

ACCOUNTING STANDARD -9 (ACCOUNTING STANDARD FOR REVENUE RECOGNITION)

1. Revenue means gross inflow of cash and receivable arising from sales of goods, rendering of services or interest, dividend, rent/royalty.
2. **Revenue recognition means timings of recording books of accounts. This AS does not deal with:**
 - A. Hire Purchase contract
 - B. Construction contract
 - C. Government Grants

This AS deals with revenue:

- i) Sale of goods
 - ii) Rendering Services
 - iii) Interest, Dividend, Royalty
3. Conditions for passing the entry of sale:
 - i) Risk & Reward transfer
 - ii) Invoice/ownership transfer
 - iii) There should be no '**uncertainty**' of collection.
4. Conditions for passing the entry for Rendering of services:

When all the following conditions are satisfied, then revenue from rendering of services can be recognized.

 - i) *When services have been rendered can be recognized. If partial services have been rendered under any contract, proportionate, revenue can be recognized.*
 - ii) *There should be no uncertainty regarding consideration and its ultimate collection.*

Note: Sale of goods and rendering of services

- In case of price revision, revenue can be recognizing, when there is certainty of collection. This certainty will be obtained from debtors recording incomes.

Notes:

- In case ion of insurance claims, revenue can be recognized when there is certainty of collection.
- Interest income can be recognized if
 - a) Time have expired
 - b) There should be no uncertainty of collection.
- Dividend income can be recognized if
 - a) Dividend have been declared
 - b) There should be no uncertainty of collection

DECLARATION MEANS WHEN SHAREHOLDER GETS RIGHT TO RECEIVE INCOME.

- Rent Royalty can be recognized if
 - a) Condition of agreement have been satisfied
 - b) There should be no uncertainty of consideration & collection.

Disclosure

If any major revenue has not been recognized, due to uncertainty, it should be reported.

