

# Investor Communication: Revenue Recognition Practices

Date: [Insert Date]

Dear Investors,

We are committed to transparency in our financial reporting and would like to provide you with an overview of our revenue recognition practices in accordance with the relevant accounting standards.

## Overview of Revenue Recognition

Our company recognizes revenue when it is earned and realizable, which typically occurs when the following criteria are met:

- The contract with the customer has been agreed upon.
- The delivery of goods or services has occurred.
- The price is fixed or determinable.
- Collectibility is reasonably assured.

## Key Practices

1. **Performance Obligations:** We identify performance obligations in our contracts and recognize revenue as those obligations are satisfied.

2. **Principal vs. Agent Considerations:** We evaluate whether we are acting as the principal or agent in transactions to determine the appropriate revenue recognition treatment.

3. **Sales Returns and Discounts:** We estimate sales returns and discounts at the time of revenue recognition to ensure our reported revenue reflects expected outcomes.

## Impact on Financial Statements

The application of our revenue recognition practices impacts our financial statements significantly, particularly in terms of recognizing revenue at the appropriate time and ensuring accurate financial ratios.

## Conclusion

We believe that our revenue recognition practices ensure a true and fair view of our financial performance. We appreciate your continued support and confidence in our company.

Best Regards,

[Your Name]

[Your Position]

[Company Name]