

ECON 136A RESEARCH PROJECT WINTER 2012

This project will require you to research accounting literature. Doing so requires access to the large volume of “rules” which are now all contained in an online database, the FASB Accounting Standards Codification (ASC).

Link to ASC Materials... <http://econ.ucsb.edu/~anderson/Password/FASBCODIFICATION.htm>

FACTS:

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 the costs which he incurs while traveling for a client. He bills his clients for reimbursement of the travel-related costs 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?
2. Should RAFS report the 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.

COMPLETE ON ONE PAGE PLEASE- This constraint will help you be concise in your response.

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 you learning how to research, support your positions with GAAP, and clearly document this.

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HOW TO REFERENCE THE LITERATURE, an example..

Say that you need to know if a loss contingency should be recorded as a liability and you find in the ASC section 05-5 the answer (which is to record a liability if it is probable and estimable). You could accomplish this as follows:

[FASB Accounting Standards Codification (ASC) 05-5 indicates that a liability should be reported when “a probability threshold for recognition of a loss contingency and that the amount of the loss be reasonably estimable”]

Also note, once you have put that (ASC) in your document the first time, you no longer need to type out all that FASB Accoun.... stuff again, you have defined it as ASC and by typing ASC in your document anywhere *after* you have already defined it, you are golden. If you look at the intro. to this research project, you will see that I have done that in the link to the ASC, in fact I just did it again...