

Checklist for Achieving Success with the new SAP Revenue Accounting and Reporting Application

Overview

Over the next three years, many public companies will have to undergo significant changes in order to comply with the new FASB and IASB revenue recognition standards. The new standards, adopted in 2014 and slated for implementation in 2017/2018, will replace substantially all existing US GAAP and International IFRS literature on revenue recognition.

According to accounting firm PwC, “The new standard may constitute the largest accounting change seen in years. After all, revenue recognition is a key metric for most companies—being a number that all executives, managers, and investors care about. Arguably, revenue is the most important number in a company’s financial statements, and it drives other major metrics—such as net income; earnings before interest, taxes, depreciation, and amortization (EBITDA); and earnings per share.”

Fortunately, for companies that are running SAP business environments, there is a new fully integrated solution, the SAP Revenue Accounting and Reporting application that not only eases the transition; it also can help leverage the new revenue standards into a significant business productivity advantage.

If that weren’t good enough, the application is FREE to customers currently running SAP ERP with current maintenance agreements and is available for customers running SAP Simple Finance.

This ebook offers an overview of the key issues that need to be considered for successful transition to the new standards and some specific insights for leveraging the benefits of the new SAP application.

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1. Don't Wait to Get Started

Although much of the industry buzz lately has been on the one-year deferral of go-live requirements from January 2017 to January 2018, it's important not to get lulled into complacency. When you consider the new standard's built-in mandate for retrospective adoption that essentially requires a two-year look back period, most companies were already late under the old schedule and are still late today.

Companies basically have to choose between two options for adoption:

- **Full Retrospective:**
Under this option you have to recast previous financial statements as if the new guidance had always existed for a comparative two-year period prior to the adoption year. This approach can require significant time and effort – unless you leverage the opportunity to start collecting data sooner by running the new system in parallel.
- **Modified Retrospective:**
Under this option, companies can choose to report their financials under the new rules in the adoption year and also include full disclosure accounting for the same year under the legacy guidance. Not only does this put extra pressure on the closing process by having to close the books twice in every quarter; it also has the potential for “lost revenue” if the new guidance recognizes less revenue than the previous method would have in a particular period.

In either case, it is critical to begin understanding the implications for your specific business situation now so that that you can choose the best path forward and minimize any extra work or disruptions.

2. Update your Business Requirements Documentation

The next key step in the process is to assure that all of your business requirement documentation (BRD) is up to date and to identify any areas that will need to change for compliance with the new revenue recognition standards.

Review your current accounting policies and practices, and figure out what the key accounting changes will be under the new standard versus current GAAP. Develop an inventory of your current revenue arrangements and review the current contracts you've established with customers.

Use forecasting models to evaluate potential impacts and to predict changes in key financial measures, sales transactions, or other transaction types. Also consider the tax implications, as a change in timing of revenue recognition could accelerate your cash tax liabilities.



3. Understand the Cross-Functional Impacts of RevRec Changes

While the business requirements documentation is primarily a finance and accounting focused process, the real impact of the new revenue standards will be felt across all functional areas and line-of-business groups.

To help understand the broader impacts, consider questions such as the following:

- Will you have to rethink customer negotiation or pricing strategy?
- How will revenue changes impact your compensation and benefit plans such as commissions?
- Should you rethink how you sell your products or services?
- What information do you need to communicate to your investors? When?
- Will the increased flexibility of the new standard offer your company fresh business opportunities? If so, what are they? How might you change your business models to seize those opportunities?



4. Align ALL of the Players

To assure proper visibility and cross-communication throughout the change process, you need to identify an executive sponsor and an overall project owner to lead the implementation program and to drive it forward.

Appoint a steering committee that includes representatives from all functional areas that will be affected by the new standard— including the heads of business units, operations, sales, legal, talent, finance, tax, and IT. Members of the steering committee will help to evaluate how revenue recognition currently affects their functions and what might change under the new standard. This is not a Finance only or IT only process.

5. Leverage the New SAP Application's Financial Integration Tools

SAP Revenue Accounting and Reporting manages revenue recognition from a finance point of view. It decouples operational transactions from accounting so that various operational transactions can be accounted together no matter where the operational data is processed. The main requirement tackled by the new application is the management and processing of multiple element arrangements.

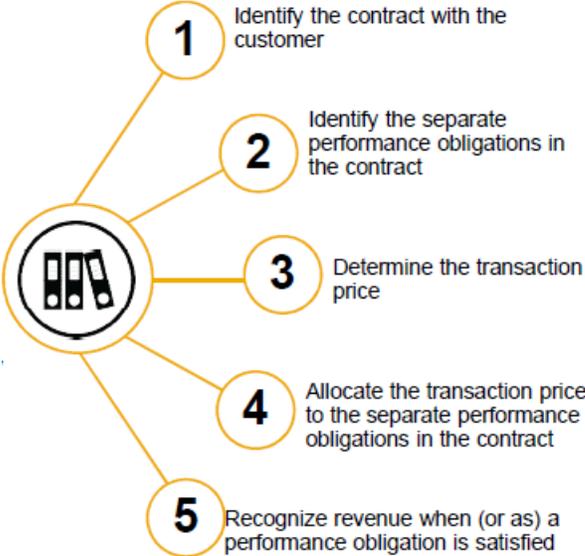
With SAP Revenue Accounting and Reporting, it is possible to automatically determine these multiple element arrangements from an accounting perspective based on a flexible rules framework. Additionally, accountants have the ability to change how revenues are allocated and recognized manually based on given customer arrangements.

The new SAP application can deal with multiple accounting principles and their specifics in revenue recognition and presentation for one region or for each operational document. It also provides analytics for revenue accounting to address legal disclosures and management reporting.

By driving the mandated five-step revenue recognition process from within the SAP Finance module, companies can take firm control of the new requirements.

In effect, the SAP Revenue Accounting and Reporting application provides seamless integration of the financial process with all related business operations activities.

This enables companies to actually turn the new mandates into a real opportunity for business improvement, productivity enhancement and revenue optimization.



6. Plan and Staff for Success

Who will be dedicated to the project and who will be kept informed through the project management process? What are the key milestones for moving from each project phase into the next and what are the specific criteria for achievement of the milestones?

Assign an experienced project manager with clear authority and accountability for running the project, assigning tasks and requesting information. Establish a disciplined reporting cadence schedule with a defined method for capturing and tracking status of open items. Assign flexible, experienced staff to the project team and other key activities, including people with the right mix of technical, accounting, and business knowledge.

7. Run Parallel and Run Early

In light of the two-year look back retrospective comparison requirements, if you haven't actively started on the above steps, you're already at risk of falling behind the curve. But now is not the time to either be complacent or to panic. Now is the time to begin taking decisive and well-planned action.

A key advantage of SAP Revenue Accounting and Reporting is the ability to drive the change process from within the finance and accounting module, making it easier to set up parallel models for the new guidance and to begin building the comparison data-streams sooner rather than later.

Beginning the implementation process early and running in parallel also has the advantages of exposing any emerging issues with how the new revenue guidance may impact current business practices with sufficient time to consider alternatives and realign processes to meet overall business goals.

The Bottom Line

As with any change process, you can't reach the goal until you leave the starting line. The most important step for all companies is to come to grips with the reality of the new revenue recognition standards now – and to start the planning process early in order to stay ahead of the curve.



We believe every business has the right to excel.

Bramasol delivers business solutions for mid- to large-size companies throughout the U.S. as an SAP gold channel partner and recognized SAP services partner. Bramasol is the leader in SAP Revenue Accounting and Reporting in North America. **Leveraging its SAP-certified experts** and working in partnership with SAP, Bramasol has assisted SAP customers in over 75% of the SAP Revenue Accounting and Reporting Ramp Up projects to-date. Currently, Bramasol is performing implementations and Proofs of Concept for additional clients; proving that Bramasol is a go-to partner with experience and expertise for companies wanting to utilize SAP Revenue Accounting and Reporting to be compliant with the Financial Accounting Standards Board (FASB) current US Generally Accepted Accounting Principles (GAAP) revenue recognition standard or the newly announced ASC-606 and International Financial Reporting Standards (IFRS) 15 addressing the “ Revenue From Contracts with Customers”.

In addition to Revenue Accounting, the company specializes in developing, selling, implementing and supporting SAP software within several key industries including: high-tech software; high-tech OEM; discrete manufacturing; telco, wireless, and internet services; and sports and venue management. Whether you are looking for a SaaS, hosted or on-premise solution, Bramasol has worked with over 150 clients to solve business challenges using SAP solutions including SAP Business Suite, SAP Business All-in-One, SAP Business Intelligence solutions, SAP Business ByDesign®, the SAP HANA® platform and mobile solutions. If you are looking to build a platform for growth or just be “Rev Rec Ready”, contact us and we can help.

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