

## NetSuite Revenue Recognition

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.

### KEY BENEFITS:

NetSuite ERP provides powerful capabilities that help companies achieve these revenue recognition 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 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** that 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in accordance with SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts (superseded by ASC 605-35) as a scheduling method so that revenue can be allocated and recognized as earned at different stages, even when the entire transaction is not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

“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.”

— Bill Herrick  
VP of Finance, Glassdoor

**//CODiE//**  
2013 SIIA CODiE WINNER

Best Financial Management Solution

 Find out more: [engage@exploreconsulting.com](mailto:engage@exploreconsulting.com) 425.462.0100



The screenshot shows the NetSuite interface for a Revenue Recognition Schedule. The top navigation bar includes Home, Activities, Transactions, Lists, Reports, Documents, Setup, and Support. The main title is "Revenue Recognition Schedule". Below the title are "Edit" and "Back" buttons. The schedule details are as follows:

Name	Annual Rev Rec Schedule	Method	Straight-line, by even periods	Period Offset	0
Created From	Sales Order #2191	Term Source	Rev Rec Dates Specified on Sales Order	Start Offset	
Project		Recognition Period	12	Initial Amount	0.00
Template	Annual Rev Rec Schedule	Start Date	1/3/2011	Amount	144,000.00
Type	Standard	End Date	12/31/2011		

  

Account	Posting Period	Amount
4000 Revenue	Jan 2011	12,000.00
4000 Revenue	Feb 2011	12,000.00
4000 Revenue	Mar 2011	12,000.00
4000 Revenue	Apr 2011	12,000.00
4000 Revenue	May 2011	12,000.00
4000 Revenue	Jun 2011	12,000.00
4000 Revenue	Jul 2011	12,000.00
4000 Revenue	Aug 2011	12,000.00
4000 Revenue	Sep 2011	12,000.00

*Revenue recognition schedules are extremely flexible and customizable*

## 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 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.

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** that enables you to store unique multi-dimensional 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** that 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** that reports historical sales data to validate ongoing VSOE pricing assumptions
- **Contingent Item Handling** that leverages pre-built intelligence to prevent revenue from being recognized too quickly
- **Revenue Recognition Scheduling** that will automatically record revenues when they are recognized based on the schedule associated with individual sales elements
- **Support for Multi-Currency Transactions** that will enable you to recognize revenue in local and foreign currencies

 Find out more: [engage@exploreconsulting.com](mailto:engage@exploreconsulting.com) 425.462.0100

## 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** that 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 to use in which a sales discount is more than significant and requires an additional element in the arrangement to be considered
- **Revenue Recognition Scheduling** that 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** that will enable you to recognize revenue in local and foreign currencies
- **Deferred Revenue Reclassification** that 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