

US GAAP AND IFRS CONVERGENCE IN THE AREA OF REVENUE RECOGNITION

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Abstract

There are two significant systems of financial reporting for world capital market use. There are IFRS and US GAAP. In 2001 the IASB was given a strong mandate by the major constituents of the world's capital markets to develop a single set of high-quality accounting standards. The effort should be especially aimed at spreading of IFRS around the world and FASB – IASB Convergence Program.

Elimination of existing differences between US GAAP and IFRSs is demanded, because numerous differences between US GAAP and IFRS can result in significant differences in reported numbers. The most significant difference between US GAAP and IFRSs is in the area of general approach. IFRSs are based on basic accounting principles with limited application guidance, US GAAPs are based especially on rules with specific application guidance. FASB and IASB initiated their joint project on revenue recording to converge IFRS and US GAAP in this area.

The aim of the paper is to reveal with the use of comparative analysis main differences in the area of revenue recognition and measurement and to analyze their impact on the balance and recorded income from the operations. Based on that analysis the paper clarifies the basic principles for the revenue recognition which could be applicable consistently to all industries. The paper suggests the principles for initial measurement of revenue.

The paper is divided into three parts. First part covers the theoretical background. In second part the comparative analysis of GAAP and IFRS rules is done. The final part of the paper represents the suggestion of the principles for initial measurement of revenue.

The paper uses standard methods of scientific work. Firstly, the method of comparative analysis and description is used, to identify and analyze the main differences between GAAP and IFRS rules for revenue recording. At the end, the method of synthesis is used to suggest the principles for initial measurement of revenue.

Keywords: revenue, IFRS, US GAAP.

Introduction

The growth of cross-border investing and capital flows caused that the use of different national accounting systems makes difficult and costly for investors to compare opportunities and make financial decisions. Difference in national accounting systems imposes additional costs on companies that prepare financial statements based on multiple reporting models in order to raise capital in different markets. There are two significant systems of financial reporting for world capital market use – International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

The U.S. or EU cannot go alone in development of accounting standards and on the other hand the development of international standards across the world major capital markets requires that the U.S.A. be active participant in the process. This is the main reason why two most significant organizations in the field of financial reporting regulation setters in the world - The Financial Accounting Standard Board (FASB) and International Accounting Standards Board (IASB) have recognized that in order for international capital markets to function properly, a single set of high-quality international accounting standards especially for listed companies around the world must exist.

Theoretical background and methodology

IASC (predecessor of IASB) was strongly criticized. (McKinnon, Janel; 1984) concluded, that IASC had not succeeded in changing existing standards or setting new standards, and by (Evans and Taylor, 1982). (Doupnik, Taylor; 1985) found some compliance by nations with IASC standards. (Weetman et al., 1998) found disharmony between US GAAP and IAS. Despite these facts, in 2001 the IASB was given a strong mandate by the major constituents of the world's capital markets to develop a single set of high-quality accounting standards. The effort should be especially aimed at spreading of IFRS around the world and FASB – IASB Convergence Program.

In October 2002, both organizations began to work closely together and jointly issued a memorandum of understanding. It was a significant step toward formalizing their commitment to the convergence of US GAAP and International Financial Reporting Standards (formerly IAS – International Accounting Standards). On February 2006 was published the new document – Memorandum of Understanding (MoU) which reaffirms the objective of developing high quality, common accounting standards for use in the world's capital markets. The new document demands eliminating existing major differences in focused areas and to identify other areas where accounting practices under US GAAP and IFRSs are regarded as candidates for improvement, because numerous of non significant differences between US GAAP and IFRS can result in significant differences in reported numbers. The US Security and Exchange Commission demands reduction the disparity between accounting and disclosure practices of the United states and other countries, as well.

The most significant difference between US GAAP and IFRSs is in the area of general approach. IFRSs are based on basic accounting principles with limited application guidance, US GAAPs are based especially on rules with specific application guidance.

FASB and IASB initiated their joint project on revenue recording as a part of MoU to converge IFRS and US GAAP in this area. The main reason for this project is the situation, that there are more than a hundred standards in US GAAP and two standards in IFRS. Some of US GAAP standards are industry-specific and can produce conflicting results for economically similar transactions. The main revenue recognition standards are IAS 11 – Construction Contracts, IAS 18 Revenue in IFRS. The principles of both standards are not consistent and could be difficult to apply beyond simple transactions.

The structure of the paper is divided into three parts. Theoretical background presents the historical development of IAS/IFRS and US GAAP convergence efforts in general. Second part of the paper is aimed at the comparative analysis of revenue recognition and measurement under IAS/IFRS and US GAAP. At the end, based on the results of the comparative analysis, the basic principles for revenue recognition, which could be applicable consistently to all industries, are clarified. Also the principles for initial measurement of revenue are set out.

The paper uses standard methods of scientific work. Firstly, the method of description is used, to describe the development in the area of IAS/IFRS and US GAAP convergence. Then, the comparative analysis is used to discuss the differences in revenue recognition and measurement under IAS/IFRS and US GAAP. At the end the method of synthesis, deduction and induction is used. Possible principles for initial measurement of revenue are suggested as well.

The aim of the paper is to make the comparative analysis in the area of revenue recognition and measurement under IAS/IFRS and under US GAAP. Further, to clarify the basic principles for revenue recognition applicable consistently to all industries and to suggest principles for initial measurement of revenue under both systems.

Revenue Recognition under US GAAP

Revenues are defined by FASB Concepts Statement No. 6 (CON 6) – Elements of Financial Statements as inflows or other enhancement of assets of an entity or settlements of its liabilities from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations. For revenue recognition the two criteria must be met. Revenue recognition criteria are defined in the FASB Concepts Statement No. 5 (CON 5) – Recognition and Measurement in Financial Statements of Business Enterprises. Criteria require that revenue must be realized or realizable and must be earned. Revenues are realized when products (goods or services), merchandise, or other assets are exchanged for cash or claims to cash. Revenues are realizable when related assets received or held are readily convertible to known amounts of cash or to cash claims. Revenues are not recognized until earned. Revenues are considered to have been earned when the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues (CON5). The application of the earning process for revenue recognition seems not be consistent for application in different industries. The existence of different requirements for economically similar transaction reduces the comparability of revenues across entities and industries. There are specific rules relating to the recognition of software revenue, sales of real estate or services provided by cable television in US GAAP (Statement of Financial Accounting Standard (SFAS) 51 Financial Reporting by Cable Television Companies, SOP 81-1 Accounting for Performance of

Construction- Type and Certain Production-Type Contracts). The detailed rules often contain exceptions for particular types of transactions.

Revenue Recognition When Right of Return Exists (SFAS 48) specifies how an entity should record revenues in the case of sale its product in which the buyer has a right to return the product. Revenue from those sales transactions shall be recognized at time of sale only if all of the conditions specified in SFAS 48 are met. Even then, the seller should accrue any estimated returns and expected costs. Revenue should be reduced to reflect estimated returns. SFAS 5 Accounting for Contingencies demands allowance for returns making in the revenue recording moment despite the particular parties that will claims under warranties may not be identifiable. This Statement makes possible trade loading and it could lead to higher revenues reporting.

This concept is also contained in the SEC Staff Accounting Bulletins (SAB) 101 – Revenue Recognition in Financial Statements and SAB 104 – Revenue Recognition. The SEC released SAB 101, in 1999. In 2003, the SEC revised that guidance in SAB 104. SABs 101 and 104 describe four criteria for recording revenue. For revenue recording under SABs 101 and 104 the persuasive evidence of an arrangement must exist, the price must be fixed or determinable, collectability must be reasonably assured and the delivery must be occurred.

SAB No. 104 also provides new guidance on how publicly traded entities should recognize income. It focuses on applying the provisions of the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force Issue (EITF) 00-21 – Revenue Arrangements with Multiple Deliverables, to publicly traded entities, especially in the areas of bill-and-hold-arrangements, immaterial obligations, and non-refundable up-front fees, all relating to the delivery of sold goods and the resulting revenues.

Bill-and-hold arrangements arise when a company invoices its customer but has not yet delivered the products. Assume that a contract manufacturer that produces products for a specific customer also manages this customer's logistics, delivery of the products when and where the customer requests. However, the manufacturer should not recognize revenues until it establishes a fixed delivery schedule consistent with the customer's business purposes. SAB No. 104 contains criteria to recognize revenue for bill-and-hold arrangements. Specifically, entities can recognize such revenues only when written arrangements contain substantial business purposes and allow the parties to evaluate all relevant facts and circumstances for entering into such arrangements. These arrangements must adhere to all other relevant accounting requirements. Entities should apply the separation model found in EITF No. 00-21 to ascertain the number of accounting units in such arrangements. Also, since bill-and-hold arrangements often include both the "sale" and warehousing services of products, SAB No. 104 states that if such transactions meet the EITF criteria entities should recognize revenues on the warehousing element of the transactions as the warehousing services are provided.

In case of immaterial remaining obligations to complete delivery and sale SAB No. 104 discusses when entities should recognize sales if their remaining obligations are inconsequential or perfunctory to the earnings process. SAB No. 104 follows EITF No. 00-21 in focusing on the "deliverables" associated with transactions. If the installation is immaterial and unessential to the equipment's use, the entity could recognize the revenue in the current period and simultaneously accrue the related installation costs. Otherwise if the installation is a significant cost or is essential to the equipment's functionality the entity should recognize this entire transaction only after completing the installation.

SAB No. 104 provides some examples of when to include or defer nonrefundable up-front fees in constituting a single unit of accounting. It also shows the resulting impact on income, in general--recommending revenues deferral for up-front fees unless such fees represent the culmination of a separate earnings process. The SAB stresses that the earnings process, irrespective of whether a cancellation clause exists, is incomplete.

The Accounting Standards Executive Committee (AcSEC) issued Statement of Position - SOP 97-2, Software Revenue Recognition, to provide guidance on when revenue on software arrangements (such as licensing, selling, leasing, or otherwise marketing computer software) should be recognized and in what amounts. The arrangements covered range from those providing a license for a single software product to those that, in addition to the delivery of software or a software system, require significant production, modification, or customization. The SOP notes that the rights transferred under software licenses are substantially the same as those transferred in sales of other kinds of products and that the legal distinction between a license and a sale should not cause revenue recognition on software products to differ from other types of products.

In issuing this SOP was determined that the same basic criteria for revenue recognition should apply to software arrangements as applied to sales of other products. The same underlying concept of delivery being the critical event for identifying when revenue was earned was adopted. The same basic criterion for collectability being probable was also adopted for identifying when revenue was realized or realizable. The requirement that revenue be fixed or determinable was also adopted, but additional industry-relevant details were added.

Because of the nature of software arrangements, a need for persuasive evidence of an arrangement was determined. This is not the norm in all product sales, but can sometimes be critical for revenue recognition. Practice abuses forced this criterion to be spelled out in greater detail in SOP 97-2. SEC initially tried to apply the same criterion that applies to revenue recognition transactions generally that the sellers not have significant future obligations or involvement related to the sale to software arrangements. This criterion proved difficult to apply to software arrangements involving complex mixes of products and services both specified and unspecified with a single fee for the bundled products and services. As a result, SOP 97-2 provides much more detailed and specific guidance on how to account for multiple-element arrangements.

SOP 98-9 modified income recognition for arrangements with multiple elements. The residual amount of the arrangement fee determined by deducting from the total fee the fair value of the undelivered elements is allocated to the delivered elements. Before this modification, if the fair value of any element of an arrangement was not known, the income was deferred until all the elements were delivered. The portion of the fee allocated to an element should be recognized as revenue when all of the revenue criteria of SOP 97-2 are met with respect to the element. The delivery of an element is considered not to have occurred if there are undelivered elements that are essential to its functionality.

Because most construction contracts are long-term, the underlying accounting principle known as matching – expenses follow revenues – would be violated if the revenue from the contract were recognized upon contract execution or sale of the services. The two methods of revenue recognition are allowed for construction contractors under SOP 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts. One is percentage of completion (PC) method and the other is completed contract (CC) method. Under the PC method, the construction contractor recognizes revenue over the life of the construction contract based on the degree of completion. SOP 81-1 requires that the PC method should be used in lieu of the CC method when all criteria of SOP 81-1 are met. The CC method is used in rare circumstances. Under the percentage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion. Contract revenue is recognised as revenue in the income statement in the period in which the work is performed. Costs are recognised in the periods in which the work they relate to is performed. The income (revenues and gains) is recognised during the performance of contract and the revenue is matched to incurred costs, not to collection of payments. Under the Completed Contract method, all revenues, costs, and income are recognized only at completion of the construction project, ordinarily at the end of the construction contract. Recording of income prior to completion is not permitted. Percentage of completion for revenue recording can be used when the outcome of construction contract can be estimated reliably. If the above estimates are not dependable, completed-contract method is preferable. If total contract is estimated to be a loss, provision should be made for the loss on the entire contract.

To sum up, the main problems in revenue recognition under US GAAP is that more than 100 standards on revenue can produce conflicting results for economically similar transaction. Further, there is not any general standard for revenue recognition. For the last, application of earning process could lead to misrepresentation of an entity's contractual rights and obligation in financial statements.

Revenue recognition under IAS/IFRS

The incomes and expenses are defined in the conceptual framework of IAS/IFRS. The definition of income encompasses both revenues and gains. Revenue arises in the course of the ordinary activities of an enterprise and is referred to be a variety of different names including sales, fees, interest, dividends, royalties and rent (IAS/IFRS Conceptual Framework). There are two IAS standards for revenue recording (IAS 18 – Revenue, IAS 11 – Construction Contracts)

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise can be measured reliably. Revenue is defined in IAS – 18 as the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise when those inflows result in increases in equity, other than increases relating to contribution from equity participants.

Revenue is recorded in fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. IAS 18 - Revenue identifies separate criteria to each transaction when revenue will be recognised. IAS 18 should be applied in a case of sale of goods and products, rendering of services or use by others of enterprise assets yielding interest, royalties and dividends.

The revenue relating to long-time contracts recording is the special area of revenue recording in IAS/IFRS. There is the IAS 11 – Construction Contracts in IFRS. Revenue and costs associated with construction contracts are determined in IAS 11 Construction Contracts. The nature of activities undertaken in construction contracts is based on situation when the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The main issue is to match the contract costs and revenue to the accounting periods in which construction work is performed. This is the accrual basis application, the effects of transactions and other events are recognised when they occur and they are recorded in the period to which they relate. The IAS 11 is used for recording costs and revenue of construction contract in the financial statement of contractors.

There is the construction contract defined in IAS 11. A construction contract is specially negotiated for construction of an asset or a combination of assets.

There are costs directly related to a contract (direct labour costs, costs of direct materials, depreciation of plant and equipment used directly on the contract, cost of hiring equipment, the estimated costs of rectification and guarantee work) and costs that may be allocated to a contract (insurance, costs of design a technical assistance, construction overheads). Some costs cannot be attributed to contract activity or cannot be allocated to a contract costs (general administration costs for which reimbursement is not specified in the contract, selling costs, research and development costs for which reimbursement is not specified in the contract, depreciation of plant and equipment that is not used on a particular contract) in accordance with IAS 11.

In case that the outcome of a construction contract can be estimated reliably, contract revenue and costs associated with the construction contract should be recognised as revenue and costs by reference to the stage of completion of the contract activity at the balance sheet date. An expected loss should be recognised as an expense immediately (as a provision).

There are two methods for revenue defining – percentage of completion method and zero profit method. Percentage of completion method can be used when the outcome of construction contract can be estimated reliably. Under the percentage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion. Contract revenue is recognised as revenue in the income statement in the period in which is the work performed. Costs are recognised in the periods in which the work to which they relate is performed. The income (revenue and gains) is recognised during the performance of contract and the revenue is matched to the incurred costs, not to collection of payments. Any expected excess of total contract costs over total contract revenue is recognised as an expense immediately and the provision is made.

Zero – profit method revenue defining is used when the outcome of construction contract cannot be estimated reliably. When the outcome of a construction contract cannot be estimated reliably:

- Revenue should be recognised only to the extend of contract costs incurred that it is probable will be recoverable, and
- Contract cost should be recognised as an expense in the period in which they are incurred.

An expected loss on the construction contract should be recognised as an expense immediately and the provision should be made. The amount of the provision is equal to the total expected loss.

This method should be used during the early stages of a contract when the outcome of the contract cannot be estimated reliably. Contract revenue is recognised only to extend of costs incurred that are expected to be recoverable. When the outcome of the contract cannot be estimated reliably and it may be probable that total contract cost will exceed total contract revenues an expense should be recognised immediately and the provision should be made. When the uncertainties do not occur any more revenue and expenses should be recognised in accordance with the percentage of completion method.

To sum up, problems in revenue recognition under IAS/IFRS are that entities could recognize amount of revenue in the financial statements that do not faithfully represent economic phenomena (revenue recognition for sale of goods depends on when the risk and rewards of ownership are transferred). Further, the lack of guidance for multiple-elements arrangement, and for the last the principles of IAS 11 and IAS 18 are not consistent.

Table 1. Comparison of revenue recognition under US GAAP and IAS/IFRS

Item	US GAAP	IAS/IFRS	Difference
Revenue definition	Actual or expected cash inflows that have occurred or will result from the entity's ongoing major operations (CON 5)	The gross inflow of economic benefits during the period arising in the course of ordinary activities of an entity	Similar
Revenue recognition criteria	<ul style="list-style-type: none"> • must be realized or realizable • must be earned (CON 5), many different sources of revenue recognition guidance 	When it is probable that future economic benefits will flow to the enterprise, can be measured reliably	Different
Revenue measurement	At fair value of the consideration received or receivable – cash or cash equivalents	At fair value	Similar
Sale of goods	Delivery must have been occurred, risks and rewards are transferred, the price is fixed or determinable, collectibility is reasonably assured, persuasive evidence that an arrangement exists (SAB 104)	Significant risks and rewards of ownership have been transferred (IAS 18)	Similar
Rendering Services	Services must have been rendered to customers, reliable measures based on contractual prices established in advance are available, revenues may be recognized as earned as time passes	Only when the outcome of a transaction involving the rendering of services can be estimated reliably	Similar
Deferred payment	Discounting to present value is not required	Value of revenues to be recognized is determined by discounting	Different
Multiple elements	Specific criteria are outlined for dividing multiple deliverable into separate units (ETIF 00-21), specific criteria for software services	Recognition criteria are applied to the separately identifiable components of a transaction in order to reflect the substance of the transaction	Similar
Long-term contracts revenue recognition	ARB 45 allows percentage of completion method, completed contract method	IAS 11 allows percentage of completion method, zero profit method	Different
Long term contracts combining and segmenting	Certain criteria must be met	Certain criteria must be met	Similar

Possible approaches to revenue recognition

There are two possible approaches to revenue recognition. The earning process model is used in FASB CON 5 – the revenue is recognized when payment is realized or realizable and the earning process is complete. Application of this model has led to over 200 pieces of guidance on revenue recognition in US GAAP. This is because the earning process is not defined precisely. The earning process model is applied inconsistently across similar transactions. This model attempts to account for revenue directly without considering how assets and liabilities arise and change throughout the exchange with the customer. Because assets and liabilities are ignored, deferred debits and credits sometimes arise that do not meet the definition of assets and liabilities (Memo 2 Revenue recognition). The earning process is a product of US GAAP.

An asset and liability model is the second possible approach to revenue recognition. This model is consistent with existing definitions of revenue in IFRS and US GAAP. Model focuses on the changes in assets and liabilities themselves to determine how much revenue to recognize, because revenue itself is not measured directly. Under this model are not recognized deferred debits and credits that do not meet the definitions of assets and liabilities. In opinions of IASB and FASB, this model lead to more faithful and more consistent depiction of the underlying economics of transactions than the earning process model.

There is a problem in the asset and liability model application – which asset and liability affect revenue. The existing definitions of revenue provide few clues in this area. There is no conceptually right or wrong answer about which assets or liabilities should affect revenue. It depends on the point of view and on

industry. For example, in the timber industry revenue could be defined by changes in the value of the growing timber – as the timber grows, revenue is recognized. FASB and IASB can only select the set of assets and liabilities that are most likely to result in recognized revenue that is decision-useful to user of financial statements. On the other hand, one general definition of revenues in terms of assets and liabilities would preclude affecting the increase in the value of timber as revenue. The revenue recognition definition could focus only on the assets and liabilities that arise from a contract with customers.

By IASB and FASB the general revenue definition based on asset and liability model that focuses on the contract with customer could be: **Revenue is increase in a contract asset or decrease in a contract liability that results from providing goods and services to a customer.** The change in asset or in liability is related to providing goods or services to customers and it is distinguished revenue-generating contracts from other contracts. Revenue arises because goods or services are provided, it leads to an increase in a contract asset or decrease in a contract liability. It is important to understand when goods or services are provided or transferred to a customer. Some criteria to identify when goods or services have been transferred to customer must exist:

- In the case of goods – an entity has transferred assets when the customer obtains control of it,
- In the case of service – when the customer has received the promised service,
- In the case long-term construction contract – an entity satisfies a performance obligation during construction only if assets are transferred to the customer throughout the construction process (the customer controls the partially constructed asset).

Revenue is recognized when:

- An entity obtains a contract in which the underlying rights exceed the underlying obligations,
- The entity subsequently satisfies its obligations in the contract by providing goods or services to the customer.

Table 2. Comparison of two possible approaches to revenue recognition

Item	Asset and liability approach (it is based on assets and liabilities measurement)	An earning process approach
Revenue recognition definition	Revenues are inflows or other enhancement of specified assets of an entity or liability settlement (the contract assets and liability) or combination of the two from sale of goods, service rendering, or other activities that constitute the ongoing major or central entity’s operations (CON 6), Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants (IAS 18)	The revenue is recognized when payment is realized or realizable and the earning process is complete (CON 5)
Characteristics of models	Assets and liabilities model: <ul style="list-style-type: none"> • Relies on the recognition and measurement of assets and liabilities, • Does not recognize deferred debit and deferred credits , • Lead to a faithful and consistent depiction of transactions 	Earning process model: <ul style="list-style-type: none"> • leads to the recognition of deferred debit and deferred credits that do not meet the definition of assets and liabilities, • attempts to account for revenue directly without consideration how assets and liabilities arise and change throughout the exchange with the customer

Measurement of revenue

Revenue arises from recognising and measuring increases in specified assets and decreases in specified liabilities. It means that the amount of revenue to be recognised is determined by considering how much assets and liabilities change in a period. The assets and liabilities are those that arise from contracts with customers. They are measured at their current exit price. It is the price that a market participant would

pay to obtain the remaining rights and obligations in the contract. The amount of revenue is derived from the increase in the price of the contract asset or decrease in the price of the contract liability.

Table 3: Revenue measurement comparison

Item	US GAAP	IAS/IFRS
Revenue measurement	Fair value	Fair value
Fair value definition	The price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date (an exit price) (SFAS 157), it is not the price that would be paid to acquire the asset or received to assume the liability (an entry price)	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (IAS 18.7)
Non-monetary exchange (dissimilar items)	The revenue is measured at the fair value of goods or services surrendered	The revenue is measured at the fair value of the consideration received. (IAS 18.12), where the fair value of the asset received is based on estimates, and uncertainties exist around the measurement of its fair value, revenue should be measured at the fair value of the asset given up

Conclusions

Revenue is a significant part of financial reporting. There are two different approaches to revenue recording. The former is represented by IAS/IFRS, the latter is represented by US GAAP. IASB and FASB initiated joint project on revenue recognition. The quite new common standard on revenue recognition should be a result of this project.

In this paper there are compared current approaches to revenue recognition under both systems. The most significant difference is the general approach to revenue recognition. There are Conceptual Framework where revenue is defined, two standards on revenue recognition and interpretations concerning revenue recognition and measurement (IFRIC 13, IFCIS 15 and SIC 31 – Revenue – Barter transaction involving advertising services) in IAS/IFRS. On the other hand, there are many standards and guidance concerning revenue in US GAAP. Revenue is defined in the Statements of Financial Accounting concepts (CON 5, CON 6). There is not any general standard for revenue recognition under US GAAP. The most significant differences in revenue recognition concern the long-term contracts and deferred payments. Despite this difference, many similarities between both systems exist.

Based on results of comparative analysis which was done in the paper, the preparation of general standard for revenue recognition based on same principles in both systems is necessary.

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