

AASB 111 Construction Contracts and IFRS for SMEs Section 23 Revenue

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

There are no recognition and measurement differences between AASB 111 and Section 23 of the *IFRS for SMEs*.

Disclosure proposals

It is proposed to exclude paragraphs 40, 41 and 45 from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 111 <i>Construction Contracts</i>	Text in <i>IFRS for SMEs</i> Section 23 <i>Revenue</i>	Comment
<p>Disclosure</p> <p>39 An entity shall disclose:</p> <p>(a) the amount of contract revenue recognised as revenue in the period;</p> <p>(b) the methods used to determine the contract revenue recognised in the period; and</p> <p>(c) the methods used to determine the stage of completion of contracts in progress.</p>	<p>Disclosure</p> <p>23.31 An entity shall disclose the following:</p> <p>(a) the amount of contract revenue recognised as revenue in the period.</p> <p>(b) the methods used to determine the contract revenue recognised in the period.</p> <p>(c) the methods used to determine the stage of completion of contracts in progress.</p>	<p>Paragraph 39 and paragraph 23.31 of the <i>IFRS for SMEs</i> correspond. Paragraph 39 should be retained in the RDR.</p>
<p>40 An entity shall disclose each of the following for contracts in progress at the end of the reporting period:</p> <p>(a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date;</p> <p>(b) the amount of advances received; and</p> <p>(c) the amount of retentions.</p>		<p>Paragraph 40 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>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</p>		<p>Paragraph 41 provides guidance in relation to paragraph 40 which is excluded from the RDR. Paragraph 41 should be excluded from the RDR based on paragraph IN7 of this Appendix.</p>
<p>42 An entity shall present:</p> <p>(a) the gross amount due from customers for</p>	<p>23.32 An entity shall present:</p> <p>(a) the gross amount due from customers for</p>	<p>Paragraph 42 and paragraph 23.32 of the <i>IFRS for SMEs</i> correspond. Paragraph 42 should be retained in the</p>

Text in AASB 111 <i>Construction Contracts</i>	Text in <i>IFRS for SMEs</i> Section 23 <i>Revenue</i>	Comment
<p>contract work as an asset; and</p> <p>(b) the gross amount due to customers for contract work as a liability.</p>	<p>contract work, as an asset.</p> <p>(b) the gross amount due to customers for contract work, as a liability.</p>	<p>RDR.</p>
<p>43 The gross amount due from customers for contract work is the net amount of:</p> <p>(a) costs incurred plus recognised profits; less</p> <p>(b) the sum of recognised losses and progress billings;</p> <p>for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.</p>		<p>Paragraph 43 is in the nature of guidance related to a disclosure retained and should be retained in the RDR, consistent with paragraph IN7 of this Appendix.</p>
<p>44 The gross amount due to customers for contract work is the net amount of:</p> <p>(a) costs incurred plus recognised profits; less</p> <p>(b) the sum of recognised losses and progress billings;</p> <p>for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).</p>		<p>Paragraph 44 is in the nature of guidance related to a disclosure retained and should be retained in the RDR, consistent with paragraph IN7 of this Appendix.</p>
<p>45 An entity discloses any contingent liabilities and contingent assets in accordance with AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. Contingent liabilities and contingent assets may arise from such items as warranty costs, claims, penalties or possible losses.</p>		<p>Paragraph 45 has no equivalent in the <i>IFRS for SMEs</i> and the disclosures required by that paragraph are covered by AASB 137. Paragraph 45 should be excluded from the RDR.</p>

3. AASB 111 *Construction Contracts*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 111 *Construction Contracts*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

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 each of the following for contracts in progress at the end of the 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 AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise from such items as warranty costs, claims, penalties or possible losses.