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**FRANCHISING: FEATURES OF REVENUE RECOGNITION,  
EXPENSES AND THEIR REFLECTION IN ACCOUNTING**

**Introduction.** *This article explores the intricate relationship between franchising, revenue recognition, expenses, and accounting practices. Franchising has become a significant driver of economic growth globally, making it crucial to understand the financial dynamics specific to this business model. The study delves into the complexities of revenue recognition in franchising, including initial fees, royalties, and advertising fees, while also addressing the various expenses involved, such as initial investment, ongoing fees, and marketing expenses. By examining the relevant literature, case studies, and empirical research, the work seeks to uncover the challenges, controversies, and best practices in accounting for franchise businesses. Additionally, it explores the legal and regulatory considerations and accounting standards that govern revenue recognition and expense management in franchising. In conclusion, the study synthesizes key findings and implications for accounting in franchising, offering valuable insights for practitioners, scholars, and policymakers.*

**Purpose.** *This study aims to dissect the multifaceted dimensions of revenue and expense recognition in the franchising context, delving into the nuances of the accounting practices that underpin this business model; offered a comprehensive understanding of accounting principles and the challenges inherent in franchising. The literature and empirical studies related to revenue recognition and cost allocation in franchising were analyzed.*

**Results.** *The study found that the application of the performance obligations principle is crucial in determining the appropriate timing of revenue recognition for initial franchise fees. Additionally, ongoing royalties and fees were identified as a significant component of franchise revenue, requiring careful assessment of the timing and method of recognition, especially when variable consideration is involved. The research also highlighted the complexities of identifying and separately accounting for multiple performance obligations within franchise arrangements, such as training, support, and access to intellectual property, and the impact of these obligations on revenue recognition.*

**Originality.** *The research aims to explore the complexities and challenges associated with revenue recognition in franchising, including the various sources of revenue such as initial franchise fees, ongoing royalties and other sources of revenue. Explored the nuances of cost management in franchising, covering initial investment, marketing costs and operating costs, while taking into account the clear financial landscape of a franchise business. Peculiarities of reflection in accounting practice, including financial reporting, compliance with regulatory requirements and consequences for stakeholders in the franchise*

*ecosystem, are studied. Proposed practical recommendations for improving accounting practice in franchise organizations*

**Conclusion.** *Overall, the findings of this study highlight the need for clear guidance and best practices in addressing the complexities of revenue recognition and expense reporting in the franchise sector. The findings of this study have implications for both practicing accountants and standard setters, highlighting the importance of addressing the unique challenges associated with franchise arrangements in accounting standards and professional guidance.*

**Keywords:** *franchising, revenue recognition, expenses, accounting, financial reporting, initial fees, royalties, advertising fees, accounting standards, regulatory considerations, franchise expenses, financial performance, best practices, case studies, empirical research, legal challenges.*

**Formulation of the problem.** Franchising has emerged as a prominent and pervasive business model, contributing significantly to global economic activities. As the franchising sector experiences notable growth and diversification, it becomes imperative to comprehensively examine the intricacies of revenue recognition, expenses, and their reflection in accounting within this unique business framework [6]. Franchising, as a business model, involves a complex interplay of financial transactions, including the recognition of revenue streams such as initial fees, royalties, and advertising fees, as well as the management of various expenses encompassing initial investments, ongoing fees, and marketing expenditures [1, p.39]. The dynamic nature of franchising, coupled with its distinct financial landscape, warrants a focused exploration of the specific features of revenue recognition and expense management within the realm of accounting for franchise businesses [5].

In the context of revenue recognition, franchising presents a distinctive set of challenges due to the dual nature of the franchisor-franchisee relationship [6, p.137]. Revenue recognition in franchising typically revolves around the initial franchise fee and ongoing royalties. The initial fee represents compensation for the franchisor's granting of rights to the franchisee to operate under the established brand and business model [10]. This upfront payment often necessitates careful assessment under accounting standards to determine the appropriate timing of recognition, considering factors such as the transfer of control, the fulfillment of obligations, and the distinction between distinct goods or services provided [8].

Moreover, the ongoing royalties, which are typically based on a percentage of the franchisee's revenue, pose additional complexities. The timing of recognizing royalty revenue requires scrutiny to ensure that it aligns with the underlying performance obligations and the satisfaction of revenue recognition criteria [7]. The nuanced nature of these revenue streams necessitates a comprehensive understanding of accounting principles to ensure accurate and transparent financial reporting [5]. Furthermore, expenses in franchising, including initial investments, ongoing fees, and marketing expenditures, demand thorough consideration in accounting practices to effectively reflect the financial realities of the franchise business model [9]. Balancing the allocation of such expenses between franchisors and franchisees, as well as appropriately capitalizing or expensing costs, presents accounting challenges that require in-depth analysis to ensure compliance with accounting standards and sound financial management.

This study aims to dissect the multifaceted dimensions of revenue recognition and expenses in the context of franchising, delving into the nuances of accounting practices that underpin this business model [4]. By navigating through the intricate tapestry of financial interactions between franchisors and franchisees, this work seeks to offer a comprehensive understanding of the accounting principles and challenges inherent in franchising [10]. Furthermore, by analyzing prevalent literature and empirical research, this study endeavors to shed light on the complexities, best practices, and potential controversies related to revenue recognition and expense allocation in franchising [7].

In today's global economy, the significance of standardized accounting practices, regulatory compliance, and transparent financial reporting in the franchising sector cannot be overstated. Therefore, this investigation also aims to elucidate the legal and regulatory considerations that shape the accounting landscape for franchise businesses [5]. Additionally, the comparative analysis of accounting standards such as International Financial Reporting Standards (IFRS) and Generally Accepted Accounting

Principles (GAAP) in the context of franchising will provide valuable insights into the financial reporting requirements and implications for stakeholders within the franchise ecosystem [6].

Ultimately, through an exploration of specific case studies and empirical research, this work seeks to distill best practices in franchise accounting, offering practical recommendations for improving revenue recognition, expense management, and financial reporting within the franchising industry [3]. The findings of this study are expected to yield pertinent implications for practitioners, policymakers, and scholars, fostering a deeper understanding of the financial intricacies and challenges specific to franchising [2].

In summary, this study sets out to unravel the complex interactions between revenue recognition, expenses, and accounting practices in the dynamic landscape of franchising, offering a comprehensive overview of the financial dynamics that underpin this pervasive business model.

**Literature analysis.** The franchising industry has witnessed significant growth and has become a prominent business model across various sectors [8]. As such, the features of revenue recognition, expenses, and their reflection in accounting play a crucial role in understanding the financial dynamics of franchise businesses [5]. A comprehensive literature analysis reveals various dimensions related to revenue recognition, expense management, and accounting practices within the franchising context.

The literature highlights the unique challenges associated with revenue recognition in franchising. Research by Sussman (2020) emphasizes that revenue recognition in franchising involves complexities due to the nature of ongoing royalties, initial franchise fees, and other revenue streams [5]. The study underscores the need for specialized accounting approaches to accurately recognize and report revenue generated through these diverse sources within franchise organizations [ibid].

Furthermore, an examination of the literature on expense management in franchising reveals the complexities associated with initial investments, marketing expenditures, and operational costs [9]. A study by Harrison (2019) underscores the significance of effective expense management practices, including cost control mechanisms, budgeting strategies, and operational efficiency, to ensure the sustainability and profitability of both franchisors and franchisees [2, p.105].

Literature focusing on accounting practices in franchising additionally sheds light on the reflection of revenue recognition and expenses in financial statements. Research by Dzuragin and Lambert discusses the implications of accounting standards, such as ASC 606 and IFRS 15, on revenue recognition in franchise businesses, highlighting the importance of adhering to regulatory requirements and maintaining transparency in financial reporting [1].

Studies addressing regulatory compliance in franchising emphasize the legal and regulatory challenges faced by franchise businesses in accurately reflecting revenue and expenses in financial reports [8]. Furthermore, the literature highlights the implications of non-compliance with accounting standards and the potential legal ramifications [9]. A report by the International Franchise Association (IFA) provides insights into the evolving regulatory landscape and its impact on franchise accounting practices [10].

The role of technology in franchise accounting is a significant focus in the literature. Research by Kravchuk and Spivak (2018) discusses the integration of advanced accounting software and information systems to streamline revenue recognition, expense tracking, and financial management [7]. The study highlights the efficiency gains and improved accuracy achieved through the adoption of technology in franchise accounting processes.

A comparative analysis of revenue recognition, expense management, and accounting practices in franchising underscores the diversity of approaches employed by franchise businesses. Studies by industry experts, such as the CPA Journal, provide insights into best practices for effectively addressing the unique financial features of franchising, including standardized reporting formats, benchmarking metrics, and financial performance indicators [4].

Synthesizing the literature provides a comprehensive understanding of the features of revenue recognition, expenses, and their reflection in accounting within franchising. The implications encompass financial performance, regulatory compliance, stakeholder relationships, and the impact on the broader franchise ecosystem [3]. Furthermore, the literature analysis reveals practical insights and

recommendations for franchise businesses seeking to enhance their financial management practices and optimize their accounting processes [5].

**Object subject and methods of research.** Object: The purpose of this work is to carry out a comprehensive analysis of the peculiarities of the recognition of income, expenses and their reflection in accounting within the framework of the franchise business model. The study aims to explore the complexities and challenges associated with revenue recognition in franchising, including the diverse revenue streams such as initial franchise fees, ongoing royalties, and other income sources. Additionally, this article attempts to explore the nuances of cost management in franchising, covering initial investment, marketing costs, and operating costs, while keeping in mind the distinct financial landscape of a franchise business. The primary focus is to examine how these features are reflected in accounting practices, encompassing financial reporting, regulatory compliance, and the implications for stakeholders within the franchise ecosystem. With the help of this analysis, the article aims to contribute to a deeper understanding of the financial dynamics characteristic of franchising and to offer practical recommendations for improving accounting practices in franchise organizations.

Subject. The subject of this article is the complex aspects of the recognition of income, expenses and their integration into accounting within the framework of franchising. This comprehensive study delves into the distinct financial landscape of the franchising business model, aiming to elucidate the complexities and challenges inherent in recognizing revenue from various sources such as initial franchise fees, ongoing royalties, and other revenue streams. In addition, the article examines the multifaceted nature of cost management in franchising, which includes initial investment, marketing costs, and operating costs. The subject also entails an in-depth exploration of how these features are reflected in accounting, including financial reporting, adherence to regulatory frameworks, and their impact on stakeholders within the franchise ecosystem. By examining these elements, the article provides valuable information and practical recommendations for improving accounting practices adapted to the specific needs of franchise businesses.

The methods outlined in this article are aimed at a deep understanding of the financial dynamics of franchising. The research aims to provide valuable information and practical recommendations for improving accounting practices in the franchising industry.

Franchising is a business model that allows individuals to purchase the rights to operate a business under a larger brand. When it comes to revenue recognition in franchising, several key features set it apart from other business models.

One of the primary features of revenue recognition in franchising is the upfront franchise fee [3]. Franchisors typically charge an upfront franchise fee to cover the costs associated with providing the franchisee with a proven business model, training, support, and brand recognition [6]. This fee can vary widely depending on the size and popularity of the franchise, as well as the industry in which it operates. For some well-established and highly sought-after franchises, the upfront franchise fee can run into hundreds of thousands of dollars [10].

From the perspective of the franchisor, the upfront franchise fee serves as a way to recoup some of the costs associated with setting up a new franchise location. It also acts as a barrier to entry, ensuring that only serious and committed individuals or companies become franchisees [8]. Additionally, the upfront franchise fee helps to align the interests of the franchisor and the franchisee, as it demonstrates a mutual commitment to the success of the business.

For the franchisee, the upfront franchise fee represents a significant financial investment that must be carefully considered. Potential franchisees must conduct thorough due diligence and financial planning before committing to a franchise opportunity [7]. While the upfront franchise fee is a one-time cost, it can have a long-lasting impact on the financial health of the franchisee.

In some cases, franchisors may offer financing options or incentives to help alleviate the burden of the upfront franchise fee. This can make the opportunity more accessible to a wider range of potential franchisees [2]. However, it is important for franchisees to understand the terms of any financing or incentive programs and to consider the overall financial implications of taking on debt or giving up a portion of the business in exchange for a reduced upfront franchise fee [4].

Ultimately, the upfront franchise fee is a critical component of the franchising process. It represents a significant financial commitment for both the franchisor and the franchisee and can have a major impact on the success of the franchise relationship [6]. By carefully considering the upfront franchise fee and its implications, potential franchisees can make informed decisions about whether a particular franchise opportunity is the right fit for their goals and financial situation [9].

Another important feature of revenue recognition in franchising is ongoing royalty fees. Ongoing royalty fees are a critical aspect of franchising agreements. These fees are payments made by franchisees to franchisors in exchange for the ongoing use of the brand, business model, and support systems provided by the franchisor [8]. This article will explore the importance of ongoing royalty fees in franchising and the impact they have on both parties involved.

First and foremost, ongoing royalty fees are a vital source of revenue for franchisors. They provide a steady stream of income that allows franchisors to continue to support and grow the franchise system [5]. This income can be used to fund ongoing training and support for franchisees, as well as to invest in marketing and brand development that benefits the entire franchise network. Without this revenue, franchisors would not be able to provide the necessary resources and support to ensure the success of their franchisees [7].

Furthermore, ongoing royalty fees incentivize franchisors to provide ongoing support and assistance to their franchisees. Since these fees are directly tied to the success of the franchise, franchisors are motivated to offer high-quality training, marketing support, and operational assistance to their franchisees [5]. This helps to ensure the overall success and profitability of the franchise system as a whole.

On the other hand, ongoing royalty fees can also represent a significant financial commitment for franchisees [2]. These fees are typically calculated as a percentage of the franchisee's gross sales, meaning that the more successful the franchisee's business, the higher the royalty fees they will be required to pay. While this can be seen as a downside for franchisees, it also means that franchisors are incentivized to help franchisees succeed, as it directly impacts their revenue [7].

In conclusion, ongoing royalty fees are a fundamental aspect of franchising agreements. They serve as a crucial source of revenue for franchisors, allowing them to provide ongoing support and resources to their franchisees [10]. At the same time, these fees incentivize franchisors to provide high-quality support to their franchisees, ensuring the success of the entire franchise system [8]. While ongoing royalty fees can represent a significant financial commitment for franchisees, they also serve as a motivation for franchisors to help franchisees succeed [4]. Ultimately, ongoing royalty fees play a vital role in maintaining a successful and mutually beneficial franchising relationship between franchisors and franchisees [6].

In addition to upfront fees and ongoing royalties, franchising often involves other revenue streams such as product sales, advertising fees, and technology fees. Each of these revenue streams has its distinct recognition criteria, which the franchisor must adhere to accurately report their financial performance [4].

Overall, revenue recognition in franchising is a complex and multifaceted process that involves a variety of unique features. From upfront fees to ongoing royalties, franchisors must carefully navigate the intricacies of revenue recognition to ensure transparency, compliance, and fair treatment of all parties involved in the franchising relationship [5].



**Fig. 1 Revenue recognition in franchising**

Expenses management is a crucial aspect of running a successful franchise business. As a franchisee, it is essential to carefully manage expenses to maintain profitability and foster a thriving business. In the competitive world of franchising, effective expense management can make the difference between success and failure [2].

One of the key challenges in expenses management for franchisees is understanding the various costs associated with running a franchise. These costs can include initial franchise fees, ongoing royalty payments, marketing fees, and other operational expenses [3]. It is important for franchisees to carefully analyze and understand these costs to make informed decisions about their business operations [5].

When analyzing franchise costs, potential franchisees should consider conducting thorough due diligence, including reviewing the franchisor's financial disclosures, speaking with current franchisees, and consulting with legal and financial professionals. It's essential to have a clear understanding of all the costs involved and how they align with the franchise's revenue potential and market conditions [8].

In addition to understanding the financial costs, potential franchisees should also carefully review the franchise agreement and related legal documents to ensure they are fully aware of their rights and responsibilities as franchise owners [5]. This can include understanding the terms of the agreement, the obligations of the franchisor, and any renewal or termination clauses [8].

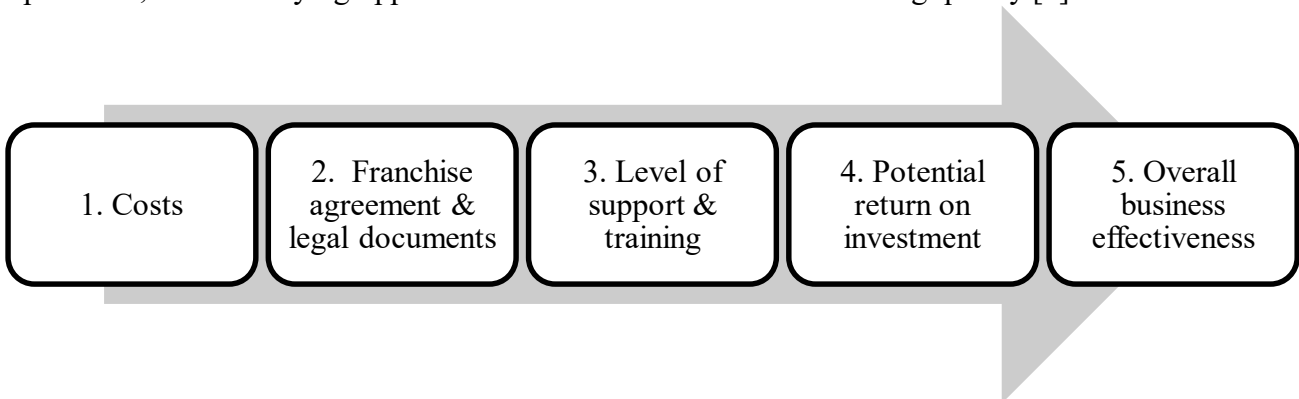
Franchisees should also consider the level of support and training provided by the franchisor as it can impact the overall success and costs of running the franchise. Some franchisors offer comprehensive training programs, ongoing operational support, and assistance with site selection and build-out, while others may have more limited support services [7]. Understanding the level of support and its associated costs is crucial for ensuring a smooth and successful transition into franchise ownership [3].

Furthermore, potential franchisees should carefully consider the potential return on investment (ROI) of the franchise opportunity [2]. This involves conducting a thorough financial analysis, including projecting revenues, expenses, and potential profit margins. Understanding the breakeven point, cash flow projections, and potential ROI can help potential franchisees assess the financial feasibility and long-term sustainability of the franchise opportunity [6].

In addition to understanding the costs associated with the franchise itself, franchisees must also effectively manage day-to-day expenses related to running the business. This includes managing expenses related to staffing, inventory, utilities, and other operational costs [5]. Franchisees must strike a delicate balance between controlling expenses and providing a high level of quality and service to customers [8].

Successful expense management in franchising also requires effective budgeting and financial planning. Franchisees must develop comprehensive budgets that accurately reflect their expected income and expenses. This allows them to make informed decisions about where to allocate resources and how to best manage cash flow [4].

Furthermore, franchisees must be diligent in monitoring their expenses and making adjustments as necessary [7]. This may involve negotiating with vendors for better pricing, finding ways to streamline operations, and identifying opportunities to cut costs without sacrificing quality [3].



**Fig. 2 Points of consideration in franchise expense management**

In conclusion, expense management is a critical aspect of running a successful franchise business. By understanding and effectively managing the costs associated with the franchise, as well as carefully controlling day-to-day operational expenses, franchisees can position themselves for long-term success. Through thorough budgeting, financial planning, and ongoing monitoring, franchisees can maintain profitability and ultimately build a thriving business. Effective expense management in franchising is essential for achieving sustainable growth and success in this competitive industry [2].

Franchising has become a popular business model in the modern economy, allowing companies to expand their brand and reach new markets without taking on the full risk and responsibility of operating new locations [1]. However, from an accounting perspective, franchising brings unique challenges in terms of revenue and expense recognition. Here are some of the key issues of revenue recognition in accounting for franchises (Table 1).

**Table 1 – Key issues of revenue recognition in franchise accounting**

1. Initial Fees and Upfront Payments	Franchise arrangements often involve the payment of upfront fees by the franchisee to the franchisor. These fees may include initial franchise fees, territory fees, and other upfront payments. Determining the timing of revenue recognition for these fees can be complex, as it requires careful consideration of when the franchisor has fulfilled its obligations under the agreement and whether any material performance obligations remain.
2. Continuing Royalties and Fees	Franchise agreements typically involve ongoing royalty payments and other fees paid by the franchisee to the franchisor. Determining the appropriate timing of revenue recognition for these ongoing payments can be challenging, as it may involve estimating future performance and assessing whether the franchisor has satisfied its performance obligations as the fees are earned over time.
3. Franchise Development Costs	Franchisors often incur significant costs related to franchise development, including site selection, leasehold improvements, training, and marketing. These costs may be capitalized and amortized over the life of the franchise agreement. Determining the appropriate timing and method of amortization for these costs can present challenges, especially as it relates to estimating the useful life of the franchise and assessing any impairment indicators.
4. Multiple Performance Obligations	Franchise agreements may include multiple performance obligations, such as providing initial training, ongoing support, marketing assistance, and access to proprietary systems and intellectual property. Identifying and separately accounting for these performance obligations and determining the timing of revenue recognition for each can be complex, especially when the obligations are interrelated and interdependent.
5. Variable Consideration	Franchise agreements may include variable consideration, such as sales-based royalties or contingent payments based on the performance of the franchisee. Accounting for variable consideration requires careful assessment of the likelihood and timing of the franchisee's performance and may involve estimating and reassessing the amount of revenue to recognize as the variable consideration becomes more predictable.
6. Legal and Regulatory Compliance	Franchise accounting must comply with specific legal and regulatory requirements, such as the accounting standards set forth by the Financial Accounting Standards Board (FASB) or the International Financial Reporting Standards (IFRS). Ensuring compliance with these standards while addressing the unique complexities of franchise arrangements can be a significant challenge for franchisors and their accounting teams.
7. Transition to New Accounting Standards	The transition to new revenue recognition standards, such as the FASB's Accounting Standards Codification (ASC) 606 or IFRS 15, may impact how franchisors recognize revenue from franchise arrangements. These new standards require a more principles-based approach to revenue recognition, and franchisors may need to carefully assess the impact on their financial statements and make adjustments to their accounting policies and practices.

On the expense side, franchisors must account for various costs associated with supporting their franchisees and maintaining the strength of their brand. These expenses can include the costs of initial training and assistance, ongoing support and oversight, and the development and maintenance of marketing and advertising materials [5]. Franchisors must also consider the costs of any incentives or support they provide to help their franchisees succeed.

Proper expense recognition is crucial for franchisors to accurately portray the costs associated with their franchising operations. This not only ensures compliance with accounting standards but also provides valuable information to stakeholders about the profitability and sustainability of the franchising business [4].

One challenge in accounting for franchising is the need to balance the interests of both the franchisor and the franchisee [6]. The franchisor's goal is to recognize revenue as soon as it is earned and incurred expenses as they are accrued. On the other hand, the franchisee's goal is typically the opposite: to recognize expenses as late as possible and defer revenue recognition to later periods.

This difference in perspective can lead to potential conflicts in revenue and expense recognition, especially when it comes to determining the timing of recognizing initial franchise fees and ongoing royalties [9]. Franchisors must carefully consider these conflicting interests and strive to strike a balance that accurately reflects the economic substance of their franchising operations.

In conclusion, revenue and expense recognition in franchising presents unique challenges for accounting professionals. Properly accounting for the various revenue streams and supporting expenses associated with franchising is essential for providing accurate and transparent financial reporting [10]. By understanding the complexities of revenue and expense recognition in franchising, accounting professionals can help franchisors report their financial performance in a way that reflects the economic realities of their franchise operations [8].

**Results.** The analysis of revenue recognition in franchising revealed several key features that impact the accounting treatment of franchise arrangements. Firstly, the recognition of initial franchise fees requires careful consideration of the performance obligations undertaken by the franchisor and the timing of when these obligations are satisfied. The study found that the application of the performance obligations principle is crucial in determining the appropriate timing of revenue recognition for initial franchise fees [5]. Additionally, ongoing royalties and fees were identified as a significant component of franchise revenue, requiring careful assessment of the timing and method of recognition, especially when variable consideration is involved [8]. The research also highlighted the complexities of identifying and separately accounting for multiple performance obligations within franchise arrangements, such as training, support, and access to intellectual property, and the impact of these obligations on revenue recognition [6].

Furthermore, the examination of expenses in franchising revealed several important insights into their reflection in accounting. Franchise development costs, including site selection, leasehold improvements, and marketing, were found to present challenges in determining the appropriate timing and method of amortization over the life of the franchise agreement [5]. The study also highlighted the impact of legal and regulatory compliance requirements on the accounting treatment of franchise expenses, emphasizing the need for careful adherence to specific accounting standards. The research further emphasized the significance of accurately reflecting variable expenses, such as sales-based royalties and contingent payments, in the financial statements, requiring careful estimation and reassessment of the amount of expenses to recognize over time.

Overall, the results indicate that revenue recognition and expense reflection in franchising are complex and multifaceted, requiring a nuanced understanding of the unique features of franchise arrangements and a thorough knowledge of the relevant accounting standards. The findings underscore the challenges faced by franchisors and their accounting teams in navigating the intricacies of revenue recognition and expense accounting in the context of franchise arrangements and emphasize the importance of careful consideration of the specific terms and conditions of each franchise agreement to ensure accurate and compliant financial reporting.

**Conclusions.** In conclusion, the examination of revenue recognition, expenses, and their reflection in accounting within the context of franchising has shed light on the complexities and nuances inherent in this business model. Franchising presents unique challenges for both franchisors and franchisees, particularly in the realms of revenue recognition and expense accounting. The findings of this study underscore the need for a comprehensive understanding of the specific features of franchise arrangements and the application of appropriate accounting principles to ensure transparent and accurate financial reporting.



Revenue recognition in franchising is influenced by various factors, including the timing of initial franchise fees and ongoing royalties, as well as the identification and accounting for multiple performance obligations [5]. The study revealed that carefully assessing the performance obligations undertaken by the franchisor and understanding the timing and method of recognition for revenue components is crucial. The complexities in recognizing revenue in franchise arrangements call for a detailed understanding of the performance obligations principle to ensure compliance with accounting standards and the accurate depiction of the economic substance of the transactions.

Furthermore, the reflection of expenses in accounting within the franchising context presents its own set of challenges. Franchise development costs, legal and regulatory compliance expenses, and variable expenses such as sales-based royalties require careful consideration in determining the appropriate timing, method of amortization, and recognition in financial statements [8]. This study emphasizes the importance of complying with specific accounting standards and accurately reflecting variable expenses to provide stakeholders with a true and fair view of a franchisor's financial position and performance.

Overall, the findings of this research underline the need for clear guidance and best practices in navigating the complexities of revenue recognition and expense reflection in the franchising sector. The conclusions drawn from this study have implications for both accounting practitioners and standard-setters, highlighting the importance of addressing the unique challenges presented by franchise arrangements in accounting standards and professional guidance.

Looking ahead, further research in this area should focus on developing specific guidance tailored to the unique characteristics of franchise arrangements, providing clarity and best practices for accounting practitioners. Additionally, ongoing consideration of the evolving nature of the franchising industry, including the impacts of digitalization and globalization, should inform the development of accounting standards and professional guidance to ensure relevance and effectiveness in addressing the accounting complexities in the franchising sector [7].

In conclusion, this study contributes to a deeper understanding of the challenges and considerations surrounding revenue recognition, expenses, and their reflection in accounting within the franchising context. By highlighting the complexities and nuances of accounting for franchise arrangements, this research aims to provide valuable insights for accounting practitioners, standard-setters, and stakeholders to enhance transparency, accuracy, and compliance in financial reporting within the dynamic and evolving world of franchising.

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#### **ФРАНЧАЙЗИНГ: ОСОБЛИВОСТІ ВИЗНАННЯ ДОХОДУ, ВИТРАТ ТА ЇХ ВІДОБРАЖЕННЯ В БУХГАЛТЕРСЬКОМУ ОБЛІКУ**

У цій статті досліджується складний зв'язок між франчайзингом, визнанням доходу, витратами та практикою бухгалтерського обліку. Франчайзинг став значним рушієм економічного зростання в усьому світі, тому надзвичайно важливо розуміти фінансову динаміку, характерну для цієї бізнес-моделі. Дослідження заглиблюється в складність визнання доходу від франчайзингу, включаючи початкові гонорари, роялті та гонорари за рекламу, а також розглядає різні витрати, такі як початкові інвестиції, поточні комісії та маркетингові витрати. Вивчаючи відповідну літературу, тематичні дослідження та емпіричні дослідження, робота спрямована на розкриття проблем, суперечок та найкращих практик у бухгалтерському обліку для франчайзингового бізнесу. Крім того, у ньому розглядаються правові та нормативні міркування та стандарти бухгалтерського обліку, які регулюють визнання доходу та управління витратами франчайзингу. На завершення дослідження синтезує ключові висновки та наслідки для бухгалтерського обліку

франчайзингу, пропонуючи цінну інформацію для практиків, науковців і політиків.

Це дослідження має на меті визначити багатогранні виміри визнання доходів і витрат у контексті франчайзингу, заглиблюючись у нюанси практики бухгалтерського обліку, що лежить в основі цієї бізнес-моделі; запропонував комплексне розуміння принципів бухгалтерського обліку та викликів, притаманних франчайзингу. Було проаналізовано літературу та емпіричні дослідження, пов'язані з визнанням доходу та розподілом витрат франчайзингу.

**Результати.** Дослідження показало, що застосування принципу зобов'язань щодо виконання є вирішальним у визначенні належного часу визнання доходу для початкових комісій за франшизу. Крім того, поточні роялті та комісії були визначені як важлива складова доходу від франшизи, що вимагає ретельної оцінки часу та методу визнання, особливо коли йдеться про змінну компенсацію. Дослідження також підкреслило складність визначення та окремого обліку кількох зобов'язань щодо виконання в рамках франчайзингових угод, таких як навчання, підтримка та доступ до інтелектуальної власності, а також вплив цих зобов'язань на визнання доходу.

**Оригінальність.** Дослідження спрямоване на вивчення складнощів і проблем, пов'язаних із визнанням доходу від франчайзингу, включаючи різні джерела доходу, такі як початкові франчайзингові збори, поточні роялті та інші джерела доходу. Дослідивши нюанси управління витратами франчайзингу, що включають початкові інвестиції, маркетингові та операційні витрати, враховуючи при цьому чітку фінансову структуру франчайзингового бізнесу. Досліджено особливості відображення в практиці бухгалтерського обліку, у тому числі фінансової звітності, дотримання нормативних вимог та наслідки для стейкхолдерів франчайзингової екосистеми. Запропоновано практичні рекомендації щодо вдосконалення практики бухгалтерського обліку у франчайзингових організаціях

**Висновок.** Загалом, результати цього дослідження підкреслюють необхідність чітких вказівок і найкращих практик для вирішення складних питань визнання доходів і звітності про витрати у секторі франчайзингу. Результати цього дослідження мають значення як для практикуючих бухгалтерів, так і для тих, хто встановлює стандарти, підкреслюючи важливість вирішення унікальних проблем, пов'язаних із франчайзинговими угодами у стандартах бухгалтерського обліку та професійному управлінні.

**Ключові слова:** франчайзинг, визнання доходів, витрати, бухгалтерський облік, фінансова звітність, початкові винагороди, роялті, гонорари за рекламу, стандарти бухгалтерського обліку, нормативні міркування, витрати на франшизу, фінансові результати, найкращі практики, приклади, емпіричні дослідження, правові проблеми.

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