

Question 1 Partially correct Mark 0.92 out of 3.00 Flag question

Constructing and Assessing Income Statements Using Cost-to-Cost Method

On March 15, 2012, Frankel Construction contracted to build a shopping center at a contract price of \$120 million. The schedule of expected (which equals actual) cash collections and contract costs follow (\$ millions):

Year	Cash Collections	Cost Incurred
2012	\$ 30	\$ 20
2013	50	30
2014	40	35
Total	\$ 120	\$ 85

(a) Calculate the amount of revenue, expense, and net income for each of the three years 2012 through 2014 using the cost-to-cost method.

Rounding instructions: Round percentages to the nearest whole number. Use rounded percentages for remaining calculations. Round revenue and income to the nearest whole number.

Enter \$ answers in millions.

Percentage of Completion Method				
Year	Costs incurred	Percent of total expected costs	Revenue recognized	Income
2012	\$ 20 ✓	35 % ✗	\$ 42 ✗	\$ 12 ✗
2013	30 ✓	41 % ✗	49 ✗	14 ✗
2014	35 ✓	24 % ✗	29 ✗	9 ✗
	\$85		\$120	\$35