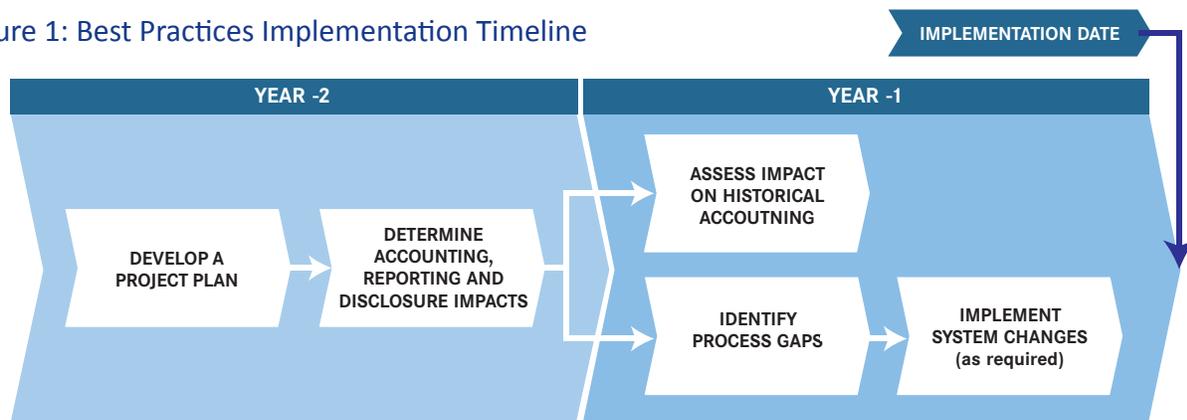


Revenue Changes Coming Soon

What's Coming. New rules are coming soon that will change how companies across industries track and disclose revenue. In FASB's codification, it's Section 606, and it replaces today's rules-based approach to one that's principles-based for all companies, including those that are privately-held. It fundamentally changes the methodology used to measure revenue from arrangement elements to performance obligations. With these changes, companies may have to revise previously-reported revenue significantly, and some historical revenue may be reversed and lost forever. Being prepared and making business changes in advance will give your business a competitive advantage.

We Get it. The stakes are high and the rule changes are significant. Because revenue processes extend throughout the organization, successful adoption of the new standard is requiring companies to assess the transition as a critical project. Internal or external stakeholders are needed for project management and impacted functions – accounting, reporting, tax, internal audit, sales, IT, legal and human resources.

Figure 1: Best Practices Implementation Timeline



At Accretive, we have a 30-year history of leading best practice initiatives for companies ranging from dozens to tens of thousands of employees, including the adoption of the some of the first revenue accounting standards and the adoption of ASC §606.

We Can Help

Develop a Project Plan

Identify process owners, deliverables and timetables. The plan will be developed with the

process owners, and communicated to top management, the Board of Directors and other key stakeholders.

Determine Accounting, Reporting and Disclosure Impacts of New Standard

Based on your business model, our tenured technical accounting experts can assess the impacts of the new standard and develop a comprehensive revenue recognition policy that includes the required methodologies and judgments across all product and service lines. Similarly, we can assess the reporting and disclosure requirements so you can plan accordingly.

Assess Impacts on Historical Accounting

Upon adoption, companies will either have to modify their historical accounting (full retrospective) or quantify and disclose the impact that prior adoption would have had on historical periods (modified retrospective). Our accounting experts can review your historical contracts and quantify the prior modifications or pro forma information that will be required.

Identify Process Gaps

Our process best practice experts can identify gaps in your current processes brought on by the new accounting standard, and develop a project plan to ensure the gaps are closed and a timely adoption achieved.

Implement System Changes (as required)

If system changes are required, our information technology experts can help design and build a solution based upon your current ERP system, an over-the-top revenue application or custom functionality.

CASE STUDY: Evaluate Revenue Recognition Impact Analysis For a Large Medical Support Services Provider

CHALLENGE

A national medical support services company was taking steps to review the new revenue recognition standard including the potential impact to their accounting for revenue. The company requested an independent perspective regarding the adequacy of their analyses and the potential for unidentified impacts. In addition, the company had not prepared a project plan nor did their initial analysis identify how the new revenue recognition standard would impact other functions outside of accounting.

SOLUTION

Working directly with the company's technical accounting group, we performed detailed independent reviews of a sampling of contracts representing the various service offerings within the company. The current accounting treatment of these contracts was compared to the requirements set forth in the new revenue recognition standard and differences in treatment were identified. We identified gaps in the company's approach to assessing the impact to other functions.

RESULT

We validated much of the work that the company had performed around assessing the impact of the new revenue recognition standard and further validated and supported the company's initial analysis of the accounting for revenue under the new standard. Our solution provided a deeper understanding for the company and provided clarity into the company's potential requirements for revenue recognition from its accounting system.

CASE STUDY: Evaluate Revenue Recognition Impact Analysis and Develop Project Plan For a Global Manufacturing Company

CHALLENGE

A global manufacturing company was taking steps to review the new revenue recognition standard including the potential impacts to the company. The company requested an independent perspective regarding the adequacy of their analyses and the potential for unidentified impacts provided the global nature of its business. Although the company started to organize a project plan to identify the potential impact of the new revenue recognition standard across functions outside of accounting, it was limited in scope and depth.

SOLUTION

Working directly with the company's accounting policy group, we performed independent detail reviews of a sampling of contracts representing the various product groups within the company. The current accounting treatment of these contracts was layered against the requirements set forth in the new revenue recognition standard and differences in accounting treatment were identified. We analyzed for potential gaps in understanding of the new standard's impact to the company. Based on the changes identified we expanded the high-level project plan into greater detail within each function of the company and layered estimated timelines for impact consideration, remediation plan development and implementation of needed changes.

RESULT

We validated much of the work that the company had performed around assessing the impact of the new revenue recognition standard and identified gaps that were incorporated into the final impact analysis. The project plan we developed was passed on to the company's internal PMO function for full execution.

We're here to help. With more than 30 years of professional services experience providing coordinated, cross functional team, we stand ready to help our clients address their most pressing challenges.

To arrange a business meeting with one of our experts, contact your local Client Development Manager.