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Dec. 28, 2016

A survey of top finance executives at U.S.-based companies by Intacct shows that finance departments are behind in preparing to transition to new ASC 606 revenue recognition guidelines. Countless headaches lie ahead for companies—from understanding how the new guidelines will impact existing contracts to adjusting

The ASC 606 guidelines issued by the Financial Accounting Standards Board (FASB) will eliminate the transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. Under the new standard, revenue should now be recognized when control of the contracted goods or services are transferred to the customer, and at a level that is commensurate with what has been delivered by that point. According to the American Institute of Certified Public Accountants (AICPA), the new standard has the potential to affect every entity's day-to-day accounting and, possibly, the way business is executed through contracts with customers.

The new accounting standard goes into effect starting at the end of 2017, but the influence of the new guidelines will impact companies much earlier, as any customer contract that extends beyond the start date will be affected. Furthermore, impacted companies will need to recast prior-period financial statements using the new guidelines in advance of the start date in order to provide proper comparative and future guidance to investors.

Familiarity with the Guidelines
Even though ASC 606 is not yet grabbing headlines, most survey respondents were familiar with the new standards, with 55 percent saying they are very or somewhat familiar, and only 13% saying they have never heard of the regulations. But how well are these companies prepared for the sweeping accounting changes? Despite the quickly approaching deadline, a majority of organizations (54 percent) have not even begun the assessment phase of their ASC 606 implementation. More shockingly, 36 percent plan to do nothing until the new standards go into effect, while 24 percent were not sure when they will begin.

"These new accounting guidelines will require many companies to rethink the way they do business—and that planning needs to happen right away," said Robert Reid, CEO of Intacct. “Unfortunately, most finance teams are so overwhelmed by the here

ERP/accounting software will automatically handle the requirements of the new ASC 606 guidelines.

Still, many finance executives seem to be of two minds about the accounting change. The study found that 53 percent believe that implementing new software or updating existing software will be a pain point for their organization. Yet only 18% of respondents are concerned about their company’s ability to handle the new revenue recognition guidelines included in ASC 606.

Companies with even moderately complex customer contracts are going to find that the new rules will have extensive impacts best dealt with by software designed specifically to handle the new requirements. While the changes required by ASC 606 will be felt across the organization, it is clear that finance and IT departments will bear the heaviest burden. Existing financial systems will need to be updated, while finance teams must overhaul existing processes and systems to ensure compliance.

Feeling the Pain
Specifically, the finance executives surveyed expect the following items will be somewhat to very challenging when it comes to implementing the new standard:

Accounting for variable consideration in customer contracts (59 percent) Dual reporting during the transition phase (51 percent) Accounting for costs to obtain/fulfill customer contracts (48 percent)

Accounting