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Professional Accounting Education

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ACCA F7

Financial Reporting(INT.)

财务报告（国际会计准则）

Chapter 7 IAS 18 REVENUE

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Scope

IAS 18 covers the revenue from specific types of transaction or events.

- Sale of goods (manufactured products and items purchased for resale)
- Rendering of services
- Use by others of entity assets yielding interest, royalties and dividends

IFRS 18 Revenue

Interest is the charge for the use of cash or cash equivalents or amounts due to the entity.

Royalties are charges for the use of non-current assets of the entity, eg patents, computer software and trademarks.

Dividends are distributions of profit to holders of equity investments, in proportion with their holdings, of each relevant class of capital

Recognition

Recognition should be when it is **probable** that future economic benefits will flow to the entity and when these benefits can be **measured reliably.**

IFRS 18 Revenue

Income – Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.

Revenue – Income arising in the course of an entity's ordinary activities.

Measurement of revenue

- When a transaction takes place, the amount of revenue is usually decided by the agreement of the buyer and seller. The revenue is actually measured, however, as the fair value of the consideration received, which will take account of any **trade discounts and volume rebates**. If the revenue is receivable more than 12 months after it has been earned it will usually be **discounted to present value**.

IFRS 18 Revenue

Revenue from the sale of goods should only be recognised when all these conditions are satisfied:

a)The entity has transferred the **significant risks and** rewards of ownership of the goods to the buyer.

b)The entity has **no continuing managerial involvement** to the degree usually associated with ownership, and no longer has effective control over the goods sold.

IFRS 18 Revenue

c)The amount of **revenue** can be **measured reliably.**

d)It is **probable** that the economic benefits associated with the transaction will flow to the entity.

e)The **costs** incurred in respect of the transaction can be **measured reliably.**

IFRS 18 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, the associated revenue should be recognised by reference to the **stage of completion** of the transaction at the end of the reporting period.

IFRS 18 Revenue

The outcome of a transaction can be estimated reliably when **all** these conditions are satisfied:

- a)The amount of revenue can be **measured reliably.**
- b)It is **probable** that the **economic benefits** associated with the transaction will flow to the entity.
- c)The **stage of completion** of the transaction at the end of the reporting period can be measured reliably.
- d)The **costs incurred** for the transaction and the **costs to complete** the transaction can be measured reliably

IFRS 18 Revenue

In uncertain situations, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, the standard recommends a **no loss/no gain approach**. Revenue is recognised only to the extent of the expenses recognised that are recoverable.

IFRS 18 Revenue

Hindberg is a car retailer. On 1 April 2014, Hindberg sold a car to Latterly on the following terms:

The selling price of the car was $25,300. Latterly paid $12,650 (half of the cost) on 1 April 2014 and would pay the remaining $12,650 on 31 March 2016 (two years after the sale). Hindberg's cost of capital is 10% per annum.

IFRS 18 Revenue

What is the total amount which Hindberg should credit to profit or loss in respect of this transaction in the year ended 31 March 2015?

- A.$23,105
- B.$23,000
- C.$20,909
- **D.$24,150**

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Thank You!