# Complying with SOP 97-2: Utilizing Daily Revenue Recognition in Oracle EBS 11.5.10

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Booth # 1426

# Agenda

- Introduction/Protégé Profile
- Overview of Oracle Revenue Recognition
- Challenges of Complying with 97-2
- Case Studies
- Questions and Answers

# About Protégé (Booth #1426)

- Oracle Certified Partner.
- Information Technology Professional Services Firm in operation since 1993.
- Core competencies include Oracle E-Business Suite, Data Warehousing/Business Intelligence, and Application Integration
- Full service offerings including Project Management, Functional and Technical Consulting Services.
- Pride ourselves on our Long-term Client Relationships.
- Ever Growing list of Reference-able Clients.

# Skill Sets and Tools Experience

- Oracle E-Business Suite
  - Release 12 and 11i
- Programming Languages
  - SQL, PL/SQL, Java, JSP, XML, C, C++, BPEL
- Platforms
  - Linux, Sun, Windows HP-UX
- Databases
  - Oracle Version 7 – 10, SQL Server, Informix
- Tools & Middleware
  - Oracle Forms & Reports, Oracle JDeveloper, Oracle Portal, Workflow Builder, SOA, BPEL, Discoverer, OBIEE, BI Publisher

- Industry Experience
  - Discrete Manufacturing
  - Flow Manufacturing
  - Process Manufacturing
  - Government Contractors
  - Software Companies
  - Service Providers
  - Pharmaceutical and Life Sciences
  - Medical Device
  - Semi Conductor
- Third Party Integration
  - Hyperion, Ceridian, ADP, D&B, Vertex, Optio, Evergreen, Noetix, Web Methods, Siebel, Remedy

# Introduction: Mike Ivers

- Techno-Functional Consultant with 20 plus years of ERP experience, 14 years with Protégé

- Broad background in application including Service, Mfg, OM, A/R, Purchasing

- Last 4 projects have involved Revenue Recognition and VSOE

- Contact Information: mivers@protege.com

# Overview of 11.5.10 Rev Rec

- Historically Oracle has utilized percentage based accounting rules to split revenue
- On 12/8/06 Oracle back ported a small portion of the Release 12 Daily Revenue Recognition functionality
- No acceptance based recognition

# Overview of R12 Rev Rec

- Revenue Recognition can be percentage based or Daily Based (monthly/fiscal buckets)

- Acceptance based recognition

- Cost/Revenue Matching

# Challenges of complying with SOP 97-2

- No Carve-out functionality exists

- No acceptance based recognition exists

- COGS are recognized in period shipped not when revenue is earned

- Deferring Revenue does not Defer Contract Start Date.

# Case Studies

- Case 1: Customer was replacing Great Plains and Softrax with Oracle EBS (OM, Service Contracts ,AR,MFG)

- They were currently able to provide Daily revenue recognition and VSOE carve-outs for both Warranty and Fair Market Value.

- Warranty Was 2 tiered, 3 months for Hardware and 12 months for Firmware.

# Case 1 Requirements

- Daily Revenue Recognition
- Carve Outs for Warranty for both hardware and firmware (90 days and 365 days)
- Carve Outs for Fair Market Value
- Adjust warranties (not always 90 and 365 days)
- Align Service Revenue with service contracts.

# Daily Revenue Recognition

- 12/8/06 Oracle Receivables team  Back Ports Release 12 Daily Revenue Recognition.

- This presents a challenge as none of the other modules support the new type of accounting rules.

- Solution was to utilize an Auto invoice pre processor

# Daily Revenue Recognition

- Two types of Daily rules exist
  - Daily All Periods (Type 1)
  - Daily 1st and last Periods equal amounts all other periods (Type 2)

- Example 1 year contract starting on Jan 15th for $3650

|        | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN |
|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| TYPE 1 | 160 | 280 | 310 | 300 | 310 | 300 | 310 | 310 | 300 | 310 | 300 | 310 | 150 |
| TYPE 2 | 160 | 304 | 304 | 304 | 304 | 304 | 304 | 304 | 304 | 304 | 304 | 300 | 150 |

# Carve-Outs

- To meet the carve out requirements, we created items for each of the carve-outs and their associated offsets

- These items were assigned to the configurable Bill of Material along with the 90 day warranty

- Workflow Custom was used to calculate carve outs when Saving the Order

# Sample Of Configured Item



Sample of configured item lines 1.1.3 – 1.1.8 are the Carve out and Carve out Offset lines

# Sample with Carve-out Amounts



Sample of configured item lines 1.1.3 – 1.1.8 are the Carve out and Carve out Offset lines after workflow customization has calculated their appropriate values

# Sample of Invoice



Sample of invoice including Carve out and Carve out Offset lines

# Sample of Invoice Rules



Sample of invoice with accounting rules to determine how the revenue is being recognized

# Case 2 Requirements

- Daily Revenue Recognition
- Revenue Start Based on Customer Acceptance
- Accounting Rules not Product Specific but Deal Specific

# Solution for Case 2

- Use Deferred Accounting rules to prevent revenue recognition

- Utilize the new Daily Revenue Recognition process (with auto-invoice Preprocessor)

- Create Custom OA Framework form for starting the Revenue recognition process (streamlined version of oracle form with a few additional features)

# Setup Deferred Daily Rule



Setup a Deferred Accounting rule using the new Daily Revenue Recognition process

# Protégé Revenue Form



Custom Form to allow the selection of invoices to start the revenue recognition process

# Protégé Revenue Form



Sample of invoice, the user may change any of the fields before starting the Revenue process

# Sample of Invoice

# Sample Invoice from Form



Invoice with adjusted values after revenue form utilized

# Q & A

- Questions & Answers

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- Thank You