

Oracle Revenue Management Cloud Service

Session 1

Date wise Session Schedule

19-Jun-2021	RMCS Overview and Introduction (ASC 606/IFRS 15)
20-Jun-2021	5 Key Principles in RMCS
26-Jun-2021	Managing Contracts and Revenues
27-Jun-2021	Concept of SSP and Managing SSP
03-Jul-2021	Integration in RMCS
04-Jul-2021	Configuration in RMCS -1
10-Jul-2021	Configuration in RMCS -2
11-Jul-2021	Contract Creation and review in Application
17-Jul-2021	Seeded Reports
18-Jul-2021	Buffer Session

Session 1 RMCS Overview

RMCS Overview and Introduction	15 mins
ASC 606/IFRS 15	30 mins
RMCS Architecture	15 mins
Break	10 mins
Allocation/Appportioning	30 mins
Application Navigation	15 mins
Questions	15 mins

Overview and Introduction of RMCS

What is RMCS

Centralized, automated revenue management product that enables address the ASC 606 and IFRS 15 accounting standard Revenue from Contracts with Customers.

Provides a configurable framework to automate the identification and creation of customer contracts and performance obligations, their valuations, and the resulting accounting entries. Also allows to recognize revenue over time or at a point in time

Overview and Introduction of RMCS

Why RMCS

- Integration Framework for 3rd party source applications/Oracle EBS
- Automate the Identification and valuation of customer contracts and performance obligations
- Compliance with IFRS/ASC 606 requirements
- Allocate transaction price in proportion to stand alone selling price to each Performance obligation

ASC 606/IFRS 15

- a. Expected Consideration
- b. Transfers to Customers
- c. Performance Obligations
- d. Deals valued at inception
- e. Time and Over time recognition of revenue
- f. Contract revision tracking
- g. No Billing Dependency on Billing

ASC 606/IFRS 15

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

- a. A good or service (or a bundle of goods or services) that is distinct
- b. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer

To identify performance obligations in a contract, an entity evaluates whether promised goods and services are distinct. Topic 606 includes two criteria for assessing whether promises to transfer goods or services are distinct. One of those criteria is that the promises are separately identifiable.

An entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Effective Date: Fiscal years, beginning after December 15, 2017 - Public business entities
Fiscal years, beginning after December 15, 2018 - All other entities

The Concept of Control

The customer has obtained control of a good/service when the following factors have been met:

- a) The customer is obligated to pay for the good or service (and the provider has a right to be paid for the good or service)
- b) The customer has legal title to the good or service
- c) The customer has the significant risks and rewards of owning the good or service
- d) The customer has accepted the good or service
- e) The customer has obtained physical possession of the good or service

Note: This list is not all inclusive as there could be other factors that indicate controls have been transferred

Over Time vs. Point in Time

Revenue can be either recognized at a point in time or over a period of time. ASC 606 lays out three criteria for determining whether revenue should be recognized over time. If the contract meets any one of these three, then revenue should be recognized over time.

1. The customer receives and uses the benefits of the service at the same time that the company performs the service. Examples of this are monthly payroll processing services, electric utilities and annual gym memberships.
2. Control of the asset or assets being created passes to the customer as the business performs. An example of this is an industrial warehouse being constructed on land owned by the customer.
3. The product or the service has no alternative use other than its use by the customer, and there is an enforceable right to payment for work completed to date. An example of this is consulting services where the agreement includes progress billing as the work is completed.

Which Point in Time?

If none of these criteria apply, revenue is recognized at a point in time.

The entity must evaluate all performance obligations in a contract on an individual basis

Examples

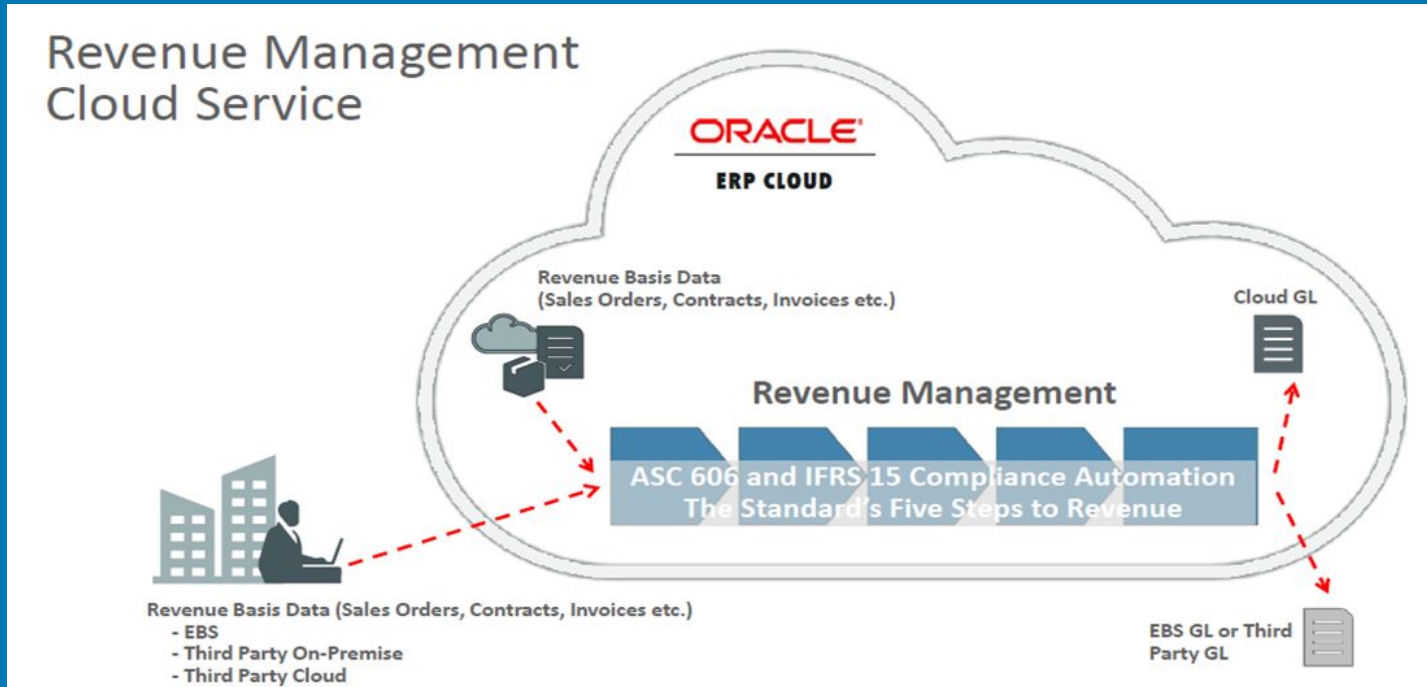
Large Technology Company provides software as a service. In the contract, the Company will provide an annual subscription for the software, installation of software, provide training for the customer, and provide updates during the year. (Note for this example we are assuming 4 performance obligations)

Should the revenue for the performance obligations be recognized over time or point in time?
If over time, should the input method or output method be used?

Prestigious Boarding School provides education to middle and high school students. In addition to the excellent education, the School requires all students to live on campus which is included in the tuition cost. Lastly, there is a club fee which is charged to the students on an annual basis. (Note for this example we are assuming 3 performance obligations)

Should the revenue for the performance obligations be recognized over time or point in time? – If over time, should the input method or output method be used?

RMCS Disposition



Allocation /Apportioning

S.No.	Goods or Services	Transaction Price	Selling Price	Proportion	Allocated Transaction Price
1	Hardware	\$ 1000	\$ 900	45%	720
2	Software	\$ 500	\$ 600	30%	480
3	Service	\$ 100	\$ 500	25%	400
		\$ 1600	\$ 2000	100%	1600

Application Navigation

Questions

Can a contract be created in RMCS on its own?

Can revenue recognition and billing be done separately in RMCS?

How RMCS is different from Projects when both can handle revenue and billing?

Thanks!

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