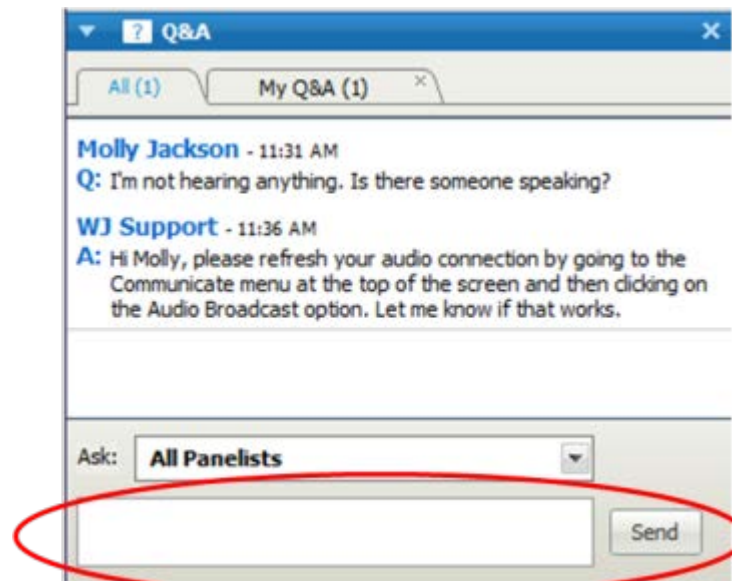
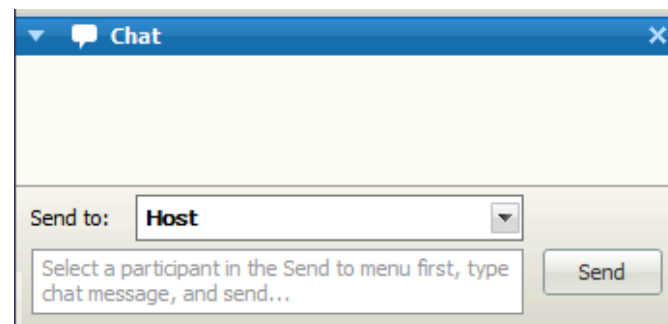


Preparing for ASC 606

Webinar Mechanics



- Submit text questions.
- Q&A addressed at the end of the session. Answers will be posted within two weeks on our new LinkedIn Group, EBS Answers:
<http://www.linkedin.com/groups/EBS-Answers-4683349/about>
- Everyone will receive an email with a link to view a recorded version of today's session.
- Polling questions will be presented during the session. If you want CPE credit for this webinar, you must answer all of the polling questions.



Learning Objectives

After completion of this presentation you will be able to:

Objective 1: Discover how ASC 606 will transform the way all companies recognize revenue, and how this will impact businesses using EBS.

Objective 2: Define areas of concern with the adoption of ASC 606, and what your organization should know to minimize financial reporting risks.

Objective 3: Examine the recommended approaches to satisfy ASC 606 performance tracking obligations and their impact, specifically for companies doing contract-based work in EBS.

Panelists

- ❑ **Seamus Moran**
Senior Director - Oracle Financials Development, Oracle
- ❑ **Hari Mundhra**
Sr. Manager, Technology - Oracle Cloud, Deloitte Consulting LLP
- ❑ **Gourav Rathi**
Manager, Deloitte Consulting LLP
- ❑ **Tom Buechler**
Product Development Manager, eprentise

Companies Need to Change Their Oracle® E-Business Suite Without Reimplementing

eprentise Can...

- ❑ Consolidate Multiple EBS Instances
- ❑ Change Underlying Structures and Configurations
 - Chart of Accounts, Other Flexfields
 - Merge or Split Ledgers or Sets of Books, Operating Units, Legal Entities, Inventory Organizations
 - Calendars, Currency, Costing Methods
 - Asset Revaluation, Inventory Valuation
- ❑ Separate Data for a Divestiture

...So Our Customers Can:

- ❑ Avoid a Reimplementation
- ❑ Reduce Operating Costs and Increase Efficiencies
- ❑ Adapt to Change
- ❑ Reduce Complexity and Control Risk
- ❑ Improve Business Continuity, Service Quality and Compliance
- ❑ Streamline Operations with Visibility to All Parts of the Business
- ❑ Establish Data Quality Standards and a Single Source of Truth

Presenter: Tom Buechler | Product Development Manager, eprentise

- ❑ 22+ years experience with Oracle EBS in SCM, Manufacturing and Cost Management in delivery and support roles
- ❑ 8+ years prior experience in Cost Accounting and financial reporting
- ❑ Multiple Oracle Project Manufacturing (PJM) projects
- ❑ Oracle User Group Presentations: Consigned Inventory Management and Demantra






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The Oracle Cloud offers complete SaaS application suites for ERP, HCM and CX, plus best-in-class database Platform as a Service (PaaS) and Infrastructure as a Service (IaaS) from data centers throughout the Americas, Europe and Asia. For more information about Oracle (NYSE:ORCL), please visit us at oracle.com.

Seamus Moran

- ❑ Public in London [Public Trainee]
- ❑ 25 years in international controllership in the Europe & the USA
- ❑ External Reporting at an NYSE Silicon Valley semiconductor corporation
- ❑ At Oracle since 1995
 - Accounting Domain for Development – monitors US GAAP, IFRS with product in mind
 - Member of the IASB’s IT Company Committee during “convergence” and “revenue” projects
 - Currently Strategist & Domain responsibility for Oracle Revenue Management Cloud Service

What is the Problem?

ASC 606 Fast Facts

- ❑ Ties Revenue Recognition from Customers with the satisfaction of contractual performance obligations
- ❑ Released May 2014, amendments in 2015-2016
- ❑ Aligns standard for US GAAP with IASB (IFRS15)
- ❑ Effective Jan 1, 2018 for public companies and Jan 1, 2019 for private companies (2017 early adoption permitted)
- ❑ Applies to all contracts with customers except:
 - Lease contracts
 - Insurance contracts
 - Financial instruments
 - Certain guarantees (other than product warranties)
 - Certain nonmonetary exchanges

ASC 606 Basics

Step 1

- Identify contract(s) with customer

Step 2

- Identify performance obligations

Step 3

- Determine transaction price

Step 4

- Allocate transaction price to contract obligations

Step 5

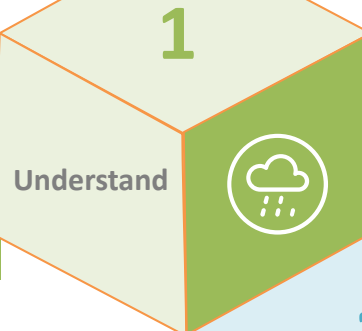
- Recognize revenue when (or as) performance obligation is satisfied

How Are Companies Addressing the Problem: Approach to Revenue Transformation

ACCOUNTING ASSESSMENT

As a foundation, Interpret the new rules and establish a policy direction:

- Timeline to become compliant – FY starting after Dec 15, 2017
- Full retrospective vs. modified retrospective transition
- Transactional level analysis vs. category level analysis
- Policy election and development



SCENARIOS / BUSINESS REQUIREMENTS

Before embarking on a system journey, the following areas need careful consideration:

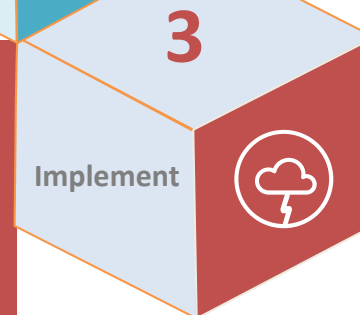
- Use case scenario analysis
- Data needs and uses
- Business requirement document
- Data dictionary



DESIGN & IMPLEMENTATION

At the final stage, an organization will look at the software solution and implement. Key stages are:

- Fit gap analysis
- System & process design
- Configure and test



What is the Impact of Each of the Different IT Approaches?

Spectrum of IT Approaches to ASC 606 / IFRS 15

❑ Brute Force

- Uses spreadsheets & estimates
- Based on analyses of differences between old and new principles
- Error prone and risky

❑ Calculator

- Takes aggregated data and executes algorithms on it
- Can be a good “quick fix”
- Doesn’t provide drill down

❑ Post Trial Balance Application

- Analyses old rules data as posted to the General Ledger and tries to correct it
- Macro level
- During the close

❑ Subledger

- Contract asset and contract liability sub-ledgers
- Accounting contract by transactions
- Drill down, et cetera

(Oracle RMCS, PPM, and EBS PA, & Peoplesoft, JDE)

Panelists



Seamus Moran
Oracle



Gourav Rathi
Deloitte Consulting LLP



Hari Mundhra
Deloitte Consulting LLP

Tom Buechler
eprntise



Adopting ASC 606 – Challenges and Complexities

Major Challenges

- Underestimation of the standard
- New and unfamiliar guidance – judgements, estimates, disclosures etc.
- Data & system challenges
- Reporting

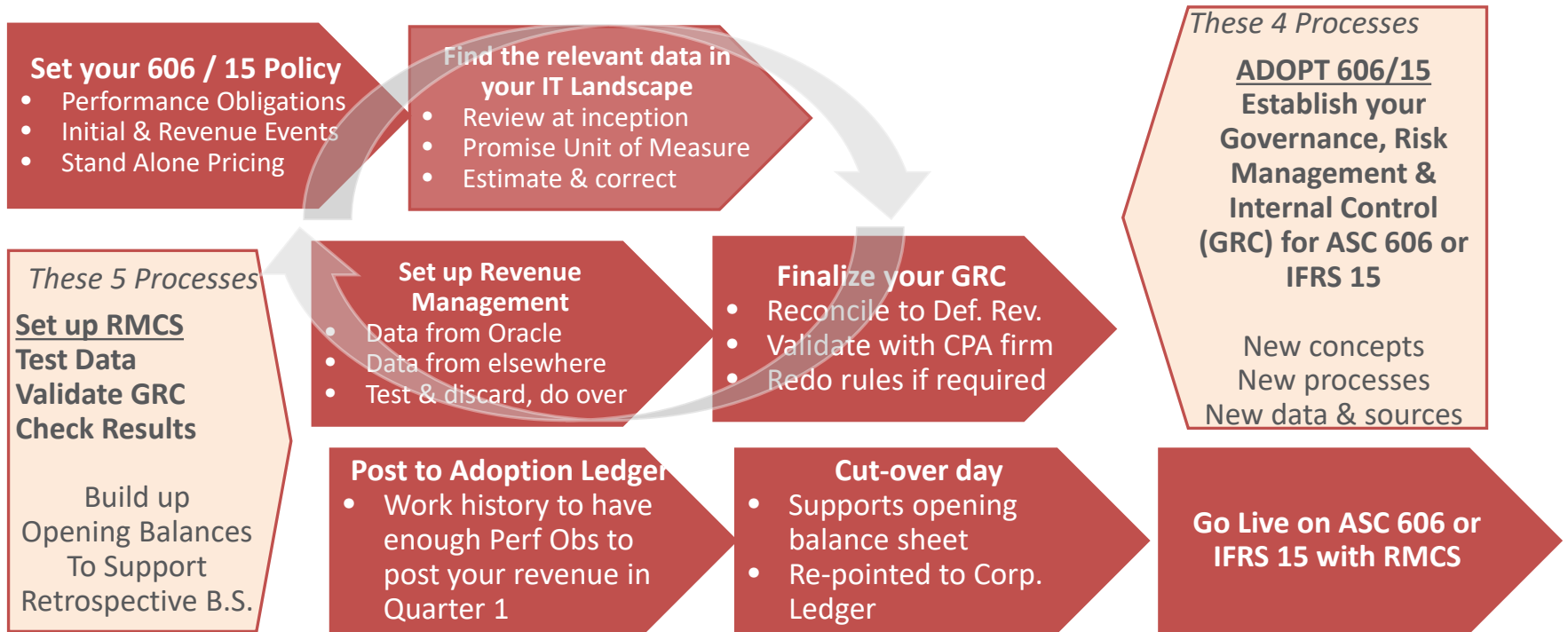
Complexity Drivers

- Organization size and industry
- Current system landscape
- Contract/order orchestration and complexity
- Data sources and mapping

Leading Practices

- Understand, educate & plan
- Assess & design
- Manage change – finance, process, organization & systems
- Develop operating model and future COE

Embrace the Standard



Review At Inception

ASC 606-10-25-14 | IFRS 15-22

Step 1: Contract ID # x	Customer Facing Price (Transaction)	Standalone SP Or ESP Basis for Alloc.	Relativity	Math	Revenue & PO Value	Discount (allocation) Nets to Zero	OT PIT Devlvd	Either Party Acts	Revenue Recognized	Bill Plan
Perf. Obligation 1	50	60	105%	* 60 =	63	13	PIT	Sign	Delivery	Each 30 days arrears
Perf. Obligation 2	55	40	105%	* 40 =	42	(13)	OT	Day 1	Monthly	
Step 3: Transaction Price	105	Transaction Price = Expected Consideration =			105	0				
Stand Alone Price & Relativity		100	105/100=105% relativity							

Values used for accounting: the liability, asset and revenue

Tabulation like this during adoption or with new orders, with more columns, helps to figure:

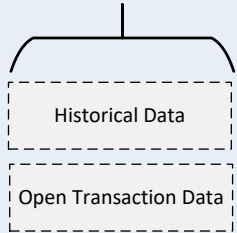
- Your promises rather than just your product codes, understand “promises” versus “promise details”
- Transaction attributes: PIT, OT, Devolved/Series. Add columns for Billing, Either Party Acts, Revenue Events
- Which data you need to import and where it might be in your IT landscape
- What the accounting will look like and what data needed to derive the account numbers
- You’d like to see when contracts are modified or estimates revised

Overview of eprentise Reorganization

E-Business Suite – Current State

Inventory Organizations
Project Accounting and Project Manufacturing
NOT ENABLED

Supply Chain and Manufacturing Modules



Setup new Project Accounting and Project Manufacturing **ENABLED** Inventory Organizations

Transformation Engine



Repoint Old Inventory Organization Configurations (non-PJM) with New Inventory Organization Configurations (PJM)

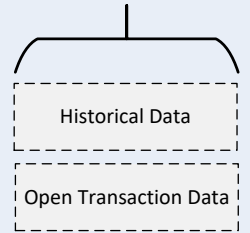
Enable Project/Task References on On-hand Inventory Balances

Enable Project/Task References on Open Transactions

E-Business Suite – Future State

Inventory Organizations
Project Accounting and Project Manufacturing
ENABLED

Supply Chain and Manufacturing Modules



Project Accounting and Project Manufacturing Enablement

Contracts

Projects

Execution and Planning

Discrete Work Orders, Flow Schedules

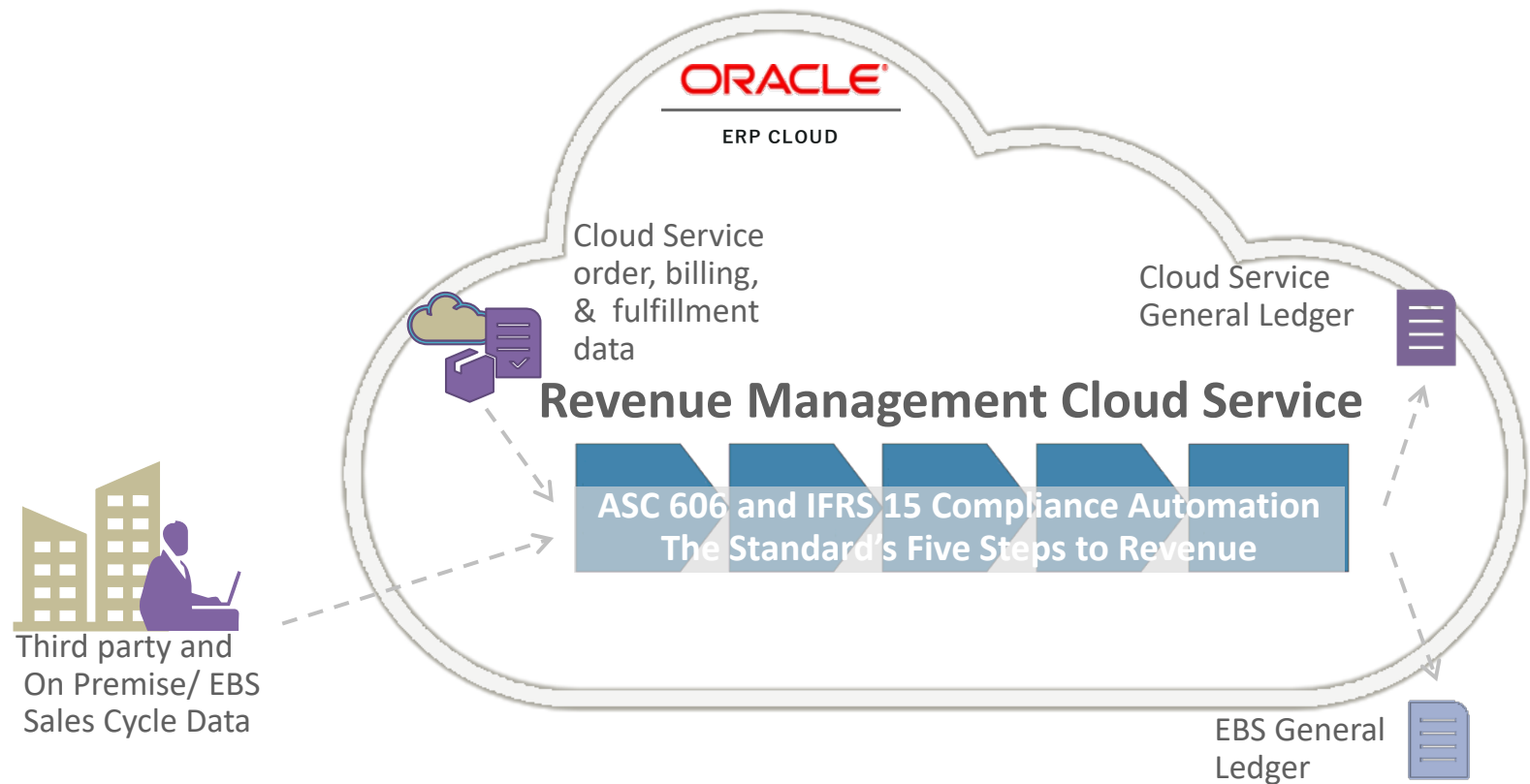
Collects Direct and Indirect Actual Costs

Feeds data to

Billing and Revenue Management

Earned Value Analysis, Progress Billing, and Revenue Recognition as per Performance Obligations

Revenue Management Cloud Service



Illustrative Revenue Recognition Roadmap

The following presents the types of activities that are expected to be required in the implementation of the revenue recognition standard requirements:

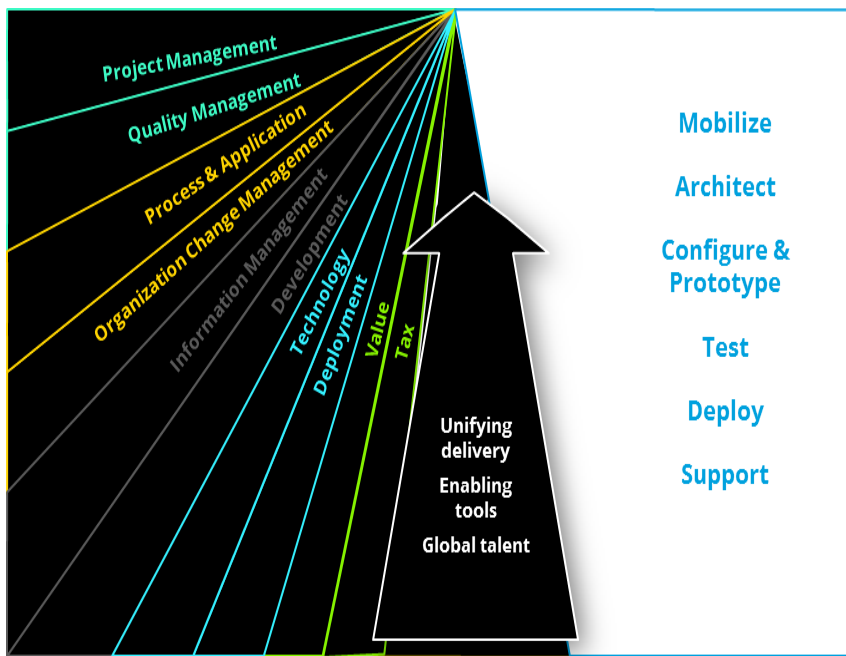
Area	Y1				Y2				Y3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Technical Accounting	Analysis Phase	Scenario Documentation	Prepare draft disclosures									
		Accounting Policy Documentation	Draft Financial Statements	Finalize Transition Plan								
Data and Systems Development			Business Requirements				User Acceptance Testing (UAT)					
			Systems Design and Architecture	Systems Development	Systems Testing	Deployment and Stabilization				Post Implementation Review		
Process/Close and Report			Reporting Controls / Reconciliation				Controls Implementation Review					
					Monthly Close Process	Auditor Concurrence on Controls	Dual Reporting Process Development					
Readiness and Training			Design and Develop Training Program			Roll Out Training						
Tax			Evaluate Tax Reporting Requirements		Tax Planning / Reporting Process Enhancements		Tax reporting implementation					
Program Management	Status Reporting	Status Reporting	Status Reporting	Status Reporting	Status Reporting	Status Reporting	Status Reporting	Status Reporting	Status Reporting			

Deloitte is one-stop shop for your overall solution

Accelerate Revenue Transformation with Deloitte's RevenuePrint™

Our world class implementation methodology for Oracle Cloud combined with Revenue Print helps accelerate the implementation.

Enterprise Value Delivery for Oracle Cloud



What RevenuePrint Offers

Accounting & Business accelerators

- Prior implementation accelerators, including repository of accounting scenarios for multiple industries
- Identified list of data elements required to support ASC606
- Conversion of accounting scenario documentation into business requirements and comprehensive data dictionary

Technology accelerators

- A Preconfigured Oracle Cloud Revenue Management solution
- End-to-end solution architecture covering complex scenarios
- List of major functional components required to implement Revenue Recognition solution
- Identified repository of reports enabling organizations to be revenue compliant quickly and efficiently

Benefits



Quick compliance



Reduced time to implement



Dual reporting



Efficient scenario development

Deployment Strategy and Rollout Options

Evaluating the risks and tradeoffs that will be encountered with the various deployment strategies

TYPICAL DEPLOYMENT STRATEGIES

BIG BANG



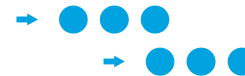
Deploy full functionality in all locations simultaneously

GEOGRAPHIC ROLLOUT



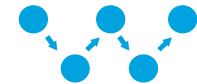
Deploy full functionality by region with similar scope and size go-lives

FUNCTIONAL/PROCESS



Deploy core functionality for all locations, then deploy other functionality in successive waves

ORGANIZATIONAL



Deploy core functionality for all locations in one organizational unit

- High risk
- Operational disruptions

- Cost to implement

- Agility in hyper-care support
- Maintenance of dual processes

- Ability to get in front of disruptive technologies

- Agility for process improvement

- Slower realization in global value

- Slower realization in end-to-end value stream
- Lack of focus

- Slower realization in global & end-to-end value stream
- Higher cost

- Lower cost of execution & support
- Connected value stream
- Speed

- Low risk
- Geographical functional agility
- Regional alignment
- Steady performance

- Low risk
- Core functionality enables future capability

- Low risk
- Targeted operational impacts

- Leading semiconductor company
- Fast-growing life sciences company
- Large insurance provider

- Large distribution company

- Large electric utilities company
- E-commerce company
- Global auto manufacturer

- Large chemical distribution company

Panelists



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Tom Buechler
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Opening Balance Sheet

Old Rules: Deferred \$4M of software in year -1
Recognized \$4M the year +1

End of Year:	1. Deferred Revenue Accounting (Old Rules)			
	2013		2014	
Balance Sheet / Profit & Loss	B.S.	P&L	B.S.	P&L
AR or Cash	\$4M		\$4M	
Deferred Revenue Liability	<\$4M>		\$0M	
Contract Liability				
Equity	<\$0M>		<\$4M>	
Revenue		\$0M		\$4M
Sum of both years revenue				\$4M

New Rules: Recognized \$3M of software in year -1
Recognized \$1M the year +1

End of Year:	2. Performance Obligation (New Rules)			
	2013		2014	
Balance Sheet / Profit & Loss	B.S.	P&L	B.S.	P&L
AR or Cash	\$4M		\$4M	
Deferred Revenue Liability				
Contract Liability	<\$1M>		\$0M	
Equity	<\$3M>		<\$4M>	
Revenue		\$3M		\$1M
Sum of both years revenue				\$4M

Transition Rules

- Deferred \$4M of software year before adoption
- Recognized \$1M the year after adoption
- Remaining \$3M to equity

End of Year:	3. Transition Rules (Both Old and New Rules)				
	2013 (old)		Rev '13	2014 (new)	
Balance Sheet / Profit & Loss	B.S.	P&L	B.S.	B.S.	P&L
AR or Cash	\$4M		\$4M	\$4M	
Deferred Revenue Liability	<\$4M>		\$0M		
Contract Liability			<\$1M>	<\$0M>	
Equity	<\$0M>		<\$3M>	<\$4M>	
Revenue		\$0M			\$1M
Sum of both years revenue					\$1M

Transition Impact

- \$3M Deferred Revenue replaced by
- \$1M Performance Obligation Liability

Panelists



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Thank You!



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