



## Ready for "New GAAP" Revenue Recognition? Last Call for Transition Disclosure

Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* (Accounting Standards Update 2014-09), referred to as "New GAAP revenue recognition," must be adopted by most U.S. public companies for annual and interim reporting periods beginning after December 15, 2017.

Many companies have yet to disclose a selected methodology for, or an estimate of the financial impact of, implementation of New GAAP revenue recognition. The upcoming report for the third quarter ending September 30, 2017, for calendar-year companies is the last chance before year-end to provide investors with meaningful disclosure on the implementation of ASC 606, as well as qualitative and quantitative disclosures on ASC 606's anticipated impact. In connection with such transition disclosures, which the U.S. Securities and Exchange Commission ("SEC") Staff encouraged companies to provide under the standards of Staff Accounting Bulletin ("SAB") No. 74, consider the following SEC Staff guidance:

### Description of the Standard and Implementation

SAB 74 requires a brief description of the new standard, the date adoption is required, and the date the company plans to adopt, if earlier, along with a description of the methods of adoption allowed by the standard and the method expected to be utilized by the company (e.g., full retrospective method or modified retrospective method).

### Quantitative and Qualitative Disclosures

Under SAB 74, the impact that adoption of the new standard is expected to have on the company's financial statements should be disclosed, unless not known or reasonably estimable. If not known or reasonably estimable, that fact should be disclosed, and the company should provide a qualitative description of the effect of the new accounting policies and a comparison to the company's current accounting.

### Status of Implementation Process

The SEC Staff indicated that the company should disclose the status of its implementation process for the new standard and significant implementation matters yet to be addressed.

### Internal Control over Financial Reporting

The SEC Staff also indicated that the company should involve the Audit Committee in the process to ensure that its SAB 74 disclosures are timely identified and subject to effective internal control over financial reporting.

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