

RECOGNITION OF CONTRACT REVENUES AND EXPENSES

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***Abstract:** When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The contract costs are recognized as an asset provided it is probable that they will be recovered. 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 enterprise. There are two methods of calculating the profits on uncompleted used by contractors: Percentage of Completion Method and Completion Contract Method.*

Key words: contract revenues, contract costs, recognition.

Jel codes: M41, G00.