

In this lesson:

- ✓ Introduction to 5-step model for revenue recognition (IFRS 15)
- ✓ Example: Applying 5-step model (+ journal entries)

This handout accompanies a lecture “Revenue recognition: 5-step model with example”. Please print it before watching the lecture to take notes.

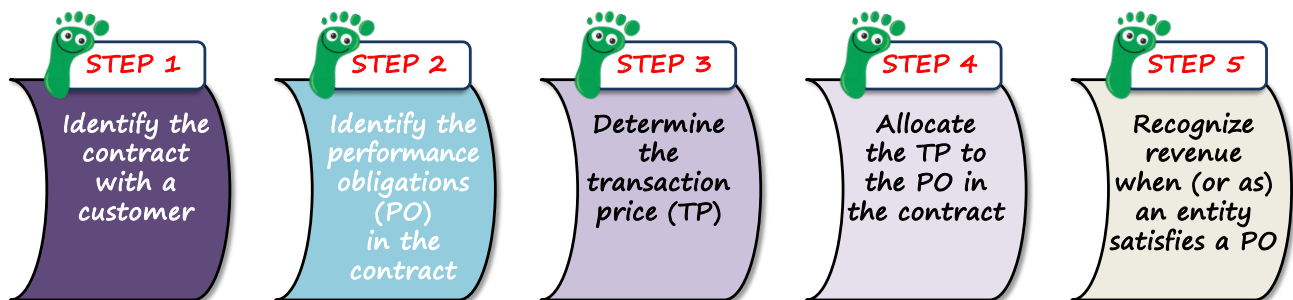
IFRS 15 Revenue from Contracts with Customers



introduced

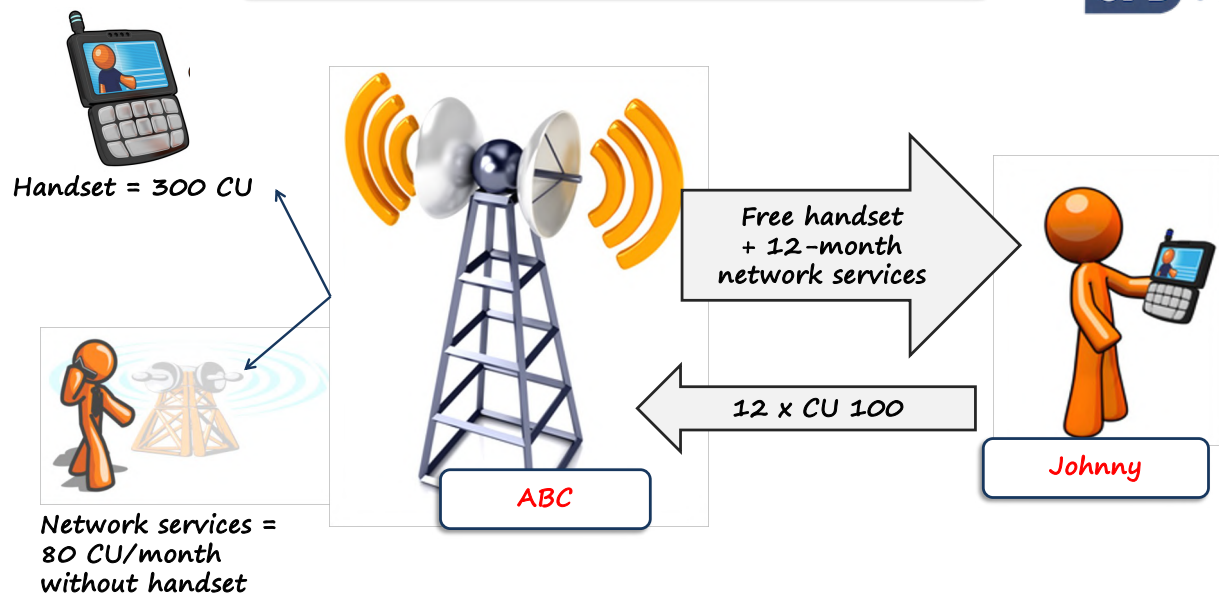
ALL CONTRACTS
WITH CUSTOMERS

5-Step Model for Revenue Recognition



Your notes:

IFRS 15 Revenue from Contracts with Customers



Your notes:



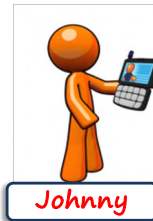
STEP 1



Identify the contract with the customer



with



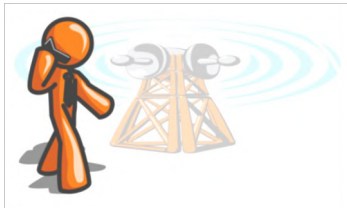
Your notes:



STEP 2



Identify the performance obligations



✓ Network services (12-months)



✓ Phone

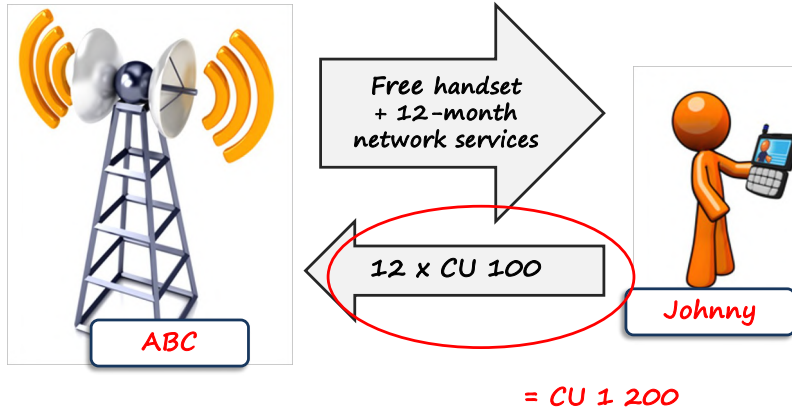
Your notes:



STEP 3



Determine the transaction price



Your notes:

**STEP 4**

Allocate the transaction price to the performance obligations

=> Transaction price = 1 200 (100*12)



Based on



Stand-alone selling price

Performance obligations	Stand-alone selling price	Allocated transaction price	Revenue	Billing
Handset/ phone	300	285.70 (300/1260*1200)	285.70 when handset is delivered	0
Network services	960 (12*80)	914.30 (960/1260*1200)	76.20 /month (914.30/12)	100 /month
TOTAL	1 260	1 200	1 200	1 200

Your notes:

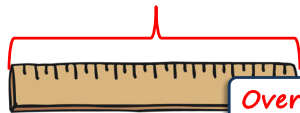


STEP 5

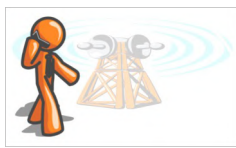


Recognize revenue when/as the PO is satisfied

JOURNAL ENTRIES



Over time



Network services (12-months)



At the point of time



Phone

Your notes:

JOURNAL ENTRIES



When the contract starts and Johnny gets the phone:

Debit
Contract asset:
CU 285.70

Credit
Revenues:
CU 285.70

Don't forget cost of sales (phone)!

Debit
Cost of sales

Credit
Inventories



When network services are provided and billed each month:

Debit
Receivables:
CU 100

Credit
Revenues from services:
CU 76.20

Credit
Contract asset:
CU 23.80

Your notes:

What's inside the IFRS Kit?



Note: The access to the IFRS Kit is for one year. The Excel files and handouts are downloadable.



This is Your Time.

Discover how top performers learn and use IFRS.

If you have any questions related to this program, just write me to support@cpdbox.com.

I sincerely hope to have the honor and privilege of guiding you in your IFRS learning journey.

To your success,

Silvia of CPDbox

