

Accounting Procedure - Revenue Recognition

Section 1 - Background and Purpose

(1) This Procedure is applied in accounting for the recognition of revenue arising from the following transactions and events:

- a. government grants and assistance;
- b. student fees and charges;
- c. the rendering of services;
- d. the sale of goods;
- e. interest, royalties and dividends; and
- f. other revenue.

Section 2 - Scope

(2) Refer to the [Accounting \(Financial\) Policy](#).

Section 3 - Policy Statement

(3) Refer to the [Accounting \(Financial\) Policy](#).

Section 4 - Procedure

Measurement of Revenue

(4) Revenue is measured at the fair value of the consideration received or receivable, where in most cases, the consideration is in the form of cash or cash equivalents.

Recognition of Revenue

(5) Revenue is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the following activities as described below.

Government Grants and Assistance

(6) Financial assistance provided by the Australian Government is recognised in the year it was received or when the entitlement for the revenue is established. Most of the government grants and assistance received are considered to be a contribution. A contribution occurs when the University receives an asset without having to give equal value to the other party / parties of the transfer.

(7) If the consideration received is in the form of a contribution, the income is to be recognised as revenue when all of the following conditions have been satisfied:

- a. the University obtains control of the contribution or the right to receive the contribution;
- b. it is probable that the contribution will flow to the University; and
- c. the amount of the contribution can be reliably measured.

(8) Income is therefore, only recognised when the University has control over the contribution, which is usually achieved through receipt or when entitlement for the revenue is established. If the government contributions are received with conditions attached, and contributions have to be refunded if the conditions are not met, then revenue should not be recognised until all of those conditions are met and treated as income in advance or monies held from the government.

Student Fees and Charges

(9) Student fees and charges are recognised as revenue in the year which the service is provided to students. Student fees and charges received that relate to the service to be rendered in the future period are treated as income in advance.

Rendering of Services

(10) Revenue recognition based on contracts to provide services require income to be recognised in stages of completion often as a percentage of services performed to the total of services to be provided as stipulated in the contract.

(11) Revenue associated with the sale of services is recognised by reference to the stage of completion of the transaction at the reporting date when the outcome of a transaction involving the rendering of services can be estimated reliably.

(12) The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied:

- a. the amount of revenue can be measured reliably;
- b. it is probable that the economic benefits associated with the transaction will flow to the University;
- c. the stage of completion of the transaction at the reporting date can be measured reliably; and
- d. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(13) Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the University. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Sale of Goods

(14) Revenue from sales of goods comprises revenue earned (net of returns, discounts and allowances) from the supply of goods or products to entities outside the University.

(15) Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- a. the University has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the University retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;

- d. it is probable that the economic benefits associated with the transaction will flow to the University;
- e. and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest, Royalties and Dividends

(16) Interest income shall be recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the carrying amount shall be reduced to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(17) Fees and royalties paid for the use of the University's assets are recognised on an accrual basis in accordance with the substance of the relevant agreement.

(18) Dividend income is recognised when the dividend is declared by the controlled entity or investee.

Other Revenue

(19) Other revenue represents miscellaneous income and other grant income not derived from core business and is recognised when it is earned

Section 5 - Definition

(20) For the purpose of this Procedure:

- a. The University means La Trobe University.

Status and Details

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