Research project assignment is posted to the web-site at http://www.econ.ucsb.edu/~anderson/. It is as follows:

This project will require you to research accounting literature. Doing so requires access to the large volume of “rules” and also a tool for “searches”. Both are available using KPMG’s Accounting Research Online tool:

WEBSITE: https://www.aro.kpmg.com as anderson@econ.ucsb.edu. See instructor for password.

You can use the Financial Accounting Research System (FARS) CD-rom if you purchased it with your textbook. Both the KPMG AssuranceSource website and the FARS CD contain all the information required to complete this project and either is acceptable.

FACTS/QUESTIONS:
RAFS, Inc. provides consulting services to various entities. In connection with providing those services, RAFS, Inc.’s President, Robert Anderson, must determine the proper treatment for his “out-of-pocket” expenses. He bills his clients for the out-of-pocket expenses in the amount he himself incurs when providing services. The client’s do not have any involvement in the incurrence of those costs, other than reimbursing RAFS. For instance, Robert recently incurred $850 in charges for a plane-ticket to Austin, TX. He invoiced the client for the amount of his fees, plus a charge of $850 for reimbursement of his “out-of-pocket” expenses.

1. Is there specific literature covering this issue? USE your FARS resource CD to identify the appropriate literature and quote the source. Hint 2001.

2. Should RAFS report the out-of-pocket expenses as a revenue and expense, or as a reduction to the expense (i.e net zero).

3. Support your answer to (2) above with a brief summary and reference to any relevant literature identified in (1) above.

NOTE: Much like in the real-world, you are responsible for taking the initiative. The instructor is available as a boss would be for you to seek guidance from. BUT no guidance will be granted unless a clear effort has been made first by the student. The goal is NOT the right answer, but learning how to perform research.