1. Sale of Goods

A key criterion for determining when to recognize revenue from a transaction involving the sale of goods is that the seller has transferred the property in the goods to the buyer for a consideration. The transfer of property in goods, in most cases, results in or coincides with the transfer of significant risks and rewards of ownership to the buyer. However, there may be situations where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership. Revenue in such situations is recognized at the time of transfer of significant risks and rewards of ownership to the buyer. At certain stages in specific industries, such as when agricultural crops have been harvested or mineral ores have been extracted, performance may be substantially complete prior to the execution of the transaction generating revenue. In such cases when sale is assured under a forward contract or a government guarantee or where market exists and there is a negligible risk of failure to sell, the goods involved are often valued at net realizable value. Such amounts, while not revenue as defined in this Statement, are sometimes recognized in the statement of profit and loss and appropriately described.

2. Rendering of Services

Revenue from service transactions is usually recognized as the service is performed, either by the proportionate completion method or by the completed service contract method.

Proportionate completion method is a method of accounting which recognizes revenue in the statement of profit and loss proportionately with the degree of completion of services under a contract. Here performance consists of the execution of more than one act. Revenue is recognized proportionately by reference to the performance of each act.

Completed service contract method is a method of accounting which recognizes revenue in the statement of profit and loss only when the rendering of services under a contract is completed or substantially completed. In this method performance consists of the execution of a single act. Alternatively, services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed until the execution of those acts. The completed service contract method is relevant to these patterns of performance and accordingly revenue is recognized when the sole or final act takes place and the service becomes chargeable

3. Interest, Royalties and Dividends

The use by others of such enterprise resources gives rise to:

A. **Interest**: charges for the use of cash resources or amounts due to the enterprise. Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. For example, debenture interest payable on every June 30th and December 31st. On

AS-26 (Accounting for Intangible Assets):

As-26 has been created to prescribe the accounting treatment of intangible assets that are not dealt with specifically, in some other accounting standards. It requires an enterprise to recognize an intangible assets is, and only if, certain criteria are met. AS-26 has made this mandatory. As-26 is to be applied by all enterprises, for intangible assets, except those enterprises dealing with financial assets and mining and other exploration rights. Some of the important terms used in these accounting standards.

An intangible asset is an identifiable non monitory asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Measurement of intangible assets:

1. An intangible asset arising from development can be recognized only if that enterprise can demonstrate its feasibility, ability to sell, and generation of future economic benefits, intention and availability of resources for completion.
2. If any expenditure on an intangible asset is recognized as an expense in any year, the same cannot be a part of the cost of an intangible asset at a later date. Subsequent expenditures can be added to the cost only if it is probable that such expenditures will generate future benefits that are in excess of the original estimates.
3. An intangible asset is to be amortized over its useful life in the pattern in which the assets economic benefits are consumed or on a straight line method.
4. The residual value of an intangible asset is to be taken as zero, unless a commitment to purchase the asset or an active market exists.

AS-13 (Accounting for Investments):

Investments are assets held by an enterprise for earning income by way of dividends, interest and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock in trade are not investments. AS-12 states that the carrying amount to be stated in the balance sheet for current investment is the lower of the cost and the fair value. It also states that for current investment, any reduction to the fair value and any reversals of such reduction are to be included in the profit and loss statement. AS-12 also states that long term investment is to be usually carried at cost. However, when there is a decline, other than temporary, in the value of a long term investment, the carrying amount is reduced to recognize the decline and the resultant reduction in the carrying amount is charged to the profit and loss account statement.

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board. International Financial Reporting Standards (IFRS) is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB).

The goal of IFRS is to provide a global framework for how public companies prepare and disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry-specific reporting.

Having an international standard is especially important for large companies that have subsidiaries in different countries. Adopting a single set of world-wide standards will simplify accounting procedures by allowing a company to use one reporting language throughout. A single standard will also provide investors and auditors with a cohesive view of finances.

US GAAP

The Generally Accepted Accounting Principles in the US (**US GAAP**) refer to the accounting rules used in United States to organize, present, and report financial statements for an assortment of entities which include privately held and publicly traded companies, non-profit organizations, and governments. The term is confined to the US and is, therefore, generally abbreviated as US GAAP. But theoretically, the term "GAAP" covers the entire accounting industry, rather than only the US.

Basic objectives of US GAAP

As a part of US GAAP, the financial reporting should provide information as following:

1. The provided info should be apt to be presented to creditors and potential investors in addition to other users for making cogent decisions concerning investment, credit and similar financial activities.
2. The provided info should be helpful to the creditors and potential investors in evaluating the amounts, timing, and uncertainty of expected cash receipts.
3. The info should be related to economic resources, the claims to those resources, as well as the changes occurring in them.
4. The provided info should be helpful in making financial and long-term decisions.
5. The information should be helpful in perking up the business performance.
6. The information should be helpful in maintaining records