

# Crazy computer

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My opinion to this question is that the Crazy Computer Company cannot recognize the commission revenue at the time of the sale and the revenue should recognize on a timely basis and also the revenue should be amortized and recognize along with the time of the service period. Usually when Crazy Computer sold the extended warranty and It could recognize the revenue at the time of the sale.

Because Crazy Computer has no obligation to the customers since it insure the extended warranty with TIP and reinserts all the risk assumed by the TIP with the ICC. The Job for Crazy Computer was actually Just for sale. And actually Crazy Computer has no obligation to the customer at all. So in this situation the commission revenue satisfy earned revenue and the Crazy Computer can recognize the revenue at the time of sale. According to the 83(b) of Concepts Statement 5: Revenues are not recognized until earned.

An entity's revenue-earning activities involve delivering or producing goods, rendering services, or other activities hat constitute its ongoing major or central operations and 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. Gains commonly result from transactions and other events that Involve no " earning process," and for recognizing gains, being earned Is generally less escalating than being realized or realizable.

However the ICC Is a subsidiary company and wholly owned by the Crazy Computer, which means that the risk actually taken by the same group which Include the Crazy Computer and the ICC. So In this situation, Crazy

Computer' role is not just for the sale of the extended warranty. The Crazy Computer actually the primary obligator to the customers who buy the extended warranty which means that the Crazy Computer is actually taking the risk with reinsured company ICC.

In this case Crazy Computer cannot recognize the revenue at the time of sale according to the ASS 605-20-25-3: Sellers of extended warranty or product maintenance contracts have an obligation to the buyer to perform services throughout the period of the contract and, therefore, revenue shall be recognized in income over the period in which the seller is obligated to perform. So if the Crazy Computer can't recognize the revenue commission at the time of the sale since the ICC is wholly owned by Crazy Computer and become the obligator to the customers.

Usually when Crazy Computer sold the extended warranty and it could recognize to have been earned when the entity has substantially accomplished what it must do from transactions and other events that involve no "earning process," and for recognizing gains, being earned is generally less significant than being realized or realizable. However the ICC is a subsidiary company and wholly owned by the Crazy Computer, which means that the risk actually taken by the same group which include the Crazy Computer and the ICC.

So in this situation, Crazy Computer' role is not just Crazy Computer is actually taking the risk with reinsured company ICC. In this case ASS 605-2()-25-3: Sellers of extended warranty or product maintenance contracts

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