

Financial Reporting Alert:

IASB Approves One-Year Effective Date Deferral of the New Revenue Recognition Standard

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For those companies waiting for a little sunshine this summer, the IASB has begun to deliver by approving a much anticipated one-year delay in the effective date of the new Revenue Recognition Standard, IFRS 15: Revenue from Contracts with Customers. The FASB also approved a one-year deferral of the effective date earlier this month, with optional implementation as of the original effective date.

Companies reporting under IFRS would first be required to adopt for fiscal years and interim periods within those years beginning on or after January 1, 2018. Early adoption is still permitted. For companies reporting under US GAPP, the FASB deferral applies to both public and private companies. U.S. public companies would first be required to adopt the standard for fiscal years and interim periods within those years beginning after December 15, 2017. U.S. private companies may follow the public company timeline, but they are not required to adopt until annual periods beginning after December 15, 2018, and interim periods for the following year.

While it may be tempting to delay your project too, companies who have started implementing are finding it far more intensive and time-consuming to apply and interpret the Standard than initially expected. The deferral acknowledges that there is a significant amount of work to do - much more than may be apparent before an assessment is performed, especially with potential changes to systems. If you haven't already, we recommend assessing the impact now to ensure a controlled approach and avoid unwanted last-minute surprises resulting from a rushed timeline. Rather than delaying implementation efforts, use the allotted time to plan your strategy, explore accounting alternatives that fit the economics of the transactions, ensure impacts to other contracts/processes are addressed, consider whether comparability of your prior periods is preferable, and successfully implement a sustainable, automated solution for the years ahead. If it turns out you didn't need the extra time, then take a break in 2017 - when you can truly enjoy soaking in the sun.

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