CHAPTER 7
REVENUE FROM CONTRACTS WITH CUSTOMERS

Quick test

Question 1

There is one performance obligation (the delivery of the product) and revenue relating to this will be recognised at the time of delivery at the price the customer would have paid at this date.

There is a significant financing component given there is time lag of two years between the down-payment and delivery – this will be recognised over the two years.

The interest rate implicit in the contract can be calculated from $25{,}000 \times (1 + r)^2 = 30{,}000$ which gives r = 9.54%

		Dr	Cr
On 1 January 20X3			
Dr	Bank	25,000	
Cr	Contract liability		25,000
On 31 December 20X3			
Dr	Finance cost 9.54% x 25,000	2,385	
Cr	Contract liability		2,385
On 31 December 20X4			
Dr	Finance cost 9.54% x 27,385	2,613	
Cr	Contract liability		2,613
On 1 January 20X5			
Dr	Contract liability	29,998	
	Bank	50,000	
	Sundry (rounding difference)	2	
Cr	Revenue		80,000

Financial statement extracts

Statement of profit or loss	***20X3***	***20X4***	***20X5***
	£	£	£
Revenue	-	-	80,000
Finance cost	2,385	2,613	-
Statement of financial position			
Contract liability	27,385	29,998	-

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Question 2

There are two performance obligations in this contract since there are two distinct elements in the contract from which the customer can benefit individually – the software and the support service. The total contact price of £180,000 is allocated to each performance obligation on the basis of the stand-alone selling prices of each element.

		Stand-alone selling price	*Revenue recognised*	
		£		£
Software		150,000	150/200 x £180,000	135,000
Support service	2 x 25,000	50,000	50/200 x 180,000	45,000
		200,000		180,000

£135,000 revenue will be recognised on 1 April 20X7 on delivery.

The support service will be recognised over time, on a monthly basis. So for the year ended 31 December 20X7, 9/24 x £45,000 = £16,875 will be recognised as revenue.

Question 3

This question is about when revenue allocated to a performance obligation is recognised, and whether it should be recognised over time or at a point in time when an asset has an alternative use.

A company transfers control of a good or service over time, and hence, satisfies a performance obligation and recognises revenue over time if one or more of the following criteria is met:

- The customer simultaneously receives and consumes the benefits of the company's performance as the company performs;
- The company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- The company's performance does not create an asset with alternative use to the company and the company has an enforceable right to payment for the performance completed to date.

If a company does not meet any of the above criteria, revenue is recognised at a point in time.

When a company creates an asset with an alternative use, the company could readily sell the asset to another customer, and, therefore, the customer would not control the asset as it is being created. In such circumstances revenue should not be recognised over time. This applies to situation (i) because the company in the automotive sector building a standard vehicle could easily sell that car to another customer. In other words the part-built vehicle has an alternative use to the company, and as such, revenue would be recognised at the point in time when control is transferred to the customer.

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In contrast, in situation (ii) the company is building a highly customised car for a specific customer. In this case the asset would be less likely to have alternative use and therefore more likely to qualify for revenue recognition over time.

Question 4

This is a construction contract with one performance obligation – the bridge. Under IFRS 15 revenue is recognised over time because Pentose's work is creating an asset (the bridge) that the customer controls.

Pentose recognises revenue on such contracts using an input method. Using contract costs as the input method:

		£000
Costs to date		
Materials		1,200
Plant – depreciation	800/2 x 6/24	200
Costs to date		1,400
Estimated costs to completion		
Per question		1,000
Plant – depreciation	800/2 x 18/24	600
Total costs		3,000

Stage of completion 1,400 / 3,000 = 46.7%

Statement of profit or loss for the year ended 31 December 20X6

		£000
Revenue	46.7% x 5,000	2,333
Costs		1,400
Profit		933

Statement of financial position at 31 December 20X6

		£000
Costs incurred to date	1,200 + 200	1,400
Profit to date		933
Less: Progress billings (transfer to receivables)		(570)
Contract asset		1,763

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Develop your understanding

Question 5

(a) If it is determined that Company A's performance obligation is to provide the specified goods or services itself, Company A would be the principal. If it is considered that Company A arranges for those goods or services to be provided by another party, Company A would be an agent. In order to determine this the company needs to identify the specified good or service to be provided to the customer and assess whether it controls that good or service before it is transferred to the customer.

With each ticket that it commits itself to purchase from the airline, Company A obtains control of a right to fly on a specified flight (in the form of a ticket), which it then transfers to one of its customers. Consequently, the specified good or service to be provided to its customer is that right (to a seat on a specific flight) and the company controls this. No other goods or services are promised to the customer.

Company A controls the right to each flight before it transfers that specified right to one of its customers, because the company has the ability to direct the use of that right by deciding whether to use the ticket to fulfil a contract with a customer and, if so, which contract it will fulfil. Company A also has the ability to obtain the remaining benefits from that right by either reselling the ticket and obtaining all of the proceeds from the sale or, alternatively, using the ticket itself.

There is also evidence that Company A controls each specified right (ticket) before it is transferred to the customer. The company has inventory risk with respect to the ticket because it committed itself to obtaining the ticket from the airline before obtaining a contract with a customer to purchase the ticket. This is because the company is obliged to pay the airline for that right regardless of whether it is able to obtain a customer to resell the ticket to or whether it can obtain a favourable price for the ticket. Company A also establishes the price that the customer will pay for the specified ticket.

Thus, Company A is a principal in the transactions with customers. The company recognises revenue as the gross amount of consideration to which it is entitled in exchange for the tickets transferred to the customers.

(b) To determine whether Company B is a principal or an agent, it needs to identify the specified good or service to be provided to the customer and assess whether it controls the specified good or service before it is transferred to the customer.

A customer obtains a voucher for the restaurant that it selects. Company B does not engage the restaurants to provide meals to customers on its behalf. Therefore, the specified good or service to be provided to the customer is the right to a meal (in the form of a voucher) at a specified restaurant or restaurants, which the customer purchases and then can use itself or transfer to another person. No other goods or services (other than the vouchers) are promised to the customers.

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So Company B does not control the voucher (right to a meal) at any time. In reaching this conclusion, the following is noted:

(i) the vouchers are created only at the time that they are transferred to the customers and, thus, do not exist before that transfer. Therefore, Company B does not at any time have the ability to direct the use of the vouchers, or obtain substantially all of the remaining benefits from the vouchers, before they are transferred to customers.

(ii) Company B neither purchases, nor commits itself to purchase, vouchers before they are sold to customers. The company also has no responsibility to accept any returned vouchers. Therefore, Company B does not have inventory risk with respect to the vouchers.

Thus, Company B is an agent with respect to the vouchers. The company recognises revenue as the net amount of consideration to which it will be entitled in exchange for arranging for the restaurants to provide vouchers to customers for the restaurants' meals, which is the 30% commission it is entitled to upon the sale of each voucher.

Question 6

The software developer needs to assess the goods and services promised to the customer to determine which goods and services are distinct. The software is delivered before the other goods and services and actually could be functional without the customisation and the updates and technical support. Therefore, the customer can benefit from each of the goods and services either on their own or together with the other goods and services that are readily available, and so the software licence, installation, software updates and technical support would be separate performance obligations without the customisation.

However, the terms of the contract contain a promise to provide a significant service of integrating the licenced software into the existing software system. In other words, the entity is using the licence and the customised installation service as inputs to produce the combined output – a functional and integrated software system specified in the contract. The software is significantly modified and customised by the service. Consequently, the promise to transfer the licence is not separately identifiable from the customised installation service. Thus, the software licence and the customised installation service are not distinct.

The software updates and technical support are distinct from the other promises in the contract as discussed above.

On the basis of this assessment, there are three performance obligations in the contract:

(a) software customisation (which comprises the licence for the software and the customised installation service);
(b) software updates; and
(c) technical support.

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Question 7

There is one performance obligation (the delivery of the product) and revenue relating to this will be recognised at the time of delivery at the price the customer would have paid at this date. In this case this has to be calculated by using the interest rate implicit in the contract which will calculate the financing component.

The revenue to be recognised is the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest. The financing component is recognised over time.

			£
Revenue recognised from 1st instalment (received 1 Jan 20X7)		=	5,000
Revenue recognised from 2nd instalment (to be received 1 Jan 20X8)	= 5,000 x 1/1.1	=	4,545
Revenue recognised from 3rd instalment (to be received 1 Jan 20X9)	= 5,000 x $1/(1.1)^2$	=	4,132
Total revenue recognised on 1 Jan 20X7			13,677

To calculate the finance income and the resulting receivable balance:

		£
Initial receivable recognised on 1 Jan 20X7		13,677
1st instalment		5,000
		8,677
Interest	10% x 8,677	868
Receivable at 31 Dec 20X7		9,545
2nd instalment		5,000
		4,545
Interest	10% x 4,545	455
Receivable at 31 Dec 20X8		5,000
3rd instalment		5,000

Years ended 31 December	**20X7**	**20X8**	**20X9**
	£	£	£
Statement of profit or loss			
Sales revenue	13,677	-	-
Interest received	868	455	-
Statement of financial position – current assets			
Receivable	9,545	5,000	-

[Note – receivable is measured on a discounted cash flow basis.
At 31 December 20X7 receivable = 5,000 + 5,000/1.1 = 9,545]

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Question 8

Hafford plc should assess the goods and services in the contract to determine whether they are distinct and therefore give rise to separate performance obligations.

The product is distinct because it meets both criteria in paragraph 27 of IFRS 15. The product is distinct because the customer can benefit from the product on its own without the training services. The company regularly sells the product separately without the training services. In addition, the company's promise to transfer the product is separately identifiable from other promises in the contract.

The training services are distinct because the customer can benefit from the training services together with the product that has already been provided by the company. In addition, the training services are distinct because the company's promise to transfer the training services are separately identifiable from other promises in the contract. Hafford does not provide a significant service of integrating the training services with the product. The training services are not significantly modified or customised by the product, nor are they highly dependent on, or highly interrelated with, the product.

The product and training services are each distinct and therefore give rise to two separate performance obligations.

Finally, Hafford should assess the promise to provide a warranty and observes that the warranty provides the customer with the assurance that the product will function as intended for one year. The warranty does not provide the customer with a good or service in addition to that assurance and, therefore, should not be accounted for as a performance obligation. Hafford should account for the assurance-type warranty in accordance with the requirements in IAS 37.

As a result, Hafford should allocate the transaction price to the two performance obligations (the product and the training services) and recognise revenue when (or as) those performance obligations are satisfied.

Question 9

This is a repurchase agreement. Morse has a right to repurchase the goods it sold on 1 July 20X5 on 30 June 20X8, and therefore it is a call option. Morse has not transferred control of the asset, because the customer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset even though they may have physical possession. Therefore revenue cannot be recognised.

The repurchase price is greater than the original sales price, since compound interest will be charged on the initial price of £500,000. Therefore the transaction is accounted for as a financing arrangement, and the liability created from the receipt of cash (debit cash; credit liability) is a financial liability and will be accounted for under IFRS 9.

The goods should remain recognised as inventories on Morse's statement of financial

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position and valued *at the lower of cost and NRV* (per IAS 2).

Question 10

Cleaner Solutions will account for the original cleaning contract as a single performance obligation. This is because the weekly cleaning services are a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. The performance obligation is satisfied over time, so revenue will be recognised over time, probably on a monthly basis of £100,000/12 = £8,333 per month.

At 31 December 20X2, Cleaner Solutions needs to determine whether the original contract is modified or whether it is terminated and a new contract set up. The company does this by assessing the remaining services to be provided and determining whether they are distinct. There is a new contract if both of 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.

The amount of remaining consideration to be paid of £80,000 (20X3) + £200,000 = £280,000 does not reflect the stand-alone selling price of the services to be provided of 4 x £80,000 = £320,000.

Consequently, Cleaner Solutions will account for this as a termination of the original contract and the creation of a new contract with a contract price equating to the consideration of £280,000 for four years of cleaning service. Cleaner Solutions should recognise revenue of £70,000 per year (£280,000 ÷ 4 years) as the services are provided over the remaining four years.

Question 11

IFRS 15 requires that for each performance obligation satisfied over time companies should recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer, i.e. the satisfaction of an entity's performance obligation.

Paragraph B19 of IFRS 15's application guidance outlines that a shortcoming of input methods is that there may not be a direct relationship between an entity's inputs and the transfer of control of goods or services to a customer. It therefore requires that companies should exclude from an input method the effects of any inputs that, in accordance with the objective of measuring progress towards the completion of a performance obligation, do not depict the entity's performance in transferring control of goods or services to the customer.

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If a cost incurred is not proportionate to the entity's progress in satisfying the performance obligation, the best depiction of the entity's performance may be to adjust the input method to recognise revenue only to the extent of that cost incurred.

The costs relating to Crow plc's contract can be summarised as follows:

	Total	***Incurred to 31 December 20X2***
	£000	£000
Elevator	1,500 (37.5%)	1,500 (75%)
Other costs	2,500 (62.5%)	500 (25%)
	4,000	2,000

The costs to procure the elevators are significant relative to the total expected costs to completely satisfy the performance obligation. Crow needs to assess whether the costs incurred to procure the elevators are proportionate to the entity's progress in satisfying the performance obligation, i.e. completing the refurbishment, at 31 December 20X2. Although the customer obtains control of the elevators when they are delivered to the site in December 20X2, they will not be installed until June 20X3.

Crow would probably conclude that including the costs to procure the elevators in the measure of progress at 31 December 20X2 would overstate the extent of the entity's performance. Consequently, Crow should adjust its measure of progress to exclude the costs to procure the elevators from the costs incurred and from the transaction price. Revenue is recognised for the procurement of the elevators at an amount equal to their purchase price, i.e. at zero margin.

Based on the other costs, at 31 December 20X2, the measure of progress to completion = 500 / 2,500 = 20%

Statement of profit or loss for the year ended 31 December 20X2

		£000
Revenue	20% x (5,000 – 1,500)[1] + 1,500	2,200
Cost of goods sold	500 + 1,500	2,000
Profit		200

[1] Total contract price less cost of elevators

Question 12

This question is about which costs would be accounted for as contract costs under IFRS 15.

Incremental costs incurred to fulfill a contract are recognised as an asset provided:

- The costs relate directly to a contract
- The costs enhance the resources that will be used to satisfy the contract's performance obligations in the future
- The costs are expected to be recovered

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Costs are amortised on a systematic basis that is consistent with the transfer of the goods or services to the customer – over time or at a point in time.

The sales commission of £10,000 is an incremental cost of obtaining the contract because Xian expects to recover those costs through future fees for the services to be provided. The cost will be debited to the contract asset account. Xian will amortise this over seven years, because the asset relates to the services that will be transferred to the customer during the contract term of five years and Xian anticipates that the contract will be renewed for two subsequent one-year periods.

The costs of the set-up of the technology platform relate primarily to activities to fulfill the contract but do not transfer goods or services to the customer. Xian should account for these set-up costs as follows:

(a) hardware costs – accounted for as property, plant and equipment (a non-current asset)
(b) software costs – accounted for as an intangible non-current asset
(c) costs of the design, migration and testing of the data centre – these should be assessed to determine whether any of these are costs incurred to fulfill the contract. Any resulting asset would be amortised on a systematic basis over the seven-year period (i.e. the five-year contract term and two anticipated one-year renewal periods) that Xian expects to provide services related to the data centre.

Although the costs for these two employees are incurred as part of providing the service to the customer, these costs do not generate or enhance the resources that will be used to satisfy the contract. Therefore, these costs cannot be recognised as an asset under IFRS 15. These costs would be recognised as an expense when incurred.

Question 13

Priestly Bakers determines that there are two distinct promises to transfer goods or services: a promise to transfer equipment and a promise to allow the franchisee to operate as a franchise of Priestly Bakers. This is because the customer can benefit from each promise on their own or together with other resources that are readily available. i.e. The customer can benefit separately from the granting of the franchise and the equipment that is delivered before the opening of the franchise. Consequently, the entity has two performance obligations:

- the granting of the franchise
- the equipment

Priestly Bakers next determines that the transaction price includes fixed consideration of £600,000 and variable consideration of 5% of sales. The question is, how should these be allocated to the performance obligations?

The variable consideration (i.e. the sales-based royalty) should be allocated entirely to the granting of the franchise because this relates entirely to the operation of the franchise – the provision of marketing, managerial and other support services.

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In addition, allocating £600,000 to the equipment and the sales-based royalty to the granting of the franchise is probably consistent with an allocation based on Priestly Bakers' relative stand-alone selling prices in similar contracts. i.e. The stand-alone selling price of the equipment is £600,000 and Priestly Bakers regularly grants other franchises in exchange for 5% of customer sales.

Revenue of £600,000 would be recognised once the equipment is delivered.
The granting of the franchise is a performance obligation satisfied over time. The variable consideration relating to this would be recognised at an amount of 5% of sales, as and when the sales occur.

Question 14

This is an example of a contract with options for additional goods or services. There are two performance obligations in such a contract – the original sale of goods and the additional products a customer can buy with the loyalty points. The original sale value (the contract price) is allocated to both performance obligations.

Rightstore should develop a reasonable method to determine the allocation. Based on the previous experience:

Accrued sales from August = 90% x 6,500 points/1,000 points x £100
= £585

August's cash sales should be recorded as follows:

		£	£
Dr	Cash	6,500	
Cr	Revenue		5,915
Cr	Contract liability (Deferred revenue)		585

The sale value of items given to customers on redemption of points will be debited to the contract liability account and credited to revenue at the time of redemption.

If the points are not used, the balance on the contract liability account will be credited to revenue at the date of expiry.

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Take it further

Question 15

This is a repurchase agreement, as Triangle has sold the inventory and has the right to repurchase it any time up to 4 years later. It is therefore a call option. Triangle has not transferred control of the inventory, because the customer, Factorall, is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from it. Factorall also does not have physical possession of the inventory, although this is not an argument for determining control. Revenue cannot be recognised.

The repurchase price is greater than the sale price since interest is to be charged, so the transaction is accounted for as a financing arrangement, and a financial liability is created from the receipt of cash.

Triangle therefore has to correct the recognition of revenue:

Dr	Revenue	5,000,000	
Cr	Financial liability		5,000,000

The storage costs of £300,000 are an expense of Triangle, and should be removed from receivables:

Dr	Storage costs	300,000	
Cr	Receivables		300,000

Interest on the financial liability is charged as a finance cost:

Dr	Finance cost	500,000	
Cr	Financial liability		500,000

Note that this accounting treatment is in line with the principles of *substance over form*. Although the legal form of the agreement is that a sale has occurred, the substance of the transaction is a secured loan. It is unlikely that a finance company would wish to buy this inventory, and it seems much more likely that the finance company is expecting Triangle to repurchase the inventory in due course. Logically Triangle will do this if the sales value of the inventory at the time of repurchase is greater than £5m plus compound interest at 10% per annum (from 1 April 20X1) plus accumulated storage costs.

Question 16

(a) Note there is a change in estimate of total contract costs from the original estimate of £400,000 to £450,000 (300,000 + 150,000). However at 31 December 20X3, the latest estimate is used.

(i) Using an input method based on contract costs, the stage of completion is 300,000/450,000 = 2/3. So 2/3 of contract revenue should be recognised in profit or loss, i.e. £350,000 (2/3 x 525,000)

In the statement of financial position, the contract asset/liability should be presented as contract costs incurred plus recognised profits less invoices raised to

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customers (see below for calculations). Trade receivables should include £37,500 (325,000 invoiced less 287,500 payments received).

(ii) Using an output method, the stage of completion is 367,500/525,000 = 70%. So contract revenue of £367,500 should be recognised in the statement of profit or loss, together with cost of sales of 70% x 450,000 = £315,000.

In the statement of financial position, the contract asset/liability should be presented in the same way as for the contract costs method (see below for calculations) and trade receivables should include the same £37,500.

Statement of profit or loss

	Input method	*Output method*
	£	£
Revenue	350,000	367,500
Cost of sales	(300,000)	(315,000)
Profit	50,000	52,500

Statement of financial position

	Input method	*Output method*
	£	£
Contract asset		
Costs incurred	300,000	300,000
Recognised profits	50,000	52,500
	350,000	352,500
Invoices raised	(325,000)	(325,000)
	25,000	27,500
Check for impairment:		
Remaining consideration expected to be received 525,000 – 325,000	200,000	200,000
Costs not yet recognised	(150,000)	(150,000)
	50,000	50,000
Contract assets are not impaired		
Trade receivables	37,500	37,500

(b) The input method assumes that the same profit margin is earned on all parts of a service contract performed and that profit is earned as costs are incurred, which may not necessarily be the case for this type of contract. The output method based on certified sales also assumes that the same profit margin is earned on all parts of the contract. However the profit is earned as the sales value is certified. Based on the above figures the contract is further advanced by this method, and so a higher profit is recognised at this stage.

Note

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Over the life of the contract, the profit is the same under both methods; it is just its allocation to the reporting periods in which work is done which is different.

Question 17

	Stour	*Avon*
	£000	*£000*
Costs to date	3,500	600
Estimated costs to complete (1,500 + 400)	1,900	3,150
	5,400	3,750

Stage of completion based on work certified	$^{4200}/_{7000}$ = 60%	$^{300}/_{4000}$ = 7.5%
Stage of completion on Stour contract at 31/3/X7	$^{2800}/_{7000}$ = 40%	

The Stour contract is in its second year. Given that there are changes in estimates of costs in this year, the financial statement figures have to be calculated on a cumulative basis, and for the 20X8 statement of profit or loss, amounts recognised in 20X7 deducted from the cumulative figures.

Statement of profit or loss for year ended 31 March 20X8

			Stour			Avon
	Cumulative		*Recognised in previous year*	*20X8*		*20X8*
	£000		*£000*	*£000*		*£000*
Revenue (60% x 7,000)	4,200		2,800	1,400		300
Cost of sales (60% x 5,400)	3,240	(40% x 5,000)	2,000	1,240	(7.5% x 3,750)	281
Profit / (loss)	960		800	160		19

Statement of financial position at 31 March 20X8

	Stour	*Avon*
	£000	*£000*
Costs incurred to date	3,500	600
Total profit recognised	960	19
	4,460	619
Less progress billings	5,000	200
	(540)	419

Included in **Current assets** – contract asset		419
Included in **Current liabilities** – contract liability	540	

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Question 18

Murray plc

This is an example of a “bill-and-hold” sale. The delivery to the customer is being delayed at the customer’s request. Although the buyer has accepted invoices for the goods, and implicitly the legal title has been passed to the customer, the goods are kept by Murray.

For a customer to have obtained control of a product in a bill-and-hold arrangement, all of the following criteria must be met:
1. the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
2. the product must be identified separately as belonging to the customer;
3. the product currently must be ready for physical transfer to the customer; and
4. the supplier cannot have the ability to use the product or to direct it to another customer.

It appears that these criteria are met in the arrangement between Murray and the customer.

The promise to provide custodial services is a separate performance obligation because it is a service provided to the customer and it is distinct from the goods. Consequently, Murray should account for two performance obligations in the contract (the promises to provide the goods and the custodial services). The transaction price will be allocated to the two performance obligations and revenue will be recognised when control transfers to the customer.

Murray will recognise revenue for the goods on 31 December 20X8 when control transfers to the customer.

The performance obligation to provide custodial services is satisfied over time as the services are provided. Murray will have to consider whether the payment terms include a significant financing component if the goods remain at Murray’s premises for a significant length of time.

Pinkerton plc

This is a question of whether Pinkerton is a principal or an agent. The company needs to identify the specified service to be provided to the customer and assess whether it controls this service before it is transferred to the customer.

Pinkerton places an order with the carrier only when a customer places an order with the company. Likewise it only cancels orders when the customer cancels an order. Therefore, Pinkerton neither purchases, nor commits itself to purchase, the transportation services provided by the carriers before they are sold to customers. The company also has no responsibility to accept any cancelled services. Therefore, Pinkerton does not have inventory risk with respect to the services.

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Pinkerton is therefore an agent with respect to the transportation services. Although Pinkerton receives payment of the gross amount, the company passes this to the carriers. So it will recognise revenue as the net amount of consideration to which it will be entitled in exchange for arranging for the transportation services, which is the margin of 10% on airfreight and 5% on surface transportation.

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