Oracle Revenue Management Cloud is a centralized, automated revenue management product that enables you to address ASC 606 and IFRS 15 accounting standard for Revenue from Contracts with Customers. The product provides a configurable framework to automate the identification and creation of customer contracts and performance obligations, their valuations and resulting accounting entries, and the ability to recognize the revenue over time or at a point in time.

Seamless and Comprehensive Business Solution

Oracle Revenue Management Cloud is an application that enables you to manage customer contracts and performance obligations easily to help you address the mandates of the new accounting guidance.

Oracle Revenue Management Cloud is part of Oracle Enterprise Resource Planning Cloud and has the capability to co-exist with any source application. The product is integrated with both Oracle Financials Cloud and with Oracle E-Business Suite. Robust integration is available with third party applications. Integrated data includes sales orders, service contracts, projects, sales invoices, and other relevant sales and fulfillment data. Data from the various source systems is processed and managed centrally in Oracle Revenue Management Cloud.

Figure 1. Oracle Revenue Management Cloud Functional Architecture Overview
**KEY FEATURES**

Oracle Revenue Management provides:

- Centralized repository with a single source of truth for ASC 606 and IFRS 15 sales cycle compliance
- Integration framework for third party source applications
- Flexible deployment in the cloud and pre-built integration with Oracle Financials Cloud
- Cloud co-existence with Oracle E-Business Suite with pre-built integration
- Automated identification and creation of customer contracts and performance obligations
- Automated valuation of customer contracts and performance obligations
- Streamlined revenue management information on contracts and performance obligations via actionable user interfaces
- Automatic calculation of Standalone Selling Price (SSP), or upload of SSP or Estimated Selling Price
- Automatic revenue allocation across performance obligations within each contract
- Support for “point in time” and “over time” revenue recognition
- Separation of revenue from billing with the ability to recognize revenue independently of billing
- A role-based work area that pushes exceptions to revenue managers and revenue analysts

**Ensure Automated, Efficient Compliance with ASC 606 and IFRS 15**

To any enterprise, revenue is such an important driver of business success, it is closely defined, and compliance with that definition is highly scrutinized. Ensuring compliance with requirements, on the timing and recognition of that revenue as well as capturing contract assets and contract liabilities at inception of customer contracts, can present challenging accounting and audit risks.

The new accounting standard provides a new core principle for recognizing revenue: “Recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services.” It also outlines five logical steps to accomplish that as shown in figure 2 below.

![Figure 2. ASC 606 and IFRS 15 – Five steps to apply the core principle](image2)

Oracle Revenue Management Cloud automates revenue processing tasks thus minimizing manual interventions, and allowing organizations to comply efficiently and consistently with the ASC 606 and IFRS 15 core principle.

**Identify the Contracts and the Separate Performance Obligations**

Oracle Revenue Management Cloud imports, processes and stores data related to the sales cycle - orders, contracts, receivable data, point of sale data, shipping, traffic and other satisfaction data, etc., from Oracle Financials Cloud, Oracle E-Business Suite, or through third party integration facilities. It stores that data in a central revenue repository. It analyses the transaction data, and uses configurable rule engines to identify and create performance obligations and accounting contracts. Contract and performance obligation identification rules can easily be configured in the system by your revenue managers or revenue analysts.

![Figure 3. Review automatically-generated Contracts and Performance Obligations](image3)
Determine the Transaction Price

Oracle Revenue Management Cloud determines the transaction price by totaling the order values of all orders included in an identified accounting contract.

Allocate the Transaction Price

ASC 606 and IFRS 15 generally require that, at contract inception, the total expected consideration is allocated to the performance obligations using the relationship of the total transaction price to the total standalone or estimated selling prices. This way, any discount or discounted goods or services are spread evenly over the performance obligations.

<table>
<thead>
<tr>
<th>Identified Transaction and its Identified Performance Obligations</th>
<th>Total Transaction Price (Per Order)</th>
<th>Total Stand-Alone (SSP) or Estimated Selling Prices (ESP)</th>
<th>Relativity of Total SSP/ESP to Total Transaction Price</th>
<th>Expected Consideration (Performance Obligation and Revenue Valuation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Obligation 1</td>
<td>40</td>
<td>45</td>
<td>87% of 45= 39</td>
<td></td>
</tr>
<tr>
<td>Performance Obligation 2</td>
<td>60</td>
<td>55</td>
<td>87% of 55= 48</td>
<td></td>
</tr>
<tr>
<td>Performance Obligation 3</td>
<td>0</td>
<td>15</td>
<td>87% of 15= 13</td>
<td></td>
</tr>
<tr>
<td>Total SSP / ESP</td>
<td>115</td>
<td></td>
<td>100/115 = 87%</td>
<td></td>
</tr>
<tr>
<td>Total Transaction Price / Consideration</td>
<td>100</td>
<td></td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The transaction in the example above is discounted by 13% (15 out 115), and that discount is applied evenly to each performance obligation.

In order to allocate the transaction price, the relevant standalone selling prices or estimated selling prices must be identified.

Oracle Revenue Management Cloud automates the calculation of standalone selling price (SSP) based on imported historical standalone transactions and user configurable rules.

Organizations can identify a different SSP based on how they price and stratify their customer data. For example, SSP can vary by region, deal size, customer type, etc. Oracle Revenue Management Cloud offers multiple dimensions to stratify and maintain these prices.

You can also easily upload SSP or estimated selling price (ESP) with spreadsheet integration using Oracle Applications Developer Framework Desktop Integrator.

Establish SSP or ESP on a quarterly, bi-annual, or annual basis and determine the effective period for these prices to be used for revenue allocation across performance obligations in accounting revenue contracts.
Recognize the Revenue when Performance Obligation is Satisfied

Oracle Revenue Management Cloud values the performance obligations and generates accounting entries for contract liabilities, contract assets, discount liabilities and eventually, revenue.

Oracle Revenue Management Cloud utilizes a powerful subledger accounting rules engine which enables you to generate accounting entries for multiple ledgers, such as primary or secondary ledgers.

It generates a true sub-ledger to Oracle Financials Cloud and to Oracle E-Business Suite, and publishes the sub-ledger data to General Ledger.

Oracle Revenue Management Cloud recognizes revenue on successful transfer and measured satisfaction of the promised goods and services to the customer, in the value of the performance obligation. Performance obligations are identified as either Point in Time or Over Time.

Business events or satisfaction events drive revenue recognition.

The separation of revenue from billing ensures that revenue recognition can be managed and processed independently of billing. The flexibility of separate revenue and billing cycles ensures that revenue recognition processes are compliant with regulations and consistent with business practices. Billing is reconciled to the performance obligation value when the invoice is issued. The difference between the billing amount and the revenue amount is handled as a deal discount on the balance sheet, either by reclaiming discount granted at inception, or by funding revenue for discount granted at the close of the transaction.

Oracle Revenue Management Cloud provides a full audit trail of the lifecycle of revenue activities offering visibility and continual monitoring of all aspects of the revenue recognition process.

Preparing for Adoption of ASC 606 and IFRS 15

Before adoption of the new standard in 2018, you need to continue to comply with ASC 605 or IAS 18 (the old rules) using your existing processes.

Oracle Revenue Management Cloud is engineered so that you can import data from your existing sales cycle and process it using your initial views of the new rules. You can use this capability to do what-if iterative studies of how you might implement the new rules such as the impact of different definitions of contracts and performance obligations, different pricing paradigms, different satisfaction criteria and so forth.

Oracle Revenue Management Cloud will apply your rules to the related data, and if you don’t like the results, you can discard or edit your rules, and do it again. The imported data remains available for the next iteration.

Oracle recommends that you compare the results of each iteration to each other, and to your current accounting in an Enterprise Performance Tool (EPM) tool, such as Oracle’s Essbase standalone dimensional database, Oracle Planning and Budgeting Cloud or Oracle Hyperion Planning. Each iteration could be managed as a scenario.

To help you easily tabulate the results for comparison and analysis, Oracle ensures that default accounting will not corrupt your old rules accounting in your general ledger but will instead post to a secondary ledger from which you can extract data to populate into
your EPM tool.

While you are modeling your compliance and preparing for adoption, reverse the entries in the secondary ledger, so that they don’t aggregate after you’ve updated data in the EPM tool. That way, the next iteration in the secondary ledger will be clean. Once you have completed the modeling stage, you can use that secondary ledger normally. When the adoption date comes, the new accounting rules, as proven, can be directed to your primary ledger for on-going use.

Increase Productivity and Efficiency

Once you have verified your revenue management configuration you can focus your efforts only on customer contracts of significance, and contracts with exceptions.

Oracle Revenue Management Cloud provides a centralized work area that provides a holistic view of all revenue contracts that require attention and user action from a central location. You are notified about the status of customer contracts without having to navigate to multiple pages.

![Centralized work area highlighting contracts that require your attention](image)

The centralized work area contains three tabs:

- The Pending Review tab lists customer contracts with total transaction price over a certain threshold amount (significant value contracts).
- The Pending Allocation tab lists customer contracts where no SSP or ESP has been established so the transaction price can’t be allocated across performance obligations.
- The Pending Revenue Recognition tab lists customer contracts awaiting the appropriate data to recognize the revenue.

You can review these pending contracts and take direct action to ensure the relevant contracts are updated with required information to ensure the contracts are released from hold and processed by the system.

By pushing actionable information to you, it eliminates the need to run multiple queries or search for data; you will know exactly what to do the moment you log on.

Additionally, productivity tools such as extensive spreadsheet integration, and embedded collaboration tools ensure increased efficiency within the revenue department.
Oracle Applications Cloud

Oracle Revenue Management is part of Oracle Applications Cloud, which are completely open, standards-based enterprise applications that can function in the cloud via a web browser. Customers are adopting cloud computing in many different ways. Oracle's strategy is to offer customer choice and flexibility with the broadest, most complete portfolio of cloud services and products that enable the cloud. The applications and databases deployed in the Oracle Cloud are portable and can be easily moved to/from a private cloud or on-premise environment. Designed as a complete suite of applications, Oracle Applications Cloud help you improve performance, lower IT costs, and get better results. Whether you choose one module, a product family, or the entire suite, Oracle enables you to gain the benefits of Oracle Fusion Applications at a pace that matches your business needs.

CONTACT US
For more information about Oracle Revenue Management Cloud, visit oracle.com or call +1.800.ORACLE1 to speak to an Oracle representative.