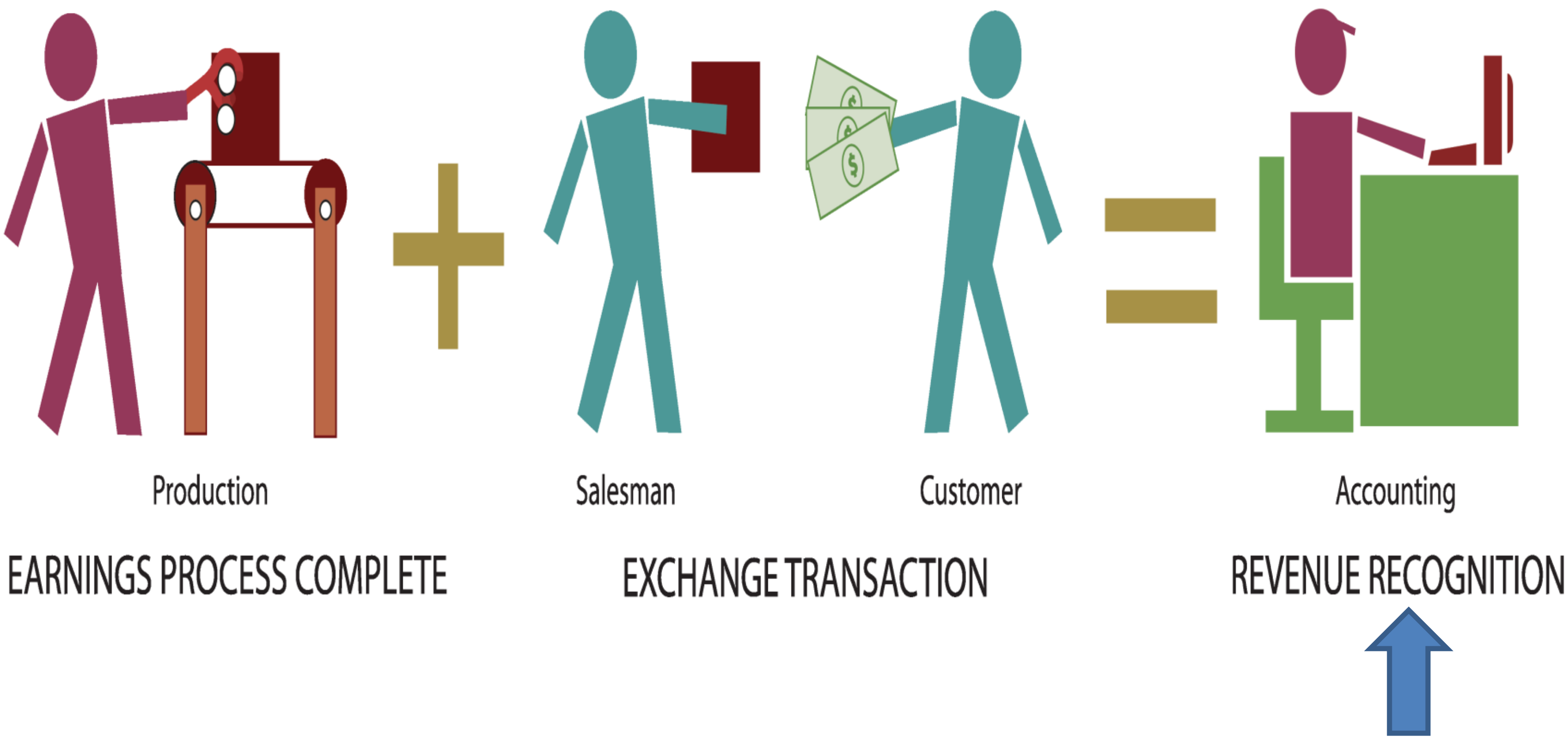
REVENUE RECOGNITION
IAS-18 & AS-9



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Agenda

- REVENUE RECOGNITION: MEANING & SCOPE
- REVENUE RECOGNITION CRITERIA
- MEASUREMENT & TIMING
- COMPARATIVE STUDY *IAS18-USGAAP-AS09*
- SPECIAL CASES OF REVENUE RECOGNITION
- SIGNIFICANT DIFFERENCE BETWEEN IAS 18 & AS -9
- Q & A

REVENUE RECOGNITION
MEANING & SCOPE

What is Revenue?

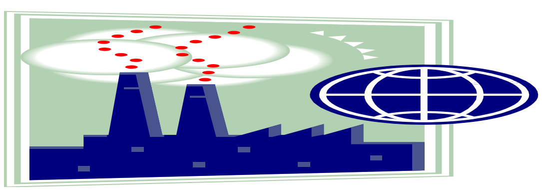
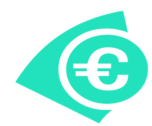
- Gross inflow of economic benefits
- from ordinary activities
- From use by others of enterprise assets

Types of Transactions:

- Sale of Goods
- Rendering of Services
- Income in the nature of Interest / Royalty/ Dividend

Appendix to AS-9 discusses some special instances of revenue recognition. For Instance, revenue recognition in the case of income from advertisement, sale on approval basis, guarantee given on ay product and so on.

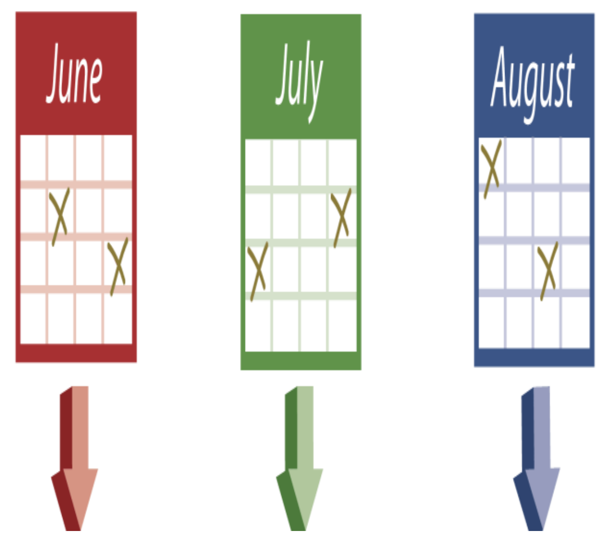
REVENUE RECOGNITION CRITERIA

Sale of Goods	Provision of Services	Interest / Royalty/ Dividend
Transfer of significant risk and rewards of ownership with no managerial involvement or material control	Outcome is known and Stage of completion of the transaction at the end of the reporting period can be measured reliably	Interest: time proportion basis, using the effective interest method.
Economic benefits are Probable at the time of sale (Collection of consideration)	Economic benefits are Probable at the time of sale (Collection of consideration).	Royalty: on an accrual basis in accordance with the substance of the relevant agreement.
Consideration reliably measurable and cost is identified & measurable reliably at the time of sale	Consideration reliably measurable and cost is identified & measurable reliably at the time of sale	Dividends: recognized when the shareholder's right to receive payment is established.
 		   

MEASUREMENT & TIMING

Measurement of Revenue

- At Fair Value.
- Revenue from rendering services should be measured ONLY with reference to the STAGE OF COMPLETION.



Timing of Recognition

- Revenue is recognised only when ALL the conditions are met.
- If collectability is uncertain, revenue recognition is deferred .
- If any of the condition reverses/ changes after recognition of revenue, provision is created instead of adjusting revenue.
- Substance over form & matching concept

COMPARATIVE STUDY

Basis	IAS/IFRS	USGAAP	Indian AS
Meaning	• Gross Inflow of EB • Ordinary course of Business • Inflows result in increase in Equity	• Actual or Expected Cash Inflows •from Ongoing major operations •Realised or realisable	• Gross inflow of Cash, Cash Receivable or other consideration • Ordinary course of business • From sale of Goods, provision of services or use by others entpz. Resources
Measurement	• Fair Value of consideration received or receivable •If consideration is deferred recorded at PV	Fair Value of consideration	Fair Value of consideration
Recognition Criteria: Sale of Goods	• Transfer of SRR • No further managerial involvement & control • amount can be measured reliably •FEB probable	• Price is Fixed & Determinable • Collectability Assured • Persuasive evidence •Delivery occurred/ services rendered	• Transfer of SRR • No further managerial involvement & control • Amount can be measured reliably • Collectability reasonably assured
Recognition Criteria: Provision of Services	•Outcome can be measured reliably •Based on POC	• Short term Service Contract: Same as Sale of Goods •Long term Service Contract: POC	•Outcome can be measured reliably •POC or •CCM
Revenue Swap	• Similar Goods: Not regarded •Dissimilar Goods: FV of goods/ services received	• Monetary asset: FV of asset involved •Non Monetary Assets: FV of assets given	No Specific mention. *Guidance Note on "Accounting for Dot com companies" is referred .* *Only if FV of barter transaction is determinable*

SPECIAL CASES OF REVENUE RECOGNITION
APPENDIX TO AS-9

- Sale subject to installation/ inspection etc.
- Goods on approval basis
- Money back offers
- Sales with Warranty
- Installation Fees
- Installments Sale
- Special Order Goods
- Advertising
- Tuition fees
- Entrance and membership fees

SIGNIFICANT DIFFERENCE BETWEEN IAS 18 & AS -9

IAS -18	AS -9
Amounts collected on behalf of third parties are not revenues	Does not deal *(guidance note on Treatment of Excise duty is referred)*
Revenue Swap/ exchange of goods	Not specifically deal with exchange of goods or services
Costs incurred to complete the transaction should be measured reliably	Not explicitly stated

Q & A

Thanks