Research Question Solution

Shipping and handling fees should be reported at the gross amount of revenue and not netted with other costs. They "represent revenues earned for the goods provided and shall be classified as revenue." (FASB, 2019, ASC para. 605-45-45-20) Furthermore, "shipping and handling costs shall not be deducted from revenue (that is, netted against shipping and handling revenues)." (FASB, 2019, ASC 605-45-45-21)

****You were not required to submit the excerpts below. This is only an example of how excerpts would look.****

605-45-45-19 Many sellers charge customers for shipping and handling in amounts that exceed the related costs incurred. The components of shipping and handling costs, and the determination of the amounts billed to customers for shipping and handling may differ from entity to entity. Some entities define shipping costs and handling costs as only those costs incurred for a third-party shipper to transport products to the customer. Other entities include as shipping and handling costs a portion of internal costs, for example, salaries and overhead related to the activities to prepare goods for shipment. In addition, some entities charge customers only for amounts that are a direct reimbursement for shipping and, if discernible, direct incremental handling costs; however, many other entities charge customers for shipping and handling in amounts that are not a direct pass-through of costs.

605-45-45-20 For those entities that determine under the indicators listed in paragraphs 605-45-45-4 through 45-18 that shipping and handling fees shall be reported gross, all amounts billed to a customer in a sale transaction related to shipping and handling represent revenues earned for the goods provided and shall be classified as revenue.

605-45-45-21 Also, shipping and handling costs shall not be deducted from revenues (that is, netted against shipping and handling revenues).