

Income Wreck-ognition Roundup

The rules and guidance provided by FASB, the governing body responsible for auditing standards, are subjective. Your auditor will engage in a five-step process to determine what dollar amount of your initial franchise fee may be recognized up-front:

- (1)** identify the contract with the customer (your franchise agreement)
- (2)** identify the distinct performance obligations in the contract (i.e. training, site selection, etc.)
- (3)** determine the transaction price (the franchise fee)
- (4)** allocate the transaction price to the distinct performance obligations
- (5)** recognize revenue when (or as) the franchisor satisfies a performance obligation