

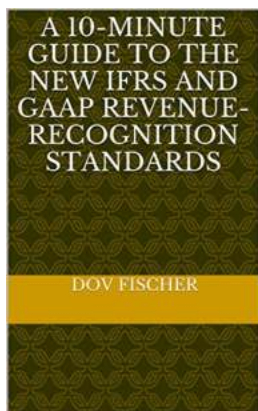
10 Minute Guide To The New IFRS And GAAP Revenue Recognition Standards

Revenue recognition is a critical aspect of financial reporting. Accurate and consistent revenue recognition is vital for businesses and investors to understand a company's financial performance and make informed decisions. The International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) are two widely recognized sets of standards that provide guidance on revenue recognition.

Understanding the New Revenue Recognition Standards

In recent years, both IFRS and GAAP have undergone significant updates to their revenue recognition standards. These changes were made to enhance transparency, consistency, and comparability across industries and countries.

The new revenue recognition standards aim to better reflect the economic substance of business transactions and provide more detailed guidance on specific revenue recognition scenarios. They also emphasize the importance of providing useful information to financial statement users.



A 10-minute guide to the new IFRS and GAAP revenue-recognition standards

by Felicia Johnson (Kindle Edition)

★★★★☆ 4.8 out of 5

Language : English

File size : 1663 KB

Text-to-Speech : Enabled

Screen Reader : Supported

Enhanced typesetting : Enabled

Word Wise : Enabled

Print length : 5 pages



Key features of the new standards include:

- **Principle-based approach:** The new standards focus on principles rather than rules, allowing for more judgment in revenue recognition.
- **Performance obligations:** The standards require companies to identify distinct performance obligations in a contract and allocate the transaction price accordingly.
- **Timing of revenue recognition:** Revenue should be recognized when control of goods or services is transferred to the customer, rather than when the risks and rewards of ownership are transferred.
- **Disclosure requirements:** The new standards introduce enhanced disclosure requirements to provide more information about revenue recognition policies, judgments, and estimates.

Impacts of the New Standards

The new revenue recognition standards have far-reaching implications for businesses across various industries. The impact of these changes extends beyond accounting departments and can affect a company's operations, contracts, and financial reporting processes.

Some of the key impacts include:

- **Changes in revenue timing:** Companies may need to adjust their revenue recognition patterns due to the new guidelines on control transfer.

- **Contract reviews:** Contracts may require careful analysis to identify performance obligations and determine the appropriate revenue recognition timing.
- **Systems and processes:** Companies may need to update their accounting systems and processes to capture and report revenue information in accordance with the new standards.
- **Disclosure requirements:** The increased disclosure requirements necessitate more detailed and transparent information about revenue recognition practices.

Transitioning to the New Standards

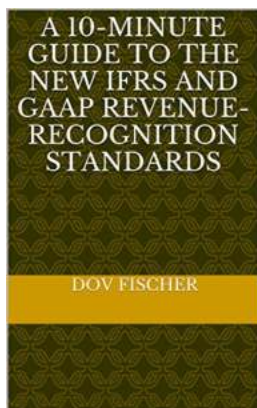
The transition to the new revenue recognition standards can be challenging, as it involves a thorough analysis of existing contracts, systems, and processes. To ensure a smooth transition, businesses should consider the following steps:

- **Educate key stakeholders:** Educate management, employees, and investors about the changes to the revenue recognition standards and their implications.
- **Assess contracts:** Review existing contracts to identify distinct performance obligations, determine transaction price allocation, and assess any necessary modifications.
- **Update systems:** Evaluate current accounting systems and make necessary updates to capture and report revenue information accurately.
- **Provide training:** Train finance and accounting teams on the new standards, ensuring they understand the principles and application.
- **Monitor ongoing compliance:** Establish processes to monitor ongoing compliance with the new standards and address any issues or challenges

promptly.

The new IFRS and GAAP revenue recognition standards bring significant changes to the way companies recognize and report revenue. These changes aim to enhance transparency, comparability, and usefulness of financial statements. While transitioning to the new standards may pose challenges, businesses must prioritize the necessary steps to ensure compliance and enable accurate financial reporting.

Embracing the new revenue recognition standards can ultimately benefit businesses by providing clearer information to investors and stakeholders, fostering trust, and facilitating more informed decision-making.



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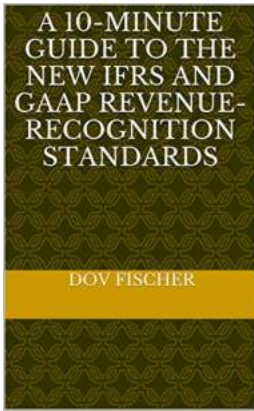
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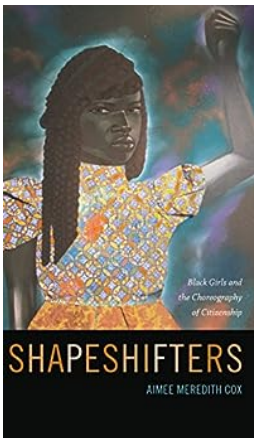


In May 2014 the FASB and IASB jointly issued new revenue-recognition standards. This guide illustrates where the new standard adopts elements from the old GAAP and IFRS and where it introduces completely new concepts.



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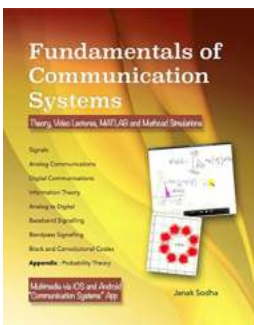
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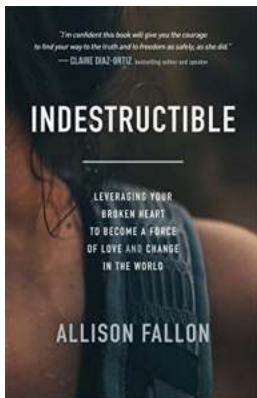
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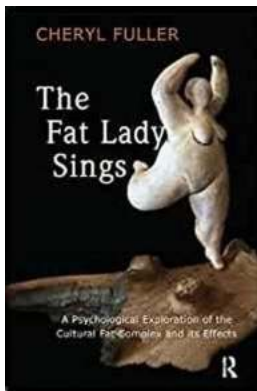
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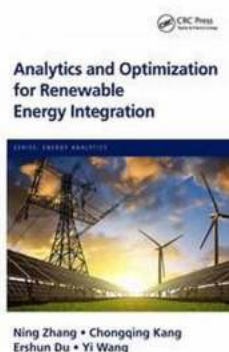
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