EX 5 Revenues – Exercises

1. Describe the 5 step approach to recognizing revenue from contracts required in IFRS 15.
2. What 5 conditions must a contract meet before an entity can account for revenue from it under IFRS 15?
3. How does an entity determine if it is acting in the capacity of a principal or as an agent?
4. How is the transaction price allocated to the different performance obligations in a multiple element sales transaction?
5. Describe the percentage-of-completion method of accounting for contract revenues.
6. A company sells goods under “sale or return” terms under which goods can be returned for a full refund if not sold by the time of the product expiry date (normally 3 years). What does the company need to do in order to recognize revenues from the sale of these products?

7. A car dealer is offering a promotion of a new car, three years free maintenance, one year’s free insurance and a five year unlimited mileage warranty for €23,000. If the selling price of the car is normally €25,000, the cost of insurance is €500 per year and annual maintenance cost is normally €500 how much revenue should the dealer recognize in the first year?