

**CALCULATION OF INCOME FROM CONSTRUCTION WORK IN CONSTRUCTION ORGANIZATIONS AND THEIR RELATED CLAIMS**

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**Abstract:** Income from construction works is one of the main sources of profit in construction organizations. In accordance of our republic "Income from main economic activity", in order to recognize and reflect the income from construction works in accounting, they must meet the following conditions:

firstly, the right of ownership of income by the construction organization is confirmed by relevant documents testifying to the fact that the completed construction works have been handed over to the customers;

secondly, the amount of income to be received is clear;

thirdly, there is full confidence that the proceeds from the performed works will lead to an increase in the assets of the construction organization or a decrease in its liabilities;

fourthly, the customer's unconditional confirmation of the amount of the obligation to the contractor for the construction work received.

**Keywords:** Accounts Receivable, Stepwise method, Income from work and services.

**Introduction**

In construction organizations, the main document confirming the income from construction work is the "Information on the cost of completed works (expenditures) - invoice". This document becomes official after it is signed by the contractor and the customer.

"Information on the cost of completed works (expenditures) - invoice" former KS-2 form "Acceptance of completed works" and the KS-3 form is the only document included instead of "Report on completed works and expenses". It is made in at least two copies. One copy of the reference-invoice remains with the contractor, and the second copy is given to the customer. According to the requirements of the investors, they will also be provided with separate copies of this document. The basis for the compilation of the reference is the data of the log of work performed (KS-6 form). This journal is kept for each object in the construction organization. The journal contains information on the start and end date of construction works, their progress, the dimensions of the technological works performed in sequence, the value determined according to the established norms and standards, and other aspects.

The approved form of the "Information on the cost of completed works (expenditures) - invoice" is presented in Appendix 6.

Completed construction works are accepted by the commission, which includes representatives of the contractor, customer, investors and other interested bodies. Acceptance of construction works

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is carried out on the basis of the requirements, standards and procedures specified in the object project, their monitoring, measurement, testing, quality determination and conclusions of relevant experts.

The calculation of income from construction work performed in construction organizations directly depends on the method of their recognition. These methods are:

1. Full completion method;
2. Percentage of completion method;
3. Stepwise method;

Revenues from works performed in the full completion method are recognized on the basis of the above-mentioned documents and references after the construction works are fully completed and handed over to the customer. All costs incurred until the construction work is fully completed are considered as unfinished construction. On the basis of the "Information on the cost of completed works (expenses incurred) - invoice" the amount of income received from the completed works is recorded as follows:

Debit 4010 "Accounts Receivable"

Credit 9030 " Income from work and services "

When using the percentage-of-completion method, the percentage of completion of the entire construction object is initially determined. This indicator is found by dividing the total expenses by the estimated cost of the construction object and multiplying by 100 percent. The percentage of completion found is the basis for finding the portion of income corresponding to the completed part of the construction work. The income attributable to the completed part of the construction is found by multiplying its total estimated contract value (including VAT) by the percentage of completion and dividing by 100%.

#### Main part

An example. Suppose the contract value of the construction object is 60000000 soums, of which VAT (20%) is 10000000 soums. So, the contract value of the net income for the construction object is 50000000 soums (60000000 – 10000000). The estimated cost of the construction object is 35000000 soums. The actual cost of the completed part of the construction is 28,000,000 soums.

According to the above information :

- (1) construction completion percentage - 80.0% (28000000 / 35000000);
- (2) gross income corresponding to the completed part of the construction - 48000000 soums (60000000 \* 80% / 100%);
- (3) net income (income) corresponding to the completed part of the construction - 40000000 soums (50000000 \* 80% / 100%);
- (4) VAT amount corresponding to the completed part of the construction is 8000000 soums (48000000-40000000).

In the method of revenue recognition based on the percentage of completion, the value of the completed part of the construction and the percentage of completion are confirmed by the "Information on the value of completed works (expenditures) - invoice" signed by the contractor and the customer. On the basis of this document, the income received from the construction works performed in the construction organization and the amounts of VAT are given the corresponding accounting records listed above.

The step-by-step method is used in cases of step-by-step delivery of the components of the construction object. One of the main conditions for using this method is that the contract value and estimated cost of its separately obtained components are specified separately in the construction project and construction project-estimate documents. In such cases, the income and cost information for a separate component (stage) of the construction object is confirmed by the "Information on the cost of completed works (expenditures) - invoice" and account registers in the KS-6 form. On the basis of these documents, the income and VAT amounts received from the execution of a separate stage of construction work are given the corresponding accounting records listed above.

Analytical accounting of income from construction works performed in construction organizations is kept in the 16-s processing record. Analytical data on customers and types of construction works performed for them are included in this processing report.

Funds of customers are the main source of financing of contract works carried out by construction organizations. The start, completion and completion of construction works within the specified time period directly depends on the timely payment of the payments provided for in the terms of the contract by the customers. Also, the timely implementation of calculations for the completed works has a direct impact on the financial condition of construction organizations, such as their ability to pay for their obligations. That is why it is important for construction organizations to carry out constant control over settlements with customers, to ensure their timely implementation.

Construction organizations can conduct three types of settlements with their customers for work to be performed and actually performed. These are:

- (1) settlement of funds received as a loan;
- (2) calculations for materials received for construction works;
- (3) final calculations for work performed.

Before the start of the construction works, according to the conditions specified in the contract, the customers should transfer at least 15 percent of the project-estimate value of the construction works to the account of the contracting organization as an advance payment, i.e. as a deposit. In construction organizations, settlements with customers are accounted for in account 6310 "Customers and customer receipts". The amount of money received from customers to the account of the construction organization is reflected in the accounting as follows:

Debit 5110 "Settlement account"

Credit 6310 "Receipts from customers and customers"

The received points are reduced by the customer in the final calculations for the work actually performed. It is recorded in the accounting as follows:

Debit 6310 "Receipts from customers and customers"

Credit 4010 "Accounts receivable from customers and customers"

Construction works can be carried out based on the materials of the customers. According to the tax legislation of our republic, materials given by customers to contractors for construction work are recognized as sales of other assets for customers (Debit 4010 Credit 9220, 6410), and as a purchase transaction for contracting organizations (Debit 1050, 4410 Credit 6010). In such cases, it is forbidden for construction organizations to cover their accounts payable for materials received from customers with receivables for work performed. Barter operations of this content can be allowed only in cases of crisis for the purpose of compensation of mutual debts on the basis of a court decision. According to the court decision, the amount of mutually covered debts between contractors and customers is reflected in accounting as follows:

Debit 6010 "Accounts payable to suppliers and contractors"

Credit 4010 "Accounts receivable from customers and clients"

Information on analytical accounting of construction organizations' settlements with customers is reflected in various registers. For example, all analytical data on final settlements with customers are in records 5-s and 16-s, receipts are in journal-order 8-s and record 2, calculations on received materials are in journal-order 6-s and 10-s given in the report.

Construction works can be carried out on the basis of bilateral and multilateral (three or more parties) contracts. A bilateral contract usually involves a contractor and a customer. In multilateral contracts, the general contractor, subcontractors and the customer participate.

According to the terms of the second type of contract, the contractor may have the right to perform individual components of construction works by involving subcontractors. In this case, the contracting organization that engaged the subcontractor is the main contractor. The general contractor is fully responsible and accountable to the customer for the construction works. According to the terms of the contract, the customer places his demands only on the general contractor. The general contractor, in turn, submits his requirements to the subcontractors according to the subcontract agreements. In cases where subcontractors are selected by the customer for the execution of individual works, usually the general contractor is not responsible to the customer for the work performed by the subcontractors.

The general contractor's calculations with subcontractors also depend on whether or not they enter a single system. Mutual settlements between the general contractor and subcontracting organizations, which make up a single system, are accounted for in separate accounts opened in the general contractor in the system 6100 "Accounts payable to separate units, subsidiaries and dependent economic societies". Accounts of mutual settlements between the main contractor and subcontracting organizations that do not form one system are kept in the main contracting organization in account 6010 "Accounts payable to suppliers and contractors".

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### Conclusion

The general contractor receives the work performed by the subcontractor organization on the basis of the "Information on the value of the work performed (expenses incurred) - invoice". On the basis of these documents, the works performed by the subcontracting organization are included in the cost of unfinished construction at the general contractor with the following entries:

Debit 2010 "Main production"

Credit 6010 "Accounts payable to suppliers and contractors",

6100 "Separated units, subsidiary and dependent enterprise

accounts payable to societies"

Transfer of payment for the work performed to the subcontractor is reflected in the main contractor with the following entry:

Debit 6010 "Accounts payable to suppliers and contractors",

6100 "Separated units, subsidiary and dependent enterprise

accounts payable to societies"

Credit 5110 "Settlement account"

In the main contractor, the analytical book of mutual settlements with subcontractors is kept separately for each of them in the 6th journal-order.

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