Key Considerations in Revenue Recognition Management Automation

Chris Hane
Jun Yoon, MBA
Tony Marchese, CPA

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Moderator

Steve Shannon

Director

**Partnership Marketing,
Business Development**

IMA

Featured Presenter

Chris Hane

Managing Director

Deloitte Consulting LLP

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Chris Hane's Biography

- Chris Hane has 20 years of professional consulting experience in the Technology, Media, and Telecommunications (TMT) industry. He has deep functional, industry and technical knowledge focused on helping his clients remain competitive in the marketplace by improving their core IT platforms, enabling new digital channels and experiences, and driving the overall strategy for IT and business operations.

- Chris has led large revenue management / ASC 606 technology implementations for TMT companies with a focus on driving automation efficiencies through applications such as RevStream, RevPro, and Aptitude.

Featured Presenter

Jun Yoon, MBA
Senior Manager
Deloitte Consulting LLP

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Jun Yoon's Biography

- Jun has over 15 years of experience advising clients on the strategy, selection, and implementation of technology-enabled, business transformation initiatives for the finance function. At Deloitte, Jun helped his clients to accelerate their business vision and maximize the value of cloud solutions. His experience includes transaction processing, revenue management/recognition, master data management, analytics, reporting, and financial consolidations.

- Jun hold a B.S. in Accounting & Computer Information Systems from Indiana University – Kelley School of Business and an MBA in Management and Strategy from the University of Texas – McCombs School of Business.

Featured Presenter

Tony Marchese, CPA

Manager

Deloitte Consulting LLP

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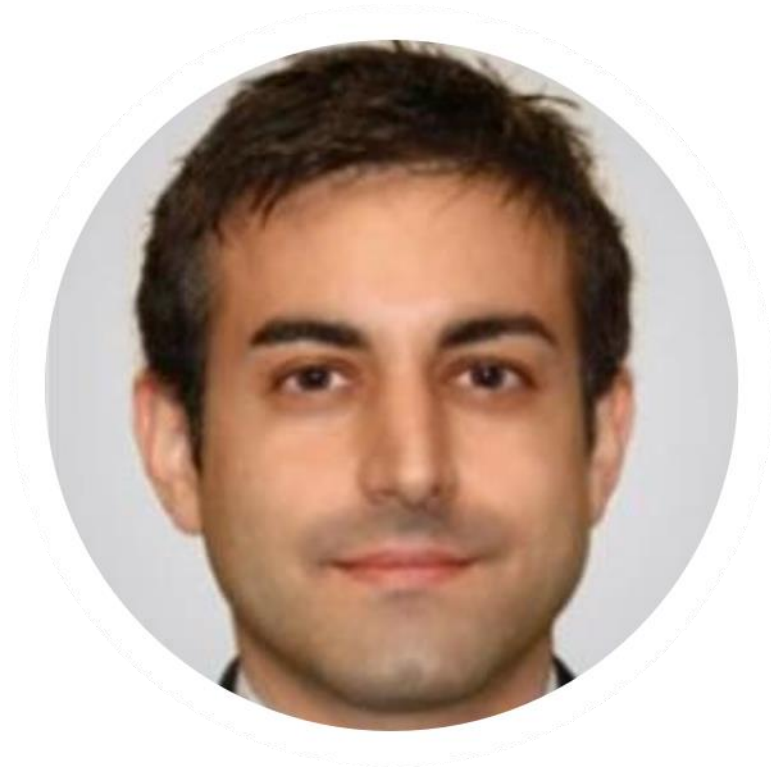
Tony Marchese's Biography

- Tony is a Manager in Deloitte Consulting. He is a former auditor and controller with over ten years of strong accounting knowledge and ERP experience for both small startup and large established, private and public companies. He brings a unique perspective to consulting by having been a user and now implementer of ERP solution.

- Tony specializes in Financial Reporting and Consolidation. He is a graduate of Loyola University Chicago and a CPA.

Learning Objectives

Upon completing this webinar, you will be able to:

1. Identify the challenges associated with implementing a revenue recognition solution.

2. Give examples of revenue management automation solution options.

3. Recognize what to look out for when evaluating revenue recognition automation options.

4. Explain how to avoid common pitfalls during the revenue recognition automation journey.

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ASC606 / IFRS15 Steps

The five steps of revenue recognition per ASC606 / IFRS15 are detailed below

1   Identify the **contract(s)** with customers

2   Identify the separate **performance obligations**

3   Determine the **Transaction Price**

4   **Allocate** the transaction price to the performance obligations

5   Recognize the **allocated revenue** when the performance obligation is satisfied

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Polling Question 1

Which of the following is NOT one of the five revenue recognition steps?

a) Identify the separate performance obligations

b) Recognize the allocated revenue when the performance obligation is estimable

c) Allocate the transaction price to the performance obligations

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Polling Question 1 Results (Placeholder)

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Revenue Recognition is Difficult

SEC filing data show that revenue recognition is one of the most common accounting issues that trigger a material weakness.

Many of our clients are saying…..

- Heavy **Manual Process** and **Excel Spreadsheet errors**

- Extended **Month/Quarter/Year End** close cycle

- Need to replace significant portion of **manual controls** with **system driven controls**

- Need more **Business insights** with Revenue forecasting and planning

- **Inability** to say "**Yes**" to new products/service offerings

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What to Consider/Perform
in Order to Avoid Common Pitfalls

Consider commonality of the solution (corporate versus business unit) to avoid duplicated efforts

Consider ownership of data quality (corporate / BU level)

Consider In-flight programs which will impact current solution e.g., billing system consolidations

Consider expected data volumes and performance levels

Consider changing existing GL data feeds versus posting adjusting journal entries

Perform a deep dive on reporting considerations

Ensure the new solution is SOX compliant and leverage current controls built within existing systems

Perform a deep dive on tax implications

Consider the value of workflow approval process built into the revenue recognition solution

Consider additional future design and solution architecture discussions to finalize details

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Polling Question 2

Which of the following should be considered in order to avoid common pitfalls during the revenue recognition automation journey?

a) In-flight order-to-cash programs

b) Current products and services only

c) Both a) and b)

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Polling Question 2 Results (Placeholder)

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Key Challenges and Considerations

KEY CHALLENGES:

Bundled Goods and Services

Transaction Price Calculations

Contract Considerations (i.e., contract combinations and modifications)

Capitalization of **Costs** to Acquire Customer Contracts

Disclosures

Tax Compliance and **Planning**

Organizations may need to consider *other project needs*, including:

- Implementation of updated or new systems, processes and controls, where required
- Effective training and communication of new requirements
- Effective program and resource management related to this effort

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Polling Question 3

Which of the following is NOT a key consideration when implementing a revenue automation tool?

a) Use tax compliance
b) Program and resource management
c) Required disclosures

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Polling Question 3 Results (Placeholder)

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Automation Solution Options

2 MAJOR SOLUTION OPTIONS:

Rev Rec Capabilities *within ERP*	3RD *Party Revenue Management* Tool

Rev Rec Capabilities *within ERP*

EXAMPLES:

- Netsuite Advanced Revenue Management (ARM)
- Oracle Revenue Management Cloud
- Sage Intacct Revenue Recognition
- SAP Revenue Recognition

BENEFITS:
- No integration required
- Integrated data
- Sub ledger is withing the ERP

3RD *Party Revenue Management* Tool

EXAMPLES:

- Zuora RevPro
- Aptitude RevStream
- Softrax
- Conga Revenue Management

BENEFITS:
- More robust and flexible
- More customizable
- Usually more out-of-the-box reports

KEY CONSIDERATIONS when choosing a Revenue Recognition tool:

- Business model
- Performance obligations
- Growth plan
- Accounting scenarios
- Available data model
- Industry

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Key Considerations
for Revenue Management Platform

The level of complexity of automating revenue processes is dependent on several factors, ultimately driving effort to deliver an automated revenue management solution.

KEY FACTORS	COMPLEXITY DIMENSIONS	
	Low Complexity	**High Complexity**
Go-to-Market	Highly standardized products and contracts	Customizable contracts and products tailored to meet customer specific needs
Accounting	Simple accounting policies and process change; minimal disclosure requirements; consistent accounting treatment across contract types	Complex accounting policies and process change; heavy disclosure requirements; complex accounting treatment across contract types
Locations	Single region; single country, single currency	Multiple regions; 4+ countries, Multiple Currencies
Data	<2 source systems; clean and standardized source data; basic source mapping; simple mapping of journal dimensions; single COA; single GL	4+ source systems; inconsistent data quality; complex source mapping and transformation logic; complex mapping of journal dimensions; multiple COAs; multiple GLs
Rev Rec Tool	Key business rules/basic logic; out of the box functionality	Extensive business rules/logic; application customization
Reporting	Standard out of the box reporting based on contracts and performance obligations	Complex custom reporting based on reconciliation across accounting standards
Training & Change	Core administrators and corporate only; single language; limited to no process and organization change	Global user base including accounting and FP&A; multi-language; significant process and roles redesign

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Evaluating Revenue Recognition Solutions

1

Take Stock
- What has worked and what hasn't? How can automation play a more prominent role?
- Self-evaluation can lay the groundwork for a sustainable compliance process that leverages revenue recognition automation.

2

Establish policies and controls
- Effective policies and controls rely on carefully defined roles and responsibilities as well as broad identification and assessment of nonstandard transactions.
- Revenue recognition automation can tie many policies and controls together by addressing repetitive processes and freeing up staff for more value-added, strategic work.

3

Create management oversight of significant judgments
- Judgment may be required to address gray areas under the new revenue recognition standard.
- Management oversight is critical to navigating the facts and circumstances of each case so that judgments reconcile from one transaction to another.

4

Set up a process for non-standard transactions
- Acquisitions, new product launches, and first-time bundling of products and services can create new revenue recognition accounting scenarios.
- Policy and control system should identify when these scenarios arise and a process should be established to address them

5

Continue to benchmark
- Avoid a static state and pursue continual improvement after benchmarking your new revenue recognition process against your industry peers. There is always room for improvement.
- Reduce surprises by carefully integrating the new revenue recognition process with other ongoing operations and powering it with automation.

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Polling Question 4

Which of the following should be performed when evaluating revenue solutions?

a) Choose the best revenue engine that fits the business' current needs

b) Continually review accounting scenarios related to the facts and circumstances that create revenue

c) Neither a) nor b)

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Polling Question 4 Results (Placeholder)

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Questions & Answers

Use the **Q & A Panel** *to send your questions to our panelists.*

Chris Hane
Managing Director
Deloitte Consulting LLP

Jun Yoon
Senior Manager
Deloitte Consulting LLP

Tony Marchese, CPA
Manager
Deloitte Consulting LLP

Steve Shannon
Director
Partnership Marketing,
Business Development
IMA

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Thank You to Our Presenters!

Chris Hane
Managing Director
Deloitte Consulting LLP

Jun Yoon
Senior Manager
Deloitte Consulting LLP

Tony Marchese, CPA
Manager
Deloitte Consulting LLP

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