

The New Global FASB IASB Revenue Recognition Accounting Standard

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Program Agenda

- 1 Business Problem
- 2 Solution
- 3 Invoicing Enhancements
- 4 Contract and Service Billing and Project Costing Enhancements
- 5 Key Features
- 6 Summary

Business Problem

Business Problem

- Current processing of invoices recognizes the revenue at the time the invoice is posted
- Business processes and industry standards require the recognition of revenue separate from the invoice process
- New Revenue Recognition Standard to be in effect in 2018 has requirement to only recognize revenue when the performance obligation is complete
 - Convergence of IFRS and US GAAP revenue recognition standards
 - Created via a collaboration between the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB)
 - Replaces all existing revenue recognition standards
 - All Industries and Countries
 - Exception is the insurance industry
 - Lease Vendor industries (real estate) will adopt this standard according to the timeline specified in the new Lease Accounting standard

Perspectives

Why did this change occur?

The Financial Accounting Standards Board and the International Accounting Standards Board initiated a joint project to clarify the principles to recognize revenue and develop a common revenue standard for US GAAP and IFRS that would:

- Remove inconsistencies in revenue requirements
- Provide a more robust framework for revenue
- Standardize practices across entities, industries, and jurisdictions
- Provide more useful information through improved disclosures
- Simplify the preparation of financial statements

Perspectives

Revenue Recognition Accounting Standard – High Level

The core principle as stated from IFRS is to

“Recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services.”

Here are the basic steps outlined related to this new standard:

1. Identify the contract(s) with the customer.
2. Identify the separate performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price.
5. Recognize revenue when a performance obligation is satisfied.

Over the Counter Sales

Use Case

- Goods or services are received
- Payment made at the point of sale
- Transactions finalized in ERP system

Over the Counter Sales

Use Case

Customer purchases widgets at a retail store
Customer takes possession of the widgets and
pays for them at the store

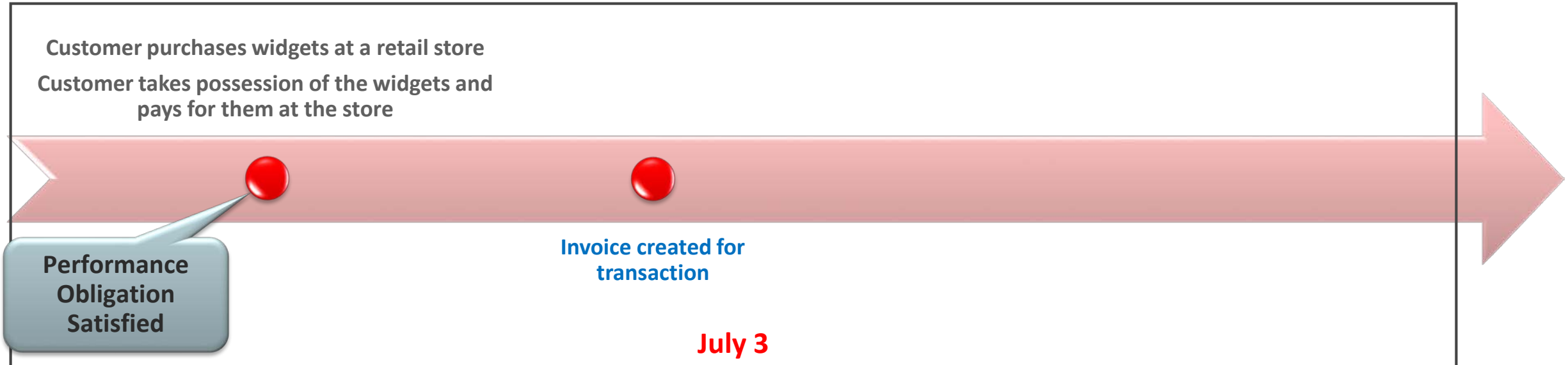


Performance
Obligation
Satisfied

July 3

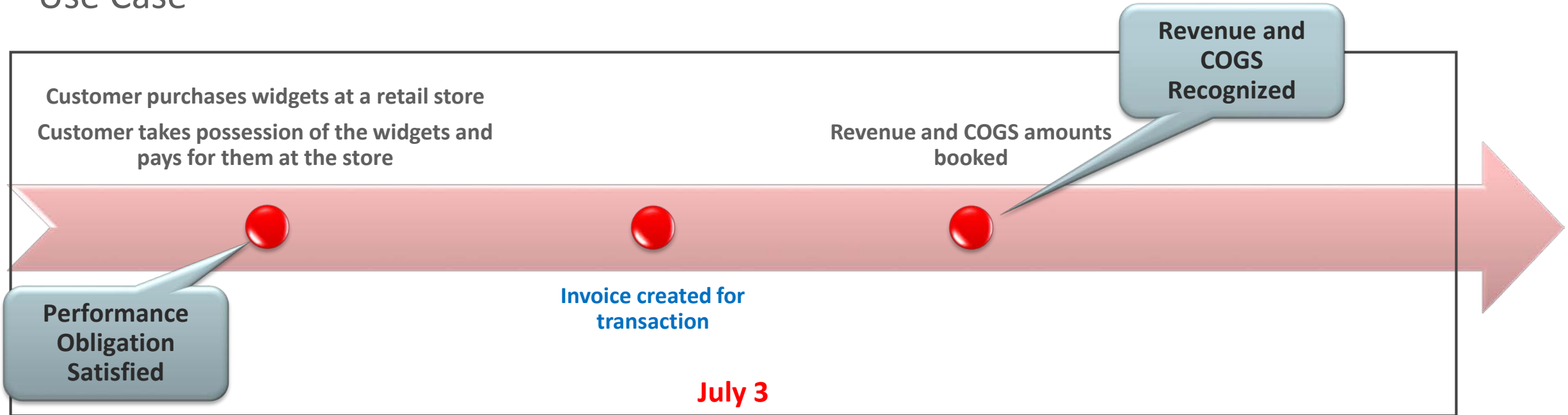
Over the Counter Sales

Use Case



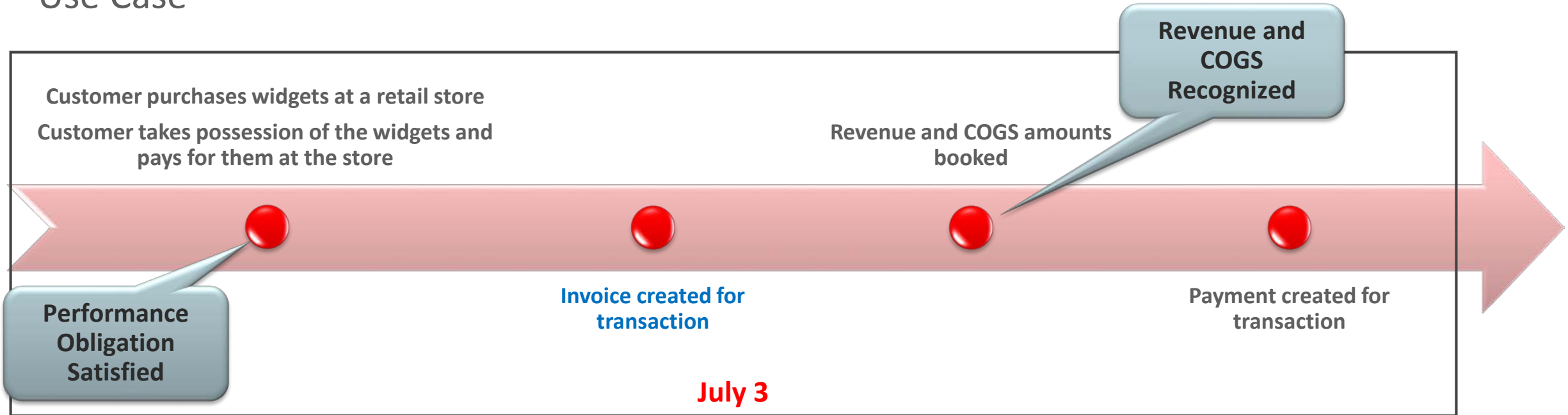
Over the Counter Sales

Use Case



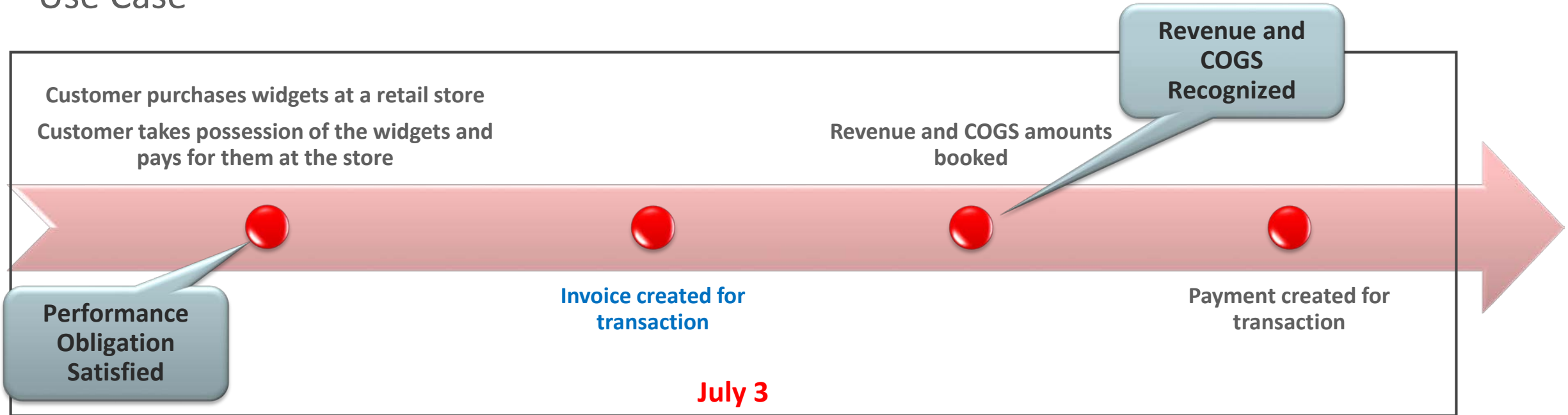
Over the Counter Sales

Use Case



Over the Counter Sales

Use Case



No Changes Required to Current Business Process or Accounting Entries

Shipping of Goods to Customer

Use Case

- Sales Order for goods that will be shipped a long distance to the customer
- Customer is invoiced at the time of shipment
- Customer takes advantage of the discounts available and pays prior to receiving the shipment

Shipping of Goods to Customer

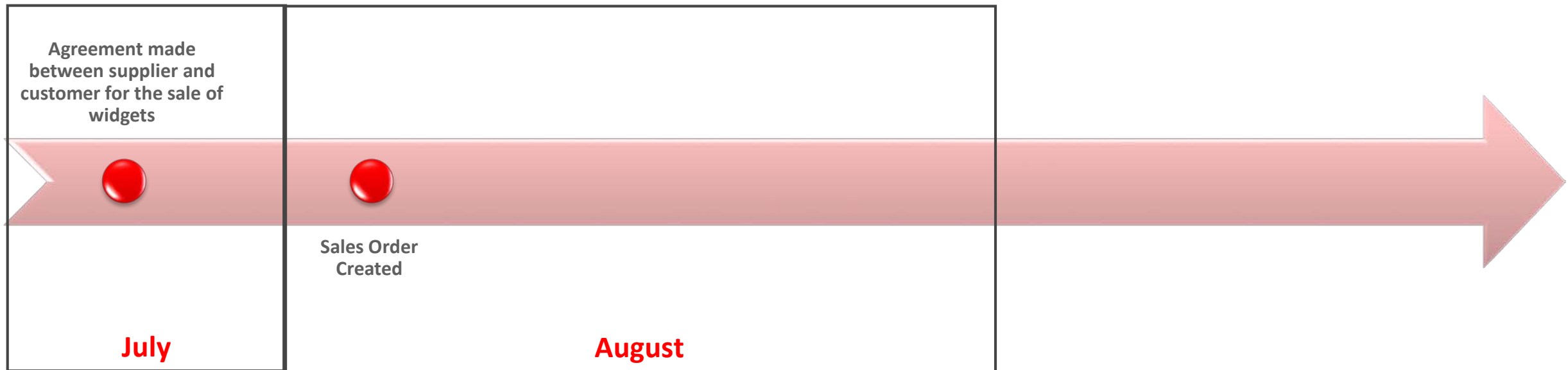
Use Case

Agreement made
between supplier and
customer for the sale of
widgets

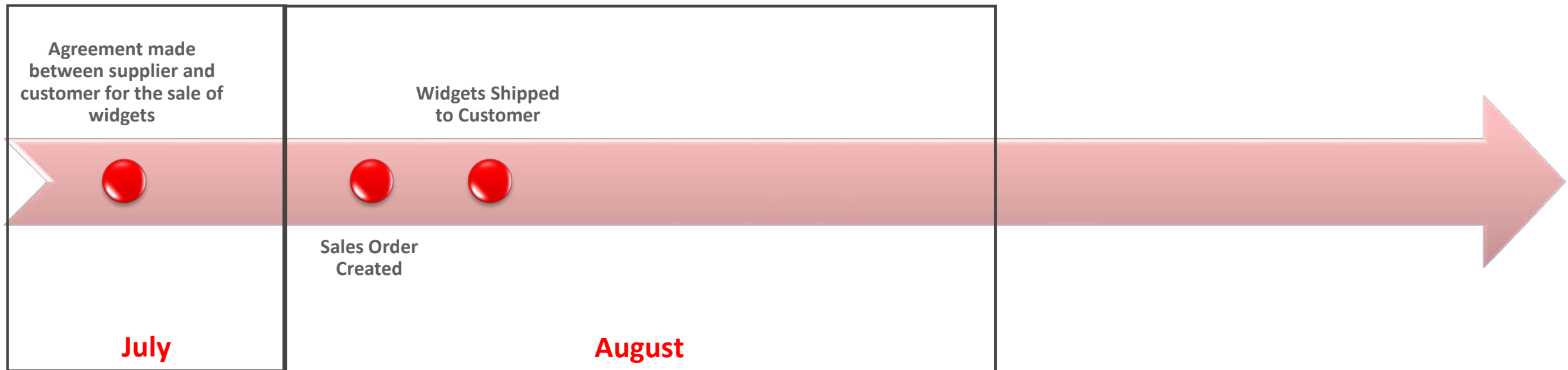


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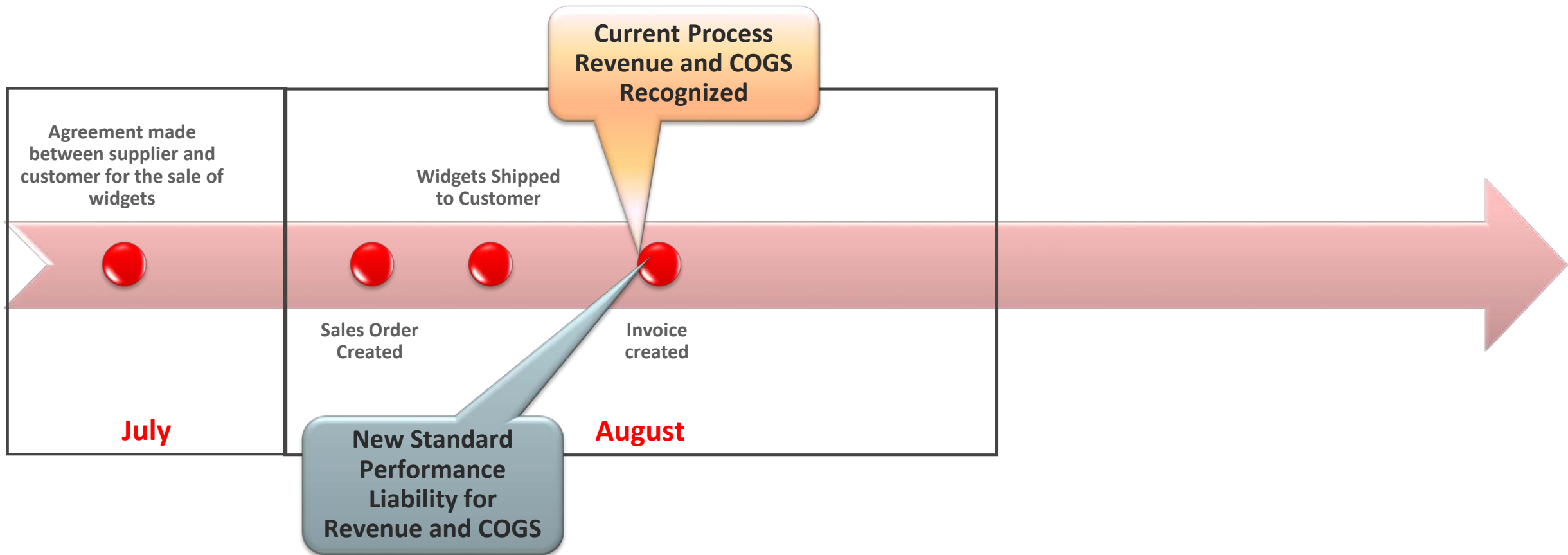
Shipping of Goods to Customer Use Case



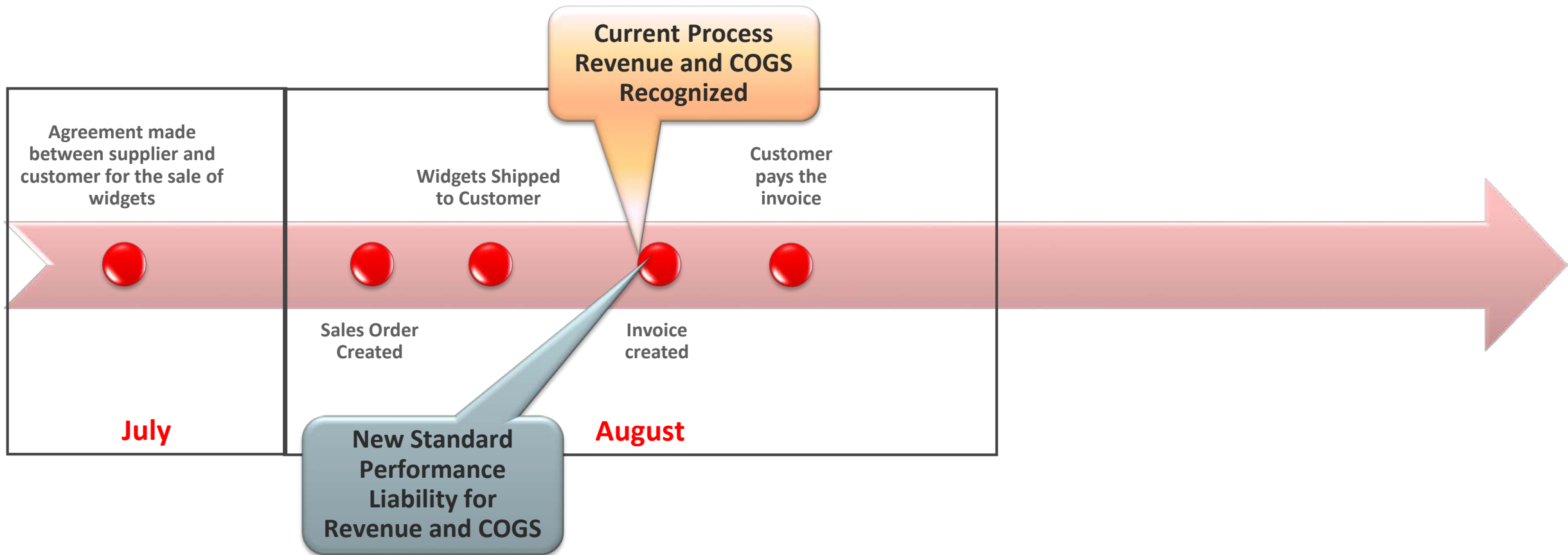
Shipping of Goods to Customer Use Case



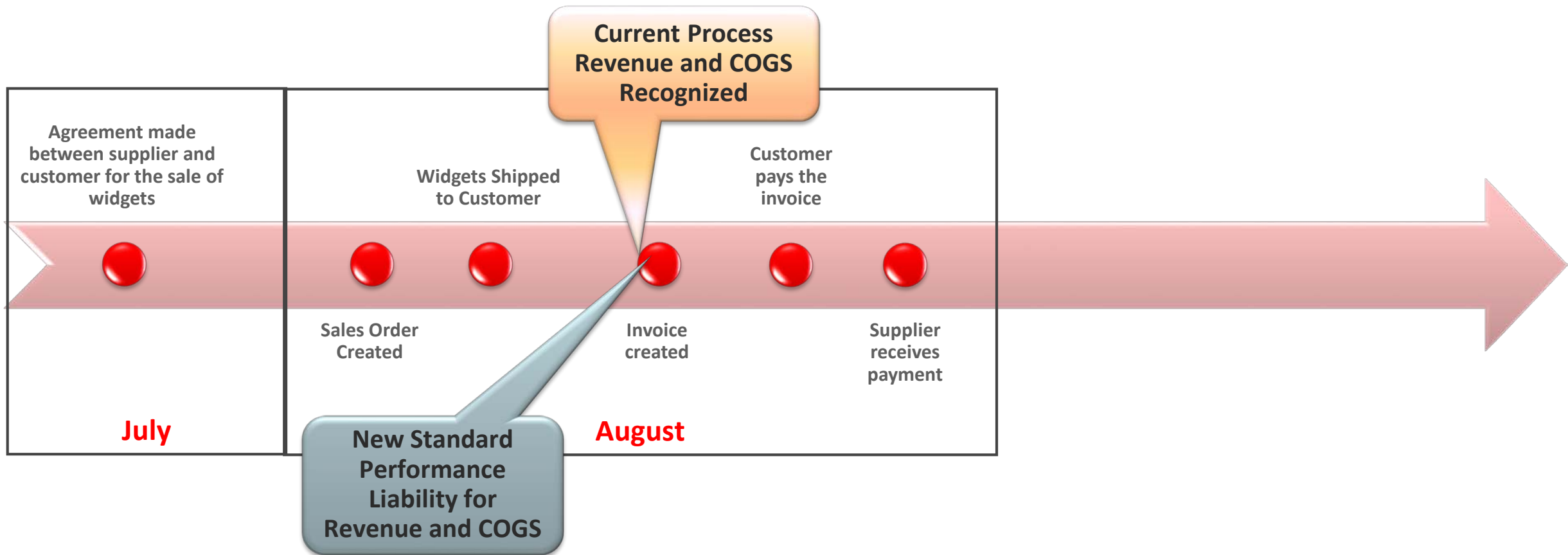
Shipping of Goods to Customer Use Case



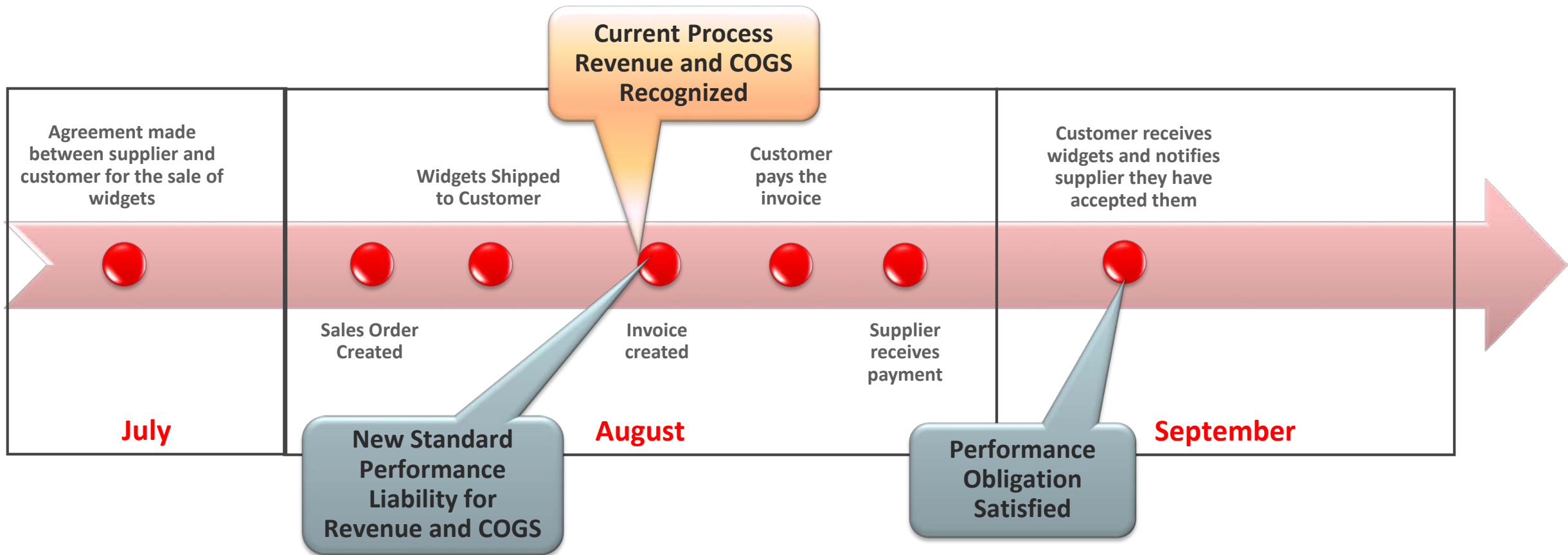
Shipping of Goods to Customer Use Case



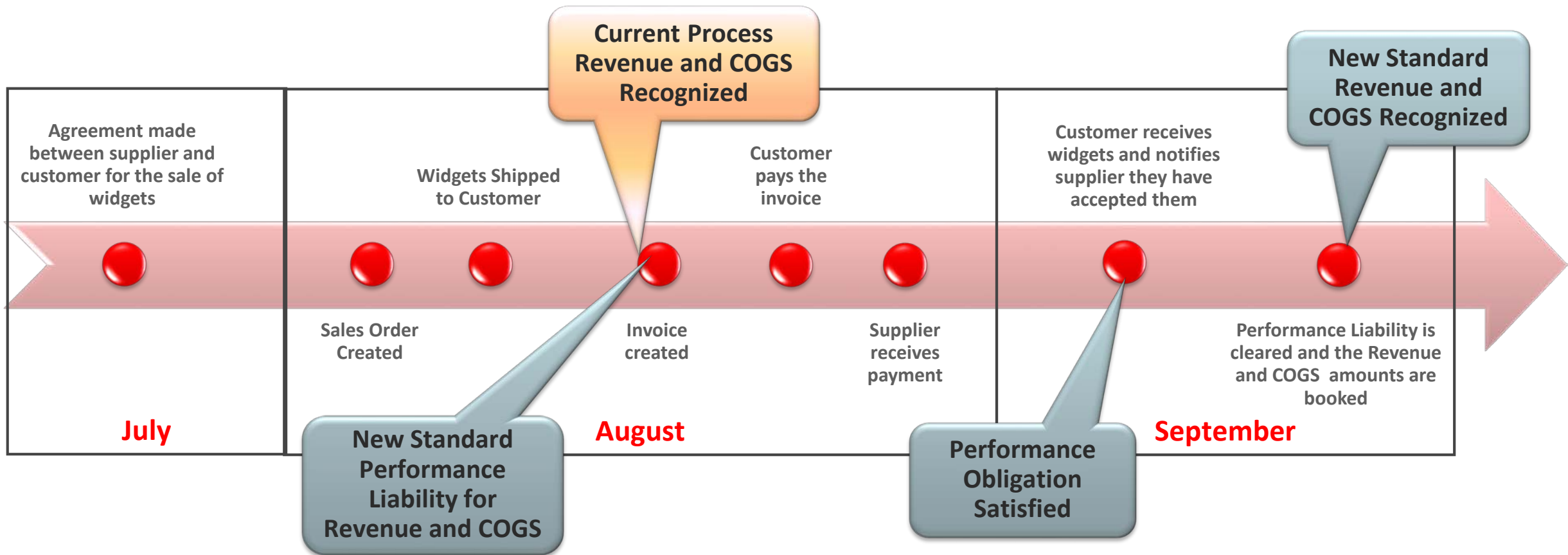
Shipping of Goods to Customer Use Case



Shipping of Goods to Customer Use Case



Shipping of Goods to Customer Use Case



Perspectives

What should I do next?

- If you haven't already started, begin to discuss the new Revenue Recognition standards with your auditors or other trusted advisors in order to analyze how these changes will impact your company.
- As well, continue to review the periodicals that many of the audit companies are publishing, in order to stay current with this information.
- Begin to analyze your company's revenue related transactions, as well as their impending exposure to these new standards.
- As you begin to better understand how your transactions need to be handled going forward, continue to educate yourself with how the JDE software enhancements will enable this change.

A photograph of two women in an office environment. The woman on the left has dark hair and is wearing a patterned blouse, looking at a laptop. The woman on the right has blonde hair in a bun and is wearing a white blouse, looking at the same laptop. The scene is brightly lit, suggesting a modern office.

JD Edwards Solutions

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JD Edwards Revenue Recognition Solution

- Software changes are required!
- Updates available and planned
 - EnterpriseOne 9.1, 9.2
 - World A93.1 and A94
- Key challenges for revenue managers
 - *Identify customer contracts*
 - *Identify the separate performance obligations*
 - *Determine the transaction price*
 - *Allocate the transaction price*
 - *Recognize revenue when a performance obligation is satisfied (Our focus)*



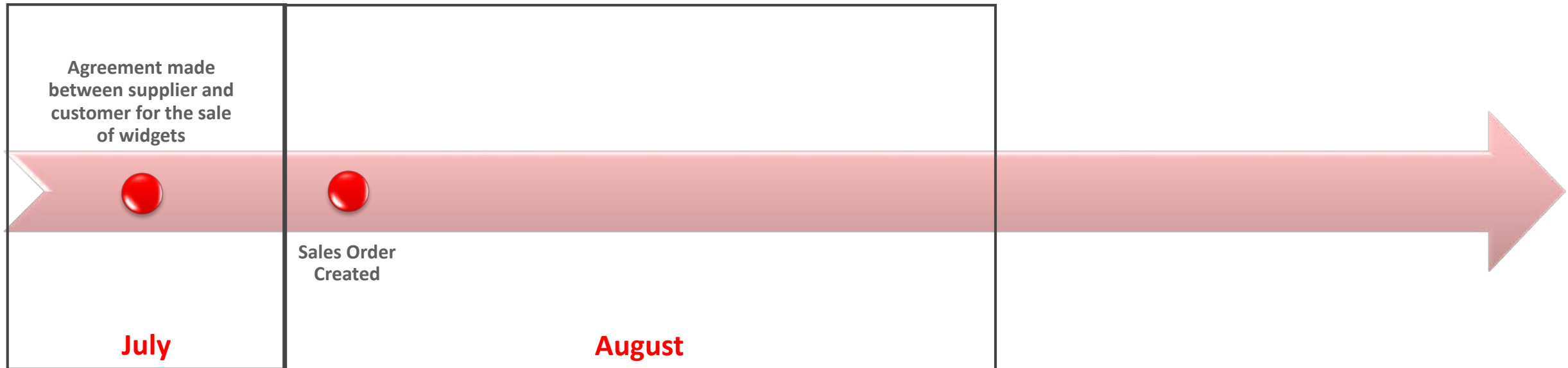
Invoice Processing Enhancements

Sale of Goods – Planned Shipment



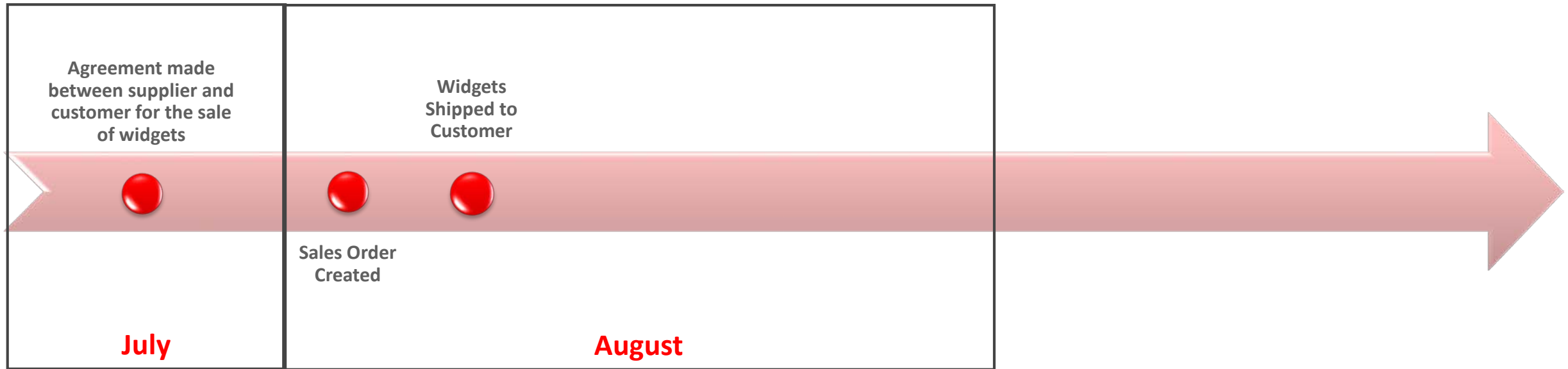
- Identify customer contracts

Sale of Goods – Planned Shipment

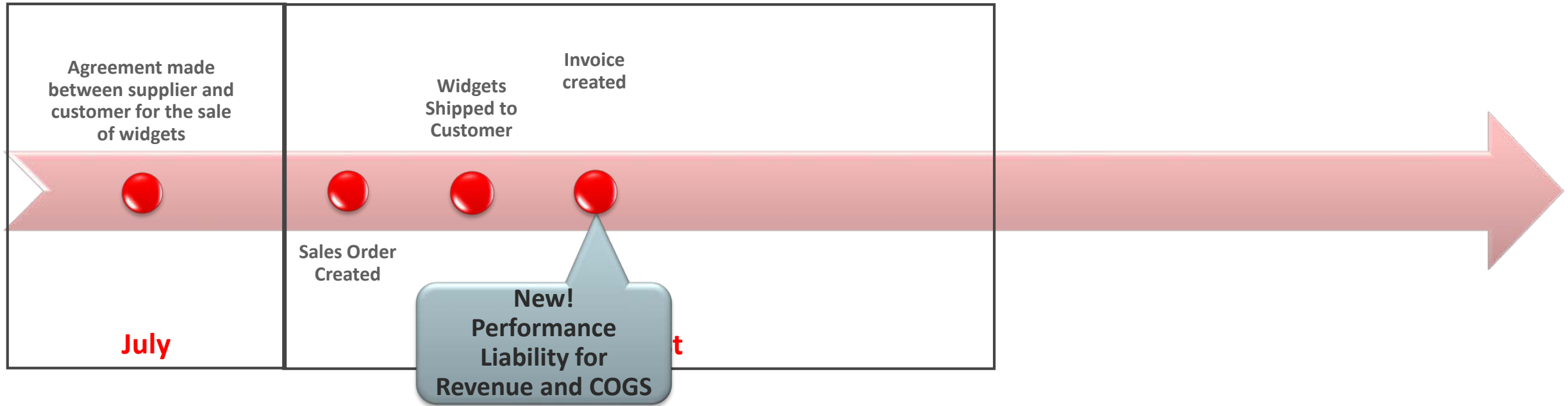


- Identify the separate performance obligations
- Determine the transaction price
- Allocate the transaction price

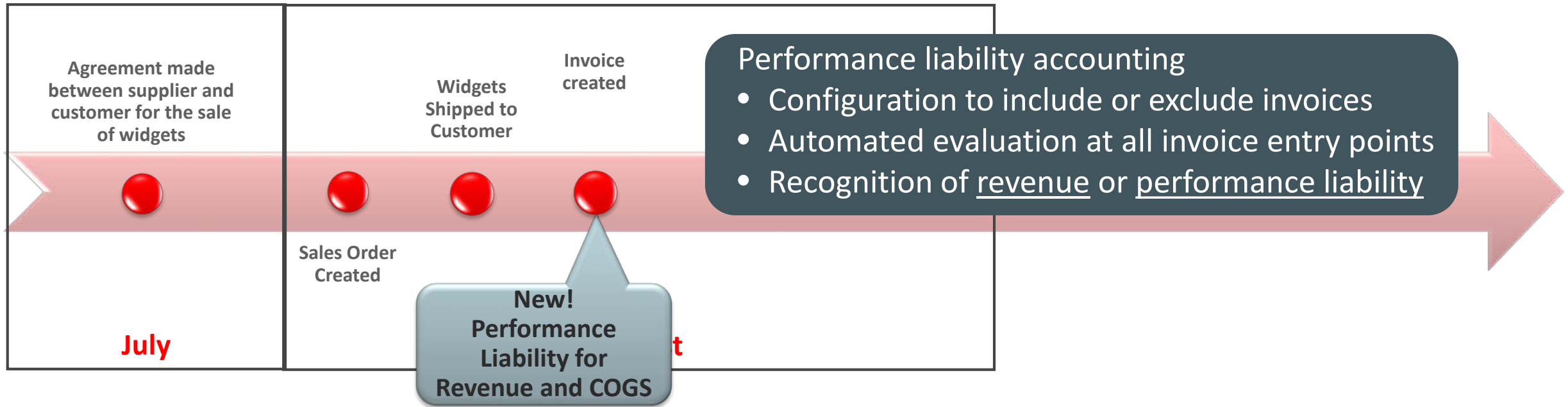
Sale of Goods – Planned Shipment



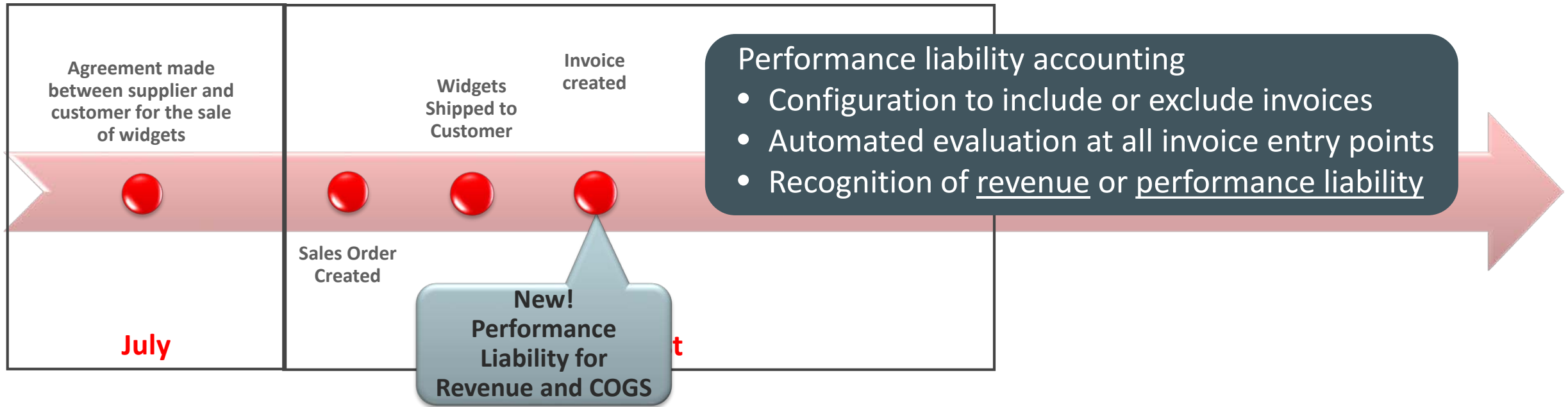
Sale of Goods – Planned Shipment



Sale of Goods – Planned Shipment



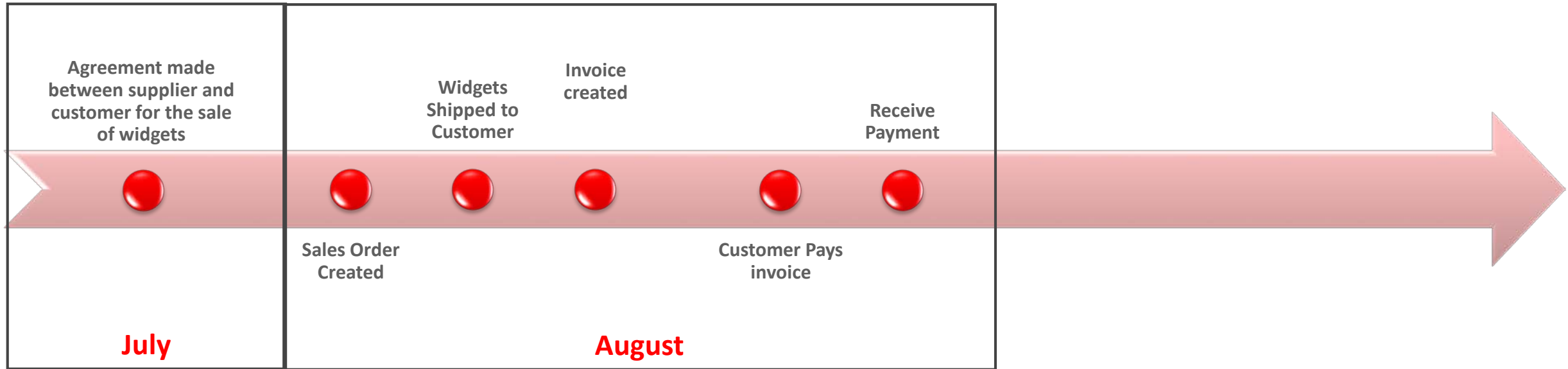
Sale of Goods – Planned Shipment



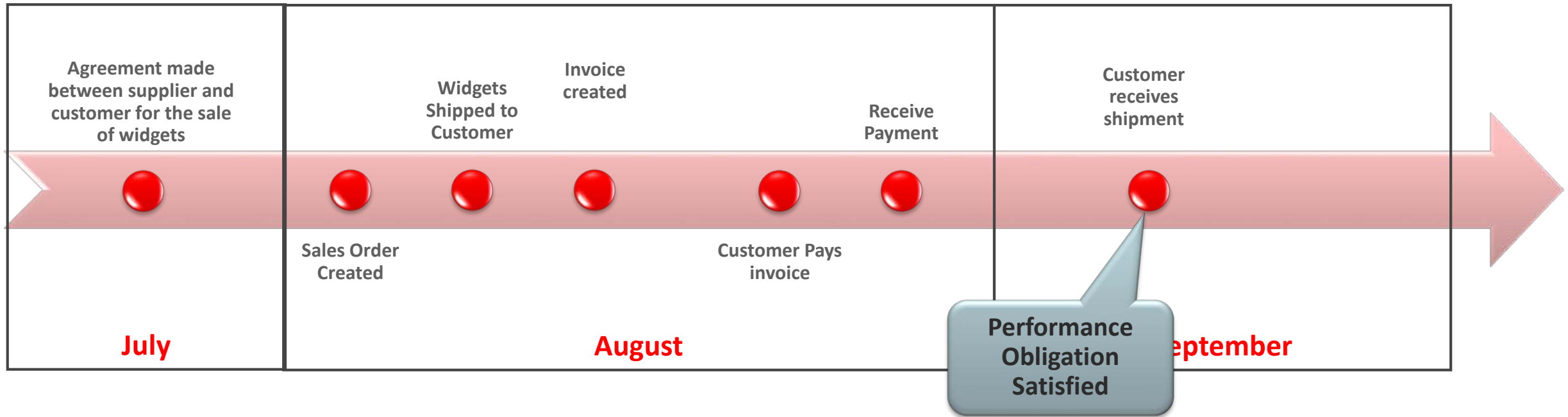
Accounting:

Revenue	Performance Liability	COGS Performance Liability	Cost of Goods Sold
	\$ 200.00	\$ 175.00	

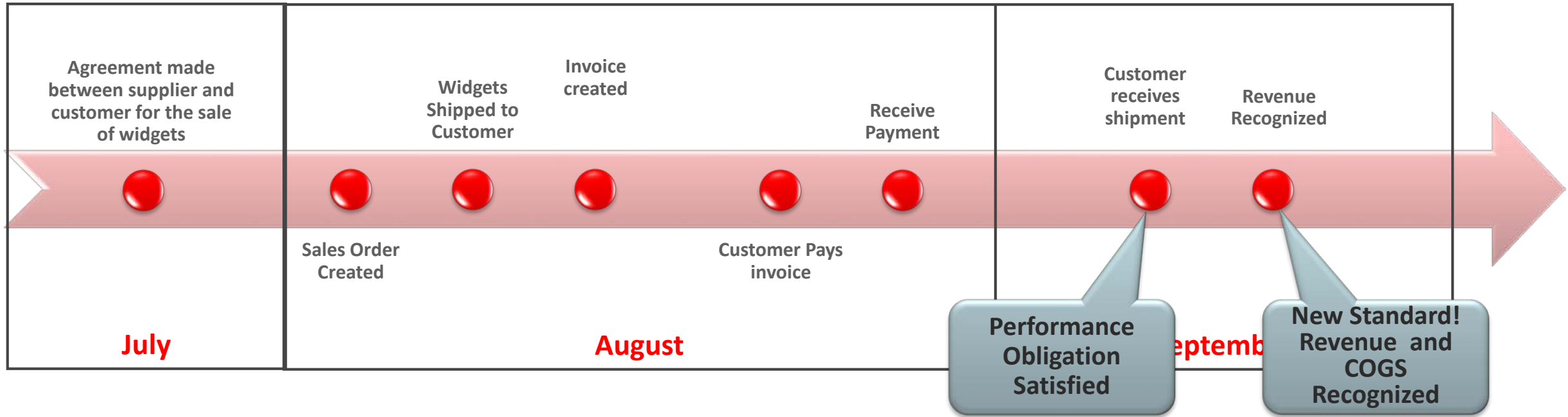
Sale of Goods – Planned Shipment



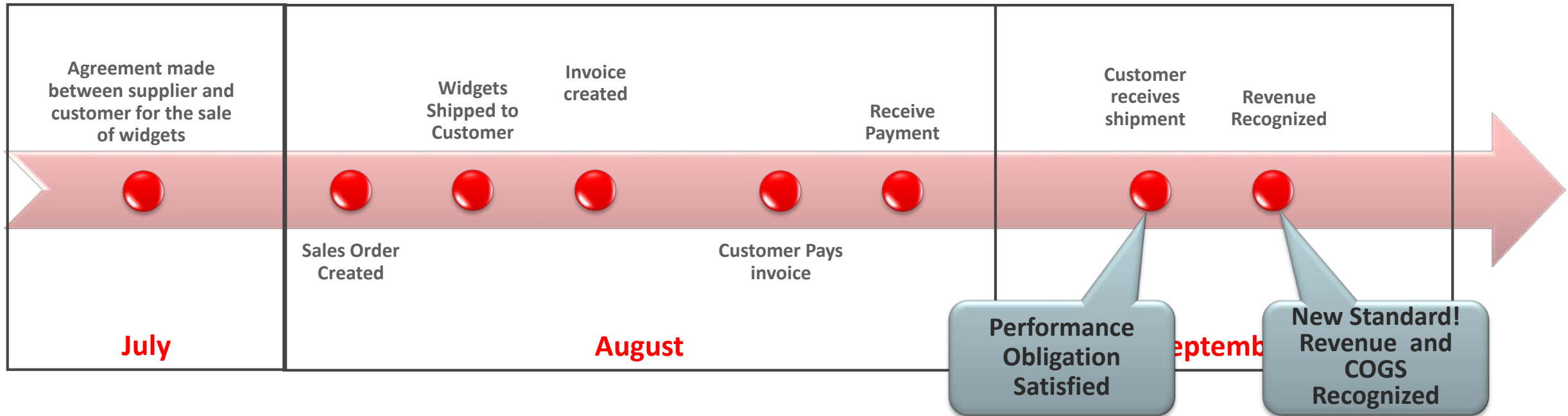
Sale of Goods – Planned Shipment



Sale of Goods – Planned Shipment



Sale of Goods – Planned Shipment



Accounting:

Revenue		Performance Liability		COGS Performance Liability		Cost of Goods Sold	
			\$200.00	\$175.00			
\$200.00		\$200.00			\$175.00		\$175.00



Contract and Service Billing & Project Costing Enhancements

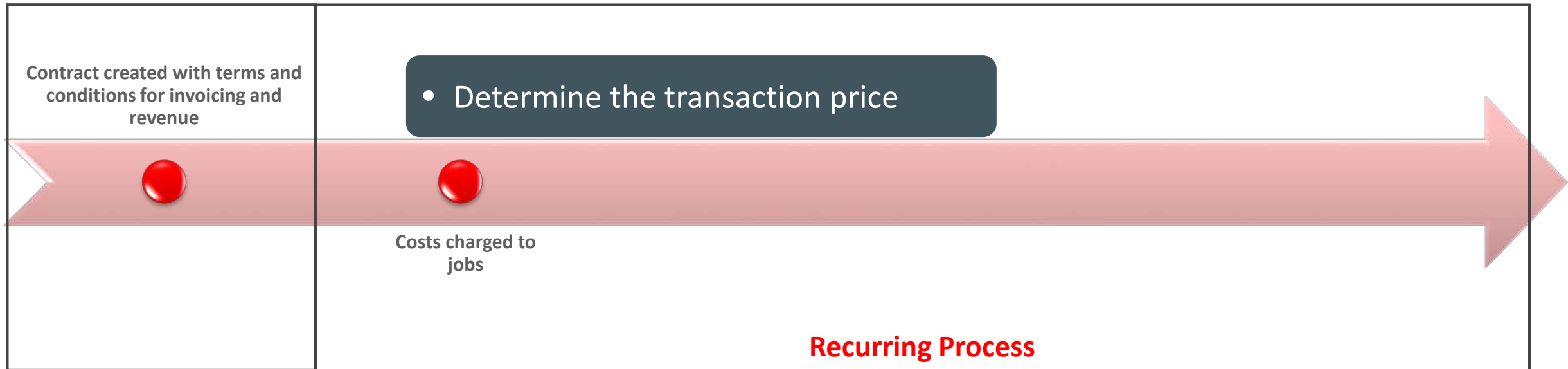
Contract Billing

Contract created with terms and conditions for invoicing and revenue

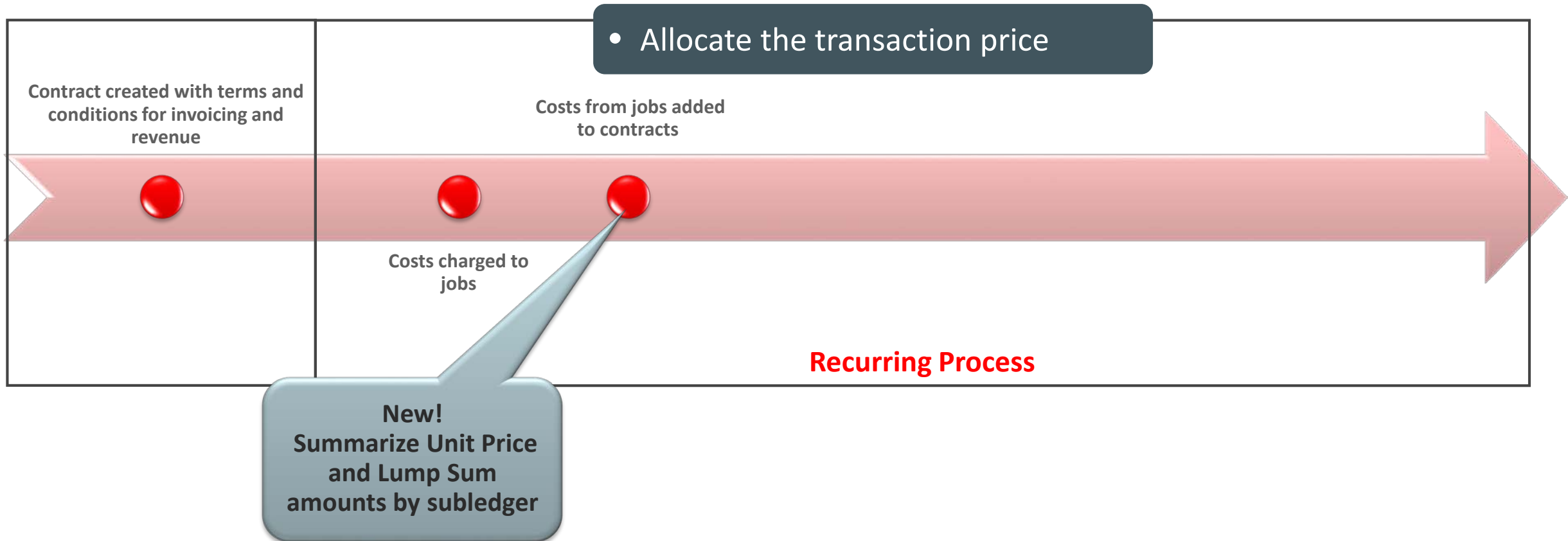


- Identify customer contracts
- Identify the separate performance obligations

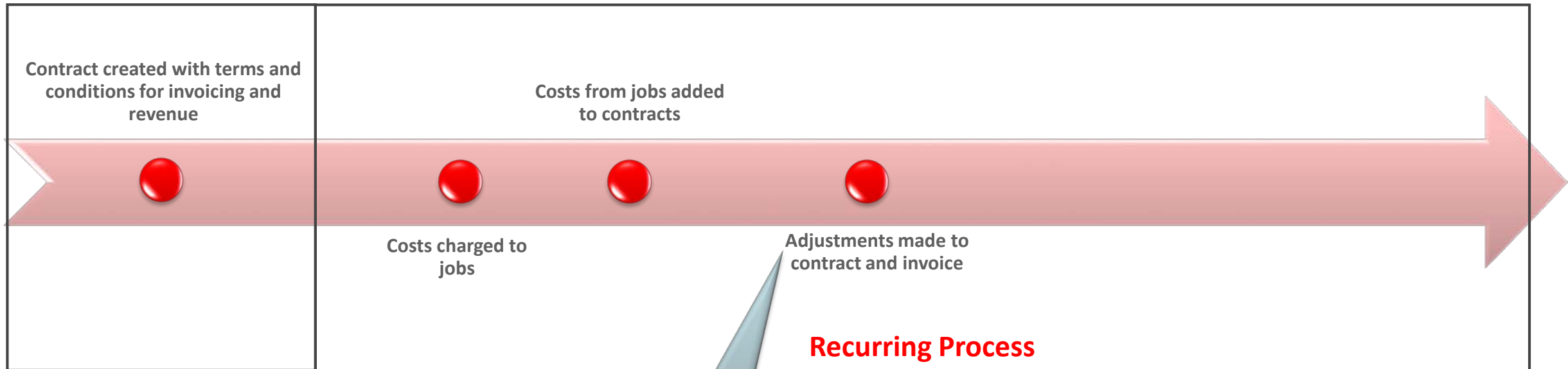
Contract Billing



Contract Billing

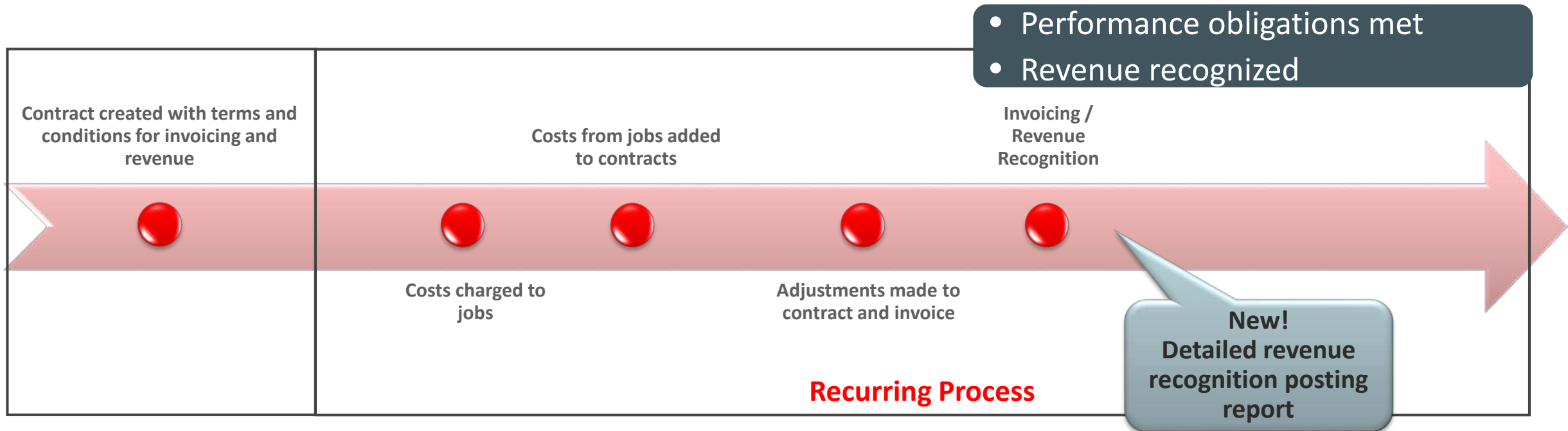


Contract Billing

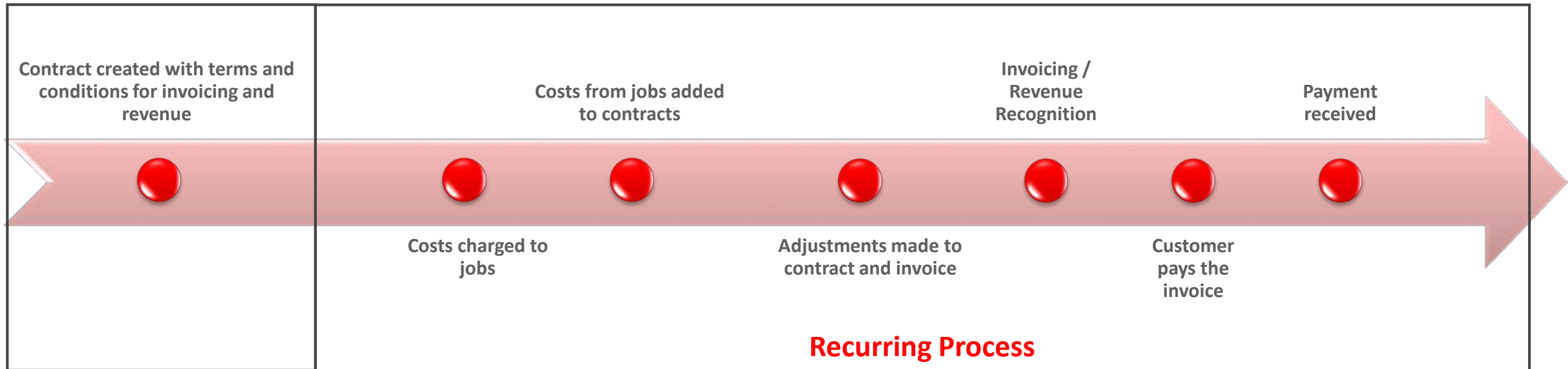


New!
Adjustments to
Stored Material
by subledger

Contract Billing



Contract Billing



A man in profile is looking at a laptop screen. The screen displays a document with a blue header and yellow highlights. In the foreground, there are several papers, some with text and tables. The background is a blurred view of green trees and a white railing, suggesting an outdoor or brightly lit indoor setting.

Key Features

Invoicing Process Key Features

- Configurations for users to indicate which invoices are to be pushed to the new revenue recognition process
 - Invoicing through Accounts Receivable
 - Sales Orders
 - Service Billing
 - Contract Billing
 - Real Estate (EnterpriseOne release 9.2 only)
- Evaluation of configuration at all invoice entry points
- Recognize all, less, or more of revenue and COGS amounts
- Remove an invoice from the process
- Batch and interactive process to add invoice to process
- Reversal of a previous recognition
- A means to specify a schedule to automatically recognize revenue over time (EnterpriseOne release 9.2 only)
- Integrity processes
- Reconciliation of Revenue Recognition Data
- Audit processes

Contract and Service Billing Key Features

- Ability to summarize Unit Price and Lump Sum contract billing transactions by subledger
- Ability to make adjustments for Stored Material for Lump Sum invoices
- Reporting changes
 - Ability to pass G/L Date from R48131 to R48132
 - Detailed revenue recognition posting report
- Ability to view performance liability amounts in Contract Status Inquiry
- Track contract amounts related to change orders

Job Cost Key Features

- Identify multiple performance obligations within a single project/job
- Run Profit Recognition process by performance obligation
- Make adjustments by performance obligation
- Update HA/HU ledgers for projected final amounts/units by subledger
- Run Profit Recognition by subledger
- Make adjustments by subledger
- Ability to change the level Profit Recognition runs at for any job

Summary

These enhancements allow our customers to:

- Comply with Revenue Recognition Accounting Standards and Business Processes
- Minimize the impact on current business processes
- Minimize the impact on current users
- Utilize additional flexibility for our Contract and Service Billing and Project Costing modules
- Set up the new processes based on their business processes and needs

Additional Information

- Frequently Asked Questions - [link](#)
- JD Edwards resources - learnjde.com
- Financial Accounting Standards Board (FASB) - [link](#)
- International Accounting Standards Board (IASB) - [link](#)

Integrated Cloud

Applications & Platform Services