Revenue Recognition and Disclosure Practices - Accounting Standard-9 (As-9)-An Overview

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Abstract

This paper highlights the concepts, processes and mechanisms of revenue recognition in business organizations. It also highlights on the Accounting Standards for revenue recognition issued by Institute of Chartered Accountants of India. It also shows a comparative study of revenue recognition from Indian Accounting Standard, International Accounting Standard, and US GAAP. It again highlights the corporate practice of revenue recognition in India.

"Revenue can be defined as the consideration recovered by the business for rendering goods and services to its customers"(Jain & Narang). It is the total amount of money received by a company for the sale of goods or services before deducting the expenses. From business point of view, revenue is recognized like from the sale of product and services to the customers. From investor's point of view, revenue weighs less importance than profit or income which is documented as the amount of money that the business has brought in or earned after the deduction of all the (business) expenses.

As per the accounting standards put forth by the Council of ICAI, "Revenue is defined as the "gross inflow of cash, receivables, or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties, and dividends. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. In an agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.

Revenue is calculated by the charges made to customers or clients for supplying goods and rendering services to them and by the charges and rewards arising from the use of resources by customers. It is the income that can be attributed to a chosen fiscal (year) accounting period that affects the balance (surplus) or deficit, ensued from the operations of that period.

Revenue recognition is mainly concerned with the timing of recognition or revenue in profit and loss Account of an enterprise. The amount of revenue arising on a particular transaction is usually resolved by agreement between the parties involved in the transaction. Existence of any uncertainties regarding the determination of the amount, or its associated costs, might affect, the timing of revenue recognition.

The Accounting Standard (AS)-9 issued by ICAI in particular, deals with the revenue recognition in the profit and loss statement of an enterprise. The standard is chiefly concerned with the recognition of

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the revenue that arises in the course of regular activities of an enterprise such as:

- The sale of goods
- The rendering of services
- The use by others of enterprise resources yielding interest, royalties, and dividends.

The Accounting Standard does not deal with the following aspects of revenue recognition to which special considerations apply:

- Revenue arising from construction contracts
- Revenue arising from government grants and others similar subsidies.
- Revenue of insurance companies arising from insurance contracts.

RECOGNITION OF REVENUE UNDER SALE OF GOODS:

A most important 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. It means that revenue is not recognized even if cash is received before the transaction is complete. 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, doesnot coincide with the transfer of significant risks and rewards of ownership. In such cases Revenue is recognized at the time of transfer of significant risks and rewards of ownership to the buyer. These circumstances arise where delivery has been delayed because of the mistake of either the buyer or the seller and the goods are at the party's risk being at fault, as regards any loss which might not have occurred . At times the parties may agree that the risk surpasses the time, which is different from the time of passing of ownership.

RECOGNITION OF REVENUE UNDER RENDERING OF SERVICES:

Revenue from service transactions is usually recognized as the service is performed. The performance of service is measured by two methods as under:

I. Completed Service Contract 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.

II. Proportionate Completion Method: Performance consists of the execution of more than one act. Revenue is recognized proportionately by reference to the performance of each act. The revenue recognized under this method would be determined on the basis of contract value, associated costs, number of acts or other suitable basis. For practical purposes, when services are provided by an indeterminate number of acts over a specific period of time, revenue is recognized on a straight line basis over the specific period unless there is evidence that some other method better represents the pattern of performance.

THE USE BY OTHERS OF ENTERPRISE RESOURCES YIELDING INTEREST, ROYALTIES AND DIVIDENDS:

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

(i) Interest – Charges for the use of cash resources or amounts due to the enterprise.
(ii) Royalties – Charges for the use of such assets as know-how, patents, trade marks and copyrights.
(iii) Dividends – Rewards from the holding of investments in shares.

In most circumstances interest accrues on the time basis determined by the amount outstanding and the rate applicable. Usually discount or premium on debt securities held is treated as though it were accruing over the period to maturity.

Royalties accrue in accordance to the terms of relevant agreement and are usually recognized on that basis unless having regards to the substance of the transactions; it is more appropriate to recognize revenue on some other systematic and rational basis. Dividends from investments in shares are not recognized in the statement of Profit and Loss Account until a right to receive payment is established.

When interest, Royalties and dividends from foreign countries require exchange permission and uncertainty in remittance is anticipated, revenue recognition may need to be postponed.

EFFECT OF UNCERTAINTIES ON REVENUE RECOGNITION:

Recognition of revenue mainly involves revenue that is measurable and which at the time of sale or the rendering of services would not involve any complications while expecting ultimate collection.

During the time of raising claim if the ability to assess the ultimate collection with reasonable uncertainty is lacking, as for instance, escalation of price, export incentives, interest etc, then revenue recognition is postponed to the extent of uncertainty involved. In such cases it may be correct to recognize revenue only when it is reasonably certain that the ultimate collection will be made and if there is no uncertainty as to ultimate collection, revenue is recognized at the time of sale or rendering of service even though payments are made by installments.

When uncertainty of collection of revenue arises subsequently after the revenue recognition, it is better to make provision for the uncertainty in collection rather than adjustment in already recognized revenue.

DISCLOSURE:

Apart from the disclosures made as per the Accounting Standards-1(AS-1) on "Disclosure of Accounting policies" an enterprise has the necessity to even disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

Under the act of sale of goods, revenue is not recognized if the delivery is postponed at buyer's request. The buyer takes, designates and accepts billing only if the products or services delivered are subject to conditions such as:

- In case of installation and inspection – Revenue should not be recognized until the customer accepts delivery and installation and inspection are complete.
- In case of guaranteed sales- Recognition of Revenue in such circumstances will depend on the substance of the agreement. In the case of retail sales offering a guarantee of "money back if not completely satisfied" it may be appropriate to recognize the sale but to make a suitable provision for returns based on previous experience. In other cases, the substance of the agreement may amount to a sale on consignment; in which case it should be treated as indicated below :
- In case of consignment sale- Revenue should not be recognized until the goods are sold to a third party
- In case of cash on delivery sale- Revenue should not be recognized until cash is received by the seller or his agent.
- In case of Special order and shipments i.e. where payment (or partial payment) is received for goods not presently held in stock (e.g. the stock still to be manufactured or is or be delivered directly to the customer from a third party.)

Revenue from such sales can be recognized only when goods are manufactured, identified and are ready for delivery to the buyer by the third party. If the products vary in value from period to period then revenue should be calculated based on the sales value of the item delivered in relation to the total sales value of all items covered by the subscription.

Rendering of services:

- In case of installation fees: Revenue is recognized when the installation has been completed and accepted by the clients.
- In case of Advertising and Insurance Commission: Revenue is recognized only when the assured service is completed. For advertising agencies, media commission will normally be

recognized when the related advertisement or commercial appears before the public and the necessary intimation is received by the agency, as opposed to production commission which will be recognized when the project is completed. Insurance agency commissions should be recognized on the effective commencement or renewal dates of the related policies.

In case of Financial Services: A financial service may be rendered as a single act or may provide over a period of time. Similarly charges for such services may be made as a single amount or in stages over the period of the service or the life of the transaction to which it relates. Such charges may be settled in full when made or added to a loan or other account and settled in stages .The recognition of such revenue should therefore have regard to :

(i) Whether the service has been provided " once and for all " or is on a "continuing" basis

(ii) The incidence of the costs relating to the service

(iii) When the payment for the service will be received. In general commissions charged for arranging or granting loan or other facilities should be recognized when a binding obligation has been entered into. Commitment, facility or loan management fees which relate to continuing obligation or services should normally be recognized over the life of the loan or facility having regard to the amount of the obligation outstanding, the nature of the services provided and the timing of the costs relating there to.

- **In case of Tuition fees**: Revenue should be recognized over the period of instruction.

- **In case of Entrance and Membership fees:** Revenue recognition from entrance and membership fees will depend on the nature of the services being provided as this fees is capitalized generally. If the membership fees permits only membership and all other services or products are paid for separately or if there is a separate annual subscription the fee should be recognized when received. If the membership fees entitles the member to services or publication to be provided during the year, it should be recognized on a systematic and rational basis having regard to the timing and nature of all services provided.

AS-9 and Income Tax Act 1961: As per section 145 of the Income Tax Act1961 the income of an assessee under the head "Profit and gains of business or profession" and Income from other services shall be computed in accordance with the method of accounting followed by the assessee.

Further section 59(1) of the Income Tax Act 1961 regarding the profit chargeable to tax under the head "Income, from other sources" provides that the provisions of sub section (1) of section 41 shall apply, so far as may be in computing the income of an assessee under section 56 as they apply in computing the income of an assessee under the head" Profits and gains of business or profession".

Section 115JB of the Income Tax Act 1961 also provides that every assessee being a company; shall for the purposes of this section, prepare its profit and loss Account for the relevant previous year in accordance with the provisions of Part-II and III of schedule VI of the Companies Act 1956 .

Provided that while preparing the annual accounts including Profit and loss Account :

- The Accounting Policies
- The Accounting Standards adopted for preparing such accounts including Profit and loss Account
- The method and rates adopted for calculating the depreciations

Shall be the same as have been adopted for the purpose of preparing such accounts including Profit and Loss account in accordance with provision of Section 210 of Companies Act 1956.

From the above provisions of The Income Tax Act 1961 it is clear that the revenue recognition principles as prescribed in AS-9 are being followed in Income Tax Law for computing the income as all the above provisions recognize the methods followed by the assessee in preparation of Profit and Loss account as per the Accounting Standards. Various judicial authorities in the country including the supreme court of India have recognized the accounting principles Laid down by the Institute of Chartered Accountants of India while deciding various disputes, particularly tax disputes and reiterated that the Institute of Chartered Accountants of India is the authoritative body in the matter of laying down accountancy standards and accounting principles.

AS-9 and Companies Act 1956: As section 211(3A) of the Companies Act 1956 prescribes every profit and Loss Account must comply with the Accounting Standards which means the Profit and Loss account should also comply with AS-9 regarding revenue recognition such as- sales, service charges, interest received, dividend, royalty etc.

SIGNIFICANT DIFFERENCE AMONG AS-9, IAS-18 AND US GAAP:

The definition of "Revenue" is almost same in AS-9 and IAS-18 however there is no specific standard for recognizing the revenue under US-GAAP. There are several pronouncements in US having varying degrees of authority (e.g. APB opinions, FASB statement, AICPA Audit and Accounting Guides, AICPA statements of Position, FASBInterpretations, EITF Issues, SEC staff Accounting Bulletin and so forth) on an adhoc basis. Each pronouncement generally has focused on particular practice problem an has been very limited in its scope. There are over75 sources of accounting guidance for revenue recognition in United States.

Under IAS-18 the revenue recognition from the rendering of services is done on he basis of **percentage of Completion method** where as in AS-9 revenue from rendering of services can be recognized on **proportionate completion method or Completed service method.**

IAS-18 contains the provisions for revenue Swaps but no such corresponding provisions are in AS-9 . Under IAS-18 when goods or services are exchanged or Swapped for goods or services which are of a similar nature and value; the exchange is not regarded as a transaction which generates revenue when goods are sold or services are rendered in exchange for dissimilar goods or services the exchange is regarded as a transactions which generates revenue. The revenue is measured at the fair value of the goods or services received adjusted by the amount of any cash or cash equivalents transferred.

REPO arrangements: Under IAS-18 the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. AS-9 too in the case of repo arrangements requires that such transactions should be recorded as financing arrangements; the resulting Cash inflow is not revenue and should therefore not be recognized as revenue.

CORPORATE PRACTICES IN INDIA:

A. AUTOMOBILE

1. **MAHINDRA & MAHINDRA LTD**: From the study of note on accounting policy it was found that the Mahindra & Mahindra Ltd. Recognises the sale of products and services when the products are shipped or services rendered . In respect of sale or property (concerning property development activity) the company accounts for the income on the percentage to completion basis. The company recognises the dividend from investment in the Profit and Loss Account when the right to receive payment is established.

2. **ASHOK LEYLAND:** The note on accounting policy shows that the Ashok Leyland Ltd. Recognises the Revenue from sale of products on dispatch or appropriation of goods in accordance with the terms of sale and is inclusive of excise duty and export incentives, but net of incentive on sales including commission and rebate. Revenue arising due to price escalation claim is recognized in the period when such claim is made in accordance with terms of sale.

3. **HERO HONDA:** The Hero Honda recognises the sales of goods at the point of dispatch of finished goods to the customers. Sale of motorcycle is inclusive of freight and is exclusive of excise duty and sales tax. Sale of spare parts are inclusive of excise duty and delivery charges but exclusive of sales tax.

4. **HMT LTD:** From the note on accounting policy of HMT Ltd shows that the company follows the following procedure for revenues recognition Revenue Recognition: Sales are set up based on : Physical delivery of goods to the customer's carrier/ common carrier duly supported by invoice, excise duty paid challan , gate pass delivery voucher and LR/GR in case

of ex-works contracts.

LR/GR obtained and endorsed in favour of customer (consignee self)in case FOR destination contracts.

Dispatches to dealers/ customers in respect of Tractors .

Sales include excise duty but are net of trade discount and exclude sales tax.

Income in respect of consultancy agreements/ contracts is accounted based on the ratio of work completed each year to the total value of the agreements/contracts.

B. FINANCIAL SECTOR

1. STATE BANK OF INDIA:

Revenue Recognition: The State Bank of India follows the following procedure for revenue recognition Indian Office: Income and expenditure are accounted on accrual basis except in the following cases:

(a) Interest and Lease income on Non Performing assets are recognized on realization basis, as per RBI Guidelines.
(b) Interest which remains overdue for 2 quarters on securities not covered by Government Guarantee is recognized on realization basis as per RBI guidelines.
(c) Commission (other than of Deffered payment Guarantees and Government transactions) , exchange and brokerage are recognized on realization basis.
(d) Interest on overdue bills is recognized on realization basis , as per RBI guidelines.
(e) Dividends on investments are accounted for as and when received .
(f) Encashment of Leave is accounted for on payment basis.

Foreign offices:
Income is recognized as per the local laws of the country.

C. FAST MOVING CONSUMER GOODS(FMCG):

1. HINDUSTAN LEVER LTD.

Revenue Recognition: From the note on Accounting policy it is found that Sales are recognized when goods are supplied and are recorded net of trade discounts, rebates, Sales taxes and excise duties (on goods manufactured and outsourced) but include where applicable, export incentive such as duty drawback and premiums on sale of import Licenses. It does not include interdivisional transfers.

Income from property development Activity is recognized under the completed contract method and in terms of arrangements with developers, where applicable.

Incomes from services rendered are booked based on agreements/arrangements with the concerned parties.

Interests on investment are booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend incomes on investments are accounted for when the right to receive the payment is established.

2. HMT WATCHES LTD:

Revenue Recognition: In case of HMT Ltd Sales are recognized based on: Physical delivery of goods to the customer's carrier/ common carrier duly supported by invoice, excise duty paid challan, gate pass delivery voucher and LR/GR in case of ex-works contracts.

LR/GR obtained and endorsed in favour of customer (consignee self)in case FOR destination contracts.

Dispatches to dealers/ customers in respect of WATCHES. Sales include excise duty but are net of trade discount and exclude sales tax.

3. COLGATE-PALMOLIVE (INDIA) LTD:

Revenue recognition: The Colgate Palmolive (India) Ltd recognises Sales on dispatch to customers and are recorded net of trade discounts, rebates and sales taxes, but including excise duty.

4. **VIDEOCON INTERNATIONAL LTD.:**

The Note on accounting policy of the company shows that the following procedure is followed for revenue recognition:

Revenue Recognition:

i. Sale/turnover for the year includes sales value of goods , excise duty drawbacks and other recoveries such as insurance, transportation and packing charges but excludes sales tax and recovery of financial and discounting.
ii. Insurance, duty drawbacks and other claims are accounted for as and when admitted by the appropriated authorities.
iii. Interests on calls in arrear are accounted for on receipt basis.
iv. Royalty and Technical know-how fees are accounted for as and when paid after obtaining RBI approval.

5. **TATA TEA LTD:**

SALES AND SERVICES: The Tata Tea Ltd. follows the following procedure for recognizing the sales and services:

(i) Sales are recognized on passing of property in goods i.e. delivery as per terms of sale or on completion of auction in case of auction sale.
(ii) Supplementary payments receivable from the coffee Board against coffee delivered to the Board in earlier years are recognized upon declaration of such payments.
(iii) Agency commission and fee and income from services are accounted as per terms of relevant arrangement.

Other income: Export incentives, interest income and income from investments are accounted on accrual basis.

D. **INFORMATION TECHNOLOGY:**

1. **TATA CONSULTANCY SERVICES LTD**: TATA CONSULTANCY SERVICES follows the following procedures for recognizing the revenue:

Revenue recognition: Revenues from contracts priced on a time and materials basis are recognized as services are rendered and as related costs are incurred.

Revenues from turnkey contracts, which are generally time bound fixed price contracts are recognized over the life of the contract using the proportionate complete method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognized when probable.

Revenues from the sale of computer equipment are recognized upon delivery which is when title passes to the customer. Revenues from maintenance contracts are recognized pro-rata over the period of the contract.

Dividends are recorded when declared.

Interest income is recognized on time proportion basis.

2. **SATYAM COMPUTER SERVICES LIMITED:**

Revenue recognition:

(i) **IT Services**: Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed. Satyam Computer Services also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as unearned revenue. Unbilled revenue included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms. Unearned revenue is calculated on the basis of the unutilized period of time at the Balance Sheet and represents revenue which is expected to be earned in future periods in respect of internet, email services , electronic data interchange and web hosting services.

(ii) Business Process Outsourcing: Revenue from per engagement service is recognized based on the number of engagements performed. Revenues from per time period services are recognized based on the time incurred in providing services at contracted rates. Revenue from per incident service is based on the performance of specific criteria at contracted rates.

3. INFOSYS TECHNOLOGIES LTD. (INFOSYS)

Revenue Recognition: The Company derives revenue primarily from software development and related services, licensing of software products and from business process management services. Arrangements with customers for software development and related services either on a fixed price, fixed time frame, or on a time and material basis. Revenue on time-and-material contracts is recognized as the related services are performed and revenue from the end of the last billing to the balance sheet is recognized as unbilled revenues. Revenue from fixed price, fixed-time frame contracts is recognized as per the percentage of completion method. Guidance has been drawn from paragraph 95 of statement of Position (SOP) 97-2, software recognition to account for revenue from fixed price arrangements for software development and related services in conformity with SOP 81-1. The input (efforts expended method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on completed contracts are recorded in the period in which such losses become probable based on the current contract estimates. Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Maintenance revenue is recognized ratably over the term of the underlying maintenance agreement.

The company provides its clients with a fixed period warranty for corrections of errors and telephone support on its entire fixed price, fixed-time frame contracts. Costs associated with such support services are accrued at the time related revenues are recorded and included in cost of revenues. The company estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

In accordance with SOP 97-2 license fees revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the license fees, is fixed and determinable, and the collection of the fees is probable.

Arrangements to deliver software products generally have three elements: License, implementation and Annual technical Services (ATS). The company has applied the principles in SOP -97-2 to account for revenue from these multiple element arrangements. Vendor specific objective evidence of fair value (VSOE) has been established for ATS. VSOE is the price charged when the element is sold separately. When other services are provided in conjunction with the licensing arrangement, the revenue from such contracts are allocated to each component of the contract using the residual method, whereby revenue is deferred for the undelivered services and the residual amounts are recognized as revenue for delivered elements. In the absence of an established VSOE for implementation, the entire arrangement fee for license and implementation is recognized as the implementation is performed. Revenue from client training support and other services arising due to the sale of software products is recognized as the services are performed. ATS revenue is recognized ratable over the period in which the services are rendered.

Revenues from business process management and other services are recognized on both; the time-and –material and fixed price, fixed time frame basis. Revenue on time and material contracts is recognized as the related services are rendered. Revenue from fixed –price fixed time frame contracts is recognized as per the proportional performance method using an output measure of performance.

When the company receives advances for services and products, such amounts are reported as client deposits until all conditions for revenue recognition are met.

E. INFRASTRUCTURE:

1. BHARAT HEAVY ELECTRICALS LTD (BHEL):

Revenue Recognition: Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer. Sales include goods dispatched to customers by partial shipment which are billed or unbilled pending formal billing.

A. For construction contracts entered into on or after 1.4.2003 – Revenue is recognized on percentage completion method based on the percentage of actual cost incurred upto the reporting date to the total estimated cost of the contract.

B. For all other contracts.: (i) Recognition of sales revenue in respect of long production cycle items (Hydro and Thermal sets including gas-based power plants , boilers, boiler auxiliaries, compressors and industrial turbo sets) is made on technical estimates , When the aggregate value of shipments represents 30% or more of the realizable value , they are considered at 97.5% of the realizable value or in the absence quoted price. Otherwise they are considered at actual/estimated factory cost or 97.55, of the realizable value whichever is lower The balance 2.5% is recognized as revenue on completion of supplies under the contract.

(ii) Income from erection and project management services is recognized on work done and billed based on percentage of completion or the intrinsic value ; reckoned at 97.5% of contract value the balance 2.5% is recognized as income when the contract is completed.

(i) Income from engineering services rendered is recognized at realizable value based on the certified percentage of work completed and billed.

(ii) Income from supply/ erection of non BHEL equipment/systems and civil works is recognized based on dispatches to customers/ work done at project site.

2. STEEL AUTHORITY OF INDIA LTD.:

Sales: Sales include Excise Duty and are net of rebates/ price concession/sales tax .

Material sold in domestic market are treated as sales on delivery to carriers including the cases where delivery documents are in the company's name, pending collection of payments , since the significant risks and rewards in such cases are passed on to the buyers on dispatch of materials. Export sales are treated as sales on issue of Bills of lading.

3. TATA STEEL:

Sale of products and Services: In case of TATA TEA Ltd it is found that the sale of products and services are recognised in the following manner:

(i) Sales comprises sale of goods and services; net of trade discounts, and include exchange differences arising on sales transactions.

(ii) Export incentive under the Duty Entitlement Pass Book Scheme has been recognized on the basis of credits afforded in the Pass Book.

LARSEN & TOUBRO LTD:

Sales: Sales and service includes excise duty , cash subsidy and adjustment for liquidated damages and price variation . . Revenues from construction and project related activity are accounted based on percentage of completion method.

F. PETROLEUM & PETROLEUM PRODUCTS:

1. RELIANCE INDUSTRIES LTD.:

Turnover: Turnover includes sale of goods, Services, sales tax, and excise duty and sales during trial run period; adjusted for discounts (net) and gain/loss on corresponding hedge contracts.

Income from services includes fees accrued on rendering of services, the cost of which is charged to revenue in the year of delivery.

2. ONGC LTD.:

Revenue Recognition:

(i) Revenue from sale of products is recognized on transfer of custody to customer.

(ii) Sale of crude oil and gas produced from exploratory wells in progress in exploratory areas is deducted from expenditure on such wells.

1. Sales are inclusive of all statutory levies. Any retrospective revision in prices is accounted for in the year of such revision.

2. Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection

(a) Short lifted quantity of gas

(b) Gas pipeline transportation charges and statutory duties thereon

(c) Reimbursable subsidies and grants

(d) Interest on delayed realizations from customers.

3. INDIAN OIL CORPORATION:

Sale of Products: Adjustments pertaining to purchase of raw materials /finished products; sales and others as admissible under the erstwhile Administered pricing Mechanism are accounted as "net claim from (surrender to) Industry pool Accounts"/ Government.

G PHARMACEUTICALS:

RANBAXY LABORATORIES LTD.

Revenue Recognition: Revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefits will flow to the company. Sale of goods: Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Royalties, Technical know-how and Licensing income: Revenue is recognized on accrual basis in accordance with the terms of the relevant agreement.

Interest: Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends: Revenue is recognized when the right to receive is established.

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