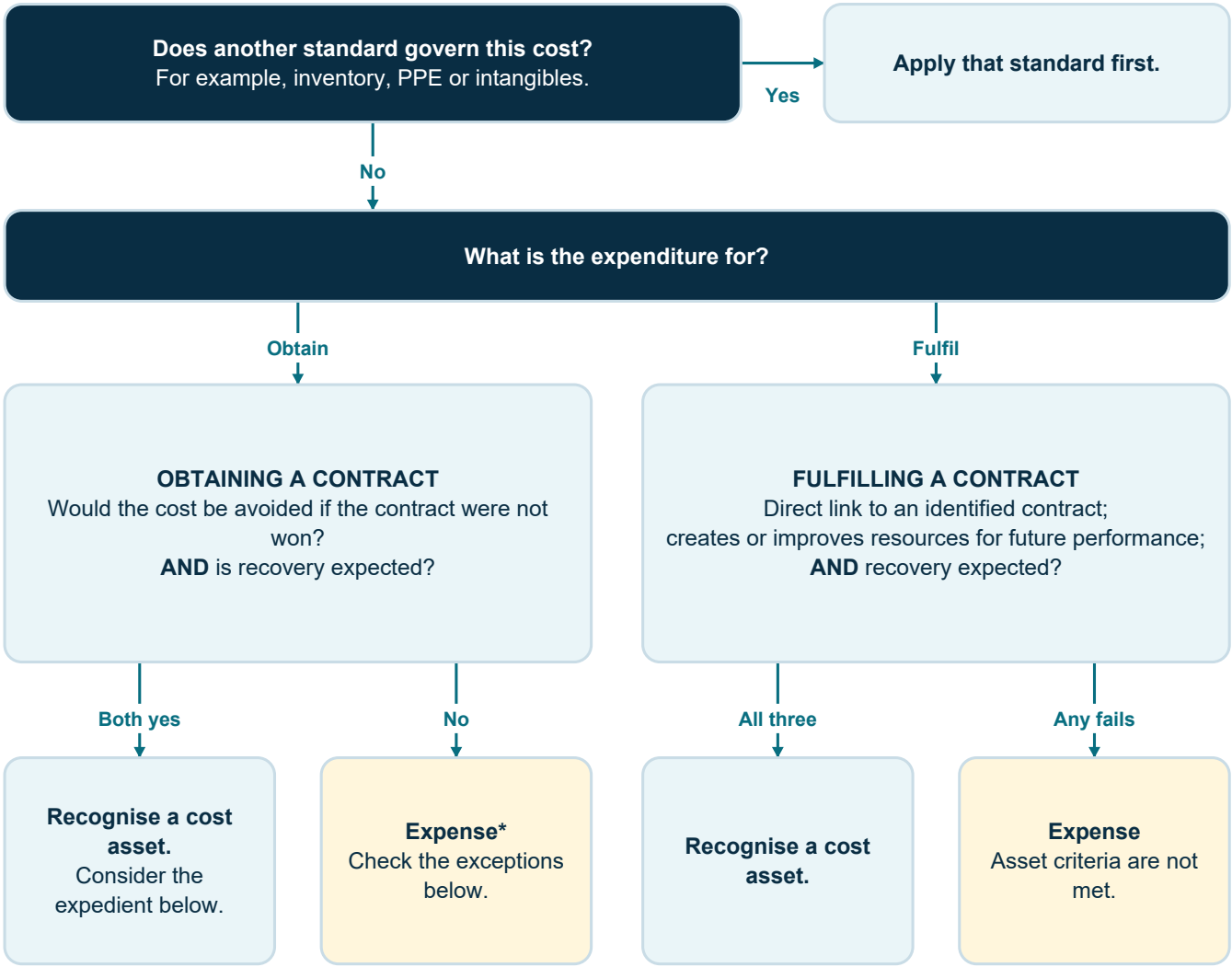
Contract costs: asset or expense?

MODULE 3 / ASSET OR EXPENSE? / 1 OF 2

A contract-cost asset carries qualifying expenditure. A contract asset is a conditional right to consideration; they are different balances.



Optional expedient: qualifying obtaining costs may be expensed if their amortisation period is **one year or less**. Consider the benefit period, including relevant renewals; the expedient is not mandatory and does not apply generally to fulfilment costs.

***Obtaining-cost exception:** expenditure explicitly chargeable to the customer whether the contract is won or lost is assessed separately. General administration, waste, past-performance costs and inseparable past/future costs are not capitalised merely because a contract exists.

After recognition: amortise with the related transfer of goods/services, assess impairment and review permitted reversals.

Historical concept source: AASB 15, May 2022, paragraphs 91-104. Read the applicable paragraph 98 expense rules. Original Accounting Ahead decision design.

Original cost-asset workings

MODULE 3 / COSTS & IMPAIRMENT / 2 OF 2

A success-only $7,200 commission is recoverable over a 24-month service pattern. Qualifying mobilisation costs of $4,800 also support those 24 months; assume no other standard applies and all recognition conditions are met. Tender travel of $1,900 occurs regardless of success.

Item	Monthly amortisation	After six months
Commission	7,200 / 24 = 300	Amortisation 1,800; asset 5,400
Mobilisation	4,800 / 24 = 200	Amortisation 1,200; asset 3,600
Tender travel	Not an amortising asset	Expense 1,900 when incurred

Pay qualifying costs

Dr Cost assets	**12,000**
Cr Cash	**12,000**

Pay tender travel

Dr Tender expense	**1,900**
Cr Cash	**1,900**

Six-month amortisation

Dr Amortisation expense	**3,000**
Cr Cost assets	**3,000**

Separate impairment illustration

Consider an isolated $5,400 commission asset. Remaining expected consideration is $13,000; directly related remaining costs not yet expensed are $9,000. Assume no other asset impairment, no prior loss and these are the correct paragraph 102 measures.

Recovery benchmark = 13,000 - 9,000 = 4,000.
Impairment = 5,400 - 4,000 = **1,400**.

Impairment of the separate commission asset

Dr Impairment expense	**1,400**
Cr Cost asset	**1,400**

The remaining-consideration estimate uses transaction-price principles without the variable-consideration constraint and is adjusted for customer credit risk. Apply relevant other-asset impairment first. A later reversal is capped at the carrying amount that would exist, after amortisation, without the earlier impairment.

Historical accounting context: October 2022. Original Accounting Ahead examples and design. AASB 15 (May 2022): standards.aasb.gov.au/aasb-15-may-2022, paragraphs 91-104. Examples are original; the impairment illustration is separate from the combined 9,000 cost-asset balance above.