

AS-9 Revenue Recognition

Concept-1 Introduction

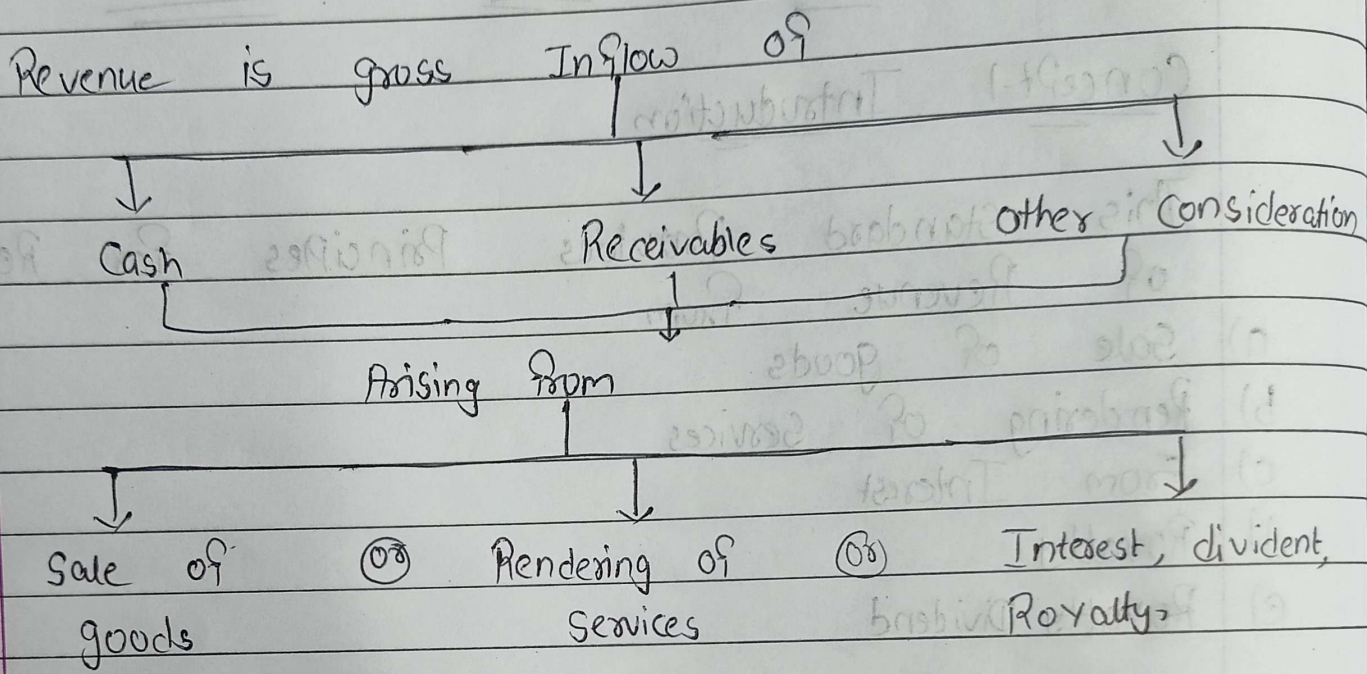
This Standard provides Principles for Recognition of Revenue from

- a) Sale of goods
- b) Rendering of Services
- c) From Interest
- d) Royalty
- e) Royalty Dividend

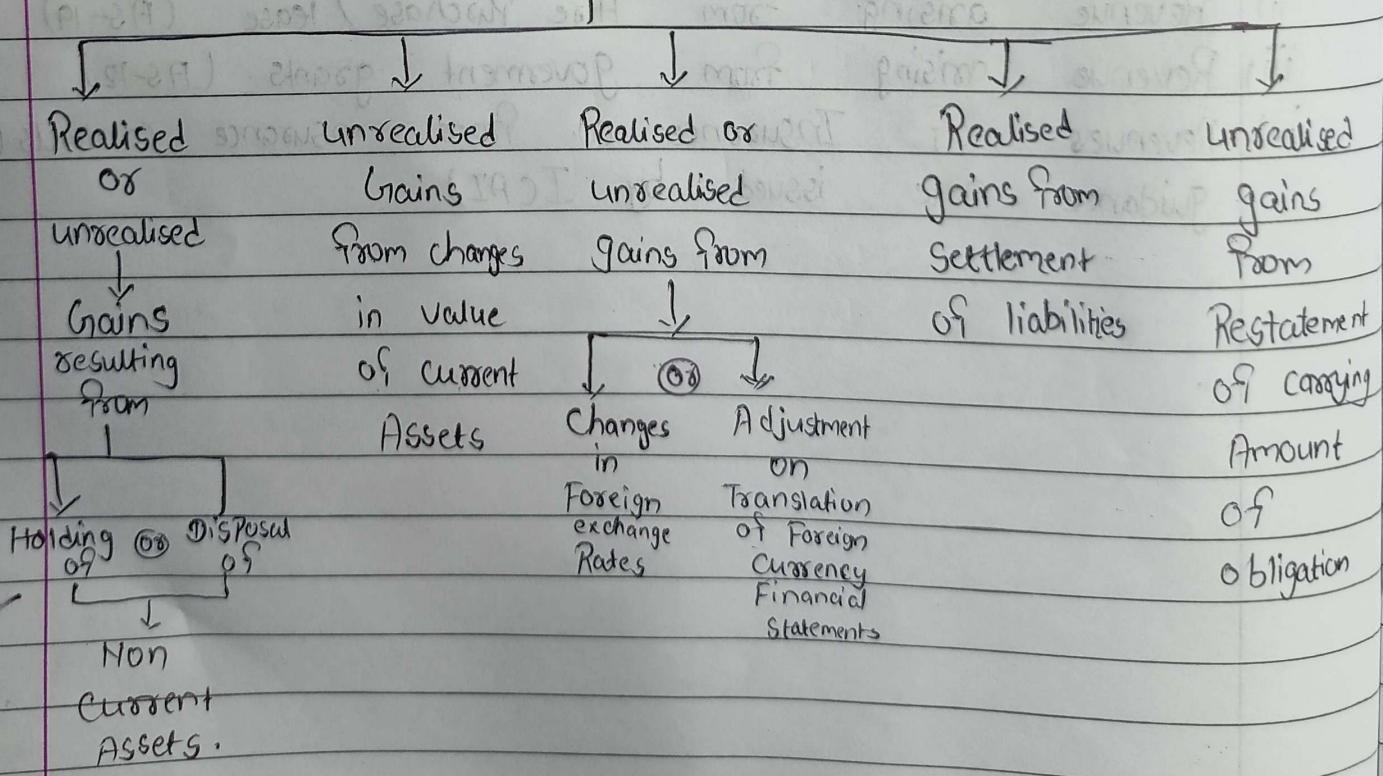
AS-9 does not deal with:

- i) Revenue arising from Construction Contract (AS-7)
- ii) Revenue arising from Hire Purchase / lease (AS-19)
- iii) Revenue arising from government grants (AS-12)
- iv) Revenues of Insurance co. from insurance contracts (Specific guidance note issued by ICAI)

Concept-2 Meaning of Revenue



For the purpose of AS-9, the term Revenue does not include



Concept - 3 Revenue from Sale of Goods

Revenue from sale of goods should be recorded / Recognised when :

- i) Seller has transferred significant Risk & Reward to the buyer and Seller retains no control over goods.
- OR
- ii) Seller has transferred in a goods to the buyer &
- iii) There is no significant uncertainty regarding collection of consideration.

Concept - 4 Revenue from Rendering of Services

Contract involves ~~Per~~ execution of multiple Act

Contract involves ~~Per~~ execution of single Act

↓
Proportionate completion Method

↓
Completed contract Method

Eg: Contract involves Customisation, development, Implementation, Post implementation support of accounting software.

Eg: Transportation Service, Beauty treatment,

Note: If at the time of raising claim it is unreasonable to expect ultimate collection, the Revenue Recognition should be Postponed.

concept-5 : Revenue from Interest, Dividend, Royalty

- Interest :
- a) To be recorded on Time Proportion basis.
 - b) Dividend : when Right to Receive is established.
 - c) Royalty : As per terms of Royalty agreement.

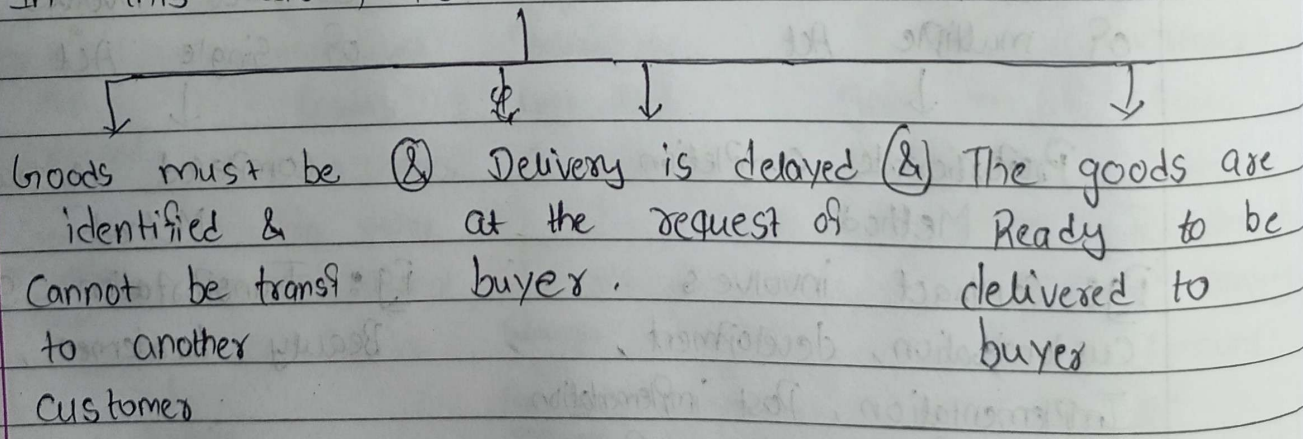
Note : Revenue from Interest, Dividend, Royalty should be recorded when there is no significant uncertainty about collectability or measurability.

Concept-6 : Revenue Recognition in Special Cases.

Case-1

- i) when delivery is delayed at the Request of buyer and buyer takes title and accepts billing.

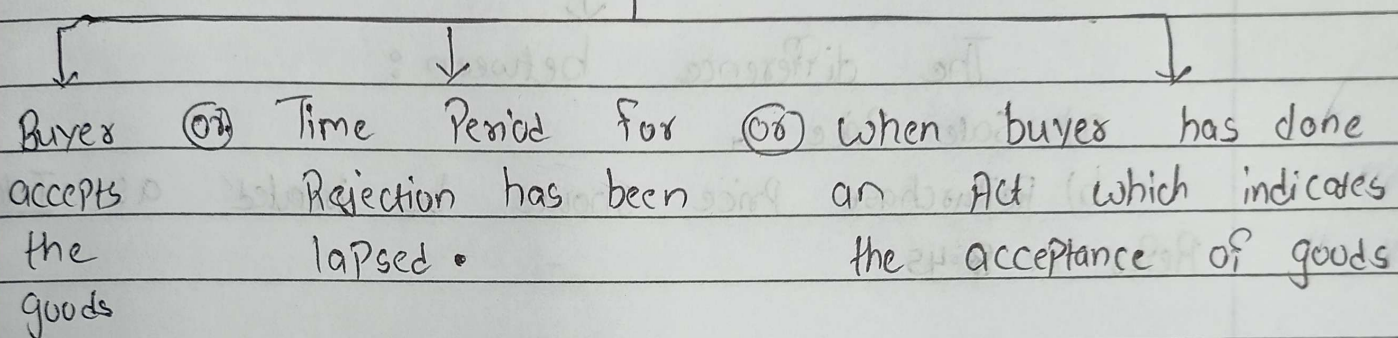
In this case, Revenue should be Recorded when



ii) Case-2

Goods Sent on approval basis

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Revenue should be recognised when



Whichever is Earlier

Notes: When no time period is mentioned, reasonable time period is lapsed.

iii) Case-3

Goods Subject to inspection or installation.

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Is Installation complex & Significant for using the goods?

↓
Yes
Eg: lift, P&M, Telecom Tower, Metro, Generator.

↓
Revenue should be Recorded only when installation is completed

↓
No
Eg: TV, Fridge, ceiling Fan,

↓
Revenue should be Recorded when delivered to Customer.

iv) Case-4 Sale & lease back

Sale & Repurchase agreement should be treated as financing arrangement.

↓
The difference between:

- a) Sale Price &
- b) Repurchase Price should be treated as Interest expense

Refer Ex-8.45

v) Case-5 consignment sales

Sales should be recorded by consignor only when such goods are sold by consignee. (Ex-8: 8.46)

→

100	1000
120	970

vi) Trade discount & volume Rebates are deducted ~~from~~ ^{for} calculating Revenue

vii) Cash discount allowed to customer should be treated as expense to be charged to P&L and should not be adjusted against Revenue.