

AS 9: REVENUE RECOGNITION**ICAI MCQs**

- 1) Which of the conditions mentioned below must be met to recognize revenue from the sale of goods?
- (i) the entity selling does not retain any continuing influence or control over goods
 - (ii) when the goods are dispatched to the buyer
 - (iii) revenue can be measured reliably
 - (iv) the supplier is paid for the goods
 - (v) it is reasonably certain that the buyer will pay for the goods
 - (vi) the buyer has paid for the goods.
- a) (i), (ii) and (v)
b) (ii), (iii) and (iv)
c) (i), (iii) and (v)
d) (i), (iv) and (v)
- 2) Consignment inventory is an arrangement whereby inventory is held by one party but owned by another party. Which of the following indicates that the inventory in question is a consignment inventory?
- a) Manufacturer cannot require the dealer to return the inventory
 - b) Dealer has the right to return the inventory
 - c) Manufacturer is responsible for the pricing of goods and any changes in the pricing can only be approved by the manufacturer.
 - d) Manufacturer is responsible for the holding the goods and any changes in the pricing can only be approved by the dealer
- 3) Which of the following transactions qualify as revenue for M/s AB Enterprises?
- a) Sales of ₹ 20 lakhs made under consignment sales.
 - b) Sale of an old machine amounting ₹ 5 lakhs
 - c) Services provided to the customer in the normal course of business. Sales recorded are ₹ 50,000.
 - d) Sales of ₹ 25 lakhs made under consignment sales
- 4) The Accounting Club has 100 members who are required to pay an annual membership fee of ₹ 5,000 each. During the current year, all members have paid the fee. However, 5 members have paid an amount of ₹ 10,000 each. Of these, 3 members paid the current year's fee and also the previous year's dues. Remaining 2 members have paid next years' fee of ₹ 5,000 in advance. Revenue from membership fee for the current year to be recognised will be:
- a) ₹ 5,25,000
 - b) ₹ 5,10,000
 - c) ₹ 5,00,000
 - d) ₹ 5,15,000
- 5) FlixNet International offers a subscription fee model to allow the paid subscribers an annual viewing of movies, sports events and other content. It allows users to register for free and have access to limited content for one month without any charges. The customer has a right to cancel the subscription within a month's time but is required to pay for 1 year subscription fee after the free period. XY has subscribed for free viewing on 1st March 2021. After 1 month, he has agreed to pay the annual membership & has paid ₹ 1,200 on

31st March 2021 for subscription that is valid up to 31st of March 2022. Revenue that can be recognized by FlixNet for year ended 31st March 2022 is

- a) ₹ 100
 - b) ₹ 1,200
 - c) Nil
 - d) ₹ 1,100
- 6) Sahil Ltd agreed to sell its factory located in Assam to Kali Ltd on 4.12.2023. It entered into a sale deed (transferring all significant risks and rewards of ownership) on 1.2.2024. But the transaction was registered with the registrar on 30.5.2024. When should the sale and gain be recognized?
- a) Both sale and gain should be recognized as on the balance sheet date i.e. 31.3.2024.
 - b) Both sale and gain should be recognized on 30.5.2024.
 - c) The sale should be recognized as on balance sheet date but gain should be recognized on 30.5.2024.
 - d) Both sale and gain should be recognized on 4.12.2023.

ADDITIONAL MCQs

- 7) Goods worth ₹ 4,00,000 were sold on approval basis on 01st Dec, 2022 by ABC Ltd. The period of approval was 3 months after which they were to be considered as sold. Buyer sent approval for 75% goods up to 31st March, 2023 and no approval or disapproval received for the remaining goods till 31st March, 2023. For year ended 31st March, 2023.
- a) Revenue should not be recognized at all
 - b) Revenue should be recognized for only 75% of sales
 - c) Revenue should be recognized for the total sales amounting ₹ 4,00,000 as the time period for rejecting the goods had expired
 - d) Revenue should be recognized for only 25% of sales
- 8) Argentina Enterprises provides subscription-based services. According to AS 9, how should revenue be recognized for subscription services?
- a) At the beginning of the subscription period
 - b) Over the subscription period
 - c) At the end of the subscription period
 - d) Only when subscribers renew their subscriptions
- 9) Unique Enterprises receives an order for goods to be shipped internationally on FOB basis. According to AS 9, when should revenue be recognized for international sales?
- a) At the time of receiving the order
 - b) When the goods are shipped
 - c) When the goods reach the international destination
 - d) When payment is received
- 10) X Ltd. sold goods to customer on credit. As per AS 9, when should revenue be recognized?
- a) At the time of delivery
 - b) When payment is received
 - c) When the significant risks & rewards / property in goods are transferred.
 - d) When the customer places the order

Answers:

1: (a)	2: (c)	3: (c)	4: (c)	5: (b)
6: (a)	7: (c)	8: (b)	9: (b)	10: (c)