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Difficulties in Revenue Recognition and Accounting Optimization under the "Commission + Placement Fee" Model of Live Streaming E-commerce: A Case Study of Small and Medium-sized MCN Institutions

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Abstract. With the rapid expansion of the emerging live streaming e-commerce industry, the "commission + placement fee" model has become the main revenue structure for many small and medium-sized Multi-Channel Network (MCN) institutions. However, this model has posed prominent dilemmas regarding the timing of revenue recognition and the measurement of revenue amounts in accounting practice, which not only affects the authenticity and comparability of financial statements but also brings high tax and compliance risks. ,By adopting method of case study, this paper focuses on small and medium-sized MCN institutions that adopt the "commission + placement fee" model. It aims to systematically dissect the core predicaments in their revenue recognition processes. The research conclusions indicate that through the integration of business and finance and process restructuring, the accuracy, compliance, and management efficiency of revenue recognition of small and medium-sized MCN institutions under this complex business model can be effectively enhanced.

Keywords: Live Streaming E-commerce, MCN Institutions, Revenue Recognition, Commission, Placement Fee

1. Introduction

Live streaming e-commerce has been one of the most disruptive models in China's retail industry over the past decade. By combining the transaction model of e-commerce with the immersive experience of live streaming, this industry has experienced explosive growth and developed into a trillion-yuan industry [1]. As the core link connecting brands, anchors, and platforms, MCN institutions have seen their business models and revenue structures become increasingly complex. Among them, the "commission + placement fee" revenue model is widely adopted by most small and medium-sized MCN institutions: the placement fee is a fixed fee prepaid by brands to obtain live streaming exposure and promotion services, whereas the commission constitutes a variable share determined by the actual sales volume generated from the live streaming sessions. However, this model poses significant challenges to revenue recognition in accounting.

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The "commission + placement fee" model involves a combination of variable consideration (commissions depend on future uncertain sales volume) and fixed consideration (placement fees). Additionally, the services provided by MCN institutions, such as planning, traffic acquisition, live streaming execution, and subsequent data feedback, may constitute multiple performance obligations that need to be fulfilled at different points in time or over a period. For small and medium-sized MCN institutions with limited financial resources and relatively low professionalization levels, the accurate application of these complex standards is difficult.

This paper combines theoretical analysis with case studies to explore the specific difficulties and causes faced by small and medium-sized MCN institutions in each link of revenue recognition under the "commission + placement fee" model, and constructs a set of accounting optimization paths suitable for the actual situation of small and medium-sized MCN institutions.

2. Theoretical foundation and industry background

2.1. Core standard for revenue recognition: the "five-step" model

In accordance with Accounting Standard for Business Enterprises No. 14 - Revenue, the core principle of revenue recognition is that an enterprise shall recognize revenue when it fulfills the performance obligations in the contract, i.e., when the customer obtains control of the relevant goods or services (the customer can dominate the use of the goods or services and obtain almost all economic benefits therefrom) [2]. The "five-step" model consists of the following steps: identifying the contract with the customer, identifying the separate performance obligations in the contract, determining the transaction price, allocating the transaction price to each separate performance obligation, and recognizing revenue when (or as) the performance obligation is fulfilled [3].

2.2. Live streaming e-commerce business model and revenue composition

The live streaming e-commerce industry chain consists of three key links: the upstream supply side, the midstream service side, and the downstream consumer side [4]. Among them, MCN institutions play the role of "super connectors" and "value amplifiers" in the industry chain. By providing professional services, they mitigate the substantial costs incurred by brands in directly engaging with a large number of fragmented anchors and assist anchors in addressing commercialization challenges, enhancing the operational efficiency and value creation capacity of the industry chain.

The "commission + placement fee" model jointly constructs a composite revenue stream for MCN institutions that combines "pre-set fixity and post-set variability". Its core feature lies in its high dependence on the uncertainty of live streaming effectiveness. The pre-set fixed revenue (placement fee) has high certainty and low risk, and is relatively easy to measure. In contrast, the post-set variable revenue (commission) has extremely high uncertainty and large volatility, and its amount depends entirely on the final sales volume achieved by the live streaming. The sales volume is affected by factors such as the anchor's ability, the demand and cost-effectiveness of the product itself, the platform traffic during the live streaming period, competitors' activities, the macro-economy, consumer sentiment, and even unexpected events. This is the biggest difficulty in revenue recognition and a typical example of "variable consideration". According to accounting standards, estimation can only be made within the limit of "highly probable that there will be no significant reversal". The substantial uncertainty surrounding live streaming performance outcomes renders this estimation exceptionally challenging. The impact of the right of return in industries with high return rates also needs to be included in the adjustment of variable consideration.

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2.3. Financial and management characteristics

Firstly, the business model is lightweight. Most small and medium-sized MCN institutions mainly consist of current assets, with a low proportion of fixed assets (such as shooting equipment and office spaces). They only provide services such as anchor incubation, live streaming scheduling, and traffic operation. Their cooperation with brands predominantly adopts a "project-based settlement" approach, and contract terms lack standardization (e.g., the commission settlement cycle is not clearly defined).

Secondly, financial capabilities are weak. Small and medium-sized MCN institutions generally do not have professional financial personnel; instead, administrative staff often take on financial work concurrently, resulting in insufficient understanding of CAS 14. The employee turnover rate is high, especially for anchor and operation positions, leading to discontinuous financial connection.

Thirdly, systems are incomplete. Small and medium-sized MCN institutions lack systematic internal control systems, with no clear processes for contract management, expense approval, and revenue accounting. Most work relies on manual records and verbal agreements, laying hidden financial risks.

3. Difficulties and causes of revenue recognition for small and medium-sized MCN institutions under the "commission + placement fee" model

3.1. Core difficulties in revenue recognition

Firstly, the timing of revenue recognition is ambiguous. Regarding placement fees, some brands require "advance payment of placement fees", but the live streaming may be canceled due to the schedule or platform rule adjustments. In such cases, small and medium-sized MCN institutions often recognize the prepaid placement fees as revenue without accruing "provisions for estimated liabilities". Regarding commissions, the settlement cycle between brands and MCN institutions is usually 15 days after the customer confirms receipt of the goods. However, small and medium-sized MCN institutions often recognize commission revenue immediately upon the conclusion of live streaming sessions without considering commission deductions arising from "customer returns" [5].

Secondly, it is difficult to separate performance obligations. In contracts between small and medium-sized MCN institutions and brands, it is not clearly defined whether the MCN institution "bears product risks": for example, a beauty MCN institution promises "ten-for-one compensation for fake products" during live streaming, but the contract does not stipulate that this liability shall be borne by the brand. In this case, the MCN institution should be regarded as the "principal" and recognize revenue at the gross amount. However, in practice, revenue is still recognized at the net amount, leading to understated revenue.

Finally, there is a measurement deviation in variable consideration. Commissions fall under the category of "variable consideration" and need to be measured based on the amount "highly probable that there will be no significant reversal". However, small and medium-sized MCN institutions lack historical data and often recognize the full amount without considering factors such as returns and platform deductions [6].

3.2. Analysis of the causes of difficulties

Firstly, there is a lack of unified accounting standards in the industry. The live streaming e-commerce industry is still in a stage of rapid development, and there are no financial accounting

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guidelines specifically for MCN institutions. Platform settlement rules vary greatly, resulting in inconsistent accounting standards among small and medium-sized MCN institutions [7].

Secondly, internal enterprise management is not standardized, with many small and medium-sized MCN institutions relying on verbal agreements instead of formal contracts. Provisions on service content, payment terms, performance indicators, and liability for breach of contract are unclear, making it impossible to clarify the basis for revenue recognition. Most small and medium-sized MCN institutions have not established sales and return data tracking systems, resulting in insufficient data support and inability to accurately measure variable consideration.

Finally, the supervision and service system is incomplete. Tax and market supervision authorities have differences or lags in their focus and implementation standards for small and medium-sized MCN institutions under the new model, lacking proactive compliance guidance. At the same time, financial service providers catering to small and medium-sized MCN entities are scarce, resulting in insufficient professional support.

3.3. Case evidence: taking Meiba Culture Media Co., Ltd. as an example

Meiba Culture Media Co., Ltd. is a small and medium-sized MCN with 27 employees. On January 14, 2025, it signed a live streaming contract with the Xiukefu brand. Table 1 shows the core terms.

Table 1. Live streaming contract between Meiba Culture Media Co., Ltd. and Xiukefu

Contract Elements	Specific Provisions	Potential Difficulties in Accounting Judgment
Cooperating Parties and Subject Matter	Meiba Culture assigns the anchor "King Kong Babe Yu" to conduct a 3-hour Douyin special live streaming for "Xiukefu Little Fox Air Cushion".	The starting point for identifying performance obligations.
Service Content	Provide: 1. Release 2 preview videos 3 days before the live streaming; 2. Planning and execution of a 3-hour special live streaming; 3. Post-live streaming data report.	Distinguish whether this is an overall service or multiple distinguishable performance obligations.
Pricing Model	A placement fee of 10,000 yuan, and a commission calculated at 20% of the net sales volume that is actually paid and not returned within 24 hours after the live streaming.	The amount of variable consideration (commission) is highly uncertain.
Payment and Settlement	The placement fee is settled in two installments. The commission is settled on the 15th working day after the live streaming based on the verification data from the Douyin backend.	The timing of cash inflows does not match the timing of revenue recognition, increasing the complexity of accounting.
Special Clauses	A minimum sales volume of 150,000 yuan is guaranteed. If not achieved, Meiba Culture shall refund 50% of the placement fee.	Makes the fixed consideration also variable, greatly complicating the estimation of the transaction price.

Table 1 shows that Meiba Culture faces many dilemmas. The company's finance department has only one staff member and lacks a professional system. Sales data from the live streaming backend needs to be manually exported to an Excel spreadsheet and manually matched with contract information. The financial staff has a poor understanding of concepts such as "variable consideration estimation" and "separation of performance obligations". To simplify operations, the company has long recognized the placement fee as revenue upon receipt and recorded the commission only when the settlement payment is actually received from the brand. Although this method is simple, it seriously violates the accrual basis, resulting in severe fluctuations in the company's financial statement revenue, failure to reflect true performance, and potential tax risks.

This case concentrates the typical dilemmas of small and medium-sized MCNs, including unclear contractual clauses, inadequate internal financial capabilities, and lack of data system support, which

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lead to difficulties in revenue recognition. It shows that the difficulties in revenue recognition are not purely theoretical issues but practical pain points that directly affect the quality of financial reporting, management decision-making, and compliance of these institutions.

4. Optimization paths for revenue accounting of small and medium-sized MCN institutions

4.1. Standardizing the timing and basis of revenue recognition

Firstly, standard rules must be established. The placement fee is recognized as revenue upon completion of the live streaming, with advance payments recorded in "advance receipts" and transferred to revenue after the live streaming is completed. A "three-stage recognition method" is adopted for commissions: preliminary estimation and recognition after the end of the live streaming, adjustments after the return period expires, and final revenue recognition during the settlement period. Secondly, strengthen data-driven practices. The system automatically collects sales and return data in real time by interfacing directly with the live-streaming platform, and it deploys self-triggering validation rules that eliminate manual entry and minimize human error. Finally, promote contract standardization. The contract shall clearly define revenue recognition criteria, with financial personnel involved in reviews to ensure clauses are measurable and verifiable.

4.2. Standardizing the separation of performance obligations

Firstly, establish performance obligation identification standards. Clarify objective standards for determining whether common service items constitute separate performance obligations. Adopt a dual-test method of "independent value + separate purchasability" for evaluation, and formalize judgment conclusions for common business scenarios in the form of a standardized checklist. Secondly, design a reasonable transaction price allocation mechanism. First, determine the total transaction price, then allocate it according to the proportion of the standalone selling price of each obligation; package discounts are generally allocated to all obligations in proportion, and if variable consideration corresponds to a specific obligation, it is fully allocated to that obligation. Finally, retain supporting evidence. The system maintains a complete, time-stamped audit trail that records both the stand-alone selling prices used as reference data and every step of the allocation-calculation process, enabling full traceability and effortless verification.

4.3. Optimizing the measurement method of variable consideration

Firstly, establish a historical data model. Small and medium-sized MCN institutions can count historical return rates by product category. When recognizing commission revenue, measure it according to "sales volume × commission rate × (1 - estimated return rate)", and adjust the difference after the actual return is completed. Secondly, establish a dynamic estimation model. Employ the "expected value method" to compute the estimated amount via probability weighting. At the same time, strictly follow the principle of "highly probable that there will be no significant reversal", and accrue a provision for reducing variable consideration for businesses with a return rate exceeding 30% or unstable cooperation to reduce the risk of earnings management. Finally, adopt the "most likely amount" method. For newly cooperative brands, if there is a lack of historical data, the "most likely commission amount" can be estimated based on the industry average return rate and the brand's credit status to avoid profit fluctuations caused by full recognition.

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4.4. Strengthening internal financial control

Firstly, assign professional financial personnel. Small and medium-sized MCN institutions shall have at least one financial personnel with accounting qualification certificates responsible for contract review, revenue accounting, tax declaration, and other work [8]. Secondly, introduce lightweight financial tools. Use free or low-cost financial software to realize the automation of "contract management - revenue recognition - data statistics" and reduce errors in manual accounting [9,10].

5. Conclusion

This study reveals that small and medium-sized MCN institutions struggle with revenue recognition under the "commission + placement fee" model in live streaming e-commerce due to three main challenges: inaccurate measurement of variable consideration without historical data, difficulty in separating performance obligations due to ambiguous service packages, and ambiguous timing of revenue recognition, often leading to premature recognition of prepaid funds. Root causes include a lack of industry standards, poor enterprise management, and insufficient external guidance. To address these issues, the paper recommends standardizing contracts, refining accounting rules to align revenue recognition with service completion and risk transfer, and enhancing internal controls through professional oversight and data integration, ultimately shifting revenue recognition from post-event accounting to pre-event management.

This paper only selects one small and medium-sized MCN institution for research, and the sample size is limited, so its universality needs to be further verified. Future research may expand the sample scope and develop more granular accounting solutions tailored to different product categories (cosmetics, apparel, food). With the standardization of the live streaming e-commerce industry, regulatory authorities may issue financial accounting guidelines for MCN institutions in the future. Small and medium-sized MCN institutions need to pay attention to policy changes and adjust their accounting methods to achieve a balance between compliance and efficiency.

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