(1)

If they use percentage completion method, then the revenue should be $ 2 million recognized for 2010.

The profit recognized by the company would be

.

(2)

If they use complete contract method, then the revenue will be prepared at the end of the contract. Thus, the company recognizes no revenue at the end of 2010.

However, the company will incur a net loss due to these expenses given by

(3)

Under current U.S. GAAP, when payment is almost certain due to the stability of large corporation, then Kowalski should use the percentage completion method.

(4)

Under current U.S. GAAP, the payment is uncertain hence Kowalski should use the complete contract method.

(5)

In IFRS, the answer to (4) changes because of belief of Kowalski and hence Kowalski can continue to use percentage completion method.