5 Step-Model for Revenue Recognition

IFRS 15

05 Recognize revenue when or as the PO are satisfied

04 Allocate the TP to the individual PO

03 Determine the transaction price (TP)

02 Identify the performance obligations (PO) in the contract

01 Identify the contract with the customer
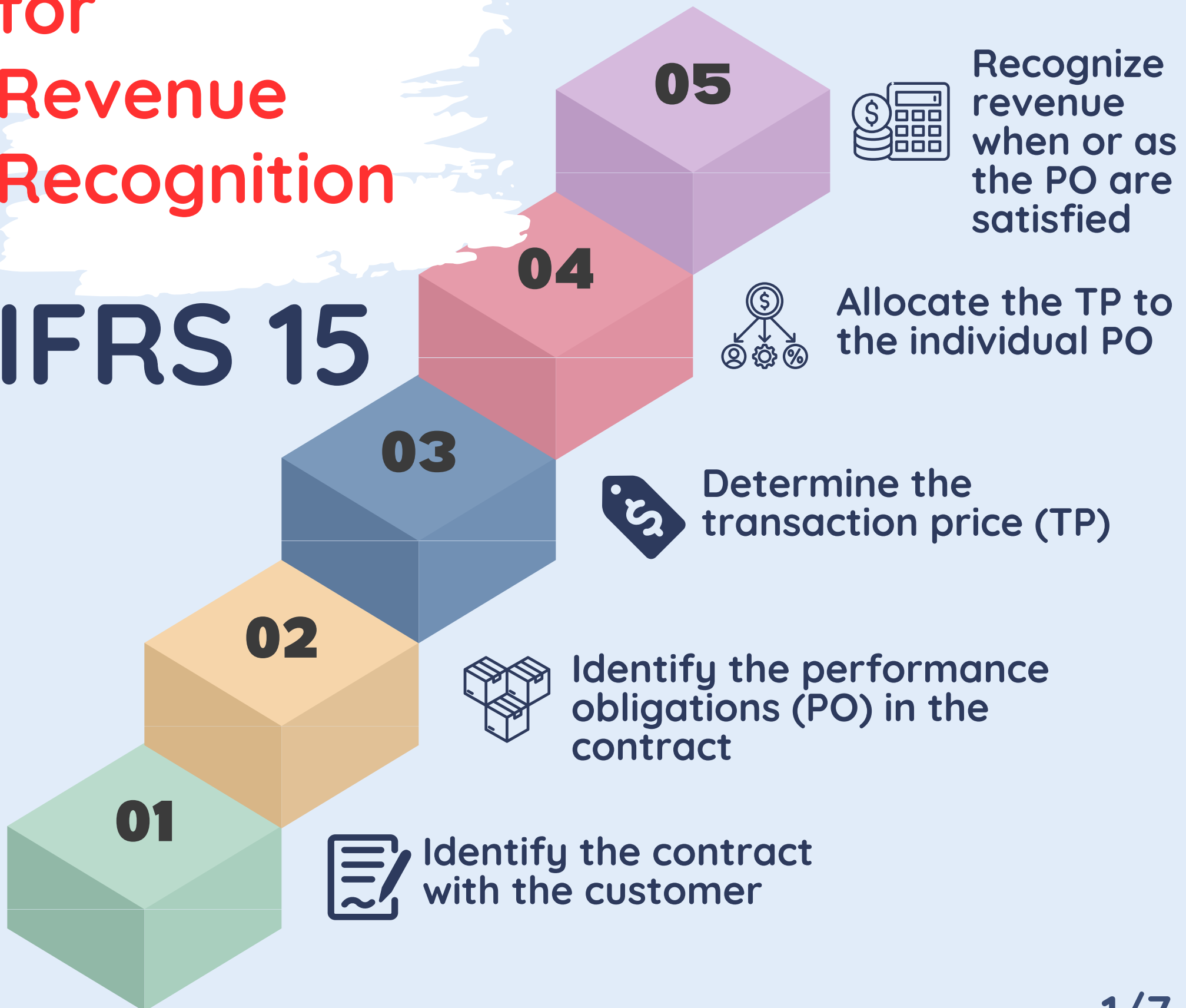
Step #1

📝 **Identify the contract with the customer.**

EXAMPLE

Contract

Customer buys shoes for 100 EUR and gets free socks (valued at 20) as a bonus.

Step #2

Identify the performance obligations (PO) in the contract.

EXAMPLE

Performance obligations:

✅ shoes

✅ socks

Step #3

Determine the transaction price (TP).
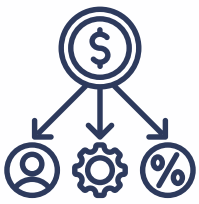
EXAMPLE

Women's Shoes
Selected Styles

99.99

Transaction price

✅ **100 EUR**

Step #4

Allocate the transaction price (TP) to the individual performance obligations based on their relative stand-alone selling prices.

EXAMPLE

Allocate TP of 100:

Total standalone selling prices = 100 (shoes) + 20 (socks) = **120**

✅ Allocate to shoes: 100/120*TP of 100 = **83 EUR**

✅ Allocate to socks: 20/120*TP of 100 = **17 EUR**

Step #5

Recognize revenue when or as the entity satisfies a performance obligation

EXAMPLE

Recognize revenue:

✅ **If shoes are delivered to the customer in December, recognize 83 EUR in December**

✅ **If socks are delivered to the customer in January, recognize 17 EUR in January**

Link to the full FREE lecture with the quiz:

https://www.cpdbox.com/account/lessons/revenue-recognition-5-step-model/

Includes:

✅ Video lecture

✅ Excel file

✅ Handout

✅ Quiz

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