



Take 3

Countdown: Using technology to help comply with new accounting standards

Take three minutes for a crash course on analytics.

Lessons from finance and accounting leaders

The new accounting standard for revenue is just the beginning—changes to lease accounting are up next.

Two new accounting standards—*Revenue from Contracts with Customers* and *Leases*—may be the most significant changes to U.S. Generally Accepted Accounting Principles (“GAAP”) in years, affecting many U.S. companies. Some corporate leaders are discovering that complying with the new standards is more complex than they had initially thought.

Companies—especially large multi-nationals—are likely to have contracts located all over the world, written in local languages and following local legal norms, which are stored on various computer systems and in file drawers.

These are among the many factors that complicate the task of effectively assembling and evaluating contracts and agreements to reach accounting conclusions under these new accounting standards. Even companies that believe that their financial statements will not be affected must go through the process to demonstrate that there’s no impact, which could be time consuming as well.

With deadlines fast approaching, companies need a way to expedite compliance, including centralizing and digitizing underlying records, while laying the groundwork for a more streamlined ongoing accounting process to support business decisions.

Calendar-year public companies must comply with the *Revenue from Contracts with Customers* standard beginning January 1, 2018, and the *Leases* standard beginning January 1, 2019. Private companies have an additional year to comply.

Lessons from finance and accounting leaders

Using analytics and cognitive technologies to support compliance

While the task may be monumental, analytics and cognitive tools can greatly accelerate compilation, evaluation, and decision processes—and ultimately, compliance.

Analyze thousands, not dozens

Ensuring that contract terms are properly recognized under the new accounting standards requires evaluating a significant number of contracts. Cognitive technology can “read” the text and pull out key terms that inform the new accounting. Hundreds or thousands of contracts, written in various languages and formats, can be analyzed in a fraction of the time required by less technically advanced methods.

Always learning

Cognitive document readers continuously “learn” as they review more and more documents. This means that over time, the machine reader will encounter a decreasing number of exceptions that must be evaluated by a human.

Nonstop accuracy

By simulating human thinking using cognitive tools, companies can automate much of the process of determining the correct journal entries and identifying outliers. Of course, a technical accounting expert should guide the development, review, and testing to ensure reliability.

End-to-end visibility

The effect of these accounting standards goes far beyond financial reporting. Implementation will

likely require a significant effort for many companies, demanding collaboration across IT, Sales, Tax, Investor Relations, and Human Resources. For global organizations, effective project management will require a deep understanding of global operations and capability to coordinate efforts across regions.

Smarter business decisions

While the transition to the new standards may be difficult, company key stakeholders will likely gain lasting benefits. With contracts digitized and centrally located, they can see how the structure and terms of their current contracts drive their financial reporting, revealing potential opportunities for contract renegotiation and trends across customers and vendors. They may also be able to identify and correct inconsistencies across the company.

Take 3 Using technology to help comply with new accounting standards



Start here.

Deloitte's U.S. and global professionals are here to help you develop an effective action plan for complying with new accounting standards. Our breakthrough analytics and cognitive technology solutions are designed to address the new financial accounting standards and related audit approaches.

If you're looking for knowledgeable, experienced finance professionals with global resources and innovative solutions that leverage best-of-breed technologies, we should talk.

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