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

© 2017 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name and logo and are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.
How KPMG can help

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.

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

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

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

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

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

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

Implementation
- Assistance with building and testing of IT solutions

Implementation timeline

- **Disclose impact in annual financial statements: 31 December 2016***
- **Effective Date: 1 January 2018***
- **Comparative start: 1 January 2017 (if retrospective option is chosen)***

*For Australian companies with 30 June year end; the effective (and retrospective) application dates are 1 July 2018 (and 1 July 2017) respectively.*
The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2017 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Liability limited by a scheme approved under Professional Standards Legislation.

April 2017 VICN15273AUD.