Ind-AS 18 Revenue

Choose the answer closest to that you believe to be correct.

1. Revenue:
   1) Includes gains
   2) Is the gross inflow of economic benefits of the ordinary activities, when those inflows result in increases in equity, other than increases relating to contributions from investors
   3) Includes sales taxes and value added tax

2. Fair Value
   1) Is the value for which an asset could be sold, or a liability extinguished, between willing, independent traders
   2) Is the value agreed between related parties
   3) Is based on historical cost

3. Trade discounts and volume rebates should:
   1) Be ignored
   2) Be subtracted from revenue
   3) Be shown in the balance sheet under equity

4. Where interest-free, long-term credit is given
   1) Revenue should not be recognised until cash is received
   2) Future receipts should be discounted to net present value
   3) A bad debt provision should be created

5. Where goods are exchanged:
   1) No bookkeeping is necessary.
   2) Cash is never involved.
   3) Revenue is created.

6. A Transaction involves after sales service:
   1) It is no longer regarded as revenue.
   2) The revenue relating to the service is spread over the period of the service.
   3) It is always a credit transaction.

7. Combined transactions, such as a sale and repurchase agreement:
   1) Are dealt with as one transaction.
   2) Must be shown separately.
   3) Are illegal.

8. When is a sale recognised?
   1) Whenever the seller decides to recognise it.
   2) At the end of each accounting period.
   3) When certain conditions have been satisfied.

9. Normal credit risk derived from sales is:
   1) The best reason to defer revenue recognition.
   2) Not a reason to defer revenue recognition.
   3) Detailed in the audit report.

10. Retention of significant risks means that:
   1) The sale will not be recognised.
   2) There is no problem with revenue recognition.
   3) Insurance is mandatory.

11. If the sale is contingent on the buyer deriving revenue from resale of the goods:
   1) It should never be recognised as a sale.
   2) It should receive shareholder approval.
   3) Recognition is deferred.

12. Where foreign exchange control jeopardises the transfer of the sales proceeds:
   1) Recognition cannot take place until permission to transfer funds is granted.
   2) The sale is cancelled.
   3) A bad debt provision should be created.

13. Once an amount has been recognised in revenue, any risk of non-payment is treated as:
   1) A reduction in revenue
   2) A bad, or doubtful debt expense.
   3) A charge to accounts payable.

14. Where warranties are given to the buyer, the cost of these will be recognised:
   1) As an expense.
   2) As a reduction in revenue.
   3) In the following period.

15. Revenue from the provision of services should be recognised by referring to the:
   1) Original estimates.
   2) Payments received in advance.
   3) Stage of completion at the balance sheet date.

16. The stage of completion, the costs to date, and the costs to complete the transaction should be:
    1) Ignored.
    2) Listed in the accounts.
    3) Reliably measurable.

17. Revisions to estimates:
    1) Mean that the financial outcome of the transaction cannot be reliably measured.
    2) Mean that the financial outcome of the transaction can be reliably measured.
    3) Cancel the transaction.

18. Advances and progress payments received from clients:
    1) Is proof of the stage of completion.
    2) May not reflect the stage of completion.
    3) Should be booked to accounts payable.

19. If the costs will probably be recovered, recognise:
    1) All revenue.
    2) Only that amount of revenue, equal to the costs.
    3) No revenue.

20. Interest revenue should be recognised on a:
    1) Time-proportion basis, reflecting the effective yield of the asset.
    2) Cash basis.
    3) Time-proportion basis, reflecting collection periods.

21. Royalties should be recognised on:
    1) A cash basis.
    2) An accruals basis.
    3) An actual basis.

22. Dividends should be recognised:
    1) On a cash basis.
    2) On an accruals basis.
    3) When the shareholder has a legal right to receive payment.

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

1. You are about to deliver your monthly consignment of goods, when your client's delivery service ceases business. He asks you to store them, at his risk, until he can find alternative transport.

2. You sell carpets to a retail chain. They must be inspected prior to acceptance, but the inspector is ill. None have been rejected in the last 3 years.

3. You sell radiators to a wholesaler. Written notification of rejection must be made within 30 days.

4. In April, you supply 40 computers to your agent. The contract is a consignment contract. In November, the agent sells the computers, but you do not receive the money until December.

5. You sell software via the Internet. Clients can pay on receipt of the software.

6. You build warehouses. You accept deposits and progress payments, prior to the warehouse being finished. When it is finished, 2% of the total payment remains unpaid, but is likely to be paid soon.

7. A buyer pays for your goods on the 5th of each month. They are shipped on the 10th of the month, and he accepts delivery on the 15th of each month.

8. You sell a portfolio of shares in January for $10.000, with a contract to repurchase them for $10.500 in March.

9. You sell a 5-year subscription to your hardware support service, payable in advance.

10. You sell a machine for $100.000, payable in instalments over one year. The rate of interest is 10%. Interest is included in the price.

11. You sell a hotel, but have committed your firm to repair the drains. Your repairer is away for 2 months.

12. You are installing a telephone network in 20 identical buildings for a client, under a single contract.

13. You sell a photocopier for $30.000, including a year's warranty. The fair value of the warranty is $2.400. The copier will require quarterly services.

14. In July, as an agent, you book a band to appear once in March and once in May at a dance hall. Your commission is $4.000.

15. A client signs an insurance policy, which will give your firm a commission of $5.000. Payments will be made monthly over 2 years. The payments will be collected at the client's home. The commission element of each collection will be $100.

16. You provide a $100.000 loan at 12% for 3 years. Interest is paid at the end of each year. Your administration fee is $3.600 and paid in advance.

17. You offer a $100.000 loan facility at 15% for 4 years. Interest is paid at the end of each year. Your commitment fee is $4.800 and paid in advance. The loan is drawn down on the 1st day of year 3.

18. You provide a loan for 4 years. You have a service fee of $32.000, payable in advance. Each quarter, you will audit your client's accounts, and review the results, to confirm that there has been no breach of covenant (the loan contract).

19. You organise a syndicated loan for $2.000 million. You provide 5% of the funds. You receive 8% interest, while the other syndicate members receive only 6%.

20. In October, you sell tickets for an exhibition that will take place in December.

21. To become a member of a car club, you have to pay $100 registration fee and $600 annual membership. How does the car club recognise its revenue?

22. As part of the contract, your car service franchisee must buy equipment for the service bays from you. Title passes when the equipment has been installed, and has been inspected by the local authorities.

23. You charge an annual franchise fee of $80.000, payable at the start of the year. You also charge a monthly fee of $6.000. You provide a fixed amount of supplies with a value of $7.200 each month, including your standard profit margin of $1.200. Any additional supplies are charged separately.

24. $30.000 of your franchise fee is for the training of 60 staff of your franchisee.

25. You insist that your franchisees have a financial and operational internal audit each year, organised by you, recharged at cost.

26. You have a contract worth $50.000 to produce software. $10.000 of this sum is allocated to after-sales support. 20% of the development has been completed. The client has paid $18.000 so far, and will pay the remainder on completion.

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.

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