

# [Biovail corporation](https://assignbuster.com/biovail-corporation/)

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The company operating internationally in all aspect of pharmaceutical products. Its major production facility was located in Steinbach, Manitoba. The company merged with Valeant Pharmaceuticals International in 2010. In the United States, Biovail distributed a number of pharmaceutical products which were marketed by strategic partners. On October 30, 2003, Biovail shocked the market by announcing revised guidance for 2004 and its financial results for the third quarter of 2003, which were substantially below prior guidance.

This case is centered on the question of revenue recognition and how the company should have accounted for the sales (FOB shipping point or FOB destination). This case also highlights the role of the SEC in enforcement. Now, David Maris, an analyst at Banc of America Securities (BAS) was trying to interpret the shocking events and finish a stock report to make sure he was giving the best advice to his investment clients. AnalysisRevenue and Earnings ExpectationOn February 7, 2003, Biovail publicly disclosed in a press release its revenue and earnings guidance for 2003.

The revenue range projected for the third quarter of 2003 was U. S. $260 million to U. S. $300 million.

Biovail did not achieve its third quarter 2003 revenue and earnings expectations. Rather, in its October 30, 2003 press release, Biovail reported U. S. $215. 3 million in revenue for that quarter. Contributing significantly to this unfavourable variance was the loss of revenue and income associated with a significant in-transit shipment loss of Wellbutrin XL as a result of a traffic accident.

Few days after the accident happened, Biovail announce that the product on the truck is still salable in the future, but it needs to be returned…