

# **CIBA Checklist for Understanding the Client's Revenue Accounting Practices**

The checklist below provides a structured approach for accountants to thoroughly understand and evaluate a client's revenue accounting practices, ensuring that all relevant information is considered, and that the revenue is recognised in compliance with applicable standards.

## **1. Understanding the Business and Its Environment**

- Review the nature of the business and the industry it operates in.
- Identify the major revenue streams of the business.
- Assess the economic and regulatory environment affecting these revenue streams.

## **2. Review of Contractual Agreements**

- Obtain and review copies of typical contracts with customers.
- Identify terms that affect the recognition of revenue (e.g., payment terms, delivery conditions, warranties, return policies).
- Examine variations in contracts across different revenue streams or geographies.

## **3. Revenue Recognition Policies**

- Document the company's formal revenue recognition policies.
- Ensure that these policies align with applicable accounting standards (e.g., IFRS 15, ASC 606).
- Verify the consistency of revenue recognition policies with industry practices.

## **4. Internal Controls Over Revenue**

- Evaluate the design and implementation of internal controls related to revenue recognition and recording.
- Assess roles and responsibilities within the revenue cycle, including segregation of duties.
- Review procedures for recording revenue transactions and adjustments.

## **5. Performance Obligations and Transaction Price**

- Identify performance obligations in contracts.
- Review the process for determining the transaction price, including the treatment of variable consideration.
- Assess methods for allocating transaction price to performance obligations.

## **6. Revenue Recognition Timing and Basis**

- Determine when control of goods or services is transferred to the customer.

- Review policies for recognizing revenue over time vs. at a point in time.
- Examine evidence supporting revenue recognition timing.

### **7. Use of Estimates and Judgments**

- Identify areas where management judgment or estimates are required in revenue recognition.
- Review the basis and rationale for these estimates and judgments.
- Assess the adequacy of disclosures related to significant estimates and judgments.

### **8. Documentation and Evidence**

- Verify the existence of adequate documentation supporting revenue transactions (e.g., sales orders, delivery notes, service completion documents).
- Review reconciliation procedures between the revenue accounting records and reported figures.

### **9. Compliance and Reporting**

- Ensure compliance with local tax laws and international tax considerations affecting revenue.
- Review the completeness and accuracy of revenue disclosures in financial statements.
- Assess compliance with external and internal reporting requirements.

### **10. Review of Historical Adjustments and Errors**

- Examine historical revenue adjustments and reasons for these adjustments.
- Review instances of revenue misstatements or errors and the measures taken to correct them.

### **11. Continuous Improvement and Updates**

- Assess whether the company updates its revenue recognition practices and policies based on changes in standards, regulations, or business operations.
- Recommend improvements or updates to policies as necessary based on findings.