Getting started with ASC 606/IFRS 15 implementation

ASC 606/IFRS 15 overview

New revenue recognition compliance rules – ASC 606 and IFRS 15 – were introduced by the FASB and IASB in 2014, with adoption dates between Dec 2017 and Dec 2018. The compliance change is designed to better standardize U.S. and international revenue reporting and better align the recognition of revenue to the actual exchange of a good or service. To comply with the standard, companies must now access a more granular level of contract data and define and generate more complex accounting. Let's step through the process needed to implement your compliance project.

> " *A revenue lifecycle management tool is an absolute necessity today and not just for software companies...as we start thinking about the new revenue standard with ASC 606, every company is going to have to be thinking about revenue allocation and timing.* "
>
> **Intuit**

WHERE DO YOU START?

Impact Assessment

The first step is to assess the impact on your business. With compliance regulations at hand, make your assessment:

- Determine if your revenue will be materially affected by mapping your revenue scenarios.
- Analyze the data you currently collect. Locate what you will need to re-source.
- Assess your systems for the capability to collect the new data and produce the required compliance outputs.
- Run through your highest value and highest volume use cases to test your systems.

Keep in mind that most people underestimate the effect of ASC 606/IFRS 15, and also overestimate the cleanliness of their data.

" Don't assume 606 changes aren't going to affect you. With the new revenue streams our older systems just couldn't keep up. "

24 Hour Fitness

IMPLEMENTATION DECISIONS

Strategy and Design

The strategy and design phase should overlap with your impact assessment but will likely take longer. Data quality is a common issue and is often overlooked in project scheduling, due to the depths of the ASC 606 and IFRS 15 regulations.
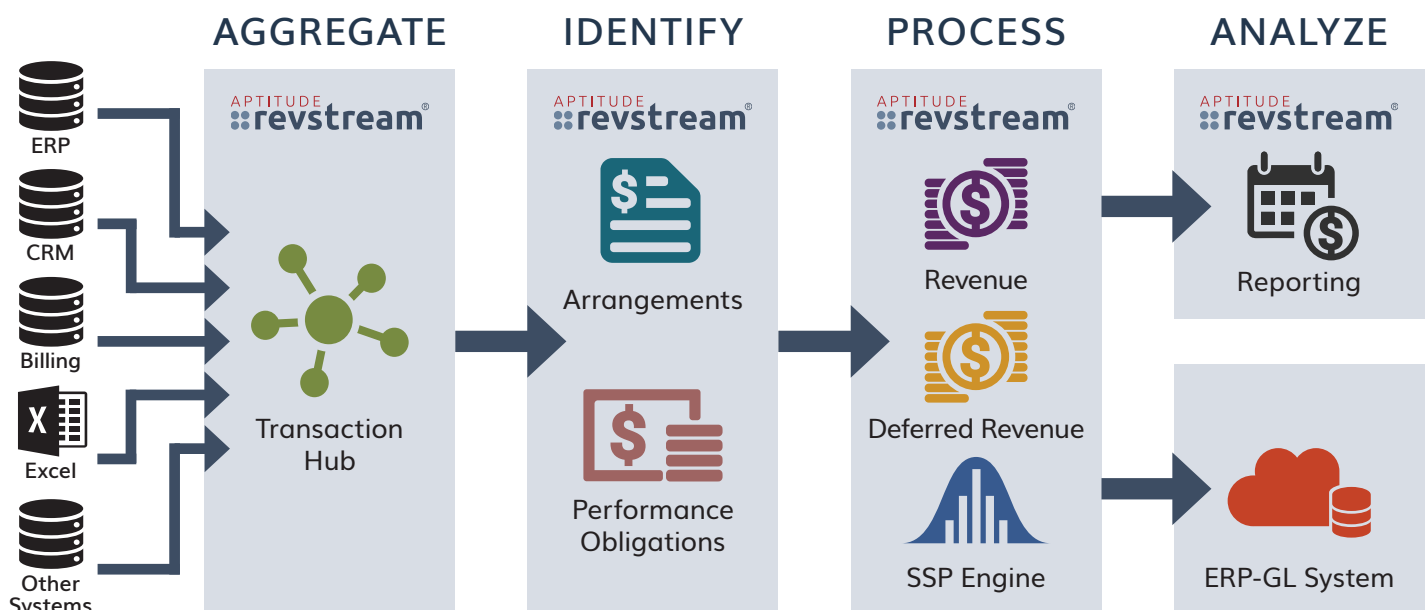
Design the strategy your accounting will take in treating revenue. This will define the way you treat products and contract lifecycle events.

Document Decisions

Document your rules so that there are no possible alternate interpretations or ambiguity in the future. If a rule is not affected, document your reasons why as well.

Implementation Considerations

At this stage, you need to make a decision whether to implement using a systems approach or a process approach. If time is short, you can do both concurrently. Brute force is a temporary patch that some companies have resorted to, to achieve compliance. **This is not a sustainable solution and you'll likely still have to implement new systems in the future.**

AGGREGATE	IDENTIFY	PROCESS	ANALYZE

ERP
CRM
Billing
Excel
Other Systems

APTITUDE **revstream**®

Transaction Hub

APTITUDE **revstream**®

Arrangements

Performance Obligations

APTITUDE **revstream**®

Revenue

Deferred Revenue

SSP Engine

APTITUDE **revstream**®

Reporting

ERP-GL System

ADOPTING A SYSTEMS CHANGE APPROACH

ASC 606 and IFRS 15 require a depth of analysis that may require a patch, or bridge system, to get unbundled data, fair value estimates, deferred revenue values, etc. A spreadsheet system approach may work for low impact assessments.

For companies with greater needs, Aptitude RevStream offers a specialized Contract to Revenue Management (C2RM) solution. Your current systems will connect into Aptitude RevStream for revenue recognition and more, getting you through today's compliance, and ready for future compliance changes too.

Aptitude RevStream automates the 5-Step framework for a familiar user experience by applying the principles of the new standards in a flow that accountants naturally use.

TOP 5 SYSTEM MUST HAVES

☑ **1. All your data in one place**
Connect your systems into one source to manage revenue: Oracle, SAP, SAS, etc.

☑ **2. Self-configurable rules**
Relying on IT to change rules for you can be time-consuming. Look for systems that allow users to set rules.

☑ **3. Flexible automation of revenue**
Automated processes with the ability to stop and inspect, or even update data.

☑ **4. Secure data**
Ensure system integrity and accuracy with both SOC 1 and SOC 2 reports.

☑ **5. Cloud scalability and performance**
Scale as your revenue does - through growth or acquisition. Easy upgrades too.

5-STEP FRAMEWORK		HOW APTITUDE REVSTREAM ADDRESSES EACH STEP
STEP 1	Identify the contract(s)	Specialized connectors load existing contracts from your ERP, CRM, billing, Excel, or homegrown systems-with the option to create new contracts with full audit capabilities directly-into the Transaction Hub as a single source of truth. Configure contract groupings into full arrangements as needed in the **Revenue Arrangement Manager**.
STEP 2	Identify the separate performance obligations	The **Revenue Arrangement Manager** applies configurable templates to identify performance obligations within your contracts. Debundle, split, and automatically assign contract lines into separate obligations, and override standard revenue policy rules by unique contract or performance obligation.
STEP 3	Determine the transaction price	Identify variable consideration and significant financing components for the contract in the **Transaction Hub**, as they are not traditionally tracked in order and contract management systems. Update contracts as needed with full audit and versioning to reflect all components of the arrangement.
STEP 4	Allocate the transaction price to the separate performance obligation	The **SSP Engine** assigns calculated and tested SSPs to drive allocations across performance obligations in the **Revenue Recognition Manager**. The **Deferred Revenue Manager** manages deferrals and deferred balances, unbilled revenue, contract asset and liability, and short/long term balances at the contract line and performance obligation level.
STEP 5	Recognize revenue when the entity satisfies a performance obligation.	Earn revenue as performance obligations are relieved by generating and scheduling accounting entries in the **Revenue Recognition Manager**. Defer and capitalize costs to fulfill the contract for sales commissions, cost of goods sold, or other revenue expenses.

FINAL THOUGHTS

At Aptitude RevStream we see the common mistakes companies make when implementing ASC 606. With over 10 years of experience installing revenue recognition software that reduces the pain of compliance regulations, we are a resource for you. As GAAP and IFRS move into closer alignment, more compliance changes will come. Aptitude RevStream offers value beyond today's compliance change. With our cloud application and technical accounting knowledge, our system is built for the next major rule change and the future of your business.

See if revenue automation is right for you. Schedule a discovery session with one of our revenue experts by contacting us today.

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> " *It was really important for us to have someone who really understood our business.* "
> **24 Hour Fitness**

> " *RevStream put our company in a much better position for reporting and implementing the new revenue standard.* "
> **CA Technologies**

> " *RevStream is probably the most adapted tool that is out there because it is a niche product unlike ERPs that want to do everything.* "
> **VMware**

What is Aptitude RevStream

Aptitude RevStream is a Contract to Revenue Management (C2RM) solution that delivers specialized revenue recognition accounting software to meet the needs of the modern CFO. Our customers keep pace with changing compliance needs using Aptitude RevStream's out-of-the-box cloud software, controlling and automating revenue recognition in ways legacy ERPs cannot. We enable CFOs to meet their ASC 606/ IFRS 15 obligations and enable them to produce supercharged reporting in real time.

Aptitude RevStream is a division of Aptitude Software and a Microgen PLC company.

Who is Aptitude Software

At Aptitude Software we bring finance domain expertise, innovative software products and laser-sharp focus on the CFO's needs to solve problems that our competitors can't address. Our specialized software helps companies address GAAP and IFRS compliance issues, and empowers the finance office with deep revenue data insights.

Aptitude Software is proud of serving the CFO for 20 years, delivering financial integration, accounting engines, and other solutions that are empowering the next generation of finance architecture.