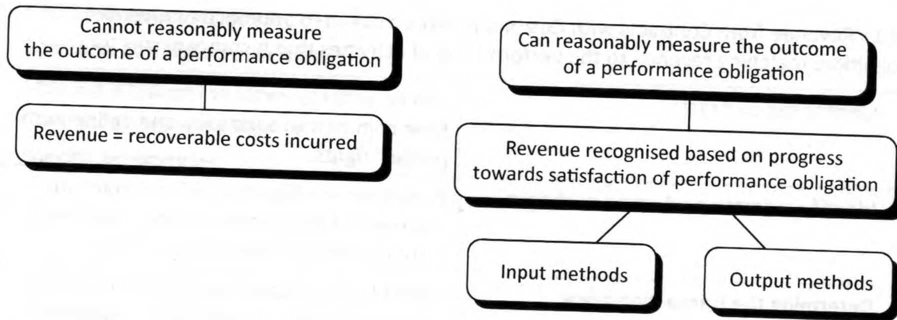
IFRS 15 Revenue from Contracts with Customers takes a five-step approach to revenue recognition, matching revenue to the performance of activities that it compensates for:

1. Identify the contract	Can be written, verbal or implied but must have commercial substance and define each parties' rights.
2. Identify separate performance obligations	Performance obligations in a contract are separate if the promised good or service is distinct ie it could be sold separately.
3. Determine the transaction price	Adjust for significant financing components, include variable consideration at expected value or single most likely amount, reduce by rebates etc payable to customer.
4. Allocate transaction price to performance obligations	Allocate in proportion to standalone selling price of good/ service in each performance obligation.
5. Recognise revenue as or when each performance obligation is satisfied	At a single point in time or over time.


Cannot reasonably measure the outcome of a performance obligation
Revenue = recoverable costs incurred
Can reasonably measure the outcome of a performance obligation
Revenue recognised based on progress towards satisfaction of performance obligation
Input methods
Output methods

IFRS 15 deals with two types of contract costs:

Costs of obtaining contract	Incremental costs capitalised as asset if expected to be recovered. Non-incremental costs in profit or loss.
Costs of fulfilling contract	Capitalise as asset if: 1. costs relate directly to indentifiable contract, and 2. costs will be used to satisfy future performance obligations, and 3. costs expected to be recovered.

Amortise capitalised costs over period that related goods or services are transferred to customer.

Contract liability: Customer has paid consideration in advance of entity meeting performance obligation.

Contract asset: Customer has met performance obligation but not received consideration; consideration conditional upon something other than passage of time eg future performance.

Receivable: Entity has unconditional right to consideration from customer.