure Draft of the updated Accounting Standard (AS) 11, *Construction Contracts*, issued by the Accounting Standards Board of the ICAI, for comments. Major differences between draft AS 11 and Ind AS 11 are given in Appendix 1 of draft AS 11. Similarly, major differences between draft AS 11 and AS 7 are given in Appendix 2 of draft AS 11. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments can be submitted using one of the following methods so as to receive not later than **February 4, 2019**.

Electronically:	*click on* **http://www.icai.org/comments/asb/** *to submit comments online*
Email:	*Comments can be sent at commentsasb@icai.in*
Postal:	*Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002*

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to asb@icai.in.

[This Accounting Standard includes paragraphs set in **bold** *type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.]*

Objective

The objective of this Standard is to prescribe the accounting treatment of revenue and costs associated with construction contracts. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. Therefore, the primary issue in accounting for construction contracts is the allocation of contract revenue and contract costs to the accounting periods in which construction work is performed. This Standard uses the recognition criteria established in the *Framework for the Preparation and Presentation of Financial Statements* issued by ICAI to determine when contract revenue and contract costs shall be recognised as revenue and expenses in the statement of profit and loss. It also provides practical guidance on the application of these criteria.

Scope

1. This Standard shall be applied in accounting for construction contracts in the financial statements of contractors. It does not apply to real estate contracts[1].

1A. The impairment of any contractual right to receive cash or another financial asset arising from this Standard shall be dealt in accordance with AS 109, *Financial Instruments.*

2. [Refer Appendix 1]

Definitions

3. The following terms are used in this Standard with the meanings specified:

A *construction contract* is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

A *fixed price* contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A *cost plus contract* is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee.

[1] For real estate developers, revenue shall be accounted for in accordance with the Guidance Note on the subject being issued by the Institute of Chartered Accountants of India.

The *transaction price* is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both

4. A construction contract may be negotiated for the construction of a single asset such as a bridge, building, dam, pipeline, road, ship or tunnel. A construction contract may also deal with the construction of a number of assets which are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use; examples of such contracts include those for the construction of refineries and other complex pieces of plant or equipment.

5. For the purposes of this Standard, construction contracts include:

   (a) contracts for the rendering of services which are directly related to the construction of the asset, for example, those for the services of project managers and architects; and

   (b) contracts for destruction or restoration of assets, and the restoration of the environment following the demolition of assets.

6. Construction contracts are formulated in a number of ways which, for the purposes of this Standard, are classified as fixed price contracts and cost plus contracts. Some construction contracts may contain characteristics of both a fixed price contract and a cost plus contract, for example, in the case of a cost plus contract with an agreed maximum price. In such circumstances, a contractor needs to consider all the conditions in paragraphs 23 and 24 in order to determine when to recognise contract revenue and expenses.

Combining and Segmenting Construction Contracts

7. The requirements of this Standard are usually applied separately to each construction contract. However, in certain circumstances, it is necessary to apply the Standard to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

8. **When a contract covers a number of assets, the construction of each asset shall 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.

9. A group of contracts, whether with a single customer or with several customers, shall be treated as a single construction contract when:

(a) the group of contracts is negotiated as a single package;

(b) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and

(c) the contracts are performed concurrently or in a continuous sequence.

10. A contract may provide for the construction of an additional asset at the option of the customer or may be amended to include the construction of an additional asset. The construction of the additional asset shall be treated as a separate construction contract when:

(a) the asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or

(b) the price of the asset is negotiated without regard to the original contract price.

Contract revenue

11. Contract revenue shall comprise:

(a) the initial amount of revenue agreed in the contract; and

(b) variations in contract work, claims and incentive payments:

(i) to the extent that it is probable that they will result in revenue; and

(ii) they are capable of being reliably measured.

12. Contract revenue is normally measured at transaction price. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from one period to the next. For example:

(a) a contractor and a customer may agree to variations or claims that increase or decrease contract revenue in a period subsequent to that in which the contract was initially agreed;

(b) the amount of revenue agreed in a fixed price contract may increase as a result of cost escalation clauses;

(c) the amount of contract revenue may decrease as a result of penalties arising from delays caused by the contractor in the completion of the contract; or

(d) when a fixed price contract involves a fixed price per unit of output, contract revenue increases as the number of units is increased.

13. A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. A variation may lead to an increase or a decrease in contract revenue. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract. A variation is included in contract revenue when:

(a) it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and

(b) the amount of revenue can be reliably measured.

14. A claim is an amount that the contractor seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are included in contract revenue only when:

(a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and

(b) the amount that it is probable will be accepted by the customer can be measured reliably.

15. 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:

(a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and

(b) the amount of the incentive payment can be measured reliably.

Contract Costs

16. Contract costs shall comprise:

(a) costs that relate directly to the specific contract;

(b) costs that are attributable to contract activity in general and can be allocated

to the contract; and

(c) such other costs as are specifically chargeable to the customer under the terms of the contract.

17. Costs that relate directly to a specific contract include:

(a) site labour costs, including site supervision;

(b) costs of materials used in construction;

(c) depreciation of plant and equipment used on the contract;

(d) costs of moving plant, equipment and materials to and from the contract site;

(e) costs of hiring plant and equipment;

(f) costs of design and technical assistance that is directly related to the contract;

(g) the estimated costs of rectification and guarantee work, including expected warranty costs; and

(h) claims from third parties.

These costs may be reduced by any incidental income that is not included in contract revenue, for example income from the sale of surplus materials and the disposal of plant and equipment at the end of the contract.

18. Costs that may be attributable to contract activity in general and can be allocated to specific contracts include:

(a) insurance;

(b) costs of design and technical assistance that are not directly related to a specific contract; and

(c) construction overheads.

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics. The allocation is based on the normal level of construction activity. Construction overheads include costs such as the preparation and processing of construction personnel payroll. Costs that may be attributable to contract activity in general and can be allocated to specific contracts also include borrowing costs as per Accounting Standard (AS) 23, *Borrowing Costs*.

19. Costs that are specifically chargeable to the customer under the terms of the contract may

include some general administration costs and development costs for which reimbursement is specified in the terms of the contract.

20. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract. Such costs include:

(a) general administration costs for which reimbursement is not specified in the contract;

(b) selling costs;

(c) research and development costs for which reimbursement is not specified in the contract; and

(d) depreciation of idle plant and equipment that is not used on a particular contract.

21. Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. However, costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs when the contract is obtained in a subsequent period.

Recognition of Contract Revenue and Expenses

22. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. An expected loss on the construction contract shall be recognised as an expense immediately in accordance with paragraph 36.

23. 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:

(a) total contract revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the contract will flow to the entity;

(c) both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and

(d) 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.

24. **In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:**

    (a) **it is probable that the economic benefits associated with the contract will flow to the entity; and**

    (b) **the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.**

25. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed. This method provides useful information on the extent of contract activity and performance during a period.

26. Under the percentage of completion method, contract revenue is recognised as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs are usually recognised as an expense in profit or loss in the accounting periods in which the work to which they relate is performed. However, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately in accordance with paragraph 36.

27. A contractor may have incurred contract costs that relate to future activity on the contract. Such contract costs are recognised as an asset provided it is probable that they will be recovered. Such costs represent an amount due from the customer and are often classified as contract work in progress.

28. The outcome of a construction contract can only be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the entity. However, when an uncertainty arises about the collectability of an amount already included in contract revenue, and already recognised in profit or loss , the uncollectible amount or the amount in respect of which recovery has ceased to be probable is recognised as an expense rather than as an adjustment of the amount of contract revenue.

29. An entity is generally able to make reliable estimates after it has agreed to a contract which establishes:

    (a) each party’s enforceable rights regarding the asset to be constructed;

    (b) the consideration to be exchanged; and

(c) the manner and terms of settlement.

It is also usually necessary for the entity to have an effective internal financial budgeting and reporting system. The entity reviews and, when necessary, revises the estimates of contract revenue and contract costs as the contract progresses. The need for such revisions does not necessarily indicate that the outcome of the contract cannot be estimated reliably.

30. The stage of completion of a contract may be determined in a variety of ways. The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:

(a) the proportion that contract costs incurred for work performed upto the reporting date bear to the estimated total contract costs; or

(b) surveys of work performed; or

(c) completion of a physical proportion of the contract work.

Progress payments and advances received from customers often do not necessarily reflect the work performed.

31. When the stage of completion is determined by reference to the contract costs incurred upto the reporting date, only those contract costs that reflect work performed are included in costs incurred upto the reporting date. Examples of contract costs which are excluded are:

(a) contract costs that relate to future activity on the contract, such as costs of materials that have been delivered to a contract site or set aside for use in a contract but not yet installed, used or applied during contract performance, unless the materials have been made specially for the contract; and

(b) payments made to subcontractors in advance of work performed under the subcontract.

32. When the outcome of a construction contract cannot be estimated reliably:

(a) revenue shall be recognised only to the extent of contract costs incurred of which recovery is probable; and

(b) contract costs shall be recognised as an expense in the period in which they are incurred.

An expected loss on the construction contract shall be recognised as an expense immediately in accordance with paragraph 36.

33. During the early stages of a contract it is often the case that the outcome of the contract cannot be estimated reliably. Nevertheless, it may be probable that the entity will recover the contract costs incurred. Therefore, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. As the outcome of the contract cannot be estimated reliably, no profit is recognised. However, even though the outcome of the contract cannot be estimated reliably, it may be probable that total contract costs will exceed total contract revenue. In such cases, any expected excess of total contract costs over total contract revenues for the contract is recognised as an expense immediately in accordance with paragraph 36.

34. Contract costs that are not probable of being recovered are recognised as an expense immediately. Examples of circumstances in which the recoverability of contract costs incurred may not be probable and in which contract costs may, therefore, need to be recognised as an expense immediately include contracts:

(a) that are not fully enforceable, i.e. , their validity is seriously in question;

(b) the completion of which is subject to the outcome of pending litigation or legislation;

(c) relating to properties that are likely to be condemned or expropriated;

(d) where the customer is unable to meet its obligations; or

(e) where the contractor is unable to complete the contract or otherwise meet its obligations under the contract.

35. When the uncertainties that prevented the outcome of the contract being estimated reliably no longer exist, revenue and expenses associated with the construction contract shall be recognised in accordance with paragraph 22 rather than in accordance with paragraph 32.

Recognition of Expected Losses

36. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately.

37. The amount of such a loss is determined irrespective of:

(a) whether work has commenced on the contract;

(b) the stage of completion of contract activity; or

(c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract in accordance with paragraph 9.

Changes in Estimates

38. The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate (see Accounting Standard (AS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The changed estimates are used in determination of the amount of revenue and expenses recognised in profit or loss in the period in which the change is made and in subsequent periods.

Disclosure

39. An entity shall disclose:

(a) the amount of contract revenue recognised as revenue in the period;

(b) the methods used to determine the contract revenue recognised in the period; and

(c) the methods used to determine the stage of completion of contracts in progress.

40. An entity shall disclose the following for contracts in progress at the end of reporting period:

(a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date;

(b) the amount of advances received; and

(c) the amount of retentions.

41. Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed.

42. An entity shall present:

(a) the gross amount due from customers for contract work as an asset; and

(b) the gross amount due to customers for contract work as a liability.

43. The gross amount due from customers for contract work is the net amount of:

(a) costs incurred plus recognised profits; less

(b) the sum of recognised losses and progress billings

for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

44. The gross amount due to customers for contract work is the net amount of:

(a) costs incurred plus recognised profits less
(b) the sum of recognised losses and progress billings;

for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

45. An entity discloses any contingent liabilities and contingent assets in accordance with Accounting Standard (AS) 37, *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise from such items as warranty costs, claims, penalties or possible losses.

Illustration

This illustration does not form part of the Accounting Standard. Its purpose is to illustrate the application of the Accounting Standard to assist in clarifying its meaning.

Disclosure of Accounting Policies

The following are illustrations of accounting policy disclosures:

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of labour hours incurred upto the reporting date to estimated total labour hours for each contract.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred upto the reporting date bear to the estimated total costs of the contract.

The Determination of Contract Revenue and Expenses

The following illustration illustrates one method of determining the stage of completion of a contract and the timing of the recognition of contract revenue and expenses (see paragraphs 22 to 35 of the Standard). (Amounts shown hereinbelow are in Rs. lakhs)

A construction contractor has a fixed price contract for Rs. 9,000 to build a bridge. The initial amount of revenue agreed in the contract is Rs. 9,000. The contractor's initial estimate of contract costs is Rs. 8,000. It will take 3 years to build the bridge.

By the end of year 1, the contractor's estimate of contract costs has increased to Rs. 8,050.

In year 2, the customer approves a variation resulting in an increase in contract revenue of Rs. 200 and estimated additional contract costs of Rs. 150. At the end of year 2, costs incurred include Rs. 100 for standard materials stored at the site to be used in year 3 to complete the project.

The contractor determines the stage of completion of the contract by calculating the proportion that contract costs incurred for work performed upto the reporting date bear to the latest estimated total contract costs. A summary of the financial data during the construction period is as follows:

(amounts in Rs. Lakhs)

	Year 1	Year 2	Year 3
Initial amount of revenue agreed in contract	9000	90000	9000
Variation	___	200	200
Total contract revenue	9000	9200	9200

Contract costs incurred upto the reporting date	2093	6168	8200
Contract costs to complete	5957	2032	___
Total estimated contract costs	8050	8200	8200
Estimated Profit	950	1000	1000
Stage of completion	26%	74%	100%

The stage of completion for year 2 (74%) is determined by excluding from contract costs incurred for work performed upto the reporting date, Rs. 100 of standard materials stored at the site for use in year 3.

The amounts of revenue, expenses and profit recognised in profit or loss in the three years are as follows:

	Upto the Reporting Date	Recognised in prior years	Recognised in current year
Year 1			
Revenue (9,000 x.26)	2,340	---	2,340
Expenses (8,050 x.26)	2,093	---	2,093
Profit	247	---	247
Year 2			
Revenue (9,200 x.74)	6,808	2,340	4,468
Expenses (8,200 x.74)	6,068	2,093	3,975
Profit	740	247	493
Year 3			
Revenue (9,200 x 1.00)	9,200	6,808	2,392
Expenses	8,200	6,068	2,132
Profit	1,000	740	260

Contract Disclosures

A contractor has reached the end of its first year of operations. All its contract costs incurred have been paid for in cash and all its progress billings and advances have been received in cash. Contract costs incurred for contracts B, C and E include the cost of materials that have been purchased for the contract but which have not been used in contract performance upto the reporting date. For contracts B, C and E, the customers have made advances to the contractor for work not yet performed.

The status of its five contracts in progress at the end of year 1 is as follows:

Contract
(amount in Rs. Lakhs)

	A	B	C	D	E	Total
Contract Revenue recognised in accordance with paragraph 22	145	520	380	200	55	1,300

Contract Expenses recognised in accordance with paragraph 22	110	450	350	250	55	1,215
Expected Losses recognised in accordance with paragraph 36	---	---	---	40	30	70
Recognised profits less recognised losses	35	70	30	(90)	(30)	15
Contract Costs incurred in the period	110	510	450	250	100	1,420
Contract Costs incurred recognised as contract expenses in the period in accordance with paragraph 22	110	450	350	250	55	1,215
Contract Costs that relate to future activity recognised as an asset in accordance with paragraph 27	---	60	100	---	45	205
Contract Revenue (see above)	145	520	380	200	55	1,300
Progress Billings (paragraph 41)	100	520	380	180	55	1,235
Unbilled Contract Revenue	45	---	---	20	---	65
Advances (paragraph 41)	---	80	20	---	25	125

The amounts to be disclosed in accordance with the Standard are as follows:

Contract revenue recognised as revenue in the period [paragraph 39(a)]	1,300
Contract costs incurred and recognised profits (less recognised losses) upto reporting date [paragraph 40(a)]	1,435
Advances received [paragraph 40(b)]	125
Gross amounts due from customers for contract work- presented as an asset in accordance with paragraph 42(a)	220
Gross amounts due to customers for contract work- presented as an liability in accordance with paragraph 42(b)	(20)

The amounts to be disclosed in accordance with paragraphs 40(a), 42(a) and 42(b) are calculated as follows:

(amount in Rs. Lakhs)

	A	B	C	D	E	Total
Contract Costs incurred	110	510	450	250	100	1,420
Recognised profits less recognised losses	35	70	30	(90)	(30)	15
	145	580	480	160	70	1,435
Progress billings	100	520	380	180	55	1,235

Due from customers	45	60	100	---	15	220
Due to customers	---	---	---	(20)	---	(20)

The amount disclosed in accordance with paragraph 40(a) is the same as the amount for the current period because the disclosures relate to the first year of operation.

Appendix 1

Note: This Appendix is not a part of the Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard (AS) 11 and the corresponding Indian Accounting Standard (Ind AS) 11, Construction Contracts.

Comparison with Ind AS 11, *Construction Contracts*

1. It is specifically stated in AS 11 that this Standard excludes real estate contracts from its scope.

2. AS 11 includes borrowing costs as per AS 23, *Borrowing Costs*, in the costs that may be attributable to contract activity in general and can be allocated to specific contracts, whereas Ind AS 11 did not specifically make reference to Ind AS 23.

3. AS 11 requires to recognise contract revenue at transaction price, whereas Ind AS 11 required that contract revenue shall be measured at fair value of consideration received/receivable. (paragraph 12). Accordingly, definition of transaction price has been included in AS 11.

4. Appendix A, *Service Concession Arrangements,* and Appendix B, *Service Concession Arrangements: Disclosures*, of Ind AS 11 which deals with accounting for Service Concession Arrangements, i.e., the arrangement where private sector entity (an operator) constructs or upgrades the infrastructure to be used to provide the public service and operates and maintains that infrastructure for a specified period of time have not been included since it was felt that these are not relevant for entities to whom Ind AS are not applicable.

5. An Illustration has been added in AS 11 to illustrate the application of this Standard.

6. Paragraph number 2 appears as 'Deleted' in Ind AS 11. In order to maintain consistency with paragraph numbers of Ind AS 11, the paragraph number is retain in AS 11.

Appendix 2

Note: This Appendix is not a part of the Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard (AS) 11, *Construction Contracts*, and Accounting Standard (AS) 7, *Construction Contracts*.

1. AS 11 requires to recognise contract revenue at transaction price, whereas AS 7 requires that contract revenue to be measure at consideration received/receivable. Accordingly, definition of transaction price has been included in AS 11.

2. Paragraph 1A has been added in AS 11which provides that the impairment of any contractual right to receive cash or another financial asset arising from this Standard shall be dealt in accordance with AS 109, *Financial Instruments.*

3. Aligned the terminology with the upgraded standards, eg., 'profit or loss' is used instead of 'statements of profit and loss' appropriately.