

# 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](mailto: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

File Edit View Folder Tools Window Help

Sales Orders (101068) -

Order Information Line Items

**Order Management** Order Total **18,495.00**

Main Pricing Shipping Addresses Returns Services Others

Line	Ordered Item	Qty	UOM	Unit Selling Price	Request Date	Schedule Ship Date	Line Type	Status	[ ]	On Ho
1.1		1	EA	16,995.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Booked	.....N	<input type="checkbox"/>
1.1.0.1	SUPPORT-H...	1	YR	1,500.00	10/21/2007 16:01:37	10/21/2007 16:01:37	Standard Line	Booked	.....N	<input type="checkbox"/>
1.1.3	OC-PCS-HW	1	EA	0.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Booked	.....N	<input type="checkbox"/>
1.1.4	PCS-OFFSET	1	EA	0.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Booked	.....N	<input type="checkbox"/>
1.1.5	FMV-DEFERRE	1	EA	0.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Booked	.....N	<input type="checkbox"/>
1.1.6	FMV-OFFSET	1	EA	0.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Booked	.....N	<input type="checkbox"/>
1.1.7	PCS-FW-REVL	1	EA	0.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Booked	.....N	<input type="checkbox"/>
1.1.8	PCS-HW-REVL	1	EA	0.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Booked	.....N	<input type="checkbox"/>

Line Total **18,495.00** Line Qty **1** Service Total **1,500.00**

Description **Gold Hardware Support**

Actions Related Items Configurator Availability Book Order

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

Order Management Order Total **18,550.23**

Line	Ordered Item	Qty	UOM	Unit Selling Price	Request Date	Schedule Ship Date	Line Type	Status	[ ]	On Ho
1.1		1	EA	16,995.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Closed	.....N	<input type="checkbox"/>
1.1..0.1	SUPPORT-HW	1	YR	1,500.00	10/21/2007 16:01:37	10/21/2007 16:01:37	Standard Line	Closed	.....N	<input type="checkbox"/>
1.1.3	OC-PCS-HW	1	EA	0.00	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Closed	.....N	<input type="checkbox"/>
1.1.4	PCS-OFFSET	1	EA	(764.78)	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Closed	.....N	<input type="checkbox"/>
1.1.5	FMV-DEFERR	1	EA	437.05	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Closed	.....N	<input type="checkbox"/>
1.1.6	FMV-OFFSET	1	EA	(437.05)	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Closed	.....N	<input type="checkbox"/>
1.1.7	PCS-FW-REVL	1	EA	424.88	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Closed	.....N	<input type="checkbox"/>
1.1.8	PCS-HW-REVL	1	EA	339.90	10/21/2007 16:01:37	10/29/2007 23:59:00	Standard Line	Closed	.....N	<input type="checkbox"/>

Line Total: 18,495.00    Line Qty: 1    Service Total: 0.00  
Description: Probe

Actions    Related Items    Configurator    Availability    Book Order

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

The screenshot displays an Oracle invoice application window with the following details:

**Transaction Information:**

- Source: Order Management
- Number: 100183
- Class: Invoice
- Type: Dir Std Revenue
- Reference: 101068
- Date: 10/22/2007
- GL Date: 10/22/2007
- Currency: USD
- Document Number: 100183
- Transaction: ORDE [ . ]

**Balance Due Summary:**

Line	18,550.23
Tax	0.00
Freight	0.00
Charges	0.00
Total	18,550.23

**Lines (NS OPERATIONS) Summary:**

Transaction	Lines	Tax	Freight
Total 18,550.23	18,550.23	0.00	0.00

**Main Line Item Table:**

Num	Item	Description	UOM	Quantity	Unit Price	Amount	Tax Code	Trans
1	PCS-HW-REVD	PCS for Hardware Rev Rec	EACH	1	339.9	339.90	EXEMPT	ORDEF
2	FMV-DEFERRE	Fair Market Value Deferred	EACH	1	437.05	437.05	EXEMPT	ORDEF
3	FMV-OFFSET	Fair Market Value Deferred O	EACH	1	-437.05	(437.05)	EXEMPT	ORDEF
4	PCS-OFFSET	PCS Offset Line	EACH	1	-764.78	(764.78)	EXEMPT	ORDEF
5	PCS-FW-REVD	PCS for Firmware Rev Rec	EACH	1	424.88	424.88	EXEMPT	ORDEF
6	SUPPORT-HW	Gold Hardware Support - 1 P	Year	1	1500	1,500.00	EXEMPT	ORDEF
7		Probe	EACH	1	16995	16,995.00	EXEMPT	ORDEF
8	FREIGHT	Item for Freight	EACH	1	55.23	55.23	EXEMPT	ORDEF

Buttons at the bottom: Tax, Freight, Distributions, Sales Credits

Sample of invoice including Carve out and Carve out Offset lines



# Sample of Invoice Rules

The screenshot displays the Oracle Applications interface for an invoice. The 'Transaction' window shows the following details:

- Source: Order Management
- Number: 100183
- Class: Invoice
- Type: Dir Std Revenue
- Reference: 101068
- Date: 10/22/2007
- GL Date: 10/22/2007
- Currency: USD
- Document Number: 100183
- Transaction: ORDE

The 'Balance Due' window shows:

- Line: 18,550.23
- Tax: 0.00
- Freight: 0.00
- Charges: 0.00
- Total: 18,550.23

The 'Lines' window shows a summary table:

Transaction	Lines	Tax	Freight
18,550.23	18,550.23	0.00	0.00

The 'Rules' tab is active, showing a table of accounting rules:

Num	Item	Description	Accounting	Duration	Start Date	End Date	Last Date to Cred	Last Period
1	PCS-HW-REVD	PCS for Hardware Rev Rec	DAILY	13	10/22/2007	10/20/2008		
2	FMV-DEFERRE	Fair Market Value Deferred	DAILY	13	01/20/2008	01/19/2009		
3	FMV-OFFSET	Fair Market Value Deferred O	DAILY	1	10/22/2007	10/22/2007		
4	PCS-OFFSET	PCS Offset Line	DAILY	1	10/22/2007	10/22/2007		
5	PCS-FW-REVD	PCS for Firmware Rev Rec	DAILY	4	10/22/2007	01/19/2008		
6	SUPPORT-HW	Gold Hardware Support - 1 P	DAILY	13	01/20/2008	01/19/2009		
7		Probe	DAILY	1	10/22/2007	10/22/2007		
8	FREIGHT	Item for Freight	Immediate	1	10/22/2007			

Buttons at the bottom include: Tax, Freight, Distributions, Sales Credits.

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)



# Protégé Revenue Form

The screenshot shows a web browser window titled "Protege Revenue Recognition - Microsoft Internet Exp...". The address bar shows a URL from linus.protege.com. The page content includes a search form with the following fields:

- Invoice Number: 3%
- Reference Number: (empty)
- Invoices Older Than: (empty)
- Customer Name: (empty)
- Customer Number: (empty)

Below the form is a table with columns: Details, Invoice No, Reference, Invoice Date, Customer Name, and Customer Number. The table contains five rows of data:

Details	Invoice No	Reference	Invoice Date	Customer Name	Customer Number
Show 317	21639		03-Apr-2007	Business World	1608
Show 337		MIKE_DAILY	12-Jun-2007	Business World	1608
Show 338		MIKE_DEFERRED	12-Jun-2007	Business World	1608
Show 339		MIKE3	12-Jun-2007	Business World	1608
Show 357	21640		03-Mar-2004	Business World	1608

At the bottom of the browser window, the Windows taskbar is visible, showing the Start button, several open applications (Snagit, Microsoft Office, Paint, PowerPoint, Excel, Internet Explorer), and the system tray with the date and time (Monday, 10/22/2007, 2:41 PM).

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

# Protégé Revenue Form

**Protégé Revenue Recognition**

**Search**  
Please enter your search criteria and select the "Go" button to see the result. Note that the search is case insensitive.

Invoice Number:

Reference Number:

Invoices Older Than:

Customer Name:

Customer Number:

Details	Invoice No	Reference	Invoice Date	Customer Name	Customer Number
▼ Hide	357	21640	03-Mar-2004	Business World	1608

Line	Select No	Item	Acct Rule	Rule Start Date	Duration	UOM	Amount
<input type="checkbox"/>	1	Extended Desktop PC Service Program::1608:03-NOV-2003:02-NOV-2004:	DAILY_NEW	19-Oct-2007	11	MTH	100
<input type="checkbox"/>	2	Extended Desktop PC Service Program::1608:03-NOV-2003:02-NOV-2004:	DAILY_NEW	19-Oct-2007	10	MTH	100
<input type="checkbox"/>	3	Extended Desktop PC Service Program::1608:03-NOV-2003:02-NOV-2004:	DAILY_NEW	19-Oct-2007	79	DAY	100
<input type="checkbox"/>	4	Extended Desktop PC Service Program::1608:03-NOV-2003:02-NOV-2004:	DAILY_NEW	19-Oct-2007	3	QRT	100
<input type="checkbox"/>	5	Extended Desktop PC Service Program::1608:03-NOV-2003:02-NOV-2004:	DAILY_NEW	19-Oct-2007	8	MTH	100
<input type="checkbox"/>	6	Extended Desktop PC Service Program::1608:03-NOV-2003:02-NOV-2004:	DAILY_NEW	19-Oct-2007	7	MTH	100
<input type="checkbox"/>	7	Extended Desktop PC Service Program::1608:03-NOV-2003:02-NOV-2004:	DAILY_NEW	19-Oct-2007	2	QRT	100

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

# Sample of Invoice

The screenshot shows a software window titled "Lines (Vision Operations: USD) - Business World, 357". At the top, there are summary statistics:

Transaction	Lines	Tax	Freight
981.00	900.00	81.00	0.00

Below the summary is a table with columns: Num, Item, Description, UOM, Quantity, Unit Price, Amount, Tax Code, and Trans. The table contains 9 rows of data for item WR18533, "Extended Desktop PC Service".

Num	Item	Description	UOM	Quantity	Unit Price	Amount	Tax Code	Trans
1	WR18533	Extended Desktop PC Service	Month	1	100	100.00	Location	OKS C
2	WR18533	Extended Desktop PC Service	Month	1	100	100.00	Location	OKS C
3	WR18533	Extended Desktop PC Service	Day	1	100	100.00	Location	OKS C
4	WR18533	Extended Desktop PC Service	Quarter	1	100	100.00	Location	OKS C
5	WR18533	Extended Desktop PC Service	Month	1	100	100.00	Location	OKS C
6	WR18533	Extended Desktop PC Service	Month	1	100	100.00	Location	OKS C
7	WR18533	Extended Desktop PC Service	Quarter	1	100	100.00	Location	OKS C
8	WR18533	Extended Desktop PC Service	Month	1	100	100.00	Location	OKS C
9	WR18533	Extended Desktop PC Service	Month	1	100	100.00	Location	OKS C

At the bottom of the window, there are buttons for "Tax", "Freight", "Distributions", and "Sales Credits". The Windows taskbar at the bottom shows the date as Friday, 10/19/2007, and the time as 2:39 PM.

# Sample Invoice from Form

The screenshot shows a window titled "Lines (Vision Operations: USD) - Business World, 357". At the top, there is a summary table with the following data:

Transaction	Lines	Tax	Freight
981.00	900.00	81.00	0.00

Below the summary is a table with the following columns: Num, Item, Description, Accounting, Duration, Start Date, End Date, Last Date to Cred, and Last Period to Credit.

Num	Item	Description	Accounting	Duration	Start Date	End Date	Last Date to Cred	Last Period to Credit
1	WR18533	Extended Desktop PC Service	DAILY_NEW	11	02-FEB-2007	01-JAN-2008		
2	WR18533	Extended Desktop PC Service	DAILY_NEW	10	02-MAR-2007	01-JAN-2008		
3	WR18533	Extended Desktop PC Service	DAILY_NEW	79	15-OCT-2007	01-JAN-2008		
4	WR18533	Extended Desktop PC Service	DAILY_NEW	3	02-APR-2007	01-JAN-2008		
5	WR18533	Extended Desktop PC Service	DAILY_NEW	8	02-MAY-2007	01-JAN-2008		
6	WR18533	Extended Desktop PC Service	DAILY_NEW	7	02-JUN-2007	01-JAN-2008		
7	WR18533	Extended Desktop PC Service	DAILY_NEW	2	02-JUL-2007	01-JAN-2008		
8	WR18533	Extended Desktop PC Service	DAILY_NEW	5	02-AUG-2007	01-JAN-2008		
9	WR18533	Extended Desktop PC Service	DAILY_NEW	4	02-SEP-2007	01-JAN-2008		

At the bottom of the window, there are buttons for "Tax", "Freight", "Distributions", and "Sales Credits". The Windows taskbar at the bottom shows the date as Friday, 10/19/2007, and the time as 2:38 PM.

Invoice with adjusted values after revenue form utilized



## Q & A

- Questions & Answers

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- Thank You