

Let GAAP Consulting unravel your contracts



Expert help is a phone call away

Do you know how to implement AASB 15 *Revenue from Contracts with Customers*? It's not easy – every contract needs to be understood according to how it is to be accounted for. And implementation dates are fast approaching.

Let the experts at GAAP Consulting get you on track with an analysis of one of your contracts.

Here's a reminder of key dates and tasks.

Activity	31 December year-ends	30 June year-ends
Issued but not yet operative disclosures	31 December 2016 and 31 December 2017	30 June 2017 and 30 June 2018
Transition date and third statement of financial position	1 January 2017	1 July 2017
Comparative information	31 December 2017	30 June 2018
First AASB-15-compliant financial statements	31 December 2018	30 June 2019

The AASB gave not-for-profit entities a further year to apply AASB 15 and AASB 1058 *Income for Not-for-Profit Entities* because of the extra time and effort expected. But NFPs should be on the job as of now.

Our contract-review service

AASB 15 requires the application of a five-step revenue-recognition process.

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations, and
- Recognise revenue when (or as) the entity satisfies a performance obligation

Give us a contract and we will identify how you should apply the process.

By all means use our report as a basis for analysing other contracts.

Our fee for this service is \$900 plus GST for simple contracts and \$2,500 plus GST for complex ones, and we can review several contracts for a negotiated price. Submit a contract and we will give you a quote and turn-around time.

Our AASB 15 project team is led by Carmen Ridley (AASB member). Other team members – Colin Parker (former AASB member), Stephen LaGreca, Sonya Sinclair and Stephen Newman (corporate lawyer, Hope Earle) – are always available.

We have been sharing our AASB 15 expertise and experiences through our masterclasses, GAAPinars, face-to-face client training, and a Special GAAP Alert. We have also been mentoring entities on the standard's implementation.

What has ASIC said?

In May, the effects of new accounting standards was among focus areas the Australian Securities and Investments Commission nominated for surveillance.

'The introduction of some major new accounting standards will have the greatest impact on financial reporting since the adoption of International Financial Reporting Standards in 2005,' ASIC said.

'It is important that directors and management plan for these new standards and inform investors and other financial-report users of the impact on [...] results. This includes making required disclosures on the impact of the standards in notes to the financial report. This may well mean quantification of the impacts for the reporting date that coincides with the start of the first comparative period that will be affected in a future financial report. Subject to transitional arrangements, that is 30 June [...] for new standards on revenue and financial instruments.'

In December, ASIC commissioner John Price said: 'Given the extent of the changes to financial reporting, it is important to determine the extent of any impact now and to put in place implementation plans for these new standards. Public disclosure on the impact of the standards and timely implementation is important for investors and to retain market confidence.'

ASIC also said that 'auditors should be mindful of their responsibilities in the context of opining on financial reports, including any note disclosures. To maintain their independence, auditors should not be implementing new standards or advising on accounting treatments for their clients'.

A reminder for preparers, directors and auditors

APES 110 *Code of Ethics for Professional Accountants* requires members of CA ANZ, CPA Australia and IPA to comply with the fundamental principles, which include professional competence and due care. They must 'maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional activities based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards' (see sections 130, 320 and 340).

ASIC's information sheet 183 *Directors and financial reporting* explains a director's financial-reporting responsibilities.

An AASB 15 awakening

May I share with you the following comment on a contract review we undertook? A partner at the client firm described AASB 15 as 'quite massive'. He went on: 'There is a lot of detail and it's not till you start working through it that the issues become apparent. It would appear companies have not realised just what is involved in understanding the technical and conceptual aspects of the standard and [...] applying it to actual and future contracts.'

He thanked us for our comments, saying he'd review them then talk to us about next steps.

Carmen Ridley at *GAAP Consulting* says that the devil is in this standard's detail. 'I am finding that people think they know what the answer is without necessarily considering all components of AASB 15', she adds. 'Similar contracts can give different answers if there are slightly different terms.'



Carmen Ridley

*GAAP Consulting team leader,
corporate financial reporting services*

How else can we help?

The *GAAP Consulting* team can also assist you with:

- AASB 15 and AASB 1058 training
- Review and monitoring of your implementation plan
- The development of detailed accounting policies, and
- Review of your financial-reporting template.

Contact Colin to discuss our contract-review service and how we can help you to implement AASB 15 correctly.

Contact Us

Should you require any further information about the services provided or our team, please contact:



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'Excellence in Financial Reporting'

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