Revenue Recognition: Product Sales and Services

Revenue Recognition: Product Sales and Services analyzes the revenue recognition principles applicable to both product sales and the provision of services. A number of revenue recognition principles apply to all types of transactions, whether they involve products or services and whether they are completed in one step or involve a long-term contract. This Portfolio refers to these principles as “fundamental principles.”

The Portfolio analyzes in detail these fundamental principles with respect to product sales, discussing their application in the context of delivery and performance. The Portfolio discusses revenue recognition when a right of return exists, examining the circumstances under which the guidance concerning right of return applies and its effect on a vendor’s recognition of revenue. The Portfolio also discusses in detail accounting for separately priced extended warranty and product maintenance contracts and product financing arrangements.

The Portfolio includes a thorough analysis of revenue recognition issues that arise when services are provided. These issues focus primarily on the timing of revenue recognition and the completion of performance. The payment of upfront fees often complicates the question of whether, when, and to what extent a service provider should recognize revenue. This Portfolio addresses these issues in the context of nonrefundable fees and refundable fees (and services) subject to cancellation privileges. The Portfolio also discusses revenue recognition issues relevant to franchise fee revenue, license and patent fees, and sales of future revenues.

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