

Research Question Solution

Saturn Entertainment should defer recognizing revenue from its documentary film until the reshooting and updating of the final scene has been completed. Revenue may not be recognized from licensing a film until it is delivered or “available for immediate and unconditional delivery.” (FASB ASC 926-605-25-1) A firm in which significant changes are required to be made after the film was initially available to a customer is not considered delivered until the changes are completed. (FASB ASC 926-605-25-8) Therefore, revenue should not be recognized until delivery on January 31.

The excerpts below were not required to be submitted for this assignment. However, they are given here as an example for when excerpts are required in ACCT 351 and 351COM.

Authoritative Literature

Excerpts

ASC 926-605-25-1

Film Sales

25-1 An entity may enter into a sale agreement or licensing arrangement for a film. A sale occurs when the entity transfers control of the master copy of a film and all the associated rights that go along with it (that is, an entity sells and gives up all rights to a film). **An entity shall recognize revenue from a sale or licensing arrangement of a film when all of the following conditions are met:**

1. Persuasive evidence of a sale or licensing arrangement with a customer exists.
2. **The film is complete and, in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery.**
3. The license period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale.
4. The arrangement fee is fixed or determinable.
5. Collection of the arrangement fee is reasonably assured.

If an entity does not meet any one of the preceding conditions, the entity shall defer recognizing revenue until all of the conditions are met.

ASC 926-605-25-8

Significant Changes

25-8 If a licensing arrangement requires an entity to make significant changes to a film after its initial availability to a customer, the arrangement does not meet the delivery condition in paragraph 926-605-25-1(b). In such instances, the entity shall not recognize revenue until it makes those significant changes and meets all of the revenue recognition conditions of paragraph 926-605-25-1.