Revenue Recognition Contract review checklist	
Grantor/Customer/Donor	
Contract Name	
Project Number	
Start Date	
End Date	
Prepared by	
Prepared date	
CONCLUSION	
Income Statement NAT coding correct?	
Balance Sheet NAT coding correct?	
Part A Conclusion: Specify asset to be recognised	
Part B Conclusion: Specify revenue recognition	
Part C Conclusion: Other factors	

Instructions
In this checklist the term the University refers to the parent entity. This checklist can be applied to any revenue stream that is operated in the University or a controlled entity.
Complete Part A ,B and C including the conclusions
For each section select the response for drop down menu and add further descriptions or comments to substantiate the decision, and include references to the applicable clauses in contract as evidence for the assessment.
Guidance from the accounting standards is in the

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Part A	Recognising the asset - what is the entity receiving under the contract/agreement?	Select Response	Descriptions / Comments	Ref to Contract	AASB Ref - reference
1.1	What asset will the University receive under the contract/agreement in exchange for goods/services? If 'Yes', continue to **1.2**. If 'No', no transaction is recognised and nothing further to do. **Guidance** Typical examples include: Cash for contract and grant funding, cash donations, equipment or assets, access to people				1058.8
1.2	Is the University receiving the asset from a third party as part of a donation/gift agreement to allow the University to further its teaching and research objectives? If 'Yes', the asset is recognised at its fair value. Continue to **Part C**. If 'No', recognise the asset in accordance with the relevant Accounting Standard and continue to **Part B.** **Guidance** Examples of transactions where on initial recognition of an asset the consideration for that asset was significantly less than fair value principally to enable the entity to further its objectives. These include: i) Donations of cash and assets such as works of art or equipment ii) Lease term from lessor on favourable terms and conditions				1058.1(a)
Part B	**Recognising the credit - Which revenue accounting standard applies to the transaction?**				
	1. Identify the contract with the customer				
1.1	Is there a written, oral or implied agreement between two or more parties that creates <u>enforceable rights and obligations</u>? If 'Yes', continue to **2.** If 'No', the transaction is **not in scope of AASB 15.** Refer to guidance below. **<u>Guidance</u>** A contract is an agreement between two or more parties that creates enforceable rights and obligations. In the NFP sector, a customer might direct that goods or services are to be provided to third-party beneficiaries (including individuals or the community at large) on the customer's behalf. For example, the University may receive consideration from a donor for the specified purpose of providing accommodation or tuition fees for a student. The donor is the customer notwithstanding it specifies those services be provided to third parties i.e. the student **Indicators of an enforceable contract** (a) the parties can identify their rights in the contract regarding the good or services to be transferred? (b) payment terms can be identified? (c) the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); (d) refund in cash or kind is required when the agreed specific performance has not occurred; (e) the customer, or another party acting on its behalf, has a right to enforce specific performance or claim damages; (f) the customer has the right to take a financial interest in assets purchased or constructed by the entity with resources provided under the agreement.				15.App A 2016-8.F6 – F7 15.9 15.12 2016-8. F10 - F14
	2. Identify the performance obligations in the contract				
2.1	Does the contract contain **distinct and sufficiently specific performance obligations (SSPO)**? If 'Yes', identify those performance obligations and continue to **2.2**. If 'No', the transaction is **not in scope of AASB 15. Recognise income upfront** **Guidance** A performance obligation is a promise in a contract with a customer to transfer to the customer a good or service. Indicators in a contract to assess if the performance obligations are sufficiently specific include; (a) the nature or type of the goods or services; (b) the cost or value of the goods or services; (c) the quantity of the goods or services; and (d) the period over which the goods or services must be transferred. The acquittal process is not a performance obligation as there is no transfer of the services to the customer				2016-8.F20
2.2	Is the contract from the customer a **capital grant**? If 'Yes', Refer to guidance below If 'No', proceed to **2.3.** **Guidance** Does the contract provides funds for the University to acquire or construct a non-financial asset (e.g. a building, equipment or an intangible asset) a) requires entity to use that financial asset to acquire or construct a recongiseable non financial asset to identified specifications b) not require transfer of the asset to the grantor or other parties c) occurs under an enforceable agreement Examples include; Grant from Government agency to construct a new building or purchase a new equipment in accordance with the detailed specifications in the contract.				2016-8.F27 1058.15
2.3	Is the performance obligation the **performance of research services?** If 'Yes', proceed to **2.4.** If 'No', proceed to **2.5**. **Guidance** Evidence of a research plan included in the proposal/funding agreement and contract that is ready for implementation.				15.35-37 15B3-B5
2.4	Is the performance obligation the **transfer of intellectual property (IP)** ? If 'Yes', Refer to guidance below If 'No', proceed to **2.5**. **Guidance** Intellectual Property includes all copyright and all rights in relation to inventions (including patent rights), registered and unregistered trademarks (including service marks), registered and unregistered designs, Confidential Information, and circuit layouts and all other intellectual property rights resulting from intellectual activity in the academic, industrial, scientific, literary and artistic fields recognised in domestic law anywhere in the world. Does the grant conditions transfer/assign the IP rights created from the research services? The University is creating or enhancing an asset (knowledge - the IP) that the donor controls. Revenue to be recognised over time				15 Example 2
2.5	Is the performance obligation a **licence of the IP?** If 'Yes', Refer to guidance below If 'No', proceed to **2.6** **Guidance** For a licence of IP to be a performance obligation the contract must specify exactly what IP generated would be accessible by the licences. Typical IP clauses that are not distinct and therefore not performance obligations include; - Irrevocable exclusive worldwide licence of IP generated is provided to the funder. - Irrevocable non exclusive worldwide licence of IP generated is provided to the funder. - Each party retains ownership of its IP generated. Each party is allowed to use the IP generated in the project for project purposes only				
2.6	Is the performance obligation a licence for the **right to access the IP?** If 'Yes', Refer to guidance below If 'No', proceed to **2.7** **Guidance** If the following criteria is met the customer has a right to access the intellectual property and it will be recognised over time (all conditions met)				15 Example 3A

Part C Conclusion: Other factors		Update here			
	a) the University's activities significantly affect the IP to which the donor has rights; b) the licence exposes the customer to any positive or negative effects of the University's activities; and c) the University's activities do not result in the transfer of a good or service to the customer as those activities occur. In these scenarios the research activities are changing the IP as it is being created over the life of the grant.				
2.7	Is the performance obligation a licence for the **right to use the IP?** If 'Yes', Refer to guidance below If 'No', proceed to **3.** **Guidance** The University recognises revenue at a point in time at the conclusion/or the defined date of the agreement, when the licence is granted to the donor.				15 Example 3B
	3. Determine the transaction price				
	Guidance When or as a performance obligation is satisfied an entity shall recognise as revenue the amount of the transaction price that is allocated to the performance obligation. In determining the transaction price of the contract, consider the effect of all of the following: § Variable consideration (3.1); § Constraining estimates of variable consideration (3.1); § The existence of a significant financing component in the contract (3.2); § Non-cash consideration (3.3); and § Consideration payable to a customer (3.4). If the transaction price does not include any of the above go to Question 4. Otherwise, refer to the relevant section(s) below.				15.46 15.48
	3.1 Variable consideration				
3.1.1	Does the consideration include a variable amount? If 'Yes', Refer to guidance below If 'No', proceed to **3.1.2** **Guidance** Typically for research grants the grant amount is fixed without highly probable variable componets. Consider any indexing on future cash grants. If 'Yes': ii) Variable consideration is constrained to that being highly probable that a significant reversal in cumulative revenue recognised will not occur. iii) Document calculations and method used and proceed to 3.2. If 'No', proceed to **3.2.**				15.50; 15.53
3.1.2	Has the entity received consideration from a customer and expects to refund some or all of that consideration to the customer (refund clause)? If 'Yes', refer to Guidance below If 'No', proceed to **3.2**. **Guidance** A refund (contract) liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled (i.e., amounts not included in the transaction price). This is only recognised if we expect to refund the revenue. Return of unspent funds will not fall into this category				15.55
	3.2 Existence of a significant financing component in the contract				
3.2.1	Does the contract extend greater to one year and contain a significant financing component? If 'Yes', separate the financing component and recognise contract revenue that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash (i.e., the cash selling price) If, 'No', continue to **3.3.** **Guidance** Have we received all the funding upfront for a multi year contract? Typically research grants are 3 years and would not contain a signficant financing component.				15.60-65
	3.3 Non-cash consideration / In kind contributions				
3.3.1	Are there any forms of non-cash consideration contained in the contract from the customer/grantor? If 'No', proceed to **3.4.** If 'Yes', measure the non-cash consideration (or promise of non-cash consideration) at fair value and include in the transaction price at Question 4. **Guidance** The non cash consideration must come from the customer in consideration for delivering on performance obligations and be specified in the contract. In kind contributions from participating institutions not relevant. The entity must obtain control over the contributed goods and services. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.				15.66-.68
	3.4 Consideration payable to a customer				
3.4.1	Is there any consideration paid, or expected to be paid, by the University to the customer in the form of cash, credit or other items? If 'Yes', account for the consideration payable as a reduction of the transaction price and, therefore, of revenue, unless the payment to the customer is in exchange for a distinct good or service. Proceed to 4. If 'No', proceed to **4.** **Guidance** Consideration payable to a customer includes credit or other items (e.g., a coupon or voucher) that can be applied against amounts owed to the entity.				15.70-72
	4. Allocate the transaction price to the performance obligations in the contract				
4.1.1	Does the contract contain multiple performance obligations (identified in part B Question 2) for example, delivery or supply of multiple goods, goods followed by related services, or multiple services that are distinct? If 'Yes', allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis (adjusted for allocating any discounts and any variable consideration. If 'No', proceed to **Step 5.** **Guidance** This amount will usually be the total awarded amount in the funding agreement**/**contract.				15.73 15.74-86
	5. Recognise revenue when or as the entity satisfies a performance obligation / transfers goods or services				
5.1.1	Are performance obligations satisfied at a point in time (typically for goods)? If 'Yes', recognise revenue when the customer obtains control of the asset. If 'No', continue to **5.1.2** **Guidance** Indicators that the customer has control of the good/service The entity has a present right to payment for the asset The customer has legal title to the asset The entity has transferred physical possession of the asset The customer has the significant risks and rewards of ownership of the asset The customer has accepted the asset				15.31 15.38
5.1.2	Are performance obligations satisfied over time (typically for services)? If 'Yes', recognise revenue as the entity progresses towards transferring control of the good or service to the customer. If 'No', proceed to Part C **Guidance** Performance obligation are satisfied over time, if one of the following criteria is met: Guidance An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; **Example** Open Access Policy (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced **Example**: transfer of IP rights to the customer at the start (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. **Example**: The University can not use the research or IP for teaching and training The benefits of research activities can take various forms and can be transferred in many ways, such as published on a public website (open access) or made available to the funder				15.35
Part C	**Other Considerations**				
1	**Financial Liabilities**				
1.1.1	Does the agreement contractually oblige the University to make cash payments to a student (e.g. scholarships) or research partner (partner funds in a multi institutional arrangement) **Guidance**				9

Part C Conclusion: Other factors		Update here			
	The contract must be enforceable and make the conditions specific to deliver cash to a third party. A financial liability is created and extinguished as the University delivers on its obligation to provide cash to the student. Examples include payments to research partners, CRC scholarships and student scholarships				
2	**Contract Costs**				
2.1.1	Incremental costs of obtaining a contract Are there any costs that the University incurs to obtain a contract with a customer and would not have incurred if the contract had not been obtained (e.g. a sales commission to third parties)? Furthermore are there any costs explicitly chargeable to the customer regardless of whether the contract is obtained (e.g. legal costs, travel expenses)? AND Is the contract timeframe greater than 1 year? If 'Yes', the entity recognises those incremental costs as an asset and amortises them on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. If 'No', nothing further to be done.				15.91-94
2.1.2	Costs of fulfilling a contract Identification whether there are any costs that the University incurs to fulfil a contract with a customer that are eligible for capitalization (e.g. direct labour, direct material, directly related depreciation or amortization costs, explicitly chargeable costs, subcontractor costs). All three criteria below must be satisfied to capitalise costs The costs relate directly to a contract or to an anticipated contract that the University can specifically identify The costs generate or enhance resources of the University that will be used in satisfying (or in continuing to satisfy) performance obligations in the future The costs are expected to be recovered				
3	**Agent vs Principal**				
3.1.1	Agent vs Principal Is the University a principal (recognise gross revenue) or an agent (recognise net revenue e.g. fees or commissions) in this contract? **Guidance** The entity is a principal if it controls the specified goods or service before that good or service is transferred to a customer. The entity is an agent if the entity's performance obligation is to arrange for the provision of the specified good or services by another party. An entity that is an agent does not control the specified good or service by another party before that good or service is transferred to the customer. Indicators that the entity is a principal in the arrangement. a) Does the University obtain control over specified goods or services in advance of transferring them to the customer? b) Is the University primarily responsible for fulfilling the promise to provide the goods or service (e.g. responsibility for the acceptability of the specified good or service, such as meeting customers specifications)? c) Does the University have discretion in establishing the price for the specified good or service (e.g. discretion to set prices may indicate that the University has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits)? Gross v Net Revenue to be recognised When (or as) an entity that is a **principal** satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred An entity is an **agent** if the entity's performance obligation is to arrange for the provision of the specified good or service by another party. An entity that is an agent does not control the specified good or service provided by another party before that good or service is transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party				15.B34-B38