



Absolute Acceptance Based Revenue Recognition

A professional services solution for Oracle Receivables Users

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Business Requirement

Acceptance Based Revenue Recognition allows companies to manually or automatically flag order line items for specialized event driven revenue acceptance rules that will enable users to manage the conversion of unearned revenue for these flagged line items into and out of earned revenue based on customer product acceptance or corporate revenue recognition policies.

This is a critical extension to Oracle Receivables that enhances the standard revenue recognition functionality to facilitate compliance with new SOP 97 and SAB 101 guidelines.

Primary Functionality

Upon invoicing of orders or line items that require acceptance, revenue for these lines will be deferred by placing it into an Unearned Revenue account. These items will remain in an unearned status until such time as the end customer or revenue administrator determines that they should be recognized as earned revenue.

Acceptance Options

The user will have the capability of recognizing the revenue manually, via the online form, or automatically, via the customer web interface, using the following methods of distribution:

- 1) All, immediately upon acceptance.
- 2) A percent or fixed amount(s) across a user defined schedule.

Designation Options

The designation of acceptance based orders and/or line items will be flexible and user definable based on the following:

- 1) Item
- 2) Item Category
- 3) Line
- 4) Line Transaction Type
- 5) Order
- 6) Order Transaction Type
- 7) Customer

Deferring COGS Transactions

The user will have the flexibility to defer the COGS transactions within the Inventory sub-ledger that correspond with the acceptance based revenue lines by selecting any of the following options:

- 1) Upon shipment assign COGS value to a deferral (inventory) account until the corresponding revenue line items are earned, at which point assign value to COGS account for the same date and period as the earned revenue.



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2) Upon shipment assign COGS as usual.

Reversing Transactions

The user will have the flexibility to reverse any acceptance based revenue or COGS transactions in the AR or INV sub-ledgers, respectively, via an online form.

Reports

The following reports will be provided:

- **Unearned Revenue by Period**

Provides a detail and end of report summary of unearned revenue by period for item category or customer. This report can be run for future periods to get a forecast of the unearned revenue pipeline, giving the user a quick and accurate account of recurring and/or acceptance based revenue to come.

- **Deferred COGS by Period**

Provides a detail and end of report summary of deferred COGS by period for item category or customer. This report can be run for future periods to get a forecast of the deferred COGS pipeline, giving the user a quick and accurate account of deferred costs to come.

Form Examples (10.7 Character Version)

Invoice-Header					
Order Number	Order Type	Invoice Number	Invoice Type	Invoice Date	Invoice Total
Ship To Customer			Bill To Customer		
Fab			Currency		



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Line	Order	Invoice	Invoice	Total				
Ln	Grouping	Final	Revenue	Manual				
No	Item	Qty	Serial No	Acceptance	Date	Override	W/H	Notes
								[]
								[]
								[]
Revenue-Distributions								
Class	Account	Amount	GL Date	GL Posted				
COGS Distributions								
Shipping								
Serial Number	Ship Date	WareHouse						
Item Description			Extended Amount					

Technical Notes

The solution described above is a hybrid of pre-developed code and professional services. It can be implemented for Releases 10.7, 11 or 11i within a 2 to 4 month project timeframe. All software deliverables are integrated with Oracle Applications, using Oracle development tools with strict adherence to Oracle Custom Application Development guidelines.