



# Discussion on the Full Implementation of New Revenue Standard in Enterprises

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**Abstract:** In July 2017, the Ministry of Finance issued the “Accounting Standards for Business Enterprises No.14-Revenue” (hereinafter referred to as the “new revenue standard”). It has revised the regulations on the recognition and measurement of enterprise accounting income. It complements and modifies the old revenue standard by improving the unreasonable places, which will improve the accounting income information quality in our country. It can reflect the real situation of the enterprise operation activity more clearly. The state has referred to the international accounting standards when revising the system of accounting standards for business enterprises. The change of income standards will inevitably have an impact on many enterprises. This paper introduces the specific content of the change of the new revenue standard, and then it puts forward some measures to implement the new revenue standard, hoping to bring effective help to various enterprises.

**Key words:** New Revenue Standard; Comprehensive Implementation; Countermeasure

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## 1. Introduction

The national implementation of the new revenue standards can not only make China’s accounting standard more international, but also make China’s income policy and accounting information processing more standardized, which has greater significance for improving accounting quality. The new revenue standard can adapt to the development of enterprises and the market better<sup>[1]</sup>. The new revenue standard has changed the existing principle of recognition and measurement according to the nature of transactions. And it uses the principle of focusing on contract to recognize and measure revenue. The comprehensive use of the new revenue standard in the future will bring better improvement to the Chinese market and influence various enterprises, which will not only affect the quality of accounting information, but also relate to the business process and business model of enterprises. However, the reform of the new revenue standard will also bring challenges to the accountants, who need to improve their resilience. The article hopes to help each enterprise to do a good job in the transition development of new and old policies.

## 2. Changes of the new revenue standard

### 2.1 Changes in revenue recognition standards

The old revenue standard stipulated that the income of goods should be confirmed by separating it from the income of the service. It is difficult to judge these two activities separately in the daily operation of enterprises, and the enterprises usually use different revenue recognition methods to calculate the same or similar transactions. Such calculation will affect the quality of accounting information and lead to information distortion, which may have a

negative impact on the financial affairs of enterprises<sup>[2]</sup>. The new revenue standard uses a unified income recognition method to calculate the income of different businesses, which essentially ensures the quality of information.

## **2.2 Application scope of the revenue standard**

The old revenue recognition measurement system is divided into two kinds. One is the construction contract criterion, and the other is the revenue criterion. The old revenue criterion measurement is no longer used by various enterprises, so the construction contract can no longer use the old criterion standard. The new income standard makes the transaction measurement relatively standardized. It has a unified nature. It changes the shortcomings of the old income standard and makes the accounting information more authentic. The improvement of this model improves the quality of accounting income information and the comparability of accounting information. In addition, the new accounting revenue standard excludes the income standard related to financial instruments, which is rigorous.

## **2.3 Revenue standard framework**

The accounting treatment of the new revenue standard has produced a major change. Specifically, the new revenue standard has been changing the accounting treatment methods. The new revenue standard specifically stipulates that the contract information should be repeatedly confirmed when the revenue is recognized, and the contract is the main item of revenue recognition. The new revenue standard makes the following provisions: revenue recognition and measurement should be closely related to information reporting, which is a set of standard process essentially different from other revenue. The new revenue standard requires enterprises to use a consistent revenue recognition and measurement model.

## **2.4 Disclosure of income information**

After the implementation of the new revenue standard, enterprises are required to disclose contract information, such as regular disclosure of contract assets and further disclosure of contract liabilities. The new standard stipulates that some enterprises should also disclose the transaction information when they sign the subsequent performance contract. It increases the workload of accountants. Enterprises should disclose and recognize income according to regulations. In addition to the disclosure of contract information, enterprises should also disclose the changes of accounting policies related to revenue recognition and measurement.

# **3. The impact of the enterprises after the full implementation of the new revenue standard**

## **3.1 Specific impact on the financial information system of the enterprise**

The application of the new revenue standard will have an impact on many aspects of the enterprise, such as the internal and external financial information systems. The enterprise's financial information system can not be completed in a short time, and to constantly adapt to the new revenue standard, the transformation work needs some practice to achieve. Enterprises should always pay attention to the contract when using the new revenue standard to determine the measurement of contract revenue. Enterprises should review the contractual information on the books before recognizing revenue<sup>[3]</sup>.

## **3.2 Impact on major financial indicators**

In the view of the significance of enterprise decision-making, the accounting information such as the financial report of an enterprise needs to accurately reflect the financial status of the enterprise and the results of its daily business activities. In addition, the future trend and development trend of the enterprise should be reflected according to the situation. Usually, enterprises use financial information to make a judgment on the company's operation by taking into

account the factors such as the new income standard and re-evaluate the financial information.

### **3.3 Impact on corporate taxation**

After the reform of new revenue standard, the recognition of enterprise income is different from that of the current tax law. The new revenue standard states that the control of the goods and labor work is no longer under the jurisdiction of the enterprise after the customer gets the control of the goods strictly. Enterprises can confirm revenue at this time node, and this recognition time node of the income is different from the old one<sup>[4]</sup>. The new and the old revenue standards have different conditions for the recognition of tax revenue, and the results are also different, resulting in tax time difference.

## **4. Enterprise's countermeasures to the implementation of the new revenue standard**

According to the above analysis, the enterprise should face the new revenue standard actively. The enterprises should set up a cross-functional department group which should be composed of finance department, business department, legal department and performance department. The group should do a good job in the transition between the new and old standards according to the following requirements.

### **4.1 Innovative business management model**

The cross-functional team should study and discuss the new revenue standard, and identify its impact on the company and list the factors that have a significant impact on the company. Based on the depth exploration of the work, improvement measures are analyzed for the influential factors. The company can reduce the negative impact of the new revenue standard by changing the process of related business and business processing mode of transactions, as well as its internal control mode. We should carefully read the terms of the contract and deal with the conflicts of interest with the enterprise in detail. In addition, we should pay close attention to the new tax policies and actively track the tax difference of the account. Therefore, the enterprise financial book can clearly show the regular evaluation of tax treatment and accurate accounting of business information.

### **4.2 Pay attention to the whole process management of the contract**

The cross-functional team should sort out the existing contracts. According to the new revenue standard, it analyzes the specific differences between the revenues during the contract period and the expected revenue, and deals with the contracts differences. We can sign a supplementary agreement or improve the performance information to avoid damaging the interests of the enterprise. In terms of new contract management, the cross-functional team should decide the contract according to relevant laws and regulations and the characteristics of the enterprise. It is necessary to make clear the rights and interests of both parties of the contract, such as the obligations to be performed, contract money, control rights of products and services, transfer time, appointment time and other important information. For the fragmentary business of the enterprise, it is necessary to draw up a simple contract and serve the interests of the enterprise actively. When signing the contract, we should communicate with customers reasonably. We should fulfill our obligations according to the rules and regulations of the enterprise and unify the format. In response to variable prices, we should provide the best information and data. In the implementation of the contract, we should play the role of supervision and achieve the whole process management of the contract.

### **4.3 Ensure the quality of information disclosure**

In order to make the new revenue standard for better presentation and disclosure, enterprises should regularly update and maintain the internal control system, information data, accounting system on a regular basis, so that information disclosure becomes more efficient. At the same time, enterprises should enhance the technical level of

accounting personnel, so that accounting personnel can use the new revenue standard better to ensure the efficiency of information disclosure.

#### **4.4 Strengthen information construction**

In the current development of science and technology, enterprises should pay attention to the construction of information technology. Enterprises should break the traditional concept and pay attention to the Internet. Enterprises should strengthen the integration of business system, financial system and management system, and do well in the construction of the company's financial and management system. In addition, enterprises should always pay attention to the market environment and keep cautious about the market and adjust its management flexibly according to the actual situation so as to make comprehensive information disclosure through information construction.

### **5. Conclusion**

In the face of the implementation of the new revenue standard, various enterprises will have different changes. This requires enterprises to take corresponding measures. In the face of the new revenue standard, they should innovate the enterprise system constantly. In the implementation of the new revenue standard, enterprises should analyze it according to the business characteristics and the actual situation of enterprises, and face the new revenue standard reform with a positive attitude.

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