IFRS 15 - 10 reasons why CFOs should be worried

The implications of IFRS 15 can be pervasive – impacting everything from EBITDA to systems and processes. But it does present opportunities, too.

Reasons to worry

1. **KPIs may be affected** in unexpected ways
2. Acceleration of revenue on transition **could crystallise cash tax payable**, even though the related cash flows have not yet occurred
3. **Sufficient resources** to deliver in the timeframe will need to be secured
4. Regulators will be looking for an **audit trail of analysis performed and conclusions drawn**
5. Complex new accounting rules will need to be **embedded beyond the finance function** – e.g. to bid/sales teams, IT, tax and investor relations teams
6. **IT systems and processes** may require updating to fit new allocation methodology, new account categories and tracing of products, revenue and costs to end customer
7. Investors will require educating on the **change in revenue profile**
8. Accounts will need to disclose **new judgements and potentially sensitive information** – e.g. average customer lifespan
9. **Pre-implementation disclosures** – both qualitative and quantitative – will be required in 2017 interims and finals.
10. IFRS 9 and IFRS 16 are also on the horizon. Bigger picture, **is your company ready** for some of the biggest accounting changes in more than a decade?

The opportunities

— Contracts could be renegotiated to achieve **preferred accounting outcomes** and safeguard competitive advantage

— **Product level profitability** and costing hidden by not disaggregating performance obligations could be revisited

— Any existing/planned **systems transformation projects** could incorporate changes for IFRS 15 – and potentially IFRS 9 and IFRS 16.

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