

Ind AS 115 - Revenue from Contracts with Customers

10-16mks

1. Scope

2. Core principle

3. Five Step Model

Step ①: Identifying the Contract

Step ② Identify P.O

Step ③ Determine T.P

Step ④ Allocate T.P to P.O

Step ⑤ Recognise Revenue

Step ① Identifying the Contract

Criteria for Recognising a contract

Contract Term

Combining Contracts

LDR Contract Modifications

Step ② Identify P.O

Distinct P.O

Promise to transfer a series of distinct goods or services having same pattern of transfer

Step 3: Determining T.P.

LDR Variable Consideration

Constraining Est. of Variable Consideration

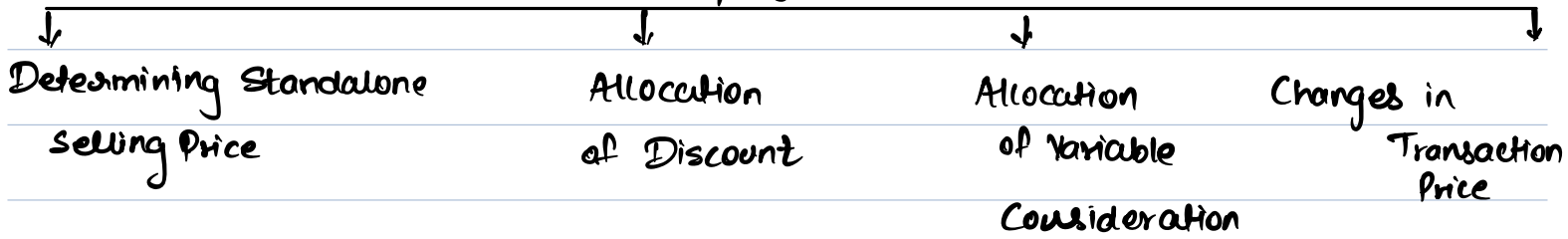
LDR Significant financing component

Non Cash Consideration

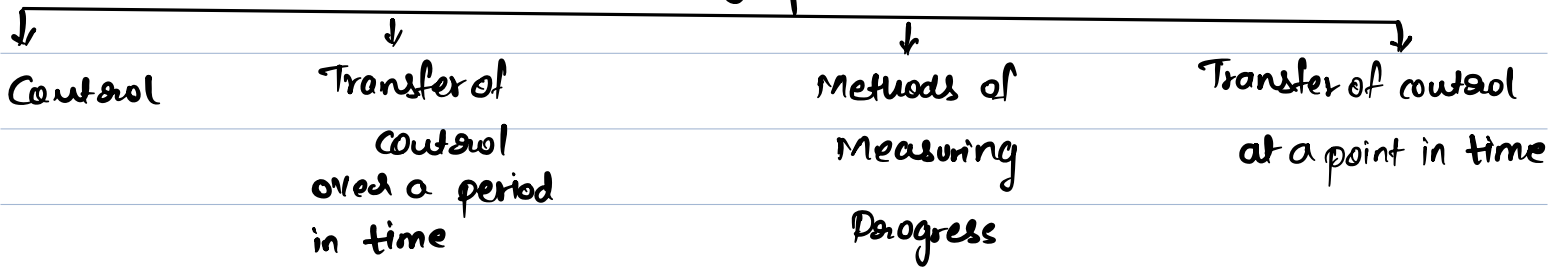
LDR Consideration payable to a customer
↓

1. Slotting fees
2. Co-op Advt Arrangements
3. Price Protection

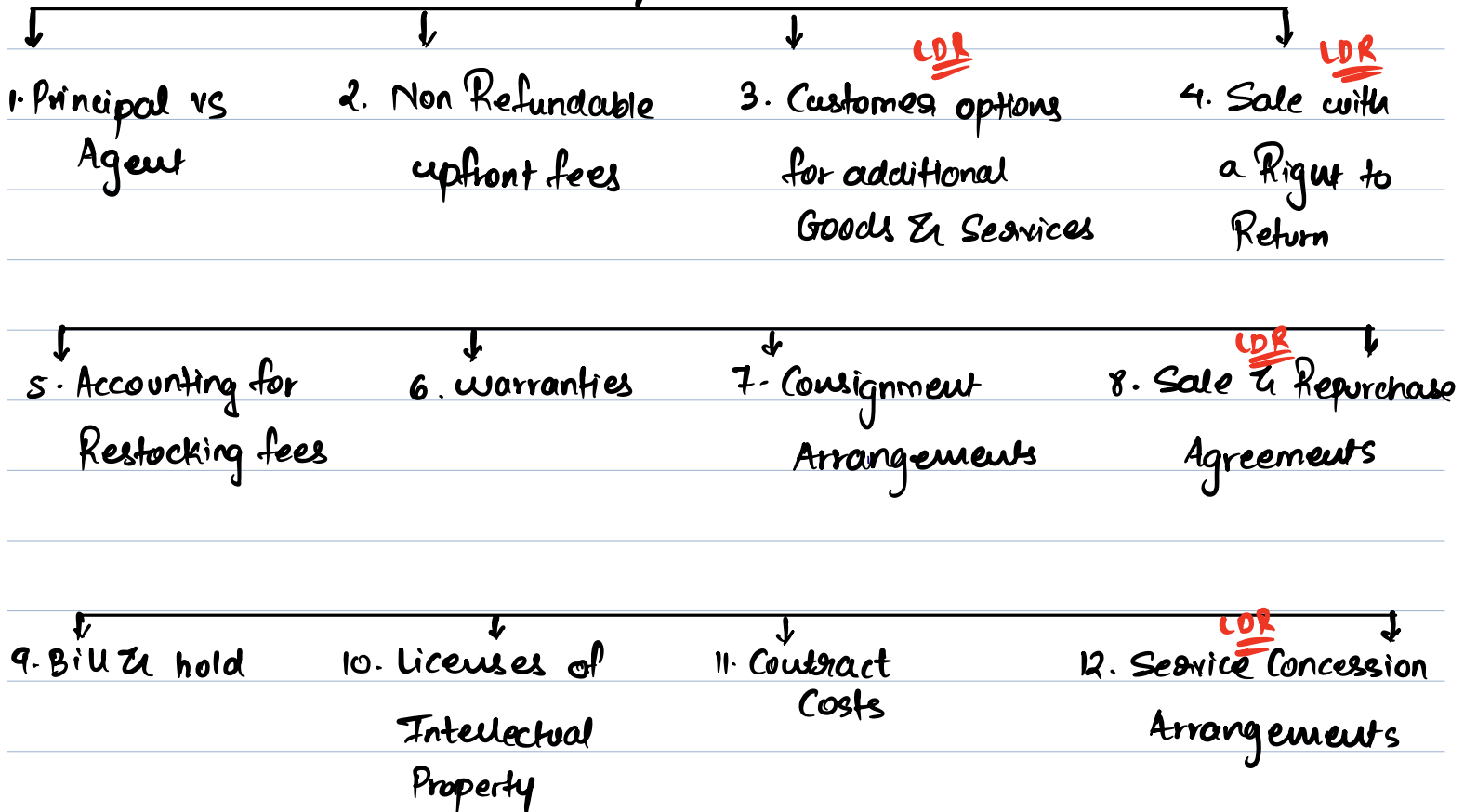
LDR Step 4: Allocating T.P to P.O



Steps: Recognise Revenue



Special Cases



Eg1 → Conceptual Clarity

Ind AS 115

Co.

₹ 1 Lak (Customer)

Reliance Ltd (Jio)

Internet Services

₹ 10000

Day 1

- 1yr Internet Service
- Router (Free)
- Installⁿ (Free)

(Given)

SSP

12K

6K

2K

20K

Allocation → Rev Over the period Book

6K (10K × 12/20)

3K (10K × 6/20)

1K (10K × 2/20)

Revenue Day 1

Book.

(one time service)

* SSP → Standalone Sell Price

J.E. (Jio)

Day 1 Cr/B A/c Dr. 10,000

To Revenue A/c 4000

To Adv Revenue (Liab) A/c 6000

1st month end Adv Revenue A/c Dr 500

To Revenue 500

[6000/12m]

2nd month end

u

|

u

|

u

|

u

|

u

|

u

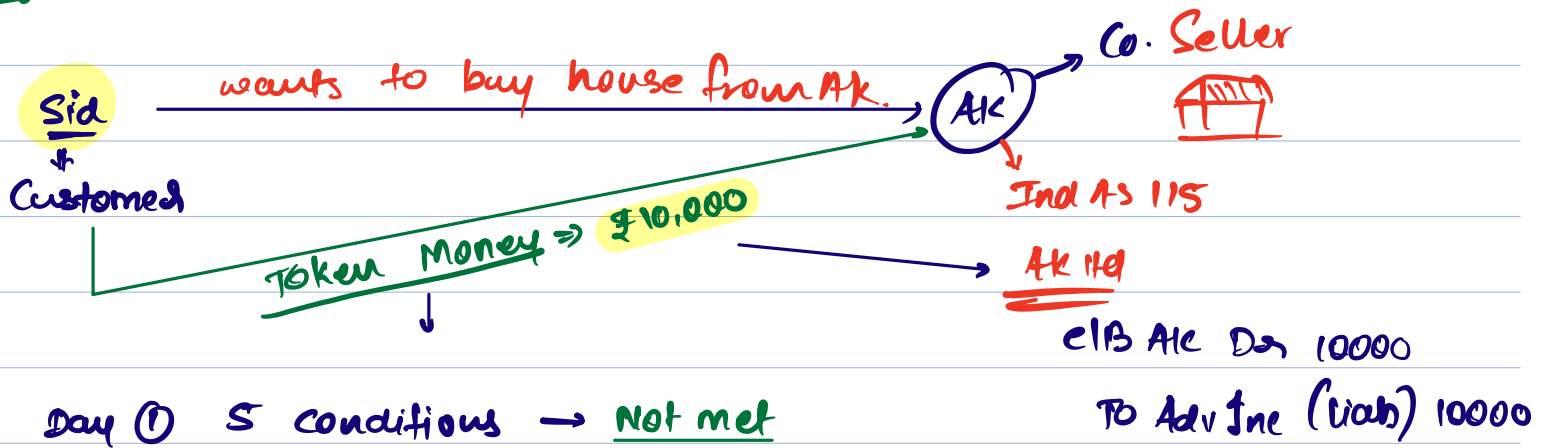
12th month end

u

Step 1

Exception:- 5 conditions of step 1 NOT met, still Recog Revenue.

Eg:



Day 1 5 conditions → Not met

After 3 days [Rejected me & my House 😞]

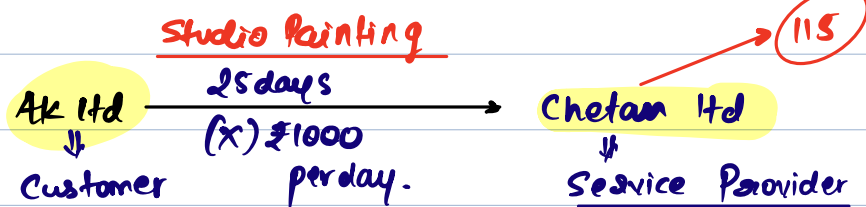
(iii)

Token Money forfeit

Adv Jne Ak Dr	10,000
TO Revenue	10,000

} Rev Booked even if 5 conditions Not met.

Eg: Contract Modⁿ



Total Transaction Price = ₹25000

After 15 days

↳ 1 more contract btw Atk & Chetan

Farmhouse Painting \Rightarrow [12 days \times ₹1000 per day]

New Service (+)

No disc offered

Treat as Separate contract

1st May to 25th May.

Eq 2: Original Contract \rightarrow 25 days \times ₹1000 = ₹25000
(Studio Painting)

After 15 days \rightarrow Revenue Booked till date = ₹15000

Modⁿ \rightarrow Farmhouse Paint^g \rightarrow 12 days \times ₹700 per day
New Service (26th May - 6th June)

Disc on New Service Due to old contract.

Pending Part of old contract [10 days \times ₹1000 per day]

New contract \rightarrow [12 days \times ₹700 per day]

single New contract

$= \frac{18400}{22 \text{ days}} = ₹836.36 \text{ per day.}$ \rightarrow from 16th day (May)

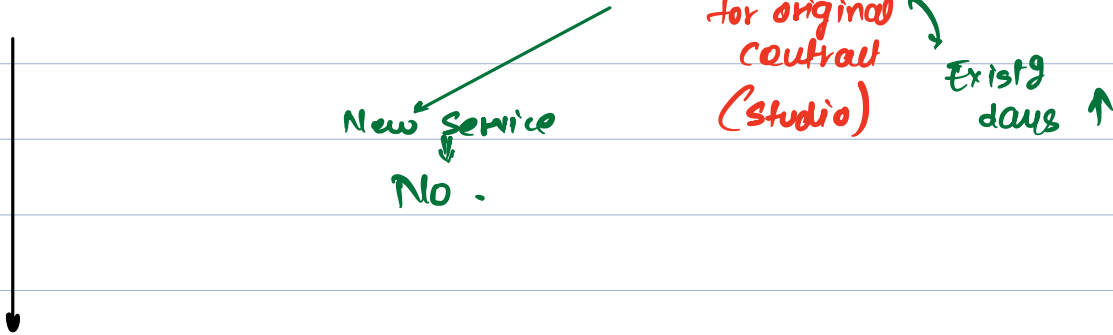
each day Revenue will be ₹836.36.

Prospective Pricing

Eg 3: Original Contract \rightarrow 25 days \times ₹1000 per day
 $=$ ₹25000

After 15 days \rightarrow Revenue Booked till date = ₹15,000

On 16th Day Chetan asked for additional 7 days \times ₹800 per day



Acting is to be done on Cumulative Catch up Basis. [ofu Computation Retrospective]

If Comp^t. knew about this modⁿ from 1st Day.

$$\left[\begin{array}{l} 25 \text{ days} \times 1000 \\ 7 \text{ days} \times 800 \end{array} \right] = \frac{30600}{32 \text{ days}} = 956.25 \text{ per day Rev.}$$

Revenue should be Booked $[956.25 \times 15 \text{ days}] = 14343.75$

Revenue actually Booked = (15000)

Excess Booked = 656.25 \rightarrow Revenue Reverse on Modⁿ Date.

From 16th Day \rightarrow each Day Revenue Booked = 956.25

Illus 9 (LDR)

Contract 200 hours x £150 per hour
modn 50 hours x £100 per hour

Revenue Booked till date (100 hours completed) = £15000 (100 hrs x £150)

Rev should be Booked (100 hrs x £140 per hr) = £14000

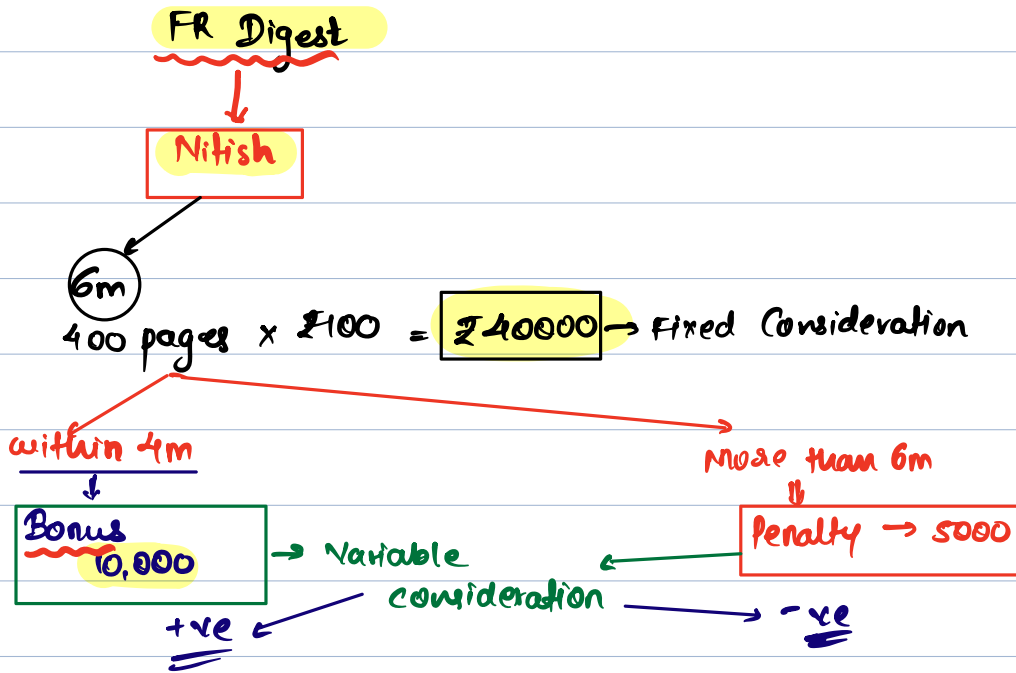
(cont) Cumulative catch up Basis

£1000 → Excess Revenue Booked (Reverse it).

↓

	Hrs	Rate	
cont ①	200	150	} $\frac{35000}{250 \text{ hrs.}} = \text{£140 per hour}$
	+ 50	100	

Eg: Variable Consideration



Tr. Price = Fixed + Variable

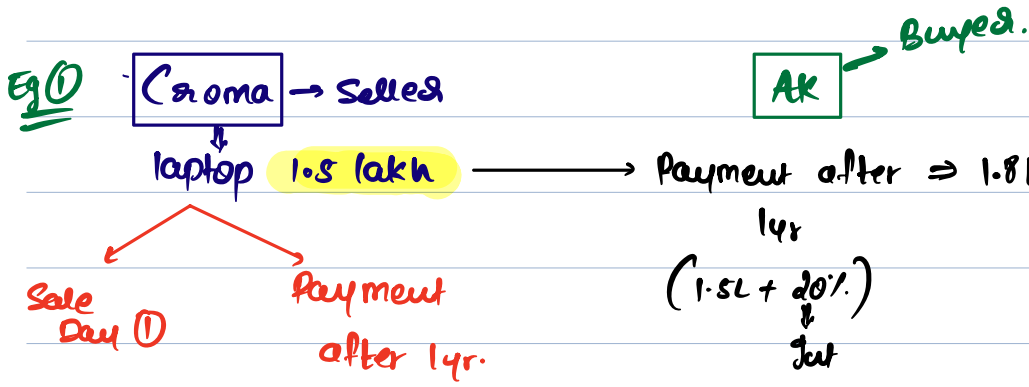
↓
Amt Estimate

→ 2 Methods

Expected Value Method

Most Likely Amt Method

* Significant Financing Component [Rev Book on Delivery Date @ Delivery Day T.P.]



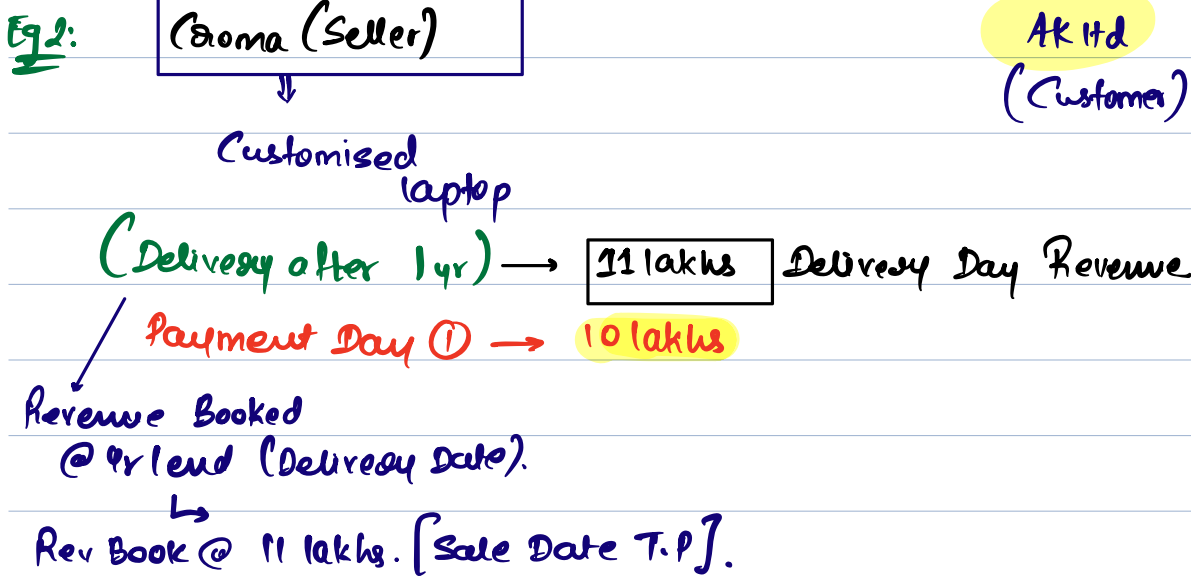
Croma Books

Day 1 Receivable [F.A.] 1.5L
 TO Revenue 1.5L

4r lend Receivable [F.A.] 30k
 TO Int Inc 30k
 (1.5L × 20%)

4r lend c/B Atc Dr 1.8L
 TO Receivable 1.8L

P/L (4r1)	
Revenue	1.5L
Other Income (Int)	30k



Chroma Books

Day 1 c/b Alc Dr 10L

TO Adv Inc 10L

→ cash Disc (2nd AS - 3rd)

4r lend Int Exp 1L

TO Adv Inc 1L

Day 12

4r lend ~~Adv Inc~~ Adv Inc 11L

TO Revenue 11L

P/L (Cur 1)	
Int Exp 1L	Rev 11L
}	
Net 10L.	

Step 4: Allocation of T.P to P.O.

(* SSP → Standalone Sell Price)

Eg 1 GI - Combo ⇒ ₹ 20,000

	S.S.P	Discount	Allocation	
FR [01.04.21 to 30.06.21]	8k	(2286)	5714	(20k × 8k/28k)
SFM [01.07.21 to 30.09.21]	8k	(2286)	5714	
Audit [01.10.21 to 31.12.21]	6k	(1714)	4286	(20k × 6k/28k)
law [01.01.22 to 31.03.22]	6k	(1714)	4286	
	<u>28000</u>	<u>(8000)</u>	<u>20000</u>	

In ratio of SSP (pointing to Discount column)
In the ratio of SSP (pointing to Allocation column)

8k × 8k / 28k = Disc (circled)
8k × 6k / 28k (circled)

Eg 2 Combo 1 → FR + SFM = Tx. Price = (8k)
(Combo Price)

	SSP	Disc	Allocation	
FR	8k	(4k)	4k	(8k × 8k/16k)
SFM	8k	(4k)	4k	
	<u>16k</u>	<u>(8k)</u>	<u>8k</u>	

Combo 2: FR + SFM + Audit + law → Combo Price 20000 → Total Disc-

	SSP	Disc	Allocat ⁿ of T-P	
FR	8k	(4k)	4k	} Not done in ratio of SSP. ⇓ (exception) when discount on small bundle of goods is same as larger bundle → whole discount will only be allocated to smaller bundle goods.
SFM	8k	(4k)	4k	
Audit	6k	-	6k	
law	6k	-	6k	
	<u>28k</u>	<u>(8k)</u>	<u>20k</u>	

Eg 3: Residual Approach

G1 Combo → ₹ 24000

	SSP	Disc (Given)	Allocation
FR	8K	(1K)	7000
SFM	8K	(1K)	7000
Audit	6K	(500)	5500
law	?	X	4500 (Bif)
			<u>24000</u>

SSP Not available

Residual Approach - last resort

- Can only be used if price of only 1 P.O is Not available
- If the value under Residual Approach comes to zero
↓
This method cannot be used.

[Total T-P (€) After Disc Allocated Price of other PO's]

$$[24000 (-) 7000 (-) 7000 - 5500]$$

Eg 4: Residual Approach

G1 Combo - ₹ 20,000

	SSP	Disc (Given)	Allocation
FR	8K	(2K)	6000
SFM	8K	(2K)	6000
Audit	6K	(1K)	5000
law	(?)		3000 (Bif)

Range [4K-8K]

→ Residual Approach cannot be used as allocation is NOT within the range.

Illus 55 (LDR)

Product	SSP	Disc	Allocation	
Y	25000	(7143)	17857	$[50k \times 25k/70k]$
Z	45000	(12857)	32143	$[50k \times 45k/70k]$
	<u>70000</u>	<u>(20000)</u>	<u>50000</u>	

Case A:

Product	SSP	Disc	Allocation
X	50000	0	50000
Y	25000	(7143)	17857
Z	45000	(12857)	32143
	<u>120000</u>	<u>(20000)</u>	<u>1,00,000</u>

Reason: Discount on Smaller Bundle (Y & Z) is substantially the same as discount on larger Bundle (X, Y, Z) i.e. ₹ 20,000. ∴ Full Discount will be allocated to smaller Bundle Goods i.e. only Y & Z.

Case B:

↓
Total TP
= 130000

Product	SSP	Disc (Given)	Allocation
X	50000	-	50000
Y	25000	(7143)	17857
Z	45000	(12857)	32143
Alpha	?		30000 (BHP)

Range: 15k - 45k

130000

$$[1.3L(-) 50k(-) 17857 - 32143]$$

It is appropriate to use Residual Approach as allocated Amt falls within the range.

Case c:	Product	SSP	Disc [Given]	Allocation
↓ Total T.P 105000	X	50000	-	50000
	Y	25000	(7143)	17857
	Z	45000	(12857)	32143
	Alpha	? (15k-45k)		5000 (Bif) ↓

It is Not within the given range

∴ Residual Approach is Not appropriate

Illus 32 (LOR)

(Particulars)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<u>Revenue</u>					
A. Fixed [10 lakhs]	52632 $(10L \times \frac{0.5L}{9.5L})$	184211 $(10L \times \frac{1.75L}{9.5L})$	421053 $(10L \times \frac{4L}{9.5L})$	289474 $(10L \times \frac{2.75L}{9.5L})$	52632 $(10L \times \frac{0.5L}{9.5L})$
B. Variable	5263 $(1L \times \frac{0.5L}{9.5L})$	18421 $(1L \times \frac{1.75L}{9.5L})$	42105 $(1L \times \frac{4L}{9.5L})$	72368 $(1L \times 2.5L \times \frac{2.75L}{9.5L})$	13158 $(1.5L \times \frac{0.5L}{9.5L})$
C.* Cumulative Catchup Adj (CONI)				98685	
D. Total Revenue If showed (A+B+C) be $10L + 2.5L = 12.5L$.	57895	202632	463158	460527	65790
E. Total Cost (Given)	50000	175000	400000	275000	50000
F. Operating Profit (D-E)	7895	27632	63158	185527	15790
G. Margin (%) $(\frac{\text{Profit}}{\text{Revenue}} \times 100)$ $(\frac{F}{D} \times 100)$	13.64% $(\frac{7895}{57895} \times 100)$	13.64% $(\frac{27632}{202632} \times 100)$	13.64% $(\frac{63158}{463158} \times 100)$	40.29% $(\frac{185527}{460527} \times 100)$	24% $(\frac{15790}{65790} \times 100)$

Q1 Cumulative Catch up Adj on Variable Consideration

Variable Cos to be Booked till yr 4 = 236842

$$\left(250000 \times \frac{900000}{950000} \right) \rightarrow \text{yr 1, 2, 3, 4} \rightarrow \text{Total cost}$$

less: ^{v.c.} Actually Booked till yr 4 = (138157)

$$^n (5263 + 18421 + 42105 + 72368)$$

Additional v.c.
to be Booked 98685

Illus 31 (LOR)

As on 30th June 'x1

$$10 \text{ units} \times \text{₹}1000 \text{ p.u.} = \text{₹}10,000 \text{ (Revenue Book)}$$

As on 30th Sept 'x1

$$50 \text{ units} \times \text{₹}900 \text{ p.u.} = \text{₹}45,000 \text{ (Revenue Book)}$$

$$10 \text{ units} \times \text{₹}100 \text{ p.u.} = (\text{₹}1,000) \text{ (Revenue Reverse)}$$

$$\begin{array}{r} \text{2nd Qtr (Net} \\ \text{Revenue} \\ \text{Book)} \end{array} \quad \underline{\underline{44000}}$$

Alternate way

As on 30th Sept 'x1

Cum Revenue (till date)
to be booked
↓

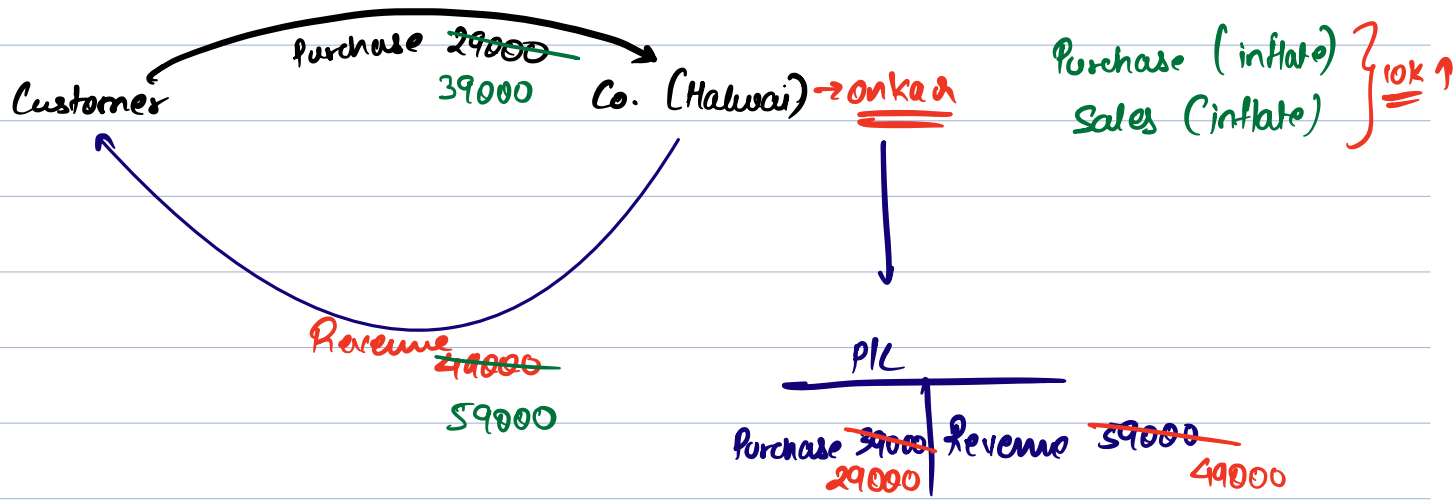
$$60 \text{ units} \times \text{₹}900 = \text{₹}54,000$$

less: Qtr 1 (Already Book) (10,000)

$$\text{Qtr 2 Net} \quad \underline{\underline{44000}}$$

Revenue to be
booked

* Consideration Payable to a customer



* Sale with a Right to Return [eg. Amazon]

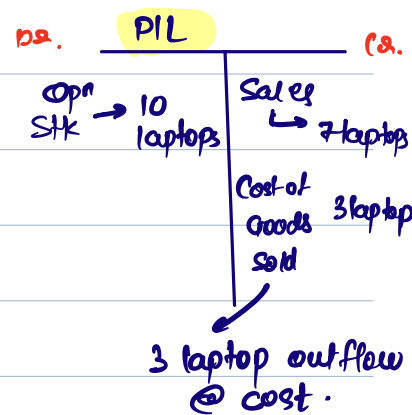
Eg: Amazon Ltd sold 10 laptops to Naveen for ₹ 1 lakh each.

Cost of laptops was ₹ 75,000. There is a 30 day Return Policy.

Amazon expects 3 laptops to be Returned.

Amazon Books J-E.

Day 0 ClB Atc Dr 10,00,000
 To Revenue (7 laptops) 7,00,000
 To Adv (Refund Liab) 3,00,000
 (3 laptops).



Jan Day 0 Right to Receive Asset Atc Dr 225000
 To COGS (PIL) 225000
 [3 laptops x ₹ 75000]
 ↓
 COG

After 30 days

3 laptops Returned

Refund Liab^y Acc DR 3L
TO ClB 3L

COGS Acc DR. 2.25L
TO Right to receive 2.25L

No Return

Refund Liab^y Acc 3L
TO Revenue Acc 3L

COGS 2.25L
TO Right to Receive 2.25L

2 laptop return

Refund Liab^y Acc DR 3L
TO ClB Acc 2L
TO Revenue Acc 1L

COGS 2.25L
TO Right to Receive 2.25L

* Restocking fees

eg. 1L Refund \rightarrow £1000 restocking fees
(Return/cancelⁿ charges)

Net Refund = £99,000

eg is same as above except restocking fees to be charged on each laptop returned is £1,000.

Solⁿ

Day 1

CLB A/c DR 10,00,000

TO Revenue A/c

703000

7 laptops \times 1L = 7L

3 laptop \times 1000 = 3000

TO Refund Liab^y A/c 297000

(9000 \times 3 laptops)

Right to Receive 225000

TO COGS

225000

[75000 \times 3]

After 30 days

If Return

Refund Liab 297000

TO CLB

297000

COGS

225000

TO Right to Receive

225000

Illus 34 (LOR)

Day 1 ClB A/c Dr 50,000
 TO Rev (970x50) 48500
 TO Refund Liab (20x50) 1500

Right to Receive A/c Dr 900
 TO COGS 900
 (30x30)

Entries were not asked,
only Amt was asked ∴ give
little explⁿ of concept & Amt.

Illus 38

Day ① Reable 1L
 TO Revenue 1L

4r end Reable 10k
 TO Int Inc 10k

4r 2end Reable 11k
 TO Int Inc 11k

4r 2end CIB 121000
 TO Reable 121000

In Ques entry was NOT asked.

∴ Present the same in statement format.

LAT

4r	opn	Int @ 10%	Repay	CS
1	1L	10k	-	1.1 Lakhs
2	1.1L	11k	-	1.21 Lakhs

Illus 39 (LDR)

Sep. Fin. Trans.

Case A: [Contract Rate = Mkt Int Rate]

$$10\% = 10\%$$

Delivery Day Price = Transaction Price

$$1cr = 1cr$$

Disc Rate $\frac{10\%}{12}$

Case B: [Contract Rate \neq Mkt Int Rate]

$$10\% \neq 14\%$$

Delivery Day Price \neq Tr. Price (Rev).

$\frac{14\%}{12 \text{ months}}$

Trans Price (Rev) = PV of FCF @ EIR

$\rightarrow 14\% \text{ p.a.} \rightarrow 1.1666\% \text{ per month}$

\downarrow
212470
monthly
for 60 months.

= 212470 x AF of 60 months @ 1.1666 %

\downarrow

$$\frac{1}{1.0116666666666666} = 60 \text{ times}$$

\downarrow
GT

= 212470 x 42.97701

= 91,31,327 \rightarrow Tr Price

Disc Rate = ~~10%~~ 14%

Illus 40 (LDR)

Rev yr 2 end Book
 ↓
~~5000~~ (Delivery Day Price) X
 ↓
 Contract Rate ≠ Mkt Rate.
 11.8% ↓ X
 6% ↓ ✓

Day 1 CIB 4000
 TO Adv Inc 4000

LA (Adv Inc) ^{Mkt Rate}

yr opn	Int @ 6%	Repay CIB
1	4000 240	- 4240
2	4240 254	- 4494

yr 1 end Int Exp 240
 TO Adv Inc 240

yr 2 end Int Exp 254
 TO Adv Inc 254

yr 2 end Adv Inc Acc Dr 4494
 TO Revenue Acc 4494

PL

Int Exp	494	Rev	4494
(240 + 254)			

Notional

* Customer options for additional goods or services

eg: 10 ticket

costs £250 each. → 2 ticket free [£100 each]
 Sunday [Wednesday] → 9am to 5pm.

Day 1 → 10 ticket x £250 = 2500 (Two PCs)

10 tickets (Sun)

2 tickets (Wed)

SSP = £2500
(10 tickets x 250)

SSP = £200
(2 tickets x £100)

Allocation: 2315
($2500 \times 2500 / 2700$)

185
($2500 \times 200 / 2700$)

G.E. for theatre

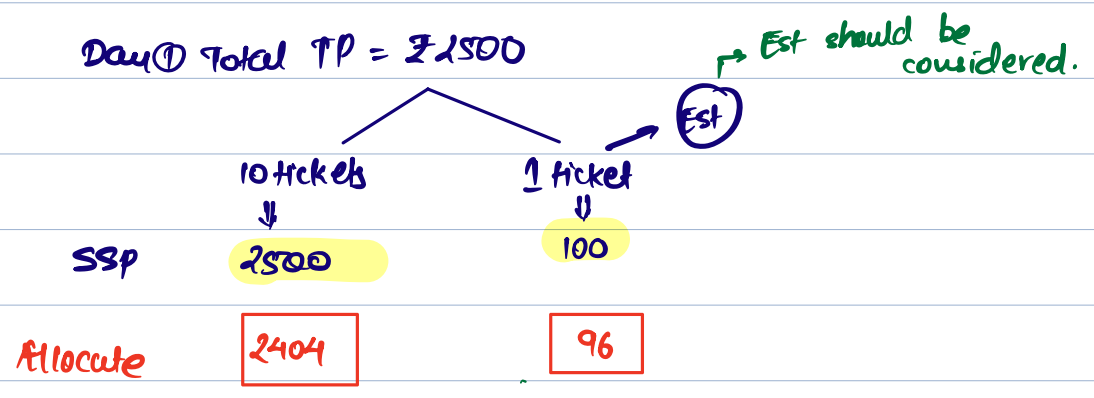
Sunday Cl B Alc 2500
 TO Rev Alc 2315
 TO Adv Jnc Alc 185

Wednesday
 customer avail lapse

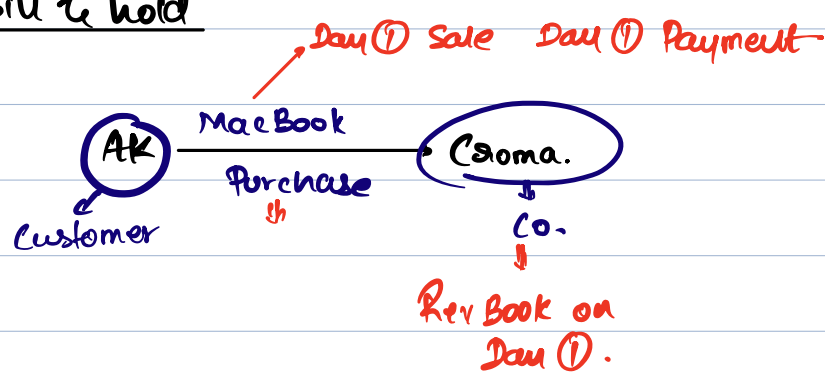
Adv Jnc Alc Dr 185
 TO Rev 185

Eg 2: Same as eg 1 except that the theatre expects on Day 1 that only

1 ticket will be redeemed out of 2 ticket.



* Bill & hold



Delivery after 6 months

on instructions of customer

The R/R & Control of Goods is till to customer on Day 1

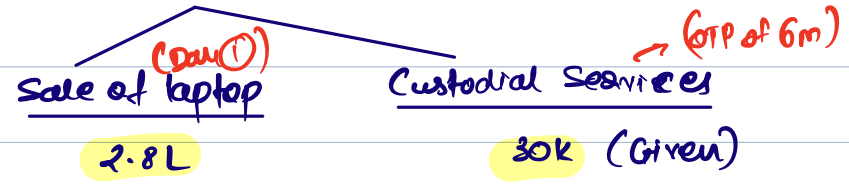
Only delivery is pending on instruction of customer.

(Also Croma cannot sell this MacBook to any other customer in these 6 months)

Normally, Croma might also charge for warehousing / custodial services (6m).

Bill & hold

Total T.P (2 POS) = 3,00,000 (Given)



Allocation

	270968	29032
	$(3L \times \frac{2.8L}{3.1L})$	$(3L \times \frac{30k}{3.1L})$

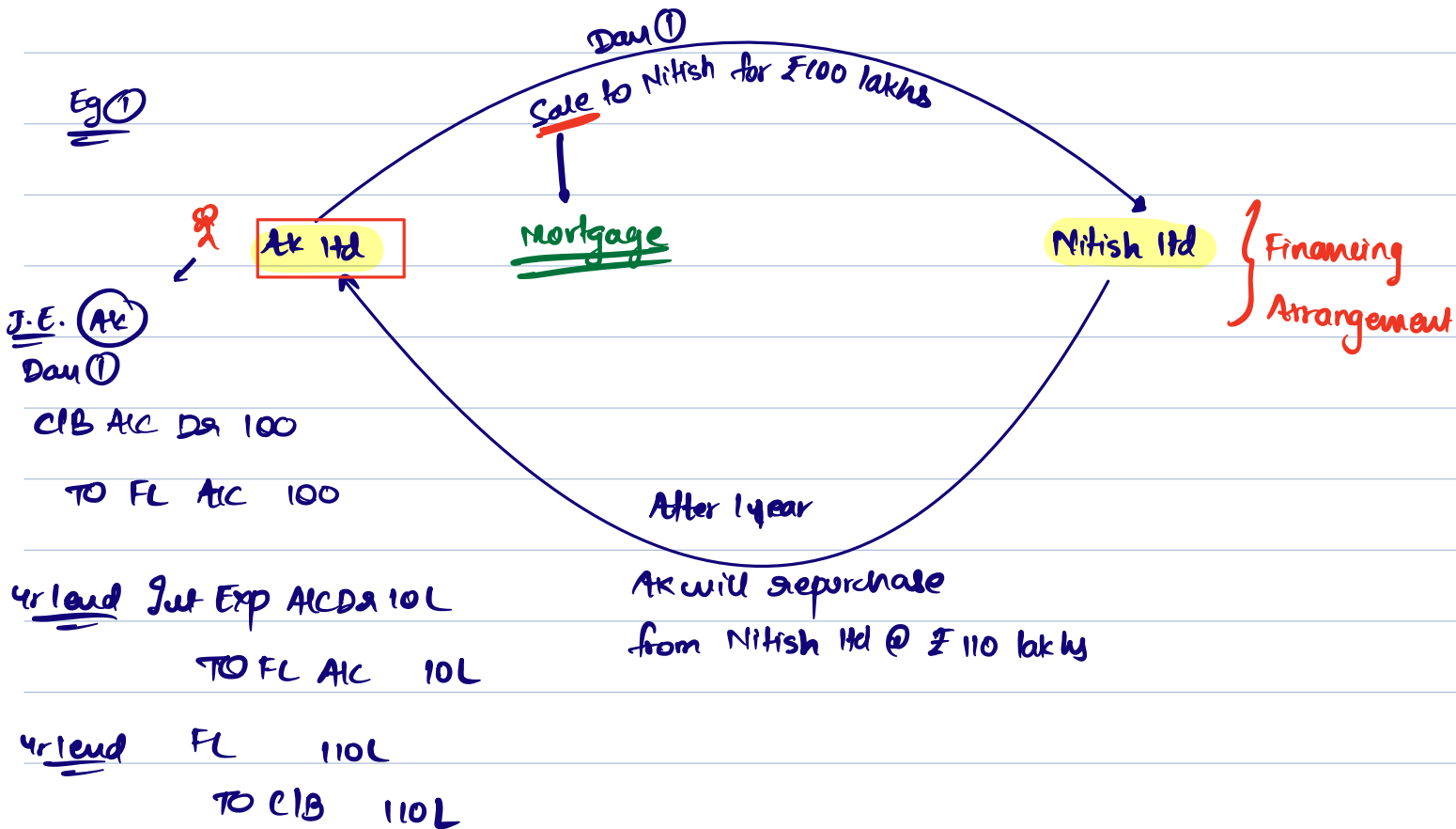
JE c/B A/c Dr 300000

TO Rev	270968	} OTP of 6m
TO Adv Ine	29032	

Adv Ine TO Revenue

* Sale & Repurchase Agreement

Eg 1



Eg 2



(AK)

Day 0 C/B A/c Dr 100L

TO Sec. Dep (FL) 100L

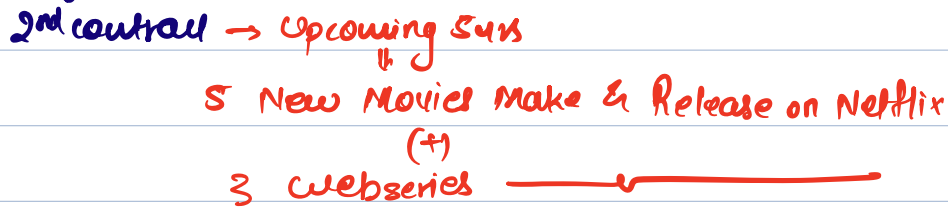
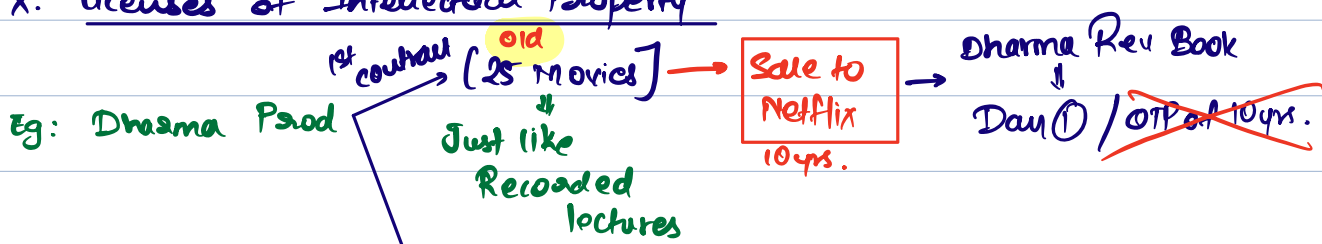
4r/End Sec Dep (FL) 10L

TO Lease Rent Inc 10L

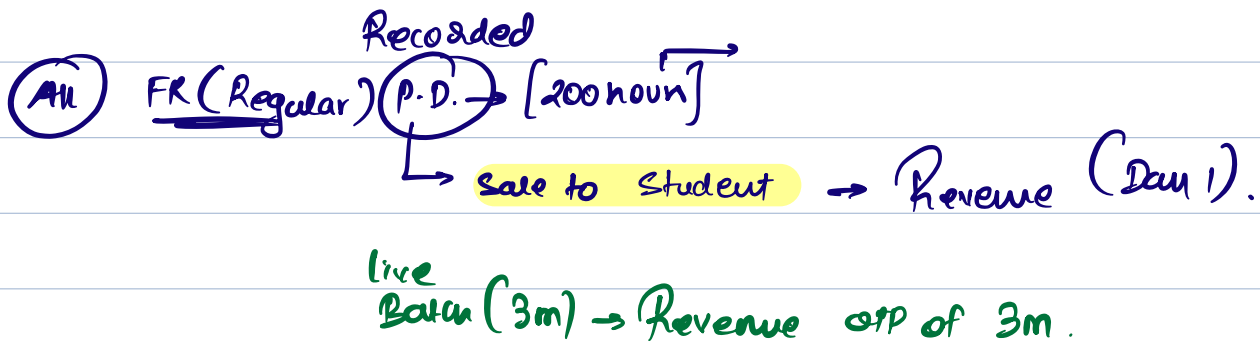
4r/End Sec. Dep (FL) 90L

TO C/B 90L

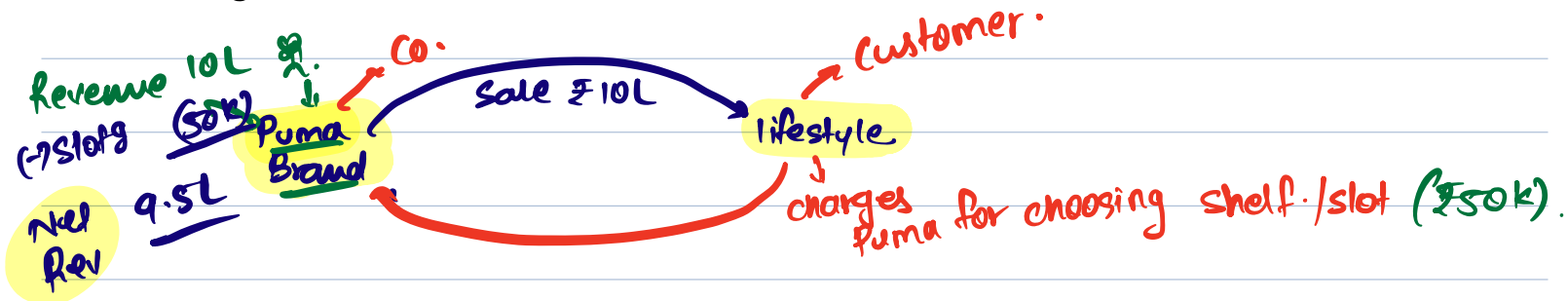
X. Licenses of Intellectual Property



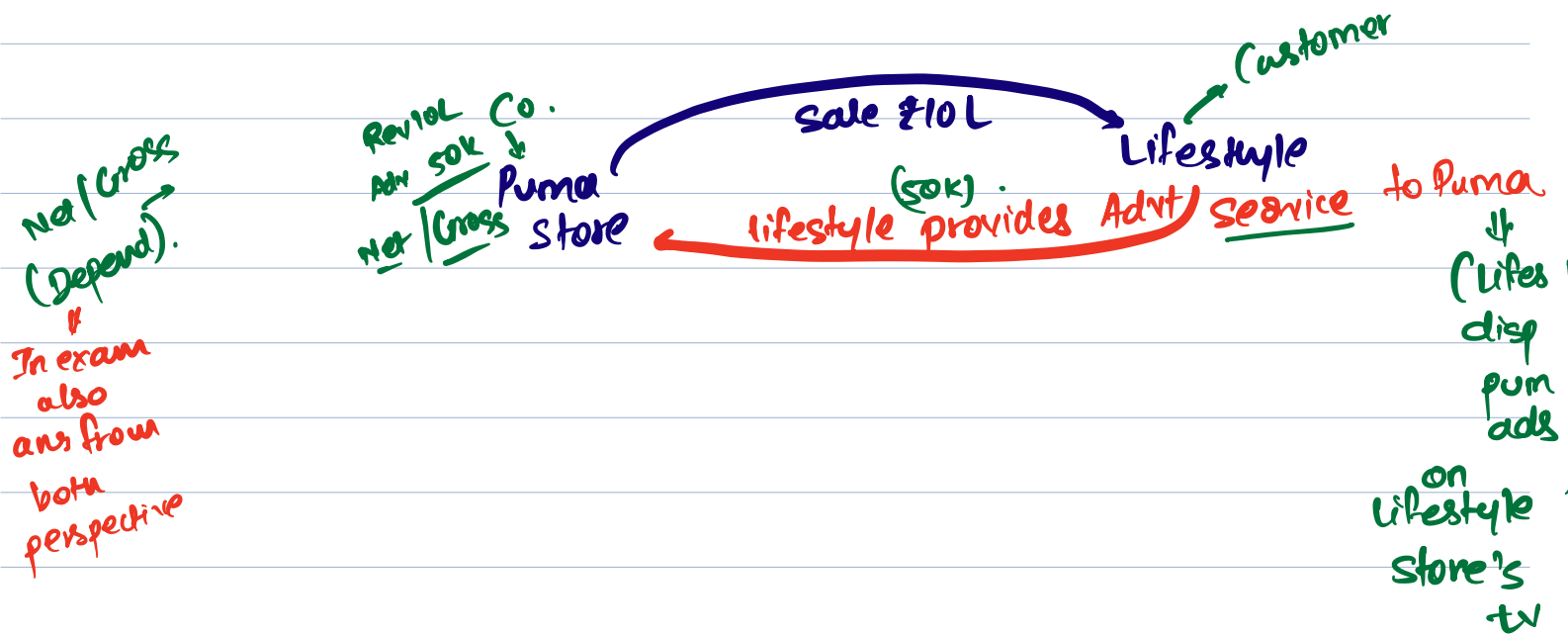
Dharma Rev?
↓
OTP of 5yrs.



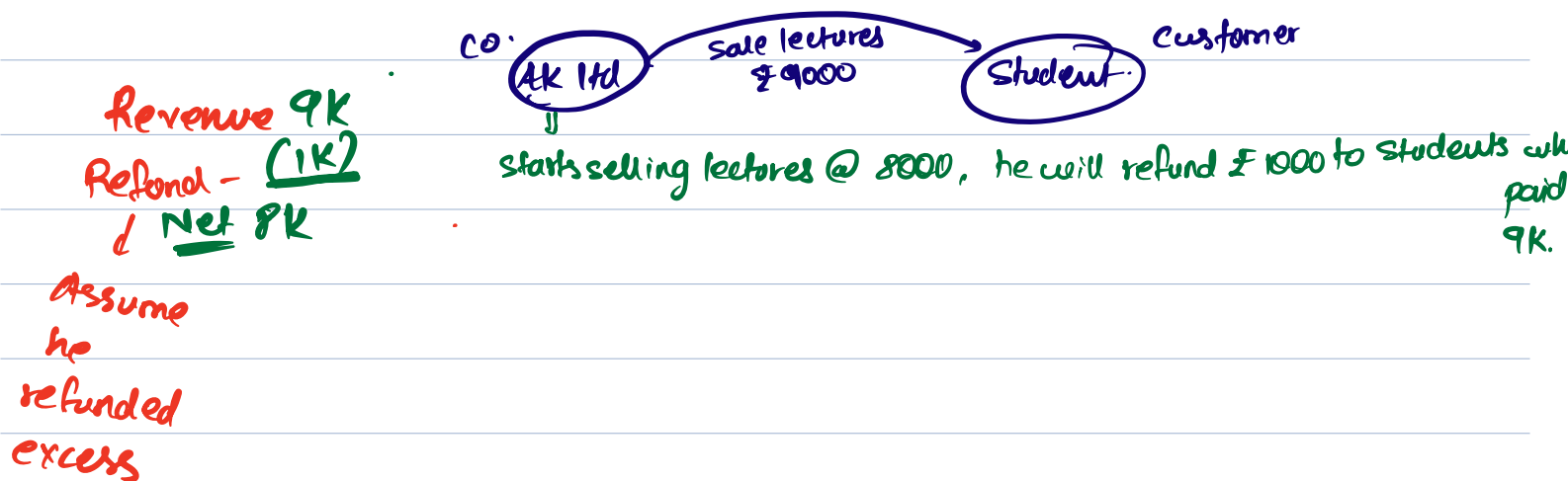
① Slotting fees (Net from T.P).



② Co-op Advt Arrangements. (Net / Gross)
 ↓
 Depends



③ Price Protection (Net from T.P)



Illus 22 (WR)

yr	Customer	Fees	Total
1	100	7500	750000
2	50	6000	300000
3	25	6000	150000
	<u>175 Cust</u>		<u>12,00,000</u>

Revenue per customer per year = $\frac{1200000}{175} = 6857$

OFU

<u>Revenue Booking each yr</u>	
yr 1	$[100 \times 6857] = 685700$
yr 2	$[50 \times 6857] = 342850$
yr 3	$[25 \times 6857] = 171425$

J-E.

yr 1 J-E

CIB A/c Dr $[7500 \times 100] = 750000$

To Rev A/c 685700

To Contract Liabty (Adv Inc) 64300

Extra J-E

yr 2 end CIB A/c Dr (50×6000) 300000

Adv Inc (Liab) Revenue A/c 42850

To Revenue 342850

yr 3 end

CIB A/c Dr $(25 \times 6000) = 150000$

Adv Inc (Liab) Revenue A/c 21425

To Revenue 171425

Illus 23 (LDR)

P.O Total T-P = 1000

* SSP

Product A
1000

Disc Voucher
120

$[500 \times \cancel{40\%} \times 80\%]$
30%
↓
Prob

why 30% is not 40%
↓
10% sabko diya.

Allocation of TP

893

107

$(1000 \times \frac{1000}{1120})$

$(1000 \times \frac{120}{1120})$

Rev. Book on Day ①

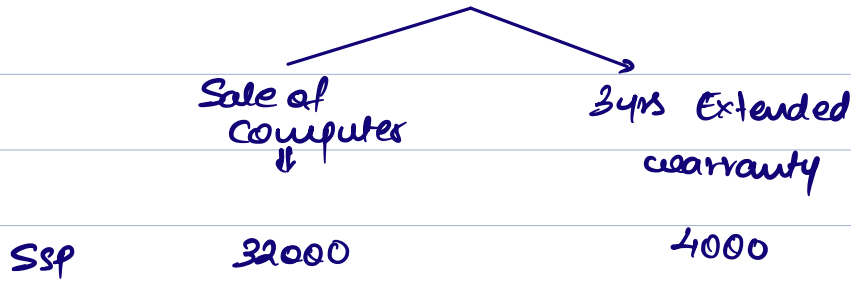
Rev Book after customer uses the voucher or it expires [i.e. in next 30 days]

Extra Part

Illus 35 (COP)

Computer + 3yrs Extended warranty

Total T.P 36000 (2 POs)



Allocation

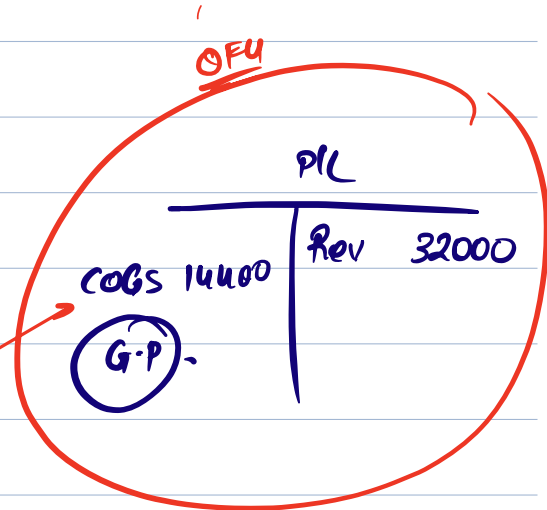
32000
 $(\frac{36000 \times 32000}{36000})$
 Book on Day 1

4000

Book OTP of 3yrs.

J-E.

Day 1 CIB A/c Dr 36000
 To Revenue 32000
 To Adv Inc (liab) 4000



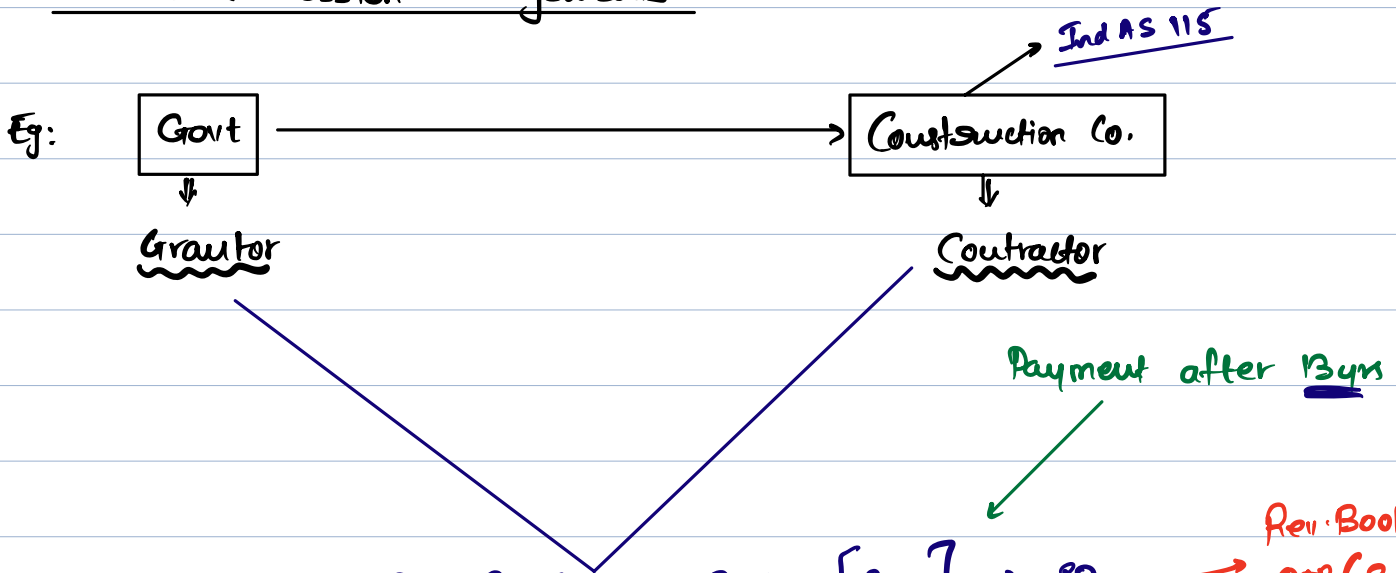
Day 1 Cost of Goods Sold 14400
 TO Inventory 14400

Ind AS 37

Day 1 Warranty Exp A/c Dr 2000

To warranty prov 2000

* Service Concession Arrangements



- Plz Construct a Bridge [3yrs] → 80 cr → Rev. Book $\xrightarrow{\text{yr 1-3}}$ OTP (3yrs)
- Toll - Operate & maintain → Charges fixed → 20 cr → OTP (10yrs) $(\text{yr 4} - \text{yr 13})$

(+) Int for late payment 15 cr (OTP of 13 yrs)

Co. Rev. Quote 115 cr

Accounting Entries → Construction Co.

yr (1-3) = Reable A/c Dr 80 cr
 TO Revenue 80 cr
 ↓
 Construction Phase
 ↓
 Exp Incurred during Construction phase } yr 1-3 Contractⁿ Exp TO ClB } OTP of 3yrs.

yr 4-13 Reable 20 cr
 Operation Phase TO Revenue 20 cr

OTP (1-13yrs) FA (Reable) A/c 15 cr
 TO Int Inc 15 cr.

Illus 75 (LDR)

Part (i) Refer Q. B for theory

Part (ii) —————

9:30 PM to 11:15 PM
↓
Ind AS 108

Part (ii) J.E

Bhilwara - Jabalpur

During Construction Phase

Relable (FA)	110	
TO Revenue		110

Construction Exp	Atc Dr	100	
TO CB			100

(Recognise cost relating to construction during construction phase)

During operation phase

Relable (FA)	75 cr
TO Revenue	75 cr

(Total Op. & Mainte Rev $\rightarrow (200 - 110 - 15)$)

FA (Relable)	15
TO Int Inc	15

Bank Atc Dr	200
TO FA (Relable)	200

Kolhapur - Nagpur Expressway

During Construction Phase

① Construction Exp A/c Dr 110 cr
 TO Bank A/c 110 cr

② Intangible Asset A/c Dr 200 cr
 TO Revenue 200 cr

During Op. Phase

③ Amortization Exp (P/L) A/c Dr 200 cr
 TO Intangible Asset 200 cr
(Recognize Amortⁿ Exp over period of op)

④ Bank A/c Dr ?
 TO Revenue ?
(Recognize Rev of Toll collection during op. phase)

* Step (S) Pg 26.14 (Unused Material).

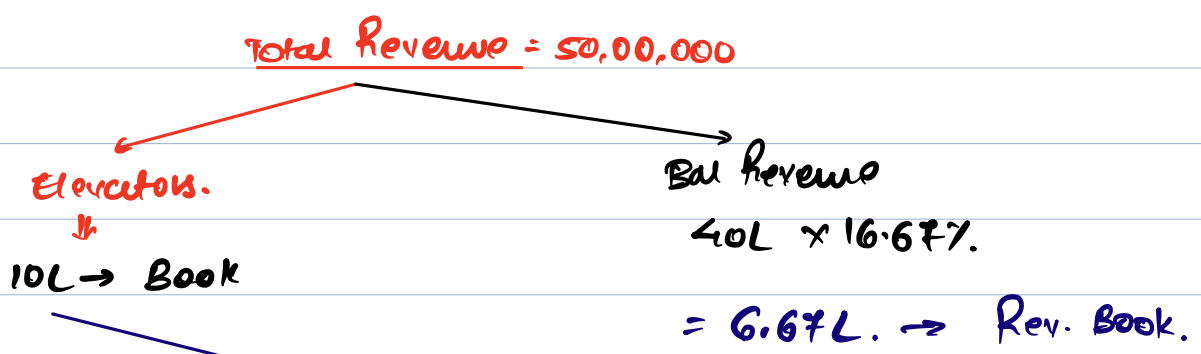
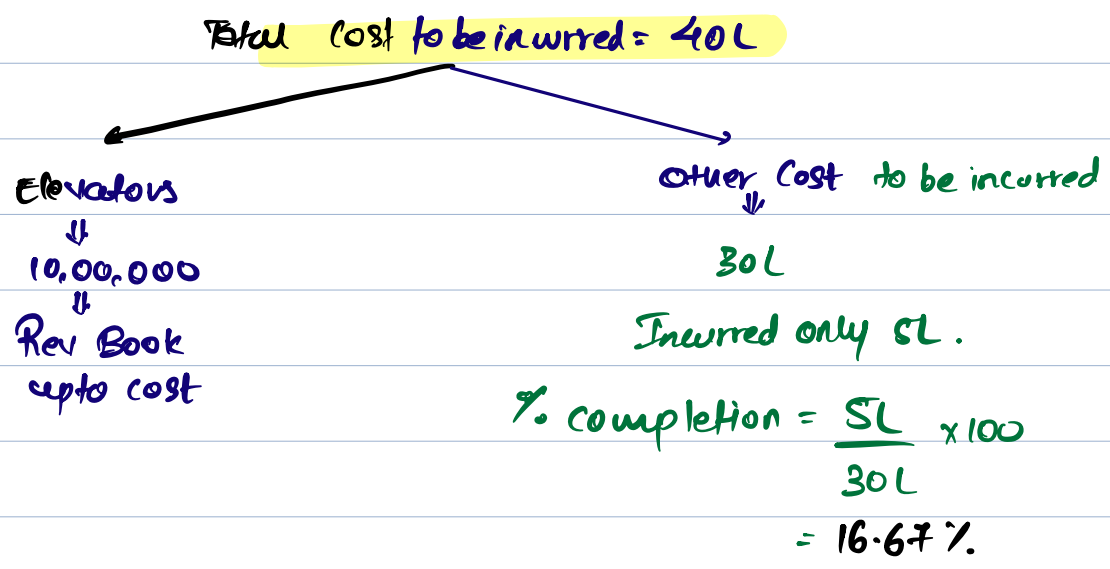
Eg Total Revenue = 50L
 total cost to be incurred = 40L } 3yrs

4y1 ^{not installed in 4y1}
 Elevator purchased → 10L
 Other cost → 30L

~~$\frac{15L}{40L} \times 100 = 37.5\%$ work completed.~~

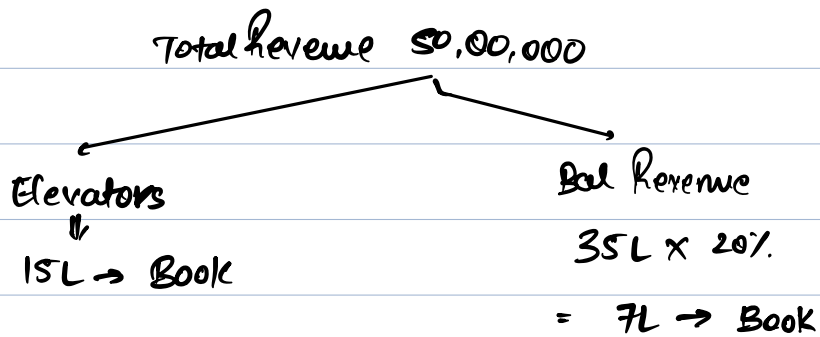
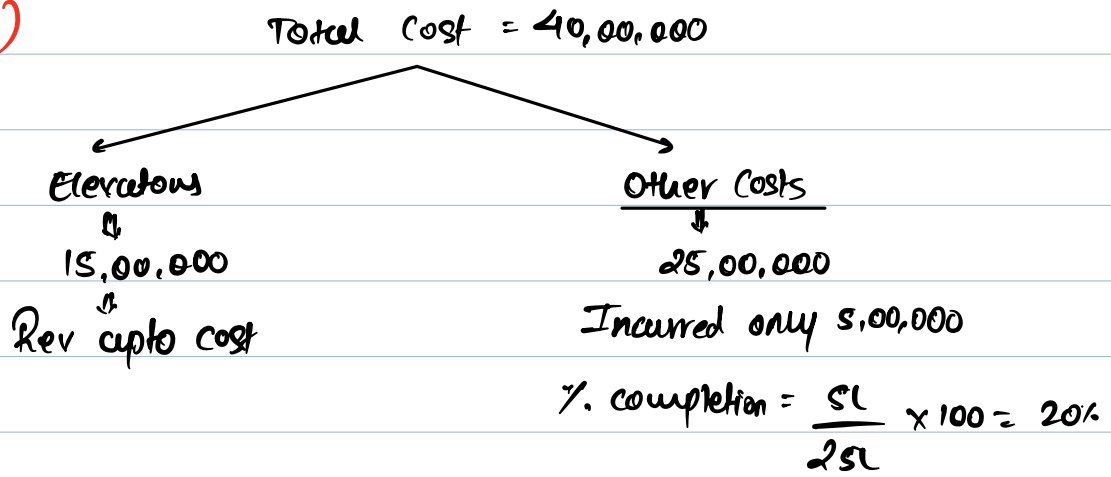
Elevator (Book Rev to the extent of cost) \leftarrow ^{cost 10L} Rev 10L.

Solⁿ:



Total Revenue = 10L + 6.67 = 16.67L.

Illus 65 (cont)



$$\text{Total Revenue} = 15L + 7L$$
$$= \boxed{22L}$$

Illus 79 (Refer T.B.)

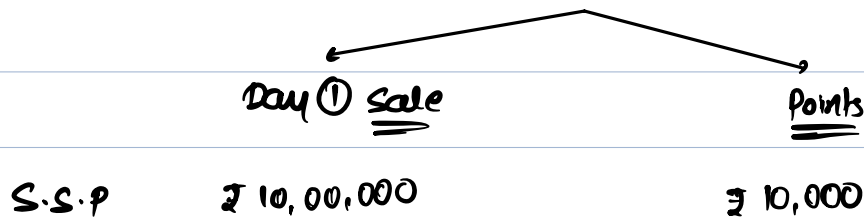
Question 1 (LOR)

2 P.O. } Day ① → Customer Sale
 } points (Voucher).

① ₹10,00,000 (Sales) → Points = 20000 points × ₹0.5 per point = ₹10000 (Voucher (Points) value).

$\left[\frac{1000000 \times 10 \text{ points}}{₹ 500} \right]$

Transaction Price = ₹10,00,000



Allocation

9,90,099	9901
$\left(\frac{10L \times 10L}{10 \cdot 10L} \right)$	$\left(\frac{10L \times 10k}{10 \cdot 10L} \right)$

J-E. CIB Alc Dr 10,00,000

Day ① TO Revenue 9,90,099

 TO Adv Liab 9901

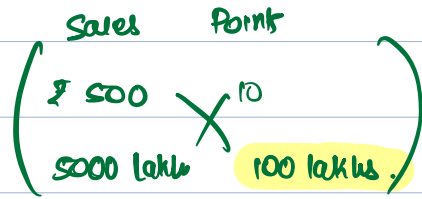
 (Liab for Customer
 loyalty points)

(b) Total Sales = 5000 lakhs

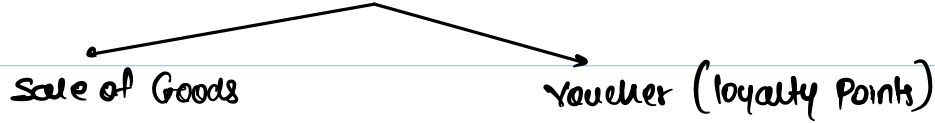
Total Points = 1,00,00,000 points

× ₹ 0.50 per point

= ₹ 50,00,000 (Voucher (Points) Value)



Total Transaction Price = 5000 lakhs



SSP 5000 lakhs

50 lakhs

Allocation 49,50,49,505
 (5000L × $\frac{5000}{5050}$)

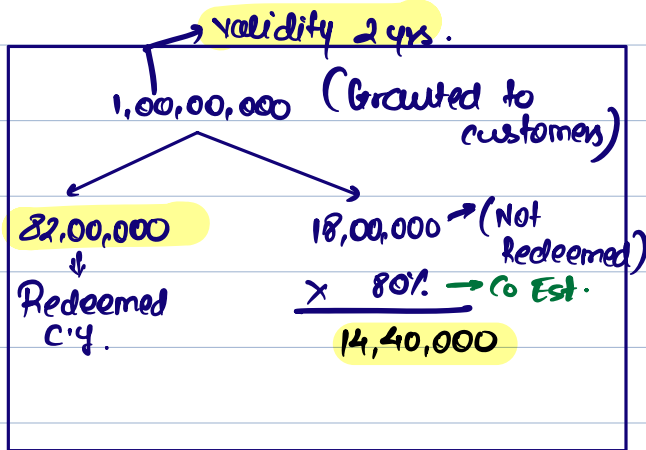
49,50,495
 (5000L × $\frac{50}{5050}$)

XI-X2 C/B A/c Dr 50,00,00,000

J.E.

TO Revenue 49,50,49,505

TO Adv Liab for loyalty points 49,50,495



Adv Liab - 49,50,495

~~1 cr points~~
 As per est it is for 96,40,000 points
 (82,00,000 + 14,40,000)

Ques 2

↓
Ⓐ Fixed FP = 1,00,000 → Ⓐ

Ⓑ Variable [Expected Value Method]

Ⓐ 50000 × 60% = 30,000

Ⓑ 45000 × 30% = 13,500

[50K (-) 10%]

Ⓒ 40000 × 10% 4000
(50K - 20%) 47500 → Ⓑ

Total Tr. Price [A + B] = 1,47,500

Ques 3 (LOR)

Extracts

PIL		B/S	
Revenue from Contracts	18L	<u>Current Assets</u>	
Exp		Contract Assets	9L
Costs of Rev.	15L	<u>Liab</u>	
		<u>Curr. Liab</u>	
		Adv from Cust	4.5L

(A) Contract with

- i) Total sales
% completion

Revenue Accrued (PIL)

AZ Co.	BZ Co.	Total
40 lakhs	30 lakhs	
30%	20%	
<u>12L</u>	<u>6L</u>	18L

- ii) Total Payment rec'd
(-) Rev Accrued

Excess Rec'd (Adv Rec from Customer)
↳ Liab (B/S)

13L	9.5L	
(12L)	(6L)	
<u>1L</u>	<u>3.5L</u>	4.5L

- iii) Total Expected Cost (Revised)
% completion

Cost Accrued (PIL) → Exp.

34L	24L	
30%	20%	
<u>10.2</u>	<u>4.8L</u>	15L

- iv) Total Cost incurred (Paid)

(-) Cost Accrued

Contract Assets (WIP) → B/S Asset
↓
(Prepaid Exp)

16L	8L	
(10.2L)	(4.8L)	
<u>5.8L</u>	<u>3.2L</u>	9L

Ques 6

Old Contract \rightarrow 3yrs Maintenance T.P = 1.5Lp-year i.e. 4.5L for 3yrs.

Begin of 3rd yr

old Contract (Rev. Already Booked) = 3L. \rightarrow

Yet to be Booked 1.5L \rightarrow modified to 1.2L (in yr 3)

(+) New Contract for 3yrs entered

3L

Total

4.2L \rightarrow for 4yrs.

Revenue Per Year 1,05,000

Treat as New
Single contract
of 4yrs \rightarrow 1yr old
 \rightarrow 3yrs New
OFW
Prospective
Accounting.

Ques 8

Small
Bundle
 \downarrow

Disc 20k

		SSP	Disc	Allocation	
Hardware	H	100000	(16667)	83333	$(1L \times 1L / 1.2L)$
Accessory	A	20000	(3333)	16667	$(1L \times 20k / 1.2k)$
			<u>(20k)</u>	<u>100000</u>	

Large

Bundle
 \downarrow

Disc 20

\therefore Allocate
Disc in
H & A only.

		SSP	Disc	Allocation
H	H	1L	(16667)	83333
A	A	20k	(3333)	16667
S	S	<u>50k</u>	-	<u>50000</u>
		1.7L	<u>(20k)</u>	1.5L

Also Refer marking's in Q.B.

Ques 4 (LDR)

i) Total Sales (units)

$$9000 \times 15\% = 1350$$

$$28000 \times 75\% = 21000$$

$$36000 \times 10\% = 3600$$

Expected Sales (units) 25950

Total Expected Probability weighted Sales Value.

Sales (units)	Prob	Sales Price (p.u.)	Probability weighted Sales
9000	15%	90	121500
28000	75%	80	1680000
36000	10%	70	252000
Total Sales Value.			<u>2053500</u>

$$\text{Avg selling price p.u.} = \frac{2053500}{25950 \text{ units}} = \text{£ } 79.13 \text{ p.u.}$$

iii) Journal Entries

ⓐ Assume 25950 units sold (Accounting as per expected value method.)

i) For 1st 10000 units

ClB A/c Dr 9,00,000 (10000 × 90)

To Revenue 791300 (79.13 × 10000)

To Adv Rev (liab) 108700

a) For next 15950 units

ClB A/c Dr 1176000 (15950 × £80 (→ 10000 units × £10))

Adv Liab A/c Dr 86124

To Revenue A/c 1262124 (15950 × 79.13)

→ Refund (Price decrease retrospectively)

$$3) \text{ Adv Liab Bal} = 108700 (-) 86124$$

$$= \boxed{22576}$$

At the end of the yr

Adv Liab 22576

TO Rev 22576.

$$\begin{aligned} \text{OFU (Extra) Total Rev. Booked} &= 791300 (+) 1262124 (+) 22576 \\ &= \frac{2076000}{25950 \text{ units sold}} = \text{£80 p.u. (Revenue)}. \end{aligned}$$

ii) Most Likely Amt

$$\hookrightarrow 28000 \text{ units} \times \cancel{75\%}$$

$$\times \text{£80 p.u.} \rightarrow \text{Rev p.u.}$$

$$\underline{22,40,000}$$

J-E

1st 10000 units

ClB Atc 900000 (10000 x 90)

TO Rev 800000 (10000 x 80)

TO Adv 100000

Next 18000 units

ClB Atc Dr 1340000 (18000 x 80 (-) 10000 x 10) \rightarrow Refund

Adv Atc Dr 1,00,000

TO Rev (18000 x 80) 1440000

after 1 yr.

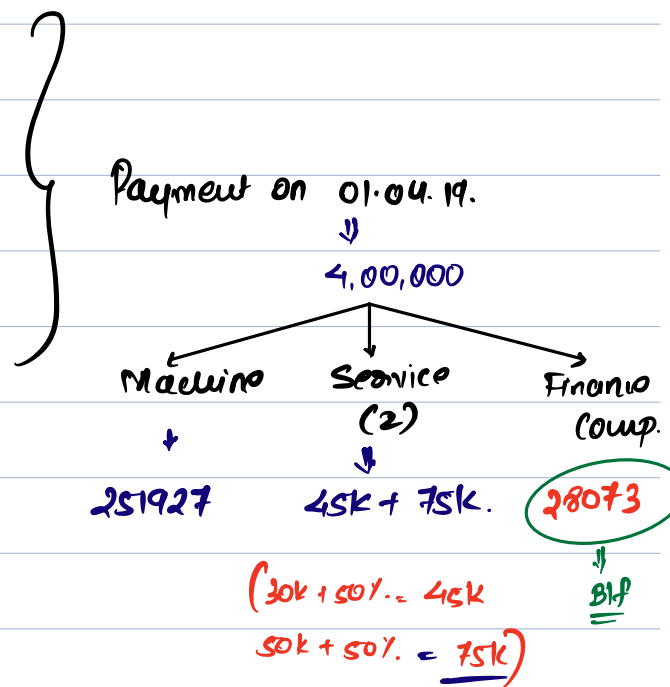
Ques 7 (LOR)

i) 'Model Pi' → Machine → 1.4.18

'Service' → 30.09.18
→ 01.04.19

Finance Comp.

Also write little concepts



ii) Calcⁿ of Rev for each component

Date	Op ⁿ	Finance Inv @ 5% 6m	Sale of Machine	Services	Payment Recd	Closing.
^{1st} 01.04.18	-	-	251927	-	-	251927
30.09.18	251927	12596	-	45000 (30k + 50%)	-	309523
31.3.19	309523	15476	-	-	-	325000
^{2nd} 01.04.19	325000	-	-	75000 (50k + 50%)	(4,00,000)	-
Rev for each comp.		28072 approx				

iii) & iv) Refer Q.B.

J-E

Hint: Refer above table & pass J-E & don't forget to pass J-E for cost incurred.

Q12

Total Revenue = £10,000

Total Points = 100 points × £5 per point = £500 (Voucher (Points) Value).

($\frac{£}{100}$ Point
 $10000 \times \text{O}$)

↓
Probability 100%

