

# Case research

Finance



Case research assignment The issue that exists between Barbara Hardy and James Hogan is the issue on revenue recognition. Hogan made a proposal that-

1. the revenue for membership be recognized when the fee for membership
2. the revenue from coupon books be recognized at the time of selling the books, and
3. The down payments that are made for purchase of equipment, and expenses that are associated with the guaranteeing the cross-country and rowing machines should be recognized when the payments are made.

The issues at hand can be salvaged by the use of the accounting principles that exist. The first principle that can be used is the matching principle. The principle states that any costs that are incurred in the generation of revenue that appears in a specified period in the income statement should also appear as an expense on the same income statement. The expenses and revenues should be matched (Furlan, 95).

In terms of revenue recognition, accrual accounting, the revenues that are received are usually recognized in the period that they are realizable and earned and the time cash is received does not matter. In the case of cash accounting, revenue should only be recognized when there is receipt of cash and it does not matter the time services are offered.

Therefore, it should be recommended that the membership revenue and sale of book coupons revenue be recognized when the fee is received. However, the expenses should be recorded when they are incurred even before the payment of the expenses. That will ensure that the profits of the company are neither over nor understated.

Work cited

Furlan, M. Accounting principles. New York; Mac Graw, 1999. Print.