

Revenue Recognition

- ASC 606



As industries, businesses and organizations have evolved, the Financial Accounting Standards Board has recognized the need to remove inconsistencies and weaknesses in existing revenue requirements and provide a more robust framework for addressing revenue issues. The new revenue pronouncement (ASC 606) represents the most significant change in accounting literature in decades and will completely transform how revenue is recognized, affecting nearly all companies. GBQ can help you be out in front of the changes that will affect your financial statements.

Effective Dates



→ Public Companies

- First interim period within fiscal years beginning after December 15, 2017

→ All other entities

- Fiscal years beginning after December 15, 2018



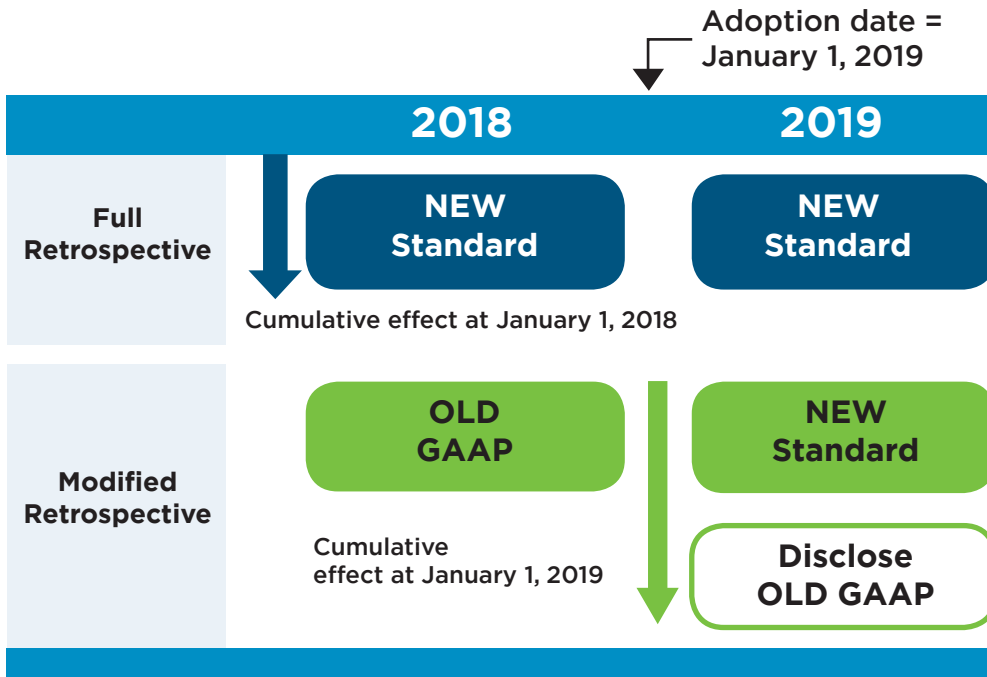
Key Implementation Considerations

- **Contracts** - can be written, oral or implied by customary business practices and multiple contracts can be combined if certain criteria are met
- **Performance Obligations** - companies will need to establish processes to identify and monitor those activities that provide standalone "benefit" to customers
- **Transaction Price** - variable consideration will need to be estimated at inception and impacts the accounting for discounts, rebates, refunds, credits, concessions, incentives, performance bonuses, penalties and contingent payments, among other topics
- **Allocation** - companies will be required to estimate hypothetical "stand-alone" selling prices for bundled arrangements with multiple performance obligations, which may involve significant judgment
- **Disclosure** - expanded to include information regarding disaggregation of revenue, contract assets and liabilities, performance obligations, transaction price (including allocation), and cost capitalization among others
- The new standard also impacts the accounting for contract costs, gross vs. net revenue reporting, warranties, licensing, rights of return and consignment arrangements, among other topics

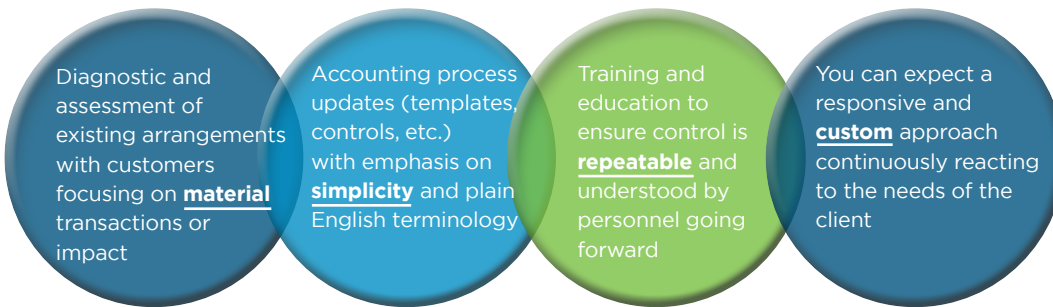


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Transition Process:



GBQ Approach:



For more information, please contact:



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Services GBQ can provide:

- Detailed contract review and diagnostic
- Technical memoranda and accounting policy documentation
- External auditor support
- Revenue recognition templates for accounting department use
- Training and education to personnel
- Internal controls design and compliance, including process documentation
- Transition reporting (full or modified retrospective)
- Multi-location policy conformity
- Staff augmentation/support to broader implementation team
- Consultation regarding the broader implications to finance, including debt covenants, budgeting/forecasting, sales force and incentives

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