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ASC 606 Readiness

The largest accounting shift since Sarbanes-Oxley is right around the corner. The new ASC 606 revenue recognition standard goes into effect at the start of 2018 for public companies and the start of 2019 for private companies. How ready are you?

By now, you likely know that there is a new revenue recognition standard that will soon be effective. And you've probably heard *warnings* of the “many implications,” “changing business model,” or “full transformation” that will be required in order to be compliant in time.

So what are the basics that you need to know about the standard? Let's take a look at them, starting with step No. 1 of its five-step process.

- 1. Determine whether you have a contract.** (*Translation: Do we have a deal?*)
- 2. Identify the performance obligations.** (*Translation: Who's doing what?*)
- 3. Determine the transaction price.** (*Translation: What do you expect to be owed?*)
- 4. Allocate the transaction price.** (*Translation: Split it up.*)
- 5. Recognize revenue when (or as) performance obligations are satisfied.** (*Translation: I have earned my money.*)

When Will The Final Accounting Standards Update Be Effective?

Based on the Board's decision, public organizations should apply the new revenue standard to annual reporting periods beginning after December 15, 2017. Nonpublic organizations should apply the new revenue standard to annual reporting periods beginning after December 15, 2018.

Public organizations should apply the new revenue standard to interim reporting periods within annual reporting periods beginning after December 15, 2017 (that is, a public organization is required to apply the new revenue standard beginning in the first interim period within the year of adoption). Nonpublic organizations should apply the new revenue standard to interim reporting periods within annual reporting periods beginning after December 15, 2019 (that is, a nonpublic organization is not required to apply the new revenue standard in interim periods within the year of adoption).

Additionally, the Board decided to permit both public and nonpublic organizations to adopt the new revenue standard early, but not before the original public organization effective date (that is, annual periods beginning after December 15, 2016). A public organization should apply the new revenue standard to all interim reporting periods within the year of adoption. A nonpublic organization is not required to apply the new revenue standard in interim periods within the year of adoption.

We Can Help

If you need help implementing the provisions of this new standard, please contact Kevin R. Cashion, CPA/Partner by phone at 903-534-0088 or e-mail at kevin@gmcpa.com.