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During the webcast, we’ll provide:

• A high-level overview of the new guidance, including key tax and accounting changes
• The industries most affected by the new standard
• Key dates and actions to consider for successful implementation
• Potential challenges associated with adopting the new standard
• The impact to M&A transactions
OVERVIEW OF THE NEW STANDARD
ASC 606: What are the significant changes?

- **Contracts** must still be legally enforceable, but can be oral or implied based on business practices.
- **Cash basis** revenue recognition is not available when collectability is uncertain. Revenue deferral beyond cash collection may occur.
- **Perpetual and term licenses** are recognized when delivered.
- **Performance obligations** (products/services) are based on customer expectations of the promises to be provided. Must meet two criteria: capable of being distinct and distinct in the context of the contract. Could reach different conclusions under different contracts.
- **Rights of return** are still estimated, but an estimate of value of the returned goods is recorded as an asset.
- **Options** in contracts will result in revenue deferrals if price does not represent stand alone selling price for the good or service.
- **Stand alone selling prices (SSP)** must be estimated for each performance obligation based on management’s estimate.
ASC 606: What are the significant changes?

- **Revenue deferral** is not required if the ultimate transaction price is not fixed. Must estimate variable consideration and changes in estimates impact revenue throughout the term of the contract.

- **Straight line amortization** cannot be defaulted to for revenue recognition. Revenue is recognized based on the pattern of performance.

- **Completed contract method** is not available in situations where estimates of performance cannot be made. However, if an entity does not have a reasonable basis to measure its progress, revenue should not be recognized until progress can be measured.

- **Over time recognition** is based on certain criteria and is required if criteria are met. Pattern of measurement of progress must be selected based on method that best depicts transfer of value and cannot be change methods until performance obligation fully satisfied.

- **VSOE (Vendor Specific Objective Evidence)** requirements are eliminated. Fair value allocations are based on management’s estimate of stand alone selling price (SSP).

- **Cost capitalization is required** in certain situations for costs to obtain a contract (commissions) and costs to fulfill a contract.
5-Step model

Identify the contract with the customer

Contract with the customer is similar to legacy GAAP. Arrangements negotiated as a package must be combined.

Identify the performance obligations in the contract

Performance obligations are similar to deliverables, but they must be both capable of being distinct and distinct within the context of the contract.

Determine the transaction price

Transaction price includes variable consideration, i.e. usage based fees, milestone payments, refunds, concessions, discounts, etc.

Allocate the transaction price

Transaction price is allocated to each performance obligation based on its relative stand alone selling price (SSP). Allocation of variable consideration and discounts must be assessed to determine if certain allocation exception are met (if not met, allocated proportionately to all performance obligations based on SSP).

Recognize revenue

Revenue is recognized at a point in time (i.e. delivery) or over time (as services are provided) based on certain criteria.
Step 1: Contract with the customer

- **Definition of a contract** expanded requiring process and controls to evaluate interactions with customers (no longer require persuasive evidence of an arrangement in the form of customary business practice).

- **Termination provisions** are evaluated to determine the contract term which could impact consideration of transaction price and performance obligation
  
  - *Example*: A 3-year contract with the ability for the customer to terminate after 1 year without penalty is a 1-year contract.

- **Collectability** assessment is more complex and the revenue recognition model used when collectibility is not probable could result in delayed revenue recognition (even with respect to nonrefundable cash collected).

- **Contract modifications** are accounted for under a comprehensive model that provides for different outcomes, including reversal of previously recognized revenue.
## Step 2: Performance obligations

<table>
<thead>
<tr>
<th>Capable of being distinct</th>
<th>Distinct within the context of the contract</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>606</strong></td>
<td></td>
</tr>
<tr>
<td>- Can customer benefit from the goods/services on their own or with readily available resources?</td>
<td>- The promise to transfer the good or service is separately identifiable from other promises in the contract.</td>
</tr>
</tbody>
</table>

**Example**

- Vendor provides services such as website design, advertising, and customer surveys for a campaign
- Consider whether activities are provided by other vendors, are sold separately, and whether they are dependent on one another
- **Conclusion: Capable of being distinct**

- Contract specifies each activity as part of an overall marketing campaign. The payment terms are fixed for the overall campaign and services are not priced separately.
- Consider: If services are interrelated, priced separately, and if the customer can benefit from them individually
- **Conclusion: Each activity may not be distinct within the contract, which would result in the marketing campaign treated as a single performance obligation.**
Step 2: Performance obligations (continued)

• **Promises and performance obligations**
  – Identification and evaluation of contract promises could result in a change in performance obligations that must be accounted for compared to separate elements currently accounted for in multiple-element arrangements.

• **Expense reimbursements** are not considered a separate performance obligation and will be required to be estimated and recognized in accordance with the actual obligation.
  – Example: Expense reimbursements related to professional services will be estimated and recognized based on the pattern of performance for services.
Overview of significant changes

- **Postcontract customer support (PCS)** represents two separate performance obligations in the new standard:
  - When-and-if unspecified updates
  - Telephone/technical support
    - May be able to evaluate pricing and recognition on a combined basis if have same pattern of transfer

- **Warranties** that provide service in addition to the assurance that the product conforms to specifications will be a separate performance obligation and requires revenue allocation

- **Options** are accounted for as separate performance obligations if they provide an incremental benefit that would not have been received without the initial purchase (i.e. “material right”)
Step 3: Determine the transaction price

- **Variable consideration** must be estimated equal to the amount the entity ultimately expects to be entitled to and will be recognized as revenue upon satisfaction of the performance obligation. Examples include:
  - REBATES
  - DISCOUNTS
  - ALLOWANCES
  - PRICE PROTECTION
  - PENALTIES
  - CREDIT
  - PERFORMANCE BONUSES
  - CONCESSIONS
  - SERVICE-LEVEL GUARANTEES
  - REFUNDS/RETURNS
  - INCENTIVES
  - USAGE-BASED FEES
  - RETROSPECTIVE VOLUME DISCOUNTS
  - MILESTONE PAYMENTS

- **Two acceptable methods of estimation** (expected-value or most-likely-amount)
- **Constraint** – cannot recognize amounts if it is probable that a significant reversal of cumulative revenue could occur. Requires evaluation of both likelihood and magnitude and requires ongoing evaluation at each reporting period.
- **Estimates are updated** throughout the term of the contract

- **Significant financing component** guidance is applied to both deferred and advance payments which may result in the recognition of interest income (deferred payment) or interest expense (advanced payment)
Step 4: Allocate the transaction price

- **Multiple-element arrangements:**
  - Revenue allocated to delivered performance obligations is not limited to noncontingent amounts.
  - Vendor specific objective evidence (VSOE) of fair value has been eliminated which may result in the earlier recognition of revenue.
  - Stand alone selling prices (SSPs) must be developed for each performance obligation (which would include contract options that provide a material right) and represents the price an entity would charge for the product or service separately.
  - Allocation of revenue to each performance obligation based on its relative stand alone selling price. Discounts are generally allocated to each item proportionately based on its relative SSP.

- **Royalties** related to licenses of IP are recognized upon the later of when the sale or usage occurs or the satisfaction of the performance obligation related to the IP. Guidance only applies to license of IP and cannot defer recognition until reporting received (must estimate once sales or usage has occurred).
### Step 4: Allocate the transaction price (continued)

#### Allocation example:

<table>
<thead>
<tr>
<th>Performance obligation</th>
<th>Contract price</th>
<th>SSP</th>
<th>Relative SSP</th>
<th>606 revenue allocation (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>1,000,000</td>
<td>1,500,000</td>
<td>71.4%</td>
<td>$1,072,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>200,000</td>
<td>300,000</td>
<td>14.3%</td>
<td>214,000</td>
</tr>
<tr>
<td>Services</td>
<td>300,000</td>
<td>300,000</td>
<td>14.3%</td>
<td>214,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,500,000</strong></td>
<td><strong>2,100,000</strong></td>
<td><strong>100%</strong></td>
<td><strong>$1,500,000</strong></td>
</tr>
</tbody>
</table>
Step 5: Recognize revenue

Timing of revenue recognition

- Recognize revenue when control transfers to the customer
- Criteria for recognizing revenue over time:
  - Customer simultaneously receives and consumes benefits of services, i.e. payroll processing services
  - The company’s performance creates an asset (WIP) that the customer controls as it is created, i.e. building an asset on the customer’s premises
  - The company’s performance creates an asset with no alternative use to the company, (i.e. customized product), and the company has an enforceable right to payment for work completed, including a profit margin
- Consider customer acceptance provisions
  - If company can objectively determine they meet the agreed upon specifications then control may transfer prior to actual customer acceptance
Additional considerations

• **Licenses** are evaluated to determine whether they include a right to use (point in time) or a right to access (over time) intellectual property

• **License renewals** (including in substance renewals) may not be recognized prior to the commencement of the renewal period (change from legacy GAAP)

• **Costs related to customer contracts** including costs to obtain a contract (i.e. commissions) and costs to fulfill a contract (i.e. direct labor) must be capitalized in certain circumstances

• **Balance sheet presentation** requires separate recognition of contract liabilities, accounts receivable and contract assets

• **Disclosure requirements** are significant and likely involve tracking (and disclosing) a variety of information not historically tracked or disclosed
Tax implications

- **Change in tax accounting method** and approval from taxing authorities may be required if the method of revenue recognition and/or related costs changes for financial reporting purposes.

- **Changes in temporary differences** will result in a change to deferred tax assets and liabilities

- **Valuation allowances** may require adjustments due to:
  - Changes in the timing of temporary difference reversals
  - Changes in timing of future taxable income

- **Disclosure requirements** are significant and tax impacts associated with the adoption of the new standard must be disclosed for each financial statement line item
## Key changes: Industry hot points

<table>
<thead>
<tr>
<th>Level of impact</th>
<th>Low</th>
<th>Medium</th>
<th>Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALL</strong></td>
<td></td>
<td>CONSUMER PRODUCTS</td>
<td>SOFTWARE &amp; TECHNOLOGY, ENGINEERING &amp; CONSTRUCTION, ENTERTAINMENT &amp; MEDIA, AEROSPACE &amp; DEFENSE, AUTOMOTIVE, COMMUNICATIONS, PHARMA &amp; LIFE SCIENCES</td>
</tr>
</tbody>
</table>

- **Focus on transfer of “control” instead of risks and rewards of ownership.**
- **Collectibility assessment is more complex, and may result in delayed revenue recognition**
- **Updated contract modification and combination guidance.**
- **Limited method of allocation (SSP basis).**
- **Financing components applied to both deferred and advance payments.**
- **Enhanced disclosures**
- **Updated consignment guidance (focus on control)**

- **Variable consideration requires management judgment and use of estimates. All refunds, returns, discounts, rebates, penalties, and others will require further analysis.**
- **Accounting for return/refund/exchange rights will change. Entities will need to implement new valuation requirements around return assets.**
- **Recognition of revenue over time or at a point in time depends on whether one or more of three specific criteria are met, which will be subject to judgment and legal enforceability.**
- **Certain warranties represent separate performance obligations.**
- **Updated bill-and-hold guidance (less onerous)**

- **Elimination of ALL industry-specific guidance.**
- **Use of the residual method only permitted when pricing is highly variable or uncertain**
- **Performance obligation is both capable of being distinct and distinct within the context of the contract.**
- **Most software license revenue recognized upfront.**
- **Licenses are evaluated to determine whether they include a right to use (point-in-time) or a right to access (over time) IP.**
- **Cannot presume that arrangements accounted for under the percentage-of-completion method under current guidance will continue to be recognized over time.**
- **Royalties will require new estimation techniques.**
- **Costs to obtain or fulfill a customer contract must be capitalized in certain circumstances.**
ORGANIZATIONAL IMPACT CONSIDERATIONS
Non-accounting functional impacts

Information technology
• Compliance will require data that is not currently being collected, aggregated, or reported
• Legacy systems likely have no functionality available to track material rights as separate performance obligations, the start and end dates for contracts whose terms may change, etc.
• Designing, developing, and testing the necessary system modifications could take many months to complete, especially since it will generally require custom software development (not just installation of a standard update)
• The matching of commissions to the elements in an MEA can be challenging
• System implementations generally only involve the processing of transactions on a prospective basis and recasting historical transactions can be time consuming

Legal
• Entities may need to make changes to all new and existing contracts
• ASC 606 assumes that contracts will contain certain elements (e.g., provisions for termination, pricing, and enforcement) that might be handled differently or may be missing or unclear in existing contracts
• Existing contracts will require legal analysis to determine if there are cases where the current contract terms are likely to have an undesirable impact on revenue when the new standards are applied. Entities may choose to revise contracts in order to avoid undesirable impacts
• Legal interpretation may be needed to determine when a contract exists as business practice does not dictate contract existence under ASC 606
Non-accounting functional impacts (continued)

Sales/Marketing
• Will need to ensure that contracts, marketing offers and other programs are communicated and developed in a manner that eliminates undesirable implicit performance obligations or timing of revenue recognition
• For example, a coupon for 20% off a next purchase offered to a previous customer may now be considered a reward for a prior purchase, which may have significant accounting impacts (i.e., tracking a material right)
• There will also need to be updates to the standalone selling price that is derived from sales

Human Resources (Staffing, Training, Compensation)
• HR will need to hire and/or retrain those involved with the implementation effort, which will likely require additional resources and staff
• Training will likely be required for anyone involved in negotiating or reviewing contracts. This includes sales representatives, managers, legal, investor relations, executives, etc. (i.e., not only accounting/finance people)
• Rethink bonus and commission structures based on revenue
  – Likely an impact on bonuses, commissions, and any form of compensation linked to revenue-related metrics
  – Entities may choose to redesign the terms of compensation programs to replicate historical payouts or maintain separate records that recognize revenue under legacy GAAP specifically for compensation purposes.
ADOPTION METHODS
### ASC 606: Key dates for private companies

<table>
<thead>
<tr>
<th>Transition method*</th>
<th>2016/2017 impact</th>
<th>2018 impact</th>
<th>Date of cumulative effect adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full retrospective</td>
<td>Restate revenue from all contracts except those covered by practical expedients</td>
<td>Apply to all contracts</td>
<td>Jan. 1, 2017</td>
</tr>
<tr>
<td>Modified retrospective</td>
<td>No contracts restated</td>
<td>Apply to all contracts or only to incomplete contracts</td>
<td>Jan. 1, 2019</td>
</tr>
</tbody>
</table>

Selection of the modified retrospective approach requires the Company to disclose revenue recognition and cost information under legacy GAAP in the year of adoption, i.e. 2019 if adopting on the required date.
## Transition method pros and cons

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full retrospective</strong></td>
<td><strong>Modified retrospective</strong></td>
</tr>
<tr>
<td>- Provides for greatest comparability</td>
<td>- Generally viewed as being less time consuming</td>
</tr>
<tr>
<td></td>
<td>- Additional time to make favorable adjustments to terms and contracts before adoption</td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td></td>
</tr>
<tr>
<td>- Comparability is somewhat hindered to the extent any practical expedients are elected</td>
<td>- Comparability is hindered to the extent one or more comparative periods are presented</td>
</tr>
<tr>
<td>- Generally viewed as being more time consuming, particularly when:</td>
<td>- Required to provide revenue information based on what revenue would have been in the year of adoption under legacy U.S. GAAP</td>
</tr>
<tr>
<td>- One or more comparative periods are presented</td>
<td>- Requires dual bookkeeping in year of adoption</td>
</tr>
<tr>
<td>- There is a large population of multiyear contracts</td>
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</tr>
</tbody>
</table>
Additional factors to consider

- Disclosure requirements
- Full or modified retrospective method?
- Availability of historical information
- Contract structure and volume of contracts
- Systems and processes
- Need for trends and comparability of financial data – Time to liquidity
- Significance of changes in accounting
- Consider the loss of deferred revenue at the date of adoption related to performance obligations where revenue would have been recognized under 606 earlier than current GAAP

The cost/benefit of trends must be weighed considering the changes to financial metrics and the limitations associated with recasting historical information and the need for changes to IT systems.
CHALLENGES AND OPPORTUNITIES
Challenges

• **Capacity**
  – Many middle market companies don’t have the accounting and finance infrastructure to quickly assess and implement the new standard

• **IT systems, processes and controls**
  – Modifications to or new IT applications, processes and controls
  – Data migration issues and recasting of historical transactions

• **Need for 2 sets of books regardless of adoption method**

• **Engagement of stakeholders from across entity**
  – Impacts finance, treasury, IT, tax and other areas within an organization
  – Impacts due to changes in financial statements and key financial metrics

• **Judgments and estimates**
  – Evaluation and documentation of judgments and estimates will be critical

• **Determination of SSP for deliverables not fair valued historically**
  – Licenses, specified future deliverables, fixed price services, etc.

• **Financial metrics, key performance indicators and capital structure**
  – Impacts revenue, EBITDA, working capital ratios, debt to equity, financial covenants
Challenges (continued)

• **Significant changes and impacts on contract acquisition (i.e. sales commissions) and fulfillment costs**
  
  • Amortization period could extend beyond the contractual term, which requires an estimate of customer/technology life
  
  • Commissions must be aligned with revenue arrangements and allocated among the deliverables where there are multiple performance obligations
  
  • May require analysis of historical commissions and plans may change over time, which requires time and effort to gather data and capitalize costs
  
  • Limited relief from practical expedient
    
    • If amortization period is one year or less can expense as liability is incurred
    
    • Requires careful consideration of renewal options, as well as, commission rates upon renewal
  
  • Accounting for sales commissions
    
    • Expected to be one of the most significant impacts as no longer can expense as liability is incurred unless practical expedient is met
Audit implications

RULES are being replaced by PRINCIPLES

- Increased subjectivity necessitates changes in the following:
  - Financial processes
  - Increased controls (especially over the adoption of the standard)
  - Required level of documentation and support

- Auditors and regulators will scrutinize management’s judgments (often with the benefit of hindsight)

- Auditors will likely expect:
  - Increased involvement throughout the entire implementation process
  - Testing and review of company documentation related to:
    - Contract reviews
    - Revenue streams
    - Standalone selling price methodology
    - Updated policies and procedures
    - Footnote disclosures
  - Control testing over the adoption and new controls post adoption
Opportunities

• **Improvements to existing systems/processes**
  - Implementation involves a review of existing order to cash and procure to pay processes where additional improvements, including automation of manual processes

• **Ability to alter contractual terms and pricing strategies**
  - Contract terms that are either ambiguous or have unfavorable revenue recognition implications can be modified in the pre adoption period if identified early in the process
  - Discounting practices and pricing strategies must be reviewed and monitored. Changes can be made prospectively based on desired revenue model

• **Coordination of functional teams**
  - Coordination of legal, finance, IT, operations and HR for application of the standard can produce operational benefits

• **Trends**
  - Analysis of 606 impacts during diligence for target acquisitions
  - Analysis of trends for portcos that are likely to have a strategic buyer
IMPACTS TO M&A
Impacts to M&A

• **Changes to allocation and timing of revenue**
  - Recurring vs. non-recurring revenue
  - Multiple element transactions impacted

• **EBITDA changes** will occur due to:
  - Changes in timing of revenue recognition
  - Cost capitalization requirements
  - No change to free cash flow

• **Historical Valuation multiples** and trends will change. Recasting difficult. Public companies under 606 and private companies legacy GAAP.

• **Impacts to debt covenants**: EBITDA changes and recognition of additional assets and liabilities

• **Public company acquisitions** of private companies in 2018 will require targets to be compliant within the quarter.

• **Technology changes** may be required
  - Two sets of books needed for some period based on adoption method
  - Technology changes require additional modules or integration with ERP systems

• **Trends are impacted** so careful consideration of the method of adoption and potential recasting of historical transactions should be considered based on potential timing of a liquidity event.
Impacts to M&A

• **New framework** for analyzing transactions, requires more:
  - Additional support, analysis and documentation required by management

• **Early adoption of 606** for new acquisitions of private companies in 2018 should be considered
  - No cumulative effect adjustment if opening balance sheet is fair valued
  - Fair value of deferred revenue is the same under ASC 606 and 605
  - Haircut on deferred revenue is already made on opening balance sheet and all new transactions will be reflected under 606
  - All trends of newco reported under the new standard
  - Customer relationship value is inclusive of deferred commissions
WHERE TO BEGIN
Where to begin

- **Initiate an impact assessment/discovery** process to determine impact at each portfolio company.

- **Consider resource, cost and training** requirements. May be able to train select resources and leverage them across portcos.

- **Segregate portfolio to prioritize:**
  - Time to liquidity
  - Industry groups based on potential impact of standard
  - Competency of management team
  - Availability of resources
  - Size and complexity of operations
  - Geographical focus, i.e. domestic, international, etc.
  - Reporting needs and timing
Where to begin: Impact assessment

- Determine revenue streams
- Sample contracts
- Determine 606 implications
- Review commission plans and assess capitalization
- Determine impact on costs to fulfill

Review

- Cross functional team (IT, sales, finance, legal)
- Assess organizational impacts from 606 changes
- Consider need for changes to processes, IT, contract terms, tax, commissions, pricing

Business requirements

- Select adoption method
- Develop timeline
- Assess resource needs
- Review with auditors

Implementation plan
APPENDIX A: RSM IMPLEMENTATION APPROACH
ASC 606 project approach

- RSM’s initial evaluation and diagnostic are critical first steps to creating the design and implementation of an appropriate solution.
- Our comprehensive approach starts with an impact assessment to assess both the business requirements and potential key areas of impact related to adoption of ASC 606.
- This approach allows the appropriate development of the strategy to implement and institutionalize the required accounting and system changes to provide a timely and effective adoption of ASC 606.

- RSM’s integrated approach continues with developing the technology and implementation strategy to ensure both current and ongoing system and accounting requirements are achieved.
- We will help translate the technical accounting requirements into operational and ERP requirements and business process design as well as implement the appropriate accounting platform to support both current and new revenue guidance.
Impact assessment

Initiation and planning
- Develop project/communication plans & identified and mobilized project team
- Complete ASC 606 questionnaire
- Conduct formal project kickoff
- Develop agendas for onsite discovery
- Obtain understanding of business strategy, organizational overview and business systems

Business requirements and contract analysis
- Obtain an understanding of the current revenue recognition model
- Perform a review of a sample of contracts for each revenue stream
- Review commission plans and direct costs to fulfill and determine capitalization requirements
- Evaluate current technology environment and business systems requirements
- Define future state technology direction

Define ASC 606 impact
- Assess the applicability of practical expedients and policy elections
- Prepare an impact assessment, identifying the key impacts of 606, including systems/data gaps
- Evaluate and developed approach to address key judgments
- Assist with determination of the appropriate adoption method
- Meet with external auditors to discuss findings and preliminary conclusions
Implementation

Develop technology and implementation strategy
• Evaluate business requirements against viable technology vendors
• Develop implementation scope, timeline, and budget as well as dual accounting strategy
• Develop historical recast implementation strategy and migration strategy for contracts in progress
• Assist with the aggregation and capitalization of costs

Implement standards changes
• Perform a “deep dive” review of an increased sample of contracts for each revenue stream
• Draft policy memos (revenue, pricing, implementation) and position papers
• Develop a stand-alone selling price (SSP) methodology for each performance obligation
• Prepare disclosures in the year prior to adoption
• Frequently interacted with external auditors and the audit committee
• Configure and test selected sample contracts under 606 for comparison with selected technology
THANK YOU FOR YOUR TIME AND ATTENTION
Additional insights – ASC 606

Revenue Recognition Resource Center

RESOURCE CENTER

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which added Topic 606 to the FASB’s Accounting Standards Codification (ASC) and will replace almost all pre-existing revenue recognition guidance in legacy generally accepted accounting principles (GAAP) with a robust framework for addressing how an entity should account for its revenue. Implementation by calendar year-end public entities must occur no later than January 1, 2018 and by other calendar year-end entities no later than the year ending December 31, 2019.

This resource center provides access to high-level and detailed information about the new revenue recognition guidance:

- Overview of ASC 606
- Industry insights
- Tax implications
- Implementation guidelines

www.rsmus.com/revrec
Lease Accounting Resource Center

RESOURCE CENTER

On February 28, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), its long- awaited final standard on the accounting for leases. This brings a revolutionary change in lease accounting that will affect entities across all industries. The new standard requires lessors to recognize most leases on their balance sheet. It will also significantly affect the accounting for certain leases and may result in key impacts on an entity’s finances and operations which may mean that companies will need to implement new application solutions to manage these requirements.

This resource center provides access to high-level and detailed information about the new lease standard and items to consider for adoption and implementation.

Overview of ASU 842

Implementation and adoption

www.rsmus.com/asc842
Thank you for attending!

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