

Seminar – IFRS Update

Amsterdam

18 November 2014



Program

- ✓ 15.00 - 15.10 Welcome and introduction
- ✓ 15.10 - 15.40 IFRS developments
- ✓ 15.40 - 16.00 Non-GAAP measures and what regulators say
- ✓ 16.00 - 16.15 Break
- ✓ 16.15 - 16.45 AFM results topical reviews and focus areas
- ✓ 16.45 - 18.00 New revenue recognition standard (IFRS 15)



IFRS developments

IASB developments



Recently issued IFRSs

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

Narrow-scope amendments/Interpretations

Topics	Effective date
IFRIC 21 Levies	1 January 2014
Defined benefit plans: Employee contributions (<i>Amendment to IAS 19</i>)	1 July 2014
Annual Improvements 2010-2012 (<i>IFRS 2, 3, 8, 13 and IAS 16, 24, 38</i>)	1 July 2014
Annual Improvements 2011-2013 (<i>IFRS 1, 3, 13 and IAS 40</i>)	1 July 2014
Accounting for Acquisitions of Interests in Joint Operations (<i>Amendment to IFRS 11</i>)	1 January 2016
Clarification of Acceptable methods of Depreciation and Amortisation (<i>Amendments to IAS 16 and IAS 38</i>)	1 January 2016
Agriculture: Bearer plants (<i>Amendments to IAS 16 and IAS 41</i>)	1 January 2016
Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (<i>Amendments to IFRS 10 and IAS 28</i>)	1 January 2016
Equity Method in Separate Financial Statements (<i>Amendment to IAS 27</i>)	1 January 2016
Annual Improvements 2012-2014 (<i>Amendments to IFRS 5, 7, IAS 19, 34</i>)	1 January 2016

IASB Workplan

Topics	Status
<i>Upcoming standards</i>	
Insurance contracts	Target IFRS H2 2015
Leases	Target IFRS H2 2015
Comprehensive review of the IFRS for SMEs	Redeliberations
<i>Upcoming Exposure Drafts</i>	
Conceptual Framework	Target ED Q1 2015
<i>Published Discussion Papers</i>	
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	Public Consultation
Rate-regulated Activities	Public Consultation
<i>Upcoming Discussion Papers</i>	
Disclosure Initiative	Target DP Q2 2015

IFRS 9

Financial Instruments



IFRS 9 – current status

- Final standard published 24 July 2014
- Containing: classification & measurement, impairments and hedge accounting
- Effective annual periods on or after 1 Jan 2018
- Early application allowed (only whole standard!)
- **Still subject to EU endorsement**
- Macro fair value hedge accounting separate project

IFRS 9 - Classification and measurement – assets

Debt instruments

- Business model drives classification:
 - Hold instrument to collect cash flows (Amortised cost)
 - **Hold instrument to both collect cash flows or sell (FVOCI)**
 - Selling only / trading (FVPL)
- Contractual cash flows not SPPI -> FVPL

Equity instruments

- FVPL (default)
- **FVLOCI is strategic investment (no PL recycling!)**

IFRS 9 - Classification and measurement – liabilities

- IAS 39 remains basically unchanged
- If fair value option chosen, changes in own credit risk in OCI
- Need to bifurcate embedded derivatives

IFRS 9 – Impairment model

Three stage model:

- Stage 1 Performing: 12-month expected credit losses
- Stage 2 Underperforming: lifetime expected credit losses
- Stage 3 Non-performing: lifetime expected credit losses

Operational simplifications:

- Trade receivables
- Contract assets and lease receivables

IFRS 9 – Hedge accounting

- 80- 125% is removed
- Journal entries (for ineffectiveness) unchanged
- Hedge accounting follows (documented) risk management policy
- Commodity hedge accounting much easier
- Number of smaller counterintuitive 'IAS 39 issues' remediated

IFRS 4

Insurance contracts



Status update IFRS 4

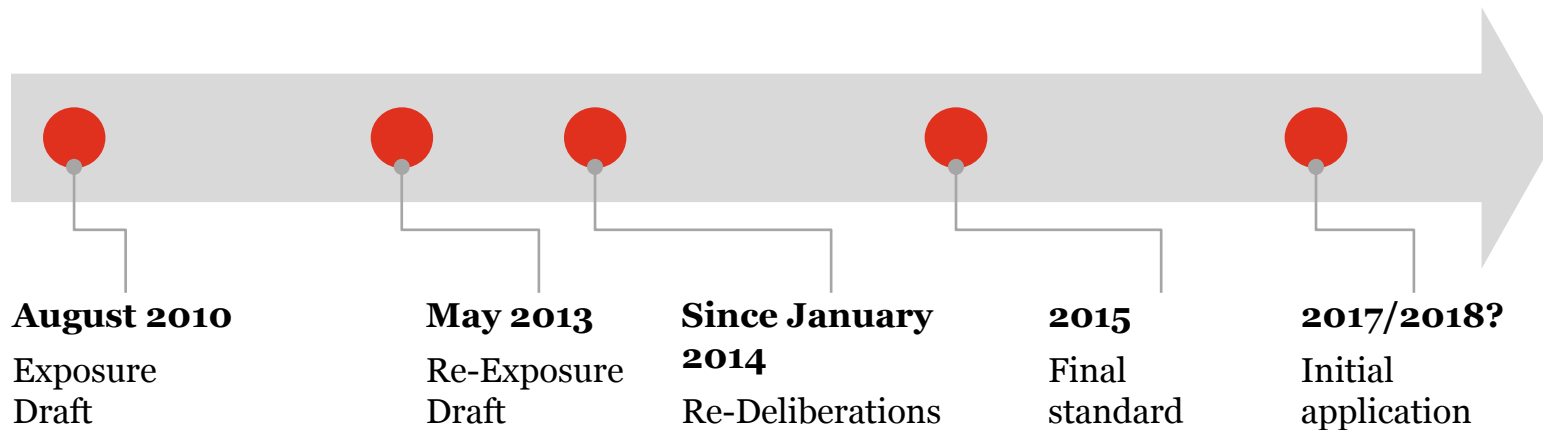
- It is still likely a Standard will be issued in mid 2015 for a 2018/2019 implementation (including EU endorsement).
- Insurer interest and activity is picking up as a result.
- Large global life clients are lobbying IASB and heavily involved in the developments, some with dedicated internal teams.
- Competing priorities (Solvency II) means mid-tier life companies and non-life have not been focused on IFRS.

Leases



Lease project

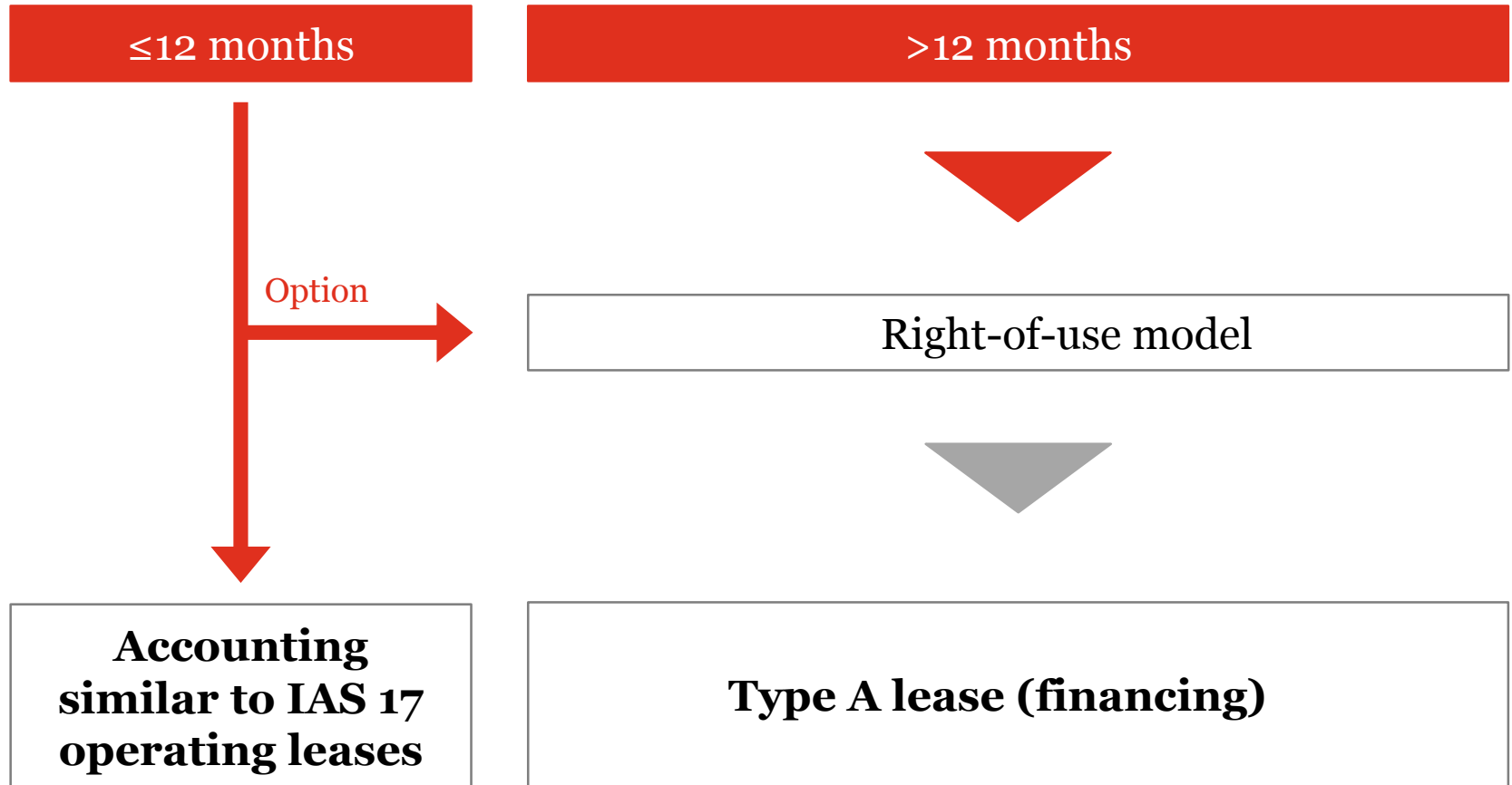
Timeline



- Final standard expected in 2nd half of 2015

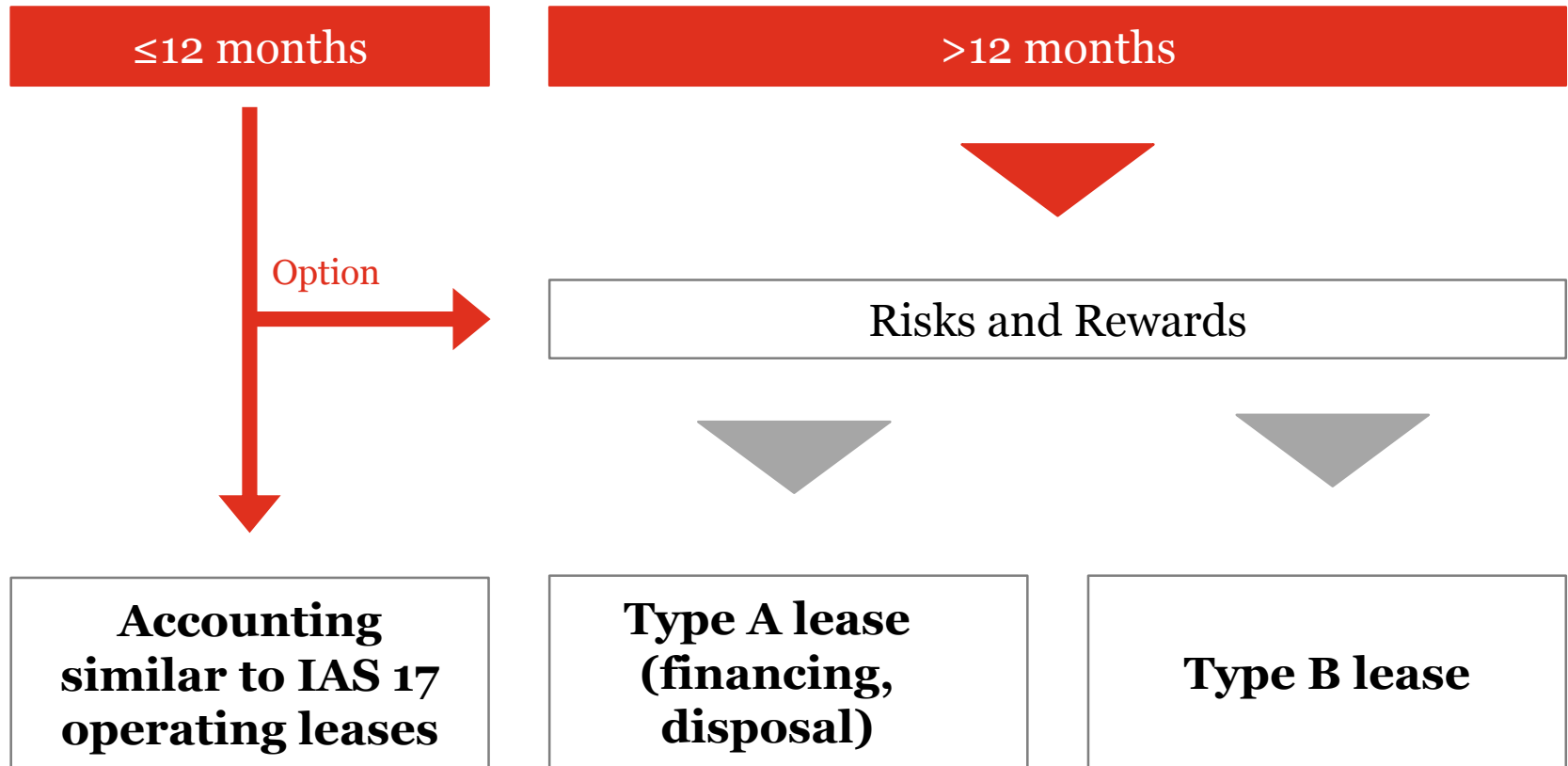
Lessee accounting

All leases on balance sheet as finance leases



Lessor accounting

No significant changes to today's accounting



Lease project

Project is nearing its end

- Small ticket leases
- Definition of a lease
- Disclosures
- Transition and effective date

IFRIC 21 - Levies



IFRIC 21 – Levies

Scope and examples

Levies – outflow of resources embodying economic benefits imposed by governments on entities in accordance with legislation other than:

- those in the scope of other standards
- fines or penalties for breaches of legislation,
- payments in exchange for an asset or service, and
- liabilities that arise from emission trading schemes.

Examples:

- Levies on revenue
- Capital taxes
- Property taxes
- Other taxes based on assets/liabilities
- Bank levies
- Any other charge imposed by the government

IFRIC 21 – Levies

Key provisions and transition

Interpretation of IAS 37: Accounting for the liability

What is the obligating event that gives rise to a liability?

- Event identified by the legislation triggering obligation to pay

When is the liability to pay a levy recognised?

- When the obligating event occurs
 - At a point of time or over time
 - Triggered by reaching minimum threshold

Transition

- Effective 1 January 2014
- EU: endorsed June 2014 (for financial years starting on or after 17 June 2014)
- Retrospective application

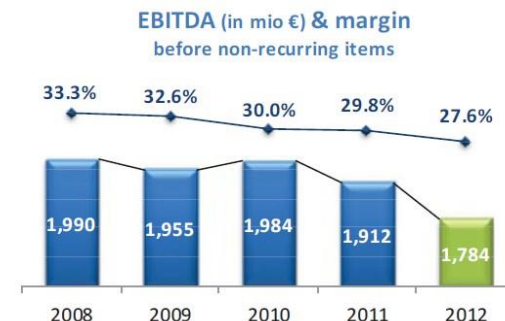
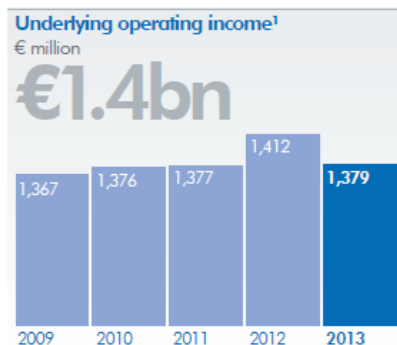
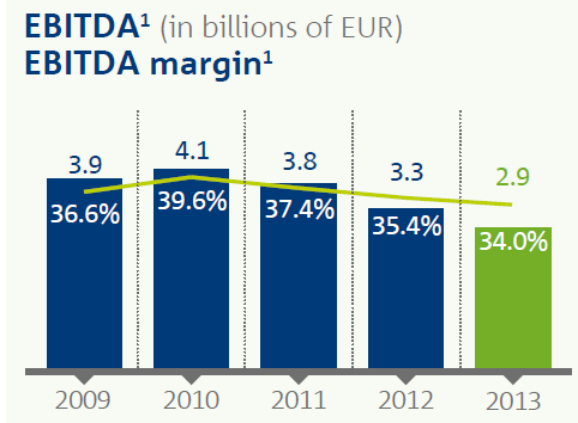
Questions...



Non-GAAP measures



Alternative profit measures.....



- 5% organic revenue growth
- 7.3 million new subscribers
- EBITDA before other items

£11.5bn

Adjusted operating profit was £11.5 billion, slightly down on last year (up 2.5% on an organic basis) supported by a good performance from our

Adjusted earnings per share^a
Year ended 31 March

Operating income before depreciation and amortization (OIBDA)

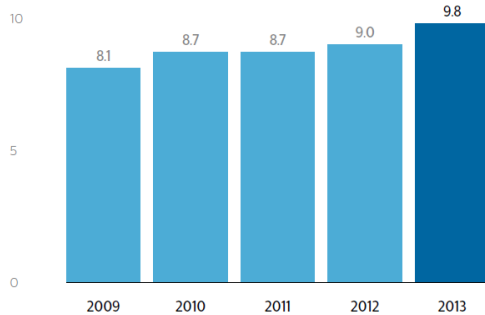
Normalised free cash flow^b
Year ended 31 March

EBITDA, excluding non-recurring items	36,059
margin (%)	34.4
Operating income	28,288
Operating income, excluding non-recurring items	28,570

Net profit (bela)	1,585	1,661	(4.6)%
EBITDA	4,281	5,226	(18.1)%
EBITDA (bela)	4,214	3,985	5.7%
Dividend (proposed)	512	512	0.0%
Free operating cash flow	1,518	1,485	2.2%

.....and many more other performance measures

Brand value⁹⁾
in billions of US dollars



0.3%
Identical sales growth, excluding gasoline

Net Promoter Score



Mobile telephony, total subscriptions (thousands)	6,587
Mobile telephony, outgoing traffic (millions of minutes)	10,060
Mobile telephony, incoming traffic (millions of minutes)	4,459
Mobile telephony, MoU (minutes)	244
Mobile telephony, blended churn (%)	15
Mobile telephony, ARPU (SEK)	190

Service	Market position	Market share ¹
Mobile	1	40%
Broadband	1	38%
Fixed Voice incl. VoIP	1	61%
TV	4	13%

67,000

POSTPAID NET ADDS
(2011: negative 87,000)

~65%

COMMITTED ARPU
(2011: ~57%)

Lost Time Injury Frequency (LTIF) ¹⁾

Sickness Absence Rate

Fatalities Employees

€1.1 BILLION

REVENUE FROM INNOVATIONS ¹⁾

Heineken[®] volume in premium segment (in millions of hectolit)

28.1mhl



Performance

in millions of euros

	Group		
	2012	2013	
Sales	23,457	23,329	1% ▼
Green product sales	10,981	11,815	8% ▲
Sales in mature geographies ⁵⁾	15,407	14,825	4% ▼
Sales in growth geographies ⁵⁾	8,050	8,504	6% ▲
EBITA	1,106	2,451	122% ▲
Net operating capital	9,316	10,238	10% ▼

Customer service improvement^c
At 31 March

What do regulators say?



Subtotals:

- Made of items recognised and measured in accordance with IFRS
- Understandable presentation and labelling in accordance with content
- Consistent from period to period
- Not more prominent than IFRS measure
- Reconciliation to items required by IFRS

What do regulators say?



Consultation Paper
ESMA Guidelines on Alternative Performance Measures

Alternative performance measures:

- Definition and reconciliation
- Explain relevance and use
- Present with less prominence, emphasis or authority
- Comparable and consistent



What do regulators say?



Alternative performance measures:

- Increase in use, decrease in consistency
- Balance between profit increasing and profit decreasing adjustments?
- Reconciliation is attention point

Alternatieve financiële prestatie-indicatoren
Toezicht | Kwaliteit Accountantscontrole & Verslaggeving

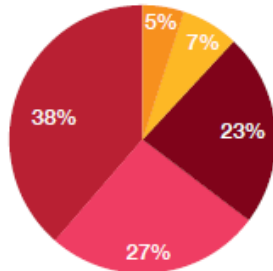
April 2014



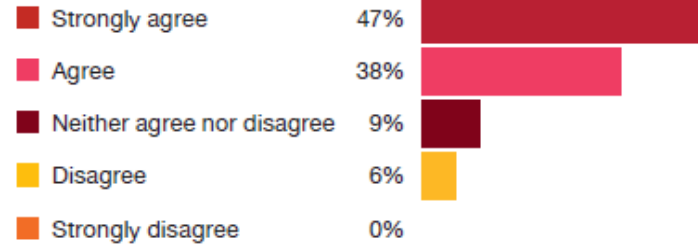
What do investors say?

Generally, I find adjusted performance measures helpful for my analysis

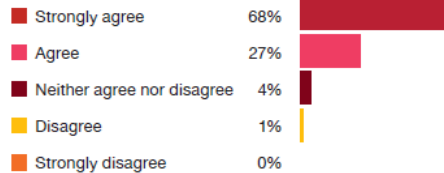
- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree



I like being able to see management's view of what is 'underlying' or 'core' to the company



I would like management to be clearer in its descriptions of the items it has adjusted to arrive at 'underlying performance' (or a similar measure) and why they chose to adjust for them



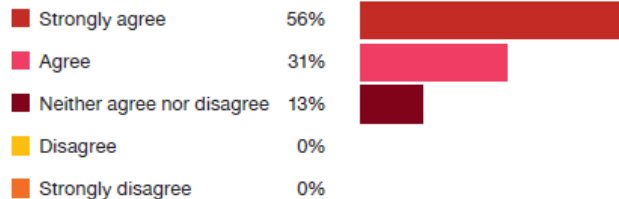
I trust management to be balanced in its adjusted earnings measures



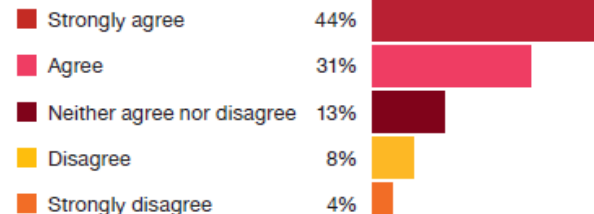
If management's adjustments to reported GAAP numbers seem aggressive or unusual, my evaluation of the riskiness of management increases



Clear links between a company's strategic goals, risks, key performance indicators and financial statements is helpful for my analysis



I would like to see a clear link from key performance indicators to remuneration policies



To mislead or to inform?

- Alternative performance measures are generally very relevant and useful when used in combination with defined measures
- Inconsistent and unbalanced use of measures affects credibility and weight given by investors
- Credibility and transparency of disclosures to be enhanced by:
 - Compliance with qualitative characteristics
 - Clear definitions and headings that reflect content of the measure
 - Presentation together with defined measures and provision of reconciliations
 - Consistency and comparatives
- Industry consensus on alternative measures used will enhance credibility and usefulness for investors

Questions...



Break



16.00 -16.15 uur

**Please do not forget to sign the
attendance lists**

AFM results topical reviews and focus areas



AFM 2014 activities

Report 'In Balans 2014'

Findings from ongoing general investigations 2014

1. Valuation and impairment of assets;
2. Segment information – aggregating operational segments;
3. Business combinations;
4. Disclosures of credit- and other risks by Dutch banks.

AFM 2014 activities **Report 'In Balans 2014'**

Findings from theme-investigations of 2013 financial statements

1. Size and quality of disclosures
2. Key management remuneration
3. Pensions
4. Risk paragraph

AFM 2015 priorities

2015 Priorities AFM

1. Implementation of the 'consolidation package' (IFRS 10, 11, 12);
2. Financial reporting of Dutch banks;
3. Transparency on debt covenants;
4. Integrated reporting.

ESMA focus areas

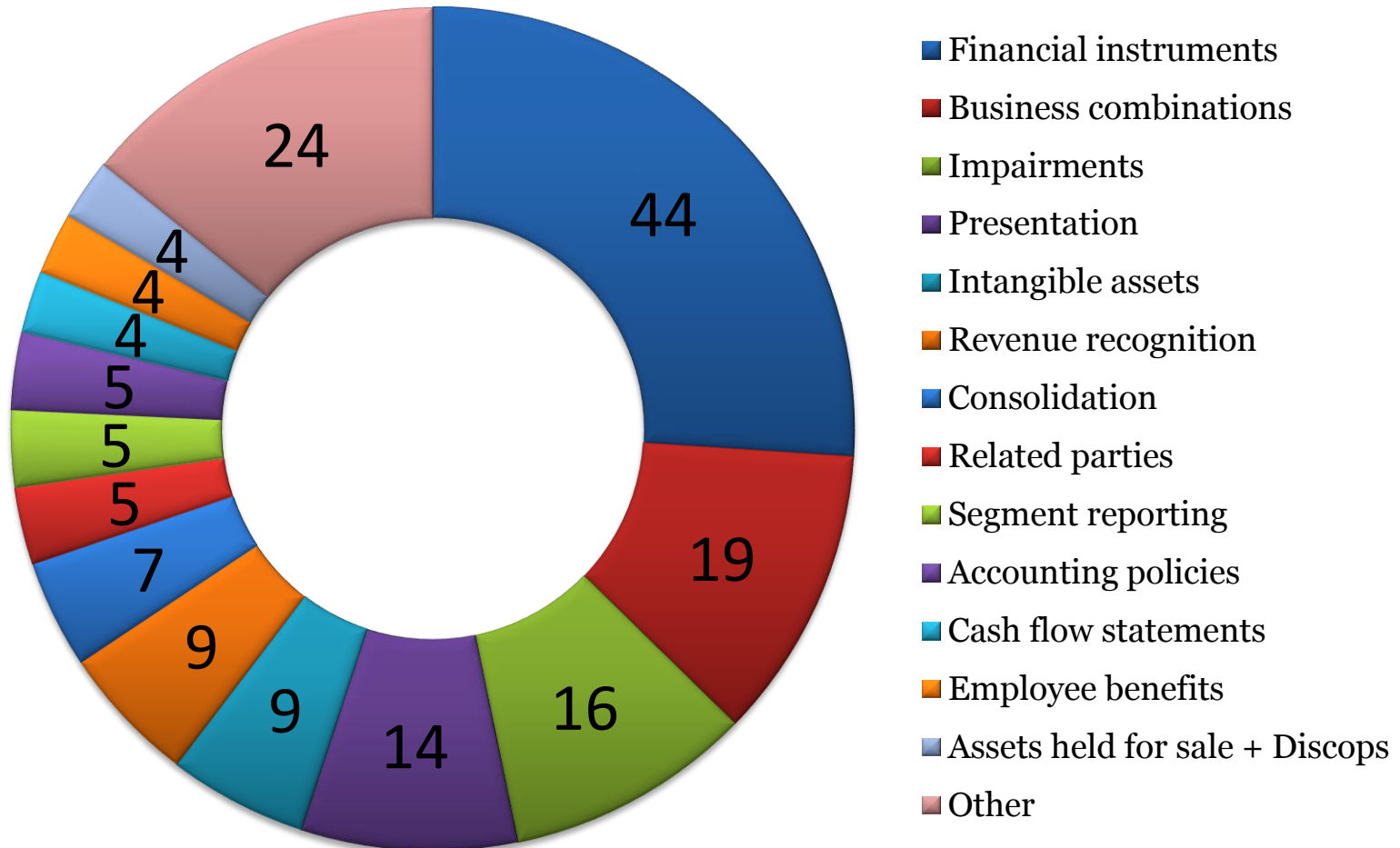


ESMA activities

European Securities and Markets Authority (ESMA)

- Organises European Enforcers Coordination Sessions (EECS);
- 39 European enforcers;
- 28 EU + 2 EEA countries;
- A forum to discuss cases before or after local decision making;
- Provides technical advice for ESMA statements and opinions;
- All identified in the enforcement database;
- Some made public (anonymised);
- 15 extracts made public, in total 169 enforcements

Topics enforcements 2005 - 2012



ESMA Enforcement priorities

2015 European Common Enforcement Priorities ESMA

1. preparation and presentation of consolidated financial statements and related disclosures (IFRS 10, 12);
2. joint arrangement and related disclosures (IFRS 11);
3. deferred tax assets.

Questions...



New revenue recognition standard (IFRS 15)

Revenue from contracts with customers



Agenda

- IFRS 15 – A change in mindset
- Impact on your business
- Implementation challenges and success factors

Do you have, for example,...

- ...multiple element arrangements?
- ...long-term contracts?
- ...advance or deferred payment terms?
- ...contract modifications?
- ...sales with a right of return?
- ...discounts or rebates?
- ...income from licences?

....then IFRS 15 may significantly affect you!

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 as a converged standard

Why issuing IFRS 15

One Model

A single, joint revenue standard to be applied across all industries and capital markets

Clear principles

Robust framework

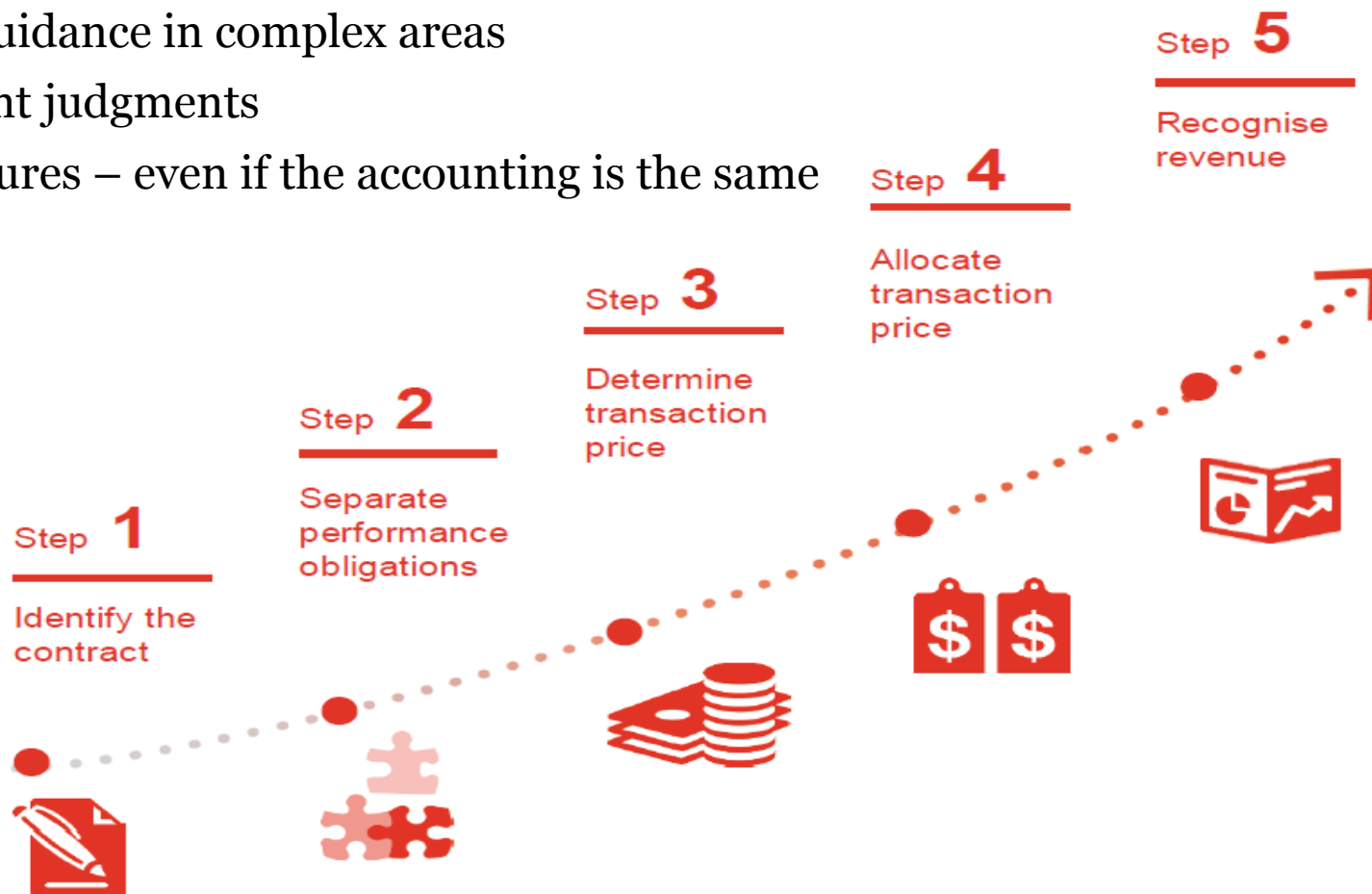
Comparability across industries

Enhanced disclosures

Simplified guidance

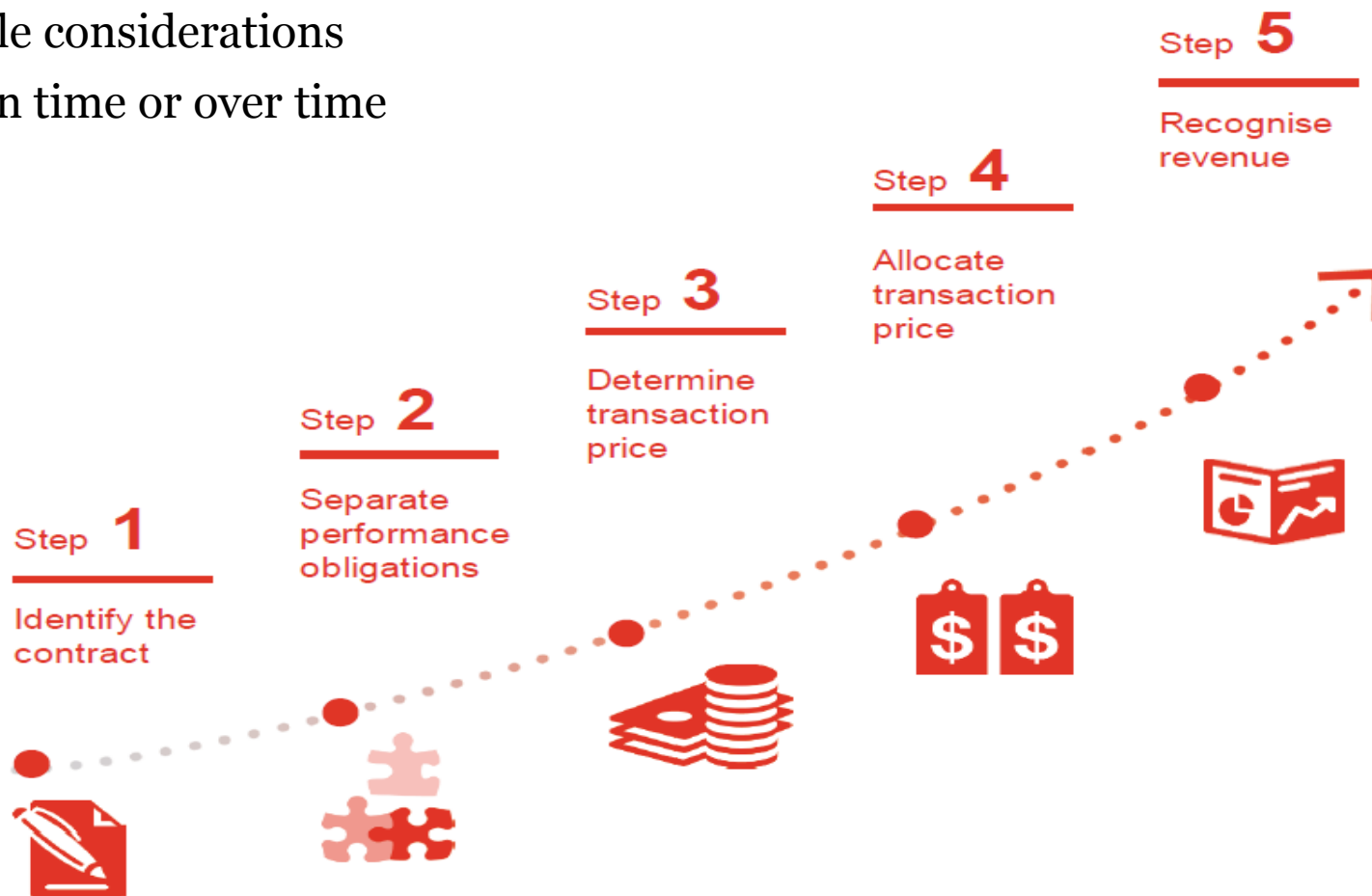
IFRS 15 – a change in mindset

- Some differences from current practice
- More guidance in complex areas
- Different judgments
- Disclosures – even if the accounting is the same



IFRS 15 – a change in mindset

1. Separating performance obligations
2. Variable considerations
3. Point in time or over time



Identifying performance obligations – in practice

**Individual
distinct
good or service**

Sold separately
or
can be used
separately

- Consumer good
- Good with simple installation
- Mobile and service

**Group of
integrated
goods or service**

Dependent on
or interrelated with
other items in the
contract

- Construction contracts
- Complex installations
- Customised software solutions

***Series of
distinct
'services'***

Homogeneous
'service' and
consistent pattern
of transfer over time

- Daily cleaning service
- Ferry service
- Call centre processing

Identifying performance obligations – bundled products

A customer enters into a Mobile-contract with a **6 months contract term**.
Customer receives a **handset** for an amount of **0 €** upon contract inception.
For **voice and internet access** the customer pays **75 €** on a **monthly basis**.

If the **handset was sold separately** (sold for the SSP*), the company would have charged **200 €**.



.....	Minimum contract duration	6 months
.....	Handset	0 €
Contract with the customer I	SSP* for the handset	200 €
.....	Monthly price for the service	75 €
.....	Monthly SSP* for the service	50 €

*stand-alone selling prices

Identifying performance obligations – bundled products

(2) Identification of separate performance obligations	(3) Determination of the transaction price	(4) Allocation of the transaction price			(5) Revenue recognition
		(4.1) SSP	(4.2) SSP in%	(4.3) Relative SSP	
in EUR, except for 4.2					
Handset	0	200	40%	180	satisfied at inception
Service	450	300	60%	270	satisfied over duration
Total	450	500	100%	450	

Identifying performance obligations – bundled products

Performance obligations	Revenue recognition					
	t0	t1	t2	t3	t4-5	t6
	in EUR					
Handset	0	0	0	0	0	0
Service	0	75	75	75	75	75
RevRec adj. contract asset	180	(30)	(30)	(30)	(30)	(30)
IFRS revenue	180	45	45	45	45	45

Variable consideration – more judgment and volatility

Included in the transaction price only if **highly probable** that there will not be a significant revenue reversal

Uncertainty over long period of time

Limited experience with similar contracts

Susceptible to factors outside control

Broad range of outcomes or prices

Key effects

- Must recognise '**minimum amount**' highly probable of not reversing
- **Reassessed** at the end of each reporting period
- Measure at either **most likely** outcome or **expected value**

Variable consideration – an example

Entity sells machinery for C100m with up to 5% of bonus based on meeting future efficiency targets over 5 years

Bonus included in the transaction price only if **highly probable** that it will not be subject to significant reversal?

Uncertainty over long period of time

Limited experience with similar contracts

Susceptible to factors outside control

Broad range of outcomes or prices

Additional facts

- Limited experience with similar contracts
- Customer behaviour impacts efficiency

Revenue: C100m until circumstances change

Variable consideration – an example

Entity sells machinery for C100m with up to 5% of bonus based on meeting future efficiency targets over 5 years

Bonus included in the transaction price only if **highly probable** that it will not be subject to significant reversal?

Uncertainty over long period of time 

Limited experience with similar contracts 

Susceptible to factors outside control 

Broad range of outcomes or prices 

Additional facts

- Has similar contracts with a broad range of customers
- 95% of bonuses are 3%

Revenue: C103m until circumstances change

Variable consideration – an example

Entity sells machinery for C100m with up to C2m bonus based on meeting future efficiency targets over 5 years

Bonus included in the transaction price

It is **probable** that it will not be

Uncertainty over long period of time

Increased volatility:

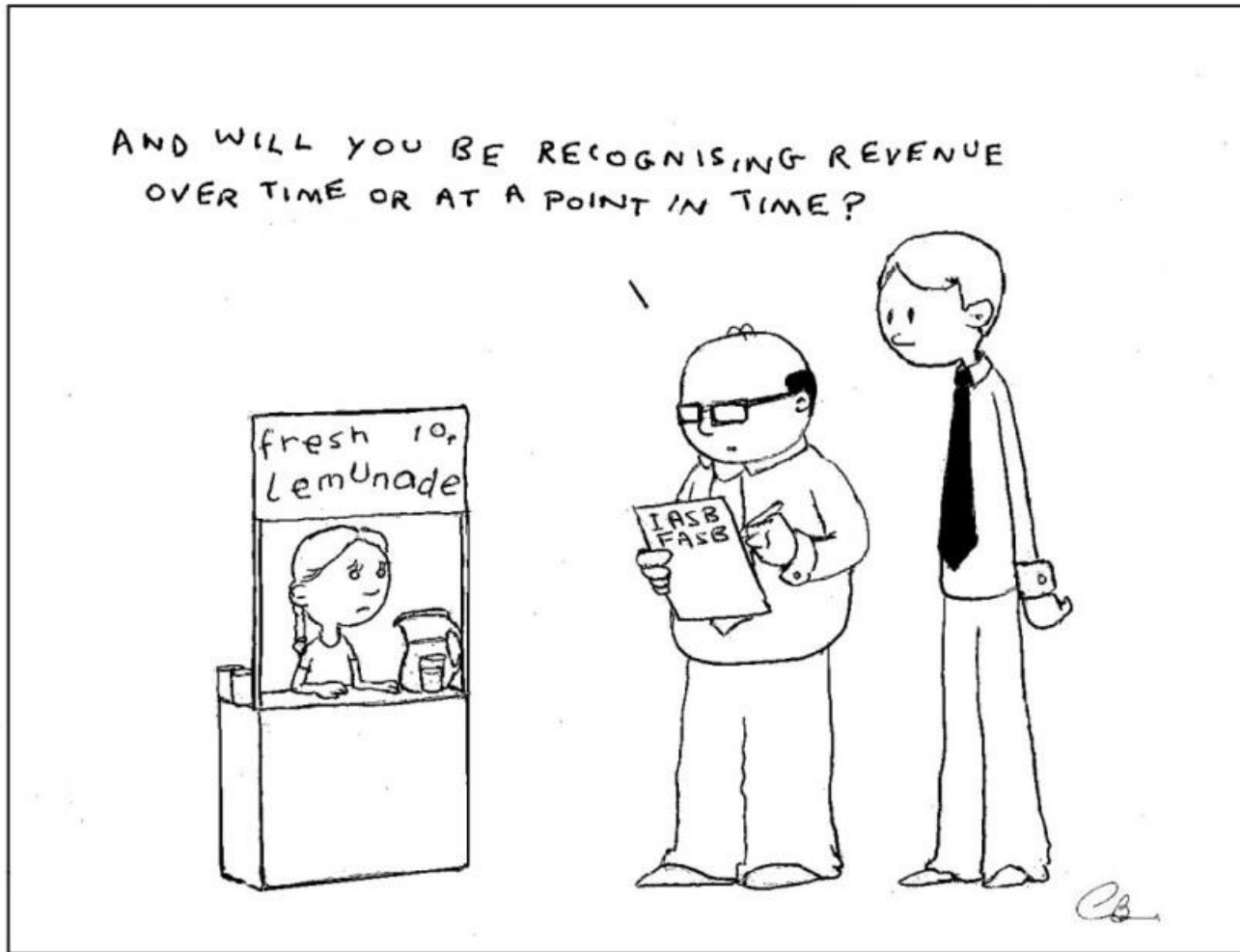
- Tipping point = volatility
- No 'matching' with cost of sales = volatility

Broad range of outcomes or prices

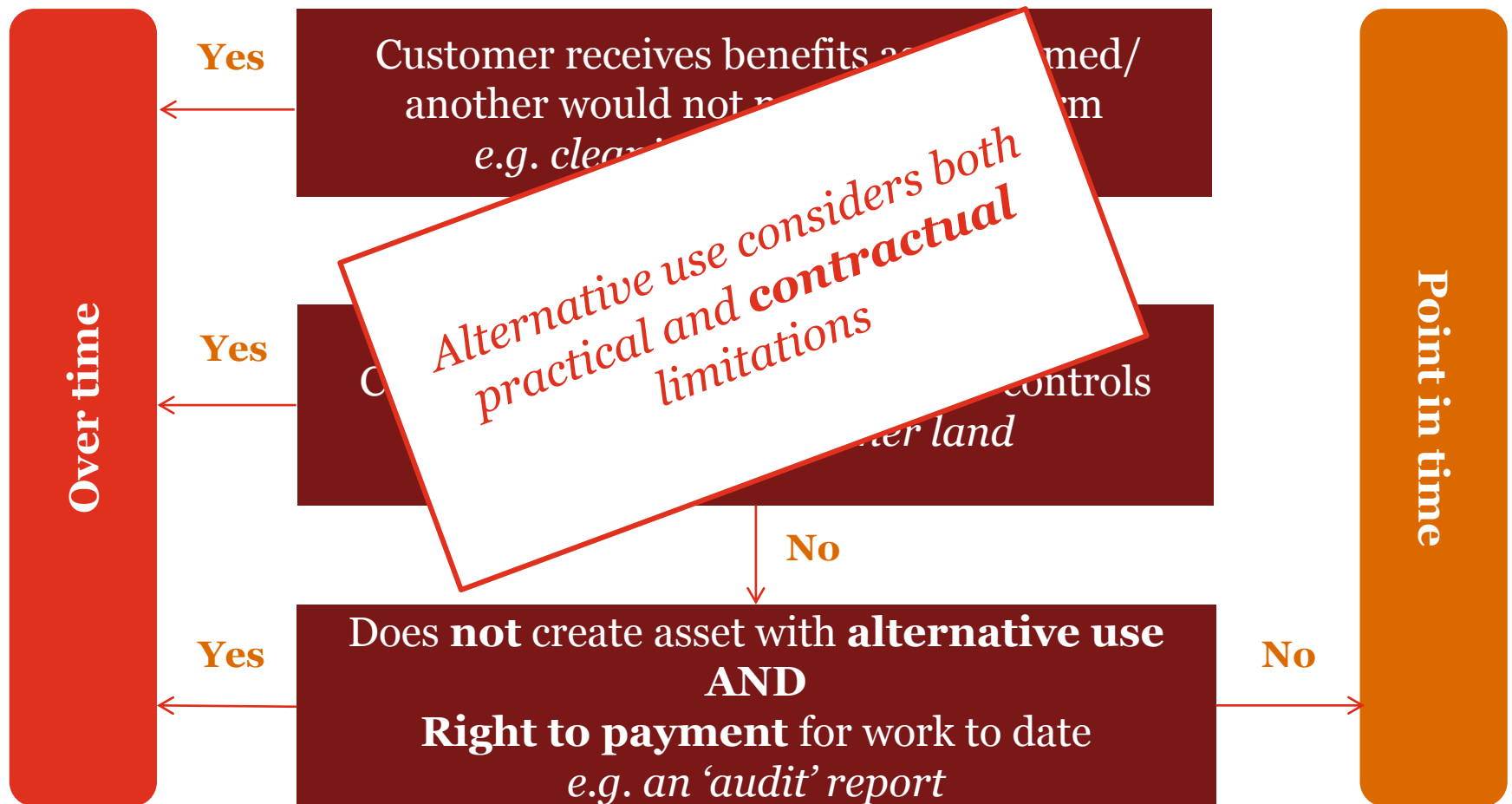
Assessment
Before contract is complete, management becomes 95% certain the entire bonus will be received

Revenue: Additional 2m recognised.... even though contingency not resolved

Point in time versus over time



Point in time versus over time – different judgments



Point in time versus over time – an example

- Customer F buys a specified apartment in a block
- Pays 25% upfront, 25% when construction begins and remaining when construction 50% complete – all non-refundable
- If Customer F defaults, Developer E can sell to another customer

Point in time

Over time

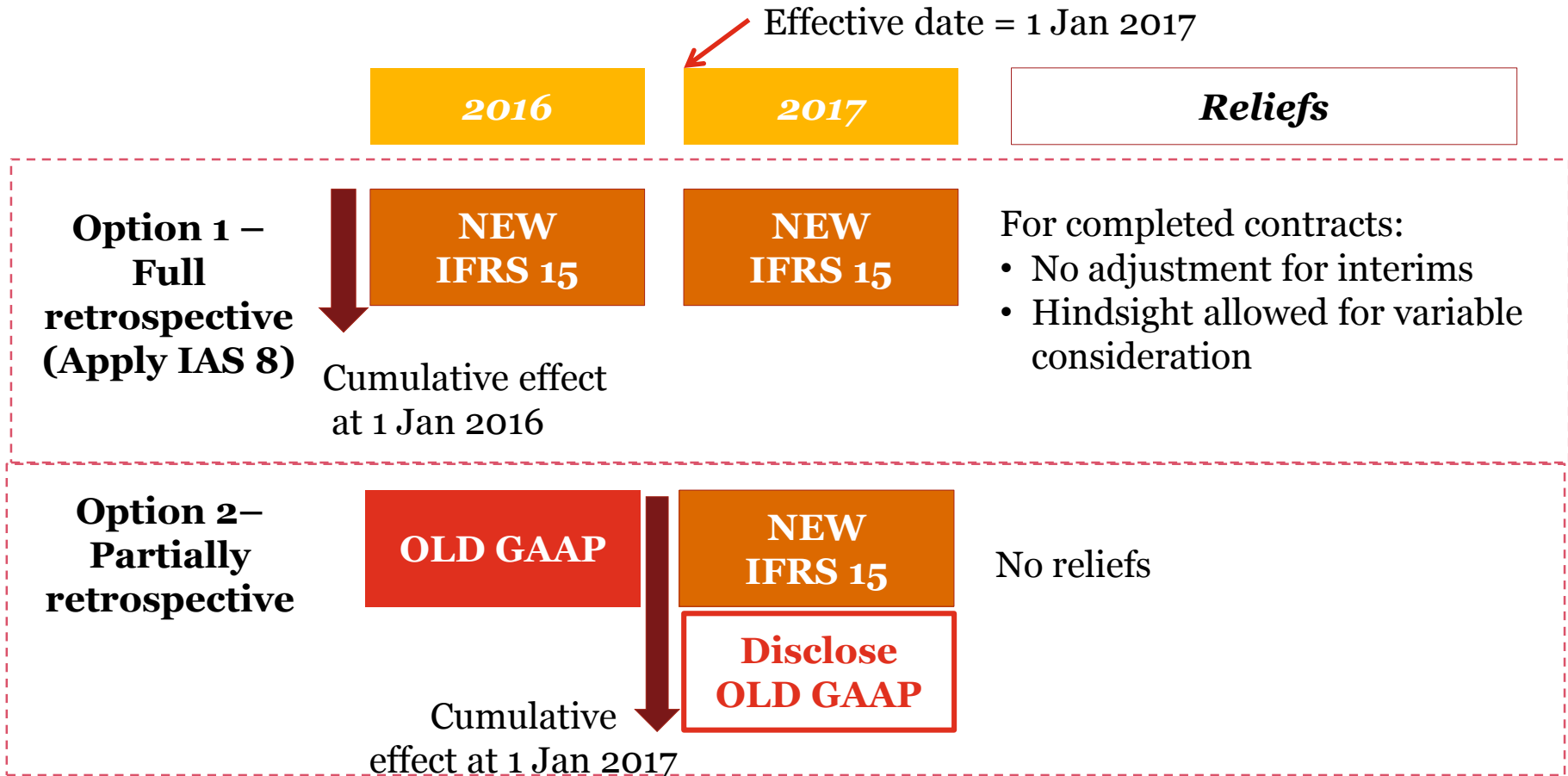
Why?

- Right to payment for *at least* the work performed
- Vendor cannot redirect to another unless customer cancels

What might change the conclusion?

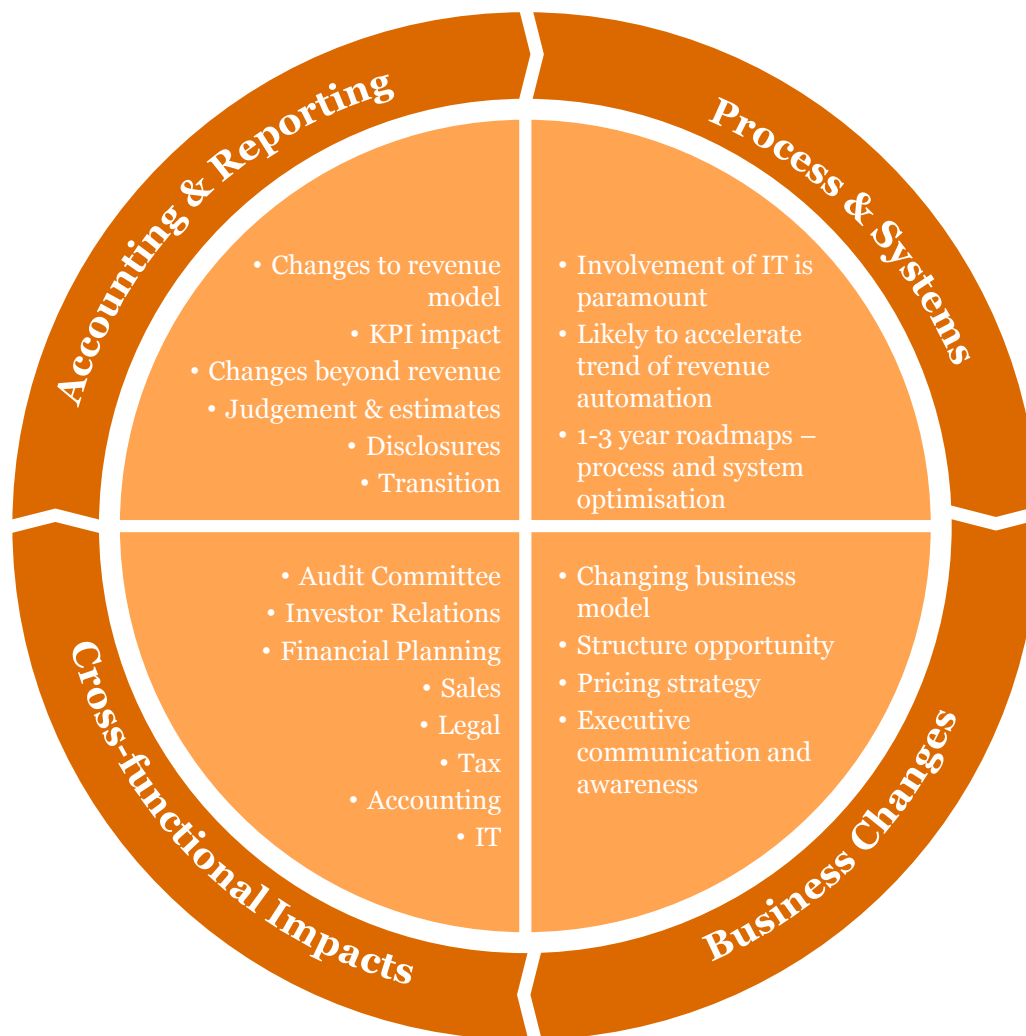
- Payment terms are key:
 - If amount refundable, or payment for less than work performed, or designed to recover costs only, there is no right to payment
- Apartment not specified

Transition and implementation timeline requires consideration of needs of stakeholders



Impact on your business - Accounting is only the tip of the iceberg

**Potential major challenges that come with the proposed standard:
Cash ≠ Revenue**



Implementation challenges and success factors

Challenges

- Technical accounting application
- Increased management judgment
- Project management
- Maintaining dual GAAP
- Operational process and system changes
- Data gathering & analysis
- Communications
- Changing business models

Success factors

- Start preparing now to figure out how the standard affects your financial picture, your investors, and the way you do business
- Get early buy-in from stakeholders
- Develop an approach that effectively leverages the transition period—use a measured approach
- Establish a robust project governance structure
- Document as you go—maintain an audit trail

Managing Emerging Accounting Revenue Recognition Standards

SAP SE

November 2014



Legal Disclaimer

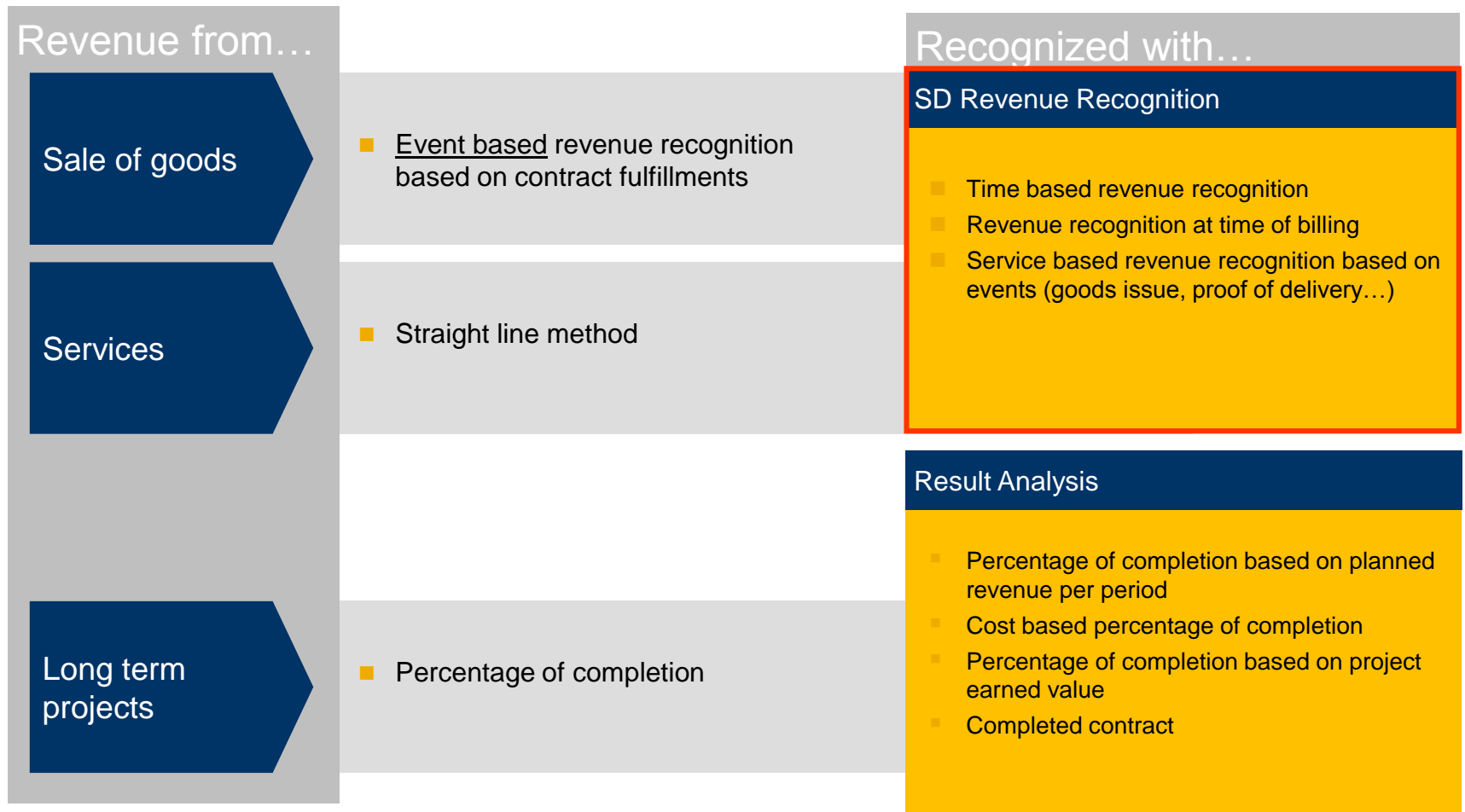
The information in this presentation is confidential and proprietary to SAP and may not be disclosed without the permission of SAP. This presentation is not subject to your license agreement or any other service or subscription agreement with SAP. SAP has no obligation to pursue any course of business outlined in this document or any related presentation, or to develop or release any functionality mentioned therein. This document, or any related presentation and SAP's strategy and possible future developments, products and/or platforms directions and functionality are all subject to change and may be changed by SAP at any time for any reason without notice. The information on this document is not a commitment, promise or legal obligation to deliver any material, code or functionality. This document is provided without a warranty of any kind, either express or implied, including but not limited to, the implied warranties of merchantability, fitness for a particular purpose, or non-infringement. This document is for informational purposes and may not be incorporated into a contract. SAP assumes no responsibility for errors or omissions in this document, and shall have no liability for damages of any kind including without limitation direct, special, indirect, or consequential damages that may result from the use of this document. This limitation shall not apply in cases of intent or gross negligence.

All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates, and they should not be relied upon in making purchasing decisions.



Why SAP has developed a new solution for Revenue Recognition

SAP Existing Approaches to Revenue Recognition



Revenue Recognition requirements

How SAP is approaching this challenge

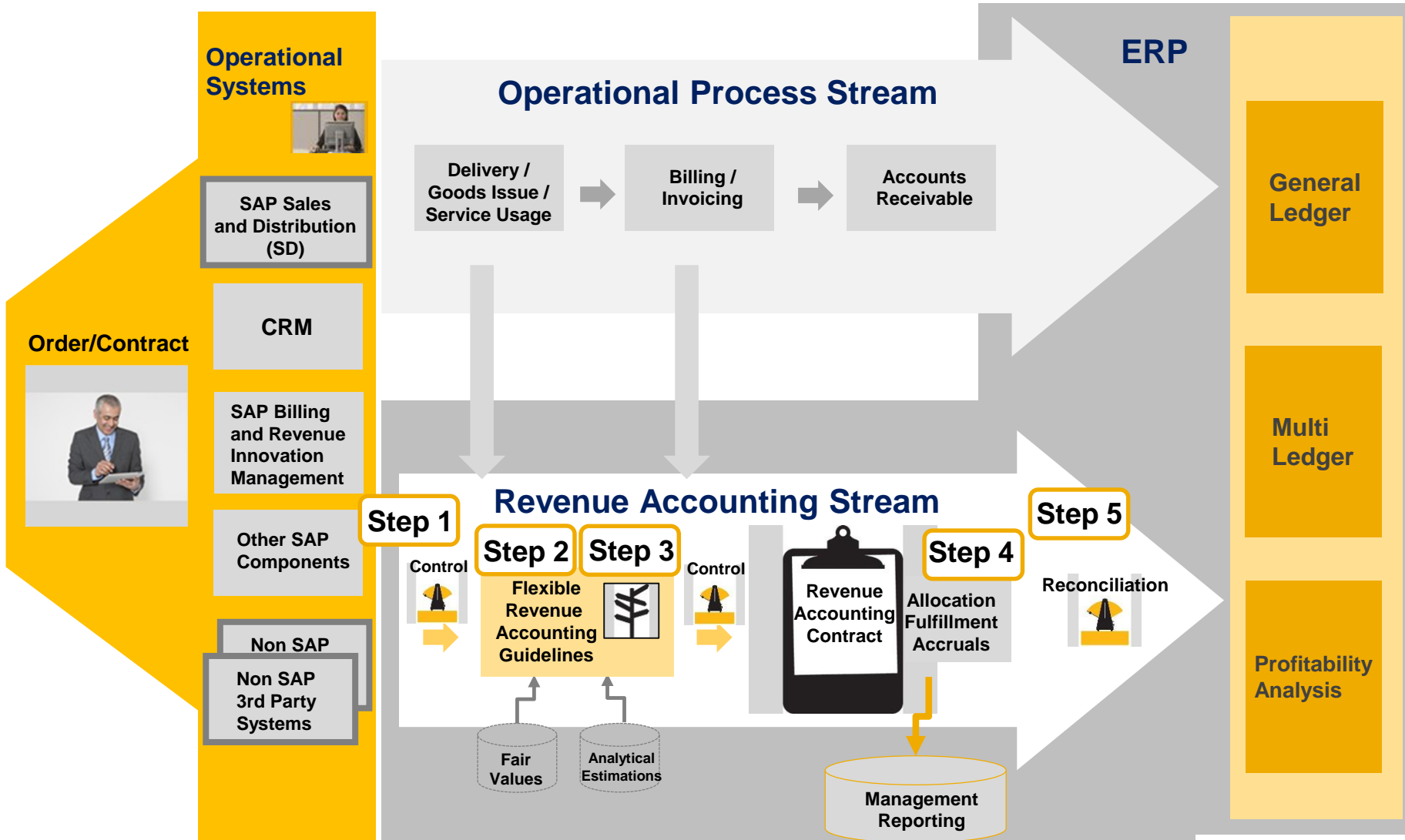
- SAP's Chief Accounting Officer, Christoph Huetten, is Vice-Chairman of the IFRS/IASB Advisory Board
- SAP meets with the IASB staff regularly
- SAP accountants are part of the first corporate review team for the upcoming rev. rec. standard
- SAP meets with the Big 4 regularly
- SAP has met with 100+ customers on revenue recognition in the last 2 years

- 2010: Need to evaluate enhancements in Revenue Recognition functions
 - Changes in accounting standards, e.g., US-GAAP SOP 97-2, EITF 08-1, EITF 09-3, etc.
- Conclusion: development of a new product instead enhancing existing functionality:
 - Fundamental changes with IFRS15 / ASC606 – focus on multiple element arrangements
 - Further requirements to be met: parallel accounting and cost recognition
 - Increasing demand:
 - Ongoing globalization
 - Newly established business models require more automated but in the same time also more flexible revenue recognition: e.g. high performance revenue recognition for digital sales, individual, flexible and highly complex business models to assure sustainable revenue streams, etc..

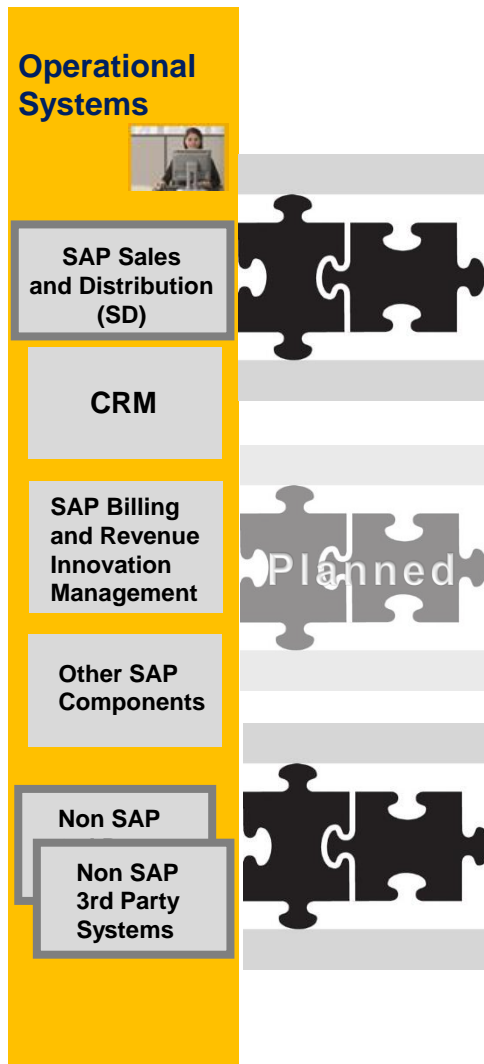
SAP Revenue Accounting and Reporting 1.0

Ongoing Development Project

Decoupled Operational Sales / Billing and Revenue Accounting



SAP Revenue Accounting and Reporting 1.0 – Integration of operational applications

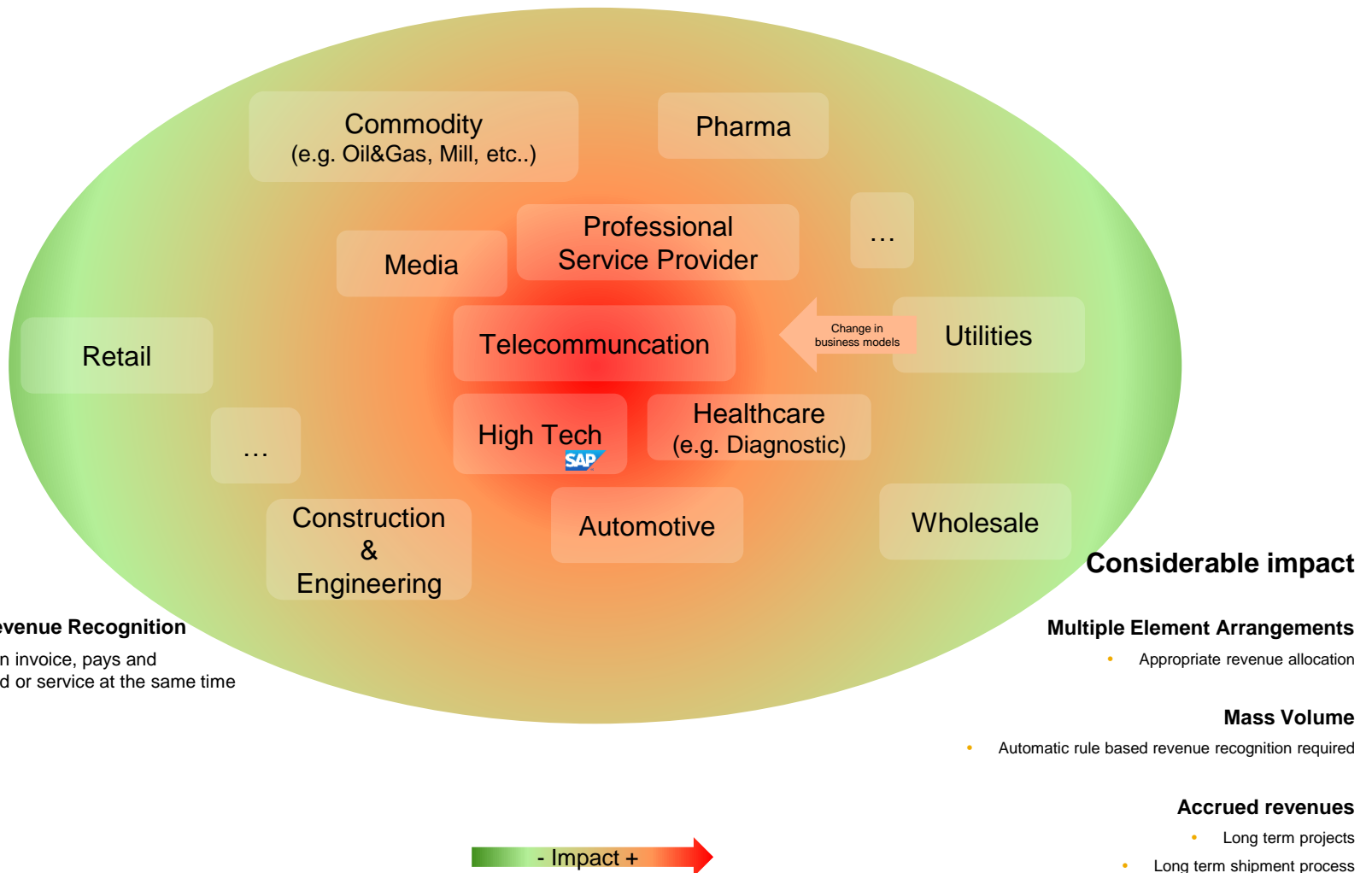


This slide outlines our general product direction and should not be relied on in making a purchase decision. This slide is not subject to your license agreement or any other agreement with SAP. SAP has no obligation to pursue any course of business outlined in this slide or to develop or release any functionality mentioned on this slide. This slide and SAP's strategy and possible future developments are subject to change and may be changed by SAP at any time for any reason without notice. This document is provided without a warranty of any kind, either express or implied, including but not limited to, the implied warranties of merchantability, fitness for a particular purpose, or non-infringement. SAP assumes no responsibility for errors or omissions in this document, except if such damages were caused by SAP intentionally or grossly negligent.



Customer Interaction

Impact on various industries



Customer engagement activities

SAP Revenue Accounting and Reporting



* Exemplary – list is not complete and may change over time

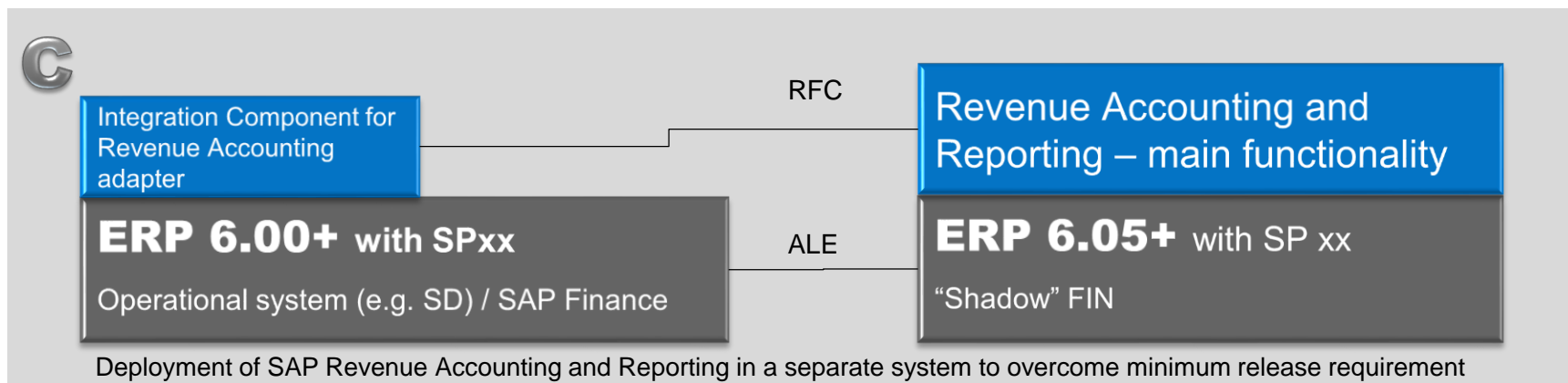
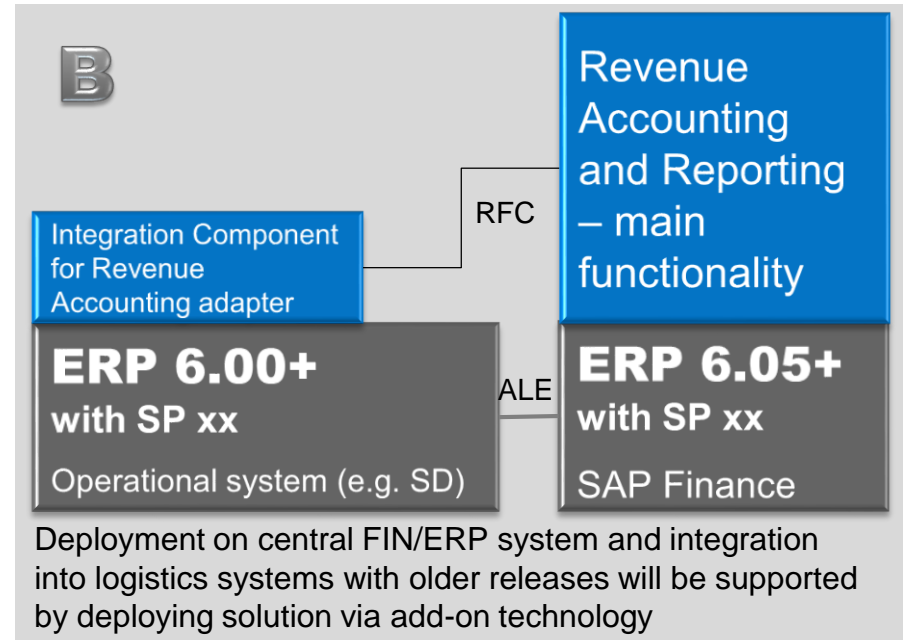
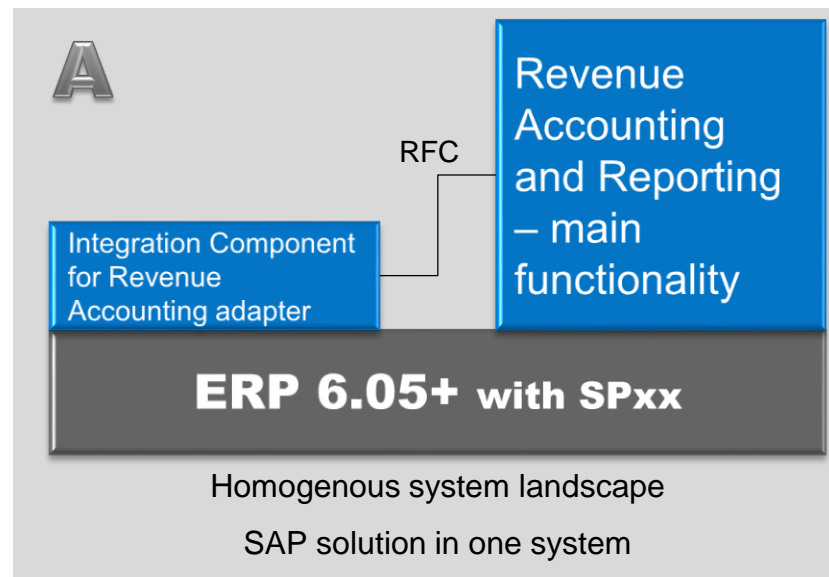
Level of collaboration may change over time



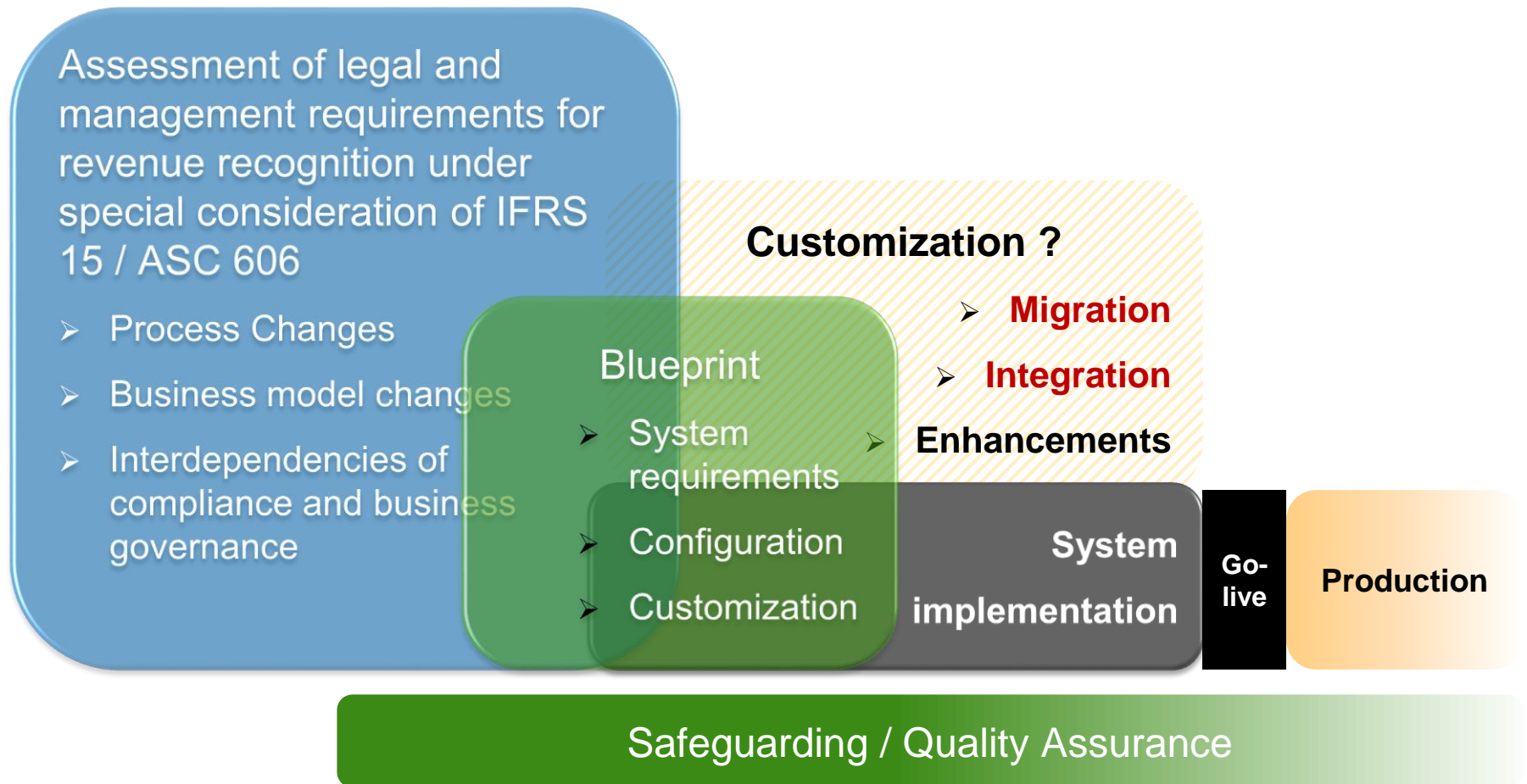
Challenge: Implementation

Revenue Accounting and Reporting Solution with integration into SAP operational systems - Options

Minimum release requirement



Challenges for implementation projects



Implementation projects: some first exemplary experiences

Data Migration from legacy system is the most complex part of implementation

- Migration needs to be thoroughly planned (time lines and efforts)
- Intensive testing is required – tests for migration + operational processes on migrated data
- Big Bang migration is difficult to be managed

Company based accounting principles should be prepared for new standard before implementation start

- Intensive prep work needs to be done with consulting and auditing companies

Revenue Recognition based on the new Standard requires a holistic view on the end-to-end sales process

- Not only given sales order data are required for compliant revenue postings but also information which may not be available within IT systems
- Not only operational systems need to be integrated into Revenue Accounting but also quotation tools to automate processes
- Close collaboration between sales and accounting is required
- Processes may have to be changed

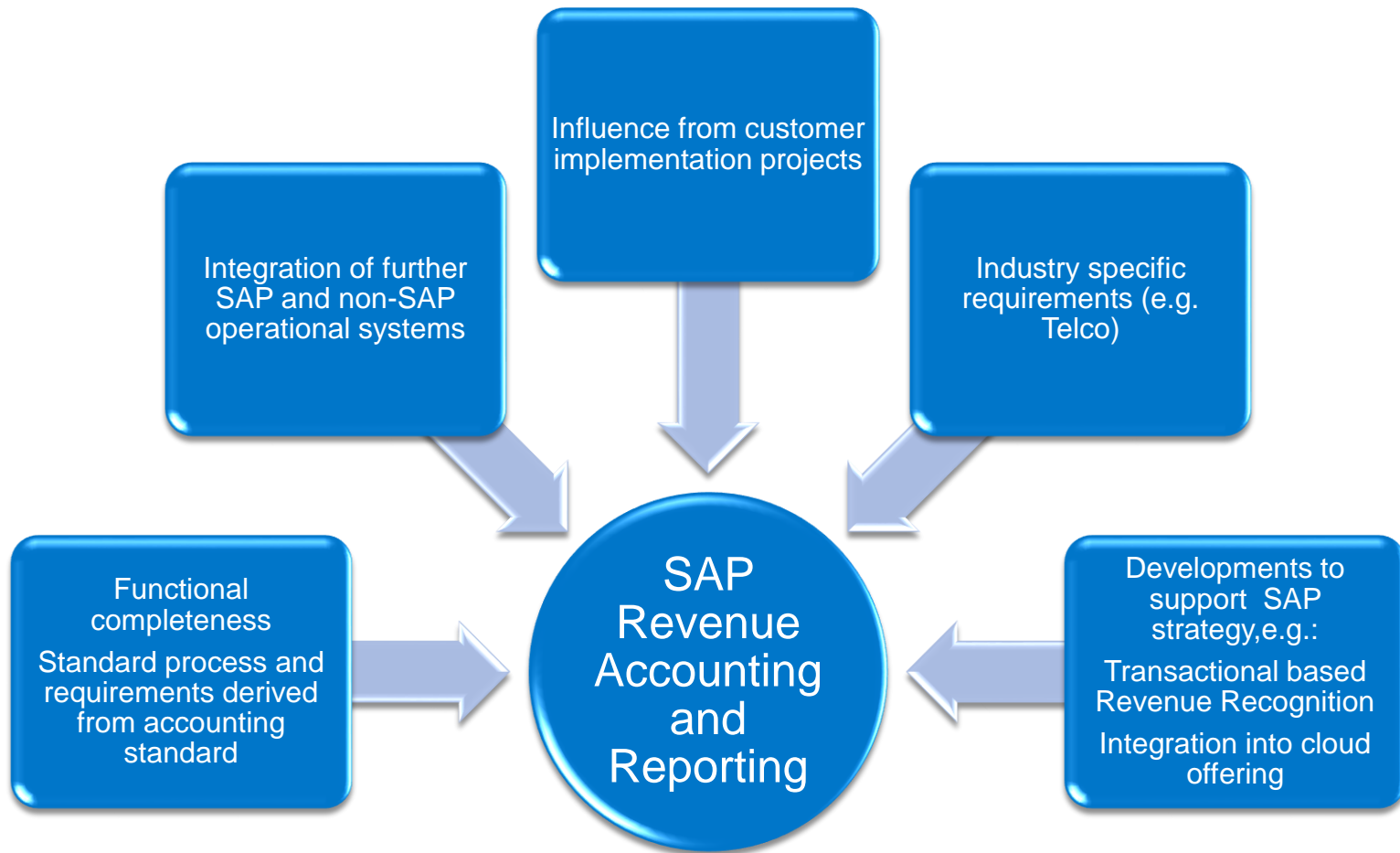
Higher volumes will be generated and needs to be managed

- Thorough sizing needs to be executed well in advance



Scope of first Release and High-Level Roadmap

Roadmap influenced by various factors



SAP Revenue Accounting and Reporting 1.0 - Features

Details see appendix

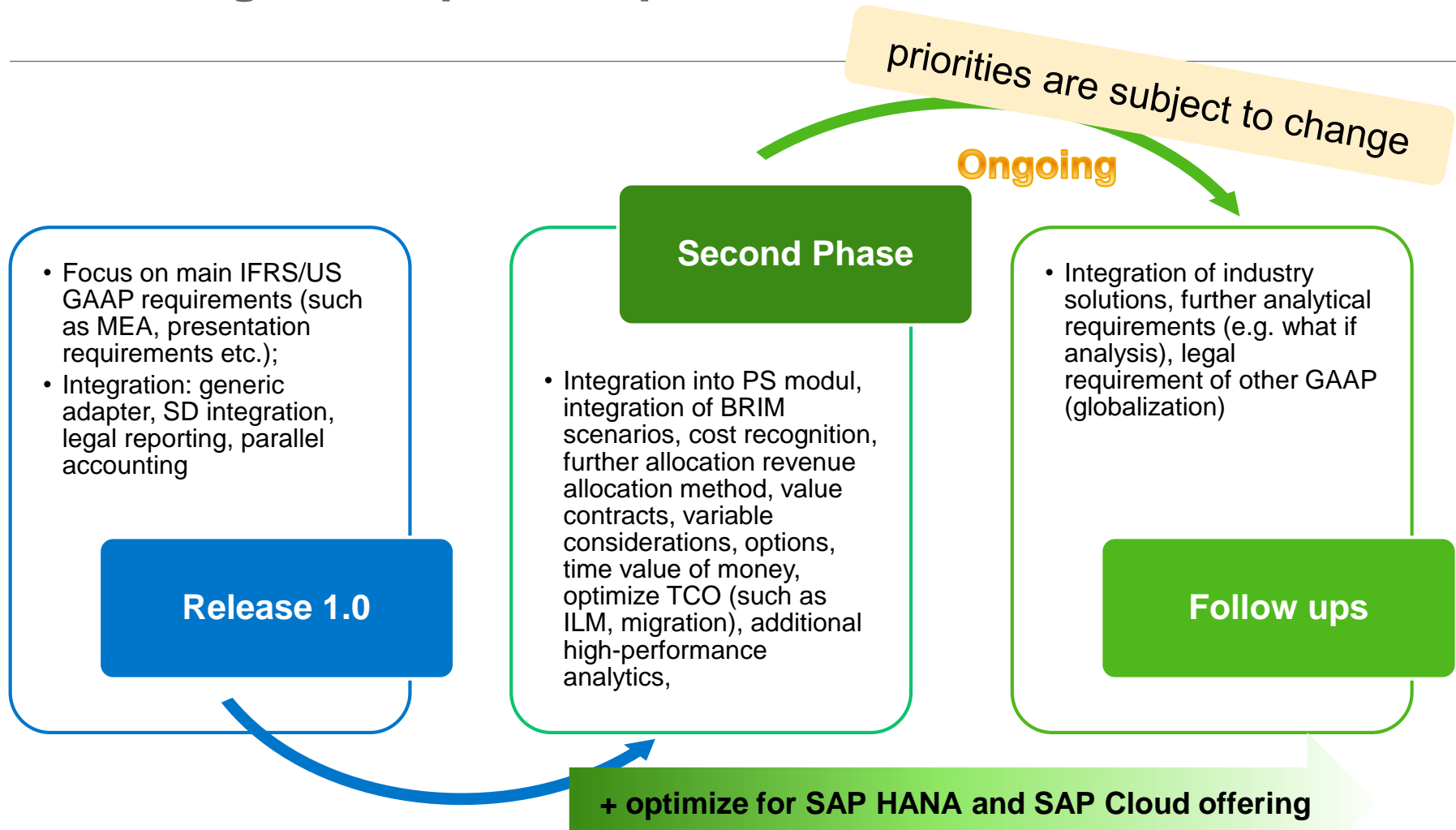
Integration

- Adapter Reuse Layer
 - Ability to integrate SAP and non-SAP operational systems
- SD integration component
 - Provide an out-of-the-box integration component for SAP SD
 - Major SD processes covered

Revenue Contract Management

- Major Revenue Recognition Process
 - Event based and time based Revenue Recognition, Multiple Element Arrangements etc.
 - Manual interaction like changing schedules, allocation, fulfillments etc..
- Basic handling of Right of Returns
- Parallel accounting capability
- Posting of revenues for mass data
- Analytics
- Foreign currency revaluation

Actual high-level plan on product vision



This slide outlines our general product direction and should not be relied on in making a purchase decision. This slide is not subject to your license agreement or any other agreement with SAP. SAP has no obligation to pursue any course of business outlined in this slide or to develop or release any functionality mentioned on this slide. This slide and SAP's strategy and possible future developments are subject to change and may be changed by SAP at any time for any reason without notice. This document is provided without a warranty of any kind, either express or implied, including but not limited to, the implied warranties of merchantability, fitness for a particular purpose, or non-infringement. SAP assumes no responsibility for errors or omissions in this document, except if such damages were caused by SAP intentionally or grossly negligent.

SAP Revenue Accounting & Reporting Solution Vision

Objectives

- Provide best-in-class solution to manage revenue recognition processes for the SAP Business Suite
- **Support all major processes of revenue recognition across regions and industries**
- Fulfill the requirements of existing and upcoming accounting standards

Main Features

- Solution to comply with IFRS 15 / FASB ASC 606 standard “**Revenue from Contracts with Customers**”
- Integration with major SAP solution: e.g. SAP Sales and Distribution, SAP Billing & Revenue Innovation Management solution and SAP Result Analysis
- Support for main sales from stock as well as make to order processes

Key Benefits

- Support for multiple accounting standards
- Decoupled revenue recognition process to sustain flexibility in sales and increase efficiency in accounting
- Adapter architecture provides capability to connect **SAP and non SAP systems** in a flexible way and with high throughput, and thus lowers TCO
- Flexible Rules Framework allows highly **automated processes** to help decrease TCO
- Increase transparency over revenues and help improve customer’s ability to control its business

Questions?





Thank You!

For more information please contact:

Martin Vogt
Product Owner
LOB Finance
SAP AG
Dietmar-Hopp Allee 16
69190 Walldorf
martin.vogt@sap.com



Appendix

SAP Revenue Accounting and Reporting 1.0 - Features



Ramp-Up SAP Revenue Accounting and Reporting 1.0

Start of Ramp-Up: **September 8th., 2014**

Customers can be nominated now for the SAP Revenue Accounting and Reporting 1.0 Ramp-Up via the Online Scoping Tool.

For more information on Ramp-Up program requirements, please contact your regional Ramp-Up Owner:

Thomas Olds (North America + Latin America)

Nicole Fuchs (EMEA + MEE)

Gary Xu (APA)

Imari Okamoto (Japan)

For more information please refer to the SAP Revenue Accounting and Reporting 1.0 Ramp-Up Info Page in SMP or the Finance Jam site at <https://go.sap.corp/revenueaccounting> .

Outlook: Ramp Up Knowledge Transfer

Training Material will be published with RTC for

- Ramp up customers
- Partners supporting ramp up customers
- Where: <https://service.sap.com/rkt>

SAP Revenue Accounting and Reporting 1.0 - Features

Integration

- **Adapter Reuse Layer**
 - Generable interface to be used for integration to non-SAP systems
 - Usage of the SAP Business Rules Framework to transform operational data into Revenue Accounting (translation into Revenue Accounting Contracts and Performance Obligations)
 - Provide monitor to control and check processing from operational data to Revenue Accounting and Reporting
 - BAdi for implementing rules to combine independent sales orders / operational contracts in a Multiple Element Arrangement
 - Provide enhancements for custom specific attributes to perform revenue recognition
- **SD integration component**
 - Provide an out-of-the-box integration component for SAP SD
 - The SD integration components “listens” to SD events and sends revenue recognition relevant information to the Revenue Accounting module
 - Source items (order items) create a performance obligation in Revenue Accounting while subsequent items (Goods issue or invoice) update the POB created for the source item.

SAP Revenue Accounting and Reporting 1.0 - Features

Integration

- **Coverage of SD processes**
 - Contract modifications (retrospective change)
 - Credit / debit memos
 - Basic time and materials process
 - Billing plans
 - Milestone Billing Plan
 - Periodic Billing Plan
 - Fulfillment process based on goods issue
 - Via pre-defined rule set
 - POB identification, linked POB, SSP determination, contract combination

SAP Revenue Accounting and Reporting 1.0 - Features

Revenue Contract Management

- **Revenue Recognition Process**
 - Event based – freely definable event (fully supported: goods issue posting VL01)
 - Time based – spreading based on various methods
 - Multiple Element Arrangements
 - SSP based allocation
 - Fixed and range based SSP
 - Allocation of residuals
 - Prevent allocation per POB and / or condition
 - Distinct and non distinct POB
 - Processing of BOM's (bill of materials)
 - Compound Performance Obligations
- **Basic handling of Right of Returns**

SAP Revenue Accounting and Reporting 1.0 - Features

Revenue Contract Management

- **Parallel accounting capability**
 - New GL – Parallel ledger
 - Classical GL – Account solution
 - Different revenue presentation: Deferred revenue / unbilled receivable vs. contract liabilities / contract assets
- **Posting of revenues for mass data**
 - Posting to GL and CO-PA (account and cost based)
 - Aggregated posting in FI-GL with audit trail to POBs and operational items and events.
- **Analytics**
 - Presentation and Disclosures of Revenue (data sources)
 - Deferred Revenues / Unbilled Receivables vs. Contract Liabilities / Contract Assets
 - Contract balances, outstanding revenues, revenue backlog, disaggregated revenues
 - Reconciliation reports (from operational system to Revenue Accounting module, from Fi document (GL) to Revenue Accounting Contract)
- **Foreign currency accounting**
 - Based on fixed Exchange Rate for complete contract duration

SAP Revenue Accounting and Reporting 1.0 - Features

Revenue Contract Management

- **Interaction with Revenue Accounting Contracts**
 - Worklists and status management
 - Manual allocation of revenues
 - Manual SSP change
 - Manual fulfillment (setting of events, define percentage of completion, change of spreading)
 - Manual contract combination (re-assign POB, one step combination, manual creation of new contracts)
 - Manual definition of additional and linked POB

© 2014 SAP AG or an SAP affiliate company. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP AG or an SAP affiliate company.

SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG (or an SAP affiliate company) in Germany and other countries. Please see <http://global12.sap.com/corporate-en/legal/copyright/index.epx> for additional trademark information and notices.

Some software products marketed by SAP AG and its distributors contain proprietary software components of other software vendors.

National product specifications may vary.

These materials are provided by SAP AG or an SAP affiliate company for informational purposes only, without representation or warranty of any kind, and SAP AG or its affiliated companies shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP AG or SAP affiliate company products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

In particular, SAP AG or its affiliated companies have no obligation to pursue any course of business outlined in this document or any related presentation, or to develop or release any functionality mentioned therein. This document, or any related presentation, and SAP AG's or its affiliated companies' strategy and possible future developments, products, and/or platform directions and functionality are all subject to change and may be changed by SAP AG or its affiliated companies at any time for any reason without notice. The information in this document is not a commitment, promise, or legal obligation to deliver any material, code, or functionality. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates, and they should not be relied upon in making purchasing decisions.

More information

Jay Tahtah

Phone number: +31 88 792 3945

E-mail: jay.tahtah@nl.pwc.com

Arjan Brouwer

Phone number: +31 88 792 4945

E-mail: arjan.brouwer@nl.pwc.com

Katja van der Kuij

Phone number: +31 88 792 4087

E-mail: katja.van.der.kuij@nl.pwc.com

Maarten Hartman

Phone number: +31 88 792 5191

E-mail: maarten.hartman@nl.pwc.com

Kees-Jan de Vries

Phone number: +31 88 792 4922

E-mail: kees-jan.de.vries@nl.pwc.com

Thank you for your attention