The Impact of the New Revenue Standard-ASC 606

Paige Condren

Oklahoma State University

School of Accounting

Abstract

The new revenue recognition standard, ASC 606, has changed the way that companies record revenue from contracts with customers. The Financial Accounting Standard's Board (FASB) issued ASC 606 to standardize and consolidate the various pieces of revenue recognition to make financial statements more comparable. In this project, I analyze the financial impact of this standard on companies. Using public company data, I highlight different industries and show the impact ASC 606 has on revenue, retained earnings, and net income. I find that the average number of areas of significant impact per disclosing firm is 1.50 areas. The overall average cumulative effect on revenue as a percentage of total assets is -0.13%, the overall average cumulative effect on retained earnings is 0.74%, and the overall average cumulative effect on net income is 0.03%. I find that the highest impact of ASC 606 is on retained earnings. The retained earnings impact was the most evident in the Information Technologies and Technology and Telecommunications industries. The overall average cumulative effect of the new standard on retained earnings is 4.13% of assets in Information Technologies and 3.21% of assets in Technology and Telecommunications industries.

History

FASB issued ASC 606 in May of 2014. The effective date for the new guidance was January 1, 2018 for public companies who have calendar year ends, with a few deferred exceptions. Non-public entities with calendar year ends had one additional year to implement the new guidance (FASB, 2014). ASC 606 was jointly developed by the International Accounting Standards Board (IASB) and the Financial Accounting Standard's Board (FASB) to make revenue recognition more consistent from company to company whether companies use Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). The new standard was implemented in order to simplify the analysis and comparability of financial reporting between companies.

[Insert Figure 1 here]

In the United States, the Financial Accounting Standards Board (FASB) establish reporting practices within the framework of Generally Accepted Accounting Principles (GAAP). The International Accounting Standards Board (IASB) establishes International Financial Reporting Standards (IFRS), which are a set of international accounting standards. IFRS aims to standardize financial reporting from country to country to make financial statements easily comparable. GAAP is rules based, whereas IFRS is principles based. This difference means that IFRS provides reporting guidelines that provide less detail than GAAP. IFRS leaves more room for interpretation and require lengthy disclosures on financial statements (Ross, 2021). IFRS 15 is the revenue standard issued by IASB. Since ASC 606 was jointly developed, that standard is more principles based. The companies in this dataset follow U.S. GAAP.

ASC 606 introduces a 5-step revenue recognition model for entering into contracts with customers. The first step identifies the contract with the customer. The second step identifies the performance obligations in the contract. The third step determines the transaction price. The fourth step allocates the transaction price. The final step recognizes revenue when or as the entity satisfies a performance obligation (FASB, 2014). Each step in the revenue recognition model has its own individual details and intricacies (AICPA, 2016), but this provides a concise depiction of what the revenue recognition process looks like within a company.

Compared to the previous standard, companies now must give more detailed disclosures. Financial statement users must be able to follow and account for all revenue transactions that occur. Companies now also provide qualitative data, such as performance obligations, that they were not required to disclose before (Philips, 2021). ASC 606 makes it easier for investors to compare the financial statements of different companies within the market. There is a cost to businesses, however, to make the change over to the new standard. Time and resources must be allocated to adopt the new guidance and implement the new accounting standard into companies' accounting systems. That being said, companies now have a straightforward framework to follow that will cut down on the ambiguity that resulted from prior revenue recognition standards.

Data Analysis

I use data from Audit Analytics for my analysis. The database includes public companies that adopted the new revenue recognition from Quarter 1 of 2017 through Quarter 1 of 2020. The data summarizes company disclosures and includes information such as the method of adoption, significant areas of impact, and impacts on the financials for each of the companies for each quarter included in the sample period. I identified which companies adopted ASC 606 in each quarter, and then analyzed the data in the quarter after adoption. Using this process, I created a dataset of companies and their information in the quarter directly following their adoption of ASC 606. My dataset includes 2,858 public companies that adopted ASC 606 between 2017 and 2020. Of the total, 2,805 companies disclosed their implementation method, and 1,413 companies disclosed areas of significant impact. My analysis of those areas is limited to companies that disclosed this information.

First, I analyze the method of adoption that each company decided to use when implementing ASC 606. Companies could have chosen the full retrospective method or the modified retrospective method. The full retrospective method requires more work, where companies must determine the cumulative effect of applying the new method as of the first historical period present. Alternatively, the modified retrospective method requires companies to apply the new guidance to all new contracts that are initiated after implementation of ASC 606 (Werner, 2019). Use of the modified retrospective method may indicate higher costs of implementation for a company and this results in the avoidance of the full retrospective method.

In addition to identifying which adoption method companies chose, I also present the data by industry. Table 1 shows the data regarding the adoption decision made by firms in each industry.

[Insert Table 1 here]

The data show that an overwhelming majority of the companies decided to implement the new standard using the modified retrospective method. Given the cost of implementing the full retrospective method, this finding is not surprising. The beverages, apparel, and mining industries even had a 100% adoption rate using the modified retrospective method. Whereas the highest percentage adoption rate using the full retrospective method among the other industries was only 26% in agriculture and information technologies industries. Companies were able to choose which adoption method they wanted to use, so it makes sense that the majority of them decided to go with the method that cost less time and resources.

Next, I analyze the impact of the new revenue recognition standard by examining the accounting areas with the greatest impact disclosed by companies. Companies disclosed areas that were significantly impacted by the new standard. These areas include *Breakage, Capitalization and Amortization Costs, Expense Timing, Gain on Disposal, Loyalty Program, Presentation, Revenue Timing, and Variable Consideration. Breakage* refers to customers that fail to use the contractual rights that they have already paid for and gift cards are most common. Under ASC 606 companies can estimate the obligations that they do not expect to fulfill (e.g., gift cards they don't expect to be redeemed.) *Capitalization and Amortization Costs* refers to the amortization of the capitalized cost of a contract in regard to the transfer of goods or services to the customer, most commonly seen in long-term contracts. *Expense Timing* refers to the point in the contract under ASC 606 that a company can record expenses. *Gain on Disposal* refers to the timing and amount of gain allowed under ASC 606. *Loyalty Program* requires that loyalty rewards such as airline miles or hotel reward points must be recorded as a liability and can only be transferred to revenue when the customer uses their rewards or the rewards expire. *Presentation* refers to how companies must present their financial statements and disclosures. *Revenue Timing* is the change in the timing of recording revenue to when possession of the good or service is moved to the customer. *Variable Consideration,* refers to a contract where the promised amount varies dependent on potential outcomes. Again, I analyzed the specific areas within each industry and show my finding in Table 2. The average number of significantly impacted areas per company is shown in Table 3.

[Insert Table 2 here]

[Insert Table 3 here]

In Table 2, I show that *Presentation* and *Revenue Timing* were the areas of significant impact most disclosed companies. *Presentation* accounts for 27.96% of all disclosures and *revenue timing* accounts for 39.49% of all disclosures. This logically makes sense because ASC 606 changed the timing of the recognition of revenue. Revenue can now be recognized at the beginning of the contract for some industries (Coleman and Usvyatsky, 2019). Revenue is recognized when the company completes their performance obligation and control of the good or service is passed to the customer. Companies can separate a contract into different performance obligations and now revenue may be able to be recognized sooner for performance obligations that are completed at the beginning of a contract. The presentation concerning revenue on the financials and disclosures has changed and become more standardized under the new guidance.

Transportation and Leisure as well as Wholesale and Retail have the most disclosures concerning loyalty programs. Each of these industries roughly 11% of their disclosures are about loyalty programs. This is because these industries deal with rewards programs as a common part of their business. These programs include airline miles and hotel rewards points within Transportation and Leisure, and retailer rewards programs within Wholesale and Retail.

Table 3 shows that firms on average disclosed 1.5 areas of significant impact. Wholesale and Retail and Information Technologies had the highest average number of areas of significant impact among the industries with an average of 1.87 and 1.98 areas per company. These two industries deal with contracts as a part of their business model and would see more of an impact because they are having to change more aspects of their accounting methods to be in accordance with ASC 606. Industries that do not have as many revenue contracts would not see as many significant areas being impacted due to the new revenue recognition standard.

Analysis of Financial Impact

A major side effect of the new revenue recognition standard was the impact that it had on the financial statements of companies. When disclosing a change in accounting principle, the disclosure requirements require companies to disclose the impact of the standard on revenue, retained earnings, and net income. So, I further analyzed the companies in my data set with these financial accounts. As in the section above, the larger data set was broken down by industry. The data used for this analysis is also taken from the quarter after each company adopted ASC 606. A major factor impacting the financial statements is the new timing concerning contracts and recognizing revenue. Since all companies now have more conformity in their financial statements across the board, it is be easier to compare revenue from different companies.

First, I analyzed the impact on revenue. A total of 978 firms disclosed an impact to revenue. I divided my dataset into two groups. The first group comprised of disclosing firms with an increase in revenue, and the second group comprised of disclosing firms with a decrease in revenue. The average of these two groups were taken as well as the total cumulative effect on revenue. The averages were found by taking each company individually and dividing the effects on revenue by the size of the company. The size of the company was determined by the company's total assets. This is because there are large and small companies within the data set. If the average was taken by adding up the effects of revenue and dividing that number by the total number of firms within each industry, then the results would be skewed. Bigger companies making ten or fifteen times as much as smaller companies would be influencing the average a lot more because they would be overrepresented in the data. Smaller firms would have little if any influence on the outcome of the average effects on revenue. By dividing the effects on revenue for each company by their total assets, all companies are on an even playing field and the results are much easier to interpret. Table 4 shows ASC 606 disclosures on revenue with regards to firms reporting an increase or a decrease in revenue. Table 5 shows the average cumulative effect of increases and decreases with regards to revenue as well as the average overall cumulative effect on revenue.

[Insert Table 4 here]

[Insert Table 5 here]

Table 4 shows that less than half of the total firms that have adopted ASC 606 disclosed an impact on revenue. This could be due to the fact that these are numbers from the quarter directly following the companies' adoption, so not enough time has elapsed for some firms to report a significant impact on their revenue. The number of firms reporting an increase to revenue is higher than firms reporting a decrease to revenue. This is interesting because the overall average cumulative effect on revenue is negative. Table 5 shows that the average cumulative effect of decreases to revenue are greater than the average increases. This can be seen in industries such as agriculture and livestock, with an average decrease of 4.56% for companies that had a negative revenue impact and an overall average impact on revenue of -2.67%. This may be due to the fact that some companies were required to adjust their deferred revenue because of the timing difference of the new revenue recognition standard. These adjustments caused some revenue to never be recognized and essentially lost. This is especially true for private and nonprofit entities (Mortensen and Schwendiman, 2020).

Next, I looked at the effect on retained earnings. A total of 1,190 disclosed an impact to retained earnings. Like with revenue, I separated the retained earnings data into firms that experienced an increase and decrease in retained earnings. The averages of increases and decreases to retained earnings and the overall average cumulative effect were calculated the same way as the average effects on revenue. Table 6 shows disclosures on retained earnings in regards to firms that reported an increase or a decrease in retained earnings. Table 7 shows the average cumulative effect of increases and decreases with regards to retained earnings as well as the overall average cumulative effect on retained earnings.

[Insert Table 6 here]

[Insert Table 7 here]

According to the data, almost half of the firms that have adopted ASC 606 disclosed a change in retained earnings the quarter after adoption. The majority of businesses saw an increase to their retained earnings. Over 80% of companies within technology related industries had a positive impact on retained earnings. The average cumulative effect on retained earnings also shows that the increase of retained earnings was greater than the decrease of retained earnings. The overall average cumulative effect on retained earnings therefore was positive. When a firm chooses the modified retrospective method, they must reclassify deferred revenue to retained earnings. Most of the firms in this data set chose to go with the modified retrospective method. This supports the data because as seen in Table 5, revenue had overall average cumulative effect that was negative. Table 7 shows that retained earnings has an overall average cumulative effect that is positive. The reclassification of deferred revenues caused revenues to decrease and retained earnings to increase the quarter following adoption (Mortensen and Schwendiman, 2020).

The final type of data analyzed was net income. A total of 738 firms disclosed an impact to net income. The same steps and procedures performed on revenue and retained earnings were followed for the calculations used on net income. Figure 8 shows disclosures on net income in regards to firms that reported an increase or a decrease in net income. Table 9 shows the average cumulative effect of increases and decreases with regards to net income as well as the overall average cumulative effect on net income.

[Insert Table 8 here]

[Insert Table 9 here]

The data shows that compared to revenue and retained earnings, net income had the lowest number of firms reporting disclosures. Over double the firms reported an increase in net income compared to a decrease in net income. When looking at the average effects, the increases and decreases to net income were very close. The overall average cumulative effect on net income was almost 0. It is possible that expenses associated with revenues, such as cost of goods sold, are recorded in the same period as the revenues so revenues and expenses may have both increased, leaving minimal impact on net income. However, some industries did see a larger change in net income compared to other industries. For example, financial services and insurance as well as services saw the biggest impact on net income. Both of these industries saw a -0.31% overall average cumulative effect on net income. Industries such as agriculture and livestock saw a much smaller overall average cumulative effect on net income at just -0.01%. Comparing the net income data to the data on revenues and retained earnings, it appears that the impact on net income was much smaller than the impact on revenues and retained earnings.

Conclusion

FASB has brought forth many changes concerning how business account for revenue with ASC 606. These changes standardize businesses' financial statements and allows investors to better compare financials. When given a choice between fully retrospective method and modified retrospective method, an overwhelming majority chose to go with the modified retrospective method. This is due to the fact the modified retrospective method was easier to implement and took less time and resources. Industries that work a lot with contracts disclosed more significant areas of impact regarding the new standard than did industries that do not use as many contracts. Revenue and Retained Earnings saw the biggest overall average cumulative effect due to the fact that deferred revenue now has to be reclassified as retained earnings. Revenues on average decreased, whereas retained earnings on average increased. Net income did not have as great of an effect, but overtime with more data this could change. The new revenue recognition standard has changed the way financials are reported and presented to make financials standardized and easier to compare.

References

AICPA. 2016. *Financial Reporting Brief: Roadmap to Understanding the New Revenue Recognition Standards.* https://us.aicpa.org/content/dam/aicpa/interestareas/frc/accountingfinancialreporting/revenuerecognition/downloadabledocuments/frc_brief_revenue_recognition.pdf.

Coleman, Derrick, and Olga Usvyatsky. “Recognizing Challenges of New Revenue Recognition Rule.” *Audit Analytics*, 4 Apr. 2019, https://blog.auditanalytics.com/recognizing-challenges-of-new-revenue-recognition-rule/.

Financial Accounting Standards Board (FASB). 2014. Accounting Standards Update No. 2014-09. Revenue from Contracts with Customers (Topic 606). Norwalk, CT: FASB.

Marshall, Brian. “Revenue Recognition: Overview of ASC 606.” *RSM*, https://rsmus.com/what-we-do/services/assurance/revenue-recognition-overview-of-asc-606.html.

Mortensen, Josh, and Aubrey Schwendiman. “Lost Revenue.” *RevenueHub*, 29 Jan. 2021, https://www.revenuehub.org/lost-revenue/.

Philips, Bryan. *What Is ASC 606?*, https://www.performio.co/insight/what-is-asc-606.

Ross, Sean. “What's the Difference between GAAP and IFRS?” *Investopedia*, Investopedia, 31 Aug. 2021, https://www.investopedia.com/ask/answers/011315/what-difference-between-gaap-and-ifrs.asp.

Update No. 2014-09-Revenue from Contracts with Customers (Topic 606) Section A-Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40), https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176164076069&acceptedDisclaimer=true.

Werner, Brad. “ASC 606 Revenue Recognition Methods of Adoption.” *Wipfli*, Wipfli, 11 June 2019, https://www.wipfli.com/insights/articles/aa-asc-606-revenue-recognition-methods-of-adoption.

Figure 1: ASC 606 Implementation Timeline

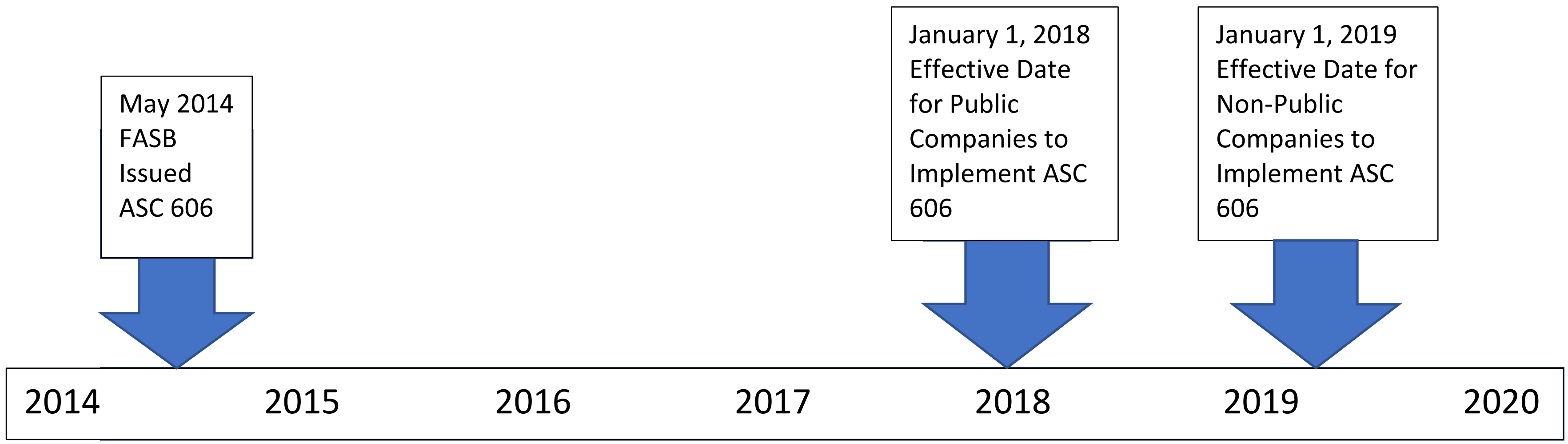

Table 1: ASC 606 Adoption Method				
Industries	Number of firms	Full Retrospective Method	Modified Retrospective Method	Not Disclosed
Agriculture and Livestock	19	5 (26%)	14 (74%)	N/A
Beverages, Apparel, and Mining	27	N/A	27 (100%)	N/A
Construction, Manufacturing, Industrial, and Real Estate	764	56 (7%)	707 (93%)	1 (0%)
Consumer Products	55	2 (4%)	53 (96%)	N/A
Electronics and Machinery	100	6 (6%)	93 (93%)	1 (1%)
Energy, Natural Resources, and Utilities	259	16 (6%)	242 (93%)	1 (1%)
Financial Services and Insurance	488	24 (5%)	459 (94%)	5 (1%)
Healthcare and Pharmaceuticals	341	46 (13%)	289 (85%)	6 (2%)
Information Technologies	78	20 (26%)	58 (74%)	N/A
Services	341	59 (17%)	282 (83%)	N/A
Technology and Telecommunications	61	8 (13%)	52 (85%)	1 (2%)
Transportation and Leisure	137	21 (15%)	116 (85%)	N/A
Wholesale and Retail	135	23 (17%)	112 (83%)	N/A
Overall Total	**2,805**	**286 (10%)**	**2,504 (89%)**	**15 (1%)**

Table 2: Areas Significantly Impacted by ASC 606									
Industries	Total Issues Disclosed	Breakage	Capitalize & Amortize Costs	Expense Timing	Gain on disposal	Loyalty Program	Presentation	Revenue Timing	Variable Consideration
Agriculture & Livestock	16	0 (0.00%)	3 (18.75%)	0 (0.00%)	0 (0.00%)	1 (6.25%)	8 (50.00%)	3 (18.75%)	1 (6.25%)
Beverages, Apparel, and Mining	22	3 (13.64%)	1 (4.55%)	3 (13.64%)	0 (0.00%)	2 (9.09%)	7 (31.82%)	(22.73%)	1 (4.55%)
Construction, Manufacturing, Industrial, & Real Estate	517	5 (0.97%)	46 (8.90%)	15 (2.90%)	28 (5.42%)	4 (0.77%)	137 (26.50%)	235 (45.45%)	47 (9.09%)
Consumer Products	49	5 (10.20%)	3 (6.12%)	4 (8.16%)	0 (0.00%)	2 (4.08%)	16 (32.65%)	15 (30.61%)	4 (8.16%)
Electronics and Machinery	68	0 (0.00%)	8 (11.76%)	1 (1.47%)	0 (0.00%)	0 (0.00%)	14 (20.59%)	41 (60.29%)	4 (5.88%)
Energy, Natural Resources, & Utilities	106	0 (0.00%)	5 (4.72%)	3 (2.83%)	0 (0.00%)	0 (0.00%)	59 (55.66%)	34 (32.08%)	5 (4.72%)
Financial Services & Insurance	181	1 (0.55%)	20 (11.05%)	4 (2.21%)	9 (4.97%)	2 (1.10%)	88 (48.62%)	48 (26.52%)	9 (4.97%)
Healthcare & Pharmaceuticals	242	1 (0.41%)	22 (9.09%)	2 (0.83%)	0 (0.00%)	3 (1.24%)	53 (21.90%)	124 (51.24%)	37 (15.29%)
Information Technologies	119	0 (0.00%)	43 (36.13%)	5 (4.20%)	0 (0.00%)	0 (0.00%)	14 (11.76%)	51 (42.86%)	6 (5.04%)
Services	426	6 (1.41%)	138 (32.39%)	4 (0.94%)	0 (0.00%)	18 (4.23%)	85 (19.95%)	153 (35.92%)	22 (5.16%)
Technology & Telecommunications	72	0 (0.00%)	20 (27.78%)	1 (1.39%)	0 (0.00%)	0 (0.00%)	15 (20.83%)	28 (38.89%)	8 (11.11%)
Transportation and Leisure	136	2 (1.47%)	8 (5.88%)	6 (4.41%)	0 (0.00%)	15 (11.03%)	38 (27.94%)	(42.65%)	9 (6.62%)
Wholesale & Retail	163	30 (18.40%)	8 (4.91%)	1 (0.61%)	0 (0.00%)	18 (11.04%)	58 (35.58%)	41 (25.15%)	7 (4.29%)
Total	**2,117**	**53 (2.50%)**	**325 (15.35%)**	**49 (2.31%)**	**37 (1.75%)**	**65 (3.07%)**	**592 (27.96%)**	**836 (39.49%)**	**160 (7.56%)**

Table 3: Average Number of Areas Significantly Impacted by ASC 606			
Industries	Total Issues Disclosed	Firms Disclosing Significant Areas	Average Areas per Disclosing Firm
Agriculture & Livestock	16	12	1.33
Beverages, Apparel, and Mining	22	12	1.83
Construction, Manufacturing, Industrial, & Real Estate	517	369	1.41
Consumer Products	49	28	1.75
Electronics and Machinery	68	52	1.31
Energy, Natural Resources, & Utilities	106	91	1.16
Financial Services & Insurance	181	140	1.29
Healthcare & Pharmaceuticals	242	181	1.34
Information Technologies	119	60	1.98
Services	426	256	1.66
Technology & Telecommunications	72	40	1.80
Transportation and Leisure	136	85	1.60
Wholesale & Retail	163	87	1.87
Overall Total	**2,117**	**1,413**	**1.50**

Table 4: ASC 606 Disclosures on Revenue			
Industries	Number of Firms Disclosing Impact on Revenue	Number of Firms with an Increase to Revenue	Number of Firms with a Decrease to Revenue
Agriculture & Livestock	11	3 (27.27%)	8 (72.73%)
Beverages, Apparel, and Mining	7	2 (28.57%)	5 (71.43%)
Construction, Manufacturing, Industrial, & Real Estate	242	160 (66.12%)	82 (33.88%)
Consumer Products	19	10 (52.63%)	9 (47.37%)
Electronics and Machinery	29	19 (65.52%)	10 (34.48%)
Energy, Natural Resources, & Utilities	71	31 (43.66%)	40 (56.34%)
Financial Services & Insurance	74	37 (50.00%)	37 (50.00%)
Healthcare & Pharmaceuticals	127	67 (52.76%)	60 (47.24%)
Information Technologies	47	32 (68.09%)	15 (31.91%)
Services	200	120 (60.00%)	80 (40.00%)
Technology & Telecommunications	31	15 (48.39%)	16 (51.61%)
Transportation and Leisure	63	37 (58.73%)	26 (41.27%)
Wholesale & Retail	57	32 (56.14%)	25 (43.86%)
Overall Total	**978**	**565 (57.77%)**	**413 (42.23%)**

Table 5: ASC 606 Average Impact on Revenue			
Industries	Overall Avg. Cum. Effect (Divided by Total Assets)	Avg. Cum. Effect of Increase (Divided by Total Assets)	Avg. Cum. Effect of Decrease (Divided by Total Assets)
Agriculture & Livestock	-2.67%	3.53%	-4.56%
Beverages, Apparel, and Mining	-0.16%	0.10%	-0.24%
Construction, Manufacturing, Industrial, & Real Estate	0.64%	1.25%	-0.44%
Consumer Products	-0.19%	0.16%	-0.50%
Electronics and Machinery	0.69%	1.38%	-0.16%
Energy, Natural Resources, & Utilities	-2.08%	0.45%	-4.09%
Financial Services & Insurance	-0.24%	0.48%	-0.94%
Healthcare & Pharmaceuticals	0.27%	0.94%	-0.49%
Information Technologies	0.12%	0.38%	-0.51%
Services	-0.83%	0.51%	-2.91%
Technology & Telecommunications	-1.02%	0.15%	-1.90%
Transportation and Leisure	1.05%	2.07%	-0.45%
Wholesale & Retail	0.81%	2.15%	-1.43%
Overall Total	**-0.13%**	**0.94%**	**-1.54%**

Table 6: ASC 606 Disclosures on Retained Earnings			
Industries	Number of Firms Disclosing on Retained Earnings	Number of Firms with an Increase to Retained Earnings	Number of Firms with a Decrease to Retained Earnings
Agriculture & Livestock	9	5 (55.56%)	4 (44.44%)
Beverages, Apparel, and Mining	9	5 (55.56%)	4 (44.44%)
Construction, Manufacturing, Industrial, & Real Estate	329	229 (69.60%)	100 (30.40%)
Consumer Products	23	19 (82.61%)	4 (17.39%)
Electronics and Machinery	40	32 (80.00%)	8 (20.00%)
Energy, Natural Resources, & Utilities	53	30 (56.60%)	23 (43.40%)
Financial Services & Insurance	82	47 (57.32%)	35 (42.68%)
Healthcare & Pharmaceuticals	154	113 (73.38%)	41 (26.62%)
Information Technologies	59	52 (88.14%)	7 (11.86%)
Services	239	187 (78.24%)	52 (21.76%)
Technology & Telecommunications	39	33 (84.62%)	6 (15.38%)
Transportation and Leisure	79	43 (54.43%)	36 (45.57%)
Wholesale & Retail	75	38 (50.67%)	37 (49.33%)
Overall Total	**1,190**	**833 (70.00%)**	**357 (30.00%)**

Table 7: ASC 606 Average Impact on Retained Earnings			
Industries	Overall Avg. Cum. Effect (Divided by Total Assets)	Avg. Cum. Effect of Increase (Divided by Total Assets)	Avg. Cum. Effect of Decrease (Divided by Total Assets)
Agriculture & Livestock	-0.09%	0.15%	-0.29%
Beverages, Apparel, and Mining	0.16%	0.73%	-0.61%
Construction, Manufacturing, Industrial, & Real Estate	0.05%	1.00%	-1.95%
Consumer Products	0.67%	0.93%	-0.27%
Electronics and Machinery	0.46%	0.81%	-0.58%
Energy, Natural Resources, & Utilities	0.02%	0.20%	-0.18%
Financial Services & Insurance	0.44%	2.32%	-1.13%
Healthcare & Pharmaceuticals	0.74%	2.11%	-2.70%
Information Technologies	4.13%	4.65%	-0.71%
Services	1.68%	3.18%	-3.44%
Technology & Telecommunications	3.21%	3.69%	-0.30%
Transportation and Leisure	-0.14%	1.19%	-1.65%
Wholesale & Retail	-0.47%	0.88%	-2.16%
Overall Total	**0.74%**	**2.12%**	**-1.89%**

Table 8: ASC 606 Disclosures on Net Income			
Industries	Number of Firms Disclosing on Net Income	Number of Firms with an Increase to Net Income	Number of Firms with a Decrease to Net Income
Agriculture & Livestock	5	2 (40.00%)	3 (60.00%)
Beverages, Apparel, and Mining	6	2 (33.33%)	4 (66.67%)
Construction, Manufacturing, Industrial, & Real Estate	197	132 (67.01%)	65 (32.99%)
Consumer Products	8	6 (75.00%)	2 (25.00%)
Electronics and Machinery	25	16 (64.00%)	9 (36.00%)
Energy, Natural Resources, & Utilities	32	20 (62.50%)	12 (37.50%)
Financial Services & Insurance	33	13 (39.39%)	20 (60.61%)
Healthcare & Pharmaceuticals	96	54 (56.25%)	42 (43.75%)
Information Technologies	44	33 (75.00%)	11 (25.00%)
Services	173	122 (70.52%)	51 (29.48%)
Technology & Telecommunications	27	15 (55.56%)	12 (44.44%)
Transportation and Leisure	51	35 (68.63%)	16 (31.37%)
Wholesale & Retail	41	22 (53.66%)	19 (46.34%)
Overall Total	**738**	**472 (63.96%)**	**266 (36.04%)**

Table 9: ASC 606 Average Impact on Net Income			
Industries	Overall Avg. Cum. Effect (Divided by Total Assets)	Avg. Cum. Effect of Increase (Divided by Total Assets)	Avg. Cum. Effect of Decrease (Divided by Total Assets)
Agriculture & Livestock	-0.01%	0.01%	-0.04%
Beverages, Apparel, and Mining	-0.11%	0.05%	-0.27%
Construction, Manufacturing, Industrial, & Real Estate	0.26%	0.61%	-0.37%
Consumer Products	-0.02%	0.16%	-0.48%
Electronics and Machinery	0.26%	0.58%	-0.09%
Energy, Natural Resources, & Utilities	-0.01%	0.03%	-0.09%
Financial Services & Insurance	-0.31%	0.16%	-0.77%
Healthcare & Pharmaceuticals	0.25%	0.73%	-0.33%
Information Technologies	0.09%	0.28%	-0.53%
Services	-0.31%	0.37%	-2.01%
Technology & Telecommunications	0.05%	0.13%	-0.02%
Transportation and Leisure	0.15%	0.28%	-0.14%
Wholesale & Retail	0.03%	0.09%	-0.09%
Overall Total	**0.03%**	**0.43%**	**-0.69%**