Sr. No.	Questions from Live Seminar	Answer from Indaslab Team
1.	Whether the revenue earned by lessor is to be accounted under 115 or 116?	Lessor accounts leases within the scope of Ind AS 116.
2.	In case of barter system where one sells goods and gets advertising services in return (Contract for 10 months). Whether 115 is applicable and the revenue has to be deferred	Yes, Ind AS 115 covers non-monetary exchanges.
3.	Let say material is sold by Co. A on Jan 19 as per the Ind AS 115 principal to Co. B and recognised the revenue of Rs. 1000. During May 19, customer B came and agreed to make the payment in the next 5 years in equal installment. In this case, now whether Co. A need to discount the receivable and account it in finance cost and then periodically take it to finance income during the 5 years tenure and reinstate the debtors, let say discounted amount is Rs. 150 for 5 years? Please advise the correct accounting treatment.	It is a modification of contract within the terms of Ind AS 115 as well as Ind AS 109. First step is to analyse the financing component inside the revenue contract and segregate it. Kindly refer answer to question 9 in this sheet where we have explained accounting for contract modification. Receivables, shall be analysed within the framework of Ind AS 109 with modified cash flows.
4.	Let say if in above case Co. A has discounted the receivable at 8% in 5 years. However, during Sep 19, Co. A received all the money from Co. B at 10% discounted in 5 years as per above terms, let say Rs. 800 received. Can we treat the shortfall as finance cost? Please advise the correct accounting treatment.	The rate of discounting cannot be arbitrary. Entity needs to test market interest rate as of the date of transaction. Hence, on two different transaction dates, applicable discount rate can be different. Discount rate shall reflect market conditions as well as credit risk associated with the borrowing entity.
5.	Could please enlighten us on recognition of revenue on EPC contact which now not based on % completion method.. there was net disconnect when you just entered into that discussion.. so I missed it	Typically, EPC contracts are accounted under 'output' method and revenue is recognised 'over a period'. Thus, practically, entity can have results similar to what it used to have under % of completion method.
6.	Whether approval on mail will suffice for contract?	Yes as stated in Information Technology Act (we read mail as email)

7.	If a OTT Platform has received the amounts in advance for 1 year subscription which is non-refundable. Shall the revenue be recognised over the period of service or on the date of receipt of amounts which is non-refundable.	Such advance shall be treated as a liability and related revenue shall be recognised over a subscription period.
8.	The Company is loss making. For creation sales return provision under Ind AS, the company has to reverse cost of sales for the goods expected to return. But in these case, profit margin percentage is negative. (Eg: Sale price 12 and Cost of sales ₹ 12). So in such case should sales return provision be created or not? If yes then any other alternative.	If operating Profit percentage margins are negative then contracts are onerous and full provision on such contract is necessary on the date of signing of the contract. If the contract is reversed, such provision can be written back.
9.	What happens when a contract is modified after acceptance and certain terms pertaining to revenue already recognised are altered	Ind AS 115 Revenue from Contract with customers offers guidance on contract modifications. If the contract modification is not substantial, then retrospective accounting is necessary. A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. An entity shall account for a contract modification as a separate contract if both the following conditions are present: (a) the scope of the contract increases because of the addition of promised goods or services that are distinct; and (b) the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract. Otherwise:

		• An entity shall account for the contract modification as if it were a termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification. • An entity shall account for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (ie the adjustment to revenue is made on a cumulative catch-up basis).
10.	If a Company has a contract to manufacture & supply goods on the specification (design, size, technical composition) of the customers. Whether revenue would be recognized over a period of time or at a point of time.?	Specification of the good does not necessarily conclude the recognition. Instead, identify the satisfaction of the performance obligations and accordingly choose a recognition method as either 'at a point in time' or 'over a period of time'
11.	For Bill and Hold, should the contract or invoice include specific clause on this. Should be there a specific time frame for Bill and Hold	Yes, specific clause would offer a clarity (if clause is not written, an ambiguity may persist). Time frame too can be defined in the contract.
12.	You mentioned scrap sale, can you clarify please. Should it be considered as Revenue under Ind AS 115, when the scrap is generated on regular basis and contract is available for removal of scrap and payment	Yes, scrap sale is within the scope of Ind AS 115.

13.	A service sector company recognises its revenue over the period of time. It is using % completion of the job and now it wants to change the method to time (straight line) of the job. Can this be done ? Is this change in accounting policy or change in estimate ?	A straight line method cannot be applied arbitrarily. You may need to advocate satisfaction of performance obligation equally over a time to achieve such conclusion. It is not a change in accounting policy. Estimate can be changed on changed circumstances. Change in accounting standard does not change a business circumstance.
14.	What about the contracts which can be canceled at the discretion of any one party? Does 115 will apply. Indian contract act does not give any remedy for this?	It can be treated as good as 'sale on approval basis'. Usually, contracts cannot be cancelled upon completion of performance obligation. You need to test whether such agreements are 'contracts' as they are unilateral? If they are not contract, Ind AS 115 cannot be applied.
15.	What is treatment of Costs, which are incurred to enter into contracts with customers. Cost incurred could be agency commission to agents, market survey, etc…	An entity shall recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. Otherwise, expense.
16.	Basis for Conclusions given under IFRS carry authoratative guidance?	Yes, it is given in Part B of Red Book/ Blue Book
17.	How revenue is recognized by developer for underconstruction building where they are receiving money from customer slabwise?	Payment milestones may be different from / identical to a performance obligations under the contract. You must recognise revenue in connection with 'performance obligations' on the basis of 'distinct goods/ services' by applying either 'at a point' or 'over a time' concept.
18.	Entity A has entered into contract with entitity B to provide a commitment regarding a term loan, which may be availed during the period of 5 years. A specified fees as per the contract is received by the entitiy A to provide the loan commitment to entitiy B. How should entitiy A account for such fees received to provide a loan commitment.	Commitments to provide a loan at a below-market interest rate is within the scope of Ind AS 109 and shall be classified at Fair Value Through Profit or Loss. An issuer of such a commitment shall (unless paragraph 4.2.1(a) applies) subsequently measure it at the higher of:

		(i) the amount of the loss allowance determined in accordance with Section 5.5 and (ii) the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS115. The fees received shall be debited while crediting the liability at fair value at initial recognition. The differential amount shall be adjusted in profit or loss.
19.	in case of local sales made through CIF basis, let's say sales made on 30th March, despatch to buyers place will be by 4th of April, in this scenario, whether sales to be recognised or not..	Revenue can be recognised when 'control' is shifted to the buyer. As the sale is on CIF basis, apparently, control is transferred on 4th April.
20.	In the FD example given by you, would bank be a customer of a company and consequently interest would be accounted under IndAS115	Yes, bank is a customer of entity. However, interest is accounted per Ind AS 109 as it is accrued over financial asset. The transaction is not of 'sale'.
21.	Is benefit to recipient is only conclusive evidence that proves performance over time has been done?	No. Instead, entity performing shall view it from its perspective – whether its performance obligation has been performed.
22.	What IRR should be considered for discounting Deposits Taken, when company is debt free.	IRR shall never be considered for discounting. IRR is an effective interest rate. Entity shall use 'market rate' for converting transaction value into fair value by operation of present value calculation.
23.	suppose a company having investment in subs and all are non listed and loss making, then how should we assess this at year end in fs?	If you do not refute the going concern assumption and if losses are cyclical, then you need not impair such investment and continue to accounting investment per para 10 of Ind AS 27. However, if there is an indication of impairment, then you must perform impairment testing within the framework of Ind AS 36.
24.	When a company has invested in listed equity company for long term purpose and on reporting date the price of the listed company does not reflect the correct price of	If you believe that quoted price is not reflecting a fair picture, you can very well use level 3 inputs and perform discounted cash flow valuation. However, you shall substantiate your value by reference to

	the investee company and as the investor has invested in the investee company for long term period, whether company can use DCF model instead of market share price on stock exchange?	subsequent recovery in stock market by accepting subsequent recovery as indication of non-existence of declining value.
25.	What if it is a Interest Free Lease Deposit received?	Such deposits are usually repayable on demand and hence treated as current liability. However, if they are non-current in nature, they must be fair valued.