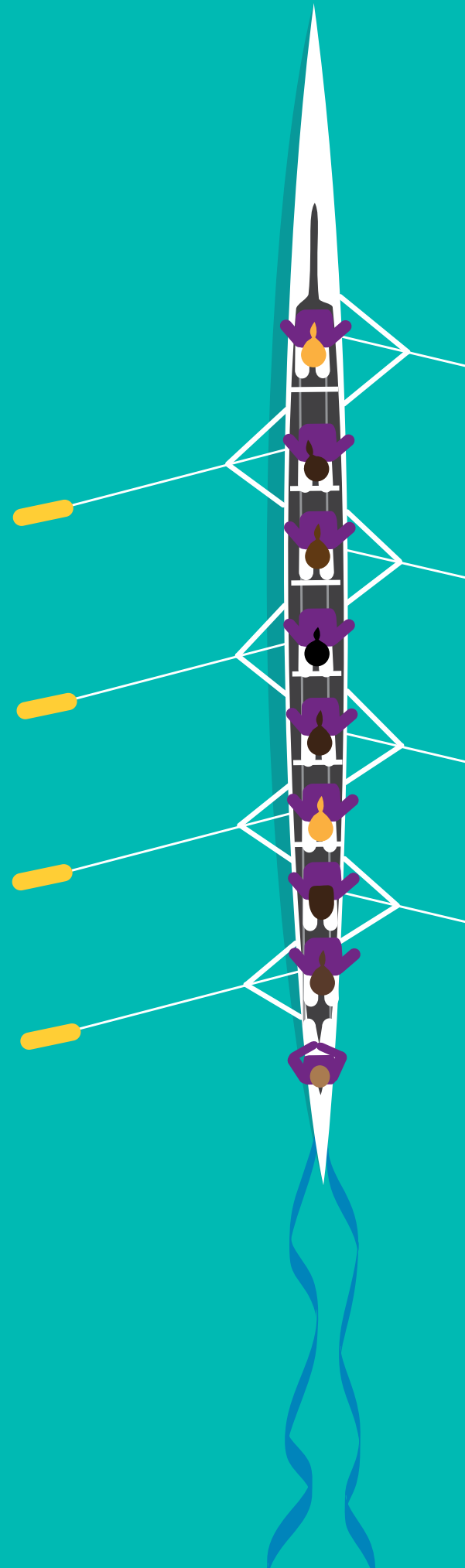




AASB 15 Revenue from Contracts with Customers

**Sweeping changes in revenue
accounting effective for years
beginning 1 January 2018**



Potential impacts for your company

The new accounting standard, AASB 15 *Revenue from Contracts with Customers*, establishes a comprehensive revenue recognition model aimed at enhancing comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The implications of AASB 15 can be pervasive – impacting everything from profitability measures such as EBITDA to requiring changes to systems and processes. Opportunities are present as well. In our experience, the true magnitude of the standard's impact emerges only after a company commences its implementation.

Challenges

- **Revenue** recognition may be **accelerated or deferred**
- **Accounting processes and internal controls** may need to be **revised**
- **KPIs and ratios may be affected**, which could impact share price and access to capital
- **Sufficient resources** to deliver in the timeframe will need to be secured
- Complex new accounting rules will need to be **embedded beyond the finance function** – e.g., sales teams, IT, tax and investor relations teams
- **IT systems** may require change to accommodate new information requirements, allocation methodology and account categories
- Investors will require education on the **change in revenue profile**
- Regulators and auditors will require an **audit trail of analysis performed, judgments made and conclusions drawn**
- Accounts will need to disclose **new judgments and potentially sensitive information** – e.g. average customer lifespan
- **Pre-implementation disclosures** will be required in 2017 accounts
- AASB 9 and AASB 16 are also on the horizon.

Is your company ready for some of the biggest accounting changes for more than a decade?

Opportunities

- Contracts could be renegotiated to achieve **preferred accounting outcomes** and safeguard competitive advantage
- **Revamp budget/forecasting processes**
- **Align internal reporting systems and processes**
- **Product level profitability** and costing – previously hidden by not disaggregating performance obligations – could be revisited
- Any existing /planned **systems transformation projects** could incorporate changes for AASB 15 – and potentially AASB 9 and AASB 16

How KPMG can help



1 Project management

- Manage or support your implementation project with our experienced project managers, taking advantage of our global tools and methodologies to support your project needs.



2 Training sessions

- Delivery of customised training sessions to finance and non-finance personnel



3 Contract review

- Creating an inventory of business lines, locations and revenue streams for impact assessment purposes
- Conducting preliminary accounting treatment assessment by contract
- Performance of gap analysis – changes that will be required compared to existing practice



4 Accounting policy update

- Assistance with formulation of positions on complex accounting issues demanding significant judgment
- Revision of accounting policies, reporting manuals and chart of accounts



5 Assess gaps in current finance systems, processes & controls

- Creating an inventory of affected process flows and systems
- Identification of new information required
- Evaluation of process gaps
- Development of new functional specifications for impacted processes, systems and internal controls
- Assistance with selection of technology and manual revenue accounting solutions



6 Broader impact assessment

- Identification of impact in broader areas such as operations & sales, legal, human resources, and investor relations



7 Transition option assessment

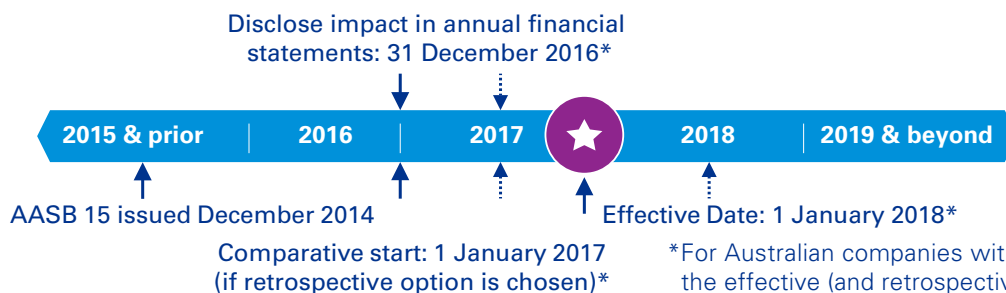
- Evaluation of benefits/drawbacks of each transition option
- Determination of information requirements for the transition adjustment



8 Implementation

- Assistance with building and testing of IT solutions

Implementation timeline



*For Australian companies with 30 June year end; the effective (and retrospective) application dates are 1 July 2018 (and 1 July 2017) respectively.

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