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Sandeepa Jayasekera

- 11th in Sri Lanka in Advanced Level Commerce and 3rd in Colombo District
- First Class Degree in Accounting, Sri Jayewardenepura University and Gold Medal for Best Student
- Chartered Accountant (CA Sri Lanka)
- 1st in Sri Lanka for the second stage of Chartered Accountancy and the Advanced Financial Reporting Subject Prize in the final stage.
- Chartered Management Accountant in United Kingdom (CIMA-UK)
- Chartered Management Accountant (United Kingdom) 1st in Sri Lanka in Final Stage and 11th in the world

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- Member of the Institute of Accounting Technicians of Sri Lanka (AAT Sri Lanka)
- Member of the Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka)
- Postgraduate Institute of Management (PIM-USJP) Final Stage of Postgraduate Degree in Management
- Chief Executive Officer
- Principal partner
- Senior lecturer
- Author who wrote 'Awarjanayakata Awasarai'
- A motivational speaker and a trainer, conducted more than 100 sessions.



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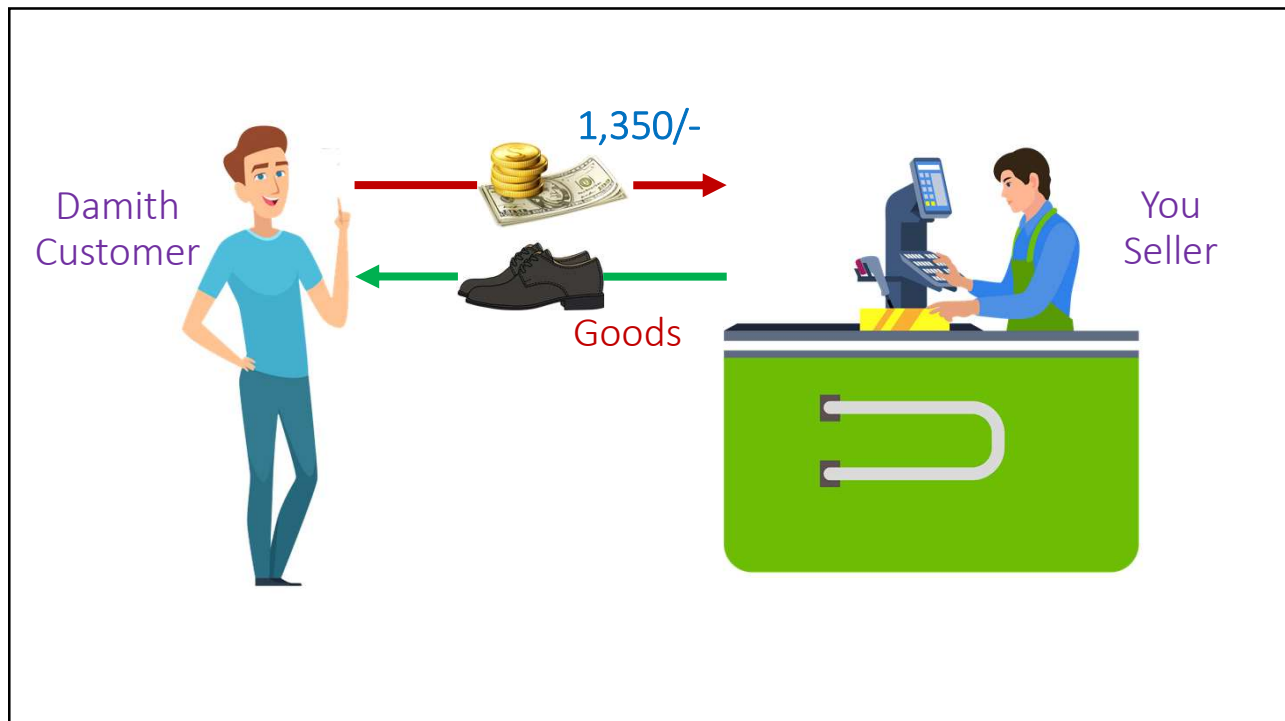
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When should DSI recognize revenue?

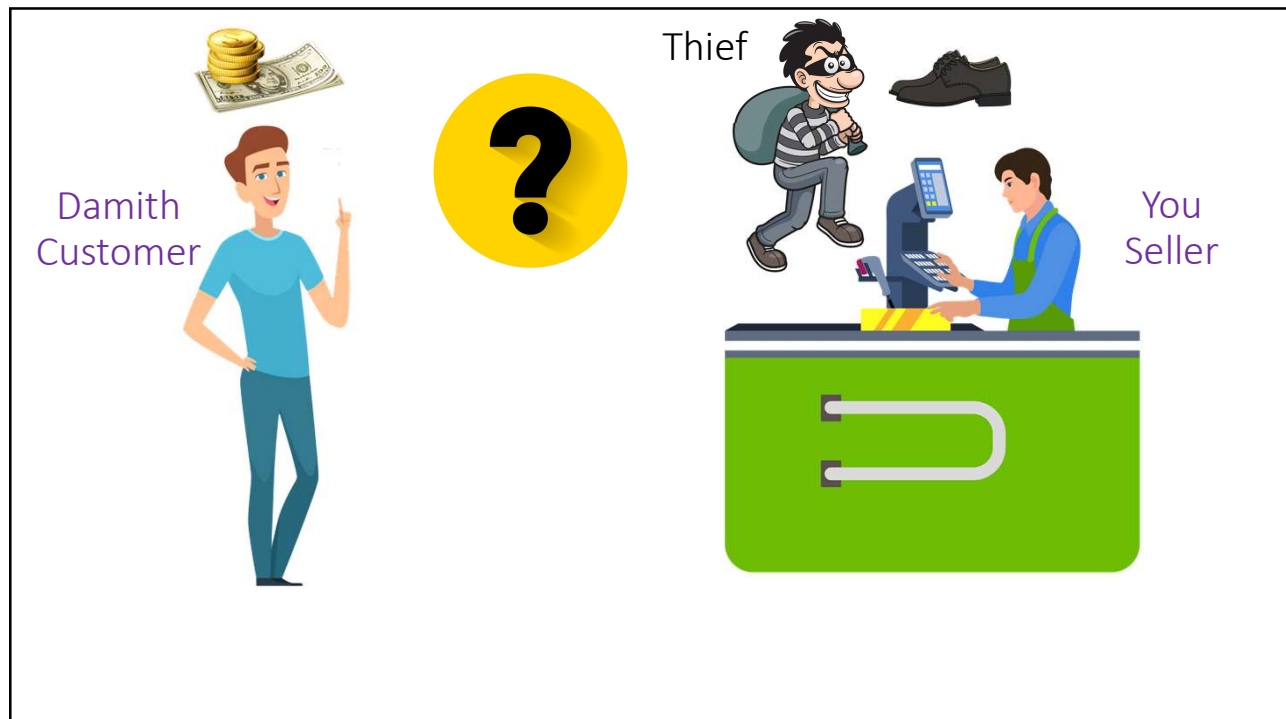
A
By 10.15
Shoes were
selected

B
By 10.16
Invoice was
raised

C
By 10.17
amount
was paid

D
By 10.18
Shoes were
accepted

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When should DSI recognize revenue?

A
By 10.15
Shoes were
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B
By 10.16
Invoice was
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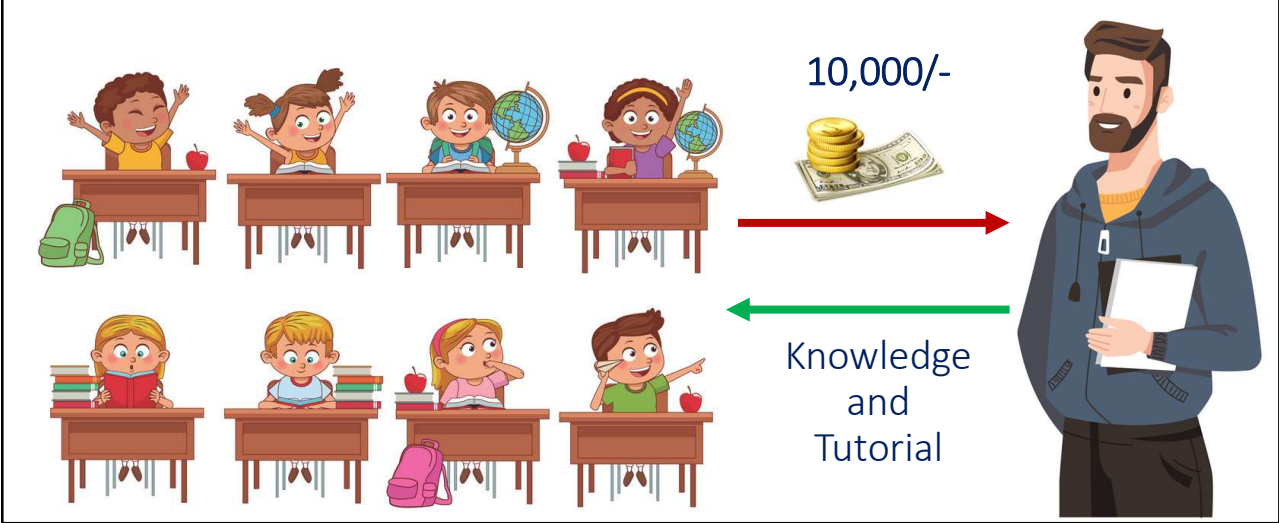
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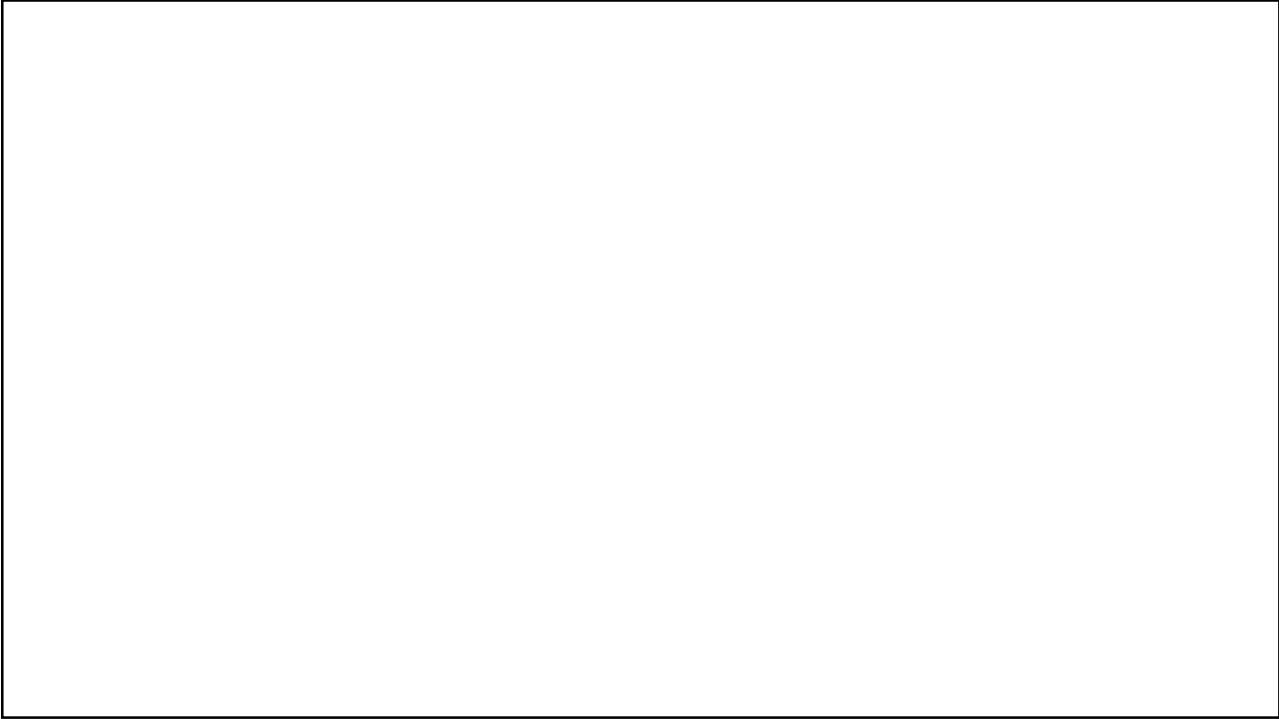


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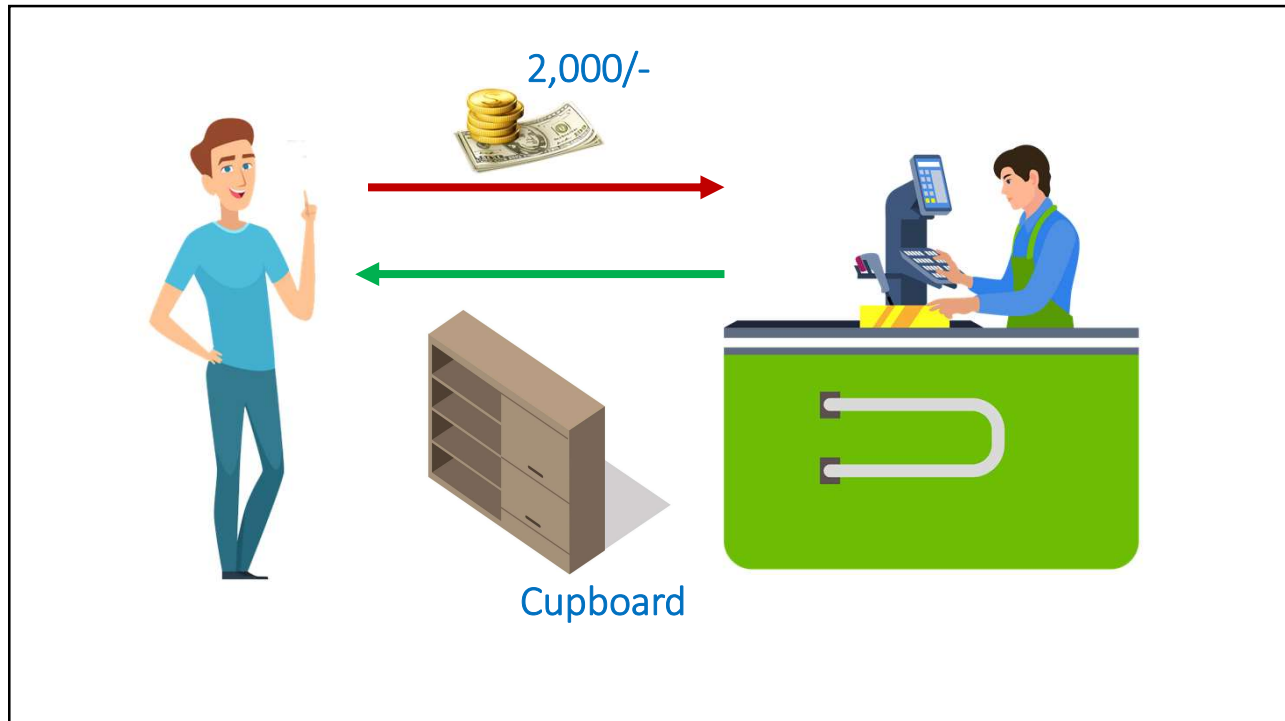
If Education was provided over a period of 2 months, when shall revenue be recognized?



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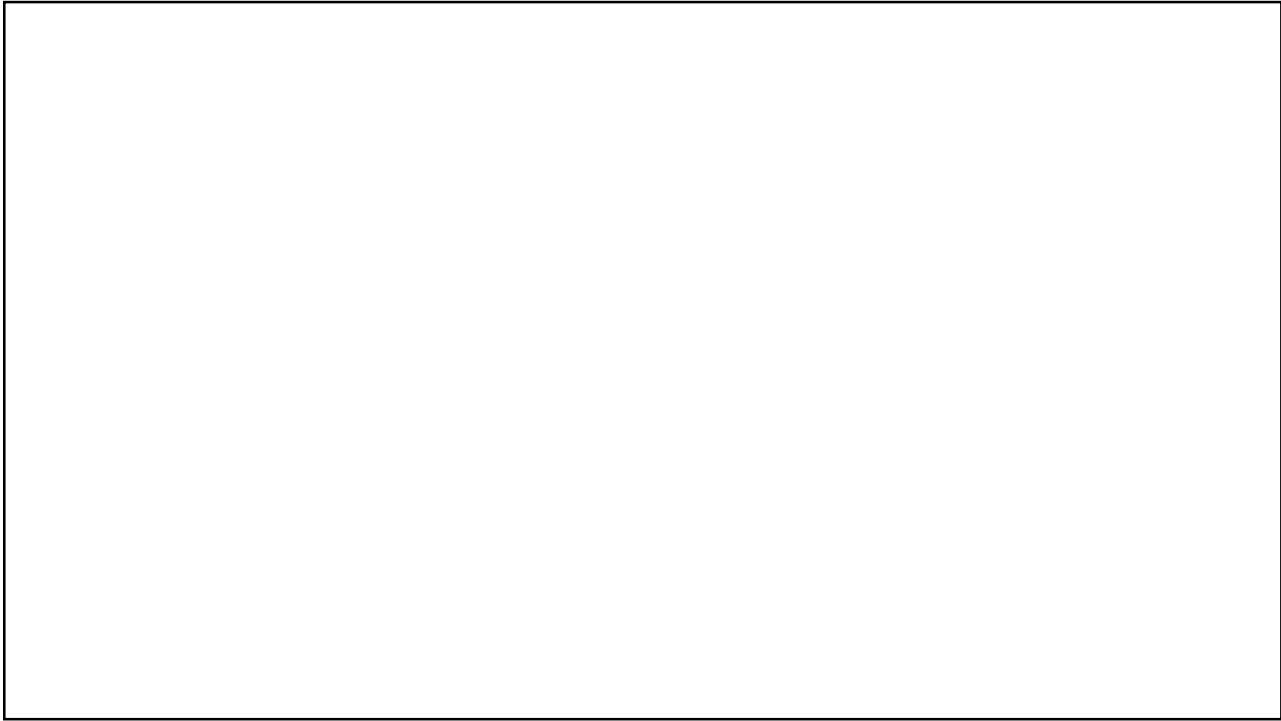
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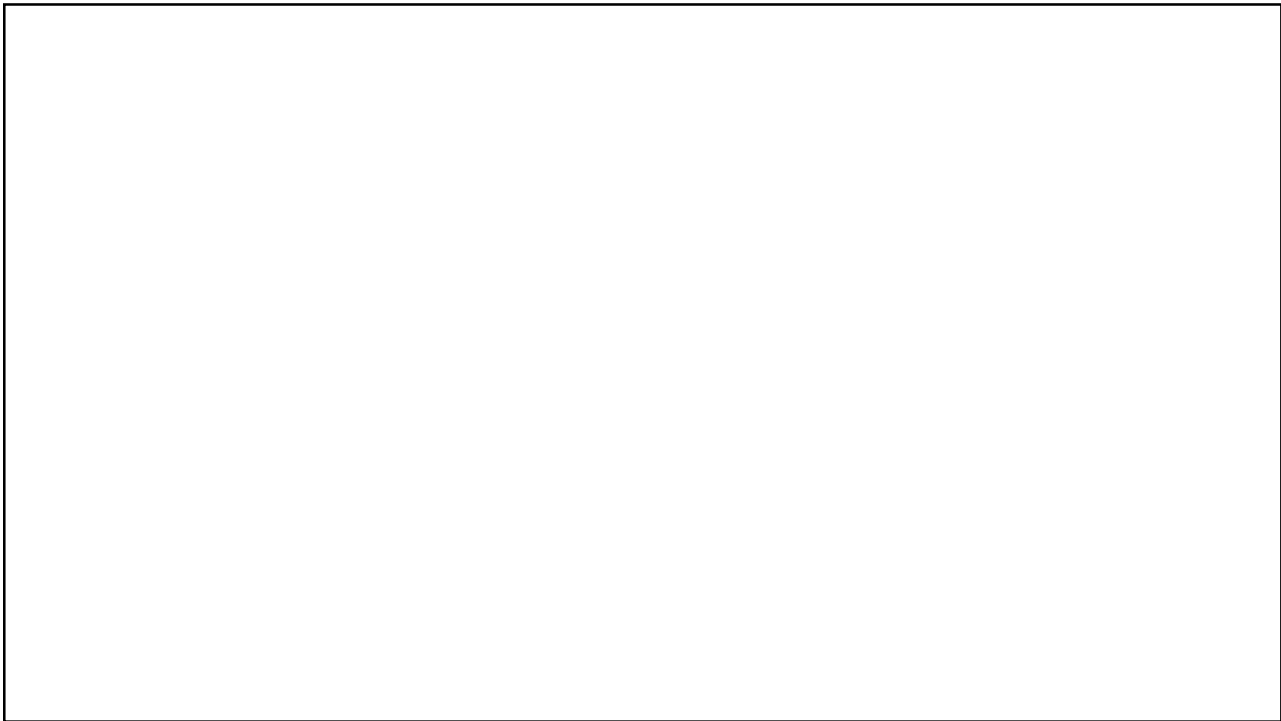
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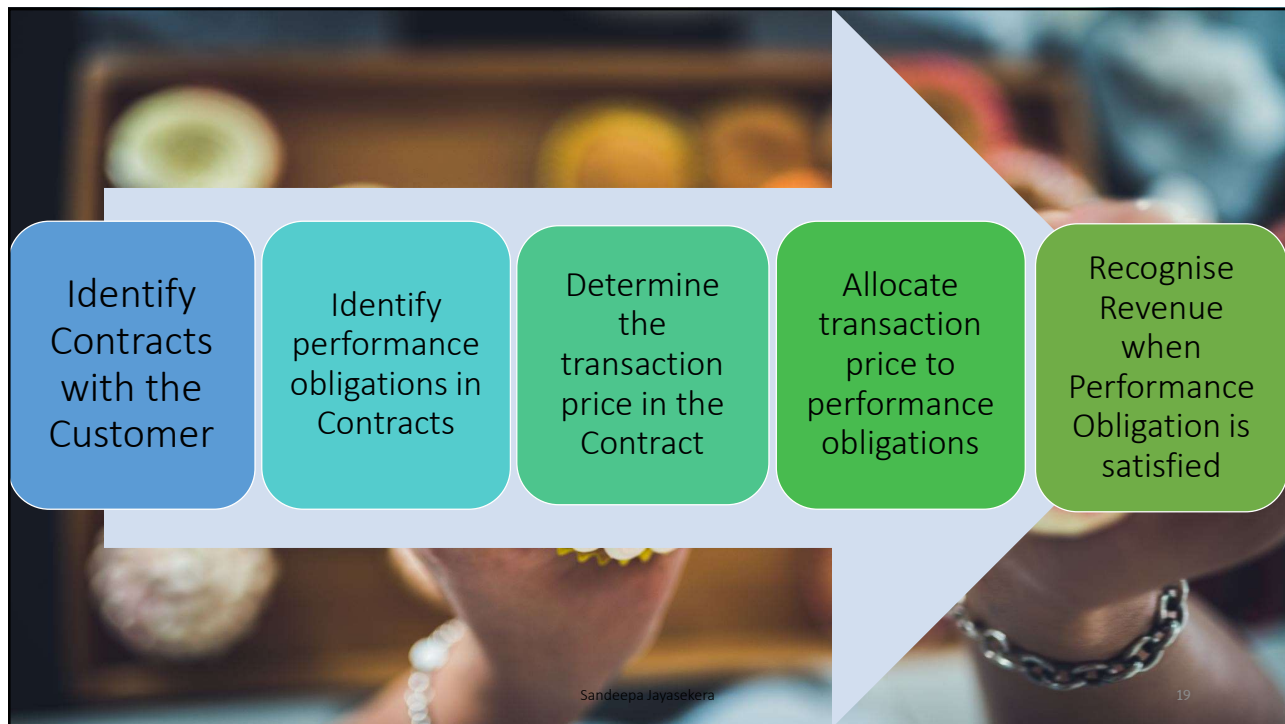
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Step 01

Identify the Contracts with a Customer

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Criteria to be satisfied to identify a Contract	Commercial Substance	Change in risk or amount of future cashflows as a result of the contract	
	Approved	In Writing Orally Implied	
	Rights of parties	Seller Customer	Cash Goods & Services
	Payment Terms	Time of payment Instalments Penalties or incentives	
	Recoverability		

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Step 02

Identify the Performance Obligations in a Contract

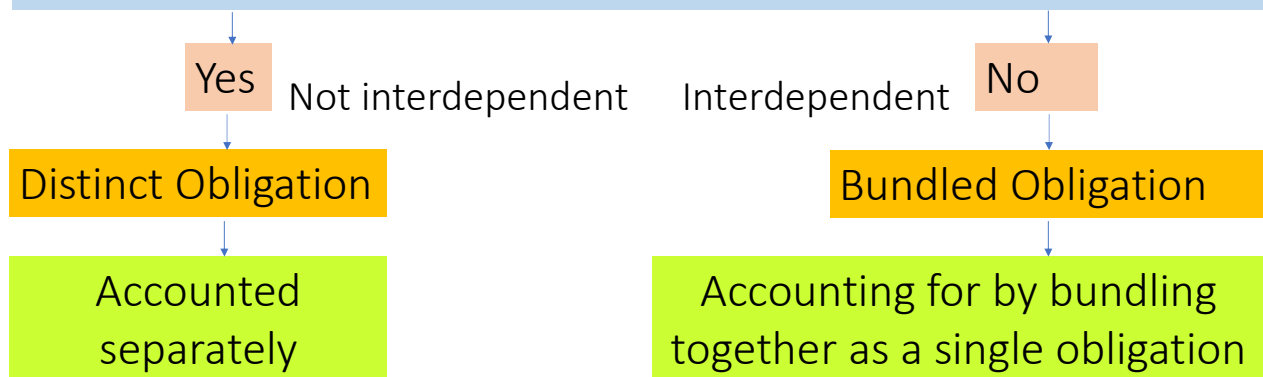
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Obligation

- Can the customer get satisfied from the relevant performance obligation on its own?
- Can that obligation be separately identifiable from other obligations in the contract?



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Question 01

Amal (Pvt) Ltd. is engaged in the sale of air conditioners. On 01/01/20X1 an air conditioner worth Rs. 500,000/- was sold, where it was agreed to install at an additional charge of Rs. 10,000/-.

- Identify the Performance Obligation in relation to the above transaction.
- Explain whether such obligations are distinct obligations or bundled obligations.

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Answer 01

Obligations	Performance Obligations	Price	Revenue Recognition
Distinct Obligations			
Bundled Obligations			

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Question 02

Wasantha (Pvt) Ltd. is engaged in the sale of computers. On 01/03/20X0 a computer sale transaction was initiated, where it was agreed to sell Rs. 1,000,000/- worth computer hardware, install Rs. 400,000/- worth operating software in the computers and to charge Rs. 100,000/- for a one-year service.

- Identify the performance obligations in relation to the above transaction.
- Explain whether such obligations are distinct obligations or bundled obligations.
- Explain how such revenue should be recognized.

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Answer 02

Obligations	Performance Obligations	Price	Revenue Recognition
Distinct Obligations			
Bundled Obligations			

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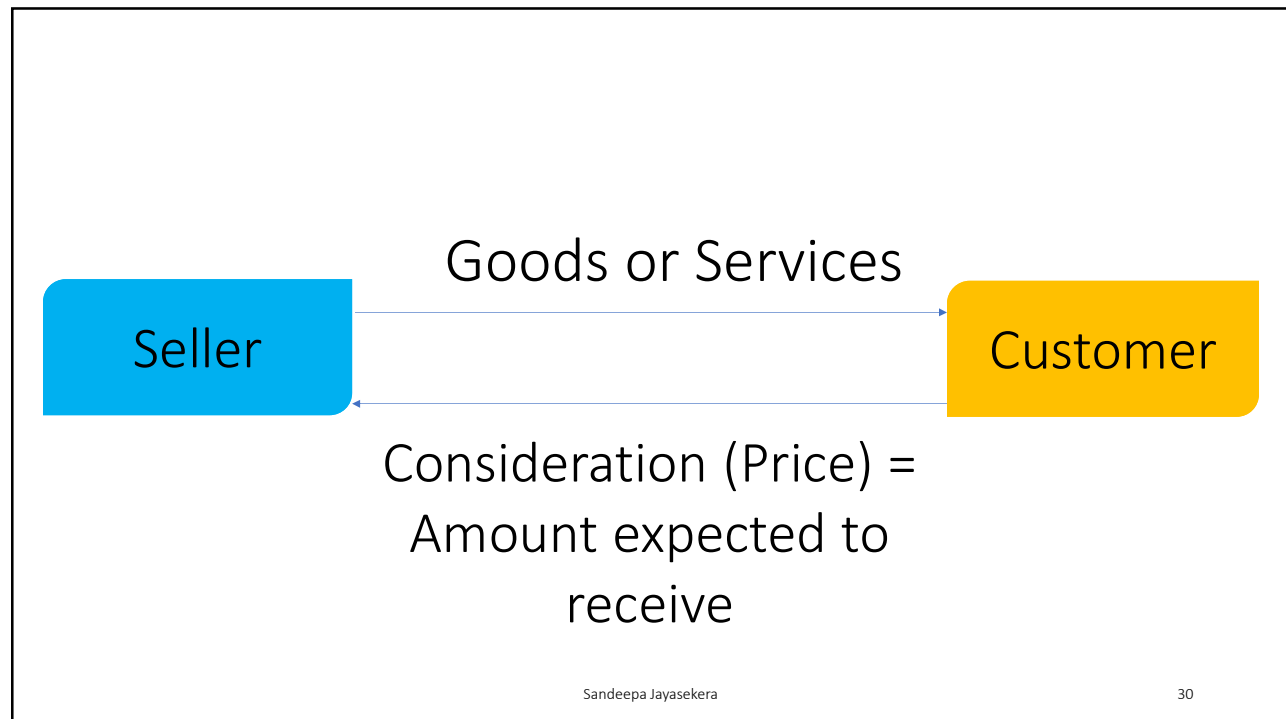
Step 03

Determine the Transaction Price

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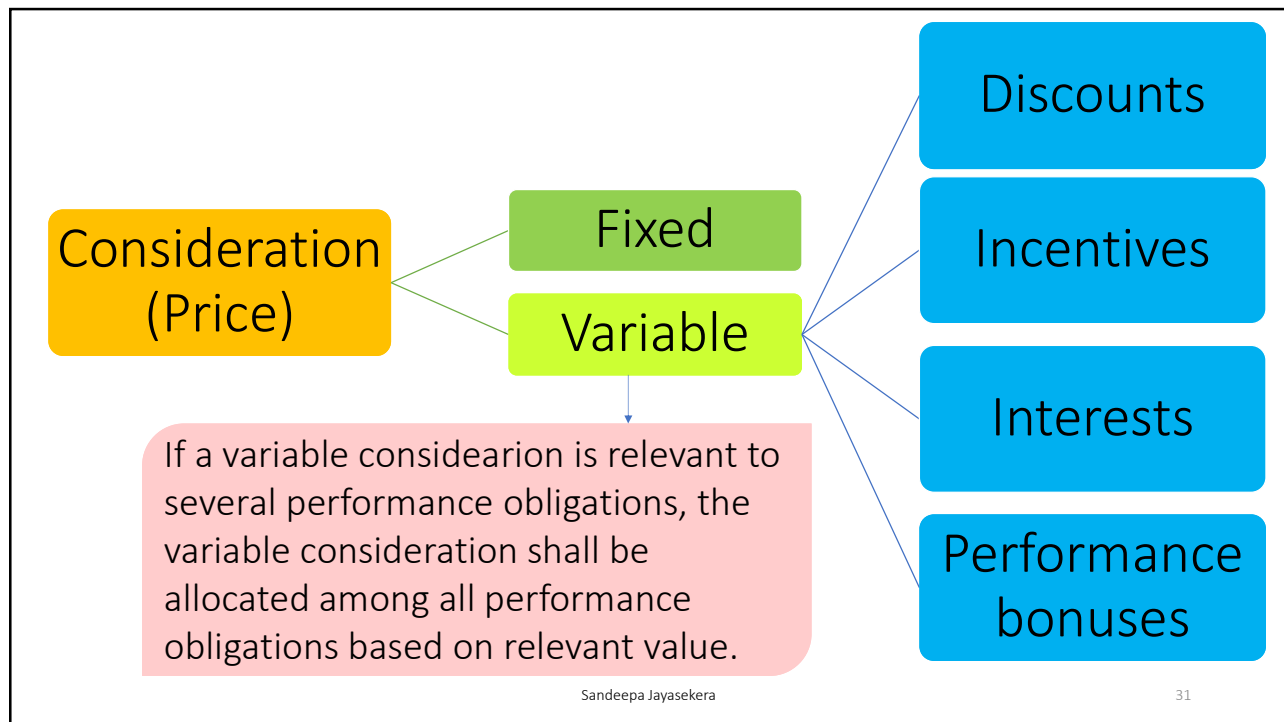
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Question 03

MY PC entity is engaged in the sale of computers. Damith entered into a contract with MY PC to purchase 10 computers for his own business. According to such contract, MY PC agreed to a one-year service period.

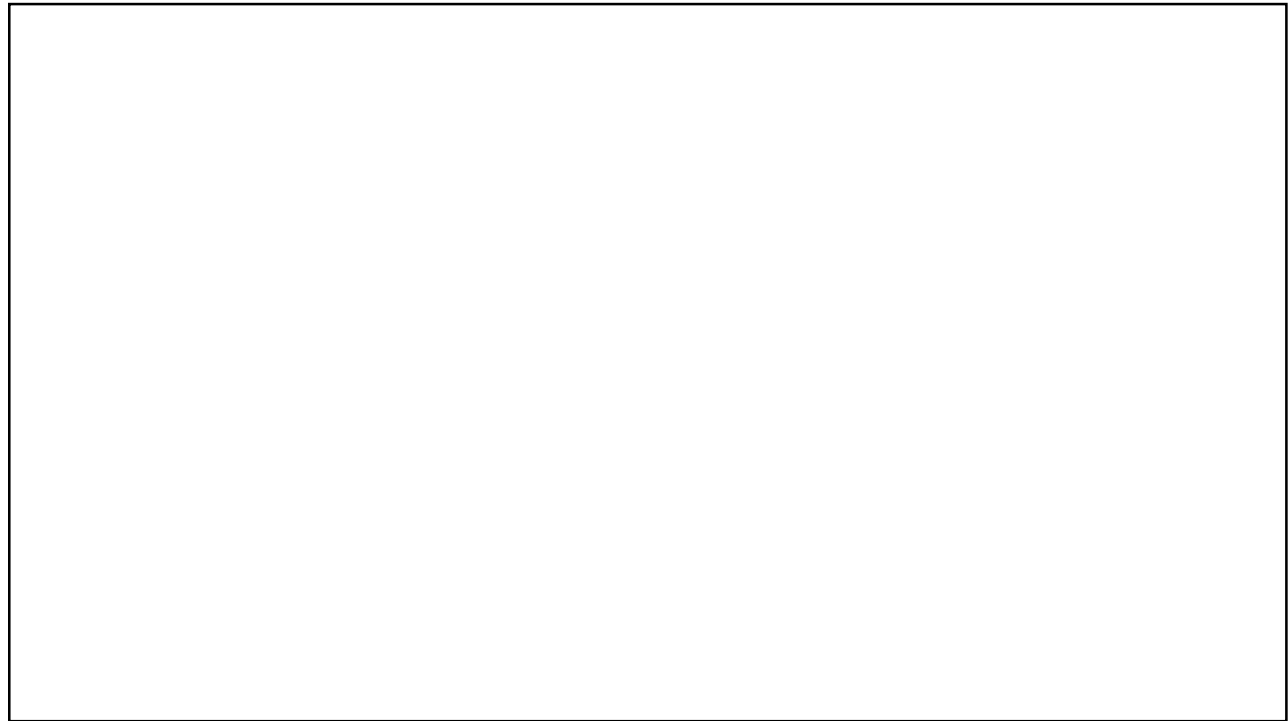
One computer was Rs. 100,000/-, while the service period was worth Rs. 250,000/-. A discount of Rs. 200,000/- was given.

- Identify the performance obligations of the above transaction.
- Separate the Distinct Obligations and Bundled Obligations.
- Compute the value of each obligation.
- Explain how the revenue should be recognized.

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Answer 03

Obligations	Performance Obligations	Price	Revenue Recognition
Distinct Obligations			
Bundled Obligations			

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Question 04

OIT (Pvt) Ltd is a company engaged in the production and sale of software. The company developed an accounting software and charged Rs. 1,000,000/- for the software and Rs. 500,000/- for the one year service period. Rs. 1,200,000/- will be charged, if both the software and the service period is obtained.

- Saman obtained both the software and the after sales service. In relation to this transaction, explain the performance obligations, value of each obligation and how revenue needs to be recognized.

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Answer 04

Obligations	Performance Obligations	Price	Revenue Recognition
Distinct Obligations			
Bundled Obligations			

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Step 04

Allocate the Transaction Price to
Performance Obligations
Not applicable to AL

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Step 05

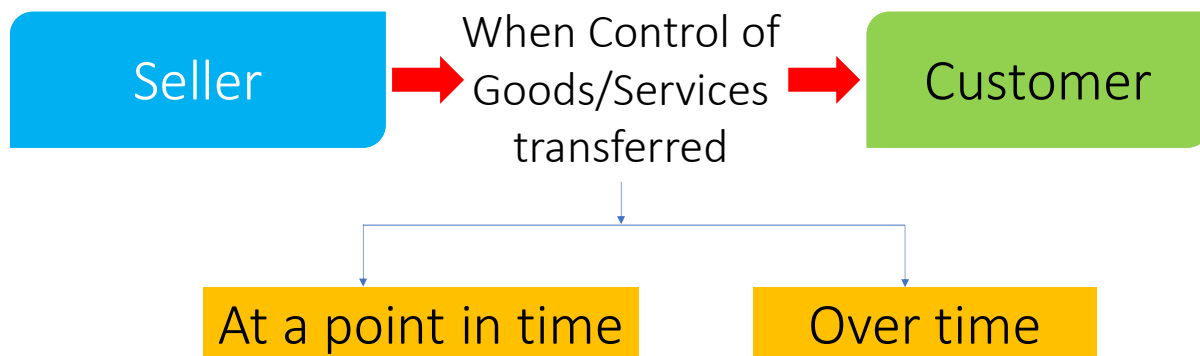
Recognise Revenue when a Performance Obligation is satisfied

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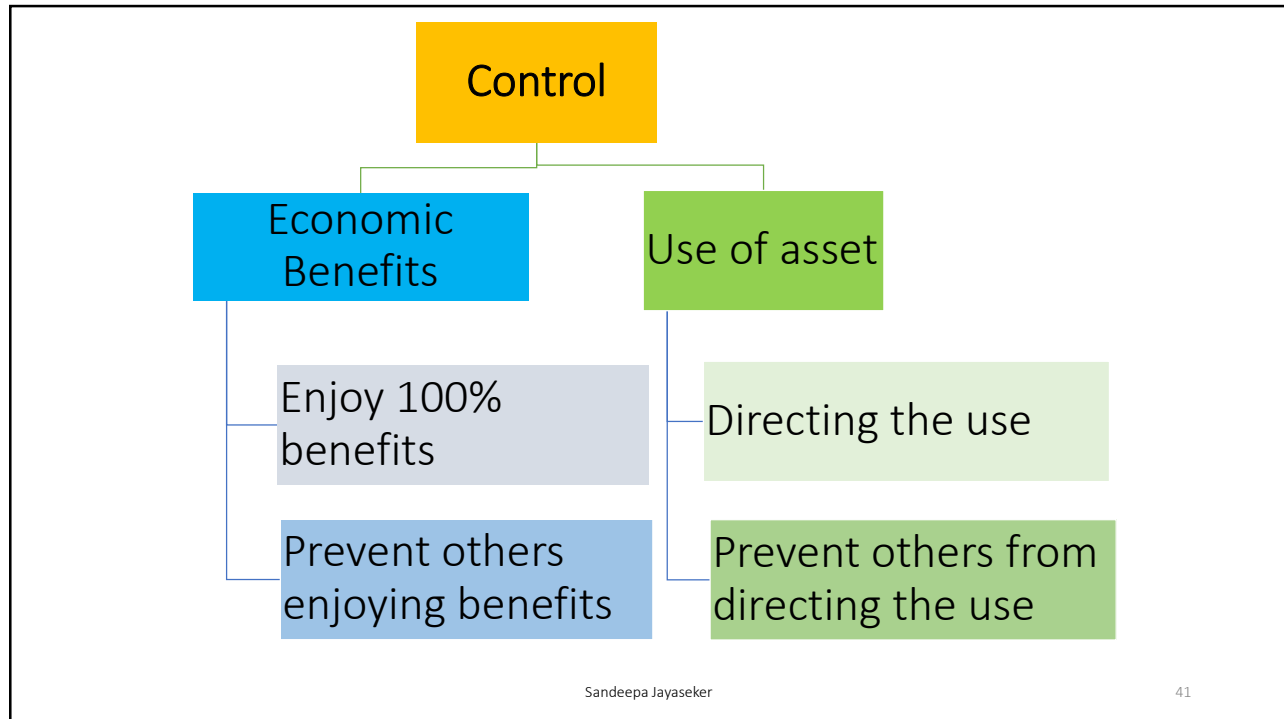
At what point should Revenue be recognized?



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Transfer of Control	At a point in time	Transfer of physical possession
		Customer has accepted the asset
		Transfer of risks and rewards
		Transfer of legal title
	Over time	Receive and consume goods/services simultaneously
		Asset is in the control of the customer
		No alternative uses and having an enforceable right to receive payments

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Question 05

Namal (Pvt) Ltd. is engaged in software development. Chathura (Pvt) Ltd. entered into a contract with Namal (Pvt) Ltd. to develop a software for payroll processing of its company. According to this contract, Namal (Pvt) Ltd. agreed to develop the software, purchase hardware, provide staff training and to provide a one-year service period.

Value of the total software contract is Rs. 1,000,000/-. If Namal (Pvt) Ltd. provides the above services separately, the market prices are as follows:

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Question 05

Software Development	400,000
Purchase of Hardware	400,000
Staff Training	100,000
One-year service period	100,000

The company commenced the software development on 01/01/20X1 and it was completed on 01/03/20X1. Hardware was purchased on 05/03/20X1 and a hardware unit with the developed software was installed in the office premises of Chathura (Pvt) Ltd. on 15/03/20X1. From that date onwards, staff training was provided for a period of one week. It was agreed to provide a one-year service from 22/03/20X1 to 22/03/20X2. Explain the performance obligations, prices of performance obligations and how revenue should be recognized.

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Answer 05

Obligations	Performance Obligations	Price	Revenue Recognition
Distinct Obligations			

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Answer 05

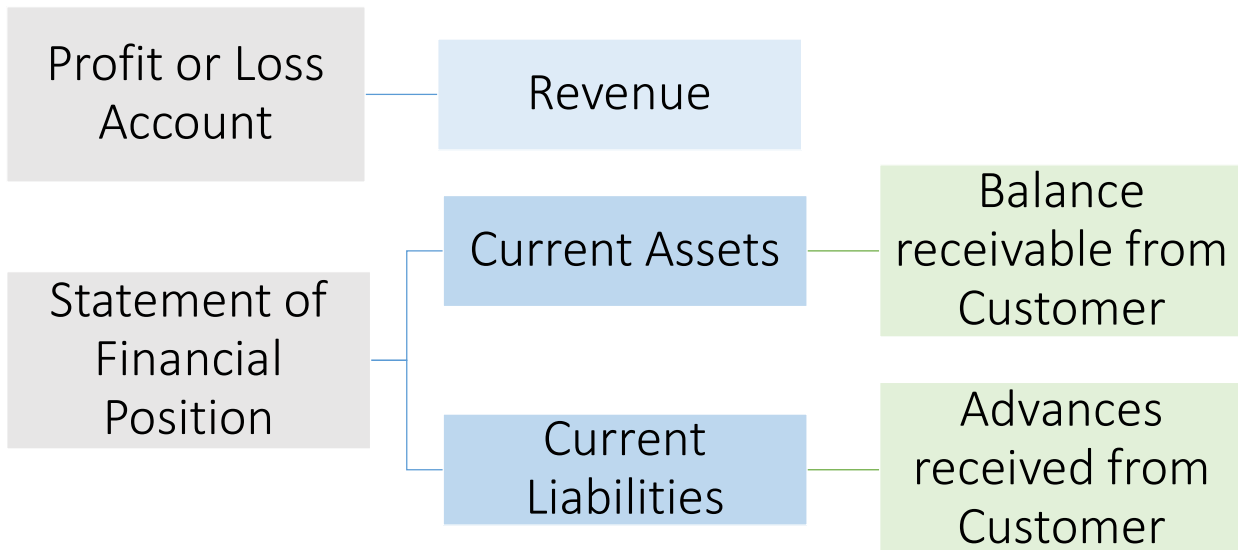
Obligations	Performance Obligations	Price	Revenue Recognition
Bundled Obligations			

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Presentation

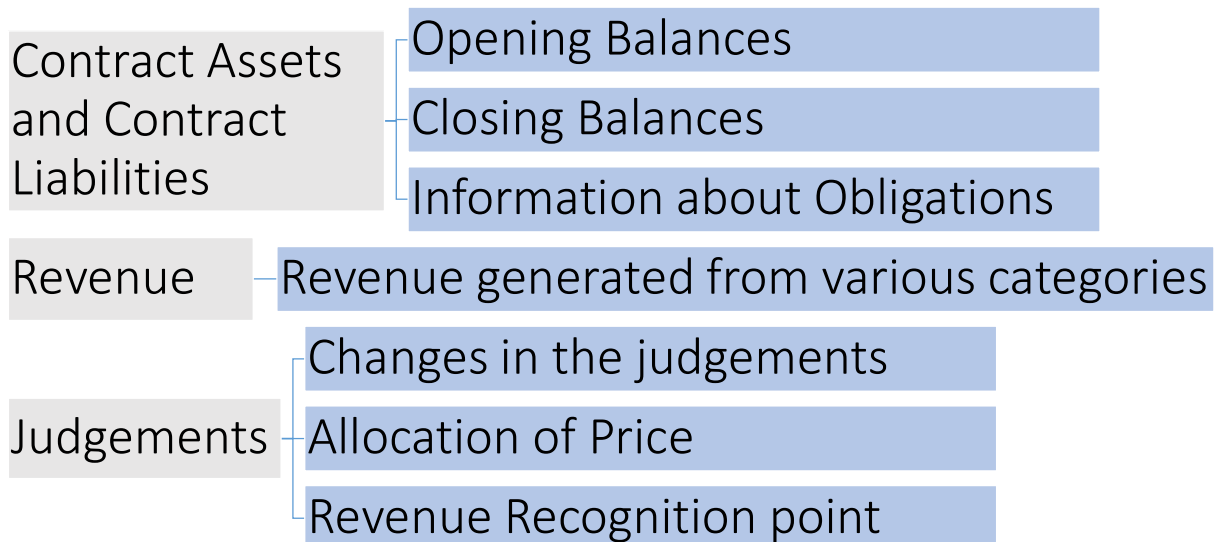


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Disclosures



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