

Hemo tech case 12-04

Finance



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HEMO TECH case Insert of the HEMO TECH CASE Deliverable is a term used in accounting or project management to define tangible or non tangible objects that are produced as a result of undertaking a project that needs to be provided to a client. As such, it may be a document, server upgrade, report or building blocks of the project. Deliverables may also consist of multiple deliverables that are utilized in the general scheme of the project. Further, deliverables consist of an aspect or function of the overall project (Barker, 1990).

In the contract between EXTRACT CO and HEMO-TECH plc, HEMO is supposed to deliver products and services to EXTRACT. In this contract, HEMO had identified a number of deliverable however not all potential deliverables are in the arrangement. The contract involves multiple-deliverable revenue arrangement as stipulated in (ASC) Standard Update No. 2009-13 in October 2009.

Considering whether deliverable items meets the criteria is vital since if they do not meet them , they do not qualify as a separate unit of accounting and could be united with other deliverables in the arrangement. Though this has be adhered to by HEMO following the selling price hierarchy of Vendor Specific Objective Evidence, third party evidence and best estimate is vital for the whole process to work perfectly

Standard codification (ASC) 605-25, which involves the arrangement of multiple elements. ASU 2009-13 provides guidelines that require separate arrangements for multiple deliverables by classifying them into individual units and allocating an amount on each as a unit of accounting (Barker, 1990).

Deliverables in the arrangement

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The deliverable units that HEMO has identified are Installation, 50 boxes of equipment supplies, five units of equipment, one year monitor and test services, report services and three-year screen. However in my opinion, there are other potential deliverables that HEMO has not taken into consideration or identified. In this case, HEMO is to deliver services and before doing, so, it's vital for it to evaluate all deliverables to establish whether they present separate units of accounting. As per the five deliverable mentioned, this can be said to be separate units of accounting, and they should have value to customer on a standalone basis where this means due to the items value. It can be sold as a separate item by any other vender.

Potential deliverables that have not been identified

One of the potential deliverables is the EXTRACT's purchases that exceed the initially requested 50 boxes of the supplies. The reason is that the 33% percent discount will emanate from the first purchases. In addition it will involve a period of three years from the effective date. As such, additional payments and the rate of discount are directly related to the purchases of the first 50 boxes of the supplies. Each extra box will amount to \$ 2000.

The monitor and Test service after the initial year of service but within the five year term may be considered as a potential deliverable. The service offered in the four extra years by HEMO can be considered as a potential deliverable because it is within the five year term that is stipulated in the contract (Favreau, 1996).

Additional BIO-7 that EXTRACT may opt to purchase may be considered as a potential deliverable. Although it may be optional and may call for negotiation of separate purchase order, the deal will have been made on the <https://assignbuster.com/hemo-tech-case-12-04/>

basis of the initial delivery of five units.

Screen and report service after the first three years but within the five year term that HEMO might offer may be considered as a deliverable. The service cost \$1 million per annum.

In conclusion, deliverable is tangible or non tangible objects that are produced as a result of a project provided to a client. This may include building blocks of a specific project, services that are directly linked to the projects or a document that is directly related with the project. Although HEMO named its deliverables, in my opinion, there are other potential deliverables that it needs to look into in order to derive full benefit from the project.

References

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