

NetSuite Revenue Recognition

Comply with Revenue Recognition Regulations Using Less Effort

Key Benefits

- **Accurately posted revenue to the GL** with automatic recognition of any sales transaction in the correct period(s).
- **Effective revenue activity management** with pre-built intelligent billing since revenue-generating activities don't always coincide with timing for customer billing.
- **Timely account reconciliations** using out-of-the-box reporting that reconcile deferred revenue and unbilled receivable balances to your financial statements.
- **Real-time visibility** to see the underlying sales detail that tie back to your financial statements anytime.

Revenue is recognized when it is realized or realizable, and when it has been earned. Whether a sales transaction consists of a single action, a series of actions across a period of time, or contains different types of deliverables in a bundle, NetSuite's award-winning financial management software enables accounting departments to comply with revenue recognition requirements in a productive manner so that your financial statements are always accurate.

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 whether different amounts must be recognized at different intervals, NetSuite ERP enables you to schedule revenue to be recognized at the proper time automatically.

Key Features:

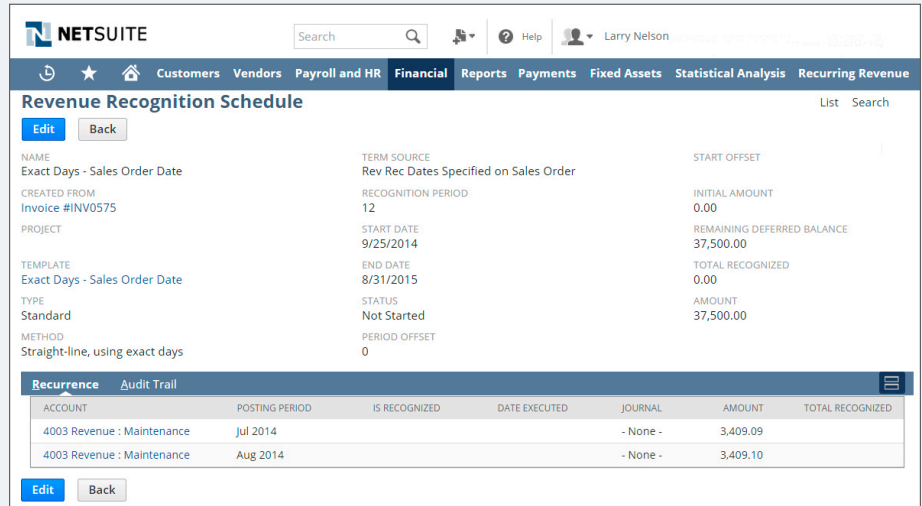
- **Revenue Recognition Scheduling** enables you to define the amortization method and duration for recognizing revenue across a time series for any sales item, and then record customer payments on-the-fly to see real-time receivable and deferred revenue balances.
- **Support for Percentage-of-Completion Accounting** in accordance with SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts (superseded by ASC 605-35) as a scheduling method so that revenue can be allocated and recognized as earned at different stages, even when the entire transaction is not yet completed.
- **Real-Time Forecasting and Financials** based on journal entries automatically posted to the general ledger in accordance with any revenue recognition schedule so that revenue is recognized properly; revenue projections are constantly updated based on the real-time business events such as project plan updates.

Revenue Recognition for Multiple Deliverables

To meet ever-evolving customer needs, vendors often provide multiple products, services or some combination of the two deliverables. These deliverables can occur at different times or over different periods of time. Customer payments for these deliverables can also be fixed, variable or some combination of the two types of occurrences.

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Best Financial Management System



The screenshot shows the NetSuite interface for a Revenue Recognition Schedule. The top navigation bar includes 'Customers', 'Vendors', 'Payroll and HR', 'Financial', 'Reports', 'Payments', 'Fixed Assets', 'Statistical Analysis', and 'Recurring Revenue'. The main content area displays the following details:

- NAME:** Exact Days - Sales Order Date
- TERM SOURCE:** Rev Rec Dates Specified on Sales Order
- START OFFSET:** 12
- CREATED FROM:** Invoice #INV0575
- RECOGNITION PERIOD:** 12
- INITIAL AMOUNT:** 0.00
- PROJECT:** (blank)
- START DATE:** 9/25/2014
- REMAINING DEFERRED BALANCE:** 37,500.00
- TEMPLATE:** Exact Days - Sales Order Date
- END DATE:** 8/31/2015
- TOTAL RECOGNIZED:** 0.00
- TYPE:** Standard
- STATUS:** Not Started
- AMOUNT:** 37,500.00
- METHOD:** Straight-line, using exact days
- PERIOD OFFSET:** 0

Below the details is a table with tabs for 'Recurrence' and 'Audit Trail'. The 'Recurrence' tab is active, showing a table with columns: ACCOUNT, POSTING PERIOD, IS RECOGNIZED, DATE EXECUTED, JOURNAL, AMOUNT, and TOTAL RECOGNIZED.

ACCOUNT	POSTING PERIOD	IS RECOGNIZED	DATE EXECUTED	JOURNAL	AMOUNT	TOTAL RECOGNIZED
4003 Revenue : Maintenance	Jul 2014			- None -	3,409.09	
4003 Revenue : Maintenance	Aug 2014			- None -	3,409.10	

Revenue Recognition schedules are extremely flexible and customizable.

“WE SELL MULTI-PERIOD ENGAGEMENTS AND HAVE TO MANAGE COMPLICATED REVENUE RECOGNITION SCHEDULES. OUR BUSINESS WAS GROWING AND NETSUITE WAS ABLE TO RENDER THE SCALABILITY NEEDED WITHOUT INCURRING INCREMENTAL SPEND FOR IT-RELATED RESOURCES OR HEADCOUNT.”

VP of Finance, Glassdoor

When an arrangement exists for a vendor to perform multiple revenue-generating activities, the consideration for such arrangements has to be measured and allocated according to revenue recognition requirements. Current guidance states when and how to separate elements of an arrangement for the delivery or performance of multiple products or services that occur over different points in time. NetSuite ERP provides pre-built capabilities based on requirements of EITF 08-1, Revenue Arrangements with Multiple Deliverables (superseded by ASC 605-25), making it easier for you to recognize revenue properly when performing multiple revenue-generating activities.

Key Features:

- **Intelligent ESP (Estimated Selling Price) Lookup** enables you to store unique multidimensional ESP values per item based on the relative selling price method for every item on the sales order: vendor-specific objective evidence (VSOE) of selling price, third-party evidence (TPE) of selling price, or the vendor’s best ESP.
- **Flexible Allocation Calculator** automatically allocates arrangement consideration across multiple units of accounting for every sales order using the formula of your choice to recognize revenue.
- **Real-Time Allocation Price Analysis** reports historical sales data to validate ongoing VSOE pricing assumptions.
- **Contingent Item Handling** leverages pre-built intelligence to prevent revenue from being recognized too quickly.

- **Revenue Recognition Scheduling** will automatically record revenues when they are recognized based on the schedule associated with individual sales elements.
- **Support for Multi-Currency Transactions** will enable you to recognize revenue in local and foreign currencies.

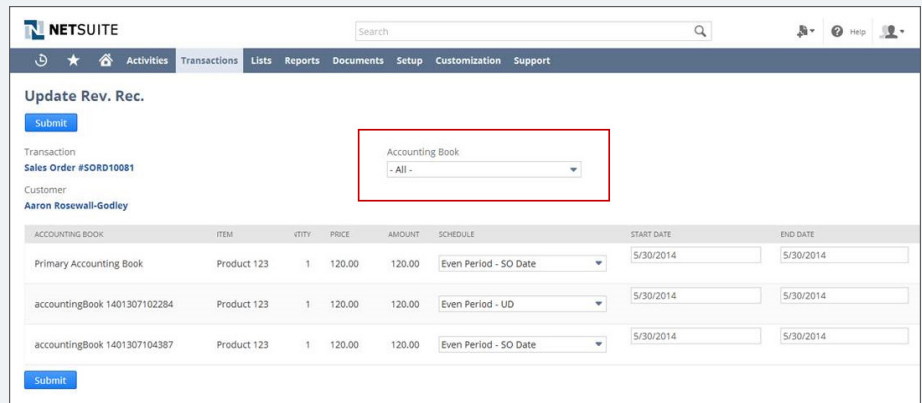
Revenue Recognition for the Software and Services Industry

Software and services companies are 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 SOP 97-2, Software Revenue Recognition (superseded by ASC 985-605).

These arrangements commonly are comprised of multiple deliverables or elements: software and any combination of specified or unspecified upgrades or enhancements, post-contract customer support, services, or additional licenses. Packaged software arrangements with multiple elements often have different dates of delivery occurrences as well (i.e. product and support), requiring accounting departments in the software industry to recognize and to defer revenue amounts at different points in time. NetSuite’s award-winning financial management software enables accounting departments to allocate the arrangement of any software-related sales transaction to the various elements based on VSOE/TPE/ESP of fair value and comply with revenue recognition requirements.

Key Features:

- **Intelligent ESP lookup** enables you to treat any sales transaction as a bundle to store the standalone VSOE/TPE/ESP for every element, including deliverables that have not been sold separately in the past.
- **Support for Discounted Elements** is available in situations where a sales discount is more than significant and requires an additional element in the arrangement to be considered.
- **Revenue Recognition Scheduling** will automatically recognize revenue in the period when delivered or defer revenue until a specified date, based on the schedule you associate with individual sales elements.
- **Support for Multi-Currency Transactions** will enable you to recognize revenue in local and foreign currencies.
- **Deferred Revenue Reclassification** automatically adjusts your deferred revenue and unbilled receivable balances based on real-time billing and revenue recognition status, and reconciles your balance sheet account values with billing and revenue recognition schedules.



Revenue Recognition in Accordance with Multiple Accounting Standards

For NetSuite OneWorld customers, the globalization of business continues to be driven by several factors, including the growing presence of multinational corporations, global capital markets, foreign direct investment and economic interdependence. In order to report financial results within revenue recognition compliance based on multiple accounting standards (e.g. GAAP, IFRS), accounting departments can leverage a powerful multi-book accounting engine that can record revenue-related activity to all books concurrently without data entry replication or manual intervention.

Key Features:

- **Book-Specific Revenue Recognition Schedules** automates concurrent posting to all books as business transactions occur, rather than waiting 'after the fact' until the end of the period to replicate data entry and post adjustments.
- **Book-Specific Foreign Currency Management** allows 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** for real-time revenue visibility for any book, anytime.