Netsuite Revenue and "ARM"

Rocky Mountain Netsuite User Group

March 19, 2025
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RMNSuG
ROCKY MOUNTAIN NETSUITE USER GROUP

CPE Credit Goals

By the end of this course, participants will be able to …

1. Define concepts "Revenue", "Deferred Revenue" and "Unbilled Receivables" from an Accounting and Netsuite System perspective.
2. Define common Revenue Recognition "scenarios"
3. Overview of Netsuite Revenue Recognition options WITHOUT the use of ARM.
4. Discuss concepts of Revenue Recognition "Triggers" and "Schedules"
5. Discuss ARM Records: "Arrangements", "Elements", "Plans" and "Journals"
6. Overview of Netsuite's "flow of records and events" when using ARM.

Topics Discussed

- Revenue Core Concepts
  - Example Revenue Examples
  - Amounts, Triggers and Schedules
  - GL Activities
- Simple RevRec - Using Amortization Journals
- Advanced Revenue Management (ARM)
  - What is ARM?
  - Why use ARM?
  - How does ARM work?
  - ARM Business Processes
  - ARM Caveats

Core Concepts: What is Revenue?

Amount the seller states in the Income Statement as "Income", once the seller has delivered, and the buyer has provided a commitment to pay.

- Always Found on Income Statement
- Also-called "Revenue", "Income" or (technically incorrectly) "Profit"

Core Concepts: Example Revenue Scenarios

ACCOUNT	AMOUNT (DEBIT)	AMOUNT (CREDIT)	POSTING	MEMO
Accounts Receivable	$25.00		Yes	
Membership Sales - Individual		$25.00	Yes	Annual Individual Membership Dues Rocky Mountain NetSuite User Group

Invoice GL Impact

- **Simple Scenarios**
  - Cash and Carry
  - Fulfill and Bill
  - Monthly Subscription, Billed Monthly.
  - Professional Services Time and Materials
- **More Complex Scenarios**
  - Quarterly/Annual Billing where Revenue should be "Monthly"
  - Professional Services "Percent Complete" Recognition, regardless of Billing.

Core Concepts: G/L Activities

- Revenue Moves from Balance Sheet, to Income Statement
- Line Level, Exclude Taxes
- "Income"
  - Income Statement
  - Any account where "Type = Income"
- "Deferred Revenue"

  - Balance Sheet, Liability

  - Any Account where "Type = Deferred Revenue"
- "Unbilled Receivables"
  - Balance Sheet, Asset
  - Any Account where "Type = Unbilled Receivables"

Core Concepts: Billing vs Revenue Recognition

Key concepts related to Billing and RevRec.

- Billing and Revenue Schedules can be completely different!
- At end of obligation, Billing and Revenue should match. "DR" is key.
- Billing can serve as a Revenue "Trigger" (Doesn't need to, though)

Core Concepts: Amounts, Triggers and Schedules

These basic concepts are used throughout Revenue Recognition, in both "simple" cases, as well as complex.

- Total Amount to Recognize

- Events which Triggers Recognition to Start
- Recognition Schedule

Simple Revrec: Using Amortization JEs

METHOD
Straight-line, by even periods

START OFFSET
0

ACCOUNT	POSTING PERIOD	IS RECOGNIZED	DATE EXECUTED	JOURNAL	AMOUNT
412110 Revenue : Recurring : Subscription : Subscription	May 2018		5/31/2018	18550	-20.75
412110 Revenue : Recurring : Subscription : Subscription	Jun 2018		6/30/2018	18899	-20.75
412110 Revenue : Recurring : Subscription : Subscription	Jul 2018		7/31/2018	19796	-20.75
412110 Revenue : Recurring : Subscription : Subscription	Aug 2018		8/17/2018	20642	-20.75
412110 Revenue : Recurring : Subscription : Subscription	Sep 2018		9/30/2018	21750	-20.75
412110 Revenue : Recurring : Subscription : Subscription	Oct 2018		10/31/2018	22507	-20.75
412110 Revenue : Recurring : Subscription : Subscription	Nov 2018		11/30/2018	23363	-20.75
412110 Revenue : Recurring : Subscription : Subscription	Dec 2018		12/31/2018	25380	-20.75

Monthly Subscription, Paid Annually

- "Amortization Guide" - User Guide
- Page: Amortization Schedules
- Page: Amortization Templates
- Page: Create Amortization Journals

Amortization JE - Thoughts

- Not really ideal for "sale" revenue.
- Great for importing external waterfalls.
- "Triggering" revenue is manual; (Creation of this journal)
- Amort journals do not "look right" in the UI. (Net $0 GL impact)

Advanced Revenue Management (ARM) - Intro

Netsuite's solution for recognizing revenue in more advanced cases.

- Obtaining ARM
- Why ARM?
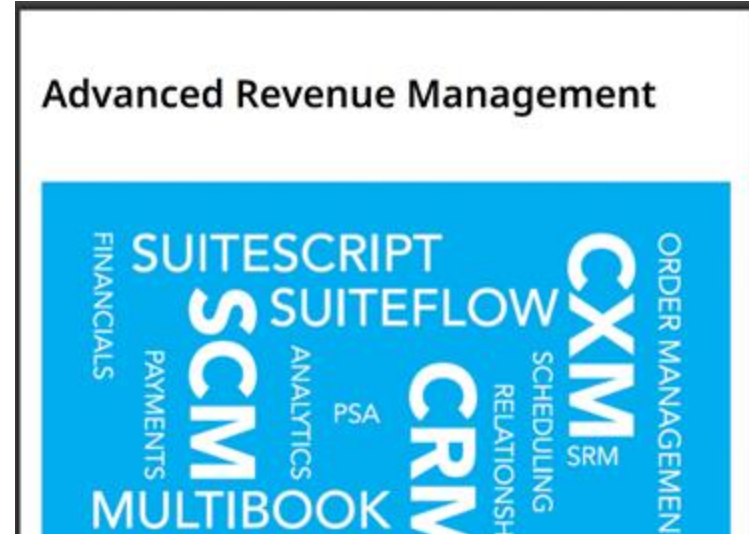- How does ARM Work?
- Business Process Impact
- Considerations and Caveats
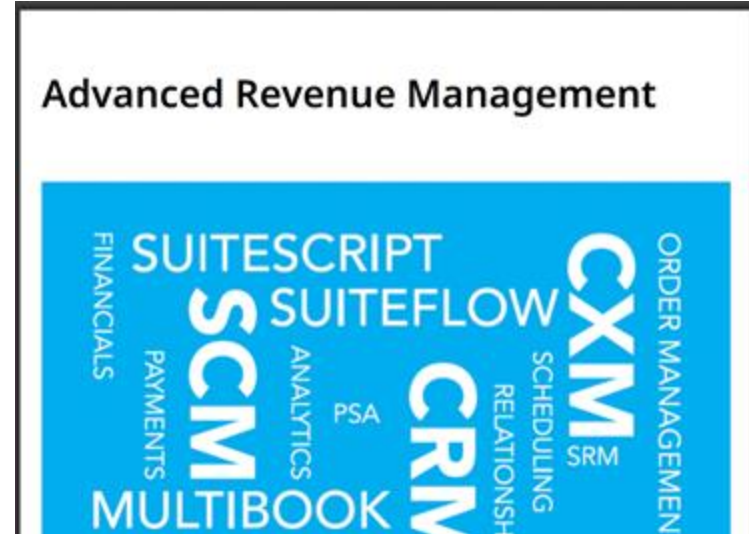
Why ARM? - Summary
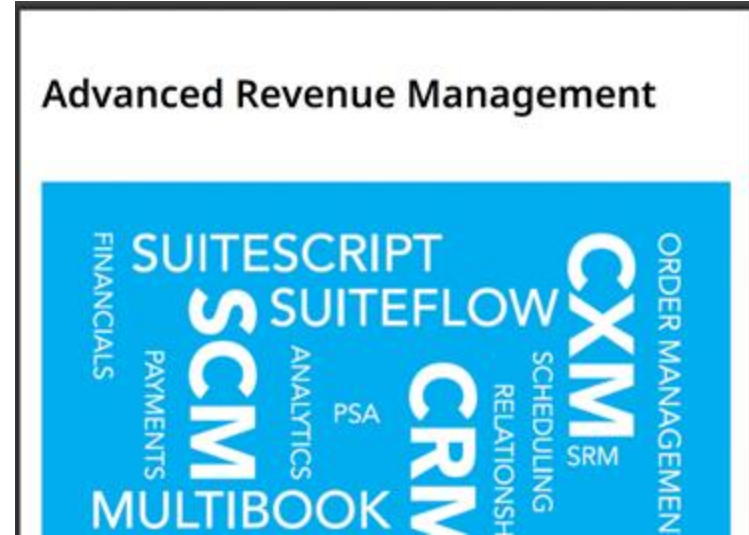
Why consider Netsuite's ARM Module?

- Complex Scenarios
- Reports Created
- Automation and Audit
- Forecasting
- Integrates well with other Netsuite "advanced" bundles
- Scalable

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Why ARM? - Complex Scenarios

Many complex scenarios can be handled.

- You fall under ASC606 Accounting Rules
- You want Independent billing and revenue schedules.
- You need to start recognition on some event other than just "billing" or "now."
- You need Automation in your Revenue schedules

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FINANCIALS SUITESCRIPT SUITEFLOW CXM ORDER MANAGEMENT
PAYMENTS SCM ANALYTICS PSA CRM SCHEDULING RELATIONSHIP SRM
MULTIBOOK

Why ARM? - Reports Created

Some interesting reports which
come out of ARM.
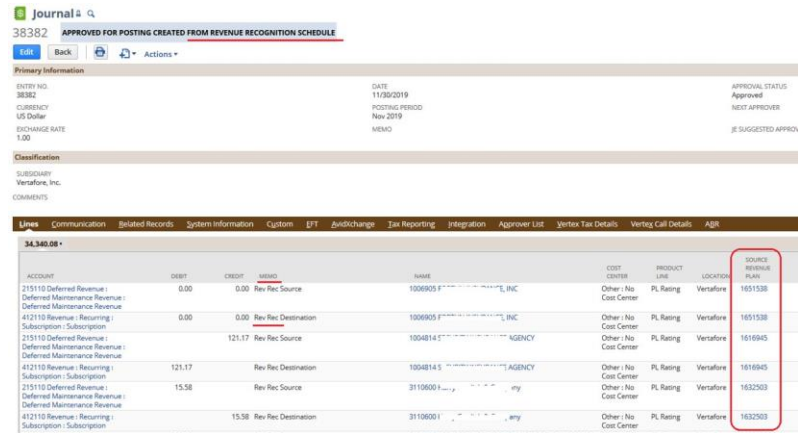
- (Deferred) Revenue by
  Customer
- (Deferred) Revenue by Item
- Waterfall and Rollforward
  Reports
- Revenue Forecast Reporting

Why ARM? - Automation and Audit

How ARM can help with Audits.

- Minimize manual journals.
- "System Driven" revenue recognition rules.
- Revenue, A/R, PS and Fulfillment roles can work independently.

Why ARM? - Forecasting

ARM Supports "Forecasting"

- Supports different "Forecast" rules from "Actual" rules.
- Different "types" of forecasting (Actuals runouts vs ARM "Forecasts.")
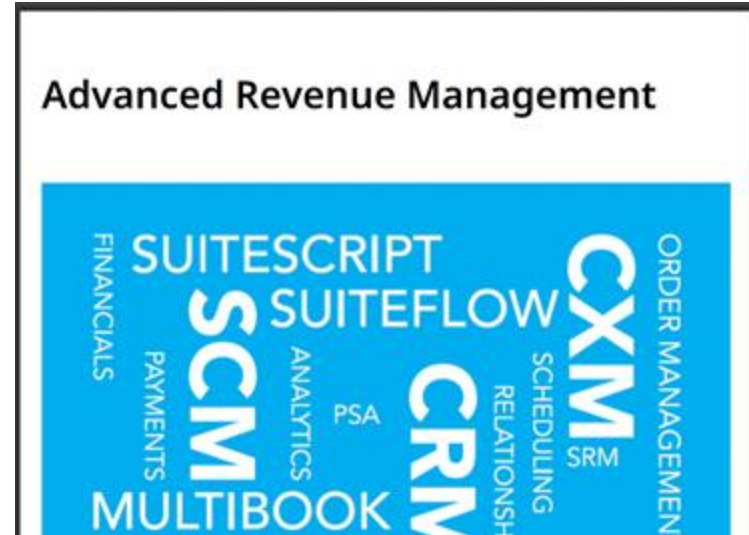
Coffee Break!

How does ARM Work? - Summary

How does ARM "Work"?
A Deep Dive.

- Global Setup
- Netsuite Item Records

    - Netsuite GL Accounts

    - "Create Revenue Plans On",
      RevRec Rules

    - Source Txns, Field Mappings
- Arrangements, Elements,
  Plans
- Revenue Journals

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How ARM? - Global Setup

Various "Global" Settings related to ARM.

- Pro Assistance Advised
- Page: Accounting Preferences
- Default DR Reclass Account
- ARM Journal Defaults
- Default Rules
- ARM Scheduled Run Frequency
- Closed Sales Order Behavior
- Cost Amortization Setup

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REVENUE ARRANGEMENT UPDATE FREQUENCY
Automatic

REVENUE PLAN UPDATE FREQUENCY
Automatic

☐ DISABLE CREATION OF FORECAST PLANS

☑ ALLOW GAPS IN REVENUE RECOGNITION RECORD NUMBERS

DEFAULT REVENUE ARRANGEMENT FORM
Standard Revenue Arrangement

DEFAULT REVENUE RECOGNITION JOURNAL ENTRY FORM
Standard Journal Entry

DEFAULT RECLASSIFICATION JOURNAL ENTRY FORM
Standard Journal Entry

DEFAULT DEFERRED COST JOURNAL ENTRY FORM
Standard Journal Entry

DEFAULT STANDARD REVENUE RECOGNITION RULE
Straight-Line : prorate first & last period

DEFAULT CATCH UP PERIOD
Current Period

DEFAULT REFORECAST METHOD

☑ ENABLE FAIR VALUE RANGE CHECKING

☑ USE SALES PRICE AS FAIR VALUE

☑ USE TRANSACTION DATE AS REVENUE ARRANGEMENT DATE

How ARM? - Netsuite Item Record Setup

How ARM "ties to" Item Records.

- Revenue Recognition Rule
- Create Revenue Plans on
- GL Accounts: Income, DR, FX Adjustment
- "Hold Revenue" Checkbox
- "Direct Revenue Posting" Checkbox.
- ASC606 Fields

How ARM? - Netsuite GL Account Setup

Creating GL Accounts for ARM activities.

- Account Type Matters!!
- Deferred Revenue
- Income
- Unbilled Receivables

Account

Save ▼ Cancel

NUMBER *

NAME *

SUBACCOUNT OF

<Type then tab>

TYPE *

Bank

Expense

Other Income

Other Expense

Deferred Revenue

Deferred Expense

Unbilled Receivable

Statistical

How ARM? - "Create Revenue Plans On"

What "Triggers" Revenue?

- NOT a custom list.
- Choose Wisely / Item Record Planning

CREATE REVENUE PLANS ON

Revenue Arrangement Creation ▼

Billing

Fulfillment

Revenue Arrangement Creation

How ARM? - Revenue Recognition Rules

Records which define "schedule rules" for Revenue Recognition.

- Page: Revenue Recognition Rules
- Schedule: Start, Stop, Offset, Frequency
- How to handle EndDate Changes
- You can create Custom Rules.

How ARM? - "Source" Records

Netsuite Transactions which ultimately "drive" Revenue..

- Transaction Records (See User Guide)
- Project Records
- Subscription Records
- Custom Records

Revenue Arrangement Management

A revenue arrangement is a non-posting transaction that records the details of a sale for purposes of revenue allocation and recognition. The revenue arrangement is initially created 3 hours after the source document if the Revenue Arrangement Update Frequency preference is set to Automatic. See Setting Advanced Revenue Management (Essentials) Preferences.

NetSuite creates revenue arrangements for the following types of transactions. If the transaction is subject to approval, the revenue arrangement is created only after the transaction is approved.

- Sales orders
- Invoices not created from sales orders
- Cash sales
- Cash refunds
- Return authorizations
- Credit memos

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ORACLE NETSUITE

Revenue Arrangement Management | 69

When you add new line items to the following transaction workflows, new revenue arrangements are created only for those added line items:

- Invoices created from sales orders
- Cash sales created from sales orders
- Credit memos created from return authorizations
- Cash refunds created from return authorizations

How ARM? - Transaction Field Mapping Setup

Where, on your Transactions, does ARM get its data?

- Page: Revenue Recognition Mapping
- Line: Start Date / End Date
- Line: Amount
- Custom fields allowable
- Item: Create Revenue Plans On
- Item: Recognition Schedule

Revenue Recognition Field Mapping

| Save | Cancel | Reset |

Revenue Recognition Field Mapping *

SOURCE RECORD TYPE *	SOURCE FIELD *	TARGET FIELD *
Transaction Line	VF Rev. Rec. Start Date	Start Date
Transaction Line	VF Rev. Rec. End Date	End Date
Transaction Line	VF Rev. Rec. Start Date	Forecast Start Date
Transaction Line	VF Rev. Rec. End Date	Forecast End Date
Transaction Line	Salesforce Bundle ID	Salesforce Bundle ID
Transaction Line	Salesforce Bundle Name	Salesforce Bundle Name
Transaction Line	SFDC Asset ID	SFDC Asset ID
Transaction Line	Salesforce Line Id	Salesforce Line ID (Rev Element)

| ✔ Add | ✗ Cancel | + Insert | 🗑 Remove |

How ARM? - Revenue Arrangements

"Revenue-Centric View" of your "Source" Transaction.

- Non-Posting "Transaction"
- Parent Record: Standalone (Sort-of)
  - Typically, "One Arrangement per Transaction" ; "Merging" possible.
- Each Line maps to a "Revenue Element"
- ASC606 Allocation Notes

How ARM? - Revenue Elements

Think of this as a "Revenue-centric" view of every transaction line.

- Non-Posting
- Cannot be modified.
- Parent Record: RevArrangement (Sort-of)
- One Revenue Element for each line on source transaction.
- Searched via "Revenue Element"
- Custom Fields allowed.

How ARM? - Revenue Plans
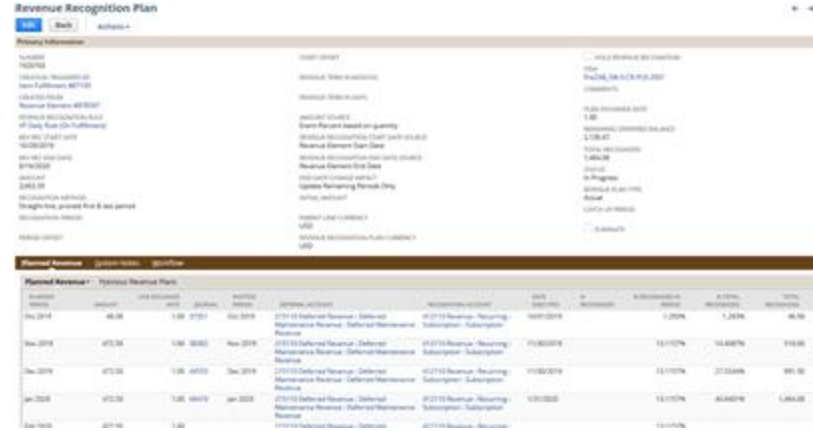
A gateway record to store "Planned Revenue".

- Non-Posting
- Parent Record: Revenue Element
- "Actual" and "Forecast" Revenue Plans.
- "Planned Revenue" vs "Revenue Plans"
- Minimal editing possible.
  - "On Hold" Checkbox
- Searched via "Revenue Recognition Plans"

How ARM? - Revenue Plan Planned Revenue

Schedule of past and future revenue to recognize for this RevPlan / RevElement.

- Not really an accessible "record" in Netsuite
- "Planned Period" vs "Posting Period"
- Past actuals tie to Journal records.

How ARM? - Revenue Journals

Minimal differences from regular Journals except, ARM creates these.

- GL Posting!
- Page: Create Revenue Journals
- Associated with "Revenue Plan" records.
- Note! User Guide Topic "Editing an Advanced Revenue Recognition Journal Entry"

ARM Business Processes

What new Business Processes are introduced with ARM?

- Create Revenue Arrangements
- Create Revenue Plans
- Create Revenue Journals
- Create Reclass Journals
- Period Close Process

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SUITESCRIPT SUITEFLOW CXM
FINANCIALS SCM CRM ORDER MANAGEMENT
PAYMENTS ANALYTICS PSA SCHEDULING RELATIONSH SRM
MULTIBOOK
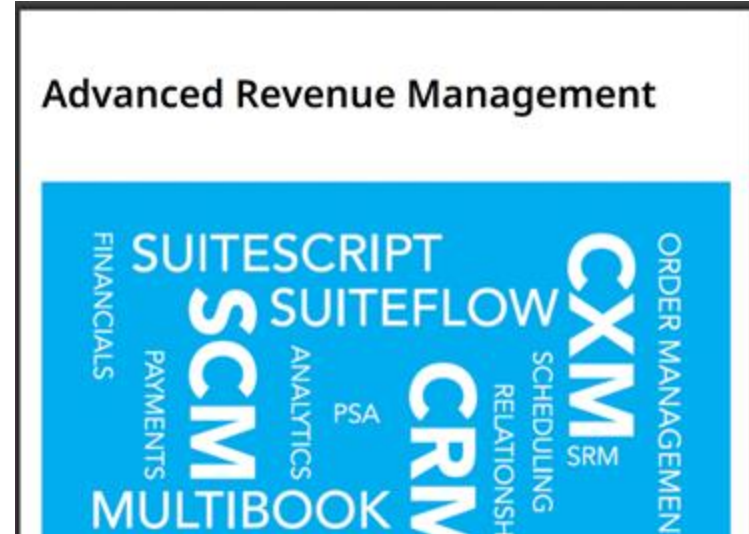
ARM Process - Update Revenue Arrangements

Netsuite Process used to create and Update Revenue Arrangement Transactions

- Page: Update Revenue Arrangements

- Updates AND Creates Revenue Arrangements

- Updates AND Creates Revenue Elements
- Note: This can be scheduled in global setup.

ARM Process - Update Revenue Plans

Netsuite Process used to create and
Update Revenue "Plan" Records

- Page: Update Revenue Arrangements

- Creates and Updates Revenue Plans
  and "Planned Revenue"

- Must run AFTER "Update Revenue
  Arrangements"

ARM Process - Create Revenue Journals

Netsuite Process used to create Journal Entries which are directly related to Planned Revenue

- Page: Create Revenue Journal

- Run this AFTER "Update Revenue Plans"

ARM Process - Create Reclass Journals

Moves balances between DR (liability) and Unbilled (asset) depending on recent revrec and billing activities.

- Page: Create Reclass Journal Entries
- Run this AFTER "Create Revenue Journal"
- Time Saver for managing "Unbilled Receivables" balances.

Create Reclassification Journal Entries

Create Journal Entries

POSTING PERIOD
Feb 2025

JOURNAL ENTRY DATE
2/28/2025

SUBSIDIARY *
Parent Company

TRANSACTION TYPE
- All -

- All -
Return Authorization
Revenue Arrangement
Sales Order

ARM Process - Period Close

You will see the above new steps when you close any period.

- All steps from above in concise steps.
- Create Revenue Arrangements
- Create Revenue Plans
- Create Revenue Journals
- Reclass Revenue Journals

Period Close Checklist: Feb 2025

PERIOD NAME
Feb 2025

STATUS
Open

Notes

| GO TO TASK	TASK
→	Lock A/R
→	Lock A/P
→	Lock All
🔒	Create Intercompany Adjustments
🔒	Revalue Open Foreign Currency Balances
🔒	Recognize Revenue
🔒	Reclassify Revenue
🔒	Calculate Consolidated Exchange Rates
🔒	Eliminate Intercompany Transactions
🔒	Close

Closing Thoughts: Considerations and Caveats

Considerations:

- Have a Solid Billing Process
- Planning your Item Records around ARM.
- ARR Reporting vs ASC606 Reporting
- Running (most) ARM Processes BEFORE Month-End

Caveats:

- "ARM Errors" are particularly cryptic.
- ARM Journals are not super helpful in searches.
- "Revenue Plan Planned Revenue" is not easily accessible.

Advanced Revenue Management
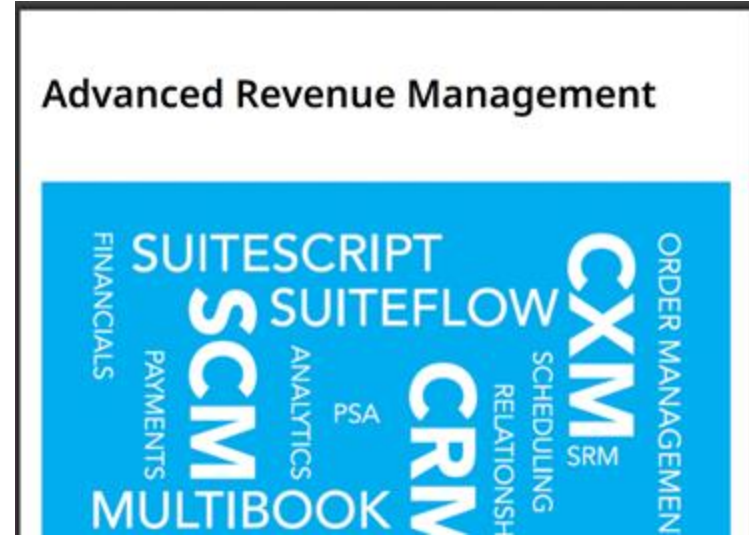
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