Bridging the Gap Between Accounting Change and System Implementation
Agenda

Pervasive change
Governance structure
Methodology
Use cases / revenue scenarios
Data considerations
Wrap-up
Q&A
Pervasive change
The new standard brings a diverse project
Impacts will extend beyond accounting; create a x-functional solution team

- Ensure accounting policy alignment across the organization
- Understand tax implications
- Collaborate with IT team to ensure accounting inputs into system design, testing, and training
- Review business requirements and functional design specifications

- Determine the overall impacts, training strategy, and post-go live support model
- Collaborate with Program Management and Systems Implementation to lead employee mobilization, training, and knowledge transfer
- Understand the program plan activities and milestones to develop and execute against a communication strategy

- Understand the accounting policy touch points along the Order to Cash and Close to Report cycle continuum
- Document accounting impacts to any touch points along the Order to Cash and Close to Report cycle
- Develop a process oriented use case template that identifies impacts across the entire program – This is for use with the other elements of this program structure

- Understand the data landscape and elements required for revenue calculation and recognition and develop use cases
- Develop the data migration strategy to meet use cases
- Integrate with Accounting Oversight and Systems Implementation to enrich and convert data as per policy and system requirements

- Facilitate the future state process and enable capabilities working with Finance and Accounting
- Lead the overall implementation of the solution and provide inputs to IT
- Work with Program Management to utilize a standardized implementation approach and to track program progress

- Program Management

- Accounting Oversight

- Change Management

- Process and Control Management

- Data Management

- Systems Implementation

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Governance structure
Program governance structure
A design to manage and escalate decisions, issues and changes at the appropriate level across the business

Members
• CFO • VP of Finance
• CIO • Finance Manager

Accountabilities
• Approve funding, timing, risk profile, transition strategy
• Support communications cascade
• Keep Audit Committee informed

Members
• Corporate Controller
• Corporate Accounting Manager
• PMO Leadership
• IT Manager
• Corporate Finance Manager
• Tax Manager
• Licensing Programs and Pricing Manager

Accountabilities
• Determine cross-org impacts and tradeoffs
• Determine goals, resources & risks
• Represent broader peer leaders that may be impacted
• Support AC and auditor needs

Members
• Director of Revenue
• PMO Director
• BU Director
• IT Director
• Corporate Finance Director

Accountabilities
• Central ownership of status for all impacted areas
• Central organization of communications, change management & training
• Manage dependencies, scope, schedule, issues, risks
• Balance all views across all work streams and functions
Methodology
### Implementation lifecycle

**Phase 1 - Assess**
- **Revenue Analysis**
  - Document current, future, and changing Rev Accounting Processes
  - Determine the changes to be automated
  - Establish use cases to meet the steps of the rev rec process
  - Document business requirements for use in solution selection / RFP
  - Establish selection criteria

**Roadmap and Executive Summary**
- Establish prioritization of revenue streams for automation
- Create conversion roadmap
- Review outcomes and roadmap with executive stakeholders

**Solution Selection**
- Document current, future, and changing Rev Accounting Processes
- Determine the changes to be automated
- Establish use cases to meet the steps of the rev rec process
- Document business requirements for use in solution selection / RFP
- Establish selection criteria
- Evaluate systems/solutions and make selection

### Phase 2 - Convert

**Functional Requirements**
- Document NRS solution architecture
- Create functional designs for system and process impacts
- Establish the data integration and conversation strategy
- Establish the cutover approach
- Document control impacts and update controls

**Development and Deployment**
- Create technical specifications / design for needed functionality
- Identify alternative solutions for identified gaps
- Configure and build solution
- Create test framework, including test plan and detailed test cases
- Convert data to NRS solution
- Train impacted staff, execute cutover plan, and system go-live

### Phase 3 - Embed

**Phase Activities**
- Roadmap: Use cases, System selection, Process flows, System selection requirements, Updated detailed business requirements
- Workshops: Vendors, Users, Executive, Project teams
- Solution architecture: Vendors, Users, Executive, Project teams
- Functional design: Vendors, Users, Executive, Project teams
- Data integration / Conversion strategy: Vendors, Users, Executive, Project teams
- Cutover Strategy: Vendors, Users, Executive, Project teams
- Controls management and updates: Vendors, Users, Executive, Project teams
- Technical specifications and design: Vendors, Users, Executive, Project teams
- Configuration guides and build: Vendors, Users, Executive, Project teams
- Testing: Vendors, Users, Executive, Project teams
- Data integration / Conversion: Vendors, Users, Executive, Project teams
- Training: Vendors, Users, Executive, Project teams
- Deployment, cutover and Go-live: Vendors, Users, Executive, Project teams

**Phase Outcomes**
- Executive impact assessment, governance and roadmap
- Accounting impact assessment and disclosures
- Operational impact assessment
- Organization and change impact assessment
- Program structure
- updated detailed business requirements

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**Phase 0 - Program Management and Organization Change Management**
Use cases/revenue scenarios
Bridging the gap

Use cases pull together accounting policy/business process, technology, and data

- **Accounting Policy**: Determine and document the technical revenue recognition accounting policy applicable for the company
- **Use Cases**: Create use cases to address the accounting policy
  - Identify and document: • Business process • Stakeholders, owners and actors • Systems and software • Key information
- **Technology**: Identify and document:
  - Functionality
  - Integration
  - Security
  - Controls
- **Data Elements**: Identify and document data element:
  - Existence
  - Quality
  - Life-cycle
  - Controls
**Use case definition**

Use cases are developed to identify the impact of the new Revenue Recognition Standard on your processes, systems, and data. There are two types of use cases:

1) **Foundational:** Core revenue streams identified as part of the Assess phase. These should represent the typical revenue transaction(s) covering a majority of your business.

2) **Supplemental:** Other criteria or complexities in your revenue processes critical to performing core functionality required under ASC 606, i.e. Stand Alone Selling Price and Disclosure Reporting.

**Typical Considerations:**

- Process* (i.e. Quote to Cash and Close to Report)
- Systems (i.e. Order Management, Billing, Reporting)
- Business as usual events (i.e. cancellations, credit and rebill, upgrade/downgrade of services)
- ASC 606 complexities (i.e. contract modifications, variable considerations, material rights, SSP)
- Address the 80/20 rule, not 100%
- Estimate between 5 and 30 total individual use cases – combining as applicable

*Under ASC 606, revenue recognition process changes from invoice based to order based

**Final outcome consists of completed individual use cases and an aggregated summary of all system capabilities and data gaps**
Use case structure

Build your use cases with IT, Accounting, Business Operations, and Product Owners while assessing systems, processes, and data requirements driven by the new accounting change

Each use case is made up of 4 sections: 1) Use Case Description, 2) Quantified Current State Transaction, 3) Quantified Future State Accounting, and 4) System and Data Fit Gap
Data considerations
Data considerations
Regardless of the approach (full vs. modified), it is critical to consider all aspects of data as part of adoption

1. Develop a strategy to manage all aspects of data early
   • Includes determination of ASC 606 adoption approach (full vs. modified)

2. Historical data is required for full and modified adoption
   • For full it is important to consider the increased volume of data for the 2 additional years
   • The volume of historical data will have implications on the data load and data cleansing timeline

3. Mapping the ERP data to the data required in the RMS will help with the interface as well as population of historical data for the opening balance

4. Data quality may be an issue due to acquisitions, system implementations, or different required data for 605 vs 606
   • More historical data will be required for the full retrospective approach

5. After the adoption date, it is critical to consider the transformation of data into the RMS on a repeated basis
   • Future data enrichment needs should be considered depending on the quality assessment of historical data

Data Strategy
   - Transformation
   - Migration Strategy
   - Historical Data
   - Data Quality
   - Data Mapping

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Wrap-up
What can be automated

- Straight-forward single element revenue recognition
- Overtime (Ratable) revenue recognition for service/maintenance
- Point in Time - Revenue recognition on a systematic pattern
- Simple cost deferral
- Simple deal/contract deferral
- Breakout of Performance Obligations with bundled SKUs
- Relative allocation of revenue based on SSP
- Linking deals/transactions into a single contract
- Determination of Standalone Selling Price (SSP), e.g. historical pricing analysis
- Complex deal/contract deferrals
- Complex cost deferrals
- Variable considerations
- Deal/contract review
## Illustrative roadmap

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Jan</td>
<td>Feb</td>
<td>Mar</td>
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### Key Dates

**Accounting, tax and operations processes**
- **Assessment**: Conduct impact assessment
- **Policy Changes**: Develop approach for dual reporting, Document Accounting Policy changes, Identify & document process changes
- **Disclosures**: Auditor review of dual reporting approach and policy changes, Draft and finalize new disclosures, Revise Accounting Processes documentation, Revise Tax Processes documentation, Revise Operations Processes documentation
- **New Standard Reporting**: Revised investor and financial reporting

**Technology**
- **Business requirements and use cases**: Determine revenue automation strategy
- **Data**: Select / Design / Build / Test System Test solution, UAT
- **Resolve data issues**: UAT

**Organization**
- **Communicate to stakeholders, audit committee, and impacted finance, tax and operations personnel**: Design and develop training, Deliver training

**Governance**
- **Identify and implement systems and process control changes**: Review controls

**Project Team**
- Technical Accounting
- Tax & Operations
Q&A
Thank you!

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