

Your introductory course in accounting is exposing you to basic principles and practices. However, some circumstances require research into more specific accounting rules. These rules come from a variety of authoritative sources. In the USA, the leading body responsible for establishing rules is the Financial Accounting Standards Board, and the primary governing documents issued by this body are the Statements of Financial Accounting Standards. For instance, Statement 48 is entitled *Revenue Recognition When Right of Return Exists*.

You can download a copy of FAS 48 from the FASB website at [www.fasb.org](http://www.fasb.org). You will find it in the "pronouncements" section of the website. Obtain a copy of FAS 48, then respond to the following questions.

- (a) If a customer buys goods on account, is it ordinarily recognized as a sale prior to collection?
- (b) If a customer buys goods on account, but has the right to return goods, what conditions must be met to record the transaction as a sale?
- (c) If the conditions described in part (b) are not met at the time of sale, when would the sale be recorded?
- (d) If a customer buys goods for cash, would your answer to part (b) seem to change? Does cash payment generally impact the decision as to when to record a sale?