Complex and critical, revenue recognition has been reshaped by new standards issued by the Financial Accounting Standards Board and the International Accounting Standards Board. The standards — ASC 606 and IFRS 15 — aim to increase the comparability of financial statements among companies, across industries, and around the world.

While the goal is simplification, the sheer complexity and variability of the topic mean that companies face plenty of challenges going forward. By transitioning to a principles-based approach, the standard requires more judgments and estimates. This shift, in turn, is prompting many organizations to establish new policies and controls. New methodologies may also mean that auditors and regulators will be watching closely as companies adapt to the new revenue recognition world.

No time like the present

Whether public or private, organizations may benefit from assessing the role revenue recognition automation can play. The crunch of meeting the adoption deadline may have necessitated a less-than-optimal operational implementation for some companies. Brute force — an amalgam of people-managed processes, spreadsheets, and databases — was necessary to get some companies over the finish line in time.

While these short-term solutions may still be holding up, the additional risk they can create and the extensive resources they typically require make them an unpalatable long-term solution. It may be tempting to focus elsewhere now that the adoption crunch is over, but automation and other leading practices deserve careful consideration because of their many long-term advantages.

Private companies may still have time to incorporate automation into initial implementation efforts, and early private adopters may be ready to look at next steps. For those private companies finding that a brute force approach is most practicable in the near term, automation remains an option after the deadline has been met.
**Shifting from manual to automated**

Instead of relying on manual processes to address ASC 606 compliance, many companies can benefit from implementing software to automate revenue reporting. To be clear, incorporating automation systems will require a front-loaded investment to select the new systems and get them up and running. But the long-term value proposition can be well worth it. Potential advantages include:

- **Reduce or refocus.** Automating manual processes can help reduce manual labor or free up resources to focus on higher value added activities.

- **To err is human ...** Reducing the need to manually input data into spreadsheets can lead to a big reduction in error-driven headaches, including the risk of a restatement. Leverage automation to enhance checks and controls to improve quality.

- **Put the pedal to the metal:** Streamlining the high-pressure process of closing the books can accelerate your time to close and decrease staffing costs.

- **Get the big picture:** Stronger reporting and visibility allows for greater insight into customer behavior, thus allowing the company to adjust current business models (e.g., pricing) or to create new business models/revenue streams.

- **Avoid playing catch up:** Revenue automation can help facilitate a swift response and quickly scale to inevitable business shifts and increasingly complex demands.

**Revenue automation – measure twice, cut once**

Depending on accounting policies, systems and other factors, some areas of revenue processes may be better candidates for automation than others. Under the new standards, allocating transaction price on a relative standalone selling price (SSP) basis to performance obligations, and recognizing revenue timing differences, such as point in time and over time in a single contract, may be good candidates for automation.

Other areas, such as breakout of performance obligations within bundled SKUs, determination of the SSP (such as historical pricing analysis), and contract modifications, might also be automated. Some revenue automation systems may even address areas outside of revenue that may be impacted by the new standards, such as cost capitalization and deferrals.

**Beyond automation**

The new standard changed the revenue recognition landscape in a way that companies may want to rethink some processes to better enable the revenue reporting now required. Whether your organization implemented a minimally viable solution, is mostly automated, or is a private company still weighing options, consider post-adoption next steps to streamline and optimize your quote to cash (“Q2C”) and close to report (“C2R”) processes as summarized above and explained in detail on page three.
**Revenue automation: potential benefits beyond compliance**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Potential considerations</th>
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<tr>
<td><strong>Improve operations</strong></td>
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<tr>
<td>Streamline quote to contract</td>
<td>Structure new contracts to achieve desired business objectives post-ASC 606.</td>
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<td>Optimize reporting and general ledger</td>
<td>Improve capabilities that may not have been the focus of initial compliance.</td>
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<td>Enhance close and accrual process</td>
<td>Changes to revenue policies, platforms and processes can affect period-end activities.</td>
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<td>Automate revenue recognition/expand scope of revenue automation</td>
<td>Implement or improve revenue automation solutions that were bypassed or limited to minimal scope to meet compliance deadline.</td>
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<tr>
<td>Bridge revenue automation gaps through robotic process automation (RPA)</td>
<td>Automate processes that remain manual and repetitive despite implementing a revenue management system.</td>
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<th>Reduce risk</th>
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<td>Strengthen controls</td>
<td>Assess for potential risks that could develop from processes adopted during your ASC 606 implementation.</td>
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<tr>
<td>Reconcile tax impacts</td>
<td>New tax complexities may result from changes made to revenue policies, systems and processes.</td>
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<th>Realize greater value</th>
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<tr>
<td>Leverage revenue analytics</td>
<td>Develop dashboards to provide insights from existing data to help optimize existing revenue streams and identify potential new revenue streams.</td>
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<tr>
<td>Improve forecasting and budgeting</td>
<td>Align processes to the new revenue model for better capital allocation and planning.</td>
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<tr>
<td>Optimize channel partner incentive programs</td>
<td>Adjust arrangements with channel partners to drive the desired business results, in alignment with organizational goals.</td>
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<tr>
<td>Align incentive compensation</td>
<td>Reevaluate comp plans to align strategy and incentives with financial reporting and organizational goals.</td>
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Based on extensive experience helping clients implement the new standard, here are the seven key areas where PwC can assist with revenue automation:

1. **Scope it out**: We can help you consider business offerings and revenue accounting variations (revenue stream use cases) to determine the potential for revenue automation and the gaps where automation may not be feasible.

2. **Analyze costs and benefits**: Our upfront assessment can help you identify areas that stand to gain most from automation.

3. **Trace it back**: By linking system functional requirements to business issues or use cases, we can help determine whether the solution meets your needs.

4. **Be systematic**: We can help identify where integrating with other systems and data sources can reduce manual processes and data preparation.

5. **Know your data**: The availability and accuracy of upstream data elements are critical for successful revenue automation. Our approach to assessing data quality can help you prepare for automation.

6. **Don’t overlook project management**: With multiple, interdependent teams at the table, a well-coordinated effort is essential. PwC can advise and assist or serve as project manager.

7. **Round out your team**: Let us help you look beyond the finance and IT departments to bring the right resources to the table as stakeholders -- including marketing, sales, tax and HR, to name a few -- to get the input needed for a successful strategy.

**How PwC can help**

Whether you are considering an initial automation or other solutions to optimize your implementation of the new standard, PwC offers deep and integrated expertise in ASC 606 adoption and its many impacts on your business model. We can help you evaluate and implement a wide range of revenue automation solutions and enabling process changes to address areas beyond the scope of automation. Contact us for a closer look at your situation and potential solutions for your organization.

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