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Revenue Recognition Concept: The concept of revenue states that the transaction should be included in the accounting record only when it is realised.

Revenue is inflow of cash from:

- Sale of goods and services by an enterprise.
- Use by others of enterprise resources yielding interest, dividends.

Revenue is realised when a legal right to receive it arises i.e. time at which goods have been sold or services provided.

For ex: Credit sales are treated as revenue on the day sales are made and not when money is received from the buyer.

8. Matching Concept: The process of ascertaining the amount of profit earned or loss incurred during a particular period involves deduction of related expenses from the revenue of that period.

Revenue is realised when sales complete or services rendered, payment received does not matter. Similarly expenses are realised on the basis of period for which they relate not on the basis of when these are paid.