Title [optional]

1. Introduction

In the article titled "The FASB's and IASB's New Revenue Recognition Standard: What Will Be the Effects on Earnings Quality, Deferred Taxes, Management Compensation, and on Industry-Specific Reporting?" by Rutledge, Karim, and Kim (2016), the authors delve into the potential impact of the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB)'s new revenue recognition standard on various aspects of financial reporting.

The article discusses the introduction of a new revenue recognition standard by the FASB and the IASB, which aims to provide a consistent framework for revenue recognition across different industries and jurisdictions. The authors explore the implications of this standard on earnings quality, deferred taxes, management compensation, and industry-specific reporting.

Additionally, the article addresses the potential implications for management compensation, as the new standard may alter the timing and amount of revenue recognition, which could have a cascading effect on performance-based compensation structures. Lastly, the authors analyze the impact on industry-specific reporting, taking into account the unique characteristics and practices of various sectors.

By examining these factors, the article provides insights into the potential effects of the FASB's and IASB's new revenue recognition standard on financial reporting and related aspects.

2. Literature review

. The sources examined in this review shed light on the critical role of revenue recognition in financial reporting and performance assessment. Wagenhofer's (2014) article emphasizes the challenges and complexities associated with revenue recognition, highlighting the subjective nature of determining when revenue should be recognized. The author argues that revenue recognition plays a vital role in accurately measuring a company's performance. Wagenhofer points out that revenue recognition involves judgment and poses difficulties in determining the appropriate timing and recognition criteria. These challenges can impact the comparability and reliability of financial statements.

Schipper et al. (2009) contribute to the discussion by advocating for a principles-based approach to revenue recognition. The authors argue that a more flexible and judgment-based approach is necessary to overcome the limitations of the traditional rules-based approach. They suggest that a principles-based approach can better consider the unique characteristics of different industries and incorporate broader economic factors into revenue recognition. Schipper et al. highlight the importance of exercising professional judgment and considering the economic substance of transactions.

Yeaton (2015) focuses on the implications of the new revenue recognition standard, ASC 606, which introduces a unified framework for revenue recognition across different industries. The author provides a clear overview of the main provisions of ASC 606 and discusses its potential impact on financial reporting. Yeaton emphasizes the need for companies to understand and implement the new standard correctly to ensure compliance and accurate representation of revenue. The article stresses that companies need to assess the effects of ASC 606 on their revenue recognition practices and make necessary adjustments to ensure proper financial reporting.

Rutledge, Karim, and Kim (2016) analyze the effects of the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB)'s new revenue recognition standard on various aspects of financial reporting. The authors delve into the potential impact on earnings quality, deferred taxes, management compensation, and industry-specific reporting. They argue that the new standard has the potential to improve earnings quality by providing a consistent framework for revenue recognition. The authors also highlight the complexities and challenges related to deferred taxes and management compensation that may arise due to the new standard. Moreover, they stress the importance of accurate and transparent financial reporting in the context of the new revenue recognition standard.

Khamis (2016) explores the perception and readiness of preparers and auditors in adopting the new revenue recognition standard, specifically focusing on the Egyptian context. The study investigates the level of awareness, understanding, challenges, and potential benefits associated with the adoption of the standard. Khamis identifies the importance of preparers and auditors being informed about the new requirements and adequately prepared for its implementation. The study highlights the need for education and training programs to enhance understanding and compliance with the new standard.

The sources reviewed provide valuable insights into the complexities and implications of revenue recognition in financial reporting. Wagenhofer (2014) effectively addresses the challenges associated with revenue recognition, such as the subjective judgment required in determining when revenue should be recognized. The article emphasizes the importance of considering the appropriate recognition criteria and exercising professional judgment. However, additional examples or case studies could have further illustrated the complexities and challenges discussed.

Schipper et al. (2009) make a compelling case for a principles-based approach to revenue recognition, arguing that it offers more flexibility and considers broader economic factors. The authors provide a strong rationale for a shift away from the traditional rules-based approach. However, to strengthen their arguments, more empirical evidence could have been included to support the advantages of a principles-based approach.

Yeaton's (2015) article offers a clear overview of the new revenue recognition standard, ASC 606, and its potential impact on financial reporting. The author highlights the importance of understanding the standard's provisions and their implications for various industries. However, the article could have provided more practical examples or case studies to illustrate the application of ASC 606 and its potential challenges in real-world scenarios.

Rutledge, Karim, and Kim (2016) provide a comprehensive analysis of the effects of the new revenue recognition standard on different dimensions of financial reporting. The article explores the potential impact on earnings quality, deferred taxes, management compensation, and industry-specific reporting. The authors effectively discuss the complexities and challenges that may arise due to the new standard. However, to further support their arguments, additional empirical evidence or case studies could have been incorporated.

Khamis (2016) contributes to the discussion by examining the perceptions and readiness of preparers and auditors in adopting the new revenue recognition standard. While the focus on the Egyptian context

provides specific insights, a broader international perspective would have enhanced the generalizability of the findings. Nevertheless, the study provides valuable insights into the awareness, understanding, challenges, and potential benefits associated with the adoption of the new standard.

Overall, the sources reviewed provide valuable perspectives on revenue recognition and its impact on financial reporting. They highlight the complexities, challenges, and potential benefits associated with the implementation of new standards. Incorporating additional empirical evidence, practical examples, and a broader international perspective would further strengthen the arguments presented in these sources.

3. Conclusion

In conclusion, the literature reviewed on revenue recognition and its implications for financial reporting has provided valuable insights into this critical aspect of performance assessment. The sources examined have highlighted the challenges and complexities associated with revenue recognition, emphasizing the subjective nature of determining when revenue should be recognized. The need for a principles-based approach to revenue recognition has been advocated, as it offers flexibility and considers broader economic factors, promoting more accurate financial reporting.

The introduction of the new revenue recognition standard, such as ASC 606, has significant implications for financial reporting. The sources have emphasized the importance of understanding the provisions of the new standard and the potential impact on different industries. Proper implementation and compliance with the new standard are crucial to ensure accurate representation of revenue in financial statements.

Moreover, the effects of the new revenue recognition standard have been explored in relation to earnings quality, deferred taxes, management compensation, and industry-specific reporting. The complexity of these effects highlights the importance of accurate and transparent financial reporting practices.

The studies examining the perceptions and readiness of preparers and auditors in adopting the new standard have provided valuable insights into the challenges and benefits associated with its implementation. However, the focus on specific contexts limits the generalizability of the findings, and further research with a broader international perspective would enhance understanding.

Overall, the literature reviewed underscores the significance of revenue recognition in financial reporting and performance assessment. It emphasizes the need for careful consideration, proper implementation, and adherence to the new revenue recognition standards to ensure accurate and reliable financial reporting practices. Further research, empirical evidence, and practical examples are needed to deepen our understanding of the implications and challenges of revenue recognition in different contexts.

4. Resources:

Khamis, A. M. (2016). Perception of preparers and auditors on new revenue recognition standard (IFRS 15): evidence from Egypt. Jurnal Dinamika Akuntansi dan Bisnis, 3(2), 1-18.

Rutledge, R. W., Karim, K. E., & Kim, T. (2016). The FASB's and IASB's New Revenue Recognition Standard: What Will Be the Effects on Earnings Quality, Deferred Taxes, Management Compensation, and on Industry‐Specific Reporting?. Journal of Corporate Accounting & Finance, 27(6), 43-48.

Schipper, K. A., Schrand, C. M., Shevlin, T., & Wilks, T. J. (2009). Reconsidering revenue recognition. Accounting Horizons, 23(1), 55-68.

Wagenhofer, A. (2014). The role of revenue recognition in performance reporting. Accounting and Business Research, 44(4), 349-379.

Yeaton, K. (2015). A new world of revenue recognition: Revenue from contracts with customers. The CPA Journal, 85(7), 50.