

34 Lecture - MGT401

Important Subjective

1. **What is the definition of revenue under IAS 18?**

Answer: According to IAS 18, revenue is defined as the gross inflow of economic benefits arising from the ordinary activities of an entity when those inflows result in an increase in equity, other than increases relating to contributions from equity participants.

2. **How should an entity recognize revenue under IAS 18?**

Answer: An entity should recognize revenue when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.

3. **What are the two types of revenue under IAS 18?**

Answer: The two types of revenue under IAS 18 are sale of goods and rendering of services.

4. **How should an entity measure revenue from the sale of goods under IAS 18?**

Answer: Revenue from the sale of goods should be measured at the fair value of the consideration received or receivable, net of any trade discounts or volume rebates.

5. **How should an entity measure revenue from the rendering of services under IAS 18?**

Answer: Revenue from the rendering of services should be measured at the fair value of the consideration received or receivable, taking into account any stage of completion of the transaction at the end of the reporting period.

6. **How should an entity account for the return of goods under IAS 18?**

Answer: An entity should account for the return of goods by reducing revenue and recognizing an expense for the estimated cost of the return.

7. **What is the criteria for recognizing revenue on a long-term construction contract under IAS 18?**

Answer: Revenue on a long-term construction contract should be recognized based on the stage of completion of the contract, measured by the proportion of costs incurred to date compared to the total estimated costs of the contract.

8. **What is the difference between a principal and an agent in a revenue recognition arrangement under IAS 18?**

Answer: A principal is the entity that is primarily responsible for providing the goods or services, while an agent facilitates the transaction between the principal and the customer.

9. **How should an entity recognize revenue from the sale of goods with a right of return under IAS 18?**

Answer: An entity should recognize revenue from the sale of goods with a right of return by estimating the amount of goods that are likely to be returned and reducing revenue accordingly.

10. **How should an entity recognize revenue from the sale of services with a warranty under IAS 18?**

Answer: An entity should recognize revenue from the sale of services with a warranty by

allocating a portion of the transaction price to the warranty and recognizing the revenue over the period of the warranty.