

U.S. GAAP Revenue Recognition

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Concepts Statement 6 Definition

- Revenues are inflows or other enhancements of assets or settlements of liabilities from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations

Concepts Statement 5 Criteria

- Revenue is recognized when
 - Realized or realizable
 - Earned
- Revenue should not be recognized until the seller has substantially accomplished what it must do pursuant to the terms of the arrangement, which usually occurs upon delivery or performance of the services

Examples of Industry-Specific Guidance

- Software
- Franchisors
- Contractors
- Entertainment: Broadcasting, Cable TV, Film, Music
- Financial Services: Broker & Dealers, Depository & Lending, Insurance, Investment Companies, Mortgage Banking

SAB 101 and 104

- The staff believes that revenue generally is realized or realizable when all of the following criteria are met:
 - Persuasive evidence of an arrangement exists
 - Delivery has occurred or services have been rendered
 - The seller's price is fixed or determinable, and collectability is reasonably assured

Mini-Cases

- When should revenue be recognized?
 - When the earnings process is complete?
 - When the risks and rewards of ownership are transferred?
 - When control is transferred?
 - Other?
- When these criteria are applied, are similar economic events accounted for similarly?