

The New Revenue Recognition Standard Onsite Training Courses

FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, is the most impactful accounting standard issued in many years. The new revenue recognition model is codified in FASB *Accounting Standards Codification* (FASB ASC) 606. It eliminates the transaction- and industry-specific revenue recognition guidance under current U.S. generally accepted accounting principles (U.S. GAAP) and replaces that guidance with a principles-based approach for determining revenue recognition. FASB ASC 606 has the potential to affect every entity's day-to-day accounting and, possibly, the way business is executed through contracts with customers.

The CPEA offers its members two comprehensive, full-day on-site training courses on the new revenue recognition standard – a standard session and an advanced session, as outlined below. These full-day sessions can be adapted to half-day training courses to accommodate our members' educational needs. Using active learning techniques, these training courses deliver a thorough study of FASB ASC 606, impart an across-the-board understanding of the key principles and essential elements of the new guidance, and upskill participants in implementing the five step process of recognizing revenue.

Standard Onsite Training Course

Starting with an overview of FASB ASC 606 and explaining the importance of the topic, our standard training course educates participants about all of the main aspects of the new standard. Participants gain a grounding in the fundamentals of revenue recognition and develop skills to implement the provisions of FASB ASC 606. Interactive exercises are utilized to deepen the participant's knowledge of major concepts. Some of the topics addressed include:

- **Scope of FASB ASC 606.** The new revenue recognition standard does not apply to revenue deriving from all transactions and events. Participants learn which items of revenue are covered by the new standard and which items are not covered by the new standard.
- **Key Provisions.** This segment covers the core principle of revenue recognition and then individually analyzes the five steps necessary to achieve that principle. Emphasis is placed on the contract with the customer and its importance in applying the standard. Additional key learning points include accounting for multiple performance obligations,

- significant financing components, customer acceptance provisions, and bill & hold arrangements.
- **Contract Modifications.** FASB ASC 606 introduces a general framework for accounting for contract modifications. We explain the new rules regarding contract modifications (i.e., change orders). We also cover the impact of these new rules on industries which currently do not have specific guidance related to contract modifications.
 - **Identification of “Distinct” Performance Obligations.** Performance obligations are treated as separate units of account if they are “distinct.” This segment covers the criteria for determination of the units of account in a contract including a detailed analysis of the application of the new concept of whether performance obligations are “separately identifiable.”
 - **Long-Term Contracts.** This segment deals with recognizing revenue for performance obligations that are satisfied over time. Participants learn about the new rules that replace the percentage-of-completion method, including measurements of performance and the criteria to qualify to recognize revenue over the life of a contract.
 - **Contract Costs.** In this portion of the program, we cover the definitions of, and the accounting for, incremental costs of obtaining a contract with a customer, as well as contract fulfillment costs.
 - **Loyalty Programs and Marketing Incentives.** The new revenue recognition guidance will result in major changes to the way many entities currently account for loyalty programs, marketing incentives, and other customer promotions. The approach mandated in FASB ASC 606 (an approach similar to today’s multiple-element revenue recognition method) is outlined and there is a discussion related to the impact on entities.
 - **Promises and Customer Care Programs.** The CPEA believes that FASB ASC 606 may significantly change the accounting for implied promises to customers for many entities and may prompt those entities to change their practices related to customer care programs. This segment educates participants about those changes in this important area.
 - **Variable Consideration.** The notion of variable consideration is broad and FASB ASC 606 changes the accounting for such consideration. Participants will learn the types of arrangements that are variable consideration and the differences between recognition and measurement of variable consideration under current revenue recognition standards.
 - **Warranties.** Participants are taught about the specific guidance related to applying the revenue recognition model to warranties. Guidance associated

- with distinguishing between different warranties and the related accounting methods are discussed.
- **Specific Industry Issues.** Participants learn about the new revenue recognition standard's impact on certain industries, such as the construction and manufacturing sectors. Practical insights into the application of FASB ASC 606 by entities operating in those industries are provided.
 - **Income Tax Accounting Implications.** This segment overviews some key income tax considerations of the new revenue recognition standard.
 - **Regulator Views and Areas of Focus.** This segment informs participants about the viewpoints of the Securities and Exchange Commission's staff related to several areas of the new revenue recognition standard, including the use of judgment when applying FASB ASC 606.
 - **Case Studies, Commentary, and Examples.** For each area covered, we draw upon various resources (including the AICPA Revenue Recognition Working Groups, FASB TRG, and FinREC) to provide practical implementation advice, implementation experiences, and real-world examples. This approach facilitates deeper comprehension of the new revenue recognition standard.
 - **Additional Resources.** The new revenue recognition guidance is broad and complex. Practitioners will benefit from the array of implementation resources available to them. This segment will provide a rundown of those resources, including numerous CPEA reports and educational materials.

Advanced Onsite Training Course

Our advanced training course dives deeply into the more challenging components and aspects of the FASB ASC 606 architecture. Emphasis is placed on the practical implementation of the five steps of the new revenue recognition framework in more specific settings. Interactive discussions and case studies are employed to apply the principles of the new standard and deepen the learning experience. Major elements of the advanced training course include:

- **Contract Definition and Criteria.** This segment reviews the definition of a contract and studies the conditions necessary for a contract to be within the scope of FASB ASC 606.
- **Illustrative Contract Reviews.** Participants engage in an interactive examination of sample customer contracts, determining whether the contracts meet the criteria outlined in FASB ASC 606, discussing how the new revenue recognition framework applies to the contracts, and identifying

- features or terms that may require additional analysis in implementing the framework's five-step approach.
- **Portfolio Approach in Accounting for Contracts.** FASB ASC 606 allows the use of a portfolio approach to account for certain contracts, as a practical expedient. This segment explores various aspects of the portfolio approach, including factors to be considered when determining an appropriate portfolio composition, and the use of judgment in selecting the size and composition of the portfolio.
 - **Auditing Considerations.** This segment begins with an overview of some important audit considerations in the context of the five-step process of recognizing revenue. Then, this segment continues with coverage of the audit process as it relates to FASB ASC 606, noting relevant audit considerations at the risk assessment, performance, and evaluation phases of the audit.
 - **Key Principles-Based Judgments.** Overall, FASB ASC 606 introduces more judgment into the recognition of revenue compared to existing guidance. This segment offers interpretive views about the major principles-based judgments in the new revenue recognition standard, including contract approval and enforceability, distinct goods or services and separately identifiable promises, customer options and material rights, the control-based notion for determining the transfer of goods and services, and more.
 - **Identifying Performance Obligations.** Going into more detail than the standard training course, we zero in on a critical component of the new revenue recognition framework — performance obligations. By examining Step 2 of FASB ASC 606 in-depth through engaging case studies, participants learn how to identify the promised goods and services in a contract.
 - **AICPA Revenue Recognition Task Forces' Implementation Issues.** The AICPA has formed sixteen industry task forces to develop answers to numerous revenue recognition implementation issues. We explore the more relevant issues and share the guidance offered by the task forces as well as helpful hints and illustrative examples.
 - **Variable Consideration.** Expanding beyond the coverage of variable consideration in the standard training course, participants will learn how variable consideration will offer new opportunities for entities, but also offer new challenges. In this segment, we dig into the new rules related to variable consideration and the major judgment areas involved.
 - **Licenses in Contracts with Customers.** Contracts that contain licenses related to intellectual property (IP) are common in many industries. This segment explains how to apply the new revenue recognition model to

- licenses. Concepts covered include functional versus symbolic IP and the right to use versus the right to access IP.
- **Gross Versus Net Revenue Recognition.** This segment addresses how an entity determines whether it is acting as a principal or an agent in a transaction and, therefore, whether to recognize revenue gross or net. Participants will learn when and how to conduct a principal versus agent evaluation under FASB ASC 606.
 - **Anticipated Impact on Financial Statements.** Participants look at recent disclosures made by public companies that discuss the affect that FASB ASC 606 is expected to have on their financial statements. These disclosures could be of significant assistance for non-SEC registrants as they may provide information about implementation challenges, financial statement impact, and key judgments.
 - **Disclosures.** Extensive quantitative and qualitative disclosures are required by the new revenue recognition standard. We familiarize participants with those disclosures and address the relief provided in the standard for nonpublic entities. In addition, this segment tackles how entities can comply with the disclosure provisions in light of the significant number of judgments used in applying FASB ASC 606.
 - **Transition Methods.** Retrospective transition is required when adopting the new revenue recognition standard and prospective transition is not allowed. Participants are educated about the retrospective transition methods available, practical expedients offered, and challenges that entities will face in adopting the new standard.

Pricing

We offer full- or half-day onsite training for both the standard and advanced revenue recognition courses.

A full day of on-site training is offered to our member firms for \$5,000 plus travel expenses. Half-day courses are offered for \$2,500 plus travel expenses.

Please email us at cpea@aicpa.org or call us at (334) 260-2326 to book your firm's training today!