Revenue Recognition with KeyedIn Projects

How KeyedIn Solutions Solves Revenue Recognition Problems and Provides Visibility to Protect the P&L

KEYEDIN®

Benefits Summary

KeyedIn Projects (KIP) users can measure milestones and hours worked against each contract to meet new IFRS-GAAP guidelines for revenue recognition reporting for private companies.

Streamline how you recognize service delivery revenue, formerly spread over the life of your contracts, to meet new guidelines.

Save time and money using project management software to capture expenses mid-flight to report revenue for an ASC 606 audit.

Background

REVENUE RECOGNITION:

Recent changes in Accounting Standards Codification (ASC) 606 has been put in effect to ensure revenue recognition practices across both public and private companies, particularly those that follow industry-specific guidance under US GAAP. Aerospace, defense, automotive, communications, engineering, construction, entertainment, pharmaceuticals, and technology industries are required to recognize revenue as it is earned rather than as it is accrued.

KEYEDIN SOLUTIONS:

KeyedIn software helps organizations simplify business processes, improve performance and drive results through an innovative combination of SaaS business solutions. KeyedIn's project management solution is a strategy-led approach that provides organizations complete powerful project accounting capabilities plus visibility into their projects, portfolios, and resources.

Challenges with Revenue Recognition Standards

YoIFRS 15 and US GAAP now provide a new model for recognizing revenue. The ASC 606 regulation requires that at the beginning of the contract, and at each reporting period, the entity must determine the amount of consideration to be entitled based on an exchange of a product or service. These considerations can be fixed or variable.

For most organizations and their internal professional services teams, like software implementation groups, this means that revenue recognized across a 36-month contract term, for example, must now be tracked based on how much of the contract has been consumed. This is a shift from common practice of evenly allocating revenue earned or recognizing all at once.

Practically speaking, finance groups for each part of the company must track milestones and hours against each contract each month.

An example of the challenge: A software firm contracts for implementation services worth $10K USD, the teams involved from the consulting side must have a way to evaluate their time and actions each month into the engagement. They might choose to do so according to hours against milestones and against a predetermined, specific value for activities. Previously, standard practice was that the accounting department would amortize the value of the contract by dividing the $10K by 12 months for a yearly contract and come up with $833 to book against the contract per month. But as of 2018, the rules for revenue recognition have changed. ASC 606 provides accounting guidelines related to revenue recognition from customer contracts.

Yet many professional services organizations do not have project accounting software that produces the information needed to meet ASC 606 guidelines. Finance teams get stuck in the weeds for hours monthly, taking spreadsheets from each department or division. Manual mistakes run rampant and it's painful to run calculations based on spreadsheets from each department without having the supporting data you need to feel secure that you're working with real numbers. Other challenges include:

- A lack of visibility against actual hours and milestones achieved when reporting methods are sometimes diverse across a single company.
- No integration with CRM and backend accounting systems for contract consumption.
- Siloed time and attendance systems provide limited clarity for financial audits.

Simple Solution: Benefits Realized In A Single System

Dispersed systems can cause headaches for financial teams trying to understand the status of each project across departments and typically will receive data in all kinds of formats and few with exactly what is needed for financial reporting. A single solution that allows finance teams to capture the information they need, when they need it, is crucial for compliance with revenue recognition standards.

Not only do financial teams benefit from compliance, but when reporting on deferred revenue based on service contracts, a huge "true-up" happens. This is when you can start to track revenue curves and see the inner working of the professional services business. This allows easier forecast of cashflow and protection the P&L.

By consolidating information, teams are able to level-set how working capital is used and get a clear operational picture of the services side of the business. Within KeyedIn, you can ensure compliance with a single canned report.

Finance departments are able to answer operational questions like:

- What are my services margins in real time?
- What front-end skills are most efficient as we employ resources against the contract?
- How can we bill appropriately to capture these efficiencies?
- How can I track data-points against the billable revenue that show cashflow fluctuations?

The ROI for Revenue Recognition

Using the new system also helps the professional services teams within KeyedIn capture not most but all billable revenue as it occurs. There are no lost or forgotten receipts, and its estimated that most PSOs miss upwards of 20% of their billable revenues via resource leakage of this nature.

The ROI for finance teams is exponential when they aren't working against the clock with spreadsheets trying to work and rework the numbers for revenue recognition compliance. The company will also save time with new visibility into operations to predict when to invest into marketing or other revenue-generating activities because cashflow now can be forecasted.

About KeyedIn Projects

KeyedIn Projects enables your PMO to be more strategic, more efficient, and deliver greater business impact by allowing you to easily forecast and allocate resources, create and analyze portfolios, gain visibility to all your projects, and discover new insights through dynamic PPM analytics.

Visit **https://www.keyedin.com** to learn more.