

A86045 Accounting and Financial Reporting (2017/2018)

Session 5

Revenue from contracts with customers

SESSION 5 OVERVIEW

Session 5 Overview

	Mins
Session overview and objectives	5
Review of pre-work and session 4 recap	5
IAS 18 Revenues and IAS 11 Construction Contracts	20
RA 3 Revenue accounting policies Student presentations of pre-work assignment	25
IFRS 15 Revenue – Objective, Scope, Recognition, measurement, Presentation and disclosure	30
Case study – Vespa example	20
Special considerations	20
Required reading and assignment for next session	5
Summary and validation, overview of session 6	<u>5</u>
	135

Course Objectives

At the end of this course students will be able to:

- ***Read and perform a high level interpretation** of the financial statements of companies applying international accounting standards*
- ***Identify and evaluate** the impact on a companies accounts of alternative accounting methods*
- ***Carry out a high level assessment** of the the economic- financial position of a company reporting under IAS/IFRS.*

Course Overview

PGS	1. Financial reporting under IFRS	14. Construction contracts	PGS
	2. Financial analysis: Ratio analysis	15. Other Non-financial liabilities	
	3. Financial analysis: Segments and EPS	16. Review session	
	4. Review session	17. Mid term test	
PGS	5. Revenues	18. Financial Instruments 1	PT
	6. Costs and expenses	19. Financial Instruments 2	
	7. Taxation - Direct and Indirect	20. Review session	
	8. Non-current assets - Intangible assets	21. Cash Flow Statement	
PT	9. Non-current assets - Tangible assets	22. Group accounts/Business comb	PGS
	10. Financial leases	23. Review session	
	11. Impairment of assets	24. Review session	
	12. Review session	25. Final test	
PT	13. Inventories		

Objectives of Session 5

At the end of this session students will be able to:

1. **demonstrate** an understanding of the scope of IFRS 15 – and its application to sales of goods and services and how it relates to interest, royalties and dividend income.
2. **appreciate**, through cross-sector comparisons, the importance of industry context in understanding a company's revenue recognition policies.

SESSION 4 RECAP, REQUIRED READING AND PRE-WORK

Session 4 Review of Sessions 1-3

- Regulatory Framework (Chapter 1)
- IASB Conceptual Framework (Chapter 2)
- Presentation of Financial Statements (Chapter 3)
- Accounting Policies, Accounting Estimates and Errors (Chapter 4)
- Related Parties, Changes in Foreign Currencies (Chapter 21)
- Ratio Analysis (Chapter 22)
- Earnings Per Share (Chapter 23)
- Segmental Analysis (Chapter 24)

Session 5 Pre-work

- Reading
 - Melville International Financial Reporting - A Practical Guide
 - Chapter 13 – Revenue
 - International accounting standards
 - IFRS 15 Revenues from contracts with customers
- Research Assignment
 - RA 4 For your chosen company, prepare a brief presentation summarizing the company's business model i.e. how the company generates revenues and what its accounting policy(ies) for revenue recognition is (are).

Standards in force until January 1, 2018

IAS 18 REVENUES AND IAS 11 CONSTRUCTION CONTRACTS

IAS 18 & 11

IAS 18

- Scope
 - Sale of **goods**
 - Rendering of **services**
 - Use by others of the entities assets, yielding **interest, royalties and dividends**
- Measurement
 - Fair value of the consideration received or receivable.

IAS 11

- **Construction contract:** *A contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of design, technology and function of their ultimate purpose or use. These can be:*
 - **Fixed price or,**
 - **Cost plus**

IAS 18 Recognition conditions

Goods - all of the following

- a) The entity has transferred to the buyer the significant **risks and rewards** of ownership of the goods;
- b) The entity retains neither **continuing managerial involvement** to the degree usually associated with ownership nor effective **control** over the goods sold;
- c) The **amount of revenue** can be measured reliably;
- d) It is probable that the **economic benefits** associated with the transaction will flow to the entity; and
- e) The **costs** incurred or to be incurred in respect of the transaction can be measured reliably

Services - all of the following

- a) The **amount of revenue** can be measured reliably;
- b) It is probable that the **economic benefits** associated with the transaction will flow to the entity;
- c) The **stage of completion** of the transaction at the end of the reporting period can be measured reliably; and
- d) The **costs** incurred for the transaction and the costs to complete the transaction can be measured reliably

US GAAP Comparison

1. Pervasive evidence of an arrangement exists
2. Delivery has occurred or services have been rendered
3. The seller's price to the buyer is fixed and determinable
4. Collectability is reasonably assured

See also SM 1 The Incoterms® rules

IAS 11 Construction Contracts

Revenues

- The initial amount of revenue agreed in the contract; and
- Variations in contract work and claims
 - If probable that they will result in revenue
 - They are capable of being reliably measured

Costs

- Costs that relate directly to the specific contract
- Costs that are attributable to contract activity
- Such other costs as are specifically chargeable to the customer.

Accounting for construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the **stage of completion** of the contract activity at the end of the reporting period.
An expected loss shall be recognized immediately.

The outcome of a construction contract can be estimated reliably when all of the following conditions are satisfied:

- Total contract revenue can be measured reliably;
- It is probable that the economic benefits associated with the contract will flow to the entity;
- Both contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably
- The contract costs attributable to the contract can be clearly identified and measured reliably.

	Contract price	Contract costs	Contract margin	%
Original contract	100	60	40	40%
Change orders	20	15	5	25%
Claims (in total 80)	20	20	0	
Additional costs to be incurred		20	(20)	
Revised contract	140	115	25	18%

Using the *cost to cost* method if costs incurred to date At the balance sheet date amount to 60 then 60/115 % of revenue and margin would be recognized

Measurement – IFRS 13

Revenue shall be measured at the **fair value** of the consideration received or receivable

***Fair Value** is the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date.*

RESEARCH ASSIGNMENT RA 3

ACCOUNTING POLICIES FOR REVENUES

RA 3 Revenue Accounting Policies

Review of Pre-work assignment

- Company name
- Industry(ies) in which it operates
- Business model
- Accounting policies for revenue recognition

RA 3 Template

General Revenue Recognition Accounting Policy (if any)	
Type of revenue	Basis of revenue recognition

RA 3 Template

General Revenue Recognition Accounting Policy (if any)

Type of revenue	Basis of revenue recognition
Interest income	The Group applies IAS 39 Financial Instruments: Recognition and Measurement
Fee and commission income	The Group applies IAS 18 Revenue. Fees received are recognized as services are provided for example upon completion of the underlying transaction.
Trading income	In accordance with IAS 39 trading positions are held at fair value and the resulting gains and losses are included in the income statement
Investment income	Dividends are recognized when the right to receive the dividend has been established.

RA 3 Template

General Revenue Recognition Accounting Policy (if any)

Net sales are recognized when the risks and rewards inherent to ownership of the goods have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from sales, as are the incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons. Discounts and loyalty programmes.

Sales incentives, cash discounts, provisions for returns and incentives granted to customers are recorded simultaneously to the recognition of the sales if they can be estimated in a reasonably reliable manner, based mainly on statistics compiled from past experience and contractual conditions.

Type of revenue	Basis of revenue recognition

RA 3 Template

General Revenue Recognition Accounting Policy (if any)

Sales represent amounts received and receivable from third parties for goods supplied to the customers and for services rendered. Revenue from the sales for goods is recognized in the income statement at the moment when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is mainly on shipment.

It is measured at the list price applicable to a given distribution channel after deduction of returns, sales taxes, pricing allowances, other trade discounts and couponing and price promotions to consumers. Payments made to the customers for commercial services received are expensed. Other revenue is primarily license fees from third parties which have been earned during the period.

Type of revenue	Basis of revenue recognition

RA 3 Template

General Revenue Recognition Accounting Policy (if any)

Under the condition that persuasive evidence of an arrangement exists, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks, the revenue recognised is subject to the amount of payments irrevocably received.

Type of revenue	Basis of revenue recognition
Sale of goods	When the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods
Construction contracts	In accordance with IAS 11 Construction contract on the % of completion basis using the cost to cost method.
Rendering of services	Straight line basis over the term of the contract unless the performance pattern is different as services are delivered.
Multiple element arrangements	Determine units of accounting and allocate revenue to these based on fair values based on their relative fair values.
Interest	Using the effective interest method
Royalties	On an Accrual basis
Operating leases	Straight line basis over the lease term

RA 3 Template

General Revenue Recognition Accounting Policy (if any)

Arrangements with multiple deliverables

In revenue arrangements where more than one good or service is provided to the customer, consideration is allocated between the goods and services using relative fair value principles. The fair values determined for deliverables may impact the timing of the recognition of revenue. Determining the fair value of each deliverable can require complex estimates. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate discounts.

Gross vs. net presentation

When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principle or an agent in the transaction depends analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgments impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities and cash flows.

Type of revenue	Basis of revenue recognition

IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Scope of IFRS 15

Revenue arising from all contracts with customers **except:**

- Lease contracts (IFRS 16)
- Insurance contracts (IFRS 4/17)
- Financial instruments (IFRS 7/9, IAS 32)
- Non-monetary exchanges between entities in the same business

SM2

Timing of Recognition

During production (accretion)

At the completion of production

At the time of sale (but before delivery)

On delivery

Subsequent to delivery

On an apportionment basis (the revenue allocation approach)

Criteria

Revenues accrue over time, and no significant uncertainty exists as to measurability or collectibility.
A contract of sale has been entered into and future costs can be estimated with reasonable accuracy.

There is a ready market for the commodity that can rapidly absorb the quantity held by the entity; the commodity comprises interchangeable units; the market price should be determinable and stable; there should be insignificant marketing costs involved.

Goods have already been acquired or manufactured; goods must be capable of immediate delivery to the customer; selling price has been established; all material expenses have been ascertained; no significant uncertainties remain (e.g. ultimate cash collection, returns)

Criteria for recognition before delivery were not satisfied and no significant uncertainties remain.

Significant uncertainty regarding collectibility existed at the time of delivery; at the time of sale it was not possible to value the consideration with sufficient accuracy.

Where revenue represents the supply of initial and subsequent goods/ services.

Examples

Most services.
The accrual of interest and dividend income.
Construction contracts using the percentage-of-completion method

Certain precious metals and commodities.

Certain sales of goods (e.g. "bill and hold" sales)

Most sales of goods and some services. Property sales where it is not certain that the sale will be completed.

Certain sales of goods and services (e.g. where the right of return exists).
Goods shipped subject to conditions (e.g. installation and inspection/ performance).

Franchise fees.
Sale of goods with after sales service.

Timing also depends on whether all the criteria for revenue recognition have been met.

Objective of IFRS 15

*The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the **nature, amount, timing and uncertainty** of **revenue and cash flows** arising from a contract with a customer.*

Revenue = Income arising in the course of an entity's ordinary activities

5 Step Approach in IFRS 15

- 1. Identify the **contract (s)** with a customer
- 2. Identify the **performance obligations** in the contract
- 3. Determine the **transaction price**
- 4. **Allocate the transaction price** to the performance obligations in the contract
- **Recognize revenue** when (or as) the entity satisfies a performance obligation

1. Identify the Contract

An entity shall account for a contract with a customer only when **all** of the following criteria are met:

- a) The parties to the contract have **approved** the contract and are **committed** to perform their respective obligations; (*Written, oral, implied- a matter of law*)
- b) The entity can identify each party's rights regarding the **goods or services** to be transferred;
- c) The entity can identify the **payment terms** for the goods or services to be transferred;
- d) The contract has commercial **substance**
- e) It is probable that the entity will **collect the consideration** to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Contract considerations

- Combination of contracts
 - Negotiated as a package
 - Price of one depends on the other
 - A single performance obligation
- Contract modifications (scope or price)
 - Approved Change order, variation, amendment
 - Separate contract if both criteria met:
 - Addition of distinct goods or services
 - Price increase reflects stand-alone selling price

2. Identify Performance obligations

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation **each promise to transfer to the customer** either:

- (a) **a good or service** (or a bundle of goods or services) that is **distinct***; or
- (b) **a series of distinct goods or services** that are substantially the same and that have the same pattern of transfer to the customer .

****Distinct** = the customer could benefit from the good or service on its own, **and** the promise to transfer the good or service is separately identifiable within the contract*

3. Determine the Transaction Price

An entity shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction *price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer*, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer *may include fixed amounts, variable amounts*, or both*.

* Variable consideration arises from such things as returns, discounts, refunds, incentives, penalties etc. and needs to be estimated. If these cannot be estimated reliable then revenue should not be recognized until such time as they can be estimated.

Common sales deductions

- Returns
- Allowances
- Trade discounts
- Cash discounts
- Volume rebates
- Customer loyalty schemes
- Promotional activities
- Charge backs

*In which industries
are these normally
to be found?*

4. Allocate the transaction price to the performance obligations

The objective when allocating the transaction price is for an entity to **allocate the transaction price to each performance obligation** (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

When there is more than one performance obligation, the transaction price is allocated between performance obligations according to the stand alone selling price of each obligation.

If the transaction price is less than the sum of the stand alone selling prices of each performance obligation, the discount is allocated proportionately amongst the performance obligations.

5. Recognize Revenue after Satisfaction of performance obligations

An entity shall **recognise revenue** when (or as) the entity **satisfies a performance obligation** by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the **customer obtains control of that asset**.

See also SM 1 The ICC Incoterms® rules 2010

If a performance obligation is satisfied "over time", revenue is recognised according to the progress made towards complete satisfaction of the obligation.

IFRS 15 Summary - SM 5

An entity shall account for a contract with a customer only when all of the following criteria are met:						Contract modifications	Principal or Agent
1. Identify the contract (s) with a customer. In some cases contracts may need to be combined if one or more of the following criteria are met: - Negotiated as a package - Consideration in one depends on the other - the goods and services are a single performance obligation	(a) The parties to the contract have approved the contract (in writing, orally or in accordance with business practices) and are committed to perform their respective obligations	(b) The entity can identify each party's rights regarding goods and services to be transferred	(c) The entity can identify the payment terms for the goods and services to be transferred	(d) The contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract)	(e) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer.	Contract modifications are changes in scope or price (or both) approved by both the parties. These should be accounted for as a separate contract if both of the following conditions present: (a) the scope increased because of the addition of goods or services that are distinct; and (b) the price increase by an amount which reflects the stand-alone selling prices of the additional goods and services	The entity shall determine whether the nature of its promise is a performance obligation to provide specific goods or services itself (i.e. as principal) or to arrange for the other party to provide those goods and services (i.e. as agent)
2. Identify the performance obligations in the contract. Distinct performance obligations are accounted for separately	At contract inception the entity shall assess the goods or services promised and identify as a performance obligation each promise to transfer to the customer either: (a) a good or service that is distinct ; or (b) a series of distinct goods and services that are substantially the same	A good or service is distinct if both the following conditions are met: (a) the customer can benefit from the good or service either on its own or together with resources that are readily available to the customer; and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract	Warranties: Some provide assurance that the product will function as intended others provide an additional service . If there is an option to purchase separately this is an additional distinct service. If not it should be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Options for additional goods or services for a fee or at a discount is a performance obligation only if it grants a material right that the customer would not have received without entering into the contract.	Licences establish a customer's right to the intellectual property of an entity and may include: software and technology; motion pictures, music and entertainment, franchises, patents, trademarks and copyrights. If not distinct aggregate with other goods and services. If distinct evaluate whether point in time or over time	Repurchase agreements are contracts in which the entity sells an asset and also promises or has the option to repurchase the asset. Three types: (a) A forward - obligation (b) Call option - right to repurchase (c) Put option - obligation to repurchase In a forward or call option, the customer does not obtain control and is similar to a lease. In a put option if the right is at a price significantly lower than the selling price then this should be accounted for as a lease. If no significant incentive to exercise at a lower price account for as right of return	
3. Determine the transaction price . The may be fixed, variable or a combination of both. The contract price is adjusted to reflect the time value of money	The contract price is the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to a customer excluding amounts collected on behalf of third parties e.g. VAT	Variable compensation shall be estimated. Consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. It can also vary if contingent on future events such as right of return or achievement of milestones.	The promised amount of consideration shall be adjusted for the effect of the time value of money if the timing of the payments agreed to provide the customer with a significant benefit of financing.	Non-cash consideration shall be measured at fair value.	Consideration payable to a customer shall be accounted for as a reduction in the transaction price paid and, therefore, revenue unless this is in exchange for a distinct good or service.	When a sale is made with a right of return the entity shall estimate the amount of variable consideration to which the entity expects to be entitled. It shall create a refund liability and an asset for its right to recover the product.	
4. Allocate the transaction price to the performance obligations. Based on the relative stand-alone selling prices of each distinct good or service	The entity shall determine at contract inception the stand-alone selling prices of the distinct goods and services underlying each performance obligation.	Stand-alone selling price is the price at which an entity would sell a promised good or service separately to a customer. i.e. price list	If a stand-alone selling price is not directly observable, an entity shall estimate this.	Except when an entity has observable evidence that a discount relates to only one or more but not all performance obligations, the entity shall allocate the discount proportionately to all performance obligations.			
5. Recognize revenue when (or as) the entity satisfies performance obligation: A performance obligation can be satisfied at a point in time (goods) or over time (services)	A performance obligation is satisfied by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.	An entity transfers control of a good or service over time , and therefore satisfies a performance obligation over time, if any of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits (b) the entity's performance creates or enhances an asset that the customer controls; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment	If a performance obligation is not satisfied over time it is satisfied at a point in time . To determine the point in time the entity shall consider the requirements for control: (a) right to payment (b) legal title (c) physical possession transferred (d) customer has the significant risks and rewards of ownership (e) customer has accepted the asset	For performance obligations satisfied over time the entity shall measure progress towards satisfaction of performance obligations using input or output methods .	Consignment arrangements exist when the other party has not obtained control of the product and accordingly the entity shall not recognize revenues Bill & hold arrangements are when an entity bills a customer for a product but the entity retains physical possession until it is transferred to the customer at some point in time in the future.	Customers' unexercised rights (breakage). Upon receipt of a prepayment from a customer an entity shall recognize a contract liability until such time as it satisfies its performance obligations. When not exercised this is referred to as breakage and can be recognized as revenue when exercise is remote. Non-refundable up-front fees e.g. Clubs, activation fees, set up fees. The entity shall assess if the fee relates to a transfer of a promised good or service. If not this is treated as an advance payment .	Customer acceptance may indicate that the customer has obtained control of the asset.
Contract costs	Incremental costs of obtaining a contract Costs that would not have been incurred if the contract had not been obtained e.g. sales commission. These shall be recognised as an asset if the entity expects to recover these costs					Costs to fulfil a contract Cost incurred to fulfil a contract shall be recognized as an asset if those costs meet all the following criteria: (a) the costs relate directly to the contract (b) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the futures; and the costs are expected to be recovered	

Disclosures

IFRS15 requires that entities should disclose:

- the amount of revenue for the period, analysed into appropriate categories
- any impairment losses recognised in the period in relation to contract assets or receivables arising from contracts with customers
- the opening and closing balances of receivables, contract assets and contract liabilities, together with an explanation of significant changes during the period
- the amount of revenue allocated to performance obligations that are unsatisfied at the end of the period
- significant judgements made by the entity in applying the requirements of IFRS15.

CASE STUDY – MULTIPLE ELEMENTS

Purchase of a Vespa



Dealer perspective

1. Contract
2. Performance obligations
3. Consideration
4. Allocation of the consideration
5. Recognition of revenue

Transaction

	List Price €
Vespa 150 - Blue	3,500
Luggage box - Blue	200
Crash helmets (2) - Blue	300
Cover	<u>100</u>
	4,100
One year's fee Insurance	350
Three year's fee maintenance	300
Free extended three year warranty	<u>300</u>
	5,050
Discount	<u>(1,050)</u>
Agreed selling price	<u>4,000</u>

OTHER CONSIDERATIONS

- Delivery guaranteed 7 working days from date of order
- Payment by credit card or bank transfer (prior to delivery)

SM 4

SPECIAL CONSIDERATIONS

Gross or Net - Agent or Principal

An entity is acting as a principal when it has exposure to the significant **risks and rewards** associated with the sale of goods or the rendering of services. Indications that an entity is acting as a principal include:

- a) Primary responsibility for providing the goods and services and acceptability of the products or service;
- b) Inventory risk
- c) Latitude in establishing prices
- d) Bearing the credit risk

A **fixed fee or commission** is a strong indicator that an entity is acting as an agent.

Revenue Recognition – Practical application issues

Sale of goods

- Bill and hold
- Shipped subject to conditions
- Lay away sales
- Payment in advance
- Milestone payments
- Sale and repurchase
- Sales to intermediates
- Subscriptions
- Installment sales
- Real estate sales
- Customer acceptance
- Consignment sales

Sale of services

- Installation fees
- Servicing fees included in price
- Advertising commissions
- Insurance agency commissions
- Financial services fees
- Admission fees
- Tuition fees
- Initiation, entrance and membership fees
- Franchise fees
- Development of customized software

Royalties, dividends and interest

Royalties

- Covered by IFRS 15
 - Software licenses
 - Movies
 - Franchises
 - Patents, trademarks, copyrights
- Point in time or over time
- Sales-based or usage-based

Dividends and interest

- **Not part of the scope of IFRS 15**
- Dividend income should be recognized when legally due
- Interest income is generally recognized using the Effective Interest Rate (EIR) method

SUMMARY, VALIDATION AND PRE- WORK SESSION 6

Session 5 Summary

- Revenues – largest number in the income statement and the area most susceptible to manipulation
- Five step approach to revenue recognition
- Importance of industry context and understanding
- Framework for revenue recognition
- IFRS 15 now supercedes IAS 18 and IAS 11

Overview of Session 6

- In Session 6 we will look at costs and expenses:
 - Classification
 - Cost of sales
 - Other goods and services
 - Personnel expenses

Other expenses such as depreciation, ammortisation and income taxes will be covered in the sessions related to Tangible and Intangible Fixed Assets and Taxation

Session 6 Pre-work

- Reading
 - Melville International Financial Reporting A Practical Guide:
 - Chapter 13 – Revenues from contracts with customers
 - IFRS
 - IFRS 15 - Revenues from contracts with customers
- Exercises
 - Melville 13.1 – 13.6
 - Melville On-line multiple choice questions for chapter 13
 - Exercise EX 5 Revenues
- Research assignment RA 4 Employee benefits

Research Assignment RA 4

Employee benefits

Company_____

IAS 19		<i>Provide a brief description as to whether these items are present and, if so, the company's accounting policy for these</i>
Short-term benefits	Services rendered	
	Paid absences	
	Profit sharing	
Long-term benefits	Termination indemnities	
Post-employment benefits	Defined benefit plans Defined contribution plans Other post-employment benefits	
IFRS 2		
Share-based payments	Equity settled Cash settled	

Session 5 Validation

- What is the 5 step approach to recognizing revenues under IFRS 15?
- What are the 5 conditions that need to be satisfied in order to account for a contract with a customer under IFRS 15?
- How do we account for revenues from construction contracts?
- What criteria must be satisfied to account for performance obligations in a multiple-element transaction? And how is revenue allocated among the different elements?