



CFA

LEVEL I

Financial Reporting & Analysis

毕老师



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Long-term Contract & Installment Sales

特殊情况下的收入确认 (revenue recognition)

- Long-term contract (长期合同)
- Installment sales (分期收款销售)
- Barter (以货易货)
- Gross reporting versus net reporting

Long-term Contract & Installment Sales----Long-term Contract 对比表

Long-term Contract	Condition	Methods		Descriptions
	Reliable estimates of the revenues, costs and completion time. (Loss is reported immediately)	US-GAAP	Percentage-of-completion method	1.Revenue, expense, and profit recognized as the work is performed. 2.Percentage of completion measured by the total cost incurred to date divided by the total expected cost of the project.
		IFRS		
	Outcome of the project cannot be reliably estimated. (Loss is reported immediately)	US-GAAP	Completed contract method	Revenue, expense and profit are recognized only when the contract is complete.
		IFRS	1.Revenue is recognized to the extent of contract costs. 2.Costs are expenses when incurred 3.Profits are recognized only at completion	

Long-term Contract & Installment Sales

A firm that reports under IFRS is producing a rocket under a 3-year contract for which it cannot measure the outcome reliably. In the first year of the contract, the firm has spent \$300,000 and collected \$200,000 in cash. What amounts related to this contract should the firm recognize on its income statement for the year?

- A. Revenue of \$300,000, expenses of \$300,000, and no profit.
- B. No revenue, expenses, or profit until the contract is completed.
- C. Revenue of \$200,000, expenses of \$300,000, and a loss of \$100,000.

Long-term Contract & Installment Sales

An analyst has gathered the following data pertaining to BILL COOPER Company's two-year construction projects, which begin during 2017:

	Project1	Project2
Contract price	\$330,000	\$400,000
Costs incurred in 2017	\$200,000	\$300,000
Estimated costs to complete	\$100,000	\$120,000
Billed to customers during 2017	\$110,000	\$200,000
Received from customers during 2017	\$70,000	\$180,000

(1) If BILL COOPER used the completed contract method, what amount of gross profit (loss) would BILL COOPER report in its 2017 income statement for:

Project1	Project2
A. \$0	\$0
B. (\$20,000)	\$0
<input checked="" type="checkbox"/> C. \$0	(\$20,000)

Long-term Contract & Installment Sales

(2) If BILL COOPER used the percentage-of-completion method, what amount of gross profit (loss) would BILL COOPER report in its 2017 income statement for the two construction projects?

- A. \$0
- B. \$20,000
- C. (\$20,000)



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Long-term Contract & Installment Sales

不同计算方法的对比

	Items	POC	CC
Cash Flow Statement	Cash flows	Same	
Income Statement	Income Volatility	Less volatile	Greater volatile
	Net Income (first year)	Greater	Less

Long-term Contract & Installment Sales---Installment Sales 对比表

Installment contract (a firm finances a sale and payments are expected to be received over an extended period)	GAAP	Collectability cannot be reasonably estimated	Installment sales method	<ul style="list-style-type: none"> • Profit is recognized as cash is collected • Profit is equal to cash collected during the period multiplied by the total expected profit as a percentage of sales
		Collectability is highly uncertain	Cost recovery method	<ul style="list-style-type: none"> • Sales are recognized when cash is received • Profit is recognized only when cash collected exceeds costs incurred
	IFRS	Outcome can be reliably estimated	The discounted present value of the installment payments is recognized at the time of sale and the difference between the installment payments and the discounted present value is recognized as interest over time	
		Outcome cannot be reliably estimated	Revenue recognition under IFRS is similar to cost recovery method	

Long-term Contract & Installment Sales

At the start of the current year, Company A, which reports using US GAAP, sold a piece of land to Company B for \$10 million. The land cost \$6 million. Company B made a \$2 million down payment with the remaining balance to be paid over the next five years. Over the course of the year, it has been determined that there is a little doubt about the ability and commitment of Company B to complete all payments. In the current year, Company A would most likely report a profit related to the sale of the land of:

- A. \$0.8 million using the installment method.
- B. \$2 million using the cost recovery method.
- C. \$0 million using the completed contract method.



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