Crazy computers

Technology, Computer

The question at matter is if ICC reinserts extended warranty contracts with TIP sold by C, Is It appropriate for C to recognize commission revenue at the time of sale of the extended warranty contracts? I believe you really have to determine who the true obligator Is, whether It Is still the third party Insurer or If It would now be Crazy Computers because of having a wholly owned subsidiary that Is reinserting warranties sold by Crazy Computers.

Since customers have the option to buy the arrantly from Crazy Computers (C) and there is an obligation that ICC, the wholly owned subsidiary of C. Could reinsert the extended warranty risk of the third party transaction then I believe that C is the primary obligator. Now as for how the recognition is handled, ASS 605 talks about accounting for warranties. It states that " sellers of extended warranty or product maintenance contract have an obligation to the buyer to perform services throughout the period of the contract. Basically this means that revenue should be recognized proportionately over the length of the arrantly obligation. In my opinion Crazy Computers Is the primary obligator and because of this the recognition of revenue should be deferred and recognized appropriately over the period of obligation. Solving Inc. This case discusses the company Direct Drugs Inc. And their plans to acquire Solving Inc. Solving Inc. Has two material agreements with Caraway Pharmacy Inc. One of the case requirements asks what the deliverables for the arrangement described in the case study were.

These being the research and development agreement and a license and distribution agreement. The next requirement asked when the milestone payments received to date by Solving were to be recognized as revenue. The nonrefundable milestones include an exclusive negotiation payment of $1 million dollars paid on December 1, 2009, contract signing payment of $2 million paid on January 1, 2010, a commercial launch of Instrument system Version 1 of $5 million paid March 31, 2010, and 2 more launches of version 2 and 3 that have not yet been paid.

Based on the exclusive negotiation payment would not be agonized in 2009 but would be recognized throughout the 5 year contract life that starts in 2010. The company could recognize $200, 000 in 2010. Also the contract signing payment is something that is not earned at one time but rather over the course of the contract and should be recognized throughout the life of that contract. As for the version 1 payment, the company may recognize the revenue as soon as the delivery of the commercial launch has been made. The requirement only asks for the milestone payments that have been received to by date.