



Compliance calls for automation

Client story



Client

Large global telecommunications company

Sector

Telecommunications

Project

Compliance with the new revenue-recognition rules



Client challenge

The ways that telecommunication companies account for the revenue they earn from sales of phones and network services—that keep our on-the-go culture connected—are complex, and have significant implications on issues ranging from the way in which the company’s performance is measured by investors, to SEC reporting compliance. So when the standard-setters introduced a new set of regulations for how businesses recognize revenue and costs from customer contracts, our client recognized that adopting the new standard efficiently and on time was critical to the success of its business. The new regulations reach deep into the business of selling communication products and network services. For example, if you buy a new smartphone and sign a contract for network services, add a line to your family plan a few months later, and then upgrade your device, all those individual transactions have a direct impact on how the company records and reports the related revenue and costs. Multiply those example transactions by tens of millions of contracts—all with different situations and combinations of products and services—and there’s an enormous amount of data and behind-the-scenes accounting involved. So with a 2018 deadline to comply with the new revenue recognition standard on the horizon, our client needed to analyze the ways in which it contracts with its customers, determine

how its accounting needed to change, gather data and system requirements, decide on an automated technology solution, and perform a complex software implementation that involved integration with multiple in-house systems.



Benefits to client

Our client will be prepared to comply with the new revenue-recognition requirements—the primary goal for this project. The company’s processes and systems will support the accounting requirements, leaving the business to focus on delivering quality products and services to its customers. But there are also additional benefits. Processes that previously were manual will be automated. The new software is flexible and will accommodate the addition of new products and services without changes to the technology platform or the need to extend significant effort. In the end, aside from compliance with the new rules, the changes to the processes and systems will provide more accurate and timely information to management and will enable the business to focus its time on serving its customers. That’s something to phone home about.



KPMG response

Our teams worked with our client as well as other industry participants to form common views on the correct application of the new rules to their contracts. This effort led to a better understanding of the impact the new regulations would have on our client's accounting processes and technology platform. We probed deep into the business to map the current contract-to-close process, determine how the data flowed through the company, and identified which systems would be affected by the new rules. We defined the myriad of data, process, and system requirements and helped select the software that best fit our client's needs. Then we designed the new system, developed a detailed, integrated implementation plan, and then executed a comprehensive, multiyear transition.



KPMG insights

Engage the cross-functional teams early

The impact of adopting the new revenue recognition rules reach far beyond just the accounting function and may have significant effects throughout the business, from contract-to-close processes to IT. Engage the appropriate teams early and then work closely with the accounting, tax, and finance functions to ensure that new processes and systems produce the desired results.

Understand a realistic time horizon

The time required to implement a new system that supports the adoption of the new revenue recognition standard is not proportional to the size of your company. Even if new functionality is limited, sufficient time must be dedicated to ensuring the system design satisfies the key requirements. Rigorous testing cannot be cut short or rushed. Start early, engage key decision makers, plan well, and take the necessary time to do it right.

Don't underestimate complexity

Successfully transitioning to the new revenue recognition rules can require a significant amount of data. The quality of the processes used to collect data, the quality of the data itself, and the simplicity and consistency of the formats used for the data will drive the complexity of your project.



If you are interested in learning more about this case study, or if you are experiencing similar issues, please contact us.

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For more information about KPMG's revenue recognition capabilities, go to: <https://advisory.kpmg.us/topics/revenue-recognition.html>.

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