




Accounting for Bundled Transactions

Binary Stream's **Advanced Revenue & Expense Deferrals** can help providers of bundled products and services to properly account for these transactions and stay in compliance with recent EITF 08-1 regulatory changes. By automatically running the required calculations, you can save time, reduce frustration and ensure you are complying with ease.

What Exactly Does the EITF 08-1 Regulation Mean for Bundled Transactions?




On a Regular Priced Computer Hardware Invoice:

Each item is accounted for according to its line item – with \$700 being added to Computer sales, \$300 added to Monitor sales, \$100 added against Keyboard/Mouse sales and so forth.

	Computer	\$700
	Monitor	\$300
	Keyboard/Mouse	\$100
	<u>Service Contract (1 year)</u>	<u>\$100</u>
<u>Total</u>		<u>\$1200</u>





The Bundled Computer Hardware Deal Invoice:

When promotions based on bundles occur there are a couple of different ways these bundles are shown on invoices. Below are two commonly used methods to apply the “bundle” discount to the deal.

	Computer	\$1000
	Monitor	\$0
	Keyboard/Mouse	\$0
	<u>Service Contract (1 year)</u>	<u>\$0</u>
<u>Total</u>		<u>\$1000</u>

	Computer	\$700
	Monitor	\$300
	Keyboard/Mouse	\$100
	<u>Service Contract (1 year)</u>	<u>\$100</u>
	<u>Discount</u>	<u>(\$200)</u>
<u>Total</u>		<u>\$1000</u>

Simple as this may all seem, the accounting behind the scenes is not. Because of regulations like EITF 08-1's VSOE (Vendor Specific Objective Evidence) or TPE (Third Party Evidence) requirements the accounting must include the discount on **every single item sold**. Creating a breakdown like this:

	Computer	$\$1000 \times [\$700 \div \$1200] = \mathbf{\$583.34}$
	Monitor	$\$1000 \times [\$300 \div \$1200] = \mathbf{\$250.00}$
	Keyboard/Mouse	$\$1000 \times [\$100 \div \$1200] = \mathbf{\$ 83.33}$
	Service Contract(1 year)	$\$1000 \times [\$100 \div \$1200] = \mathbf{\$ 83.33}$
Total		<u>\$1000</u>



Accounting for the Service Contract Deferral

In addition to the accounting required for bundles of goods and services, this example also includes a service contract that must be deferred throughout the year in which it applies. In the straight forward non-bundled example the math would look like this:

$$\$100 \div 12 = \mathbf{\$8.33/month}$$

However, since the recognized cost of the bundled service contract is \$83.33 this is the amount that is required to be deferred over the length of the service contract, in this case one year.

$$\$83.33 \div 12 = \mathbf{\$6.94/month}$$

Two keys ways Binary Stream's **Advanced Revenue & Expense Deferrals** helps Microsoft Dynamics GP users meet regulatory requirements for bundled goods and services is by providing:

- 1. Automatic calculations to determine the correct recognition amount**
- 2. Streamlined deferral schedule creation using the correct recognition amount and deferral templates**

For more information on how **Advanced Revenue & Expense Deferrals** can help you, visit the website at www.binarystream.com/Revenue_Expense_Deferrals.asp or contact us at info@binarystream.com.

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