What’s the Hype About Compliance?

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Private companies that offer subscriptions and contracts might not have to account for properly allocated revenues and amortized expenses until next year, **but to be compliant for next year, the planning starts now.**

This is because any contracts starting up today that will be active in 2019 will also require ASC 606 compliance.

With so many allocation variables muddling the new compliance standards, knowing how to modify your processes can reduce errors, save your financial department undue headaches, and help your company avoid the risks associated with non-compliance, come 2019.

Companies that handle contracts and subscriptions expected to adhere to the ASC 606 compliance guidelines will need to modify their financial processes with these 5 steps to stay compliant:

1) Ensure contract and collectability threshold transparency – Multiple related contract agreements may require recognition as one contract, and contract collectability requires tracking, with revenue being recognized as it meets the collectability threshold. **Companies need an accounting system designed for automated contract management to speed and simplify the new, in-depth tracking processes required for compliance.**

2) Outline performance obligations for uniformity and clarity – Goods or services must be shown as distinct, or as distinct within a contract. **An accounting system with contract management automation is critical to help identify, track, flag and break out performance obligations, to be allocated and recognized at the right time.**

3) Identify variable pricing terms – Refunds, incentives, discounts, and flexible financing all impact revenue valuations under the new ASC 606 guidelines. **Use consistent methods, and automation wherever possible to flag contracts with non-standard terms.**

4) Allocate part of the transaction price to performance obligations –You must identify your performance obligation based on a relative standalone price. For companies that still use spreadsheets, allocating this pricing on a per-contract basis leaves a large margin for error and countless hours of manual work. **Companies that must account represent performance obligations within contracts need an accounting system that takes manual spreadsheets out of the equation to avoid serious allocation errors**

5) Properly recognize revenue – Under the new ASC 606 rules, revenue needs to be tracked and recognized as the good or service is consumed. Companies need automated systems that synchronize billing and revenue recognition to work in time, so as customers consume goods or services, the system is properly tracking and recognizing revenues

and amortized expenses.

With so many changes coming, companies can't rely on old, outdated systems without inviting the risks of task overwhelm, massive allocation errors, and hours of retracing steps through complicated contracts.

Sage Intacct, a best-in-class financial management solution is designed to be ASC 606 compliance-ready, with deep automation to detail out contracts, track revenues easily, break out expenses over time, and eliminate the need for error-prone spreadsheets.

Reach out to us for more information. Let's help you find the right solution to prepare your business for what lies ahead.

Need More Information?

Discover the basic guidelines of ASC 606 compliance and try the next steps your company needs to take to prevent any risks.

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