

* AS-09 *

REVENUE RECOGNITION....

- AS-9 is **mandatory** for all enterprises
- AS-9 deals with the basis for **recognition** of revenue in the Statement of P&L
- AS-9 is concerned with recognition of revenue arising in the ordinary activities of the enterprise from -

- (a) Sale of Goods
- (b) Rendering of Services
- (c) Interest, Royalties & Dividends

P&L	Cr	
+ Sale of Goods	✓	} When to record
+ Sale of Service	✓	
+ Interest	✓	
+ Royalties	✓	
+ Dividend	✓	

- AS-9 does not deal with :-
 - Construction Contract → AS-7
 - Hire Purchase or lease agreements → AS-19
 - Government Grants → AS-12
 - Insurance Companies Revenue → IRDA Rules

① **SALE OF GOODS**

Revenue from sale transaction should be recognised when the requirements set out below are satisfied :-

- ① The seller of goods has **transferred the property** to the buyer
- Ownership

(b) All significant risk and rewards of ownership have been transferred to buyer (i.e. no effective control of goods remains with seller)

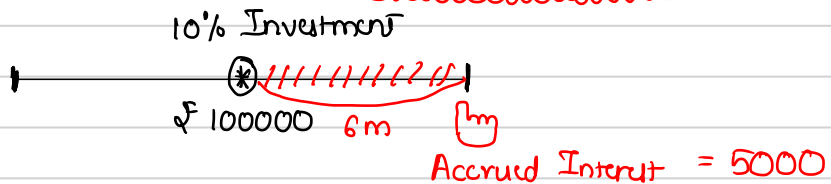
(c) No significant uncertainty exist regarding the amount of consideration

2) RENDERING OF SERVICES

- Proportionate Completion Method - Revenue is recognised proportionately with degree of completion
- Completed Service Contract Method - Revenue is recognised only when service is rendered completely

3) INTEREST

Revenue is recognised on time proportion basis

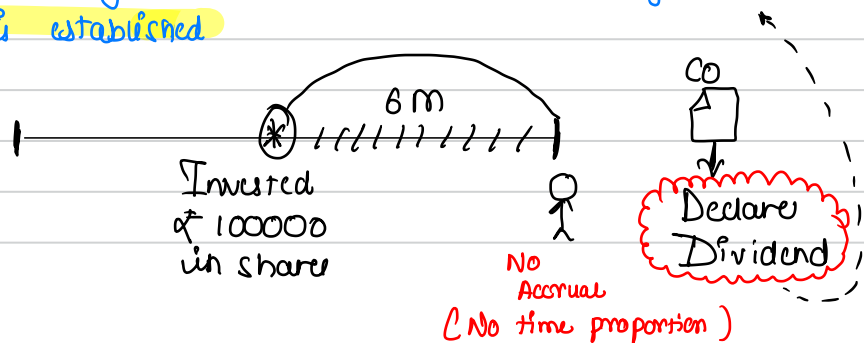


4) ROYALTIES

- Charges for use of such assets like know-how, patents, trademarks, copy rights
- Revenue is recognised on accrual basis in accordance with terms of agreement

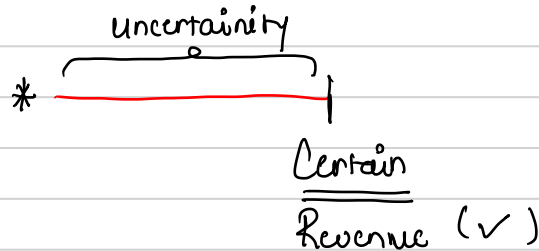
5) DIVIDENDS

- Rewards from holding investments in shares.
- Revenue is recognised when the owner's right to receive payment is established



→ Effect of Uncertainty

Where the ability to assess the ultimate collection with reasonable certainty "is lacking" at the time of raising any claim, revenue recognition is postponed to the extent of uncertainty involved.



Examples of items not included within the definition of "revenue" for the purpose of AS 9 are:

- i. Realized gains resulting from the disposal of, and unrealized gains resulting from the holding of, non-current assets, e.g., appreciation in the value of fixed assets;
- ii. Unrealized holding gains resulting from the change in value of current assets, and the natural increases in herds and agricultural and forest products;
- iii. Realized or unrealized gains resulting from changes in foreign exchange rates and adjustments arising on the translation of foreign currency financial statements;
- iv. Realized gains resulting from the discharge of an obligation at less than its carrying amount;
- v. Unrealized gains resulting from the restatement of the carrying amount of an obligation.

Condition for Sale of Goods **READ & DO the Same.**

