AFM 291- Midterm #1 Review Notes

**Chapter 1: Fundamentals of Accounting Theory**

- Accounting is the production of information about an enterprise and the transmission of that information from those who have it to those who need it

**Uncertainty and Information Asymmetries**

- Accounting involves the communication of information
- **Information:** evidence that can potentially affect an individual's decision
- People make decisions under uncertainty
- **Information asymmetry:** a situation where some people have more information than others; creating a supply and demand for financial reporting

**Adverse Selection**

- An adverse selection is where, in a contract, one party has more information than the other
- "Hidden information"
- Ex. Buying a car --> Seller has more information than you
- **Costly signalling:** communication of information that is otherwise unverifiable, by means of an action that is costly to the sender
- **Cheap talk:** communication of unverifiable information, by means that are virtually costless and cannot be believed

**Moral Hazard**

- A moral hazard is where one party to a contract cannot observe some actions relating to the fulfillment of the contract conditions
- "Hidden actions"
- Ex. When a bank lends money to a company, they cannot observe the actions of the company
- **Principal-agent problem:** the owners (principals) are not able to monitor management personnel (the agents) to ensure that management makes decisions in the best interests of the owners

**Desirable Characteristics of Accounting Information and Trade-Offs**

- The type of accounting information demanded depends on the type of information asymmetry that takes place and the decision that is attempted to make (i.e. purchasing shares)
- Due to the variety of user groups and conflicting demands placed on accounting information, trade-offs must take place and compromises must be made
Economic Consequences of Accounting Choice and Earnings Management

- Financial reports are based on a set of accounting standards which allow for considerable latitude in the choice of accounting policies and estimates
- **Positive accounting theory:** a theory for understanding managers’ motivations, accounting choices, and reactions to accounting standards (what do managers do and why do they do it?)
- Managers’ efforts to bias reported accounting information in one way or another are called **earnings management**

Accounting and Securities Market

- A **security market** is a general term used to refer to markets for securities (stocks and bonds) such as the NYSE
- Firms with equity, debt, or other securities traded in public markets are called **public companies**
- An **efficient securities market** is a market in which the prices of securities traded in that market at all time properly reflect all information that is publicly known about those securities
- The theory of efficient markets is that all markets are efficient
- This has several implications:
  - Prices react quickly to accounting information
  - Accounting information competes with other sources of information – whether it has already affected prices or not
  - New information must be distinguished from already known information
  - With only public information, it is difficult to gain significant profits
  - It is possible to gain significant profits with non-public insider information
  - Accounting reports and standards assume users can understand that information
  - Efficient market theory influences laws and legal doctrine - such as what constitutes fraud in providing public information

**Chapter 2: Conceptual Frameworks for Financial Reporting**

Conceptual Frameworks for Financial Accounting as Strategies to Meet Market Demands for Information

Sketch of a Business Plan

Assessing demand

- Choose a **target market** and understanding the **needs** of this group of potential customers
• Identify the overall strategic goal or objective of the new product as well as the desirable product characteristics to achieve that objective

Supply planning

• Identify the potential product components that will help meet customer needs
• Specific product design can begin, taking into account the technological and economic feasibility of the designs
• Make simplifying assumptions

Outline of a Conceptual Framework for Financial Reporting

• The demand side is determined by:
  o The set of intended users
  o Their information needs
  o The characteristics of the information they desire
• The supply side on the right identifies the elements of financial statements (such as assets and liabilities)
  o Consider whether these elements are reported
  o Consider how these elements should be measured

Components of the IFRS Conceptual Framework

Users and their Needs

• Identifies the set of users as "existing and potential investors, lenders, and other creditors"
• Reporting standards can better accommodate the needs of potential users
• General purpose financial statements are a key tool for reducing information asymmetry for users

Objectives of Financial Reporting

• The needs of financial statement users define the objectives of financial reporting
• Provide financial information about the entity that is useful to existing and potential investors in making decisions (investing and lending decisions etc.)
• Aims to reduce information asymmetry
• Accrual accounting includes economic events when they happen rather than only when cash exchanges occur
  o Record transactions and events even if the related cash flows occur in other periods

Qualitative Characteristics

• Desirable characteristics of financial reports that help to meet users' information needs
• **Fundamental qualitative characteristics:** the characteristics that must be present for information to be useful for decision making
  - Relevance: is the ability to influence users' economic decision
    - **Materiality:** whether the omission or misstatement of a particular piece of information about a reporting entity would influence users' economic decisions
  - Faithful representation: is the extent to which financial information reflects the underlying transactions, resources, and claims of an enterprise
    - **Completeness:** the inclusion of all material items in the financial statements
    - **Neutrality:** the extent to which information is free from bias
    - **Freedom from error:** the extent to which information is absent of errors or omissions
• **Enhancing qualitative characteristics:** the characteristics that affect the information's degree of usefulness; desirable characteristics but not essential
  - Understandability: the ease with which users are able to comprehend financial reports
  - Comparability: refers to the ability to compare one set of financial statements with another
  - Verifiability: the degree to which different people would agree with the chosen representation in the financial reports
  - Timeliness: how soon the information becomes available to decision makers

**Elements of Financial Statements**

**Elements relating to measuring financial position:**

- **An asset** is a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity
- **A liability** is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of economic resources embodying economic benefits
- **Equity** is the residual interest in the assets of an entity after deducting all its liabilities

**Elements relating to measuring performance**

- **Income** is increases in economic benefits during an accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity that result in increases in equity, other than those relating to contributions from equity participants (includes revenues and gains)
- **Revenue** is a type of income that arises in the course of ordinary activities
- **Gains** is a type of income other than revenue
- **Expenses** is decreases in economic benefits during an accounting period in the form of outflows or depletion of assets or incurrence of liabilities that result in decreases in
equity, other than those relating to distributions to equity participants (include ordinary expenses and losses)

- **Ordinary expense** is a type of expense that arises from the ordinary activities of the entity
- **Losses** is a type of expense that is not an ordinary expense

**Recognition**

- **Recognition** is the process of presenting an item in the financial statements as opposed to merely disclosing that item in the notes
- Accounting elements are recognized in the financial statements if the future inflows or outflows of resources are *probable* and the amounts are *reasonably measurable*

**Measurement**

- **Measurement** is the basis for quantifying items reported in the financial statements
- **Historical cost** is the actual cost of an asset at the time it was purchased
- Other measurement bases used for different financial statement items:
  - *Current cost*
  - *Realizable value*
  - *Present value*

**Constraints**

- **Cost constraint**: a constraint stating that the cost of reporting financial information should not exceed the benefits that can be obtained from using that information

**Assumptions**

- **Going-concern**: the assumption that the reporting entity will continue operating in to the foreseeable future
- **Financial capital maintenance**: Refers to the amount of resources required to ensure the economic sustainability of an entity

**Other Conceptual Frameworks**

- Accounting Standards for Private Enterprises (ASPE) contains a conceptual framework that is different from, though similar to, the IFRS Framework

**Setting: Internationally and in Canada**

**Standards Internationally**

- IFRS are standards issued by the International Accounting Standards Board (IASB)
- Currently, more than 100 countries around the world use IFRS

**Standards in Canada**
• Issued by the CPA Canada
• Contained in the Handbook
• Five parts to the Handbook
  o Part 1: IFRS: publicly accountable enterprises
  o Part 2: ASPE: private enterprises
  o Part 3: NFPOs Not-for-profits enterprises
  o Part 4: Pension plans
  o Part 5: Legacy standards prior to January 1, 2011

Organization and Authority for Setting Accounting and Auditing Standards in Canada

• The Handbook contains a relatively comprehensive set of standards comprising of :
  o Accounting standards for entities not in the public sector
  o Public sector accounting standards for governments
  o Standards for auditing and other assurance engagements for both the public and private sectors
• Not all reporting entities need to apply GAAP
  o Private enterprises may choose to report on a non-GAAP basis

Globalization of Standard Setting

• Convergence would provide increased comparability of financial statements of companies in different countries
• Reduce reporting costs for multinational companies
• Provide a common financial language for investors and increase the mobility of accountants between countries
• However, some people see significant costs that outweigh the benefits

Chapter 3: Accrual Accounting

• A basis of accounting that records economic events when they happen rather than only when cash exchange occurs; contrast with cash accounting.

Demand for Periodic Reporting and The Need for Accrual Accounting

• **Cash cycle**: set of transactions that converts a cash inflow to a cash outflow and vice versa
• Types of cash flows:
  o Operating
  o Investing
  o Financing

The Need for Accrual Accounting

• Information sooner
  o Yearly
Accrual versus Cash Accounting
- Accrual accounting includes:
  - Events before cash flows
  - Events after cash flows (deferrals), e.g. recognizing sales revenue after the receipt of cash

Uncertainty and the Essential Role of Estimates in Accrual Accounting
- Accrual accounting reports require the use of estimates
- Range of acceptable alternatives exist
- Appropriate reference point is “unbiased” accounting/financial statements (taking consensus from a sample of disinterested accountants)
- IFRS reference is a “true and fair” view
  - Emphasis is to present it fairly

Quality of Earnings and Earnings Management
- **Quality of Earnings**: How closely reported earnings correspond to earnings that would be reported in the absence of management bias
  - Comparing reported earnings to “unbiased” earnings
  - Important to distinguish unbiased vs. excessive accruals
    - **Unbiased Accruals**: reflect economic conditions and accounting standards with application of professional judgement and considering professional ethics
    - **Excessive Accruals**: result from contractual incentives for the firm or management as well as any unethical managerial opportunism to over-or under-accrue

Periodicity, Cut-off, and Subsequent Events
- Timing is everything in accrual accounting
- Users want information relating to a particular time period (e.g. 1 month, 3 months, 1 year)
- Consider events and information
  - Near the end of the period
  - Subsequent to the period

Periodicity
- 12 months represents the typical reporting period

Cut-off
- **Cut off**: the point at which one reporting period ends and the next begins
  - this point is crucial for financial reporting
• **Subsequent-events period**: events that occur between the cut-off and authorization of financial statements

**Accounting Changes: Errors, Changes in Accounting Policy, and Changes in Estimates**

- Changes in circumstances should be expected
- Changes in circumstance may result in **Correction of Errors, Changes in Accounting Policy, Changes in Accounting Estimates**

**Correction of Errors**

- Company reports incorrect amount given the information available at the time
- Treatment to correct is retrospective adjustment with restatement
- *Prior-year statements restated to allow for comparisons*

**Changes in Accounting Policy**

- Policy changes are made at the discretion of management
- Policy change requires retrospective adjustment with restatement
- *Effect of the change applies to all years affected*
- U.S. GAAP treats changes retroactively without restatement

**Changes in Accounting Estimates**

- Estimates initially based on the best information available at the time
- As time progresses, new information could suggest that alternate estimates more accurate
- **Treatment is prospective adjustment**: applying the change only to the current and future reporting periods without any changes to past

![Exhibit 3-10: Summary of types of accounting changes and corresponding treatments](image)

- **Diagram above basically means that with errors and change of policy, older books must be changed whereas if there are new estimates, only future years must be changed**

**The Structure of Financial Reports and Their Relationship**

- Important to understand
  - interrelationship of the four financial statements
  - how they relate to the IFRS conceptual framework
  - requirements for their presentation according to IFRS

**Articulation**
• **Articulation**: connection of financial statements with each other

• Central to the financial statements is the statement of financial position (balance sheet)

• Other financial statements link to the balance sheet by tacking flows of items on the balance sheet

Aggregation

• **Aggregation**: group of financial statement items in a logical fashion

• Present separately material class of similar transactions

• Group immaterial items in a category (example: “other”)

The Balance Sheet

• Financial position at a point in time

• Composition of assets and claims on those assets

• Total assets = total financial claims

• Present current and non-current

• Present based on liquidity

• Flexibility exists

• Double-entry accounting and the balance sheet
  
  o Balance sheet is self-contained and is a direct result of double-entry accounting
  
  o Transactions considered in the terms of:
    ▪ exchange of one asset for another
    ▪ exchange of one financial claim for another
    ▪ increase of decrease of an asset and a financial claim

• **Assets**
  
  o Inflow of future economic benefits must be probable
  
  o Under the control of the entity
  
  o Separate categories required (examples: cash and cash equivalents, inventories, property, plant, and equipment)

• **Liabilities**
  
  o Outflow of future resources probable, reasonable basis of measurement
  
  o Separate categories required (examples: Trade and other payables, provisions, debt beyond one year)

• **Equity**
  
  o Residual amount after deducting total liabilities from total assets
  
  o Several distinct categories (examples: contributed surplus, retained earnings, reserves, non-controlling interest)

Statement of Changes in Equity

• Provides information on changes in financial position (the reasons)

• Three components of equity
  
  o **Contributed Capital**: funds provided by owners
  
  o **Retained earnings**: cumulative profits/losses
- **Reserves**: not transactions with owners or profits/losses (e.g. accumulated other comprehensive income)

- **Five Classes of transactions that changes**
  - Profit or loss
  - other comprehensive income (OCI)
  - Dividends
  - Capital transactions
  - Effect of changes in accounting policy and correction of errors

**Statement of Comprehensive Income**

- Provides measure of return on capital (measure of performance)
- Distinguish results from operating and financing activities
- Present at a minimum subtotal for profit/loss and total comprehensive income
- Present a single statement of two parts
- Analysis of expenses should classify expenses according to their:
  - **nature**: source of expense *mandatory*
  - **function**: use to which expense has been put *optional*
- **Additional required disclosure**: earnings per share (EPS) – basic and diluted

**Statement of Cash Flows**

- Helps understand change in financial position in terms of the most liquid asset (cash and cash equivalents)
- Net change explained in terms of
  - Operating Activities
  - Investing Activities
  - Financing Activities
- Prepared using direct or indirect method

**Note Disclosures**

- Integral part of the financial statements
- IAS 1 provides general requirements
  - A statement of compliance with IFRS
  - A summary of significant accounting policies
  - Disclosures required by specific standards in IFRS
  - Disclosures to enhance understanding

**Discontinued Operations and Other Non-Current Assets Held for Sale**

- Separate reporting required for discontinued operations
- Once decided on to dispose, they no longer satisfy going concern assumption
- Separate reporting required for non-current assets
- Use separate line items and disclosures
Comparative Figures

- To increase relevance, comparative figures are provided
- Present relevant prior period(s) and on the same basis
- **Estimates**: Judgement - inputs used to achieve the objective
- **Accounting Policies** (The overall objective): specific principles measurement basis and practices applied by entity in preparing financial statements
  - Examples: Cost vs evaluation of financial statements, FIFO vs weighted average, Inventory – Lower of cost net realizable value, Accounts Receivable and net allowance for doubtful accounts

Chapter 4: Revenue Recognition

- Recognition is the process of presenting an item in the financial statements as opposed to merely disclosing them in the notes

A. Range of Conceptual Alternatives for Revenue Recognition

- Wide range of alternatives exist
- Alternatives exist along the value creation process
- Revenue recognized earlier reduces the quality of the information (more estimates)
- Criteria established by accounting standards eliminates some of alternatives

B. An Overview of Revenue Recognition Criteria

- **IFRS 15** issued jointly by IASB and FASB in 2014 is a comprehensive standard that incorporates and unifies and vast number of previously existing disparate rules and regulations regarding revenue
- It is important to note that the reference to “contract” in the standard includes all forms of contract, whether written or verbal, formal or implied by customary business practice
- Notable exclusions
  - Lease contracts (IAS 17);
  - Insurance contracts (IFRS 4),
  - Financial Instruments (IFRS 9)

**Five Steps for Revenue Recognition**

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue in accordance with performance

**C. Revenue Recognition Criteria: A more Detailed Look**

Determine transaction price:

(a) **Non cash consideration** --> Estimate the fair value

(b) **Significant Financing Component**
  - Time value of money need to be reflected when it is significant – that is, when the timing of payment differs substantially from the timing of delivery of the goods or services
  - IFRS 15 allows enterprises to forego the adjustment for financing if, at contract inception, the enterprise expects to collect the promised payment within one year of delivering the promised goods or services

(c) **Consideration payable to customer**
  - Seller provides an incentive for the customers to continue purchasing from seller

(d) **Variable Consideration**
Consideration is considered variable when there is some uncertainty over the amount of consideration involved.

Allocate the transaction price of performance obligations

- To the extent possible, enterprises should use observable stand-alone selling prices. However, this may not be possible in some situations, so estimates need to be made.
- The stand-alone selling price is the price at which an entity would sell a promised good or service separately to a customer.
- Three alternative choices
  1. Adjusted market assessment approach -> estimating what a customer would be willing to pay for the good or service or what competitors charge for a similar good or service.
  2. Expected cost plus margin approach -> estimating expected costs to provide the goods or service and adding a profit margin typical for the good or service.
  3. Residual Approach -> computes stand-alone selling prices as transaction price less total of observable stand-alone selling prices of other goods and services involved in the transaction. Only acceptable if (i) good or service in question has highly variable selling price or (ii) entity has not yet established price for the good or service.

Expense Recognition, Other Related Issues

- Limited guidance under IFRS
- Conceptual framework provides guidance
- The matching principle applies in the recognition of revenue and cost of sales
- Systematic and rational approach applies for other expenses
- Expense applies if asset criteria not met

Contract Costs

- In some situations, particularly for large contracts, enterprises incur significant costs to obtain a contract with a customer.
- IFRS 15 recommends that such costs should be recognized as an asset if it can identify the incremental costs.
- Illustration of incremental costs
  - Costs incurred to prepare bid documents would be incurred whether the bidder is awarded contract or not.
  - Legal fees for contract preparation and sales commissions would be paid only when an enterprise obtains a contract with a customer.

Warranties
For accounting purposes, IFRS 15 distinguishes two types of warranties:

1. Assurance-type warranties that ensure that the customer receives the delivered product as specified in the contract;
2. Service-type warranties that provide service beyond the assurance-type warranty

**Onerous Contract**

- Onerous contract is one which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it
- Treatment is different from non-onerous (profitable) contracts
- Onerous contract might only be 20% completed, but 100% of the expected loss would be recognized in the period when the contract is identified as onerous

**Specific Revenue Recognition Situations**

Recognizing revenue at a time different from the point of sale

1) Consignment sales
2) Installment sales
3) Bill-and-Hold arrangements

1. **Consignment Sales**

   - Consignor provides goods to a consignee who will act as an agent to sell goods
   - Consignee has the right to return all or portion of goods if not sold
   - Consignor retains control. In particular, the consignor retains legal title and bears the significant risks and rewards of ownership, while the consignee is not obligated to pay for the good until they are sold
   - Consignor does not record revenue when goods are delivered to consignee
   - Revenue recognized when right of return expires

2. **Installment Sales**

   - Buyer makes payments over extended period of time
   - Buyer receives product at beginning of installment period
   - Legal title may not transfer to buyer until all payments made
   - Uncertainty over amount ultimately collected
   - May recognize revenue in proportion to payments received
• Uses “deferred gross profit” for profit not earned yet

3. Bill and Hold Arrangements

• Seller holds onto the goods on the request of buyers
• Seller is ready to deliver, buyer has paid
• Seller can recognize revenue on the sale of goods even though the goods remain on the seller’s premises

F. Accounting for Long-Term Contracts

• IFRS 15 indicates that revenue from performance obligations recognized over a period of time should be based on the progress toward completion, commonly called the percentage of completion method
• **Percentage of completion method:** An accounting method that recognizes revenues and expenses on a long-term contract in proportion to the degree of progression the contracted project

Types of Contracts Covered in “Long-term Contracts”

**Fixed-price contracts**
- the contractor agrees to a price before performance begins

**Cost-plus contracts**
- the price dependent on amount spent on the project
- plus a profit margin

1. Revenue recognition for cost-plus contracts

   Amount of revenue determined by actual costs plus percentage margin
2. **Revenue recognition for fixed-price contracts: Application of changes in estimates**

   With no uncertainty- use the percentage completed within each year to compute amount of revenue to recognize

<table>
<thead>
<tr>
<th>(Amounts in $ millions)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs each year, estimated at beginning of contract</td>
<td>20.0</td>
<td>50.0</td>
<td>30.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Actual costs incurred on the contract</td>
<td>24.0</td>
<td>64.0</td>
<td>22.0</td>
<td>110.0</td>
</tr>
<tr>
<td>Margin (5% of actual cost)</td>
<td>1.2</td>
<td>3.2</td>
<td>1.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Revenue recognized each year</td>
<td>25.2</td>
<td>67.2</td>
<td>23.1</td>
<td>115.5</td>
</tr>
</tbody>
</table>

3. **Revenue Recognition for fixed-price contracts: the cost to cost approach**

   When percentage of completion is based on costs incurred compared to estimated costs to complete

<table>
<thead>
<tr>
<th>(Amounts in $ millions)</th>
<th>2013</th>
<th>2014</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract price</td>
<td>120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage completed during year(^1)</td>
<td>30%</td>
<td>70%</td>
<td>100%</td>
</tr>
<tr>
<td>Revenue recognized each year(^1)</td>
<td>36</td>
<td>84</td>
<td>120</td>
</tr>
<tr>
<td>Costs incurred and expensed each year(^2)</td>
<td>32</td>
<td>68</td>
<td>100</td>
</tr>
<tr>
<td>Gross profit on project recognized each year</td>
<td>4</td>
<td>16</td>
<td>20</td>
</tr>
</tbody>
</table>

\(^1\)Estimated by the architectural engineer.
\(^2\)Revenue = percentage completed during Year 3 × contract price.
\(^3\)The percentage of costs each year do not necessarily follow the physical rate of progress, because some parts of the project may be more labour intensive, use more materials, and so on.
- Revenue for first year is percentage complete to date
- Revenue for future years follows this formula

4. Accounting Cycle for Construction Contracts (Continued)

<table>
<thead>
<tr>
<th>Incurring Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Costs for materials, labour, overhead</td>
</tr>
<tr>
<td>• Capitalized in &quot;Construction in Progress&quot;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Billing Client</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Invoice based on contract</td>
</tr>
<tr>
<td>• Accounts receivable recorded</td>
</tr>
<tr>
<td>• Contra account - “Billings on Construction in Progress”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Receiving payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cash recorded for amount received</td>
</tr>
<tr>
<td>• Record cash and reduce accounts receivable</td>
</tr>
</tbody>
</table>
5. Onerous Contracts

- Principle of prudence results in bad news reported earlier than good news
- Only a portion of revenue and profits reported based on percentage of completion

6. Revenue Recognition when Outcome of a Contract is Uncertain: Cost Recovery Method

Cost recovery method recognizes:

1. Contract costs incurred in the period as an expense
2. An amount of revenue equal to the costs that are expected to be recoverable
   - Profit deferred to after cost is covered, expected losses recognized immediately

7. Alternative to ASPE: Completed Contract Method

- Alternate method -> completed contract method
  - Deferral of revenue and expenses to end of project
  - Performance consists of single act or progress not reasonably estimated
  - Losses not deferred

G. Risk of Earnings Overstatement in Long Term Contracts

- Long term nature
- Results in high-risk accounting and auditing
- Allocation of revenue and judgement in estimates provides opportunity for

1) Intentional earnings management

- Many estimates are used
- Valid and acceptable estimates exist
- Underestimating costs increases current profit
- Management’s ethical responsibility is to choose the best approach

2) Unintentional judgement errors

- In the estimation process
- In conversion calculations
- Due to complexity of long term contracts
- Winners curse -> underestimating costs to win a contract -> higher likelihood of loss when input information is different

H. Presentation and Disclosure

1. General presentation and disclosure requirements

- Type of activity
- Activity from non-monetary exchanges
- Revenue recognition policies
- Stage of completion
- Disclose disaggregation of contracts revenue in notes

2. Presentation and disclosure for long-term contracts

- Amount of contract revenue recognized
- Method of revenue recognition
- Method of estimating the percentage completed