

## **New Formula for Revenue Recognition Likely to Change the Prescription for Pharma Industry**

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**Abstract :** In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and the International Accounting Standards Board (IASB) issued International Financial Reporting Standards (IFRS) 15, Revenue from Contracts with Customers that will supersede virtually all revenue recognition requirements in IFRS and US GAAP. FASB and the IASB have basically achieved convergence with these standards, with only some minor differences such as collectability threshold, interim disclosure requirements, early application and effective date, impairment loss reversal and nonpublic entity requirements. This paper discusses the impact of five-step model prescribed in new revenue standard on the entities operating in Pharma industry. It also outlines the considerations for these entities while implementing the new standard.

**Keywords :** revenue recognition, pharma industry, standard, requirements

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