Revenue under ASC 606 – Part 3

ASC 606 is the new revenue recognition guidance that is scheduled to go into effect at various points depending on the entity. Many companies are focusing significant attention on the adoption process.

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Part 3 – Understand the Timelines

This is Part 3 of a 4-part series.

Read Part 1. | Read Part 2. | Read Part 4.

Timelines to ASC 606 adoption are short, which is creating significant urgency and a desire to implement revenue automation at a rapid pace and in short time frames. These accelerated timelines are very understandable, but we caution our clients to evaluate their plans and ensure goals are realistic and attainable. Given the complexity involved in revenue automation, rarely have we seen rushed timelines yield the desired outcomes. More often the opposite is true – rushing causes errors, that result in delays or failed implementations.

Public companies were required to apply the revenue standard by January 1, 2018. Private companies may elect to early adopt in line with public companies or apply the revenue standard by January 1, 2019.

As you plan your implementation make sure you understand the factors that drive effort and implementation duration. Additionally, there are several decisions companies make related to revenue automation and implementation of ASC 606 that impact implementation timeframes.

In Parts 1 and 2 of this article, we covered 2 drivers that impact timelines and need to

Therefore, completing at least Phases 1 and 2 of the adoption approach (outlined in Part 1 of this series) is critical before you can fully engage in the revenue automation initiative. We already explored the fact that conditions surrounding ASC 606 are still evolving, accordingly some change may occur even after you have fully defined your policy. However, the greater the degree of certainty around your accounting policy and positions, the lower the risk of project delays or incorrect outcomes.

Accordingly, make sure your automation plan accounts for the timing of when your company will complete the process of developing the revenue policy. Understanding the degrees of uncertainty, will help you determine how much risk "cushion" you need to include in your timelines.

Selecting Transition Approach

Will you take the "full retrospective" or "modified retrospective" transition approach? There are varying reasons why companies chose one over the other. We have also observed that as timelines to adoption get shorter, companies have less choice, as the amount of effort required for the "full retrospective " approach in some cases may no longer be a feasible option.

The transition approach also impacts revenue automation, especially if your company is hoping to use the revenue automation tool to support the transition. Generally speaking, the full retrospective approach will create significantly more work for both ASC 606 adoption and revenue automation.

Automating ASC 605 and ASC 606

Some companies desire having revenue automation for both ASC 605 (current GAAP) and ASC 606, especially those who have a longer run-way until adoption. Although there is great value in revenue automation, we do caution clients going down this path.

Given how long it could take to implement revenue automation, will you derive

improvement.

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Connor Group has assisted 30+ companies with adoption of the ASC 606 standard and delivered 20,000+ hours on ASC 606 projects. Connor Group has helped 100's of companies navigate the complexities of revenue recognition. We are in the forefront of ASC 606 guidance and adoption, participating in the drafting process of the standard through comment letters, roundtables and direct FASB discussions.

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