

(b) Kappa prepares financial statements to 30 September each year. During the year ended 30 September 2015, Kappa entered into the following transactions:

(i) On 1 September 2015, Kappa sold a machine to a customer. Kappa also agreed to service the machine for a two-year period from 1 September 2015 for no additional charge. The total amount payable by the customer for this arrangement was agreed to be:

- \$800,000, if the customer paid by 31 December 2015.
- \$810,000, if the customer paid by 31 January 2016.
- \$820,000, if the customer paid by 28 February 2016.

The directors of Kappa consider that it is highly probable the customer will pay for the products in January 2016. The stand alone selling price of the machine was \$700,000 and Kappa would normally expect to receive \$140,000 in consideration for providing two years' servicing of the machine. The alternative amounts receivable are to be treated as variable consideration. (10 marks)