

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 605 and ASC 606/IFRS 15, 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—including support for ASC 605 and ASC 606/IFRS 15 standards.

Revenue Recognition for all Industries

Software and services companies have traditionally been required to follow industry-specific guidance for revenue-generating activities relating to the licensing, selling, leasing, hosting or marketing of computer software, either alone or together with other products and services as specified in ASC 605 (and various preceding 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 in the software industry 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.

