

Welcome, thank you for joining:

Get Ready For The New Rev Rec Standards

A specific approach
for professional
services organizations

Isosceles **KIMBLE**





Housekeeping items

- All attendees are on mute throughout the webinar
- Please submit questions at any time in the “Questions” box
- Any questions we don’t get to, we will follow up with you individually after the webinar
- A link to the recording and the slides will be sent out via email

Introductions



Julie Farr
Account Director

Isosceles



Peter Fitzpatrick
Chief Implementer

KIMBLE

The Kimble Difference

- Multi-award winning PSA SaaS vendor
- Built on the Force.com platform
- CRM and PSA in one solution
- Infused with many decades of running services firms
- Best practice framework
- Augmented intelligence at the core
 - Predictive analytics in real time
 - Expert insights and notifications
- Born out of a passion for helping consulting teams grow faster and boost efficiency – meet the challenge of scaling



Isosceles Finance



Business advisers-
corporate advisory,
outsourced
accounting and HR



Operating across
4 continents



Working with
ambitious
entrepreneurs



Clients turnover
between \$2m
and \$50m



Clients privately
owned or funded



Start up to exit

Isosceles

IFRS 15 and ASC 606 – Revenue Recognition and how
it could impact Professional Services Organizations

Julie Farr, Isosceles Finance



IFRS 15 and ASU 2014-09 (Topic 606) Revenue from Contracts with Customers

Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) created substantially converged accounting standards

Today, we will review:

- What some of the major changes of the standards are
- How they affect professional services organizations
- What actions professional service organizations need to take

Overview of New IFRS Standard

Public entities
applying ASC 606



IFRS 15
implementation



Non-public entities
applying ASC 606



- Introduced to harmonize how entities account for revenue
- Add more prescription to the ISAB revenue standards
- Leading to greater consistency and comparability
- High impact across a number of sectors
- The focus of today's webinar is on the impact for Professional Services sector

5-Step Model

A five step model to be applied to all contracts with customers:



Key Points

- Performance obligations
 - One contract may have multiple performance obligations with different types of revenue
- Revenue recognized over time or at a point in time
- If a PO is assessed as being recognized over time, revenue is calculated by either:



The input method

Cost of labor hours used or costs incurred to date



The output method

Looking at the value of services transferred to date

- Decision to capitalize costs must be made on a contract by contract basis

Key Points

- Variable consideration
 - For example completion bonus or penalties for project overruns
- Significant finance components
 - If cash receipts not directly associated with revenue, i.e. milestone billings
- Contract modifications
 - For example scope, pricing and length changes
- Statutory accounts disclosure
 - Significant increased disclosure

Consequences and Recommendations

1. External advice may be required
2. A cross departmental/entity project team may be required to roll out this change program
3. Review all sales contracts and record assumptions
4. Policies and contract templates may need to be changed

Consequences and Recommendations

5. Check financial accounting and project accounting systems for compliance and compatibility
 - Can multiple performance obligations, with different revenue recognition rules be allocated to one sales contract?
 - Have you forecasting functionality that can accurately forecast how these changes affect your future revenue profile and costs
6. Assess sales commissions/bonuses associated with the projects for potential capitalization

Consequences and Recommendations

7. Check corporation tax and cash forecasts
8. Communicate the changes to senior management, sales, project management, finance and legal teams
9. Investor Relations may need to liaise with advisors, institutions and investors to communicate any material changes to profit estimates
10. Review month and quarter end reporting deadlines to accommodate any additional actions resulting from the above

Conclusions

IFRS 15 and ASC 606 issued to give clarity and assurance.

As a consequence, there may be additional work, cost and changes needed to comply.

The sooner this is researched the quicker you will know what the consequences are.

Disclaimer

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Q & A



Thank you for joining us!

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