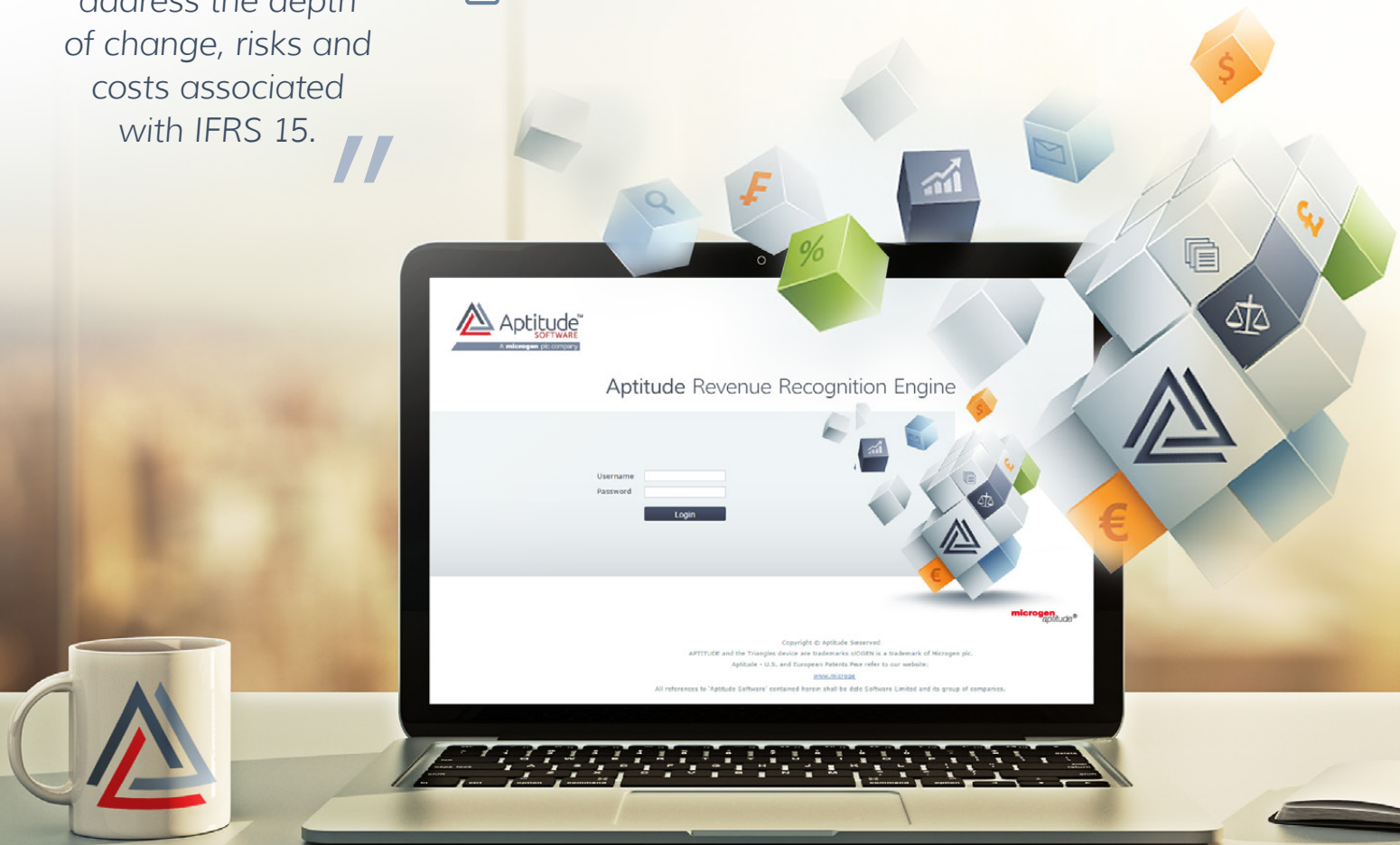


Revenue Recognition Engine

Achieve full IFRS 15 / ASC 606 compliance while delivering additional business value

// The high performance Aptitude Revenue Recognition Engine is empowering leading telecommunication providers to address the depth of change, risks and costs associated with IFRS 15. //

- ☒ SUPPORTS THE IFRS 15 5-STEP PROCESS
- ☒ RULES-DRIVEN DATA PREPARATION LAYER
- ☒ MODEL CONTRACTS AND PERFORMANCE OBLIGATIONS
- ☒ CALCULATE AND ALLOCATE FAIR VALUE PRICING
- ☒ CONTRACT, PORTFOLIO & HYBRID METHODS SUPPORTED
- ☒ GENERATES JOURNAL ENTRIES OR DELTA OUTPUTS
- ☒ INTEGRATES WITH EXISTING FINANCE INFRASTRUCTURE



Aptitude addresses IFRS 15 five-step recognition process

The Aptitude Revenue Recognition Engine (ARRE) is designed to empower telecoms providers to comply with IFRS 15 (FASB ASC 606). The product offers a full range of out of the box functionality, from data preparation to controlling accounting rules, connecting accounting outputs and existing finance systems. This approach enables customers to implement a fit for purpose IFRS 15 solution, addressing the 5 step process while achieving value beyond compliance and simplifying their finance systems architecture.

All of this is controlled and monitored with a transparent graphical user interface designed to empower finance users.

FEATURES

DATA PREPARATION	<ul style="list-style-type: none">Integrate with all existing billing and operational systemsEnrich, validate, standardize and transform dataRules-based integration layer enabling finance to control data collection and preparationData model covering all revenue, cost and commissions data
REVENUE RECOGNITION ENGINE	<ul style="list-style-type: none">Define, apply and control revenue recognition rules with intuitive business user interfacesFull suite of telecommunication product lifecycles and IFRS 15 accounting events available 'out-of-the-box'Ability to combine accounting events to support contract components as material rights, terminations or othersSupport for accruals, deferrals and write-offsUsers can control the specific posting pattern to ensure the correct journals are generatedProcess millions of calculations per hour, giving users visibility into impact of recognition policy and revenue forecasts
CONTRACT MANAGEMENT	<ul style="list-style-type: none">Support for contract-by-contract or portfolio/aggregation approachesLink disparate performance obligations to assemble whole single contractsCalculate stand-alone selling prices and integrate fair value dataTransaction prices can be absolute amounts or parameter based such as customer usage
INTEGRATION	<ul style="list-style-type: none">Easily connect with existing finance infrastructure, including SAP & Oracle ERPs, general ledgers or accounting middle wareOutput delta figures or debit/creditsMaintain detailed balances in a granular accounting subledgerTraceability: full drill down from accounting outputs to underlying transactionsOption to apply adjustments to existing cash accounting or implement broader accounting solution for improved management reportingIntegrate transaction and reference data from all operational and billing systems

IFRS 15 process		Aptitude RRE Highlight
STEP 1	Identify the contracts with customers	Data preparation layer integrates and validates information from source systems. Rules-based environment for contract identification, modification and management
STEP 2	Identify the separate performance obligations	Connect contract components and product reference data to determine applicable performance obligations and associated recognition patterns
STEP 3	Determine the transaction price	Models contractual revenue coupled with direct and indirect costs for accurate allocations, as well as calculating & maintaining stand-alone selling prices and fair values
STEP 4	Allocate the transaction price to the performance obligations	Combine determined prices with variable contract events to allocate revenue to component level performance obligations
STEP 5	Recognize the allocated revenue when the performance obligation is satisfied	An event-driven process model able to store and generate current and future recognition events, recognizing revenue when performance obligations are satisfied, with lifecycle management for automation of the revenue recognition process

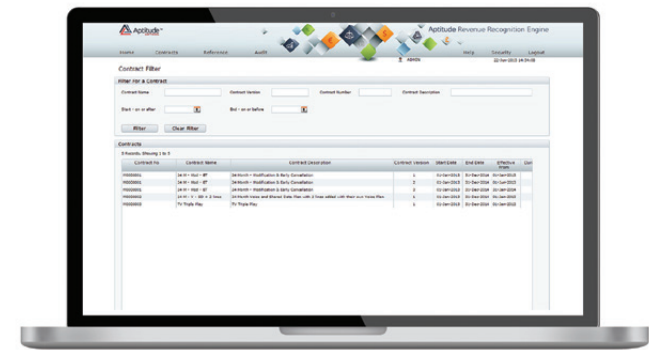


Figure 1: Managing contracts and related performance obligations

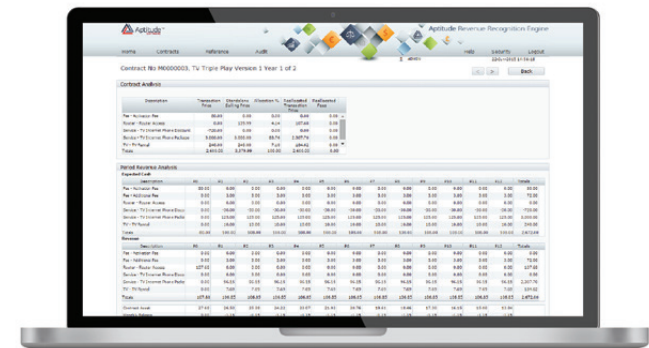


Figure 2: Reporting period revenue for individual contract parts

Proven to support global telecom scenarios

Aptitude Software has worked closely with the big four advisors and leading telecoms providers (across NA and EMEA) to incorporate the full range of revenue recognition scenarios into Aptitude RRE.

SELECTED SCENARIOS INCLUDE:

- Income suppression and bad debt write-offs
- Collectability risk and provisions
- Timing differences (income recognition vs. billing)
- Overlap with estimated billing accruals/deferrals
- Guarantee liabilities for financing
- Advance or arrears billing
- Bundles and unbundling
- Variable pricing and corporate discounting
- Delayed discounts (which represent material rights)
- Upgrade options (which represent material rights)
- B2B enterprise arrangements

For detailed explanations of 100+ scenarios, contact us via the email below.

THE BROADER CHALLENGE

Whichever way you choose to apply new revenue recognition policies, there will be wider implications for your finance operations.

Raw input data must be collected at a contract by contract level of granularity, regardless of a contract or portfolio approach. Justifying new accounting outputs will require detailed traceability throughout the finance environment and therefore absolute data integrity from source to post. Processing the sheer number of calculations required needs a fast engine and near instant access to underlying information.

These needs impact how you integrate an IFRS 15 solution within your finance environment:

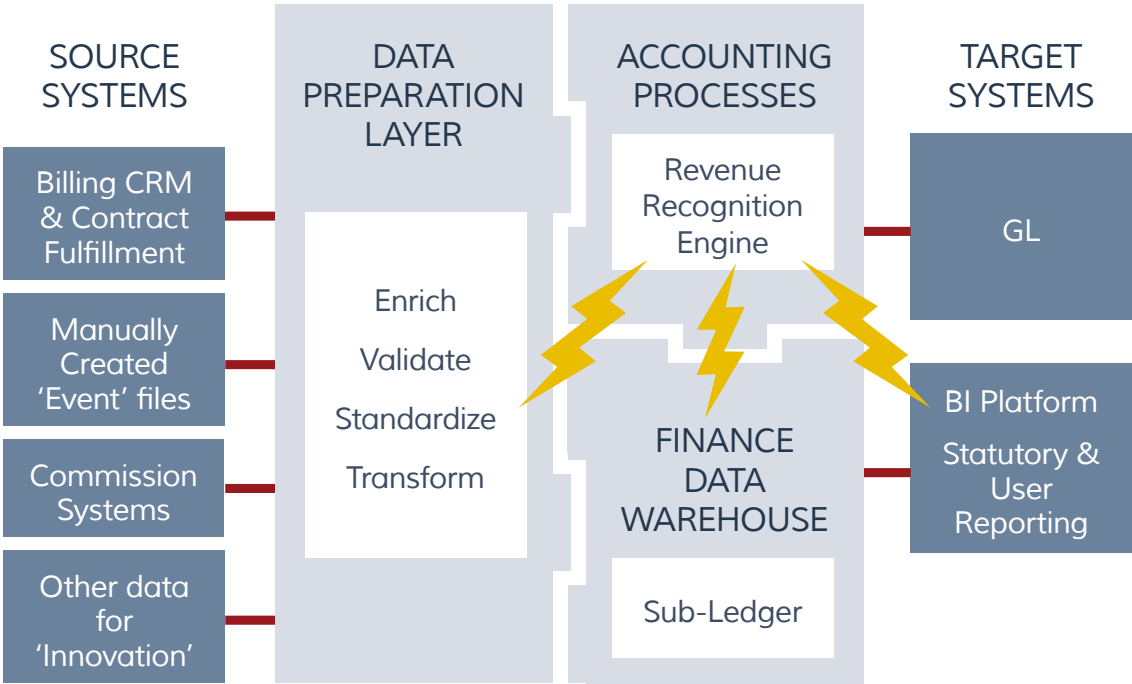


Figure 4: Revenue recognition project requirements extend beyond applying new policy

Aptitude Software offers a modular approach, letting customers choose to implement just a revenue recognition engine to calculate adjustments or implement components that automate data collection and finance operations/processes. Aptitude delivers components that enable finance teams to collect & validate transaction-level data, control accounting rules & processes and store granular finance-accurate data in an accounting sub-ledger.

The challenge of IFRS 15 is not simply to define new rules to report revenue correctly, but to ensure that your finance system is robust enough to cope with an increasing amount of accounting change while delivering transparency to all stakeholders.

Benefits of the Aptitude Software approach

- Faster IFRS 15 compliance with a proven & packaged product
- Streamline financial data management processes with a data preparation layer
- Gain control over revenue recognition rules with intuitive business user interfaces
- Agility to address future statutory reporting requirements and to address new business models
- Rapidly process massive transaction volumes
- Unlock business insights from transactional data with the repository of granular, finance-accurate data

Become empowered to address a full range of challenges

IFRS 15	Contract Lifecycle Events	Business and Finance Processes	Example Contract Options
<ul style="list-style-type: none">• Revenue allocation• Revenue recognition• Contract asset accounting• Cost recognition• Revenue allocation groups• Prospective and retrospective calculations• Determining stand alone selling prices (SASP)• Region specific equipment pricing• Storing stand alone selling prices (SASP)	<ul style="list-style-type: none">• Modification<ul style="list-style-type: none">- Tariff changes- Addition/subtraction of individual services- Addition/subtraction of equipment• Returns (device returns within allotted period)• Partial-terminations• Terminations<ul style="list-style-type: none">- Early termination- Maturity• Extensions• Delayed equipment delivery	<ul style="list-style-type: none">• Billing cycles• Income suppression and bad debt write-offs• Collectability risk and provisions• Timing differences (income recognition vs. billing)• Overlap with estimated billing accruals/deferrals• Financing/time value of money (TVM)• Guarantee liabilities for financing• Direct versus Indirect channels• Long term contracts for networking side	<ul style="list-style-type: none">• Advance or arrears billing• Discounts fees• Commission (expenses)• Bundles and unbundling• Material rights• Variable pricing and corporate discounting• Shared plans (with multiple handsets)• Termination fees• 1 month rolling contracts• Upgrade options• Delayed discounts

Value beyond compliance



Figure 6: Gearing IFRS 15 projects to improve finance's capabilities

CASE STUDY: ONE OF OUR LEADING NORTH AMERICAN TELECOM OPERATOR CUSTOMERS CHOSE THE APTITUDE REVENUE RECOGNITION ENGINE

Customer turns to Aptitude Software to address IFRS 15 & ASC 606 requirements and to streamline core financial accounting processes

Aptitude Software is working with one of the US's leading telecom providers to achieve IFRS 15 & FASB ASC 606 compliance, while streamlining core financial processes. The customer's target architecture provides a range of benefits including enhanced financial control, the ability to unlock insights from data, and the agility to apply accounting for new business models or future statutory reporting requirements.

Project highlights

Installing ARRE to calculate revenue and performance obligations

- Run through clear web-based business user interfaces
- Stores and executes revenue recognition business rules
- Allocates revenue to performance obligations
- Calculates contract assets for a given month and amortization schedule

Includes a data preparation layer for all transactional data from a variety of source systems

- Service revenue from billing systems
- Equipment revenue from customer's ERP
- Pre- and post-paid service & equipment data from disparate financial data repositories
- Commissions data for employees & dealers

Adding the Aptitude Accounting Hub to validate and process all accounting events

- Posts aggregated financial details to individual GL accounts
- Stores calculated variables in a repository for audit, financial, tax, and operational reporting purposes
- Enables straightforward manipulation of new or existing accounting rules

Delivering outputs to existing General Ledger

- Post aggregated financial details to individual GL accounts
- Store calculated variables in a repository for audit, financial, tax, and operational reporting purposes



About Aptitude Software

Aptitude Software, part of Microgen plc., has been delivering business critical finance applications for some of the world's largest brands for the past 15 years.

Our heritage is in serving CFOs and controllers to supercharge financial reporting, uncover profit drivers and comply with regulations.

The Revenue Recognition Engine has been developed after years of experience with contract level accounting in large financial services companies.

Aptitude Software finance products and customized solutions have been implemented in some of the world's largest banks, global media suppliers, telecoms companies and more.



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