

5-Step Model to recognize Revenues

1

**IDENTIFY THE
CONTRACT WITH
CUSTOMER**

2

**IDENTIFY THE
PERFORMANCE
OBLIGATIONS**

3

**DETERMINE THE
TRANSACTION
PRICE**

4

**ALLOCATE THE
TRANSACTION
PRICE**

5

**RECOGNIZE REVENUE
WHEN PERFORMANCE
OBLIGATIONS ARE
MET**

- New single five-step revenue recognition model - control based model
- Contains **extensive disclosure requirements** that includes -
 - Disaggregation of revenue
 - Contract balances
 - Performance obligations
 - Significant judgements
 - Cost to obtain or fulfill a contract
- **Profit and loss account** will henceforth be reflection of deliveries concluded by customers.
- **New Changes for Processing fee** - It will be amortized over the expected life of the loan based on the effective interest rate method in case of a loan.
- **Sectors likely to be affected significantly** - Service providing companies, Real estate, Telecommunication
- It will provide more transparent accounting for revenue but will impact companies involved in complex transactions