IFRS 15 QUESTION

Part (a) Define ‘performance obligation’. List any six examples of promised goods and services as per IFRS 15 ‘Revenue from Contracts with Customers’.

Part (b) On 1 October 2017, SamsunSTelecommunications (ST) entered into a contract with a bank for supplying 20 smart phones to the bank staff with unlimited use of mobile network for one year. The contract price per smart phone is $ 34,650 and the price is payable in full within 10 days from the date of contract. At the end of the contract, the phones will not be returned to ST.

The entire amount received as per contract was credited by ST to advance from customers account. The smart phones were delivered on 1 November 2017.

If sold separately, ST charges $ 18,000 for a smart phone and a monthly fee of $ 1,800 for unlimited use of mobile network.

Required:

Prepare adjusting entry for the year ended 31 December 2017 in accordance with IFRS 15 ‘Revenue from Contracts with Customers’.

IFRS 15 SOLUTION

Part (a) **Performance obligation:**

A performance obligation is a promise in a contract with a customer to transfer to the customer either:

a good or service (or a bundle of goods or services) that is distinct; or

a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer

Examples of promised goods and services

Goods produced by an entity for sale

Resale of goods purchased by an entity

Resale of rights to goods or services purchased by an entity

Performing a contractually agreed-upon task for a customer

Standing ready to provide goods or services

Providing a service of arranging for another party to transfer goods or services to the customer

Granting rights to goods or services to be provided in the future that a customer can resell

Constructing, manufacturing or developing an asset on behalf of a customer

Granting licences

Granting options to purchase additional goods/services

Part (b) **Adjusting entry**

	Debit	Credit
	------$------	
Advance from customers	378,000	
Revenue (Smart phones) 18000 / 39600 x 34650 x 20		315,000
Revenue (Network-usage) 21600 / 39600 x 34650 x [20 x 2/12]		63,000

Smart phone 18,000 + Network usage 21,600 (ie $ 1800 x 12 months] = Total 39,600