COMPLIANCE WEEK 2015

CELEBRATING 10 YEARS

MAY 18-20 2015 MAYFLOWER HOTEL WASHINGTON DC

The New Revenue Standard: Managing the Implications

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The Boeing Company

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PwC

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Path to Convergence

McKesson Technology Solutions (MTS)

- Introduction
- MTS Business Overview
- Revenue Recognition Landscape

Path to Convergence

MTS Preliminary Impact Assessment:

- Business revenues
- Key policies changes

Path to Convergence

MTS High-Level Change Impact Assessment:

- Financial processes
- Systems FIT GAP reveiw

Path to Convergence

MTS Detailed Planning:

- Transition method
- Define convergence project scope
- Resource model
- Budget and timeline

Path to Convergence

Critical Considerations for Convergence:

- Develop accounting policies *framework* (new GAAP), drives requirements
- Data, data, data.
  - Assess data existence and validity of today
  - Determine your data needs for future
  - Maintain and refresh

Path to Convergence

Critical Considerations for Convergence (cont):

- Comprehensive Systems assessment
  - Capabilities
  - How to operationalize adoption
  - Full participation from IT, business and finance/accounting

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Bavan Holloway, Vice Pesident, Corporate Audit
The Boeing Company

Overview

The Boeing Company

- Customers and customer support in 150 countries
- More than 165,000 Boeing employees in the U.S. and 65 countries
- Manufacturing, service and technology partnerships with companies around the world
- Leading manufacturer of commercial jetliners and defense, space and security systems
- Total revenue in 2014: ~$90.7 billion
  - Product revenue - $80.7 billion
  - Service revenue - $10.0 billion

Project Structure

Project Sponsor: Corporate Controller

Steering Committee

Corp/Chair: Chief Accountant

BCA	Controller/Chief Accountant	Tax	Director	Communications	Director
BDS	Controller/Chief Accountant	Finance Systems	Director	Investor Relations	Director
FP&A	Director	Finance Systems IT	Director	Legal	Director
Contracts	Director	Corporate Audit	Director	Treasury	Director

Program Management Office

Program Manager

Project Manager | **Finance Systems Leader** | **IT Leader** | **Corp Accounting Policy**

Functional and Technical Team Leaders

BDS Accounting | BCA Accounting | Finance Systems | Tax | FP&A | Corp Accounting

Working Teams

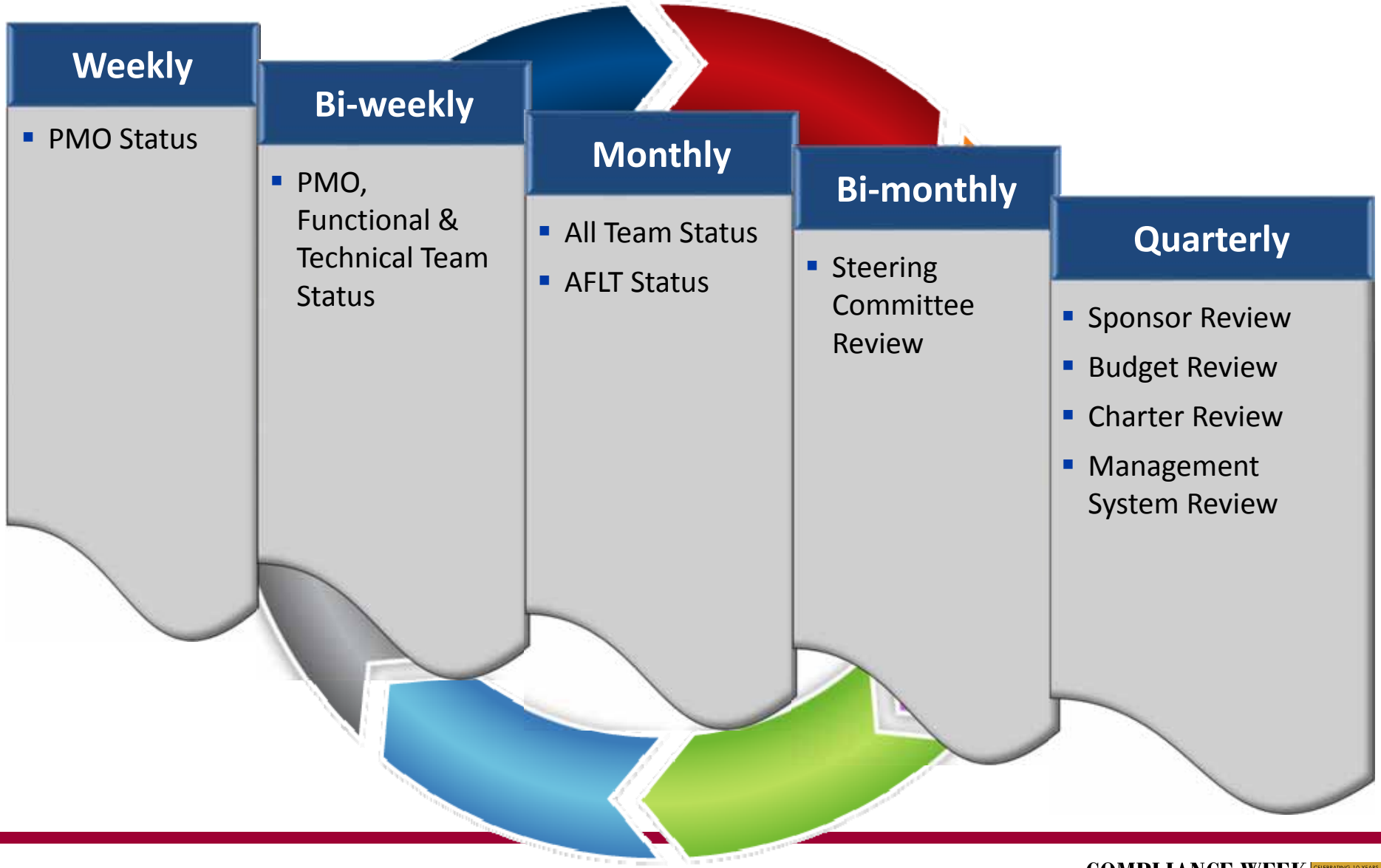
BDS Working Teams | **BCA Working Teams** | **Finance Systems Working Teams** | **TBD Working Teams** | **TBD Working Teams** | **TBD Working Teams**

Technical Review Subcommittee

- Accounting
- Cost Policy
- Tax
- Deloitte

Outside Consultants and Advisors

Operating Rhythm



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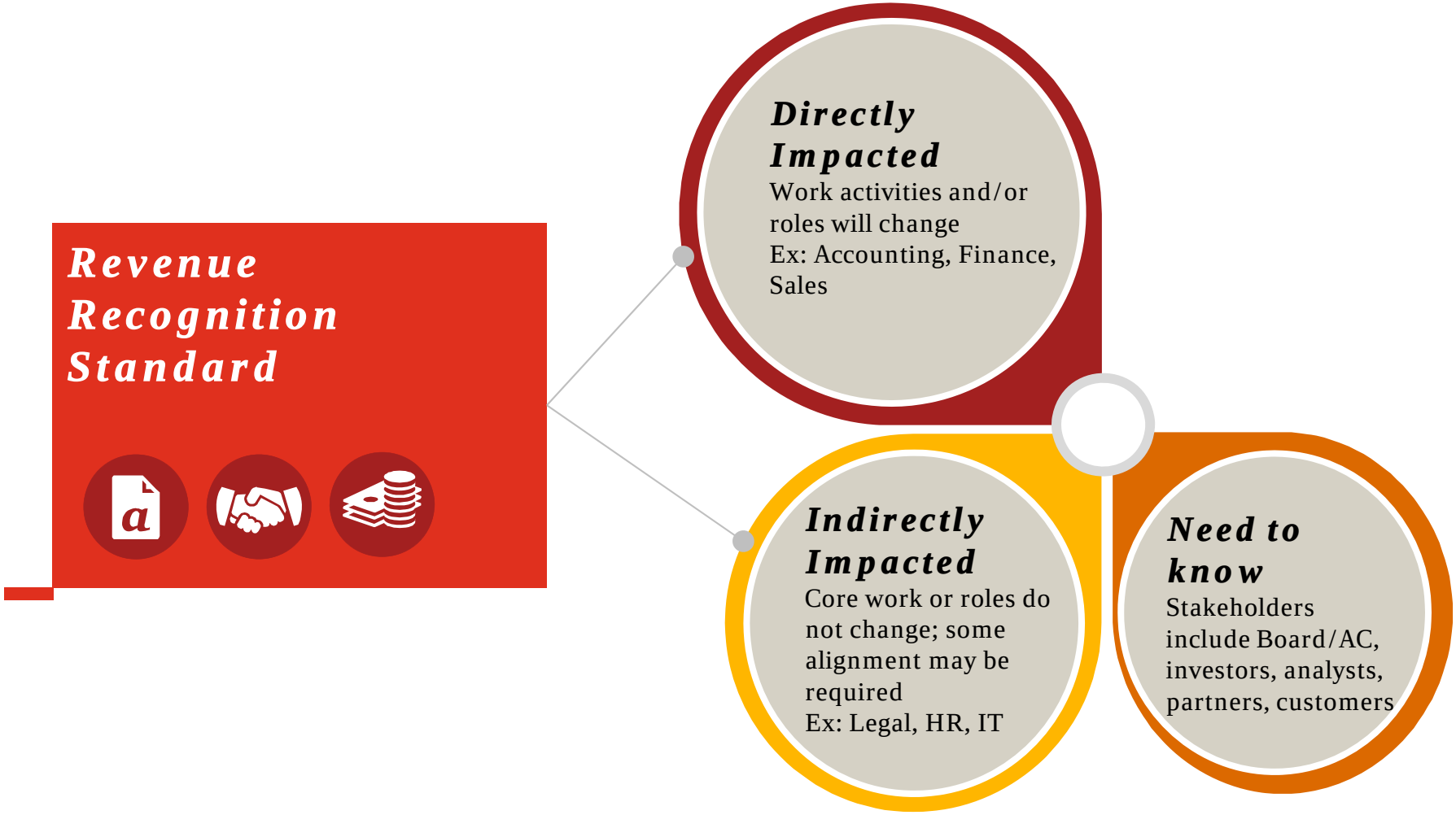
Impacts Extend Beyond Accounting



Implementation Considerations

Technology

- May need to modify current systems (ERP, revenue modules and other databases) to capture new information, perform computations and enable processes that were not previously required

Controls processes

- New data capture, calculations, process flows, and revenue recognition triggers will require manual and automated control points
- The standard requires companies to make more estimates and disclosures, calling for new controls and processes

Business opportunity

- The new revenue standard may provide business opportunities around pricing strategy and/or product offerings and bundles

Forecasting

- Forecasting will need to reflect the new revenue recognition timing and patterns

Involvement of IT is paramount; the new standard provides an opportunity to implement revenue automation replacing Excel and manual processes

Cross Functional Impacts

Compensation and bonus plans

- Sales compensation & partner incentives may need to be redesigned if based on earned revenue

Contracts

- Increased importance of visibility of performance oblications and enforcement of contracts at all stages of sales cycle
- Existing terms could take on new meaning; companies may consider re-negotiating contracts to maintain the original intent

Tax implications

- Timing of cash tax payments could be affected – especially if revenue recognition is accelerated under the new standard

Investor relations

- Stakeholders will want to know how revenue recognition will change and how the new standard will affect the company's financial results

Groups outside of accounting that will need to be consulted include:

- ***Audit Committee***
- ***Investor Relations***
- ***Financial Planning & Analysis***
- ***Sales***
- ***Legal***
- ***HR***
- ***Tax***
- ***Accounting IT Function***
- ***Internal Audit***

Investors and analysts will need to be educated on the impact of the new revenue standard

Integrated Program Framework

- Ensure accounting policy alignment across the organization
- Collaborate with IT team to ensure accounting inputs into system design, testing, and training
- Review business requirements and functional design specifications
- Understand tax implications

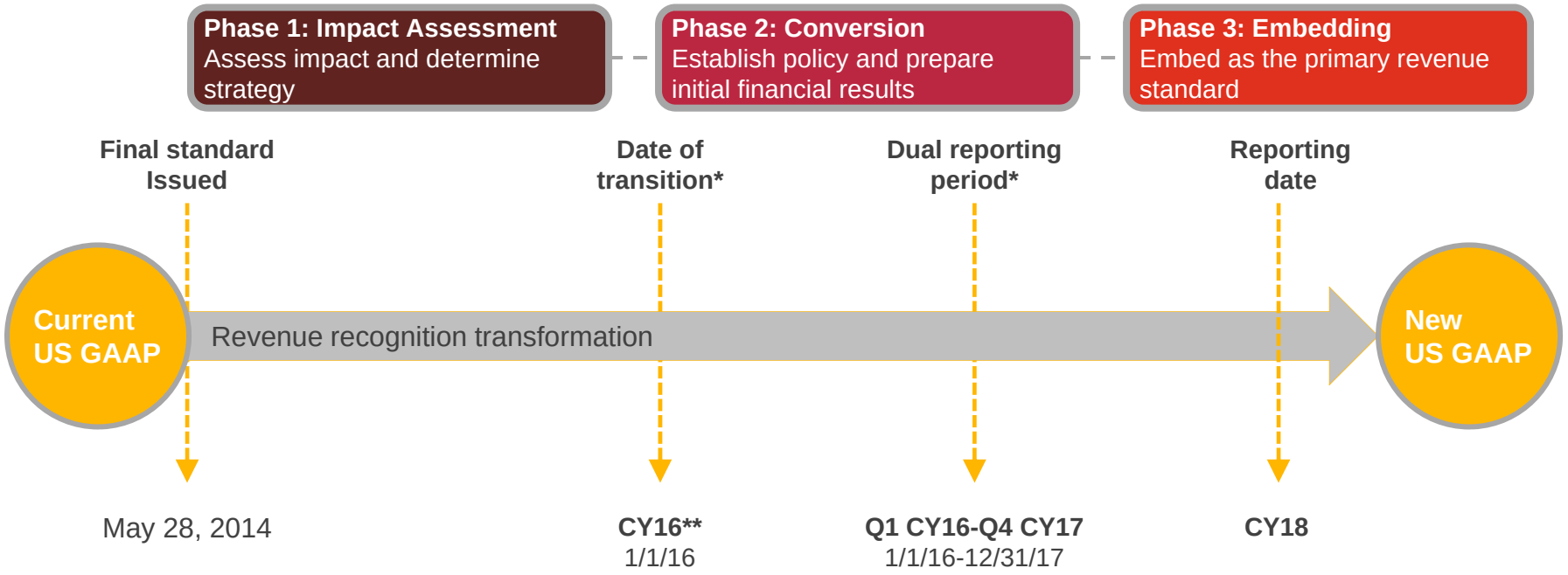
- Determine the organizational impacts, training strategy, and post-go live support model
- Collaborate with Program Management and Systems Implementation to lead employee mobilization, training, and knowledge transfer
- Understand the program plan activities and milestones to develop and execute against a communication strategy

- Facilitate the future state process and enable capabilities working with Finance and Accounting
- Business/accounting leads the overall implementation of the solution and provide inputs to IT
- Work with Program Management to utilize a standardized implementation approach and to track program progress

- Understand the accounting policy touch points along the Order-to-Cash and Close-to-Report cycle continuum
- Document accounting impacts to any touch points along the Order-to-Cash and Close-to-Report cycle
- Develop a process oriented Use Case Template that identifies impacts across the entire program

- Understand the data landscape and elements required for revenue calculation and recognition and develop use cases
- Develop the data migration strategy to meet use cases
- Integrate with Accounting Oversight and Systems Implementation to enrich and convert data as per policy and system requirements

Phased approach to implementation



*Assumes Public company elects to use retrospective transition approach

**Assumes 1 Year delay in effective date

The New Revenue Standard: Managing the Implications

DISCUSSION