Accounting Standards for Business Enterprises No. 14 – Revenue

Chapter 1: General Provisions

Article 1

This Standard is formulated in accordance with the *Basic Standards for Enterprise Accounting* to regulate the recognition, measurement, and disclosure of revenue.

Article 2

Revenue refers to the total inflow of economic benefits arising from ordinary activities that result in increases in owners' equity, excluding contributions from owners.

Article 3

This Standard applies to all contracts with customers, except:

1. Financial instruments and contractual rights/obligations governed by:
   - *ASBE No. 2 – Long-term Equity Investments*
   - *ASBE No. 22 – Recognition and Measurement of Financial Instruments*
   - *ASBE No. 23 – Transfer of Financial Assets*
   - *ASBE No. 24 – Hedge Accounting*
   - *ASBE No. 33 – Consolidated Financial Statements*
   - *ASBE No. 40 – Joint Arrangements*
2. Lease contracts (*ASBE No. 21 – Leases*).
3. Insurance contracts (governed by insurance-specific standards).

A customer is a party that contracts with the enterprise to purchase goods/services (collectively "goods") from its ordinary activities in exchange for consideration.

A contract is a legally enforceable agreement between two or more parties, which may be written, oral, or implied.

Chapter 2: Recognition

Article 4

Revenue is recognized when (or as) the enterprise satisfies a performance obligation by transferring control of goods to the customer.

Control is the ability to direct the use of and obtain substantially all benefits from the goods.

Article 5

A contract with a customer must meet all the following criteria to recognize revenue:

1. Approved by all parties with enforceable rights/obligations;
2. Identifies payment terms;
3. Has commercial substance (alters cash flow risk, timing, or amount);
4. Probable that consideration will be collected.

   No reassessment is needed unless facts change significantly.

Article 6

For contracts not meeting Article 5, reassess continuously. If no remaining performance obligations exist and consideration is non-refundable, recognize revenue; otherwise, treat as a liability. Non-monetary exchanges without commercial substance do not generate revenue.

Article 7

Combine contracts with the same customer if:

1. Negotiated as a package with a single commercial objective;
2. Consideration depends on other contracts' pricing/performance;
3. Promised goods form a single performance obligation (Article 9).

Article 8

Contract modifications are accounted for as:

1. A separate contract if additional goods are distinct and priced at standalone selling prices;
2. A new contract if distinct from remaining obligations;
3. Part of the original contract if not distinct, adjusting revenue at modification date.

Article 9

At contract inception, identify performance obligations (distinct promises to transfer goods/services) and determine whether satisfied over time or at a point in time.

Article 10

A good is distinct if:

1. The customer can benefit from it (alone or with readily available resources);
2. The promise to transfer is separable from other promises.
   Indicators of non-separability:

- Significant integration/customization services;
- High interdependence with other goods.

Article 11

A performance obligation is satisfied over time if:

1. Customer simultaneously receives/consumes benefits;
2. Customer controls work-in-progress;
3. Output has no alternative use, and the enterprise has an enforceable right to payment for progress.

Article 12

For over-time obligations, recognize revenue based on progress (output or input methods). If progress cannot be measured, recognize revenue to the extent of recoverable costs.

Article 13

For point-in-time obligations, recognize revenue when control transfers, considering indicators such as:

1. Present payment right;
2. Legal title transferred;
3. Physical possession;
4. Risks/rewards transferred;
5. Customer acceptance.

Chapter 3: Measurement

Article 14

Measure revenue at the transaction price allocated to each performance obligation. Exclude amounts collected for third parties or refundable to customers.

Article 15

Determine transaction price considering:

- Variable consideration;
- Significant financing components;
- Non-cash consideration;
- Payable to customers.

Article 16

Estimate variable consideration using expected value or most likely amount, constrained to avoid significant reversals. Reassess at each reporting date.

Article 17

For contracts with significant financing, adjust transaction price to reflect the cash selling price (interest recognized over time). Exempt if payment delay ≤ 1 year.

Article 18

Non-cash consideration is measured at fair value. If unobservable, estimate indirectly via standalone selling prices.

Article 19

Payable to customers reduce transaction price unless for distinct goods. Excess over fair value of goods received is a price reduction.

Articles 20–25

Allocate transaction price to performance obligations based on standalone selling prices (using observable data, market adjustments, cost-plus, or residual methods). Handle contract discounts and variable consideration changes proportionally or to specific obligations.

Chapter 4: Contract Costs

Article 26

Capitalize fulfillment costs if:

1. Directly related to a contract;
2. Enhance future resources;
3. Recoverable.

Article 27

Expense immediately: administrative costs, abnormal wastage, and costs related to fulfilled obligations.

Article 28

Capitalize incremental contract acquisition costs (e.g., sales commissions) if recoverable and amortization period > 1 year.

Articles 29–31

Amortize capitalized costs consistently with revenue recognition. Test for impairment if carrying amount exceeds:

- Expected remaining consideration;
- Estimated costs to complete.

Chapter 5: Specific Transactions

Articles 32–40

Special rules for:

- Sales with return rights: Recognize refund liability and return asset.
- Warranties: Account as separate obligations if providing additional services.
- Principal vs. agent: Assess control before transfer.
- Customer options: Treat as separate obligations if providing material rights.
- Licenses: Assess whether satisfied over time or at a point in time.
- Royalties: Recognize when later of sales/usage or performance occurs.
- Repurchase agreements: Account as leases (if repurchase price < selling price) or financing (if ≥ selling price).
- Non-refundable fees: Allocate to related goods or defer if for future performance.

Chapter 6: Presentation

Article 41

Classify as:

- Contract assets (rights to consideration conditional on performance);
- Contract liabilities (obligations to transfer goods for advance payments);
- Receivables (unconditional rights).

Article 42

Disclose:

1. Revenue policies, key judgments, and methods (e.g., progress measurement, variable estimation);
2. Contract details (revenue categories, receivables/liabilities, remaining obligations);
3. Contract cost assets (amortization, impairment);
4. Exemptions from financing component or cost capitalization rules.

Chapter 7: Transition

Articles 43–44

Apply retrospectively to incomplete contracts at adoption (January 1, 2018). Simplified transition allowed for pre-adoption contract modifications.

Chapter 8: Supplementary Provisions

Article 45

Effective from January 1, 2018.

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