



ONLINE INSIGHTS WEBCAST



As one of the nation's leading accounting firms, Mazars USA provides the resources, experience and global expertise to help you adapt in a dynamically changing business landscape.

REVENUE RECOGNITION WEBCAST SERIES: COMPLEX AREAS UNDER ASC 606

Companies that are implementing ASC 606, the new revenue recognition standard, must address the complex areas that have arisen as a result of the new codification. Some of the complex areas are revenue recognition for licenses, contract modifications, principal versus agent considerations, and variable consideration.

When accounting for licenses granted to customers, it's important to understand whether the intellectual property given is functional or symbolic. When selling functional intellectual property, revenue is recognized over the term the intellectual property is granted to the customer. When selling symbolic intellectual property, revenue is recognized when the customer can access the intellectual property.

Contract modifications can cause significant changes to the amount of revenue that a company recognizes. The two factors which need to be considered when determining the accounting treatment of a contract modification are whether the additional goods and services are distinct and whether the additional goods or services are at their standalone selling price.

A change resulting from the new revenue recognition codification is that there are now three primary indicators that a company should consider themselves a principal rather than an agent. The three indicators are: the company is primarily responsible for fulfilling the promise to the customer, the company has inventory risk, and the company has discretion in establishing the prices of the goods or services.

Variable consideration is an area of revenue recognition which has received significant attention from the Securities and Exchange Commission. When considering a transaction price which involves variable consideration, a company must consider whether there is a chance that the revenue could be reversed in future periods, whether there is a significant financing component in the deal, whether noncash consideration is being offered and whether there is any consideration being paid to the customer.

A Company must fully understand their business practices and the complex areas under ASC 606 to ensure that it's revenue is not being materially misstated.

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MAJOIRTY OF WEBCAST ATTENDEES

plan to adopt ASC 606 during the fiscal year 2019.

WHICH TYPE OF INTELLECTUAL PROPERTY DOES YOUR COMPANY MOST FREQUENTLY LICENSE FROM OTHERS?

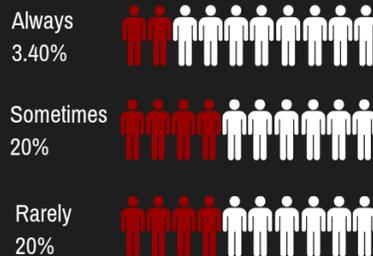


31.20% OF RESPONDENTS

said their company rarely enters into transactions with variable consideration.



HOW FREQUENTLY DOES YOUR COMPANY OFFER WARRANTIES?



of respondents said their company modifies their contract sometimes.