

REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

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1. INTRODUCTION

IFRS 15 establishes a **single, principles-based revenue recognition model** for all contracts with customers. It replaces IAS 18, IAS 11, and related interpretations.

The core principle:

Recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive.

This is achieved through the **five-step model**.

2. THE FIVE-STEP MODEL

Step 1: Identify the Contract with a Customer

A contract exists when:

- Parties have approved it
- Rights and obligations are identifiable
- Payment terms are identifiable
- It has commercial substance
- It is *probable* the entity will collect consideration

Contracts may be written, oral, or implied.

Step 2: Identify the Performance Obligations

A **performance obligation** is a promise to transfer a **distinct** good or service.

A good/service is distinct if:

1. The customer can benefit from it on its own, **and**
2. It is separately identifiable in the contract

Examples of separate obligations:

- Goods + installation
- Software + updates
- Equipment + training

Step 3: Determine the Transaction Price (TP)

The transaction price is the amount of consideration the entity expects to receive.

Components include:

- Fixed amounts
- Variable consideration
- Significant financing components
- Non-cash consideration
- Consideration payable to the customer

Variable Consideration

Estimate using:

- **Expected value** (probability-weighted)
- **Most likely amount**

Constraint: Include only amounts where it is **highly probable** that a significant revenue reversal will not occur.

Step 4: Allocate the Transaction Price

Allocate TP to performance obligations based on **relative stand-alone selling prices**.

If stand-alone prices are not observable → estimate using:

- Adjusted market assessment
- Expected cost + margin
- Residual approach (limited use)

Step 5: Recognise Revenue

Revenue is recognised when **control** of the good/service transfers.

Control transfers either:

- **Over time**, or
- **At a point in time**

Over time criteria (any one of the three):

1. Customer simultaneously receives and consumes benefits
2. Entity's performance creates/enhances an asset the customer controls
3. Entity's performance does not create an asset with alternative use AND entity has enforceable right to payment

Methods for measuring progress:

- **Input methods** (costs incurred, labour hours)
- **Output methods** (units delivered, milestones)

3. CONTRACT ASSETS, CONTRACT LIABILITIES & RECEIVABLES

Contract Asset

Entity has performed, but payment is conditional on something other than time.

Contract Liability

Customer pays before entity performs (e.g., deposits, prepaid services).

Receivable

Entity has unconditional right to payment (only passage of time required).

4. CONTRACT MODIFICATIONS

A modification is a change in scope/price.

Account as a separate contract if BOTH:

- Additional goods/services are **distinct**, and
- Price increases reflect **stand-alone selling prices**

Otherwise:

- Treat as termination of old contract and creation of new one, or
- Treat as part of existing contract (prospective or cumulative catch-up)

5. SIGNIFICANT FINANCING COMPONENT

Exists when timing of payments provides a financing benefit.

Indicators:

- Long gap between delivery and payment
- Interest-free extended payment terms
- Upfront payments for long-term services

Measure using discount rate reflecting customer's credit risk.

6. NON-CASH CONSIDERATION

Measure at **fair value** of goods/services received. If fair value cannot be reliably measured → use stand-alone selling price of goods/services transferred.

7. CONSIDERATION PAYABLE TO CUSTOMER

Examples:

- Coupons
- Rebates
- Slotting fees
- Co-op advertising

Generally treated as a **reduction of transaction price**, unless payment is for a distinct good/service received from the customer.

8. DETAILED WORKED EXAMPLES

8.1 Example: Variable Consideration (Expected Value)

Data:

- Fixed price = R100 000
- Bonus = R20 000
- Probability of receiving bonus = 70%

Solution:

→ Variable consideration = $20\,000 \times 70\% = \mathbf{R14\,000}$

→ Transaction price = $100\,000 + 14\,000 = \mathbf{R114\,000}$

8.2 Example: Allocation of Transaction Price

Data:

TP = R150 000 Standalone prices:

- A = R100 000
- B = R50 000

Solution:

Total standalone = 150 000 Allocation:

- A = 100 000
- B = 50 000

No discount → allocate proportionally.

8.3 Example: Revenue Over Time (Input Method)

Data:

- Expected total cost = R500 000
- Costs incurred to date = R200 000
- TP = R600 000

Solution:

- ➔ Progress = $200\,000 \div 500\,000 = 40\%$
- ➔ Revenue = $600\,000 \times 40\% = \mathbf{R240\,000}$

8.4 Example: Significant Financing Component

Data:

- Cash price = R90 000
- Customer pays R100 000 in 2 years

Solution:

Financing component = $100\,000 - 90\,000 = \mathbf{R10\,000}$

8.5 Example: Contract Liability

Data:

Customer pays R50 000 upfront for a 12-month service.

Solution:

Recognise contract liability of **R50 000**. Recognise revenue monthly: $50\,000 \div 12$.

9. DISCLOSURE REQUIREMENTS

Entities must disclose:

- Revenue disaggregated by type
- Contract balances (assets/liabilities)
- Performance obligations
- Significant judgements
- Assets recognised from costs to obtain/fulfil contracts

10. EXAM-STYLE QUESTIONS WITH SOLUTIONS

Question 1: Identify Performance Obligations

A contract includes a machine + installation + 2-year maintenance.

Solution:

- Machine → distinct
- Installation → distinct
- Maintenance → distinct

→ **Three performance obligations**

Question 2: Variable Consideration Constraint

Bonus = R50 000 Reversal risk = 40%

Solution: 40% reversal risk = too high → **exclude bonus**.

Question 3: Revenue at Point in Time

Goods delivered, control transferred, invoice not issued.

Solution: Recognise revenue when **control transfers**, not when invoiced.

Question 4: Contract Modification

Additional goods are distinct and priced at stand-alone selling price.

Solution: Account as **separate contract**.

Question 5: Over-Time Recognition

Entity builds a customised asset with no alternative use and has enforceable right to payment.

Solution: Recognise revenue **over time**.

IFRS 15 — FORMULA SHEET

Revenue from Contracts with Customers

1. TRANSACTION PRICE (TP)

1.1 Total Transaction Price

$$\text{TP} = \text{Fixed Consideration} + \text{Variable Consideration} + \text{Non-cash Consideration} \\ - \text{Consideration Payable to Customer} \pm \text{Financing Adjustment}$$

2. VARIABLE CONSIDERATION

2.1 Expected Value Method

$$\text{Variable Consideration} = \sum(\text{Amount} \times \text{Probability})$$

2.2 Most Likely Amount Method

$$\text{Variable Consideration} = \text{Single Most Likely Outcome}$$

2.3 Constraint Rule

Include variable consideration **only if**:

Highly probable that no significant revenue reversal will occur

3. SIGNIFICANT FINANCING COMPONENT

3.1 Financing Adjustment

$$\text{Financing Component} = \text{Promised Consideration} - \text{Cash Selling Price}$$

3.2 Present Value of Consideration

$$\text{PV} = \frac{\text{Future Payment}}{(1 + r)^n}$$

Where:

- r = discount rate
- n = time period

4. ALLOCATION OF TRANSACTION PRICE

4.1 Relative Stand-Alone Selling Price Method

$$\text{Allocated TP}_i = \text{TP} \times \frac{\text{Standalone Selling Price}_i}{\sum \text{Standalone Selling Prices}}$$

5. REVENUE RECOGNITION

5.1 Point-in-Time Revenue

Recognise revenue when **control transfers**.

(No formula — based on indicators.)

5.2 Over-Time Revenue (Input Method)

$$\text{Progress} = \frac{\text{Costs Incurred to Date}}{\text{Total Expected Costs}}$$

$$\text{Revenue Recognised} = \text{TP} \times \text{Progress}$$

5.3 Over-Time Revenue (Output Method)

$$\text{Progress} = \frac{\text{Units Delivered}}{\text{Total Units}}$$

$$\text{Revenue Recognised} = \text{TP} \times \text{Progress}$$

6. CONTRACT ASSETS & LIABILITIES

6.1 Contract Asset

$$\text{Contract Asset} = \text{Revenue Recognised} - \text{Amounts Billed}$$

(Only when right to payment is *conditional*.)

6.2 Contract Liability

$$\text{Contract Liability} = \text{Amounts Billed or Received} - \text{Revenue Recognised}$$

(When customer pays before performance.)

7. NON-CASH CONSIDERATION

7.1 Fair Value Measurement

$$\text{TP} = \text{Fair Value of Non-cash Consideration}$$

If FV cannot be measured:

$$\text{TP} = \text{Standalone Selling Price of Goods/Services Transferred}$$

8. CONSIDERATION PAYABLE TO CUSTOMER

8.1 Reduction of Transaction Price

$$\text{Adjusted TP} = \text{TP} - \text{Consideration Payable}$$

Unless payment is for a **distinct good/service** received from the customer.

9. CONTRACT MODIFICATIONS

9.1 Separate Contract Criteria

A modification is a **separate contract** if BOTH:

- Added goods/services are **distinct**, and
- Price reflects **stand-alone selling prices**

If not → adjust TP **prospectively** or via **cumulative catch-up**.

(No formula — rule-based.)

IFRS 15 — 20-Question Written Exam Pack

SECTION A — SHORT THEORY QUESTIONS (10)

Question 1

List the **five steps** in the IFRS 15 revenue recognition model.

Solution:

1. Identify the contract 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.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Question 2

State **two conditions** that must be met for a contract to exist under IFRS 15.

Solution:

Examples (any two):

- The parties have approved the contract and are committed to perform.
- Each party's rights regarding the goods/services can be identified.
- Payment terms can be identified.
- The contract has commercial substance.
- It is probable that the entity will collect the consideration.

Question 3

Define a **performance obligation** and explain when a good or service is **distinct**.

Solution:

- A performance obligation is a promise in a contract to transfer a distinct good or service (or a series of distinct goods/services) to a customer.
- A good/service is distinct if:
 1. The customer can benefit from it on its own or together with other readily available resources; and
 2. It is separately identifiable from other promises in the contract.

Question 4

Explain **variable consideration** and the **constraint** on including it in the transaction price.

Solution:

- Variable consideration is part of the transaction price that can vary due to discounts, rebates, refunds, bonuses, penalties, etc.
- It is estimated using either the **expected value** or **most likely amount** method.
- Constraint: Include variable consideration only to the extent that it is **highly probable** that a significant reversal of cumulative revenue will not occur when the uncertainty is resolved.

Question 5

Differentiate between a **contract asset**, a **contract liability**, and a **receivable**.

Solution:

- Contract asset: Entity has transferred goods/services but the right to consideration is **conditional** on something other than the passage of time.
- Contract liability: Entity has received consideration (or has a right to consideration) before transferring goods/services (e.g. prepayments).
- Receivable: Entity has an **unconditional** right to consideration (only the passage of time is required).

Question 6

When is revenue recognised **over time** rather than at a point in time?

Solution:

Revenue is recognised over time if **any one** of the following is met:

1. The customer simultaneously receives and consumes the benefits as the entity performs.
2. The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
3. 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 for performance completed to date.

Question 7

What is a **significant financing component** and when is it accounted for?

Solution:

- A significant financing component exists when the timing of payments provides a significant benefit of financing either to the customer or the entity (e.g. long deferral of payment or large upfront payment).
- The transaction price is adjusted to reflect the time value of money when the financing component is significant, using a discount rate that reflects the customer's credit characteristics.

Question 8

Explain when a **contract modification** is accounted for as a **separate contract**.

Solution:

A modification is accounted for as a separate contract when:

1. The scope of the contract increases due to the addition of distinct goods or services; and
2. The price increases by an amount that reflects the stand-alone selling prices of the additional goods/services (plus/minus appropriate discounts).

Question 9

How is **consideration payable to a customer** generally treated under IFRS 15?

Solution:

- Consideration payable to a customer (e.g. rebates, coupons, slotting fees) is generally treated as a **reduction of the transaction price**.
- It is recognised as a reduction of revenue unless the payment is for a distinct good or service received from the customer, in which case it is accounted for as an expense.

Question 10

What are **non-cash considerations** and how are they measured?

Solution:

- Non-cash consideration is consideration in a form other than cash (e.g. goods, services, shares).
- It is measured at its **fair value** at contract inception.
- If fair value cannot be reliably measured, the entity uses the stand-alone selling price of the goods/services transferred to the customer.

SECTION B — CALCULATION / APPLICATION QUESTIONS (10)

Question 11 — Variable Consideration (Expected Value)

Entity A enters into a contract to build equipment for a fixed price of **R500 000**. The contract includes a **performance bonus** of **R100 000** if completed within 6 months. Management estimates a **70% probability** of earning the bonus.

Required:

1. Calculate the **transaction price** using the **expected value** method.
2. State whether the full variable amount should be included, considering the **constraint**.

Solution:

1. Expected variable consideration:
 - Variable = $R100\,000 \times 70\% = \mathbf{R70\,000}$
 - Transaction price (before constraint) = $500\,000 + 70\,000 = \mathbf{R570\,000}$
2. Constraint:
 - The entity must assess whether it is **highly probable** that including R70 000 will not result in a significant revenue reversal.
 - If the risk of reversal is still high (e.g. delays likely), the entity may include only part or none of the R70 000.
 - If management concludes it is **highly probable** the bonus will be earned, TP = **R570 000**; otherwise, TP = **R500 000** (or a lower constrained amount).

Question 12 — Allocation of Transaction Price

Entity B sells a **machine** and **maintenance** in one contract for a total price of **R240 000**. Stand-alone selling prices are:

- Machine: R200 000
- 2-year maintenance: R80 000

Required: Allocate the transaction price to the machine and the maintenance.

Solution:

Total stand-alone prices = 200 000 + 80 000 = **R280 000**

Allocation ratio:

- Machine: $200\,000 \div 280\,000 = 5/7$
- Maintenance: $80\,000 \div 280\,000 = 2/7$

Allocated TP:

- Machine: $240\,000 \times 5/7 = \mathbf{R171\,429}$ (rounded)
- Maintenance: $240\,000 \times 2/7 = \mathbf{R68\,571}$ (rounded)

Check: $171\,429 + 68\,571 \approx 240\,000$.

Question 13 — Revenue Over Time (Input Method)

Entity C has a construction contract with a transaction price of **R1 000 000**. Total expected costs are **R800 000**. At year-end, costs incurred to date are **R320 000**.

Required:

1. Calculate the **percentage of completion**.
2. Calculate the **revenue to be recognised** to date.
3. Calculate the **gross profit** to date.

Solution:

1. Percentage of completion (input method): Progress = Costs to date \div Total expected costs = $320\,000 \div 800\,000 = \mathbf{40\%}$
2. Revenue recognised: Revenue = TP \times Progress = $1\,000\,000 \times 40\% = \mathbf{R400\,000}$
3. Gross profit to date: GP = Revenue – Costs to date = $400\,000 - 320\,000 = \mathbf{R80\,000}$

Question 14 — Contract Asset vs Receivable

Entity D has a contract with a transaction price of **R300 000**. At year-end:

- Revenue recognised to date: R180 000
- Amounts billed to the customer: R150 000
- Of the R150 000 billed, R120 000 has been received in cash.

Required:

1. Determine the **contract asset or liability** balance.
2. Determine the **receivable** balance.

Solution:

1. Contract asset/liability: Contract position = Revenue recognised – Amounts billed = 180 000 – 150 000 = **R30 000 contract asset** (Entity has performed more than it has billed.)
2. Receivable: Receivable = Amounts billed – Cash received = 150 000 – 120 000 = **R30 000 receivable**

So:

- Contract asset: R30 000
- Receivable: R30 000

Question 15 — Significant Financing Component

Entity E sells equipment with a **cash selling price** of **R400 000**. The customer is allowed to pay **R460 000** in **3 years' time** with no interest stated.

Required:

1. Determine the **financing component**.
2. Explain how revenue and interest income are recognised.

Solution:

1. Financing component: Promised consideration – Cash selling price = 460 000 – 400 000 = **R60 000**
2. Accounting:
 - Revenue at contract inception = **R400 000** (cash selling price).
 - The difference of R60 000 is recognised as **interest income** over 3 years using the effective interest method (based on an implied interest rate).

Question 16 — Contract Modification (Separate Contract)

Entity F has a contract to deliver 10 machines for **R1 000 000** (R100 000 each, stand-alone price). After delivering 4 machines, the contract is modified to add **5 more machines at R95 000 each**, which approximates their stand-alone selling price at the date of modification.

Required: Explain how the modification is accounted for.

Solution:

- The additional 5 machines are **distinct** from those already delivered.
- The price (R95 000 each) reflects their **stand-alone selling price** (subject to normal discounting).
- Therefore, the modification is accounted for as a **separate contract**.

- Original contract continues for the remaining 6 machines under original terms; new contract covers the additional 5 machines at R95 000 each.

Question 17 — Contract Modification (Cumulative Catch-up)

Entity G has a contract to provide a customised asset for **R600 000**. At inception, total expected costs are **R400 000**. After 50% of the work is completed (based on costs), the contract is modified to change the scope (same asset, more features) and the price is increased by **R120 000**. New total expected costs are **R520 000**.

Required:

1. Determine the **new transaction price**.
2. Calculate the **revenue to date** after the modification using the input method (costs incurred to date = R260 000).
3. Calculate the **cumulative catch-up adjustment**.

Solution:

1. New transaction price:

- Original TP = 600 000
- Increase = 120 000

➔ New TP = **R720 000**

2. Progress after modification:

- Total expected costs (revised) = 520 000
- Costs to date = 260 000
- Progress = $260\ 000 \div 520\ 000 = 50\%$

➔ Revenue to date (based on revised TP): $= 720\ 000 \times 50\% = \mathbf{R360\ 000}$

3. Cumulative catch-up: Before modification, revenue recognised (based on original estimates):

- Original progress at 50% (400 000 expected costs, 200 000 costs) would have been:
Progress = $200\ 000 \div 400\ 000 = 50\%$
- Revenue = $600\ 000 \times 50\% = \mathbf{R300\ 000}$

➔ After modification, revenue to date should be **R360 000**. Cumulative catch-up adjustment = $360\ 000 - 300\ 000 = \mathbf{R60\ 000}$ additional revenue recognised in the period of modification.

Question 18 — Non-Cash Consideration

Entity H provides consulting services in exchange for **shares** in the customer. The fair value of the shares at contract inception is **R150 000**. The stand-alone selling price of the consulting services is **R140 000**.

Required:

1. Determine the **transaction price**.
2. Determine the **revenue** to be recognised when the services are fully performed.

Solution:

1. Transaction price: Non-cash consideration is measured at **fair value** of the shares = **R150 000**.
2. Revenue: When the performance obligation (consulting services) is satisfied, revenue recognised = **R150 000**.

(Any difference between fair value of shares and stand-alone selling price is not separately recognised; **revenue equals fair value of consideration**.)

Question 19 — Consideration Payable to Customer

Entity J sells goods to a retailer for **R500 000** and agrees to pay a **promotional allowance** of **R30 000** to the retailer for in-store advertising. The advertising services are **not distinct** from the sale of goods.

Required:

1. Determine the **transaction price**.
2. Determine the **revenue** to be recognised on transfer of the goods.

Solution:

1. Transaction price: Consideration payable to customer that is **not for a distinct service** is treated as a **reduction of the transaction price**. $TP = 500\,000 - 30\,000 = \mathbf{R470\,000}$
2. Revenue: When control of the goods transfers, revenue recognised = **R470 000**.

Question 20 — Over-Time vs Point-in-Time Assessment

Entity K enters into a contract to construct a **highly customised asset** for a customer. The asset has **no alternative use** to Entity K, and the contract gives Entity K an **enforceable right to payment** for performance completed to date if the customer cancels.

Required:

1. Determine whether revenue is recognised **over time** or **at a point in time**.
2. Briefly explain the method for measuring progress and revenue.

Solution:

1. Over-time vs point-in-time:
 - The asset has **no alternative use** to the entity.
 - The entity has an **enforceable right to payment** for performance completed to date.
 - This meets the **third over-time criterion** in IFRS 15. → Revenue is recognised **over time**.
2. Measuring progress:
 - Use an appropriate **input method** (e.g. costs incurred ÷ total expected costs) or **output method** (e.g. milestones).
 - Revenue = Transaction price × Percentage of completion.

IFRS 15 — 20-Question Multiple-Choice Test

SECTION A — THEORY (10 QUESTIONS)

1. IFRS 15 applies to revenue arising from:

- A. Leases
- B. Insurance contracts
- C. Contracts with customers
- D. Financial instruments

→ **Correct answer:** C

→ **Explanation:** IFRS 15 governs revenue from contracts with customers only.

2. How many steps are in the IFRS 15 revenue model?

- A. 3
- B. 4
- C. 5
- D. 6

→ **Correct answer:** C

→ **Explanation:** IFRS 15 uses a **five-step model**.

3. The first step in the IFRS 15 model is:

- A. Identify the performance obligations
- B. Determine the transaction price
- C. Identify the contract
- D. Allocate the transaction price

→ **Correct answer:** C

4. A performance obligation is:

- A. A promise to transfer a good or service
- B. A payment schedule
- C. A contract modification
- D. A financing component

→ **Correct answer:** A

5. Revenue is recognised when:

- A. Cash is received
- B. Control of the good or service transfers
- C. The invoice is issued
- D. The customer signs the contract

→ Correct answer: B

6. A contract exists only when:

- A. It is written
- B. It is oral
- C. It creates enforceable rights and obligations
- D. It is signed by both parties

→ Correct answer: C

→ Explanation: Form does not matter — enforceability does.

7. Variable consideration must be included in the transaction price if:

- A. It is possible
- B. It is probable
- C. It is highly probable that a significant reversal will not occur
- D. It is certain

→ Correct answer: C

8. A significant financing component exists when:

- A. Payment timing provides a financing benefit
- B. The customer pays cash
- C. The contract is long-term
- D. The entity offers discounts

→ Correct answer: A

9. Revenue recognised over time requires:

- A. Customer acceptance
- B. Continuous transfer of control
- C. A written contract
- D. A fixed price

→ Correct answer: B

10. Stand-alone selling prices are used to:

- A. Identify contracts
- B. Allocate the transaction price
- C. Determine variable consideration
- D. Recognise contract assets

→ Correct answer: B

SECTION B — CALCULATIONS (10 QUESTIONS)

11. Transaction price = ?

Data:

- Fixed price = R100 000
- Variable bonus (70% likely) = R20 000

- A. R100 000
- B. R114 000
- C. R120 000
- D. R140 000

→ Correct answer: B

→ **Explanation:** Variable consideration = $20\,000 \times 70\% = 14\,000$

→ TP = $100\,000 + 14\,000 = 114\,000$.

12. Allocation of transaction price

Data:

TP = R150 000; Standalone prices:

- Product A = R100 000
- Product B = R50 000

- A. A: 100 000; B: 50 000
- B. A: 75 000; B: 75 000
- C. A: 90 000; B: 60 000
- D. A: 100 000; B: 60 000

→ **Correct answer:** A

→ **Explanation:** Standalone prices already sum to TP → no discount → allocate proportionally = same values.

13. Revenue recognised over time using input method

Data:

- Total cost expected = R500 000
- Costs incurred to date = R200 000
- TP = R600 000

- A. R200 000
- B. R240 000
- C. R300 000
- D. R600 000

→ **Correct answer:** B

→ **Explanation:** Progress = $200\,000 \div 500\,000 = 40\%$

→ Revenue = $600\,000 \times 40\% = 240\,000$.

14. Contract asset arises when:

- Customer pays early
- Entity has performed but not billed
- Entity has billed but not performed
- Customer pays in cash

→ **Correct answer:** B

15. Contract liability arises when:

- A. Customer pays in advance
- B. Entity performs early
- C. Entity has a receivable
- D. Customer delays payment

→ **Correct answer:** A

16. Significant financing component adjustment

Data:

- TP (cash price) = R90 000
- Customer pays R100 000 in 2 years

- A. Financing component = R10 000
- B. Financing component = R5 000
- C. Financing component = R0
- D. Cannot determine

→ **Correct answer:** A

→ **Explanation:** Difference between cash price and promised consideration = financing.

17. Variable consideration constraint

Data:

- Bonus = R50 000
- Probability of reversal = 40%

- A. Include full 50 000
- B. Include 30 000
- C. Include 20 000
- D. Exclude entirely

→ **Correct answer:** D

→ **Explanation:** Include only if **highly probable** no reversal

→ “Highly probable” usually requires >75% likelihood. 40% reversal risk is too high → **exclude.**

18. Revenue at point in time

Data:

- Goods delivered: Yes
- Control transferred: Yes
- Invoice not yet issued

- A. Recognise revenue
- B. Do not recognise revenue
- C. Recognise only when invoiced
- D. Recognise only when cash received

→ **Correct answer:** A

→ **Explanation:** Control transfer triggers revenue recognition.

19. Contract modification accounted as separate contract when:

- Price increases
- Scope increases with stand-alone selling price
- Customer requests changes
- Contract is long-term

→ Correct answer: B

20. Revenue recognised = ?

Data:

TP = R200 000; Two contract obligations:

- A (60% of standalone value)
- B (40% of standalone value)
- Only A's obligation has been satisfied.

- A. R40 000
- B. R80 000
- C. R120 000
- D. R200 000

→ Correct answer: C

→ Explanation: Revenue for A = $200\,000 \times 60\% = 120\,000$.