Grant Thornton
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IFRS 15 - Prepare for revenue recognition standard

Plan for change

A single, global converged revenue recognition model is effective soon and companies should not underestimate the level of preparation required in advance of the effective date. It replaces most existing revenue recognition standards with a single, principles-based standard. This new standard requires more judgment and attention to the documentation supporting those judgments.

Timetable for compliance
IFRS 15 has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The changes to revenue recognition will force:

- companies to develop, deploy and monitor a management structure to ensure effective implementation of changes to a multitude of accounting and reporting processes and procedures;
- companies to review their contracts, including whether contracting practices should change and understand the impact of the standards on current and future contracts; and
- virtually all companies to experience some level of change - controls and processes will change even if reported numbers do not.

Areas where you might encounter change

The new guidance will not only necessitate updates to existing financial accounting policies, procedures and systems, but also will potentially affect internal controls, contracts and compensation, as well as tax accounting. Even if reported amounts do not change materially, significant new disclosures require careful attention.

We believe that most companies should anticipate and budget for the significant effort to address:

- accounting policies and disclosures;
- processes to develop and incorporate many new management judgments into revenue accounting;
- related internal controls that will require updating, if not overhauling, as a result of changes to accounting policies and processes;
- systems to capture, process and report new data;
- revenue-based employee bonus and compensation arrangements;
- corporate and other taxes;
- debt covenant compliance;
- sales contract terms; and
- sales agent agreements.

The core principle

Recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Five step model

1. Identify the contact(s) with a customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise the revenue when or as an entity satisfies performance obligations.

Our integrated approach

Grant Thornton can assist you with implementation of the new revenue recognition standard through advisory professionals who focus on your industry.

Our services include a variety of offerings, ranging from an initial impact assessment to help you focus implementation efforts, through full-scale implementation using our phased implementation methodology tailored for your needs.

Click to view Grant Thorntons IFRS 15 publications

- IFRS 15 New global revenue standard - Life Sciences focus
- IFRS 15 New global revenue standard - Retail focus
- IFRS 15 New global revenue standard - Real Estate focus
- IFRS 15 New global revenue standard - Construction focus

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Methodology

Our rapid planning process methodology is collaborative, with a focused project management approach. Grant Thornton and your team will operate seamlessly together and communicate regularly throughout the process to provide you with the most comprehensive service. The four phases of our methodology, from planning through execution, allow us to demonstrate value to your organisation through our comprehensive approach.

PLAN

Approach
- workshop designed to understand impacts of new standard across the organisation;
- revenue streams evaluated with initial technical accounting impact identified;
- organisation processes reviewed and desired new state discussed; and
- milestone-level implementation plan finalised for all organisational groups affected.

Output
- action plan graded red, amber green in terms of priorities.

ASSESS

Approach
- detailed assessment completed on all Revenue streams, and verified against contracts and transaction; and
- internal controls changes identified and prepared for internal review
- consider whether application of new standard would be applied:
- retrospectively to each period presented; or
- retrospectively with the cumulative effect of initial application recognised in current period.

Output
- impact assessment checklist; and
- detailed technical paper.

DESIGN

Approach
- design process and system changes necessary to meet new accounting standard;
- obtain agreement with internal and external auditors on technical accounting impact changes to financial statements drafted and reviewed with internal and external auditors;
- identify tax reporting changes required to meet new standards; and
- plan communication around changes and impact on the organisation.

Output
- revised controls/policy documents; and
- accounting impact schedule.

EXECUTE

Approach
- implement and manage accounting, process and system changes;
- build a governance model to ensure that changes are successfully implemented and monitored;
- roll out new customer contract terms and conditions if changes result from implementation; and
- manage communications of change drivers and related impacts.

Output
- IFRS 15 compliant accounting process.

Offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.

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