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? 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 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 your learning how to research.