

Solution

Answers to Multiple Choice Questions:

- | | | |
|-------|--------|--------|
| 1. 2) | 10. 1) | 19. 2) |
| 2. 1) | 11. 3) | 20. 1) |
| 3. 2) | 12. 1) | 21. 2) |
| 4. 2) | 13. 2) | 22. 3) |
| 5. 3) | 14. 1) | |
| 6. 2) | 15. 3) | |
| 7. 1) | 16. 3) | |
| 8. 3) | 17. 2) | |
| 9. 2) | 18. 2) | |

Decide when, and how much, revenue can be recognised in each of the following situations.

1. Revenue can be recognised immediately
2. Revenue can be recognised immediately
3. At the end of 30 days, if none have been rejected, revenue can be recognised
4. Revenue is recognised in November, when the computers are sold by the agent
5. Revenue can be recognised on delivery of software
6. Percentage completion basis (Ind-AS 11)
7. Recognise revenue when the goods are accepted
8. This is primarily a finance transaction, and no revenue should be recognised
9. Divide the revenue by 60, and recognise 1/60 of the revenue each month – assume that maintenance service is provided every month

10. Recognise immediately revenue of \$90.909 ($100.000/110\%$) and interest receivable of \$9.091, matched by an accounts receivable of \$100.000
11. Defer recognition of the sale until the drains are repaired
12. Recognise 5% (i.e. $20/100$) of revenue on completion of installation in each building
13. Recognise \$27.600 as revenue for the sale immediately, and \$600 as service revenue when the photocopier has each service
14. Recognise \$2.000 each time the band appears
15. Recognise commission of \$2.600 now, and \$100 each time payment is collected
16. Based on effective interest rate
17. Based on effective interest rate year 3 onwards
18. Recognise \$2.000 of fee income on completion of each review
19. Each year you record \$6 million as interest receivable and record discounted value of \$2 million as syndication fees immediately
20. Revenue will be recognised after the exhibition in December
21. The \$100 can be recognised as the car club's revenue when you are registered. The membership fee will be recognised at the rate of \$50 per month.
22. Recognise the sale when the inspection has been satisfactorily completed
23. Recognise only \$65.600 ($\$80.000 - (\$1200 \times 12) = \65.600) as fee income at the start of the year. Consider the remainder as a payment in advance of the monthly fee, and recognise it at the rate of \$1.200 per month to add to the monthly fee.
24. Each time one is trained, credit \$500 to fees
25. Show this as a recharge, rather than revenue
26. Recognise $20\%(\$50.000 - \$10.000) = \$8.000$ of revenue
27. You sell the rights to your trademark to the Georgia for \$70 million for 10 years.
28. You sell the rights to your drug in the US and Europe for \$100 million, for an unlimited amount of time, but subject to your help in successfully obtaining the approval of the Federal Drug Agency (FDA) for the drug.

Thank you



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