CPA
Practice Advisor

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overall implementation of the standard, which has an effective date as early as January 1, 2018, for many organizations.

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Nearly 80 percent of public companies surveyed say they have not completed an assessment of the impacts of the new revenue recognition standard issued by the Financial Accounting Standards Board (FASB). That's according to a recent survey by the audit, tax and advisory firm KPMG LLP.

In addition, 60 percent of respondents indicated that they are running behind

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which is a fairly straightforward step – as compared to designing and implementing system changes that can easily take more than a year," according to Steve Thompson, KPMG's Advisory lead for Revenue Recognition. "Some companies appear to be underestimating the time, effort and resources needed to effectively comply with the standard."

Respondents overall say that their efforts to move forward with implementation have been hampered by competing internal business priorities, human resources constraints, as well as financial limitations. While two-thirds believe implementation costs will total under $1 million, 17 percent foresee spending between $1 million and $2.5 million, and for 16 percent, up to $20 million.

"As more companies complete their assessment activities, they will have better insight into how their internal controls, processes and IT systems need to change, which will likely lead to increases in estimates of implementation costs," advises Thompson.

Respondents were divided as to whether their systems will need to change, or if they will rely on existing systems or manual processes to operationalize the new standard.

"Many companies may find that they are running out of time to make system changes and instead turn to manual processes and controls to implement the standard, leading to increased risk of errors, additional costs, and less efficient operations," added Thompson.

Compliance with New Lease Accounting Rules

Nearly half of all companies surveyed have not begun to assess the impacts of the new FASB lease accounting standard, which has an effective date of January 1, 2019.

“Although the adoption deadline is a few years away, companies should not delay

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Adds Bell, “Leasing is not core to most businesses, so companies may not have an existing lease inventory system to capture the key data required under the new standard. Identifying, analyzing and disclosing the effects of recording leases on the balance sheet are a series of exercises that alone will take significant time, in addition to the lead time required to install a new system. Many companies should consider employing an inventory system as soon as possible and assembling a cross-functional team of personnel to understand broader organizational impacts.”

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