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Business

Applefor several months has shipped computers with the wireless hardware, the final technical specifications for software for it weren't complete enough to include software to support the genealogy. Now that the technical specifications are complete, Apple said customers " ho want to turn on the hardware will be able to download software to enable this technology from the Apple Web site, provided they pay $1. 9.

Customers purchasing new Apple product that allows laptops and other computers to connect wirelessly to the Internet, and which will be available next month, will include the software enhancement at no extra charge. Addressing the $1. 99 charge in a statement issued late this past week, Apple said the fee was " required in order for Apple to comply Ninth generally accepted accounting principles for revenue recognition. " So why Mould Apple charge customers if it didn't have to?

The company felt it had no choice, based on the accounting outcome that would have resulted had it given the product away, said a person familiar with the matter. In that sense, even if the accounting rules didn't explicitly say such a charge was necessary, that was the result, this person said.

When Apple shipped the computers with the technology now being enhanced, it couldn't defer revenue related to that technology, because there was no market price for the enhancement, the person added.

If Apple had given the enhancement away free, Apple's auditors could have required it to restate revenue for that period and could possibly have required Apple to start in the future to defer all the revenue from computer sales until all such enhancements are shipped, this person SAA d. That would d nave and a devastating impact on Apple. Still, Apple’s language surprised officials who oversee accounting rules. “ Accounting doesn’t require any charge for anything,” says Edward Trout, a member of the Financial Accounting Standards Board, which writes the accounting rules. “ No, GAP doesn’t tell you to do anything.

You need to work out your transaction with your customer, and GAP will tell you how to reflect your transaction with that customer. ” The accounting rules in this case are analogous, accounting experts say, to income-tax rules affecting the sale of stock. If an investor sells shares less than a year after buying, gains are taxed at personal income-tax rates that can range as high as 35%. If the investor sells after holding the stock for more than a year, gains are taxed at the capital-gains rate of 15%. The income-tax rules dictate the amount of tax to be paid, but they don’t tell the person when, or whether, to sell.