Accounting for iPhone at Apple

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Key Takeaways

- **When to recognize Revenue:**
  - Revenue is recognized when it is considered earned (i.e., when a company satisfies its performance obligation by transferring control of the promised goods or services to the customer) and realized/realizable (i.e., when a company has received payment or reasonably expects to be paid).

- **What is Performance Obligations:**
  - The promise in a contract with a customer to transfer a good or provide a service to the customer.

- **What is Deferred Revenue:**
  - Cash received in advance by a company for goods or services not yet delivered or performed (Liability)

- **What is Liability:**
  - A liability is a probable future economic sacrifices from present obligation of a particular entity to transfer assets or perform services to other entities in the future as a result of past transactions and events

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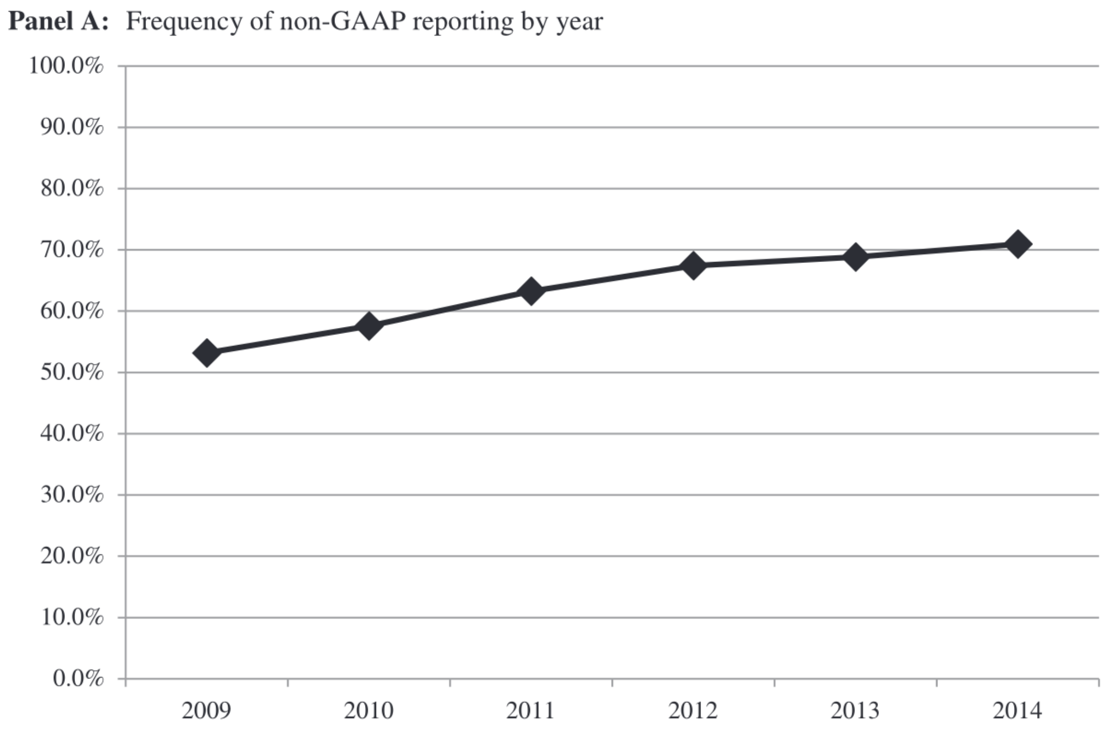
New Revenue Recognition Standard
(effective 2017)

Five-step approach for revenue recognition

STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Identify the contract(s) with a customer.	Identify the performance obligations in the contract.	Determine the transaction price.	Allocate the transaction price to the performance obligations in the contract.	Recognize the revenue when (or as) the entity satisfies a performance obligation.

- Uniform standard across IFRS and U.S. GAAP

Non-GAAP reporting



Non-GAAP earnings (NGE):

- Common and increasing over time*
- NGE tend to *enhance* earnings comparability across firms
- Firms tend to keep NGE measurement consistent over time
- When measurement does change, earnings becomes a better reflection of performance

**Data only available from 2009 to 2014*

From Black, D., Christensen, T., Ciesielski, J., Whipple, B., 2021. “Non-GAAP earnings: A consistency and comparability crisis?” *Contemporary Accounting Research* 38(3): 1712-1747.