

Accounting Standards Interpretation (ASI) 14¹ (Revised)

Disclosure of Revenue from Sales Transactions

Accounting Standard (AS) 9, Revenue Recognition

[This revised Accounting Standards Interpretation replaces ASI 14 issued in March 2004.]

ISSUE

1. What should be the manner of disclosure of excise duty in the presentation of revenue from sales transactions (turnover) in the statement of profit and loss.

CONSENSUS

2. The amount of turnover should be disclosed in the following manner on the face of the statement of profit and loss:

Turnover (Gross)	XX
<u>Less:</u> Excise Duty	<u>XX</u>
Turnover (Net)	XX

3. The amount of excise duty to be shown as deduction from turnover as per paragraph 2 above should be the total excise duty for the year except the excise duty related to the difference between the closing stock and opening stock. The excise duty related to the difference between the closing stock and opening stock should be recognised separately in the statement of profit and loss, with an explanatory note in the notes to accounts to explain the nature of the two amounts of excise duty.

¹ Published in 'The Chartered Accountant', August 2006, pp. 231. The authority of this ASI is the same as that of the Accounting Standard to which it relates. The contents of this ASI are intended for the limited purpose of the Accounting Standard to which it relates. ASI is intended to apply only to material items.

BASIS FOR CONCLUSIONS

4. Financial analysts and other users of financial statements, sometimes, require the information related to turnover gross of excise duty as well as net of excise duty for meaningful understanding of financial statements. However, it was noted that some enterprises disclose turnover net of excise duty while others disclose turnover at gross amount. Accordingly, this Interpretation requires disclosure of turnover gross of excise duty as well as net of excise duty on the face of the statement of profit and loss.
5. The excise duty related to the difference between the closing stock and opening stock is not shown as deduction from turnover since it is not included in the turnover (gross). As per the interpretation, the excise duty related to the difference between the closing stock and opening stock is recognised separately in the statement of profit and loss.
6. As per the interpretation, two amounts of excise duty would be appearing in the statement of profit and loss: one as deduction from turnover and the other as a separate item in the statement of profit and loss. With a view to explain the nature of these two amounts of excise duty appearing in the statement of profit and loss, this Interpretation requires an explanatory note to be included in this regard in the notes to accounts.