

Revenue from contracts with customers

Significant changes to business
processes and financial statements

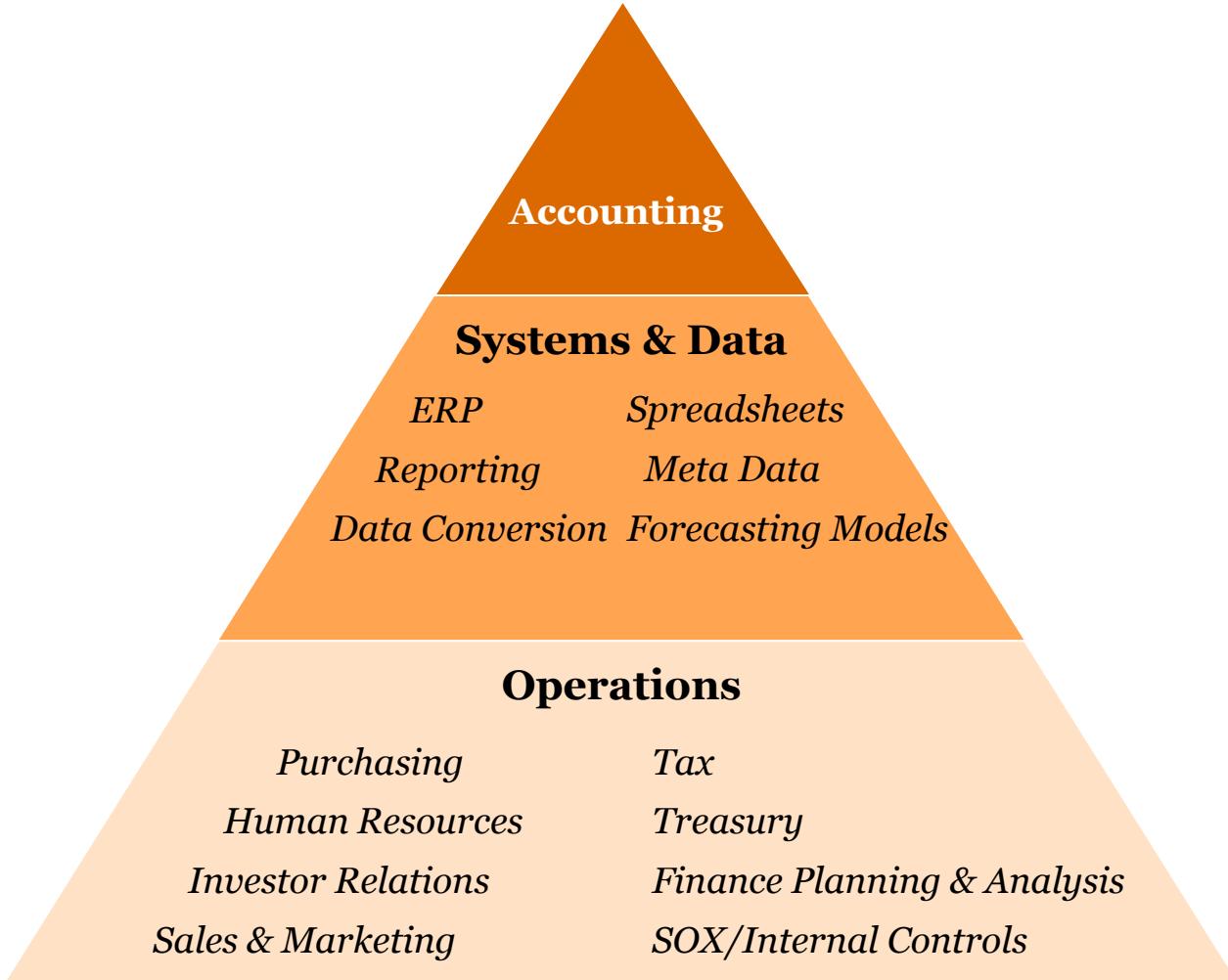
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January 27, 2016



Scope of the Change

Accounting is just the tip of the iceberg



Scope of the Change

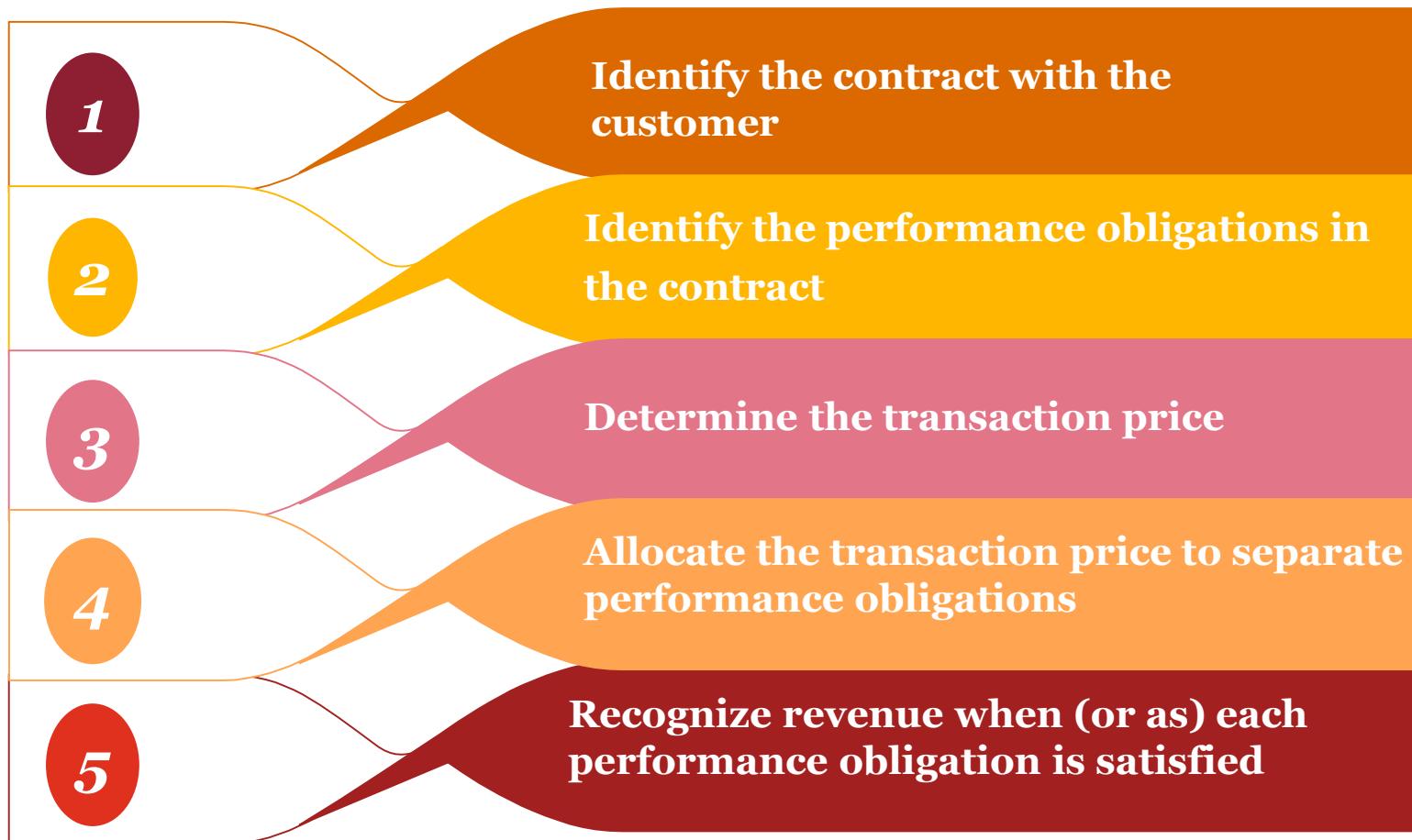
Potential areas of difference

Volume discounts	Contingent revenues	“Cash cap” guidance	Service level agreements	Distributor revenues	Allocation of discounts	Extended payment terms
Sales commissions	Funded R&D arrangements	Certain subscriptions	Ratable revenue may change	Time value of money	Consignment arrangements	Bill and hold arrangements
Other contract costs	Term licenses	Customer loyalty programs	Vendor protection clauses	Contract modifications	Extended warranties	In-transit loss coverage
Discounted goods or services	No VSOE limitation	Roadmaps	Implied maintenance	Residual approach	Customization/implementation	Elimination of software guidance
Disclosures						

Transition alternatives

How does it work?

5 Key Steps



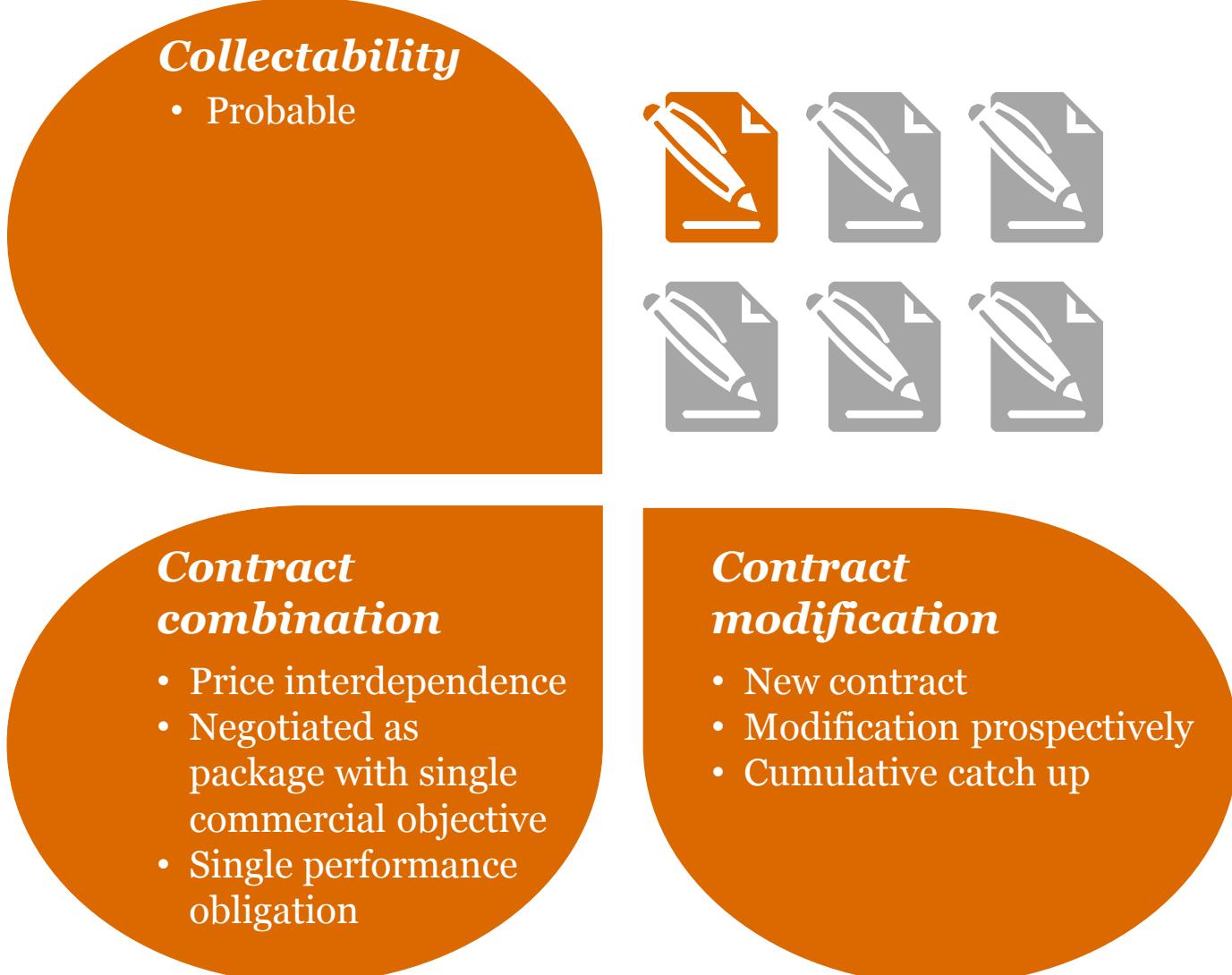
**Contract Costs
accounting**

Presentation

**Extended
disclosure
requirements**

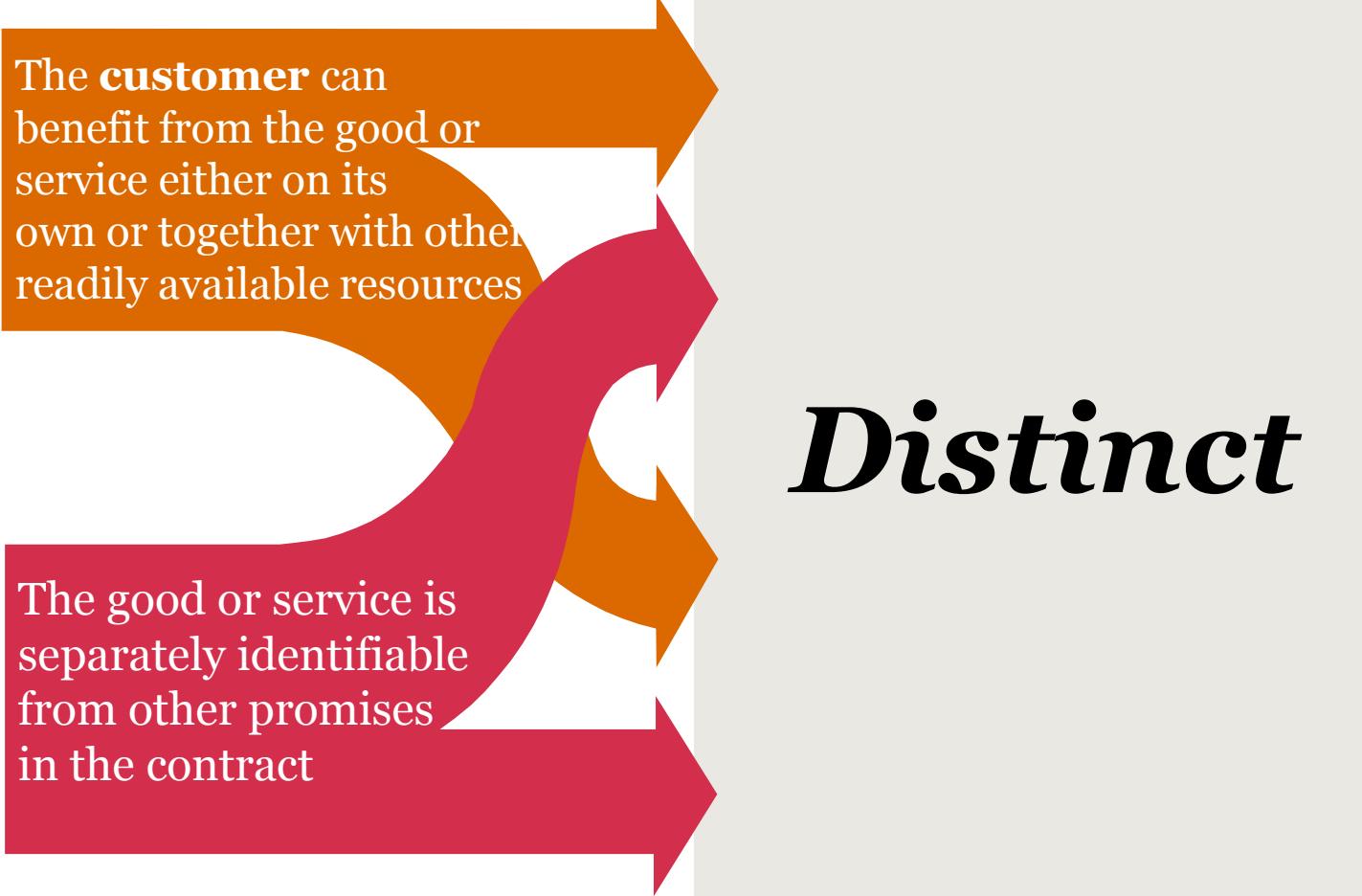
How does it work?

Step 1: Identify the contract with the customer



How does it work?

Step 2: Identify the performance obligations



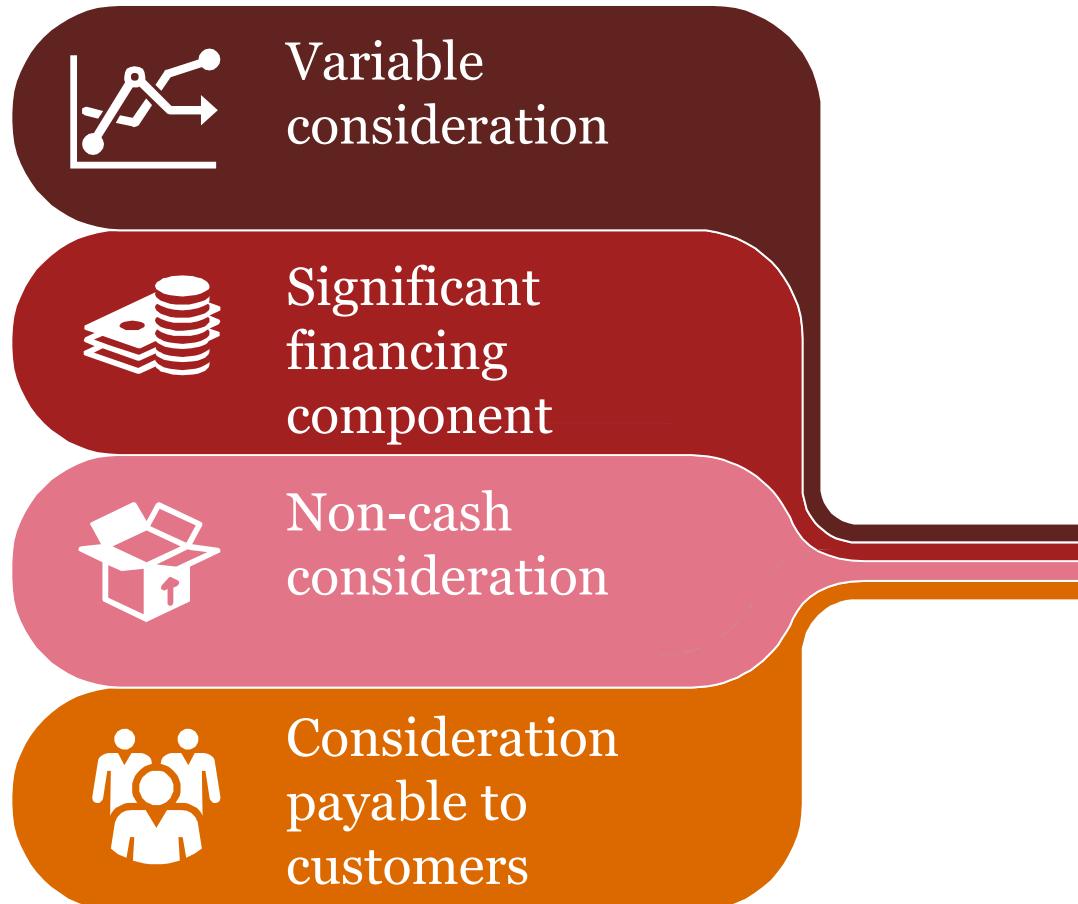
The **customer** can benefit from the good or service either on its own or together with other readily available resources

The good or service is separately identifiable from other promises in the contract

Distinct

How does it work?

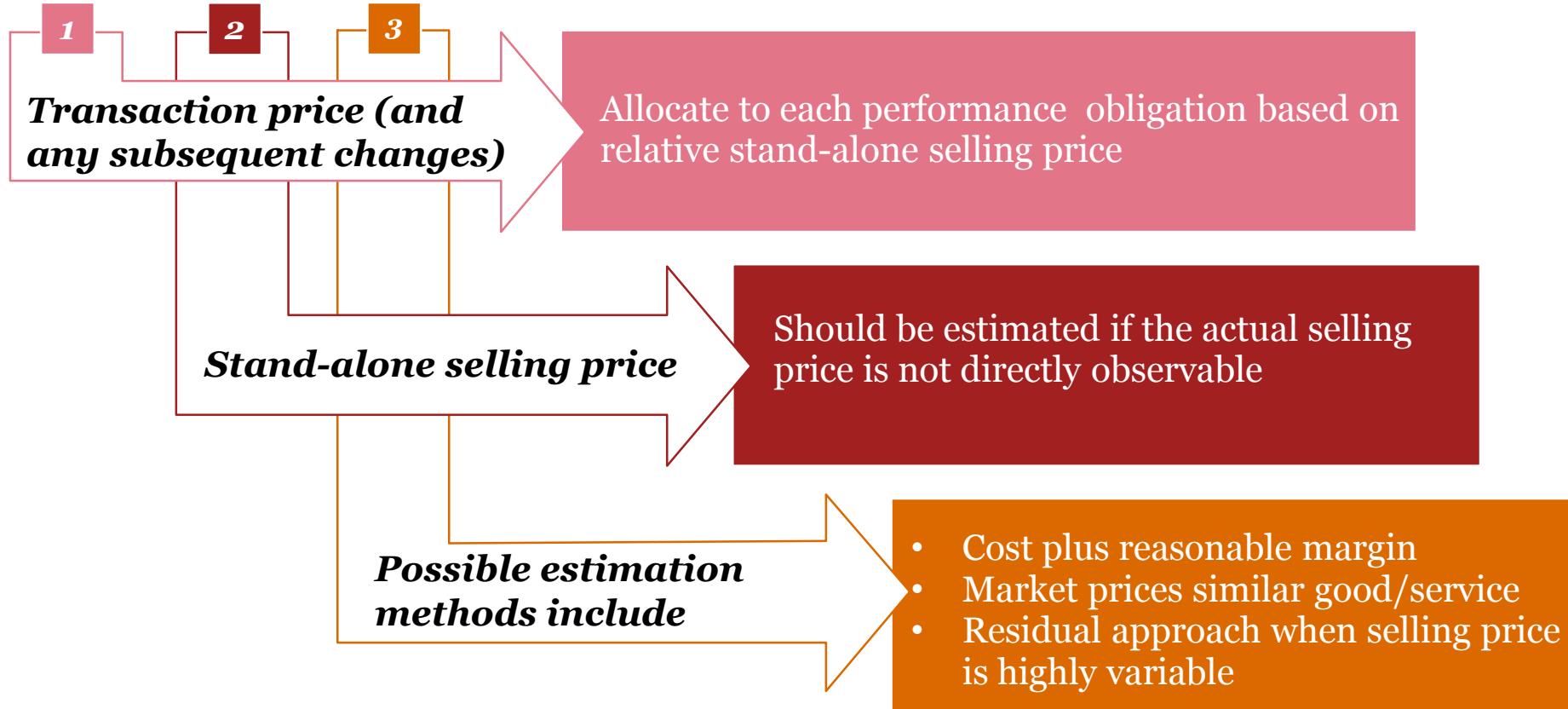
Step 3: Determine the transaction price



Transaction price =
Amount of consideration to which the entity expects to be entitled to in exchange for transferring goods or services

How does it work?

Step 4: Allocation of the transaction price



How does it work?

Step 5: Timing of revenue recognition

Revenue is recognized over time

Customer receives benefits as performed/ another would not need to re-perform

or

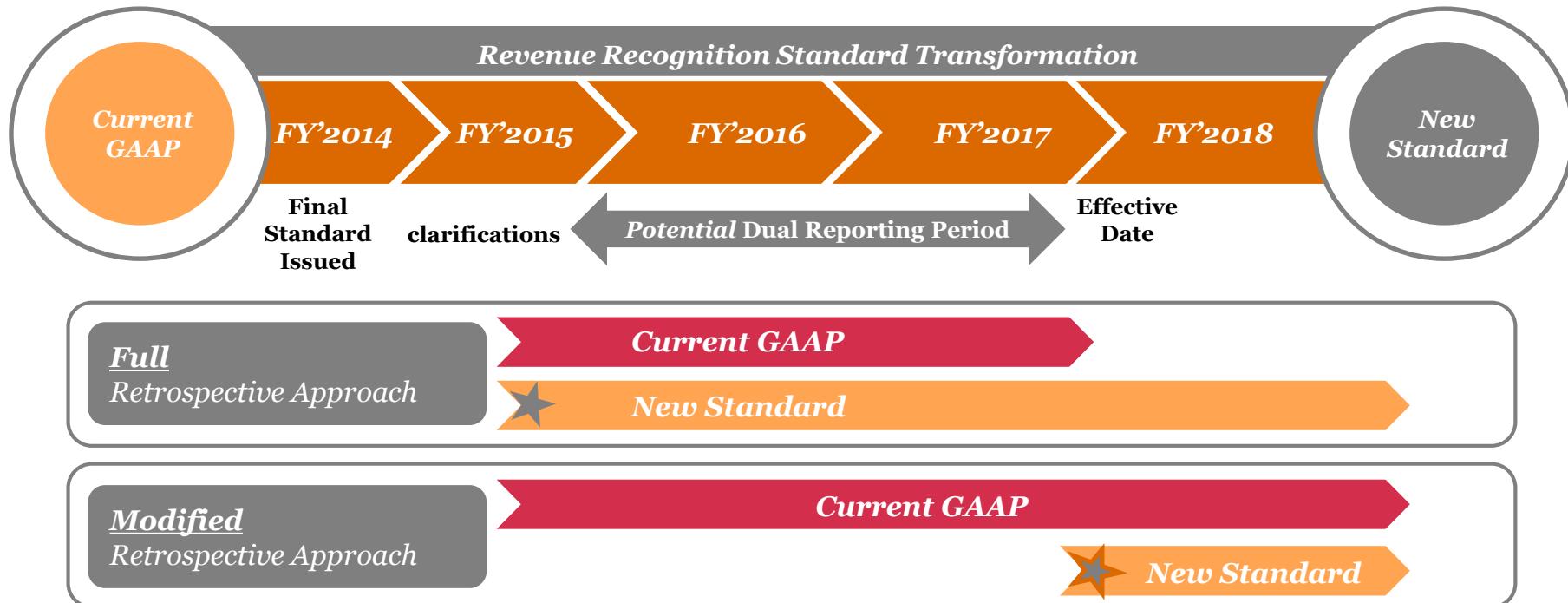
Create/enhance an asset customer controls

or

Does not create asset with alternative use **and** Right to payment for work to date

Effective Date and Adoption Methods

Transformative change is on the horizon



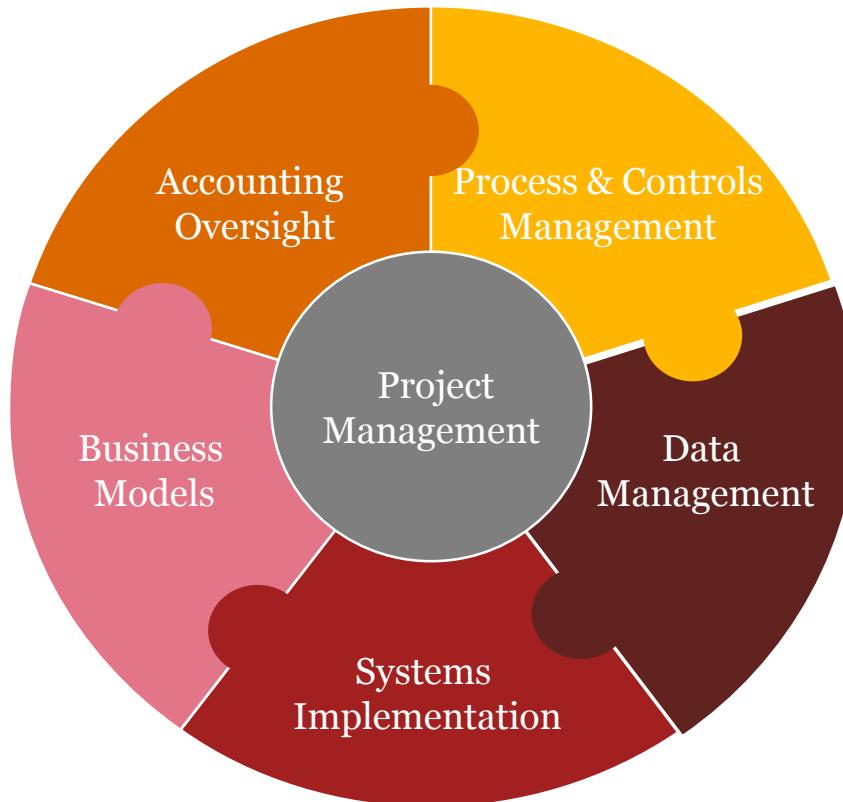
★ Cumulative adjustment to Retained Earnings will be reported

★ Current GAAP versus new Standard impacts will be disclosed

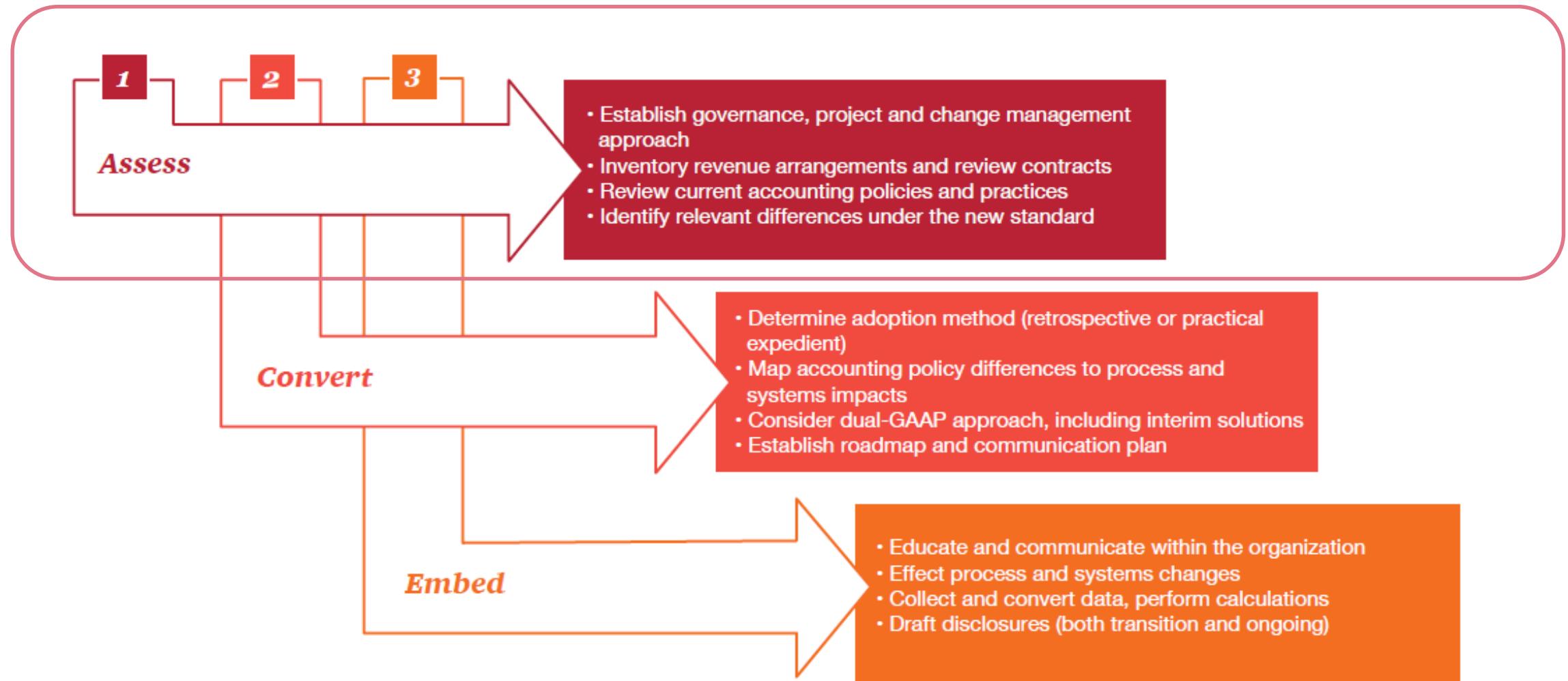
Note : The above timeline assumes a calendar year-end

Under the retrospective approach in IFRS- presentation of only the annual period immediately preceding the first annual period for which this Standard is applied is needed

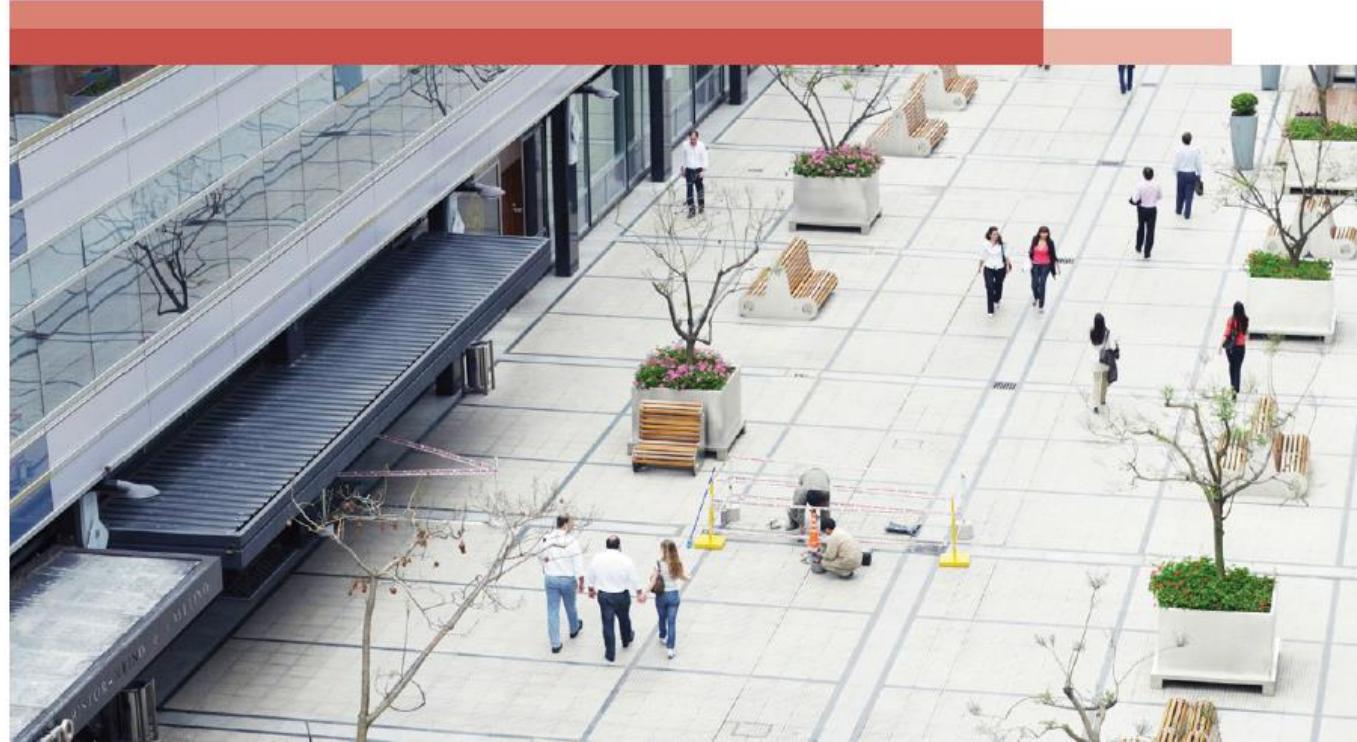
This is not just an accounting change...Impacts will extend beyond accounting



A three-step process for implementing the Standard



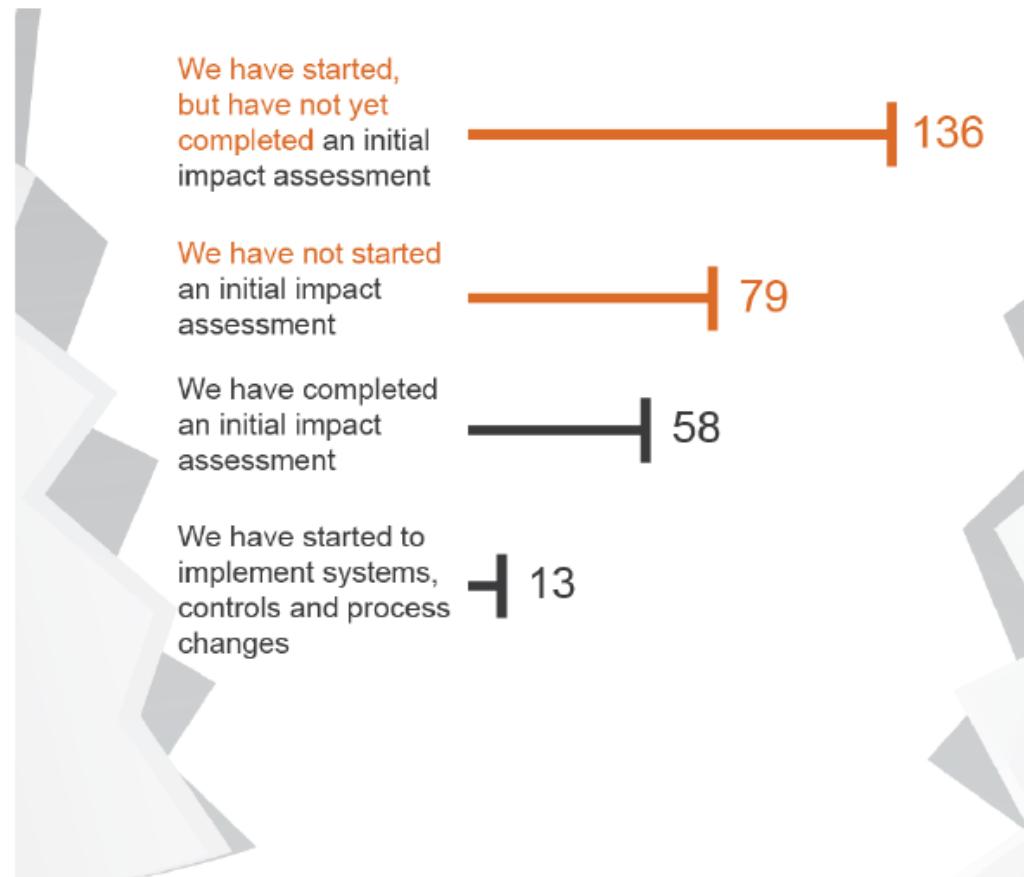
Revenue Recognition: PwC/ FERF 2015 survey results



PwC and FERF 2015 survey results

How far along is your company in implementing the new revenue recognition standard?

Most have started, but almost 28% of respondents have not begun an assessment.

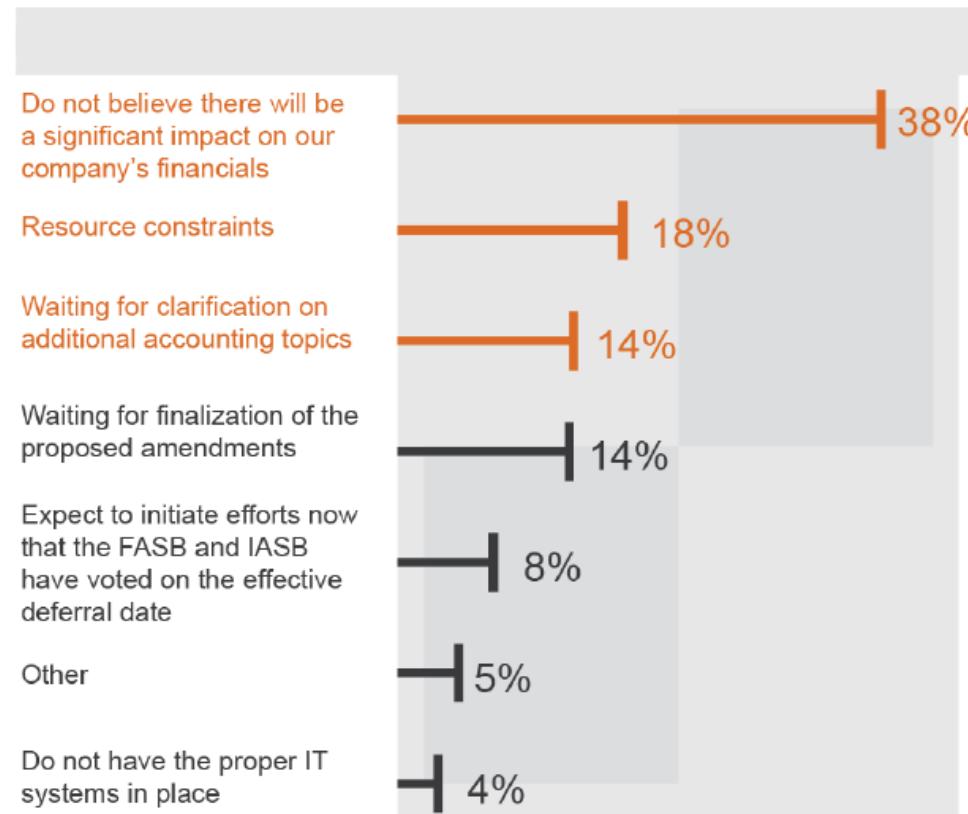


PwC and FERF 2015 survey results

If you have not begun your implementation efforts, what are the reasons behind the delay?

The Top 3:

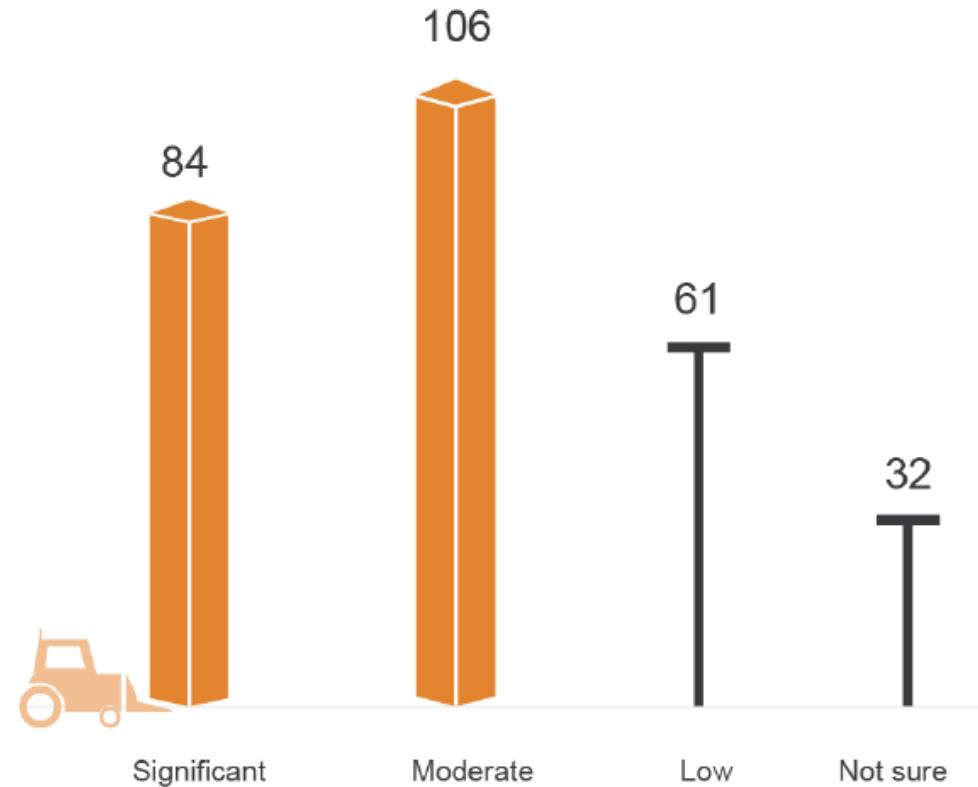
1. 38% do not believe there will be a significant impact.
2. 18% of respondents have resource constraints.
3. 28% are waiting on additional guidance.



PwC and FERF 2015 survey results

What level of effort will be required to implement the new revenue recognition standard?

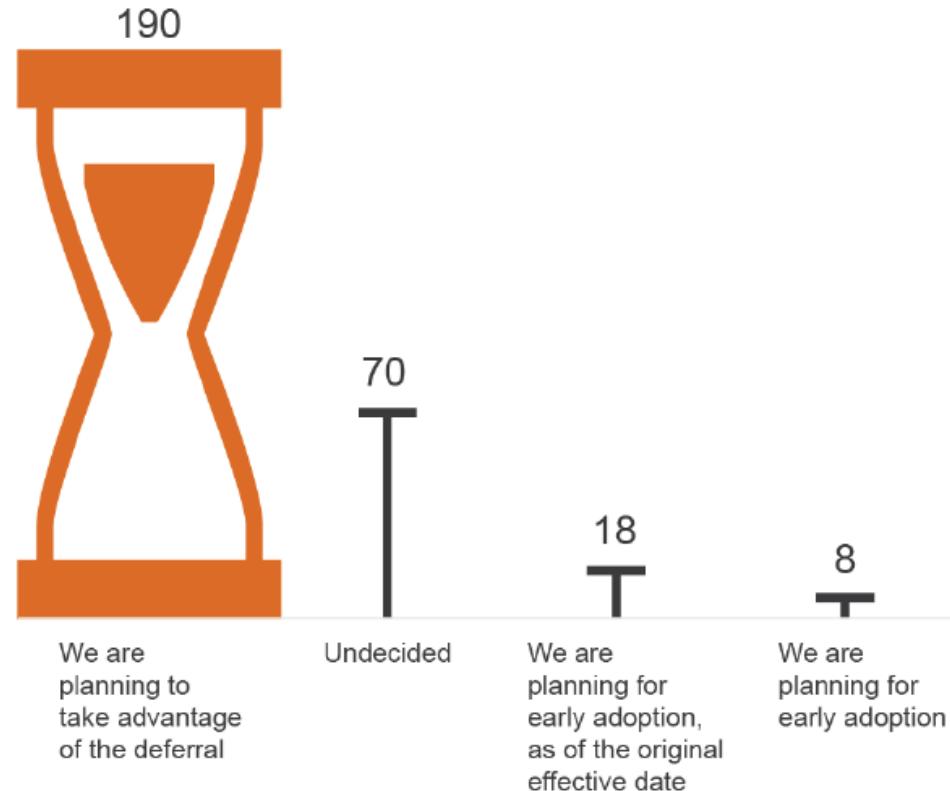
67% of respondents said that a moderate to significant level of effort will be required to implement the new standard.



PwC and FERF 2015 survey results

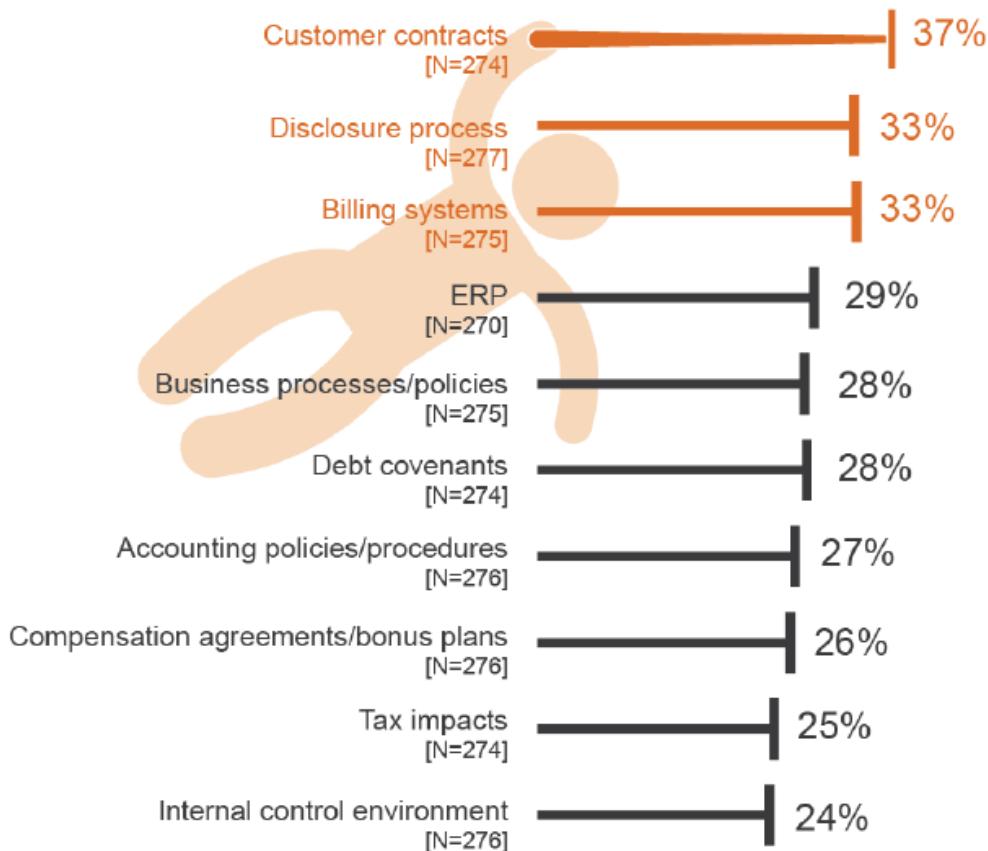
When does your company plan to adopt the standard?

Over 66% plan on taking advantage of the Boards' deferral.



PwC and FERF 2015 survey results

Please rate the expected impact of the new revenue recognition standard on the following areas?

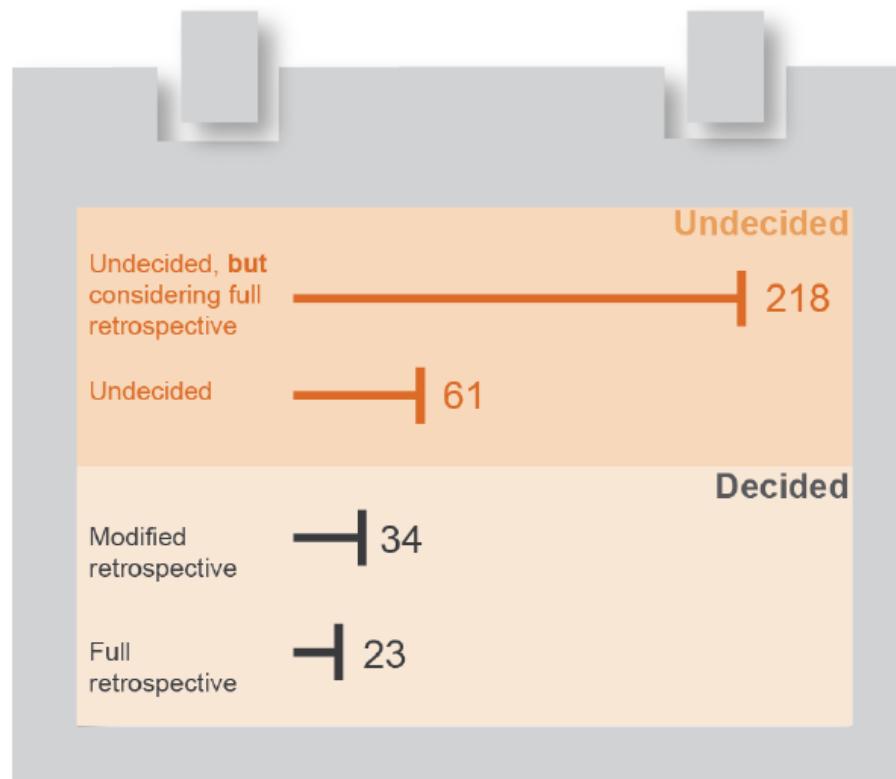


PwC and FERF 2015 survey results

Has your organization decided on a method of adoption?

Method of adoption is unclear:

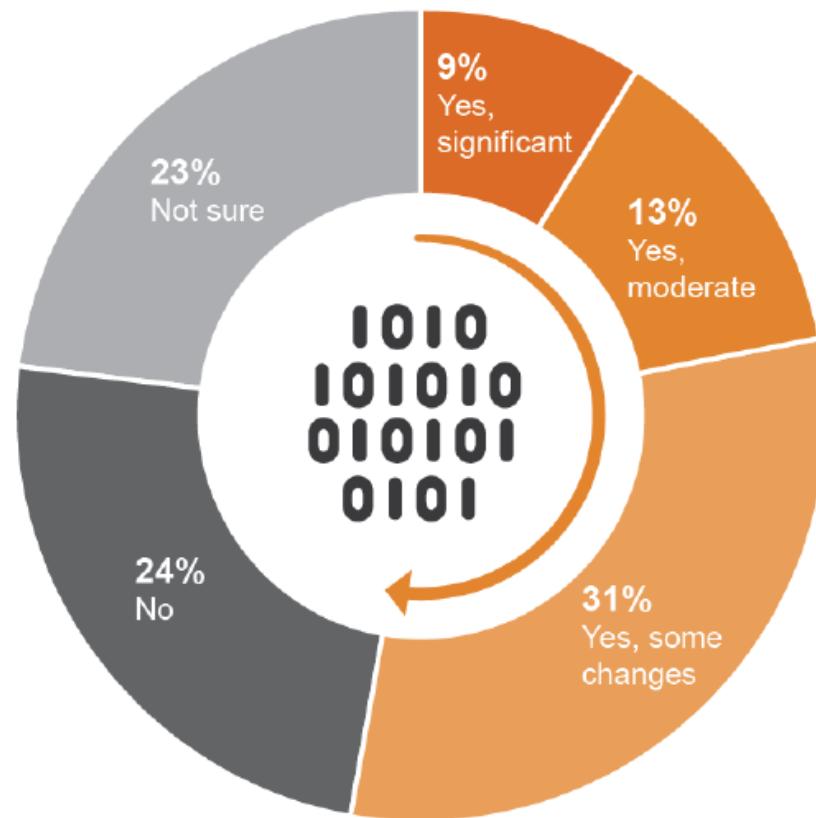
- 83% undecided on a method of adoption.
- Only 10% currently believe they will use modified retrospective approach.



PwC and FERF 2015 survey results

Do you expect to make system changes to accommodate the new standard?

Over 53% of respondents expect to make at least some system changes.



Thank You

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