Customer pays after delivery

MODULE 3 / DEFERRED PAYMENT / 1 OF 2

Birch delivers equipment now for a cash selling price of **$72,000**. The customer pays **$80,899.20** after two years. Assume significant financing, a suitable inception rate of 6%, no credit loss and no interim payment. Inventory/cost-of-sales entries are outside this financing-only example.

1. **Delivery: recognise the output**
   Revenue and receivable start at the cash selling price.
2. **Year 1: financing accrues**
   72,000 x 6% = 4,320 interest income.
3. **Year 2: financing accrues**
   76,320 x 6% = 4,579.20 interest income.
4. **Collect the debt**
   72,000 + 4,320 + 4,579.20 = 80,899.20 cash.

Delivery

Dr Receivable	**72,000**
Cr Revenue	**72,000**

Year 1 end

Dr Receivable	**4,320**
Cr Interest income	**4,320**

Year 2 end

Dr Receivable	**4,579.20**
Cr Interest income	**4,579.20**

Collection

Dr Cash	**80,899.20**
Cr Receivable	**80,899.20**

Check: 72,000 x 1.06 squared = 80,899.20. The $8,899.20 financing return is separate from revenue for the equipment. The customer receives financing; the supplier earns interest.

Historical accounting context: October 2022. Original Accounting Ahead examples and design. AASB 15 (May 2022): standards.aasb.gov.au/aasb-15-may-2022, paragraphs 60-65. All dataset and journal amounts are original.

Customer pays before delivery

MODULE 3 / ADVANCE PAYMENT / 2 OF 2

A different supplier receives **$32,000** two years before transferring a promised item. Assume the arrangement provides significant financing to the supplier, a suitable inception rate of 4%, and no paragraph 62 exclusion. The item transfers only at the end of year two; its cash selling price then is $34,611.20.

Point	Calculation	Contract liability
Cash received	Deposit	32,000.00
Year 1	32,000 x 4% = 1,280	33,280.00
Year 2	33,280 x 4% = 1,331.20	34,611.20
Delivery	Release entire liability	0.00

Receipt

Dr Cash	**32,000**
Cr Contract liability	**32,000**

Year 1

Dr Interest expense	**1,280**
Cr Contract liability	**1,280**

Year 2

Dr Interest expense	**1,331.20**
Cr Contract liability	**1,331.20**

Delivery

Dr Contract liability	**34,611.20**
Cr Revenue	**34,611.20**

Do not apply mechanically

Timing longer than a year does not alone prove significant financing. Assess the purpose, cash selling price, period and rates. Some payment terms protect performance or allow customers to choose when to use a prepaid service.

The optional one-year-or-less expedient removes the need for a financing adjustment when its conditions are met. For a recognised significant component, use the appropriate inception financing rate; do not simply reset it to each later market rate.

No cost-of-sales or income-tax entries are shown. They remain separate requirements, not zero-cost assumptions.

Historical accounting context: October 2022. Original Accounting Ahead examples and design. AASB 15 (May 2022): standards.aasb.gov.au/aasb-15-may-2022, paragraphs 60-65. Early- and late-payment examples are separate contracts.