CALDERSTONE CONSTRUCTION LIMITED

Technical Reference Notes

Revenue Recognition (IFRS 15) | VAT Domestic Reverse Charge | Construction Industry Scheme (CIS)

Purpose: A working reference for the finance simulation project, written using Calderstone's own contracts, suppliers, and January 2025 transactions as worked examples throughout.

Prepared: June 2026

Scope: IFRS 15 Revenue from Contracts with Customers; HMRC VAT Notice 735 (Domestic Reverse Charge for Building and Construction Services); Construction Industry Scheme (CIS) Regulations.

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Part A — IFRS 15: Revenue Recognition

A.1 — The core idea, in plain English

IFRS 15 answers one question: when has a company actually earned its revenue? For a shop selling a tin of paint, the answer is obvious — the moment the customer pays and walks out with the tin. For a construction contractor like Calderstone, building a £4.8m depot refurbishment over 17 months, the answer is not obvious at all. The work is delivered gradually, the customer takes no physical 'delivery' until the very end, and yet Calderstone is clearly earning money throughout — its workforce, plant and materials are converting into a finished building bit by bit, every single day.

IFRS 15 solves this with a single core principle: recognise revenue to depict the transfer of promised goods or services to the customer, in an amount that reflects the consideration the company expects to be entitled to. For Calderstone's construction contracts, that means recognising revenue as the building gets built — not when an invoice is raised, and not when cash is received.

A.2 — The five-step model

IFRS 15 sets out five steps. All five apply to every Calderstone contract:

Step	What it means	Applied to Calderstone
1. Identify the contract	A contract exists once both parties have approved it and payment terms can be identified	Each signed JCT/NEC building contract — e.g. C-001 Kirklees Council Depot Refurbishment
2. Identify performance obligations	What distinct goods/services has the company promised?	Usually one single obligation: 'build the asset' — construction contracts are rarely split into multiple obligations
3. Determine the transaction price	The total consideration the company expects to receive, including variable amounts	Contract sum plus any approved variations/claims — e.g. C-004 Harrogate has £45,000 of approved variations added to the base £1,750,000
4. Allocate the price to obligations	Split the transaction price across each performance obligation	Not usually needed for Calderstone — single obligation per contract = 100% allocated to that one obligation
5. Recognise revenue	Recognise revenue as (or when) each obligation is satisfied	Recognised over time, using a measure of progress — see A.3 below

A.3 — Over time vs point in time

This is the single most important judgement in IFRS 15 for a contractor. Revenue is recognised over time (i.e. gradually, as work progresses) only if one of three conditions is met. The condition that almost always applies to Calderstone's contracts is condition (c): the company's performance does not create an asset with an alternative use to the company, AND the company has an enforceable right to payment for performance completed to date.

In practice: Calderstone cannot easily redirect a half-built hospital ward extension to a different customer (no alternative use), and its standard JCT/NEC contract terms entitle it to be paid for work properly executed even if the customer terminates early (enforceable right to payment). Both conditions are met, so all of Calderstone's construction contracts qualify for over-time recognition.

Why this matters

If a contract does NOT meet the over-time criteria, revenue would instead be recognised at a single point in time — typically practical completion / handover. This is far less common in main contracting but can apply to, for example, a fixed-price supply-only arrangement where Calderstone has no enforceable interim payment right. None of Calderstone's current contracts fall into this category, but the small works/domestic income (account 4040) sits closer to point-in-time because each job is short and usually invoiced only on completion.

A.4 — Measuring progress: the cost-to-cost (input) method

Once you know revenue should be recognised over time, you need a reliable way to measure how much of the work is done. IFRS 15 allows two broad approaches: input methods (measuring the effort/cost put in) and output methods (measuring the value delivered, e.g. surveys, milestones reached, units produced). Calderstone uses the cost-to-cost input method, which is the most common approach in UK construction and the method historically used under the old IAS 11 'percentage of completion' standard — IFRS 15 carries the same underlying logic forward, just with a different conceptual framing.

The formula is straightforward:

% complete = cumulative costs incurred to date ÷ total expected costs to complete the contract

Revenue recognised to date = % complete × total expected consideration (contract value + approved variations)

Revenue recognised THIS period = revenue recognised to date − revenue recognised in all prior periods

Worked example — Contract C-001, Kirklees Council Depot Refurbishment

From Calderstone's January 2025 Contracts Register:

Contract value: £4,800,000   Approved variations: £120,000   Total consideration: £4,920,000
Total expected cost to complete: £3,840,000
Cumulative costs incurred to 31 December 2024 (brought forward): £1,920,000
Costs incurred in January 2025: £160,000
Cumulative costs incurred to 31 January 2025: £1,920,000 + £160,000 = £2,080,000

% complete at 31 December 2024 = £1,920,000 ÷ £3,840,000 = 50.0%
% complete at 31 January 2025 = £2,080,000 ÷ £3,840,000 = 54.2%

Revenue recognised to 31 December 2024 = 50.0% × £4,920,000 = £2,460,000
Revenue recognised to 31 January 2025 = 54.2% × £4,920,000 = £2,665,000 (rounded)

Revenue recognised IN January 2025 = £2,665,000 − £2,460,000 = £205,000
This is the figure posted to account 4010 (Construction contract revenue — refurbishment) in the January month-end journal.

A.5 — Contract assets and contract liabilities

Revenue recognised under IFRS 15 will almost never exactly match the amount billed to the customer that month, because billing follows the payment application cycle (monthly valuations, subject to certification) while revenue recognition follows the cost-to-cost calculation. This mismatch is captured on the balance sheet using two specific accounts:

Term	Meaning	When it arises	Calderstone GL code
Contract asset	Revenue recognised exceeds amount billed — the company has earned more than it has invoiced	Common in construction — work is ahead of billing, or billing is delayed by the certification cycle	1520
Contract liability	Amount billed exceeds revenue recognised — the company has invoiced more than it has earned	Happens when a customer pays on account ahead of work being done	2040

At the January 2025 month end, Calderstone recognised total IFRS 15 revenue of £1,993,829 across its seven construction contracts. Each contract's individual movement was posted as a debit to account 1520 (contract asset) and a credit to the relevant revenue account — this is the 'ME-007-REV' journal batch in the month-end journals tab. The double entry deliberately bypasses the trade receivables account at the point of revenue recognition, because the right to that revenue does not yet correspond to an unconditional right to invoice — that only happens once the payment application has been certified.

A.6 — Retentions: a construction-specific wrinkle

UK construction contracts routinely include a retention clause — typically 5% — under which the client withholds a percentage of each certified payment as security against defects. Calderstone's contracts all carry a 5% retention. The accounting treatment is subtle: the right to receive the retention is usually conditional only on the passage of time (i.e. reaching practical completion, then the end of the defects liability period) rather than on further performance, which means it is treated as an unconditional contractual right and recorded as a receivable — specifically, retentions receivable (account 1620) — rather than folded into the general contract asset or trade receivable balance.

Worked example — Contract C-001 retention, January 2025

Gross payment application raised: £215,789

Retention withheld (5%): £10,789

Net amount billed to Kirklees Council: £205,000 (= the revenue figure)

Double entry to record the retention:

DR Retentions receivable (1620) £10,789

CR Trade receivables (1600) £10,789

(reclassifies the retained 5% out of the ordinary trade receivable into its own balance sheet line, since it won't be collected on normal 30-day terms — it's held until the defects liability period ends)

A.7 — Variable consideration: variations and claims

Construction contracts are rarely static — clients instruct variations, and contractors sometimes submit claims for additional cost or time. IFRS 15 requires variable consideration (the value of variations and claims) to be included in the transaction price only to the extent it is highly probable that a significant reversal will not occur once the uncertainty is resolved — this is called the 'constrained estimate' approach.

In practice, Calderstone only includes a variation in the transaction price once it has been formally approved by the contract administrator (an Architect's Instruction or equivalent under JCT, or a Compensation Event agreement under NEC). Unapproved or disputed claims are excluded entirely until resolved — including them earlier would risk a revenue reversal in a future period, which IFRS 15 is specifically designed to prevent.

Worked example — Contract C-004, Harrogate Leisure Centre Fit-Out

Base contract value: £1,750,000

Approved variation (additional M&E works instructed by the Employer's Agent): £45,000

Total consideration used in the cost-to-cost calculation: £1,795,000

If Calderstone had a further £30,000 of claimed (but not yet approved) loss and expense on this contract, that £30,000 would NOT be included in the January transaction price — it stays off the revenue calculation entirely until approved, at which point it is added prospectively (a cumulative catch-up adjustment is then recognised in the period of approval).

A.8 — Why public sector and private contracts are treated identically for revenue, but differently for VAT

It's worth being explicit about this because it trips people up: the IFRS 15 revenue recognition mechanics (cost-to-cost, contract assets, retentions) apply identically to every Calderstone contract regardless of customer type. What differs between, say, Kirklees Council (public sector) and Avant Homes (private developer) is purely the VAT treatment of the invoice — covered in Part B — not the underlying revenue recognition. Keep these two concepts separate in your head: IFRS 15 governs when and how much revenue to recognise; VAT rules govern how that same invoice is taxed.

Part B — VAT Domestic Reverse Charge

B.1 — What problem the reverse charge solves

Before 1 March 2021, a subcontractor would charge VAT on its invoice, the main contractor would pay that VAT to the subcontractor, and the subcontractor was supposed to then pay that VAT on to HMRC. HMRC found that a significant number of subcontractors were collecting the VAT from contractors and then disappearing without ever remitting it — a fraud known as 'missing trader' VAT fraud, very prevalent in construction supply chains. The domestic reverse charge for building and construction services (introduced by HMRC VAT Notice 735) closes this loophole by removing cash from the equation entirely between VAT-registered businesses in the supply chain.

B.2 — How it works

Under normal VAT rules, the supplier charges VAT and the customer pays it. Under the reverse charge, the supplier does NOT charge VAT on the invoice. Instead, the customer self-accounts for both the output VAT (as if they were the one supplying the service) and the corresponding input VAT (as if they were the one receiving it) on their own VAT return. Because both entries land on the same return, they cancel out — no cash changes hands in respect of VAT at all, which means there is no VAT for a missing trader to disappear with.

	Normal VAT (no reverse charge)	Domestic reverse charge
Supplier's invoice shows	Net + 20% VAT = Gross	Net only — no VAT charged, with a reverse charge statement
Supplier pays to HMRC	Output VAT collected from customer	Nothing — no VAT was charged
Customer pays supplier	Gross amount (net + VAT)	Net amount only
Customer's VAT return shows	Input VAT reclaim only	Output VAT (self-charged) AND input VAT (self-reclaimed) — net nil effect

B.3 — When does it apply?

The reverse charge applies only when ALL of the following are true:

1. The supply is within the scope of the Construction Industry Scheme (CIS) — broadly, construction operations as defined by CIS regulations (see Part C)
2. Both the supplier and the customer are VAT-registered
3. The customer is not an 'end user' or 'intermediary supplier' that has issued an end-user exclusion notification
4. The supply is standard or reduced-rated for VAT (the reverse charge does not apply to zero-rated supplies)

The critical exclusion: end users

This is where most of the practical confusion sits, and it is exactly why Calderstone's own sales ledger shows a mix of reverse-charge and normal-VAT applications across its seven contracts. An end user is a business that receives the construction service for its own use and does not sell on the construction service itself as part of a further onward supply within the construction supply chain. End users are excluded from the reverse charge — normal VAT rules apply to supplies made to them, because they are the final consumer of the service and there is no further point in the chain for fraud to occur.

Applying this to Calderstone's seven live contracts (January 2025 Sales Ledger)

Kirklees Metropolitan Council (C-001) — END USER. The council is the final occupier/owner of the depot — it is not selling the construction service onward. Normal VAT applies: 20% VAT IS charged on the application (£43,158 VAT shown on January's app).

Bradford Teaching Hospitals NHS FT (C-003) — END USER. Same logic — the Trust occupies the ward, it does not sell the construction service on. Normal VAT applies (£62,105 VAT charged in January).

Harrogate Borough Council (C-004) and Calderdale MBC (C-007) — END USERS for the same reason. Normal VAT applies to both.

Avant Homes, Caddick Developments, Unite Students (C-002, C-005, C-006) — NOT end users. These are property developers who will sell on or lease the finished asset as part of their own onward business activity — they are squarely within the construction supply chain, not the final consumer of the construction service itself. The reverse charge APPLIES: Calderstone charges £0 VAT on these applications, and a reverse charge statement is shown instead.

Why public bodies are end users and developers usually are not

The distinction is about what happens to the asset after construction, not who the customer is. A council occupying its own depot, or an NHS Trust operating its own hospital ward, is consuming the construction service for its own purposes — end use. A developer building flats to sell, or a registered provider building homes it will let, is using the construction service as an input into its own onward supply (sale or lease of the finished building) — not end use, and therefore within the reverse charge. This is also why a private homeowner having an extension built is always an end user, and a small business landlord developing a site to sell is usually not.

B.4 — What the invoice must say

Reverse charge invoices must clearly state that the domestic reverse charge applies and that the customer is required to account for the VAT. HMRC does not prescribe exact wording, but the invoice must make clear: the VAT is not included in the amount charged, the reverse charge applies, the customer must account for the VAT, and the amount of VAT to be accounted for (or the rate, if the amount itself isn't stated). The Sales Ledger note in Calderstone's January workbook reflects this: each reverse-charge application carries the wording "Domestic Reverse Charge applies — customer to account for VAT to HMRC."

B.5 — Double entry: comparing a normal-VAT application to a reverse-charge application

C-001 Kirklees (normal VAT) vs C-002 Avant Homes (reverse charge) — January 2025

C-001 Kirklees — normal VAT application:

DR Trade receivables (1600)	£248,158	
CR Construction revenue (4010)		£205,000
CR Output VAT control (2100)		£43,158

C-002 Avant Homes — reverse charge application:

DR Trade receivables (1600)	£410,000	

CR Construction revenue (4000) £410,000
(No VAT account is touched on the sales side at all — there's nothing to record because no VAT was charged)

Because Calderstone is the supplier on the C-002 application, the reverse charge has zero impact on Calderstone's own VAT return for this transaction — Calderstone simply does not charge or collect VAT on it. The self-accounting obligation sits entirely with Avant Homes as the customer. Where Calderstone is itself buying in CIS-scope subcontractor services (e.g. PINV-2501-004 from Moorside Scaffolding), the reverse charge would flip the other way and Calderstone would be the one self-accounting — see B.7.

B.6 — What about VAT on purchases — when Calderstone is the customer?

The reverse charge is symmetrical. Where Calderstone receives a CIS-scope supply from a VAT-registered subcontractor (and Calderstone is not itself an end user — which it never is, since it always uses subcontractor input as part of its own onward construction supply), the subcontractor should NOT charge VAT, and Calderstone self-accounts instead.

Worked example — PINV-2501-004, Moorside Scaffolding Ltd, January 2025

Moorside's invoice: £18,500 net, reverse charge applies — no VAT shown on the invoice

Calderstone's double entry:
DR Subcontractor costs (5100) £18,500
DR Input VAT control (1800) £3,700 (self-accounted — 20% of £18,500)
CR Subcontractor payables (2010) £18,500
CR Output VAT control (2100) £3,700 (self-accounted — same amount)

Net VAT cash impact: £nil. The £3,700 self-charged output VAT and the £3,700 self-claimed input VAT cancel out on the same return.

Note this is distinct from the CIS deduction shown on the same invoice in Calderstone's Purchase Ledger (£3,700 CIS withheld from the £18,500 labour value) — that is a completely separate mechanism under a different piece of legislation, covered in Part C. It is entirely possible, and very common, for a single subcontractor invoice to be subject to BOTH the VAT reverse charge AND a CIS deduction at the same time, because they address two different things: VAT fraud prevention versus income tax collection at source.

B.7 — Summary decision tree

Question	If YES	If NO
Is the supply CIS-scope construction operations?	Continue to next question	Normal VAT rules apply — charge VAT as usual
Are both parties VAT-registered?	Continue to next question	Normal VAT rules apply
Is the customer an end user (or intermediary that's opted out)?	Normal VAT rules apply — charge VAT as usual	Continue to next question
Is the supply zero-rated (e.g. new-build housing under certain conditions)?	Normal VAT rules apply (0%, not reverse charge)	Reverse charge applies — do not charge VAT, customer self-accounts

Part C — Construction Industry Scheme (CIS)

C.1 — What CIS is and why it exists

CIS is a tax deduction scheme — completely separate from VAT — under which a contractor deducts money from a subcontractor's payments and pays it directly to HMRC as an advance payment towards the subcontractor's tax and National Insurance liability. It exists because the construction sector historically had a high incidence of subcontractors under-declaring or simply not paying the tax due on their self-employment income. CIS effectively moves a portion of subcontractor tax collection upstream to the contractor, similar in spirit to how PAYE collects tax from employees, but it applies to self-employed subcontractors rather than employees.

C.2 — The two roles: contractor and subcontractor

Calderstone Construction Limited sits in both roles simultaneously, which is normal for a main contractor:

- As a CONTRACTOR — Calderstone deducts CIS from payments it makes to its own subcontractors (e.g. Moorside Scaffolding, Pennine Groundworks) and pays those deductions to HMRC monthly.
- As a SUBCONTRACTOR — on the rare occasions Calderstone itself works as a subcontractor to a larger main contractor, CIS would be deducted FROM Calderstone's own payments. This recoverable amount sits in account 1810 (CIS deductions suffered). In Calderstone's current contract base, all seven live contracts are ones where Calderstone is the main contractor, so this side of the scheme is dormant for now, but the account exists in the chart of accounts for completeness and for Phase 2 when intercompany subcontracting (e.g. M&E Services Ltd subcontracting to the parent) is fully modelled.

C.3 — Verification and deduction rates

Before paying a new subcontractor, a contractor must verify them with HMRC, which confirms the subcontractor's CIS registration status and tells the contractor what rate of deduction to apply:

Status	Deduction rate	How a subcontractor qualifies
Gross payment status	0% — no deduction	Subcontractor applies and is approved by HMRC based on turnover, compliance history and business tests — relatively few qualify
Registered (net) status	20%	Standard registration — the default rate for the great majority of CIS subcontractors
Unverified / not registered	30%	Subcontractor cannot be verified or has not registered with HMRC — punitive rate intended to encourage registration

Calderstone's Reference Data workbook records each subcontractor's CIS status on the supplier master record. Both subcontractors invoicing in January 2025 — Moorside Scaffolding Ltd and Pennine Groundworks Ltd — are registered at the standard 20% net rate.

C.4 — What the deduction is calculated on: labour only, never materials

This is the rule most often got wrong in practice, so it is worth stating plainly: CIS is deducted only from the labour element of a subcontractor's invoice. Materials, plant, and consumables genuinely supplied as part of the work are excluded from the deduction calculation entirely. A subcontractor invoice that bundles labour and materials together must show a clear breakdown, or the contractor is required to make a fair and reasonable estimate of the materials cost in order to correctly exclude it from the CIS calculation.

Worked example — PINV-2501-004, Moorside Scaffolding Ltd, January 2025

Invoice for scaffolding erection and dismantling — labour-only subcontract (no separate materials charge, since Moorside owns and hires its own scaffold materials as part of the labour service)

Invoice value: £18,500 — entirely labour

CIS rate: 20% (registered/net status)

CIS deduction: £18,500 × 20% = £3,700

Net amount paid to Moorside: £18,500 − £3,700 = £14,800

Contrast — a hypothetical supply-and-fix invoice with materials split out

If a subcontractor invoiced £40,000 total, made up of £25,000 labour and £15,000 materials (separately identified on the invoice):

CIS is calculated on the £25,000 labour ONLY: £25,000 × 20% = £5,000 deduction

Net paid to subcontractor: £40,000 − £5,000 = £35,000

This is why account 5110 (Subcontractor costs — labour & materials) exists separately from account 5100 (Subcontractor costs — labour only) in Calderstone's chart of accounts — the materials-inclusive invoices need the split visible for the CIS calculation to be auditable.

C.5 — Double entry for a CIS deduction

PINV-2501-004, Moorside Scaffolding Ltd — full double entry

On posting the invoice:

DR Subcontractor costs (5100) £18,500

CR Subcontractor payables (2010) £14,800 (net of CIS — this is what's actually owed to Moorside)

CR CIS deductions payable to HMRC (2130) £3,700 (this is owed to HMRC, not to Moorside)

On paying HMRC the following month (via the CIS300 return):

DR CIS deductions payable to HMRC (2130) £3,700 (clears the liability — this combines with all other CIS deductions in the period)

CR Cash at bank (1900) £3,700

Notice that the £3,700 never touches the subcontractor cost account a second time — the full £18,500 cost is recognised in the P&L regardless of how the cash is split between the subcontractor and HMRC. CIS is purely a payment mechanism, not a cost reduction: Calderstone's cost of the scaffolding work is genuinely £18,500, it is simply paid out to two different recipients.

C.6 — Monthly CIS300 return

Every contractor who has made CIS deductions in a tax month must file a CIS300 return with HMRC, due by the 19th of the following month (the same deadline as PAYE). The return reports, for every subcontractor paid in the period: gross amount paid, cost of materials excluded, and CIS deducted. Calderstone's January 2025 CIS300 return would report:

Subcontractor	Gross labour paid	Materials excluded	CIS deducted (20%)
Moorside Scaffolding Ltd	£18,500	£0	£3,700
Pennine Groundworks Ltd	£35,000	£0	£7,000
TOTAL — January 2025	£53,500	£0	£10,700

The £10,700 total is paid to HMRC alongside the PAYE/NIC settlement, due by 19 February 2025 (or 22nd if paid electronically, which is standard). Calderstone must also provide each subcontractor with a written statement of the deduction made (a CIS payment/deduction statement) within 14 days of the end of the tax month, which the subcontractor uses as evidence of tax already paid when they complete their own self-assessment or corporation tax return.

C.7 — CIS and VAT together: they are not the same thing

It bears repeating because it is the most common point of confusion: CIS deals with income tax/NIC collection, the reverse charge deals with VAT fraud prevention. They are governed by completely different legislation, calculated on different bases (CIS on labour only; VAT on the full net invoice value, materials included), paid to HMRC via different returns (CIS300 vs the VAT return), and a single subcontractor invoice can be subject to one, both, or neither, depending on the facts.

Invoice scenario	CIS applies?	VAT reverse charge applies?
Moorside Scaffolding — labour-only subcontract to Calderstone (main contractor, not an end user)	Yes — 20% on labour	Yes — both CIS-registered businesses, neither is an end user
Materials merchant (e.g. Aggregate Industries) supplying concrete only, no labour	No — CIS applies to construction operations involving labour, not pure material supply	No — pure goods supply, not within CIS scope, so reverse charge doesn't apply either
Calderstone's application to Kirklees Council (end user)	N/A — CIS is a contractor/subcontractor mechanism, doesn't apply to client billing	No — Kirklees is an end user, normal VAT charged
Calderstone's application to Avant Homes (developer, not end user)	N/A — same reason as above	Yes — reverse charge, Calderstone charges £0 VAT

Part D — Practical Returns and Notes Checklist

This section sets out, concretely, what Calderstone needs to prepare every month and every year as a direct consequence of the three areas covered above. Use this as a working checklist.

D.1 — Monthly returns and workings

Deliverable	Due date	What it contains	Driven by
VAT return workings	Return filed 1 month + 7 days after quarter end (workings prepared monthly for quarterly review)	Output VAT on normal-VAT applications, input VAT on purchases, self-accounted reverse charge output/input VAT, net VAT position	Part B
CIS300 monthly return	19th of the following month (online filing deadline; payment due same date, or 22nd if paid electronically)	Every subcontractor paid in the month: gross labour, materials excluded, CIS deducted	Part C
CIS payment/deduction statements	Within 14 days of the end of the tax month	One per subcontractor paid, showing the deduction made — their evidence for self-assessment	Part C
Contract revenue recognition schedule	Every month end, before management accounts	Cost-to-cost % complete and revenue recognised per contract — feeds the month-end journal	Part A
Contract asset/liability reconciliation	Every month end	Movement in account 1520 (contract assets) and 2040 (contract liabilities) per contract, tying to the revenue schedule	Part A
Retentions schedule	Every month end	Retentions receivable (1620) and payable (2030) by contract, with expected release dates	Part A

D.2 — Annual / period-end items

Deliverable	When	What it contains
VAT return (formal submission)	Quarterly, 1 month + 7 days after quarter end	Formal HMRC submission based on the monthly workings above, reconciled to the VAT control accounts
Corporation tax computation — CIS reconciliation	Annually, as part of the CT600	Total CIS suffered (if any) offset against the corporation tax liability; total CIS deducted from subcontractors reconciled to CIS300 filings for the year
Revenue recognition disclosure note	Annual financial statements	IFRS 15 accounting policy note, disaggregation of revenue (e.g. by contract type/sector), description of performance obligations and judgement applied to the over-time criteria
Contract balances note	Annual financial statements	Opening and closing contract assets/liabilities, revenue recognised that was included in the opening contract liability balance, and significant changes in the period
Retentions note (often within trade receivables/payables	Annual financial statements	Total retentions held and receivable, and their expected timing (current vs non-current if the

Deliverable	When	What it contains
notes)		defects period extends beyond 12 months)

D.3 — Suggested workbook/file structure for these workings

Based on the folder structure already in place, these items map as follows:

- 12 Tax & Compliance > VAT Return Workings.xlsx — monthly workings tab, one per month, rolling up to quarterly submission
- 12 Tax & Compliance > CIS Monthly Return Log.xlsx — one tab per month, formatted exactly like the CIS300 return layout shown in C.6
- 09 Financial Controller Pack > Balance Sheet Rec Pack.xlsx — should include a dedicated reconciliation for account 1520 (contract assets), 2040 (contract liabilities), 1620/2030 (retentions), and 1810/2130 (CIS suffered/payable)
- Within each month's transactions workbook — the Contracts Register tab (already built for January) is the source schedule that drives the revenue recognition journal every month

D.4 — Quick reference: account codes used throughout this note

Code	Account	Relevant to
1520	Contract assets — amounts recoverable on contracts	IFRS 15
2040	Contract liabilities — payments on account	IFRS 15
1620	Retentions receivable	IFRS 15 / construction
2030	Retentions payable	IFRS 15 / construction
1600	Trade receivables — control	IFRS 15 / VAT
2100	Output VAT control	VAT (normal + self-accounted reverse charge)
1800	Input VAT control	VAT (normal + self-accounted reverse charge)
1810	CIS deductions suffered (recoverable)	CIS — when Calderstone is the subcontractor
2130	CIS deductions payable to HMRC	CIS — when Calderstone is the contractor
2010	Subcontractor payables — control	CIS
5100	Subcontractor costs — labour only (CIS)	CIS
5110	Subcontractor costs — labour & materials	CIS

One-line summary of each area

IFRS 15: recognise revenue as the building gets built, using cost-to-cost, not when you invoice or get paid. VAT reverse charge: between two VAT-registered construction businesses (neither an end user), no VAT changes hands — the customer self-accounts. CIS: when paying a subcontractor, withhold tax (usually 20%) from their LABOUR value only, and pay it to HMRC on their behalf.