

CARBON BLACK ADOPTS ASC 606 WITH NETSUITE ADVANCED REVENUE MANAGEMENT

Overview

Carbon Black is an innovative security solutions company offering next-generation antivirus products. Headquartered in Waltham, Massachusetts, the company provides comprehensive solutions to more than 3,700 diverse organizations, including more than 30 of the Fortune 100. Carbon Black provides products that predict and prevent vulnerabilities that lie within systems to further the company's founding vision: to create a world safe from cyberattacks.

Background

As a company that was experiencing significant organic growth, and growth through acquisitions, Carbon Black sought to optimize its internal processes from an operations, accounting and finance perspective. The company implemented NetSuite, but realized it needed more local subject matter and industry knowledge.

Project

Carbon Black's director of revenue reporting chose to undergo a *Rapid Assessment*[®] with RSM, based on a successful assessment at his previous organization. The *Rapid Assessment* provided an analysis of the company's business processes and applications, generating a number of recommendations to enhance productivity and efficiency.

"I used the *Rapid Assessment* at my last company, so I knew the value it had as a report and summary of our organization," said Derek DeStefano, Carbon Black director of revenue. "It provided visibility into where we stood with our systems and processes, as well as any potential breakdowns and process improvements that we needed to make and more importantly, prioritize."

A key focus of the *Rapid Assessment* was the company's revenue reporting processes, with significant manual intervention and offline Excel work. The legacy NetSuite revenue recognition module did not have the features to fully automate the company's revenue cycle, but it could become automated with NetSuite's Advanced Revenue Management (ARM) solution. In addition, the ARM module would help Carbon Black prepare for the transition to the new ASC 606 revenue recognition standard.

"RSM helped us understand that we were not leveraging NetSuite the best way at the time for reallocating revenue elements," said DeStefano. "We decided to get ARM up and running, and then work through the ASC 606 implementation."

The RSM team evaluated Carbon Black's different revenue scenarios, mapping out its existing ASC 605 revenue processes with an eye toward what the impact would be for ASC 606. A plan was developed to automate Carbon Black's offline data within the ARM module to create revenue arrangements and plans to automate revenue recognition each month.

RSM made sure that all new transactions were processed in the new system, and helped Carbon Black understand how to run both the old revenue schedules and the new ARM system so that it was all within NetSuite and out of manual spreadsheets. The RSM team then helped streamline Carbon Black's reporting, developing revenue waterfalls and a better understanding of what's on their balance sheets with regard to deferred revenue and unbilled revenue.

"We had a pretty aggressive schedule, and RSM was great with keeping us on schedule and making sure we were held accountable," said DeStefano. "They were fantastic in helping us configure the system the right way, as well as transferring the knowledge they have acquired over time to help us understand the solution. I am very happy with the implementation."

In addition to the NetSuite ARM implementation, RSM provided advisory support to help Carbon Black develop and reinforce a revenue approach for ASC 606 to present to its external auditors. As an antivirus company, Carbon Black sought to determine whether its software licenses should be combined with the services provided to deliver key content and as a result recognized ratably over time, rather than when the software itself was delivered.

RSM assisted in navigating different ways to approach their accounting, and supplementing documentation so the company had a strong position to take to its external auditors. The RSM team helped Carbon Black fortify its case, asking potential questions that may come from its external auditor, so they were prepared and would address all concerns during the external audit review. The approval was a key hurdle prior to ARM configuration because it had a significant impact on the final design.

"Ultimately, what it came down to was making sure that we had enough muscle in our position paper, and enough technical accounting information and references that would allow our external auditors to be comfortable in our position," said DeStefano. "RSM's assistance was critical in putting that information together."

After establishing the ASC 606 impact and what the ARM configuration needed to be, RSM began converting Carbon Black's primary book so all revenue arrangements and contracts coming into the system would be under the new ASC 606 rule set. Carbon Black chose the full retrospective approach under ASC 606, and with the prior implementation of the ARM module,

the company has a year and a half of contracts in production on ARM, making up most of the full retrospective recast.

Through a collaboration effort and creative thinking, RSM refreshed Carbon Black's production environment into a Sandbox environment, and enabled NetSuite Multi-Book functionality to perform recast transactions between ASC 605 and ASC 606. The team is using the ARM tool to perform these transactions, rather than offline or by other means. Adding the Multi-Book module, creating a new ASC 606 book in Sandbox and using the Historical Transaction Processing tool in NetSuite has allowed Carbon Black to see the difference in what was booked under ASC 605 and how it differs in ASC 606.

"The Multi-Book tool is new functionality for us, but RSM really understood the tool and showed us how to use it so that if we wanted to use it ourselves, we can. And in fact, we have," commented DeStefano. "RSM has really helped us in being able to work through that transition."

Outcomes

By leveraging the NetSuite ARM module, RSM has helped Carbon Black automate revenue recognition processes and effectively prepare for new ASC 606 guidance. In addition, the RSM team provided targeted support to Carbon Black to help bolster its revenue recognition position with its external auditors. Through comprehensive advice and NetSuite solutions, RSM has helped the organization reduce the complexity of converting to their new standard.

Key benefits of RSM's relationship with Carbon Black include:

- Performing a *Rapid Assessment* to understand key process improvement opportunities
- Migrating to the ARM module for comprehensive revenue management
- Automating revenue processes to eliminate manual intervention
- Building a strong case to support Carbon Black's revenue model to external auditors
- Capturing new transactions in ARM and recasting prior transactions to meet full retrospective demands under ASC 606

"RSM was really instrumental in helping us navigate through this very complicated change that we needed to put in place. We could not have done it without RSM's guidance and their oversight during the process."

Derek DeStefano, Director of Revenue, Carbon Black

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