

Case Project for ACCT301 (due 12/2):

1. Requirements for Velocity Cellular Case:

- a. Use Accounting Standard Codification (ASC) 605-25: Revenue Recognition: **Multiple Element Arrangements** to determine and support the appropriate method for recognizing revenue for Velocity Cellular's Power Starterpack. State your reasons and the appropriate ASC to support or not support the following two alternative treatments:

- 1) The activation card is not a separate deliverable and not a separate unit of accounting in accordance with ASC 605-25.
- 2) The activation card is a separate deliverable and a separate unit of accounting in accordance with ASC 605-25.

You should use the criteria listed in ASC 605-25-25-5 (EITF 00-21) when answer the above question.

- b. Use the Codification of Staff Accounting Bulletin on SEC website to determine the appropriate method to recognize any nonrefundable up-front fees such as the activation fees charged by cellular phone companies.

2. Software Revenue Recognition:

- a. A software vendor sold \$300,000 software to a customer. The price includes the software (no addition development or modification needed), the installation of the software and a one-year technique support. If the software can be purchased at a standalone price of \$250,000 and the installation of the software has a fair value of 5,000, how should the company recognize the sales price of \$300,000 upon the delivery and the completion of the installation? You need to provide the supporting documents for your answer (i.e., ASC number).
- b. If an arrangement to deliver a software system, either alone or together with other products or services, requires significant future production, modification, or customization, what is the appropriate revenue recognition for the sales price agreed with its customer? Supporting documents for your answer is required.