Recurring revenue has become the gold standard for the digital age, providing stable income streams through subscriptions, contracts and projects. But the SEC, FASB and AICPA accounting standards that govern revenue recognition are complex, requiring careful navigation aided by systems that adapt to change.

### The concept of revenue recognition

Customers often pay a lump sum for products or services to be delivered over time. For example, services of a maintenance contract are promised for 12 months, so one-twelfth of the revenue should be recognized each month.

Revenue must be allocated across time periods earned

### Navigating the regulations is the hard part

#### Most enterprise resource planning (ERP) systems don’t handle complex revenue recognition

Most enterprise resource planning (ERP) systems don’t handle complex revenue recognition. For example, accounting for revenue from maintenance contracts requires careful consideration of the timing and allocation of revenue.

#### Identify performance obligations of contracts

Revenue must be recognized in accordance with the obligations promised to the customer as opposed to the timing of their payment. Variable consideration, like a performance bonus, must be recognized across the contract term, not just when earned — even for potential revenue.

#### Complex billing and revenue processing scenarios

To simplify purchases for customers, companies may combine a set of services (software and support) or products and services (maintenance contract). Accurate reporting requires deliverables to be recorded separately across the contract time.

#### Consultations, price adjustments and cancellations

Changes to long-term contracts and purchase orders requires reallocation of revenue recognition to account for the adjustments.

#### Aggregate preparation for audits

Filing documents and regulatory state poplar for audits can be daunting.

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Effectively, accurately and efficiently:

- AES Dynamics, a key solution for more effective and accurate ASC 606 implementation.
- DXC Eclipse, a key practice that helps companies with complex revenue recognition.

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Sources:

2. [http://www.auditanalytics.com/blog/gift‑card‑breakage‑asc‑606/](http://www.auditanalytics.com/blog/gift‑card‑breakage‑asc‑606/)

Effective, accurate revenue recognition with the ASC 606 guidance.

### DXC Revenue Recognition

The DXC Eclipse practice within DXC Technology has the experience to help you offer customers the payment flexibility they want without cumbersome internal accounting processes.

Get direct access to our Business Consulting team today.

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Nokia, a technology leader in the global information and communications technology (ICT) industry, has elected to adopt the new accounting standard for revenue recognition in the fourth quarter of 2019.

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2019

Source:

Financial results for the fourth quarter and full-year 2019 were announced on February 5, 2020.