To: [Executive Leadership Team/Board of Directors]

From: [Name/Finance Department]

Date: [Date]

Subject: Executive Summary: Transition to ASC 606 Revenue Recognition Standard

1. Purpose

This letter provides a summary of our organization's transition from legacy GAAP to ASC 606 (Revenue from Contracts with Customers). This transition ensures our financial reporting aligns with the standardized five-step model for recognizing revenue.

2. The Five-Step Framework

We have applied the following framework to all revenue streams:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

3. Key Impacts

Financial Impact: [Insert brief summary, e.g., "Minimal impact on total revenue" or "Change in timing of recognition for software licenses"].

Operational Impact: Updates were made to [List systems, e.g., ERP systems, CRM data entry, or sales commission structures].

Disclosure Impact: Enhanced quantitative and qualitative disclosures are now included in financial statements to provide transparency regarding the nature, amount, and timing of revenue.

4. Transition Method

The company has elected to use the [Full Retrospective / Modified Retrospective] transition method. Accordingly, [mention if prior periods were restated or if a cumulative adjustment was made to retained earnings].

5. Internal Controls

Internal controls over financial reporting (ICFR) have been updated and tested to ensure the ongoing accuracy of data under the new standard.

6. Conclusion

The transition to ASC 606 is complete. We believe the new processes provide a more accurate representation of our economic agreements with customers.

Sincerely,

[Signature]
[Title]