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2016 Engineering & Construction Conference

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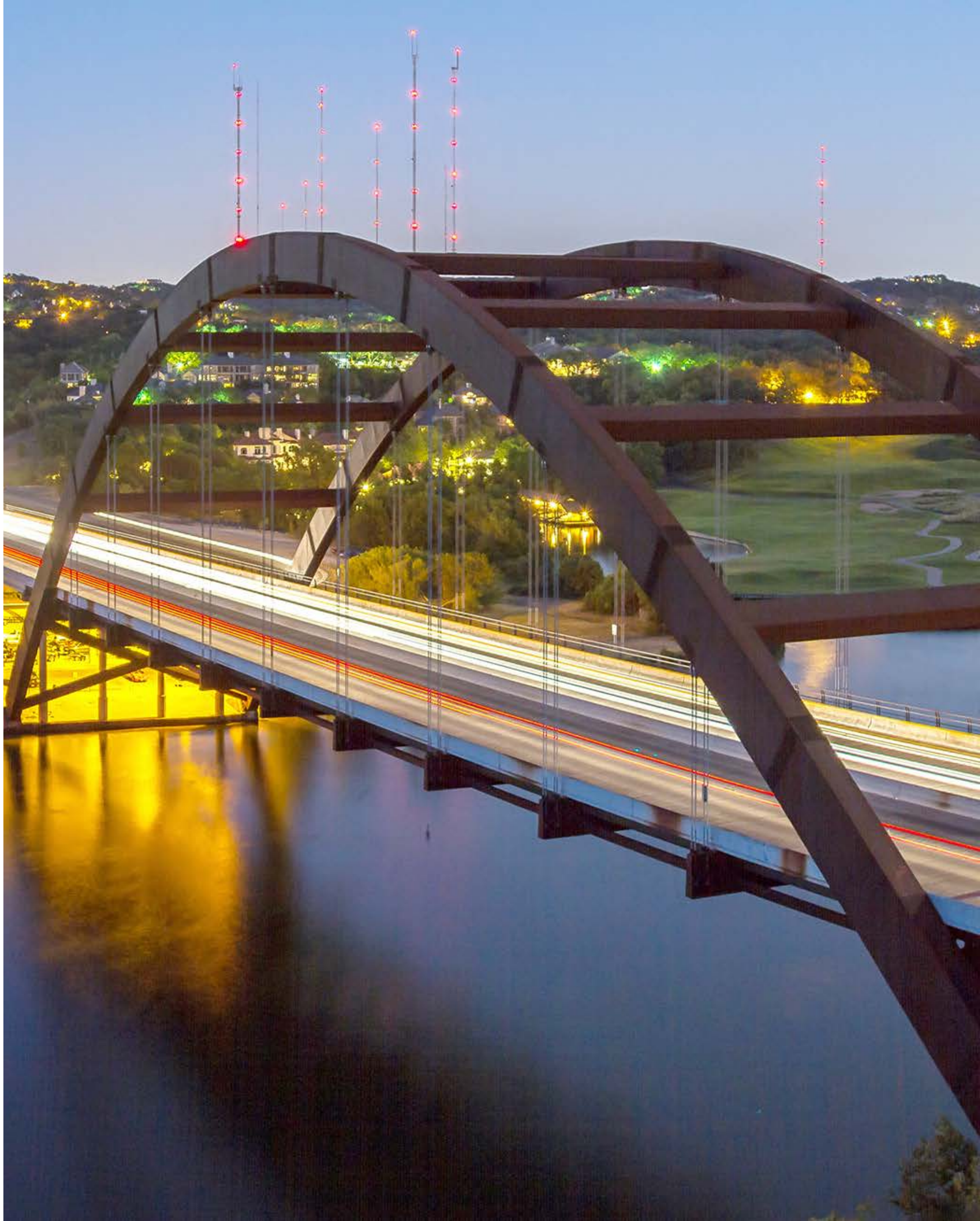

Breakout: Are You Prepared for FASB's New Revenue Recognition Standard?

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4:00 – 5:30 p.m..

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Are you prepared for FASBs new revenue recognition standard?

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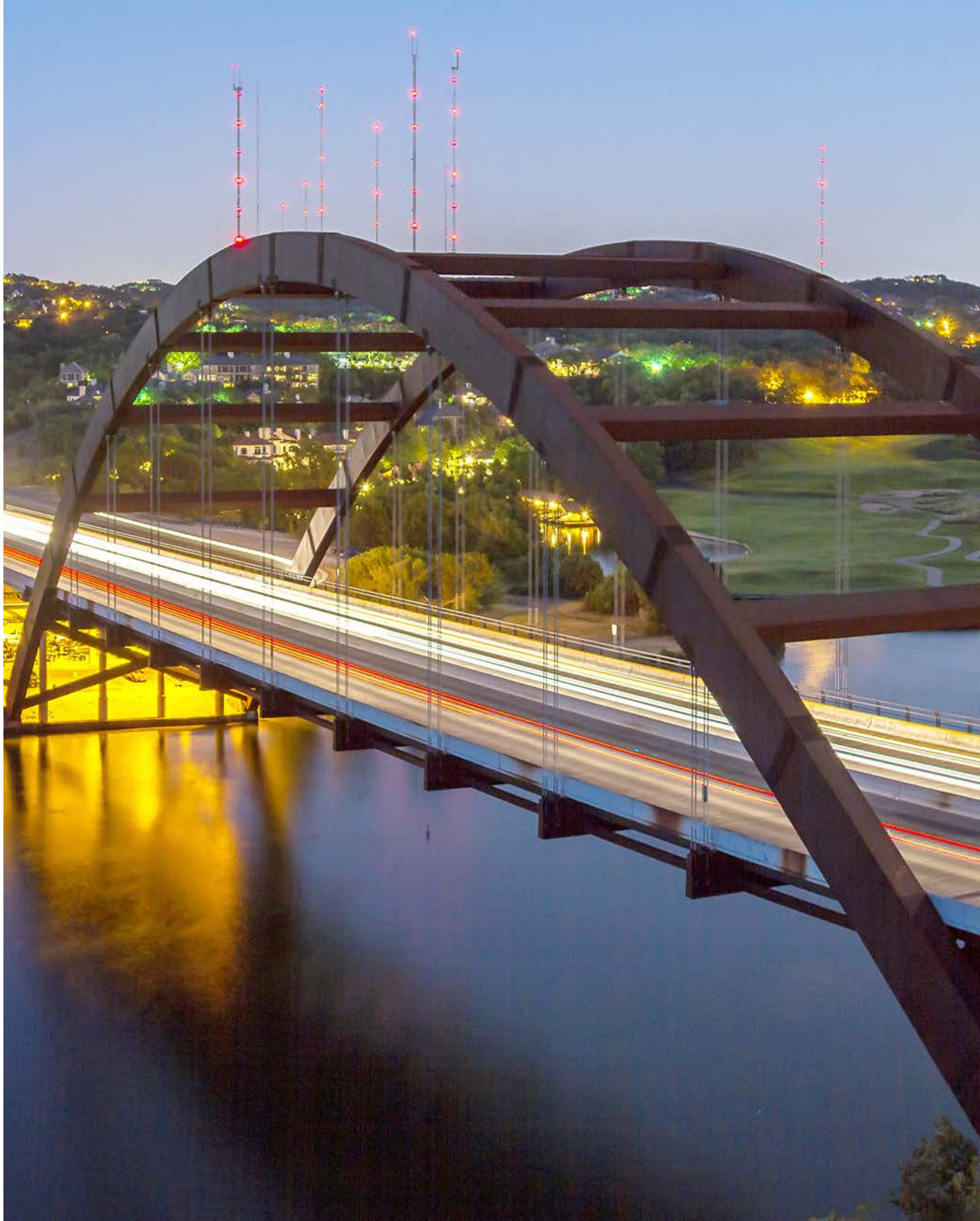
June 16, 2016



Agenda

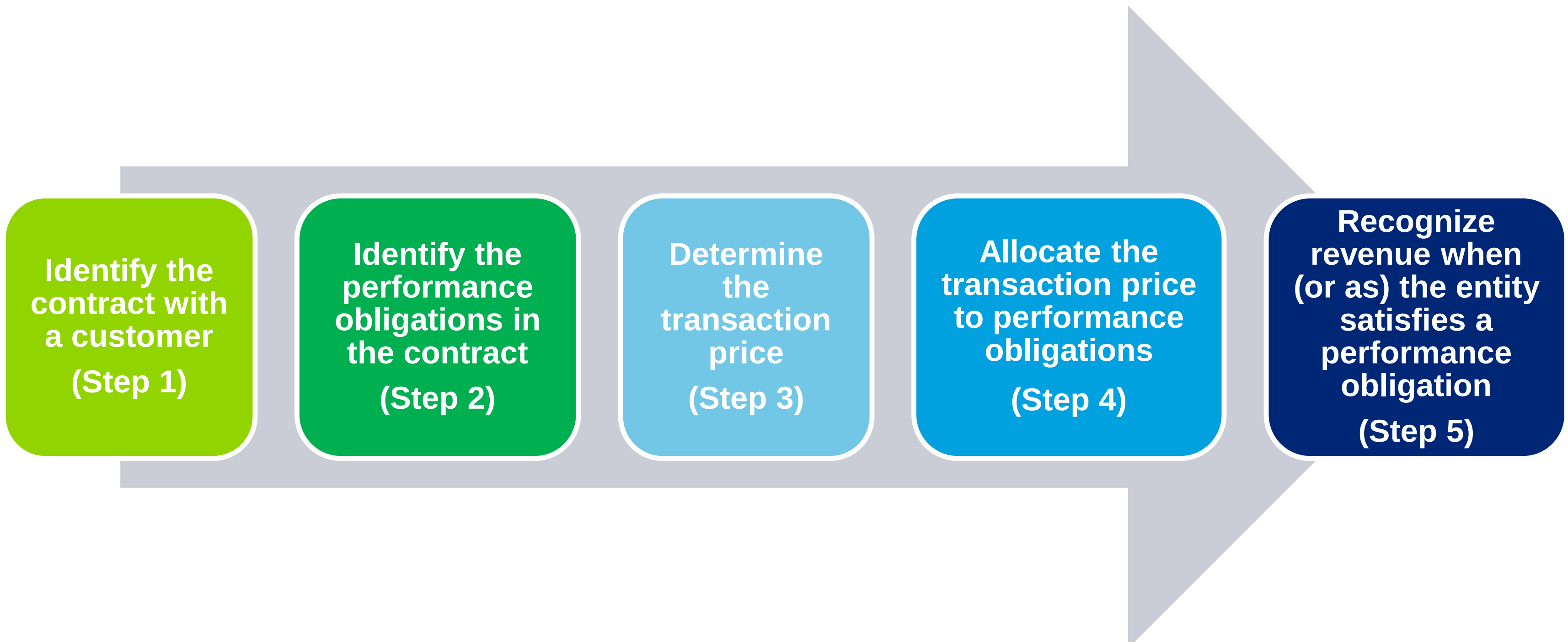
- The new revenue recognition model
- Tax implications
- Enterprise Resource Planning (ERP) implications
- Considerations to implement

The new revenue recognition model

New Revenue Standard

The five-step model

Core principle: Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services



This revenue recognition model is based on a control approach, which differs from the risks and rewards approach applied under current U.S. GAAP

Effective Date

UPDATE
Deferral of effective date

- In August 2015, the Financial Accounting Standards Board ("FASB") issued an ASU that defers the effective date of Accounting Standards Codification ("ASC") 606 by one year.
  - Annual reporting periods beginning after December 15, 2017 (public)
  - Annual reporting periods beginning after December 15, 2018 (nonpublic)
- Additionally, the ASU allows entities to early adopt ASC 606 as of the original effective date (annual reporting periods beginning after 12/15/16, FY2017).

- In September 2015, the International Accounting Standards Board ("IASB") issued an amendment to International Financial Reporting Standard ("IFRS") 15 in order to defer the effective date by one year.
  - Annual reporting periods beginning on or after January 1, 2018
- The IASB continues to allow entities to early adopt IFRS 15.

Transition Methods

Full retrospective approach

- Restate prior periods in compliance with ASC 250
- Optional practical expedients

UPDATE
Practical expedient for contract modifications (FASB & IASB)

Modified retrospective approach

- Apply revenue standard to contracts not completed as of effective date and record cumulative catch-up
- Required disclosures:
  - Amount of each F/S line item affected in current period
  - Explanation of significant changes

cumulative catch-up

January 1, 2018 Initial Application Year	2018 Current Year	2017 Prior Year 1	2016 Prior Year 2
New contracts	New ASU		
Existing contracts	New ASU + cumulative catch-up	Legacy GAAP	Legacy GAAP
Completed contracts		Legacy GAAP	Legacy GAAP

Discussion Question

Which transition method will your company use to adopt the new revenue standard?

Step 1: Identifying the contract

A legally enforceable contract (oral or implied) must meet all of the following requirements:

The parties have approved the contract and are committed to perform

The entity can identify each party's rights regarding goods or services

The entity can identify the payment terms for the goods or services to be transferred

The contract has commercial substance

It is probable the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer

Collectibility threshold

A contract will not be in the scope if:

The contract is wholly unperformed **AND** **Each party can unilaterally terminate the contract without compensation**

Step 1: Identifying the contract

Contract combinations

- Combine contracts if entered into at (or near) the same time with customer (or related parties of customer) and any of the following:
  - Single commercial objective
  - Consideration is interdependent
  - Goods or services are a single performance obligation

Contract modifications

- A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract.
- Assess if promised goods/services are distinct and priced at stand-alone selling price to determine if modification is:
  - A separate contract (distinct and priced at stand-alone selling price)
  - A termination of old contract/creation of new contract (distinct but not priced at stand-alone selling price)
  - A cumulative catch-up adjustment (not distinct)

Step 1: Identifying the contract

E&C Considerations

Topic	Considerations

Contract Modifications	• A contract modification is considered approved when it creates new (or changes existing) enforceable rights and obligations
	    • Significant judgment will be required to determine if a claim creates or changes enforceable rights and obligations
	    • Modification also must meet the definition of a contract (consider collectibility)
	• Due to the unique nature of E&C contracts, careful assessment will be required to determine if:
	    • Additional goods or services resulting from a modification are distinct from the goods and services already transferred, and
	    • Whether those additional goods or services have observable standalone selling prices
	• In the E&C industry, it is common to agree on the scope of a modification before the price has been agreed to (i.e., unpriced change orders). In these situations, entities must:
	    • Consider whether they have a history of enforcing unpriced change orders
	    • Estimate the change in the transaction price based on the variable consideration guidance

Step 2: Identifying performance obligations

Step 1 | Step 2 | Step 3 | Step 4 | Step 5

The ASU defines a **performance obligation** as a promise to transfer to the customer a good or service (or a bundle of goods or services) that is **distinct**

A series of goods or services with the same pattern of transfer may be a single obligation

Identify all (explicit or implicit) promised goods and services in the contract

Are promised goods and services distinct from other goods and services in the contract?

CAPABLE OF BEING DISTINCT

Can the customer benefit from the good or service on its own or together with other readily available resources?

AND

DISTINCT WITHIN CONTEXT OF CONTRACT

Is the good or service separately identifiable from other promises in the contract?

YES

Account for as a performance obligation

NO

Combine 2 or more promised goods or services and reevaluate

Step 2: Identifying performance obligations

E&C Considerations

Topic	Considerations

Identifying performance obligations	• The new revenue standard supersedes the segmenting guidance in ASC 605-35
	    • Certain considerations for segmenting may be relevant when identifying performance obligations
	• E&C contracts typically involve a promise deliver a single output (e.g., a building), which consists of many goods and services (e.g., engineering, procurement, construction)
	    • Typically each of the goods or services is capable of being distinct (i.e., other entities typically sell them separately)
	    • However, entities need to carefully consider whether the goods or services are separately identifiable, specifically:
	        • Does the entity provide a significant service of integrating the goods/services into the combined output desired by the customer?
	        • Do some goods or services significantly customize the others?
	        • Are the goods and services highly dependent upon, or highly interrelated with, other goods or services?
	    • If the goods and services are separately identifiable, an entity would likely have more than one performance obligation
	• Emphasis on consistency of approach across contract portfolio / business unit for PO segregation and determination of stand-alone selling prices

Step 3: Determining Transaction Price

Principle: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer (which excludes estimates of variable consideration that are constrained)

Transaction price shall include…

- Fixed consideration
- Variable consideration (estimated and potentially constrained)
- Noncash consideration
  - Measure at fair value at contract inception
  - Constraint would not apply to variability due to the form of the consideration
- Adjustments for significant financing component
- Adjustments for consideration payable to customer

Practical expedient to present sales taxes on a net basis (scope consistent with existing GAAP)

Transaction price does NOT include…

- Effects of customer credit risk

Discussion Question

What are some forms of variable consideration in your clients' revenue contracts?

What internal controls would be relevant to address the risks related to variable consideration and the constraint estimate?

Step 3: Determining the transaction price

E&C Considerations

Topic	Considerations
Variable Consideration	• Unpriced change orders (assuming a modification exists) • Claims (assuming a modification exists) • Incentive payments / performance bonuses • Liquidated damages • Price adjustment or redetermination clauses • Billing rate adjustments • Award fee

Estimating variable consideration	• Determining the method of estimating
	    • Is the variable consideration based on a binary outcome (e.g., the project is completed by a specific date)?
	    • Is the variable consideration based on a range of outcomes (e.g., incentives based on costs compared to target)
	• Applying the constraint
	    • Unpriced change orders and claims
	        • Can an entity estimate the amount that is probable of not resulting in a significant reversal of revenue on a cumulative basis?
	        • If the amount is in dispute with the customer?

Step 3: Determining the transaction price

E&C Considerations

Topic	Considerations
Significant financing component	• Do up-front payments give rise to a significant financing component? • Is a separate good or service transferred in connection with the up-front fee? • Are payments not required until a certain period after the performance obligation has been satisfied? • Are payments provided for reasons other than financing? • How should retention payments be considered in this context?

Step 4: Allocating transaction price

- Allocate transaction price on a relative stand-alone selling price basis (estimate stand-alone selling price if not observable)
  - The expected cost-plus margin method, adjusted market assessment method, or residual method (only if price is highly variable or uncertain) are acceptable
- Allocate transaction price to all performance obligations (and subsequent changes based on initial allocation), unless a portion of (or changes in) the transaction price relate entirely to one or more obligations and certain criteria are met
- Do not reallocate for changes in stand-alone selling prices
- If certain criteria are met, a discount or variable consideration may be allocated to one or more, but not all, of the performance obligations in a contract

Step 4: Allocating the transaction price

E&C Considerations

Topic	Considerations

Allocating the transaction price	• Other than the guidance on segmenting a contract, ASC 605-35 does not provide guidance on allocating revenue to multiple deliverables (i.e., because the contract is the profit center)
	• As the segmenting guidance is superseded, entities will need to determine how to allocate the transaction price when more than one performance obligation exists based on standalone selling prices
	    • Does the entity sell any of the goods or services separately?
	    • Is the cost to complete a performance obligation plus the expected margin on the overall contract a reasonable estimate of standalone selling price?
	• Should a discount or variable consideration be allocated to only one or some of the performance obligations or all?

Step 5: Recognizing revenue

Step 1 | Step 2 | Step 3 | Step 4 | **Step 5**

Evaluate if control of a good or service transfers over time, if not then control transfers at a point in time. An entity satisfies a performance obligation over time if…

The customer receives and consumes the benefit as the entity performs (e.g., cleaning service)

OR

Performance creates or enhances a customer controlled asset (e.g., home addition)

OR

Performance does not create an asset with an alternative use and the entity has an enforceable right to payment* for performance completed to date

Measure progress toward completion using input/output methods

** An entity has a right to payment only if, at all times throughout the duration of the contract, the entity is entitled to an amount that at least compensates for performance completed to date. This compensation should approximate the selling price of the goods/services (i.e., costs incurred plus a reasonable profit margin)*

Step 5: Recognizing revenue

E&C Considerations

Topic	Considerations

Recognize revenue over time vs. at a point in time	• Contractors should not assume that control transfers over time because they have historically applied percentage of completion accounting
	• Control is transferred over time if (any of the following):
	    • Customer simultaneously receives and consumes the benefits provided by the entity's performance
	        • Mainly applicable to services (e.g., maintenance)
	    • The entity's performance creates or enhances an asset that is controlled by the customer
	        • Is construction performed on the customer's property?
	        • Who owns the work in progress resulting from the contractor's performance?
	    • The entity creates an asset with no alternative future use and has a right to payment for performance completed
	        • Often relevant for E&C contracts due to the uniqueness of each project
	        • Is the entity entitled to an amount that compensates it for costs incurred plus a reasonable profit margin?
	        • Does the entity have an enforceable right to payment throughout the whole contract?

Step 5: Recognizing Revenue

E&C Considerations

Topic	Considerations

Measuring Progress	• ASC 606 allows the use of input (e.g., cost to cost) or output methods (e.g., milestones) to measure progress
	  ◦ A contractor must select the method that best depicts the transfer of goods or services to the customer
	  ◦ The method should be applied consistently to other similar contracts
	• If a contractor cannot reasonably measure progress, a zero profit margin method is required until its able to measure progress (i.e., completed contract is not acceptable)
	• **The gross profit margin allowed under ASC 605-35 to determine the amount of contract revenue (i.e., Alternative B) is no longer allowed**
	• **Completed contract method is no longer allowed**

Step 5: Recognizing Revenue

E&C Considerations

Topic	Considerations

Measuring Progress (cont'd)	• Input methods:
	  ◦ Must exclude the effects of any input that do not depict the entity's performance in transferring control (e.g., costs of wasted materials, labor or other resources not included in the contract price)
	    ▪ How should uninstalled materials be treated in measuring progress towards completion?
	    ▪ What if the uninstalled materials are standard raw materials (i.e., they are not unique to the project)?
	• Output methods
	  ◦ Units of delivery likely not be appropriate if a contractor provides both design services and construction

Contract costs

Costs to obtain a contract

- Capitalize costs of obtaining a contract if they are **incremental** and **expected to be recovered** (e.g., sales commissions)
  - One-year practical expedient

Costs to fulfill a contract

- Recognize assets in accordance with other Topics (e.g., inventory, PP&E, software), otherwise capitalize costs that:
  - Relate directly to the contract (or specific anticipated contract);
  - Generate/enhance a resource that will be used to satisfy obligations in the future; and
  - Are expected to be recovered
- Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) must be expensed when incurred

Amortization & impairment

- Capitalized costs are amortized on a systematic basis consistent with the transfer of the related goods or services
- Recognize impairment immediately if costs not deemed recoverable

Disclosures

Overview

Annual Disclosures (ASC 606 & IFRS 15)

Disclosures About Contracts with Customers

- Disaggregation of revenue
- Information about contract balances
- Information about performance obligations
- Remaining performance obligations

Disclosures about Significant Judgments and Estimates

- Description of significant judgments
- Transaction price, allocation methods and assumptions

Other Required Disclosures

- Practical Expedients
- Contract costs

Interim Only Disclosures

- ASC 270, *Interim Reporting*
- IAS 34, *Interim Financial Reporting**

* IAS 34 was only amended to require disaggregated revenue information; none of the other annual disclosures will be required in interim financial statements for IFRS preparers. Refer to the following slides for information regarding FASB requirements for interim revenue disclosures

Disclosures

The revenue standard requires the following quantitative and qualitative disclosures:

Required annual disclosures	Quantitative	Qualitative	Required on an interim basis?	Key Decisions and Considerations
1. Disaggregation of revenue	✓	✓	✓	• Determination of disaggregation categories • Choice between quantitative or qualitative reconciliation to segment revenue
2. Contract asset/liability balances	✓	✓	✓	• Determination of whether the reporting requirement for receivables is already met elsewhere
3. Nature of POs		✓		
4. Amount and recognition timing of transaction price allocated to the remaining PO	✓		✓	• Preferred breakdown of remaining POs • Quantitative or qualitative presentation
5. Significant judgments used in determining the transaction price and satisfying POs		✓		• Determination of whether there should be a specific list of judgments to reference when preparing the disclosure or whether the disclosure should be open-ended
6. Assets recognized from the costs to obtain or fulfill a contract	✓	✓		
7. Election of practical expedients		✓		• Capability to capture the use of practical expedients and apply practical expedients consistently

Tax implications

Revenue Recognition for Tax - Generally

Long Term Construction Contracts

- Tax methods of “percentage of completion” differ from GAAP
  - Expenses for tax generally lag GAAP (compensation accruals, reserves, etc.)
  - Results in deferral for tax purposes
  - Analysis to determine expense allocation method on project by project basis.

Non-Long Term Construction Contracts (i.e. pure engineering)

- Revenue is recognized for tax purposes when substantially “all events” have occurred to earn the revenue
- Opportunities to defer revenue for tax purposes:
  - Retainage
  - Award Fees
  - Holdback

Elements of the new GAAP standard (may or may not be allowable for Tax)

Elements allowable under 460	Elements NOT allowable under 460
• Identification of a contract • Change orders • Performance obligation satisfaction over time	• Identification of a contract – may be required “sever or aggregate” contract • Change orders – different distinctions • Performance obligation satisfaction at a point in time • Bid and proposal costs

Identifying contracts - Tax

The tax rules for severing or aggregating contracts rely on three factors – Treasury Regulation 1.460-1(e)

1. Independent pricing of terms
2. Separate delivery or acceptance
3. Reasonable business person:
   a. would not have entered into one of the agreements for the terms agreed upon without also entering into the other agreement(s) or
   b. would not have entered into separate agreements containing terms allocable to each severed contract.

Applies to contracts and change orders

Other tax considerations

- Simplified cost to cost method
- Year of substantial completion – 95%
- 10% method
- Look back calculation
- Variable consideration price – included for GAAP – maybe not for tax
- Bid and proposal costs

Tax impact of ASC 606

Overall Tax Impacts

Will result in numerous tax impacts from both a technical and systems standpoint

Opportunity

Take a fresh look at the tax accounting methods available. Implement with method changes already required to be filed as a result of ASU606.

IRS Expectations

The Internal Revenue Service understands that the adoption of the new revenue recognition standards will have federal income tax implications and expects companies to perform the requisite procedures in order to address these implications

System Impacts

Companies may need to capture data differently and suitable to accommodate BOTH ASU606 and Tax

Cash Tax Impact

The new revenue recognition standards may result in different revenue recognition for tax purposes as compared to GAAP

Revenue Recognition – NEW TWIST for Non-Construction

Billings in Excess of Cost (pre-bill)

- Not includible in taxable income until earned BUT
- MUST be included in taxable income no later than subsequent tax year per Revenue Ruling 2004-34
  - May result in accelerated revenue recognition for tax purposes compared to GAAP

Interplay with Retainage / Award Fees / Holdback

- Revenues cannot be deferred if they are not yet included in income
- Accounting method considerations
- Contract by contract analysis for those which have BOTH a pre-bill component AND retainage, award fees, holdback, etc.

ERP implications

Oracle EBS

What’s new in Oracle EBS 12

Fusion Revenue Management (FRM) Footprint and Features

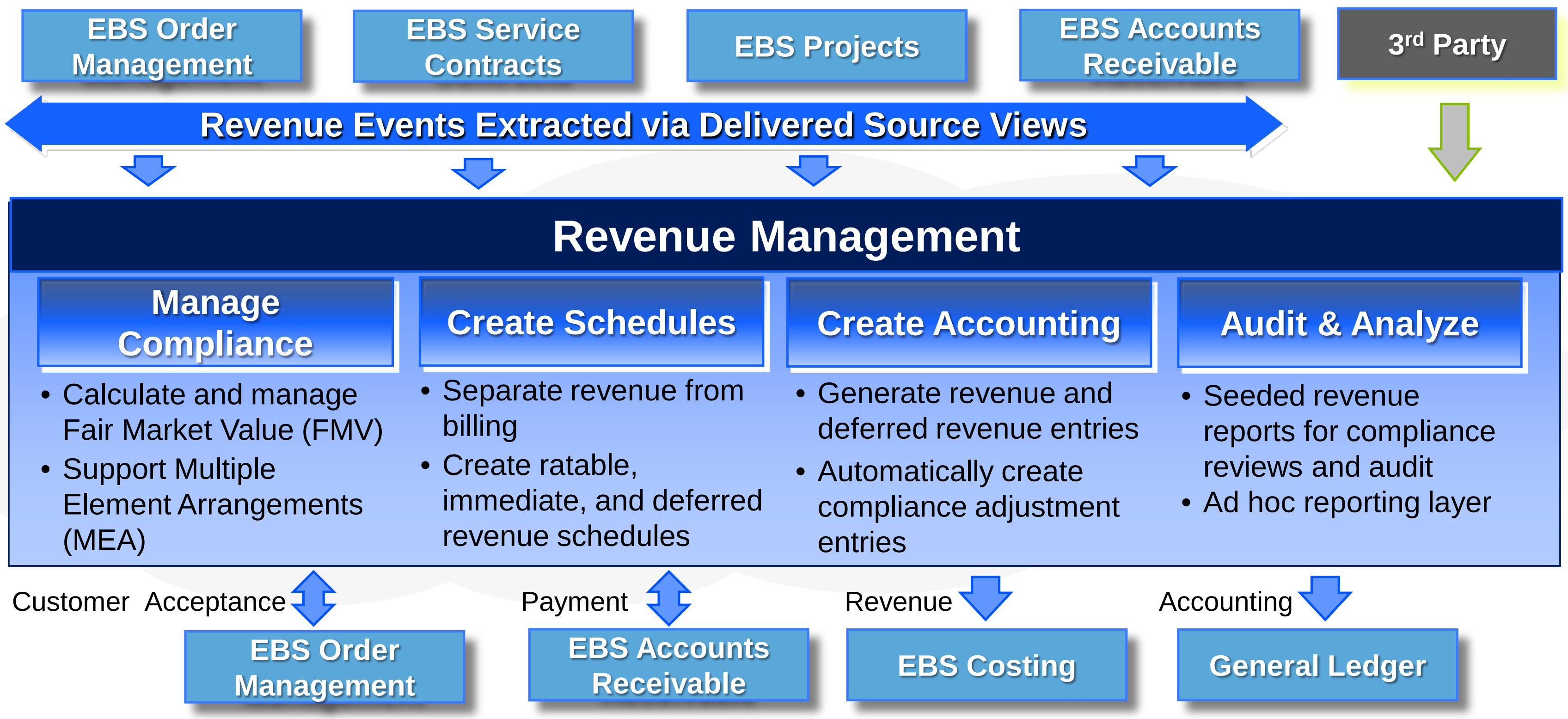
- EBS Order Management
- EBS Service Contracts
- EBS Project Costing
- EBS Accounts Receivable

→ Fusion Revenue Management → EBS General Ledger

- 21 customers weighed in on the design
- Co-existence from Cloud to On-Premise Integration to EBS
- Automated extraction of contract information
- Automated processing for revenue recognition separate from billing
- Helps identify performance obligations as part of a contract with a customer
- Generates accounting entries for approval and audit tracking
- Central reporting and analytics platform for all revenue processing

Revenue Management Cloud Service

Co-Existence Functional Architecture



Oracle PeopleSoft

What’s new in Oracle PeopleSoft 9.2

- Now PeopleSoft FSCM Update Image 10 included enhancements to PeopleSoft Contract and Project Costing
- Revenue pricing separate from Invoice pricing
- Management of contract obligations, reports, and support of price audits
- New attributes to identify bundled products and services but not really aligned with the E&C industry
- May be a candidate for integration to FRM

Oracle JD Edwards

What’s new in Oracle JDE E1 9.1 and 9.2 and World A93.1 and A94

- Take the ASU 2014-09 for Revenue Performance Obligations
- Ability to manage multiple performance obligations in a single project/job
- Additional capabilities to tie detailed project costs to contract performance obligations
- Flexibility to track contract change orders and existing performance obligations in different ways
- Summarize UP and LS Contract lines by Subledger
- Summarize Stored Materials by Subledger
- New Revenue Recognition posting report
- Related New Functionality
  - Estimate At Completion by Subledger (Advanced Job Forecasting in 9.2)
  - Joint Venture Accounting (Planned future functionality)

SAP

What’s new in SAP

- SAP Revenue Accounting and Reporting (RAR) addresses requirements derived from this new accounting standard
- This new solution is now in ramp-up
- SAP ERP Financials customers with current maintenance agreements will have access to the solution
- The main requirement of the new ruling is tackled using “Multiple Element Arrangements” (aka performance obligations)
    - Create revenue accounting contracts, contract combinations, and contract modifications
    - Use Business Rule Framework plus (BRFplus) to create flexible business rules logic
    - Optimize the identification of performance obligations, the allocation of transaction prices, the fulfillment of performance obligations, and the regular posting of revenue-related transactions to the GL
- Revenue can be recorded at the time of billing, between specific sets of dates in equal proportions, and on the basis of specific events
- Revenue can be recorded on the bases of the criteria which have been established for the contract, it can be recognized before, during and after billing

The ERP journey

The five steps for data capture

The new revenue accounting is based on identifying the Performance Obligation and Value.

1-Identify the Contract
- Search through sources

Identify Performance Obligation (PO)
- ID distinct performance obligations

Determine the transaction price
- Establish price and constraint

Allocate the transaction price
- Apply standalone selling (SSP) or estimated selling (ESP) price

Recognize revenue
- Recognize Revenue
- Recognize CL
- Recognize CA

Revenue Accounting

Source	Detail	Contract #	Performance Obligation	Amount to Bill	Revenue Amount	From / To Accounting
Paper	Description	100	100-10 100-10	5,000	4,000	(1,000)
PO	Description	100	100-20	1,000	2,000	1,000
Excel	Description	100	200-30	3,000	2,800	(200)
Legacy Rev Rec	Description	200	200-40	2,500	2,700	200
ERP	Description	200	200-50	2,350	2,350	0
	Description	200	300-60 300-70	4,000 1,800		0 0

Event	Accting	Debit	Credit
On Ship	No entry		
On Compl	Rev Contr	4,000	4,000
Later	Rec Clear	5,000	5,000
Rev Rec	Clear Asset Liab	5,000	4,000 1,000
On Bill	Rec Clear	1,000	1,000
Rev Rec	Clear Rev Liab	1,000 1,000	2,000

Illustrative ERP timeline

The new revenue accounting needs a plan of action to make the date.

Public 2016

Non-Public 2017

June
- Upgrade to 9.1
- Apply ASU
- Create Test environment
- Gather Contract Info

July
- Gather Contract Info
- Enter Contracts
- Initial Team Training

August
- Determine accounting
- Convert existing data
- Run Rev Rec test

September
- Convert /Enter Contract Info
- Enter Performance Obligations
- Run Rev Rec test

October
- Run Rev Rec
- Compare to baseline
- Make adjustments

November
- Run Rev Rec
- Compare to baseline
- Make adjustments
- Sign-off

December
- Configure Production
- Run Rev Rec
- Compare to baseline
- Make adjustments

Considerations to implement

Common Implementation Steps

Companies implementing new revenue standard focusing on:

Step	Description
Assessment	• Identify and pinpoint key issues to business groups/units • Assessment of process and system implications • Development of project roadmap and business group/unit analysis efforts
Scenario development	• Analysis of key contract types, in areas where revenue accounting will likely change • Analyze the impact for originating transactions and modifications
Business requirements development	• Presentation and documentation of key requirements for any system changes required • Identification of affected billing or ledger systems, and data requirements
Functional requirements development	• Development of granular accounting calculation rules (where required) • Development of precise data field definitions
Design, development and testing of needed systems adjustments	• Focused design and coding development, to automate any key calculation differences required by the new revenue rules • Acceptance testing to help support consistency with accounting requirements • Design of a process to identify and analyze new sales offerings/contract types for consideration under the new revenue accounting rules

Implementation requires a cross-functional team effort

Accounting

- Identification of revenue streams and assessment of potential impacts within each revenue stream
- Updating accounting policies and revenue processing procedures
- Training for team members on the future state of revenue accounting and data retention from now through Q1 2018
- Updated accounting procedures should be implemented for areas with changes in the new standard

Operations

- Team members will need to support the accounting team in their understanding of the operational aspects of various revenue streams
- Participate in initial assessment and follow-up working sessions to share insight on business practices that may or may not be captured within written contracts
- Maintain open communication with accounting to identify any unique arrangements in sales contracts that may impact revenue recognition

Information Technology systems

- Potential impacts to legacy revenue recognition systems and sub-ledgers
- Work with accounting to identify updates to systems requirements
- Systems will have to be updated to capture information about contracts with customers in a systematic way in order to comply with extensive disclosure requirements

Program Management

- Work with teams to develop integrated plan, identify inter-dependencies and track progress against the plan
- Coordination of activities and efforts across work streams
- Identify and elevate issues requiring executive input and coordinate the process for issue resolution

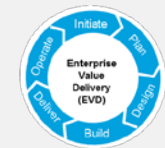
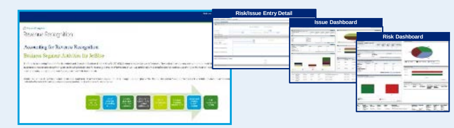
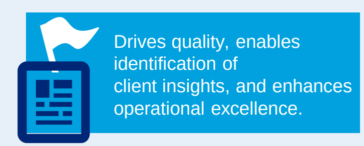
Leveraging technology to navigate the road to implementation

Reviewing contracts with customers is a critical component of an assessment phase and can be a time consuming process due to the length and complexity of contracts. Certain technologies can perform contract analysis through predefined values and metrics, thereby reducing the amount of manpower required to perform contract reviews.

Maintaining an up to date contract database is required in order to provide real-time contract information required for analysis under the new standard. A contract database should be readily accessible by multiple users of the organization to view, analyze, and update portfolios of contracts under the new revenue standard.

Efficient program management is essential to implementing the new revenue standard. Risk management and communication of progress and issues should be communicated to stakeholders of the organization in real-time. Utilizing technology that can streamline the program management office facilitates effective implementation of the new revenue standard.

Methodology and tools

Area of Use	Methodology and Tools
Project Management	**Program Management Methodology:** Based on the Project Management Institute's (PMI) industry standard Project Management Body of Knowledge (PMBOK) framework, the methodology combines the structure of core project management disciplines and a robust Enterprise Value Delivery methodology for revenue recognition solutions. 
Project Management	**Revenue Recognition SharePoint and PMO Tools:** Manages the overall project activities, analysis and deliverables. Assists implementation undertaken for each of the entity's lines of business. 
All work streams	**RevOps Analyzer (ROA):** Helps to assess the operational impact of the new revenue standard in the areas of people, processes, data and technology. 
Contract Reviews	**Contract Review Application:** Web- based application that leverages artificial intelligence to extract, visualize, and analyze certain information from contracts. 
Contract Reviews	**Contract Database:** Short-term solution that assists by 1) accelerating contract data gathering and 2) providing a simpler and more flexible data repository that is customizable to company circumstances. 

Preparing for the changes

The following summarizes some important near-term actions and decisions that companies will likely need to undertake, given the timeline:

Near-Term Actions	Important Decisions
• Analyze impact of standards on business units and revenue streams • Develop project plan and roadmap • Analyze pro forma effect on financial statements • Determine and resolve specific accounting and tax issues • Design system solutions, where needed • Evaluate impact on periodic financial processes	• Transition method • Contract vs. portfolio approach • System solutions • Accounting policy choices

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