Revenue Recognition and Multiple-element Arrangements

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1. **Core Principle (IFRS 15)**
   - Revenue is recognized when (or as) control of goods or services transfers to the customer, at the amount the entity expects to be entitled to.
2. **Five-Step Model**
   - Identify the contract.
   - Identify separate performance obligations.
   - Determine the transaction price.
   - Allocate the price to each performance obligation.
   - Recognize revenue as each obligation is satisfied.
3. **Multiple-Element Arrangements**
   - Contracts bundling several goods/services (e.g., a phone plus a service contract) must have their price allocated across each distinct performance obligation based on standalone selling prices.
4. **Timing of Recognition**
   - Revenue may be recognized at a point in time (e.g., sale of goods) or over time (e.g., long-term construction contracts), depending on when control transfers.
5. **Variable Consideration**
   - Discounts, rebates, and bonuses must be estimated and included in the transaction price, constrained to amounts highly probable not to reverse.
6. **Why It Matters**
   - Correct revenue recognition prevents companies from overstating income and gives investors a consistent basis for comparison across firms.