

## Revenue, Section 3400

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- .31 An enterprise shall disclose its revenue recognition policy. If an enterprise has different policies for different types of revenue transactions, including non-monetary (barter) sales, the policy for each material type of transaction shall be disclosed. If sales transactions have multiple elements, such as a product and service, the enterprise shall clearly state the accounting policy for each element as well as how multiple elements are determined and valued.
- .32 If sales transactions have multiple elements, the policy may contain items such as a description and nature of such an arrangement, including performance, cancellation, termination or refund-type provisions.
- .32A An enterprise shall disclose each of the following for contracts in progress at the end of the reporting period accounted for using the percentage of completion method:
- (a) the method or methods of measuring the degree of completion;
  - (b) the aggregate amount of costs incurred and recognized profits (less recognized losses) to date;
  - (c) the aggregate amount of advances received, as defined in paragraph 3400.32B;
  - (d) the aggregate amount of holdbacks withheld, as defined in paragraph 3400.32B; and
  - (e) uncertainties affecting the measurement of the degree of completion, in accordance with MEASUREMENT UNCERTAINTY, Section 1508.
- .32B Holdbacks are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed.
- .33 An enterprise shall disclose separately, either on the face of the income statement or in the notes to the financial statements, the major categories of revenue recognized during the period.
- .34 The objective of this disclosure is to assist the reader in understanding the sources of revenue and their effect on the financial statements.
- .35 Judgment is necessary to determine the categories that an entity uses. An entity may separate out sources based on life expectancy (for example, initial and ongoing franchise fees), and significantly differing profit margins or sources that differ from the standard operation of the business (for example, a manufacturing business that has material investment income).
- .35A An enterprise shall disclose the nature and amount of upfront non-refundable fees or payments recognized in revenue when the enterprise recognizes the fee or payment in revenue upon entering into the arrangement.
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