



NETSUITE AND ASC 606 FOR PRIVATE COMPANIES

Streamline. Automate. Comply.

Private companies will need to ensure compliance with ASC 606 starting in 2018. Attempting to be compliant through a maginary of spreadsheets and disparate systems will prove impossible and could be detrimental to a company's existence. NetSuite's award-winning financials software simplifies the complexities of evolving revenue recognition mandates, no matter if a sale encompasses a single performance obligation, a series of obligations spanning a time period, or diverse obligations in a bundle. The results are "always on" compliance, real-time revenue intelligence and actionable data.

Key Benefits

- **Compliance with Evolving Standards**
Comply with industry guidance and mandates for today and tomorrow. NetSuite Revenue Management works seamlessly with Multi-Book Accounting to account for a single transaction under multiple standards.
- **Real-time Revenue Intelligence**
Analyze actual revenue impacts as well as forecasts that dynamically respond to actual postings to give an updated expected revenue picture for future periods—all with the ability to drill back into the source sales document or transaction.
- **Agile Configuration**
Break free from the shackles of myopic financial solutions with a robust and nimble framework that supports your revenue management needs from end-to-end.

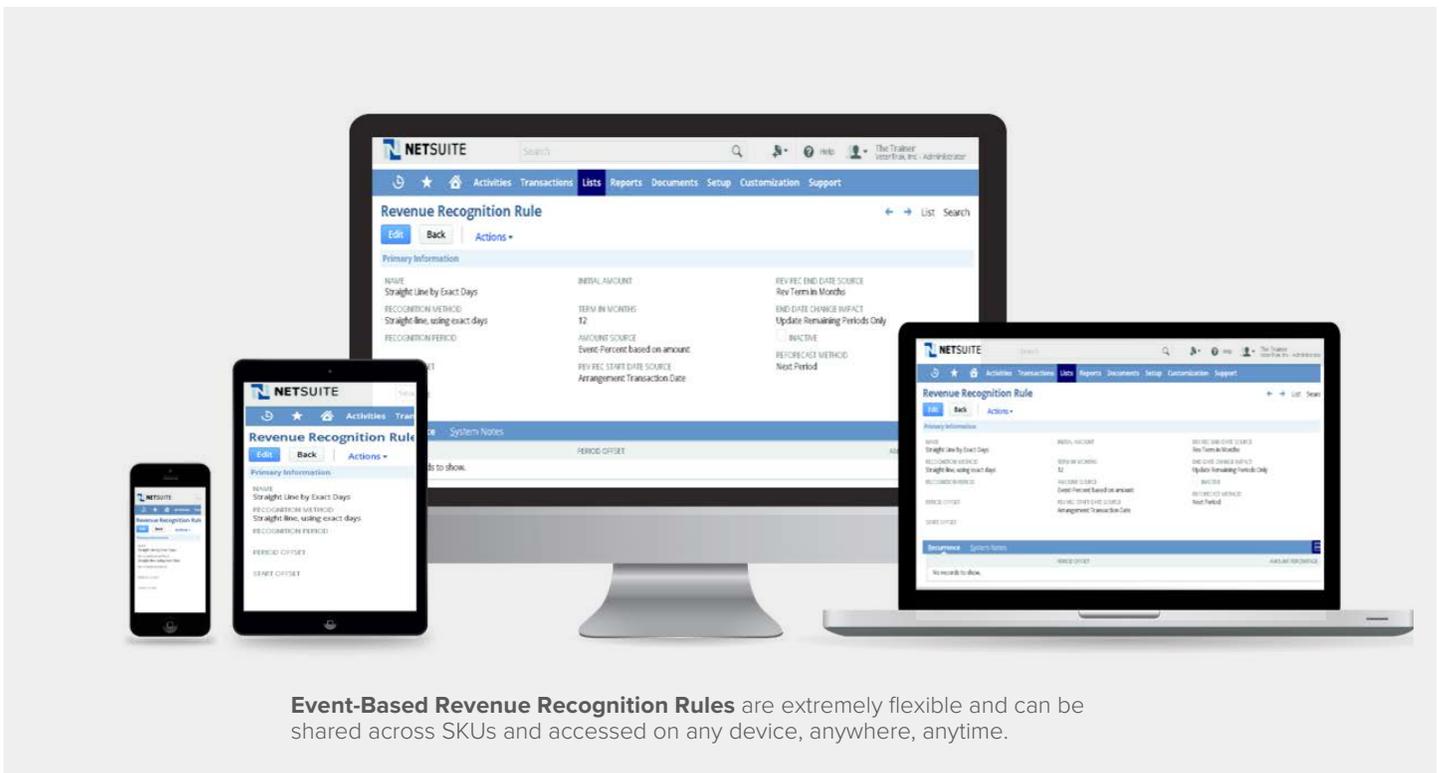
If you are a private company, you may not need to be concerned with public reporting requirements. However, if you have a bank loan, contracts with customers, vendors or other 3rd parties requiring you to provide your financials, employee stock options, etc., you will need to adopt ASC 606 and its compliance requirements starting in 2019.

Revenue Recognition – General

Sales transactions can involve a single action involving a product or service (i.e. tax return preparation by a CPA firm) or a series of actions (i.e. project with multiple milestones). Whether an equal amount of revenue must be recognized at fixed intervals or different amounts must be recognized at different intervals, NetSuite Revenue Management enables you to schedule revenue to be recognized at the proper time automatically.

Key Features:

- **Automate Planning** – Automatically schedule revenue to recognize in the appropriate period based on rules. Re-usable Revenue Rules govern the triggers, the creation and commencement of a Revenue Plan associated to a sales transaction, as well as the plan duration.
- **Support Multi-Currency Transactions** – Ensure that fluctuations in exchange rates are appropriately accounted for in each period.
- **Manage Balance Sheet Accounts** – Automatically adjust contract liability (deferred revenue) and contract asset balances based on real-time billings and revenue data.



- **View Financials in Real-Time** – Automatically post to the general ledger from Revenue Plans—on your schedule, as frequently as you wish.
- **Forecasting** – Provide forecasting to accommodate revenue projection updates based on real-time business events such as project plan updates or planned revenue withheld to a future period.

Multiple Performance Obligations

To meet ever-evolving customer needs, vendors often provide a bundle of multiple products and/or services. These obligations can be met at different times or over different periods of time.

When a contract exists for a vendor to perform multiple revenue-generating activities, the contract price for such arrangements has to be allocated and measured in alignment with revenue recognition standards. Industry guidance states how and when to separate elements within an arrangement for the performance or delivery of multiple products or services that occur over different points in time. NetSuite provides robust and comprehensive configurable capabilities based on requirements of ASC 606, enabling systematic compliance for complexities associated with accurately managing revenue contracts.

Key Features:

- **Flexible Revenue Contracts** – Drive an agile and accurate view of the revenue contract. Revenue Arrangements are containers for Revenue Elements (performance obligations).

Elements have individual attributes such as Revenue Rule, revenue plan start and end dates, and revenue allocated amount. Revenue Elements can be merged across linked orders or contracts, or split into multiple Arrangements, to accurately represent the revenue contract regardless of how the revenue source transactions are managed and billed.

- **Dynamic Fair Value Pricing** – Define the fair value as either a constant or a dynamic formula. Formulas can be based on information within other revenue elements—for example, a fair value for support based on a percentage of licenses within that contract. Item Revenue Groups allow for items with identical fair value requirements to share Fair Value Prices and eliminate duplication. The ability to add user defined dimensions allows a single item (or group of items) to have multiple Fair Value Prices and meet stratification requirements.
- **Powerful Allocation Calculator** – Leverage Fair Value Prices to automatically allocate arrangement consideration across all Elements within the Arrangement.

Revenue Recognition for all Industries

Companies have traditionally been required to follow industry specific guidance for revenue-generating activities relating to the licensing, selling, leasing, hosting or marketing of products and services as specified in various preceding revenue recognition standards.

These arrangements encompass multiple deliverables or elements: software and any combination of specified or unspecified enhancements, post-contract customer support, services and additional licenses. Packaged software arrangements with multiple elements often have different dates of delivery (i.e. product and support), requiring accounting departments to recognize and defer revenue amounts appropriately. ASC 606 includes similar principles with the impact extending beyond the industries that have traditionally fallen under the guidance. Companies selling gadgets with accompanying services, including much of what falls into the “Internet of Things” category, are often considered as comparable contracts to those of software and services. NetSuite’s award-winning financial management software enables accounting departments to account for any contract under any revenue standard, for any given set of products and services.

Key Features:

- **Support Percentage-of-Completion Accounting** – Support revenue accounting for projects leveraging percentage-of-completion mechanisms.
- **Support Event Driven Revenue Plans** – Align revenue recognition with event triggers— for example the fulfillment of an item, the generation of a bill against an order, or work beginning on a project. A single performance obligation can be associated with multiple plans in order to support partial fulfillments or billings.

Revenue Recognition in Accordance with Multiple Accounting Standards

The globalization of business today is powered by several factors, including global capital markets, foreign direct investment and economic interdependence. In order to report financial results accurately within revenue recognition mandates based on multiple accounting standards (e.g. GAAP, IFRS), accounting departments worldwide can leverage a powerful Multi-Book Accounting engine that can record and post revenue-related activity to all books concurrently eliminating data entry replication and manual intervention.

Key Features:

- **Book-Specific Fair Value Prices, Revenue Rules, Plans and Arrangements** – Automate concurrent posting to all books as business transactions occur in real-time, versus “after the fact” posting or waiting until the end of the period to replicate data entry and post adjustments.
- **Book-Specific Foreign Currency Management** – Enable accounting departments to use book-specific functional currencies when calculating the general ledger impact, including the realized and unrealized foreign currency gain/loss amounts per transaction.
- **Book-Specific Financial Reporting** – Enable real-time revenue visibility for any book, anywhere, anytime.