

SYSTRONICS

Revenue and Expense Deferrals™

White Paper



Revenue and Expense Deferrals

Amortize Transactions Over Service Contract Periods!

Prudent and accurate revenue recognition is in the heart of the accounting practice. Revenues and expenses should be matched with the delivered value, and this rule is adhered to by almost all business entities throughout the world. Although the concept is easy to grasp intuitively, it is much more difficult to implement in practice. Companies involved in service and software industries receive most of their revenue, be it a subscription plan, membership due, software license or tuition fee, as an advance for services which have not been rendered yet. Given the tremendous number of transactions and complexity of recognition schedules, these businesses see the sophistication of their accounting needs evolving beyond the capabilities of their ERP infrastructure.

Most businesses, especially those operating in countries where deferral accounting is a regulatory standard rather than a matter of choice, have to invent various workarounds to fill this gap. The solution often comes as a mix of redundant manual processing and homegrown spreadsheet models. Compiling, formatting and analyzing data in this way requires days of work and usually comes with significant cost. Despite its expensiveness, this scheme still leaves plenty of room for human error, which, if quantified, further inflates the overhead.

The other approach is to simply neglect specifics of deferral accounting and paint everything with the same brush. However, incorporating deferral reporting in the accounting policy entails several advantages, which, if not seized, represent a substantial foregone profit for the business. The most striking one is probably the distorted financial position. Not dispersing the unearned revenue throughout the service period may inject an adverse volatility in the company's financial statements, showing cyclical booms followed by periods of shrinking sales. This may not only lead to faulty managerial decisions based on incorrect data, but also alarm the investors who, as a general rule, seek stability for their funds. Public companies should be in particular concern, since their market value is strictly correlated with the issued financial data, which, if wrong, may be detrimental for the company's future.

Revenue and Expense Deferrals™ for Sage 300 is specially developed by SYSTRONICS to automate deferral accounting, allowing companies to concentrate on their core business instead of a tedious process in accounting. This comprehensive solution seamlessly integrates with all Sage 300 modules and third-party products, making the deferral processing just another component of the ERP system. Crafted by accounting experts and seasoned programmers who have the credit for developing multiple industry-wide recognized Sage 300 addons, this software will ensure compliance with regulations, including Sarbanes Oxley Act of 2002, and substantially decrease processing time and administrative expenses, rewarding the user with stellar return on investment in a very short period.

It takes Revenue and Expense Deferrals™ a short time to process myriad of general ledger transactions and identify those to be deferred. Once detected, each transaction is treated according to user specified settings, which determine recognition schedules and other essential parameters. To satisfy all types of customers, including but not limited to software vendors, airlines, universities and service providers, recognition schedules can vary from simple straight-line monthly recognitions to complex declining balance daily schedules, enhanced with partial deferment, delayed recognition, import of recognition schedules from external systems and other advanced features. Afterwards, once a revenue recognition is run, the software consults with each transaction schedule to determine amounts to recognize. The whole chain of events and complex processing is fully automated, leaving no room for human error and cutting costly manual calculations. Meanwhile, the management attains more accurate snapshot of the company's revenue dynamics and more precise financial figures to draw conclusions from.

Revenue and Expense Deferrals™ is a must have tool in the arsenal of companies that distribute revenues and expenses over the lifetime of a contract. Both affordable and easy to use, Revenue and Expense Deferrals™ smoothly integrates with your company's ERP system, making it efficient and transparent.

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