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Revenue under ASC 606 - Part 4

ASC 606 is the new revenue recognition guidance that is scheduled to go into effect at various points depending on the entity. Many companies are focusing significant attention on the adoption process.

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This is Part 4 of a 4-part series.

[Read Part 1.](#) | [Read Part 2.](#) | [Read Part 3.](#)

Migrating Historic and Open Transactions

A big decision during the implementation is – “what data and how much history is necessary at go-live?” Although this may appear to be a simple question, it can significantly impact implementation timelines and efforts. Broadly speaking companies have 3 options:

1. No migration: revenue automation will be used only for “new” transactions after go-live.
2. Opening balances migration: migrating open transactions (e.g. orders, invoices, etc.) associated with balances on the balance sheet at the go-live date (e.g. deferred revenue, unbilled, etc.).
3. Historic migration: migrating transactions (e.g. orders, invoices, etc.). associated with revenue that has been fully recognized in the past under ASC 605 and translating those to ASC 606.

Although option 1 is the simplest and quickest, as it largely avoids any data migration, option 2 is probably the most preferred approach for our clients. Having

the contracts associated with opening balances available in the system will reduce

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these manual transactions, you can get a head start on the new tool adoption analysis, doing it in parallel to the implementation process.

So how should you choose between options 1 and 2? The decision depends on:

- . What is your implementation timeline?
- . How complex would it be to migrate open transactions compared to managing the balance sheet run-off in the current manual processes?
- . How long will it take for the open balances to run-off to zero?
- . How often do you have contract modifications related to prior year transactions?

Improving your Process Over Time

As the saying goes, “life is a journey, not a destination”. There are some truths to this that apply to revenue automation. There are many pressures to automate revenue in accelerated timelines. This objective is often translated into “having everything fully automated”, which is a very high-bar that may not be achievable given time, resource and budget constraints. We encourage our clients to view revenue automation as a journey – a journey for which we can make significant strides in the short term, but more work will be necessary to achieve “the goal”. This is also consistent with other process improvement methodologies, which focus on continuous or agile improvement verses a one-off big-bang fix.

How should you view this journey? There are several aspects to revenue automation to consider that can enable significant short- term improvement. You can then improve on your masterpiece over time.

Manage your scope: trying to automate 100% of the population can be a very sizable

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uncertain revenue scenarios.

Some manual work is ok: the desire for “no touch” revenue automation is both a high, and in some cases unachievable, bar. There are some revenue situations that, no matter how sophisticated the automation, will require manual intervention. In other cases, such as when data may not be available, implementing manual steps to capture the data may be the best and fastest approach to automate revenue, especially with short timelines. Therefore, expecting and planning for some manual work allows for more realistic implementation timelines and helps manage user expectations.

In closing, we recommend revenue automation and recognize that it provides significant benefit and value to companies. However, effective automation, especially with the new ASC 606 standard will require your approach to combine the “science” of system implementations with the “art” of managing the unknown and unexpected. Use the lessons and considerations in this series to plan and execute your automation projects and leverage your community of peers to share and learn from their experiences. There are many paths to achieve revenue automation, hopefully the lessons above help you determine the path most suitable for your situation.

Interested in reading the full Art & Science of Revenue Automation white paper?
Download here: [Art & Science of Revenue Automation](#).

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companies navigate the complexities of revenue recognition. We are in the forefront of ASC 606 guidance and adoption, participating in the drafting process of the standard through comment letters, roundtables and direct FASB discussions.

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