2016 Revenue recognition survey
Readiness update, impacts and remaining challenges
About this survey

How have organizations progressed in adopting the new revenue accounting standards (ASC 606 & IFRS 15)? To find out, PwC and Financial Executives Research Foundation (FERF) surveyed executives from organizations’ accounting and finance functions to find out:

- How far along are organizations in the implementation journey?
- What have been the most pressing challenges and biggest impacts?
- How are organizations managing the resources needed?

Responses were collected through an open, online survey in August 2016. More than 700 executives from a wide range of industries participated and responses are summarized here.

Interactive analysis online

Visit our 2016 revenue recognition survey – top findings page online for access to:

- Interactive data explorer
- Insights and analysis from PwC revenue recognition specialists

pwc.com/us/revrec
# Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job title</td>
<td>4</td>
</tr>
<tr>
<td>Industry</td>
<td>5</td>
</tr>
<tr>
<td>Ownership</td>
<td>6</td>
</tr>
<tr>
<td>Revenue</td>
<td>7</td>
</tr>
<tr>
<td>Number of contracts</td>
<td>8</td>
</tr>
<tr>
<td>Adoption method</td>
<td>9</td>
</tr>
<tr>
<td>Overall status</td>
<td>10</td>
</tr>
<tr>
<td>Assessment</td>
<td>11</td>
</tr>
<tr>
<td>Implementation</td>
<td>12</td>
</tr>
<tr>
<td>Difficulty of implementation</td>
<td>13</td>
</tr>
<tr>
<td>Impact areas</td>
<td>14</td>
</tr>
<tr>
<td>Cost</td>
<td>15</td>
</tr>
<tr>
<td>Managing resources</td>
<td>16</td>
</tr>
<tr>
<td>FTEs</td>
<td>17</td>
</tr>
<tr>
<td>Accounting issues</td>
<td>18</td>
</tr>
<tr>
<td>Materia impact</td>
<td>19</td>
</tr>
<tr>
<td>Contacts</td>
<td>20</td>
</tr>
</tbody>
</table>
Which of the following best describes your job title?

- CFO/Controller: 34%
- Finance/accounting director: 23%
- Finance/accounting manager: 24%
- Finance/accounting staff: 9%
- Other (please specify): 10%
Which of the following best describes the primary industry in which you operate?

- Industrial products, chemicals, and manufacturing: 14%
- Technology (other than software): 11%
- Financial services: 11%
- Software: 7%
- Retail & consumer: 7%
- Pharmaceutical & life sciences: 6%
- Entertainment, media & communications: 5%

Other industries included (<5%): aerospace and defense; automotive; engineering and construction; forest, paper, and packaging; healthcare; hospitality and leisure; mining; oil and gas power and utilities; professional services; transportation and logistics.
Please indicate the ownership of your company

Public: 65%
Non-Public: 35%
What is your company’s approximate annual revenue?

- Less than $499 million: 32%
- $500 million to $999 million: 13%
- $1 billion to $4.9 billion: 25%
- $5 billion to $19.9 billion: 19%
- $20 billion to $49.9 billion: 5%
- More than $50 billion: 6%
Approximately how many different customer contracts exist across your organization?
What is your organization’s planned method of adoption?

- Unknown: 52%
- Modified retrospective: 30%
- Full retrospective: 18%
Which of the following best describes your current implementation status?

- 22% Have not started an assessment
- 65% Assessment phase
- 13% Implementation of the Standard
How far along is your company in assessing the new revenue recognition standard?*

Assessment phase completion %

- 0-25%
- 26-50%
- 51-75%
- 76-100%

* Answers from respondents who indicated “Assessment phase” for “Implementation status.”
How far along is your company in implementing the new revenue recognition standard?*

Implementation phase completion %

- 0-25%: 48%
- 26-50%: 22%
- 51-75%: 13%
- 76-100%: 17%

*Answers from respondents who indicated “Implementation phase” for “Implementation status.”
Please rate the anticipated or determined level of difficulty in implementing the new revenue recognition standard in the following areas:

- Contract reviews (current and ongoing)
  - Very difficult: 27%
  - Somewhat difficult: 51%
  - Not difficult: 18%
  - Unsure: 4%

- Developing and implementing new accounting policies
  - Very difficult: 17%
  - Somewhat difficult: 59%
  - Not difficult: 18%
  - Unsure: 6%

- Documentation of conversion process and associated auditability
  - Very difficult: 22%
  - Somewhat difficult: 54%
  - Not difficult: 17%
  - Unsure: 7%

- Quantification of adjustments
  - Very difficult: 25%
  - Somewhat difficult: 47%
  - Not difficult: 16%
  - Unsure: 12%

- Project management
  - Very difficult: 17%
  - Somewhat difficult: 54%
  - Not difficult: 24%
  - Unsure: 5%

- Revisions to systems and associated controls
  - Very difficult: 30%
  - Somewhat difficult: 38%
  - Not difficult: 18%
  - Unsure: 14%

- Identification of accounting differences across the organization
  - Very difficult: 15%
  - Somewhat difficult: 49%
  - Not difficult: 33%
  - Unsure: 3%
Please rate the expected impact of the new revenue recognition standard on the following areas:

<table>
<thead>
<tr>
<th>Area</th>
<th>High impact</th>
<th>Moderate impact</th>
<th>Low impact</th>
<th>Unsure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting policies/ procedures</td>
<td>28%</td>
<td>50%</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>Business processes/policies</td>
<td>18%</td>
<td>47%</td>
<td>26%</td>
<td>9%</td>
</tr>
<tr>
<td>Internal control environment</td>
<td>15%</td>
<td>47%</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td>IT Systems</td>
<td>23%</td>
<td>31%</td>
<td>33%</td>
<td>13%</td>
</tr>
<tr>
<td>Human Capital/ongoing resource requirements</td>
<td>16%</td>
<td>33%</td>
<td>43%</td>
<td>8%</td>
</tr>
<tr>
<td>Customer contracts</td>
<td>11%</td>
<td>36%</td>
<td>46%</td>
<td>7%</td>
</tr>
<tr>
<td>Sales practices/commissions</td>
<td>7%</td>
<td>31%</td>
<td>49%</td>
<td>13%</td>
</tr>
<tr>
<td>Tax</td>
<td>4%</td>
<td>28%</td>
<td>52%</td>
<td>16%</td>
</tr>
<tr>
<td>Compensation agreements/bonus plans</td>
<td>4%</td>
<td>23%</td>
<td>61%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Legend: High impact, Moderate impact, Low impact, Unsure
What level of total incremental costs do you expect will be required to implement the new revenue recognition standard?

- 22% Unsure
- 58% < $500,000
- 10% $500,000 - $999,000
- 8% $1 million - $4.9 million
- 2% > $5 million
How are you primarily managing resources to implement the new revenue recognition standard?

- We are leveraging existing resources: 63%
- We are hiring consultants: 18%
- We are hiring additional full time resources: 5%
- Not sure: 14%
Approximately how many full-time employees (or equivalents) are you utilizing to address implementation of the standard?
What accounting areas of the new revenue recognition standard do you find challenging?

<table>
<thead>
<tr>
<th>Category</th>
<th>Very Challenging</th>
<th>Somewhat Challenging</th>
<th>Not Challenging</th>
<th>Unsure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure requirements</td>
<td>35%</td>
<td>42%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Identifying performance obligations</td>
<td>21%</td>
<td>53%</td>
<td>21%</td>
<td>5%</td>
</tr>
<tr>
<td>Accounting for variable consideration</td>
<td>21%</td>
<td>48%</td>
<td>24%</td>
<td>7%</td>
</tr>
<tr>
<td>Timing of revenue recognition (&quot;Transfer of control&quot;)</td>
<td>12%</td>
<td>51%</td>
<td>30%</td>
<td>7%</td>
</tr>
<tr>
<td>Scope</td>
<td>15%</td>
<td>43%</td>
<td>36%</td>
<td>6%</td>
</tr>
<tr>
<td>Cost to obtain/ fulfill contract</td>
<td>12%</td>
<td>40%</td>
<td>40%</td>
<td>8%</td>
</tr>
<tr>
<td>Gross versus net</td>
<td>10%</td>
<td>42%</td>
<td>41%</td>
<td>7%</td>
</tr>
<tr>
<td>Accounting for licenses</td>
<td>12%</td>
<td>23%</td>
<td>49%</td>
<td>16%</td>
</tr>
</tbody>
</table>
Do you expect the standard to have a material impact on your company’s income statement and/or balance sheet?

- Yes, we expect a material impact to our income statement and/or balance sheet. (16%)
- No, we do not expect a material impact to our income statement and/or balance sheet. (64%)
- Unsure (20%)
Contacts

To have a deeper conversation about revenue recognition, please contact your PwC representative or:

**Dusty Stallings**
Partner, Deals, Accounting Advisory Services
Tel: +1 (973) 236 7772
dusty.stallings@pwc.com