



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS



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FINANCIAL REPORTING STANDARDS IMPLEMENTATION COMMITTEE  
("FRSIC")

**FRSIC Issue No. 17 [2007]**  
**Revenue Recognition for Shipping Freight Services Companies**

**The issue:**

Shipping freight services companies recognize the revenue from incomplete services of liner voyages in the companies operating profit up to the balance sheet date. For voyages which remain incomplete as at the balance sheet date, the freight receivable for cargoes loaded onto vessels up to the balance sheet date and their relevant discharging costs are accrued in the income statement.

FRS 118 *Revenue* Para. 20 states that when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date.

**Current accounting practice as observed by the Submitter:**

Shipping freight services companies do include revenues from incomplete services of liner voyages in its operating profit as at the balance sheet date. The freight receivables are recognized once cargoes have been loaded onto the vessels, and their relevant discharging costs are accrued in the income statement.

**Reasons for the FRSIC to address the issue:**

It has been widely practiced by the shipping freight services companies in Malaysia to recognize the revenue for voyages which remain incomplete as at the balance sheet date, which do not comply with the requirement of FRS 118.

**Submitter's proposal or recommendation to address the issue:**

Shipping freight services companies in Malaysia should recognized revenue based on percentage of completion of the voyage, in-line with various countries, i.e. Singapore, Denmark, UK and Europe. This treatment is consistent with the requirement in paragraph 20 of FRS 118, as when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date.

**Submitted on:**

17 August 2007

Corresponding FRSIC Consensus:

*FRSIC Consensus 8 - Revenue Recognition for Shipping Freight Services Companies* [To view, click on the Consensus title]