IFRS Conference

Revenue revolution - Planning for the new revenue standard

Capital Markets and Accounting Advisory Services

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Change is coming!



All entities will be impacted, but the extent of the impact will vary based on industry and complexity of contracts

Contract features	IFRS 15 impact
Multiple goods and / or services provided together in one transaction	Revenue must be allocated to these items in line with strict criteria – this might not be the price written in the contract
Free goods and / or services provided to the customer	An amount of revenue must also be allocated to these items in line with strict criteria
Licenses that provide the customer with access to intellectual property	Guidance is explicit on how to treat licenses – which may change the timing of revenue recognition
The customer receives many different goods and / or services over the length of the contract	Identifying 'performance obligations' is a difficult and judgmental area, requiring disclosure in the financial statements
There are varied terms which impact when risks and rewards pass to the customer (e.g. warehouse deliveries, customer acceptance, long-term freight, use of resellers)	The guidance uses 'transfer of control' to indicate when revenue will be recognised, this new concept may lead to differences against current treatment
Long term contracts likely to be modified over the life of the contract term	The standard provides explicit guidance on how to treat contract modifications which may be different from the current treatment

Changing your perspective

IFRS 15 will impact revenue cycles, KPI, systems and processes





questions companies should be addressing

What is management's transition strategy, timeline and budget?

What are the key issues, impacts and risks specific to our industry and company?

How will change impact our business, beyond the financial statements?

How and when are we communicating changes to stakeholders?

How are our competitors addressing transition?

Transition

Five-step approach to successful transition



Get organised

Understand the impact

Transition to the new standard

1. Identify

Determine road

2. Plan

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3. Understand

5. Implement

Identify Accounting change

- Understand the issues
- Engage stakeholders
- Train staff and management
- Identify all in scope of contract
- Understand location and format of data source
- Determine areas of accounting change

• Determine transition method

- · Create roadmap
- Extract data elements in line with new standard
- Identify data gaps and enrich data
- Validate data quality, accuracy and reliability
- Setup contract management and import data

Understand business impact

- Assess detailed impact on KPIs
- Assess non-financial effect on the organisation, arrangements and stakeholders
- Gain an understanding of the IT environment and any impact

Develop solutions

4. Develop

- Identify (cost) benefits
- Optimise existing arrangements
- Establish new policies
- Define business and technical requirements to effect the change
- Modify existing IT infrastructure or select software vendor

Effect changes

- Implement solutions and migrate required data
- Test the output
- Train and support users
- Update governance and risk framework
- Ensure compliance with new requirements
- Ensure business as usual

What you need to do

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Thank you

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For more information, please contact:

Anthony Murage

Partner – PwC Kenya

T: +254 (20) 285 5347

E: anthony.murage@ke.pwc.com