

Zedtech is a software development company which provides data hosting and other professional services.

As part of these services, Zedtech also securely hosts a range of inventory management software online which allows businesses to manage inventory from anywhere in the world. It also sells hardware in certain circumstances.

Zedtech sells two distinct software packages. The first package, named 0inventory, gives the customer the option to buy the hardware, professional services and hosting services as separate and distinct contracts.

Each element of the package can be purchased without affecting the performance of any other element.

Zedtech regularly sells each service separately and generally does not integrate the goods and services into a single contract.

With the second package, InventoryX, the hardware is always sold along with the professional and hosting services and the customer cannot use the hardware on its own.

The hardware is integral to the delivery of the hosted software. Zedtech delivers the hardware first, followed by professional services and finally, the hosting services.

However, the professional services can be sold on a stand-alone basis as this is a distinct service which Zedtech can offer any customer.

Zedtech has decided to sell its services in a new region of the world which is suffering an economic downturn. The entity expects the economy to recover and feels that there is scope for significant growth in future years.

Zedtech has entered into an arrangement with a customer in this region for promised consideration of \$3 million. At contract inception, Zedtech feels that it may not be able to collect the full amount from the customer and estimates that it may collect 80% of the consideration.

Required:

(i) Discuss the principles in IFRS 15 Revenue from Contracts with Customers which should be used by Zedtech to determine the recognition of the above contracts. (5 marks)