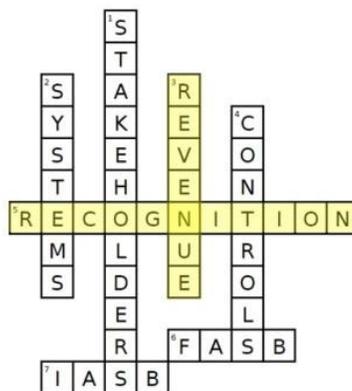




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The new revenue recognition guidelines, proposed jointly by FASB and IASB, will impact multiple areas of affected organizations. They are likely to affect IT systems, internal processes and controls. For many organizations, changes in the way revenue is recognized and reported will generate questions from external stakeholders and concerns from the organization's staff.



With the new revenue recognition guidelines, expect IT systems to be impacted:

- Enterprise resource planning (ERP) systems may need to be upgraded or modified to capture additional data to support the necessary accounting and disclosures. How and when does your ERP system allocate prices for products and services? Does it have the capabilities to accrue for liabilities of goods and services to customers by performance obligation? Is it capable of recognizing transfers to customers of the performance obligations over time using the seven new tests of GAAP, rather than the old four?
- There will likely be a need to report revenue under new and existing guidelines. It will take some time for external stakeholders to get adjusted to the new results being reported and understand how the new reports map to the old way of doing things. In an effort to ease this transition, many organizations will want to report using both guidelines for a pre-determined period of time.

Since the new guidelines often require judgment and use of estimates (both estimated selling prices and variable considerations) to value the performance obligations, internal controls and accounting procedures will need to be reviewed and, in many cases, revised. Do you have a pre-accrual estimation process in place? Do you have post-accrual revision of estimation process in place?

Anticipate external questions. Key financial measures and ratios may change, which could affect analyst expectations.

Expect internal concerns. The new rules may impact sales commissions, bonuses, budgeting, and compliance with contractual covenants. For example, the revenue recognition guidelines are likely to trigger reviews and

changes to organizational sales and contracting processes. Additional thought will need to be given to contract language and sales compensation plans.

How do I go about introducing the new revenue recognition guidelines to my organization?

[Contact GBI for a free Consultation.](#)

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Sherri Schaffroth
National Sales Director, GBI
(919)324-5351

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