

IFRS 15 Revenue from Contracts with Customers

Journal Entries Template

1 Contract with a customer is signed.	✓ No entry.
2 Advance payment is received from a customer.	✓ Debit: Bank account ✓ Credit: Contract liability
3 Performance obligation is satisfied AND advance payment was received from a customer	✓ Debit: Contract liability ✓ Credit: Profit or loss - revenue
4 Performance obligation is satisfied AND advance payment was NOT received from a customer	✓ Debit: Contract asset ✓ Credit: Profit or loss - revenue
5 Performance obligation is satisfied AND invoice to a customer is issued at the same time	✓ Debit: Trade receivables ✓ Credit: Profit or loss - revenue
6 Revenue is recognized based on progress towards completion	✓ Debit: Contract assets ✓ Credit: Profit or loss - revenue
7 Invoice issued for the work done (if < than revenue recognized over time)	✓ Debit: Trade receivables ✓ Credit: Contract asset
8 Payment received from a customer for the goods, but with a right of return	✓ Debit: Bank account ✓ Credit: Refund liability* <small>*Assess probability of return</small>

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<p>9 Goods delivered to the customer, but with right of return within XY days</p>	<p>✓ Debit: Asset - right to recover goods ✓ Credit: Inventories* <small>*Assess probability of return</small></p>
<p>10 Revenue recognized when right of return expires (see entry n. 8)</p>	<p>✓ Debit: Refund liability ✓ Credit: Profit or loss - revenue</p>
<p>11 Cost of sales recognized when right of return expires (see entry n. 9)</p>	<p>✓ Debit: Profit or loss - cost of sales ✓ Credit: Asset - right to recover goods</p>
<p>12 Customer decided to return goods (see entry n. 8) - refund payment</p>	<p>✓ Debit: Refund liability ✓ Credit: Bank account</p>
<p>13 Customer decided to return goods (see entry n. 9) - receipt of goods</p>	<p>✓ Debit: Inventories ✓ Credit: Asset - right to recover goods</p>
<p>14 Costs to fulfil a contract with a customer that meet criteria of IFRS 15</p>	<p>✓ Debit: Asset - contract costs ✓ Credit: Payables / bank account / cash* <small>*Depending on payment method</small></p>
<p>15 Amortization of costs to fulfil a contract (see entry n. 14)</p>	<p>✓ Debit: Profit or loss - amortization of contract costs ✓ Credit: Asset - contract costs</p>
<p>16 Revenue recognition when there is a significant financing component in the contract</p>	<p>✓ Debit: Trade receivables* ✓ Credit: Profit or loss - revenue* <small>*At present value, using appropriate discount rate (IRR)</small></p>

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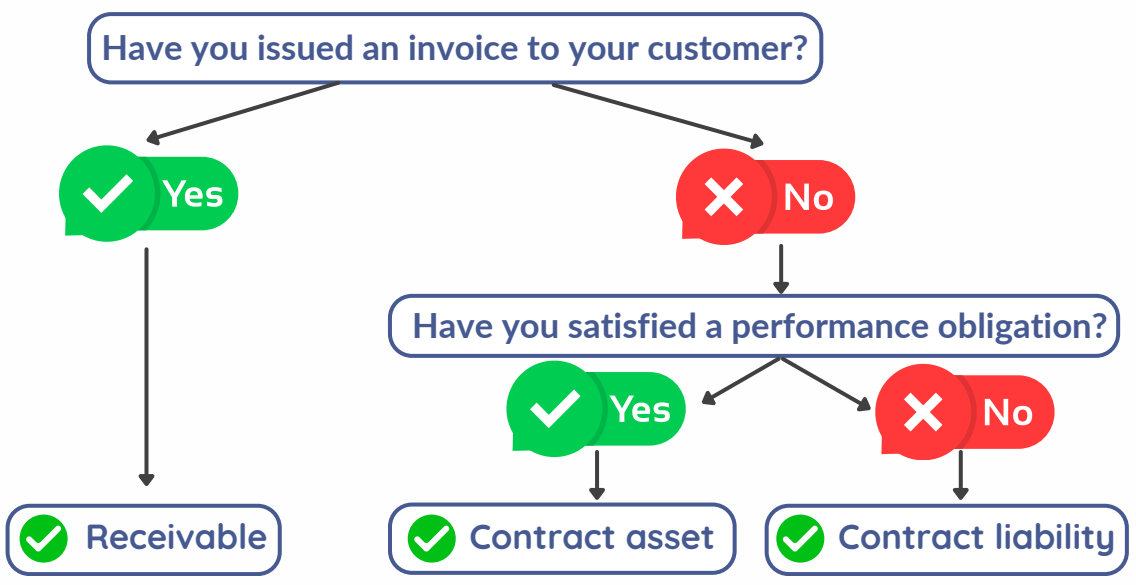
Journal Entries Template

17 Interest revenue on receivables - significant financing component (see entry n. 16)	✔ Debit: Trade receivables ✔ Credit: Profit or loss - interest income* <small>*Using appropriate discount rate (IRR)</small>
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18 Expected credit loss allowance on contract assets and assets related to costs to fulfil a contract	✔ Debit: Profit or loss - ECL allowance ✔ Credit: Contract asset or asset - contract costs
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 **Bonus Tip:**

When to use trade receivable / contract asset / contract liability?



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