

## REVENUE RECOGNITION [AS - 18]

**SOURCES OF REVENUES**

### SALE OF GOODS

recognised on satisfaction of the following

- |   |                                                                                                                                    |
|---|------------------------------------------------------------------------------------------------------------------------------------|
| 1 | <b>the property in the goods has been transferred to the buyers by the seller</b>                                                  |
| 2 | <b>All significant risks and rewards of ownership has been transferred to the buyers</b>                                           |
| 3 | <b>The seller retains no effective control of the goods transferred to a degree usually associated with ownership</b>              |
| 4 | <b>No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods</b> |

#### CASES / TYPES/ VARIETIES

- |    |                                                                                 |
|----|---------------------------------------------------------------------------------|
| 1  | TRANSFER OF LEGAL TITLE                                                         |
| 2  | DELIVERY IS DELAYED AT BUYER'S REQUEST AND BUYER TAKES TITLE AND ACCEPT BILLING |
| 3  | DELIVERED SUBJECT TO THE FOLLOWING CONDITIONS                                   |
| a) | INSTALLATION & INSPECTION                                                       |
| b) | ON APPROVAL                                                                     |
| c) | GUARANTEED SALES WITH UNLIMITED RIGHT OF RETURN                                 |
| d) | CONSIGNMENT SALES                                                               |
| e) | CASH-ON-DELIVERY                                                                |
| 4  | PAYMENT BY INSTALMENTS FOLLOWED BY DELIVERY                                     |
| 5  | SPECIFIC ORDER & SHIPMENT                                                       |
| 6  | SALES & REPURCHASES OF SAME ITEMS                                               |
| 7  | SALES TO INTERMEDIATE PARTIES                                                   |
| 8  | SUBSCRIPTION OF PUBLICATION                                                     |
| 9  | INSTALLMENT SALES                                                               |
| 10 | TRADE DISCOUNTS & VALUE REBATES                                                 |

### RENDERING OF SERVICES

recognised depending on the stage of completion at the Balance Sheet date

#### METHODS

- |                                          |                                                                                                                                                                                                                                 |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PROPORTIONATE COMPLETION METHOD</b>   |                                                                                                                                                                                                                                 |
| 1                                        | Revenue is recognised proportionately (on the basis of the contract value, associated costs, no. of acts etc.) by referring to the performance of each act, if the said performance consists of execution of more than one act. |
| <b>COMPLETED SERVICE CONTRACT METHOD</b> |                                                                                                                                                                                                                                 |
| 2                                        | Revenue is recognised when the sole / final/ the most significant act takes place and service becomes chargeable                                                                                                                |

#### CASES / TYPES/ VARIETIES

- |   |                                            |
|---|--------------------------------------------|
| 1 | INSTALLATION FEES                          |
| 2 | ADVERTISING & INSURANCE AGENCY COMMISSIONS |
| 3 | FINANCIAL SERVICE COMMISSIONS              |
| 4 | ADMISSION FEES                             |
| 5 | TUITION FEES                               |
| 6 | ENTRANCE & MEMBERSHIP FEES                 |

### INTEREST, ROYALTY & DIVIDENDS

#### INTEREST

Recognised on a time proportion basis taking into account the amount outstanding and the rate applicable

#### ROYALTY

Recognised on accrual basis in accordance with the terms of the agreement

#### DIVIDENDS FROM INVESTMENT IN SHARES

Recognised only when the owner's right to receive payment is established

**RECOGNITION OF EXPENSES**

An expense is recognised immediately in the Statement of Profit & Loss when it produced no future economic benefit or to the extent that future economic benefits from that expenditure do not qualify / cease to qualify for recognition in the Balance Sheet as an Asset.