

# WELCOME TO AC'SENSE 2010

## SaaS REVENUE RECOGNITION

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# SaaS REVENUE RECOGNITION

June 2010



## REMINDERS

In order to receive participation credit, you must:

- Be **appropriately registered for Webcast #15476** within the **BDO Online CPE Network**
- Be logged in for the **entire** webcast
- Be responsive to **all** polling/review questions

## Q&A FEATURE

- Technical questions may be submitted via the **Q&A Feature** on your screen. Time permitting, presenters will respond to these at the end of the session.
- Please submit as much information as possible (e.g., slide number reference, presenter, etc.).
- Submit Technological Support Issues to **LiveChat** under the "Support" tab.

## SESSION OVERVIEW

- INDUSTRY TRENDS
- SaaS VERSUS LICENSING MODEL
- BASIC SaaS ACCOUNTING
- IMPACT OF NEW REVENUE RULES ON SaaS
- STAND-ALONE VALUE
- ALLOCATING CONSIDERATION
- ACCOUNTING FOR COSTS

## TRENDS

### Growth of SaaS model

- World-class platform-as-a-service (PaaS) cloud computing resources
- Service offerings can now be released to the market very quickly with minimal infrastructure investment and capital outlay
- Ongoing shift in perception regarding security
- Scalable solutions = quick implementation without large up-front costs
- Lower total cost of ownership due to reduced ongoing costs for system maintenance

### Software licensing companies increasingly adopting SaaS model

#### Accounting standards

- Becoming more flexible / aligned with business objectives

#### Accounting restatements - increasing for SaaS companies?

- Taleo - 2009
- athenahealth - 2010

## SOFTWARE REVENUE MODELS

Three common software revenue models:

<b>Licensing</b>		<b>SaaS</b>
<b>Upfront Recognition</b>	<b>Subscription / Ratable</b>	<b>Service Delivery Subscription / Ratable</b>
<b>ASC 985-605 (SOP 97-2)</b>	<b>ASC 985-605 (SOP 97-2)</b>	<b>ASC 605-25 ASC 605-10-599 (EITFs 00-21/ 08-1) (SAB 104)</b>
	<b>e.g. Microsoft</b>	<b>e.g. Salesforce.com</b>

4<sup>th</sup> model - 100% deferral...

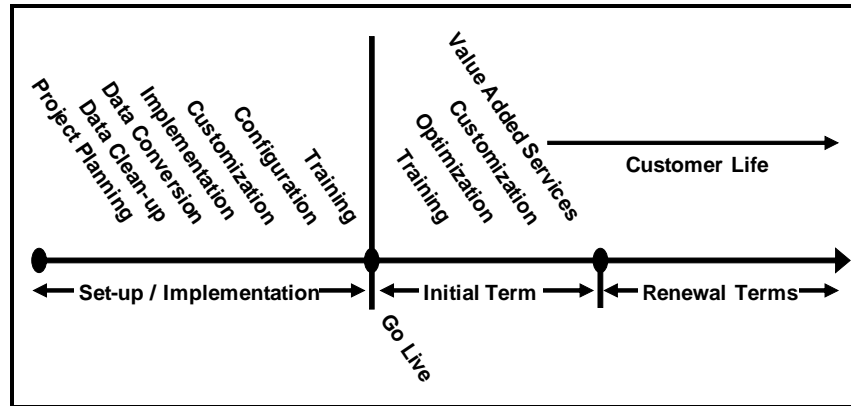
5<sup>th</sup> model - combined licensing and SaaS ([ASC 985-605-55-121to125](#))

## POLLING QUESTION

Select the best description of your company:

- A. We only sell using a SaaS model
- B. We only sell using a licensing model
- C. We sell using both licensing and SaaS models
- D. We follow the 100% deferral model
- E. None of the above or don't know

## SaaS CUSTOMER LIFECYCLE



## SaaS IS DIFFERENT!!!

Most companies 1<sup>st</sup> deliver a product, and then provide services related to that product such as installation and training, etc.

- Delivery of other services typically comes after delivery of the product
- For example, a software licensing company 1<sup>st</sup> delivers the software license, and then performs installation and other services.

With a SaaS model - installation and other services are typically provided before or during the customer's receipt of the SaaS service.

**This fundamentally changes the way the revenue accounting rules are applied to SaaS companies!!!**

## WHEN TO RECOGNIZE REVENUE?

- Hosted services - Generally recognize evenly over the contract term based on number of days elapsed compared to total days
  - Daily method should generally be used
- Set-up & implementation - Recognize evenly over the longer of the contract term or period the customer is expected to benefit from the fee
  - Could be many years...
- Other services - Either recognize:
  - When performed
  - Over contract term
  - Over period of expected customer benefit

## REVIEW QUESTION

True or false: SaaS Company sells a one-year subscription to its hosted service for an up-front payment of \$20,000 on December 15, 2010. The customer can immediately start using the service. The \$20,000 can be recognized as revenue in the month of December?

- A. True
- B. False

## MULTIPLE DELIVERABLES - LEGACY LITERATURE

Two primary criteria to separate multiple deliverables:

	Licensing / ASC 985-605	SaaS / ASC 605-25
1.	<p><u>VSOE</u> of FV exists for all <b>undelivered</b> elements</p> <p>VSOE = vendor specific objective evidence</p> <p>Residual value method allowed</p>	<p><u>ORE</u> of FV exists for all <b>undelivered</b> elements</p> <p>ORE = objective and reliable (VSOE or third party) evidence</p> <p>Residual value method allowed</p>
2.	<p><b>Undelivered</b> elements are not <u>essential to functionality of delivered</u> elements</p>	<p><b>Delivered</b> elements have <u>stand-alone value</u></p>

Plus other criteria...



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## MULTIPLE DELIVERABLES - NEW LITERATURE

Two primary criteria to separate multiple deliverables:

	Licensing / ASC 985-605	SaaS / ASC 605-25
1.	<p><u>VSOE</u> of FV exists for all <b>undelivered</b> elements</p> <p>VSOE = vendor specific objective evidence</p> <p>Residual value method allowed</p>	<p><del><u>ORE</u> of FV exists for all <b>undelivered</b> elements</del></p> <p><del>ORE = objective and reliable (VSOE or third party) evidence</del></p> <p><del>Residual value method allowed</del></p>
2.	<p><b>Undelivered</b> elements are not <u>essential to functionality of delivered</u> elements</p>	<p><b>Delivered</b> elements have <u>stand-alone value</u></p>

Plus other criteria...



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## ASU 2009-13 - "REVENUE ARRANGEMENTS WITH MULTIPLE DELIVERABLES"

- Issued in October 2009
- Replaces ASC 605-25 (EITF 00-21)
- Eliminates requirement to establish VSOE / ORE of FV!!!  
**Major change !!!**
- Still requires use of VSOE or 3<sup>rd</sup> party evidence if available
- Otherwise use management's estimated selling price (ESP)
- Eliminates the residual method
  - Allocate based on estimated selling prices of all deliverables
- No change to the "stand-alone value" criteria
- Does not change SOP 97-2 (ASC 985-605) or apply to software transactions (unless hardware is involved)
- Required to be adopted for years beginning on or after June 15, 2010
  - Can be adopted earlier

## ASU 2009-13 - SEPARATING DELIVERABLES

Requires separation when the following criteria have been met:

- Delivered items have stand-alone value to the customer.
  - Sold separately by any vendor
  - Customer could resell on stand-alone basis
- ~~Objective and reliable evidence of fair value (eliminated)~~
- If there is a general right of return, delivery of undelivered item is probable and substantially in control of vendor

If any deliverables do not qualify for separation, then those deliverables should be treated as a single unit of account for revenue recognition purposes.

## STAND-ALONE VALUE TO THE CUSTOMER

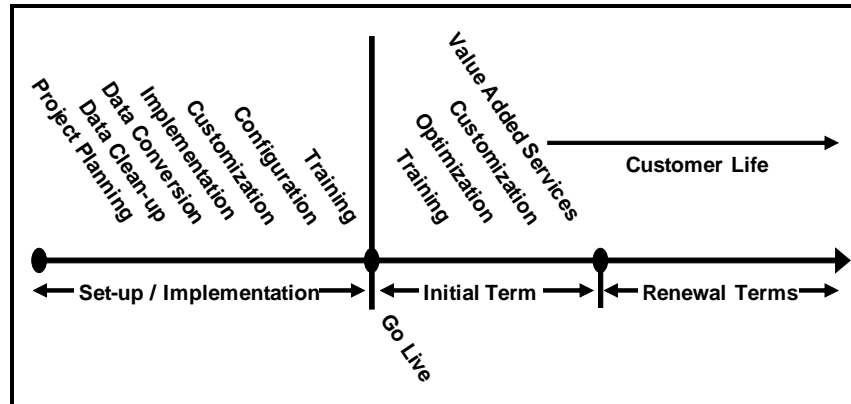
ASC 605-25-25-5 - Items have stand-alone value to the customer if:

- A) Customer could resell on stand-alone basis
  - Not likely to apply to SaaS services
  
- B) Sold separately by any vendor
  - Services must be comparable in nature
  - Application of "sold separately" to SaaS is not clear
    - Implementation is sometimes also "separately" performed / sold by 3<sup>rd</sup> parties - does this really meet the criteria of "sold separately" and principle of stand-alone value?
    - Additional sales of post implementation services - are services really being sold separately, or do they represent a modification of the underlying hosted service?

## ASU 2009-13 - STAND-ALONE VALUE TO THE CUSTOMER

- Elimination of fair value requirement results in added scrutiny of stand-alone value criteria
- EITF decided not to revisit or change guidance
- SaaS considerations:
  - Set-up and installation services generally would not have stand-alone value
  - Other services might have stand-alone value
  - Could require additional analysis to assess different types of services included in an arrangement
  - Consider structuring contract to separately define and price services that are deemed to have stand-alone value
  - Consider whether subsequent post-implementation sales of additional services have stand-alone value

## SaaS SERVICES - STAND-ALONE VALUE?



## POLLING QUESTION

Does your company charge SaaS customers separately for set-up or other services?

- A. Yes
- B. No
- C. Neither of the above or don't know

## STAND-ALONE VALUE - EXAMPLE 1

- Do-It-All Corp provides a hosted CRM solution.
- Happycustomer, Inc. subscribes to the service and goes live on January 1, 2010.
- Payment for the service consists of a \$40K set-up fee and an annual renewable fee of \$80K, all paid up front. The set-up fee includes installation, training and 100 hours of sales optimization consulting.

Questions:

1. Which of services have stand-alone value?
  - Sales optimization and hosted CRM service have stand-alone value
  - Implementation and training are determined to not have stand-alone value
2. How should the \$120K be allocated and recognized
  - Will be addressed later



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## STAND-ALONE VALUE - EXAMPLE 2

On April 1, Do-It-All enters into a \$25K SOW with Happycustomer to custom configure the CRM application, provide additional training on use of hosted service, and analyze sales data for the 1st three months and make business marketing recommendations based on that data.

Questions:

1. Is the SOW a separate arrangement from the CRM service or a modification of the original arrangement?

“separate contracts with the same entity ...that are entered into at or near the same time are presumed to have been negotiated as a package and shall, therefore, be evaluated as a single arrangement”
2. Which of the services have stand-alone value?
  - Custom configuration - probably not if the customer can only benefit from receipt of the hosted service.
  - Training - probably same as above
  - Sales analysis - probably would have standalone value
3. How should the \$25K be allocated and recognized?
  - To be addressed later



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## SET-UP FEES - SEC SAB 104:

"...service transactions may involve the charge of a nonrefundable initial fee with subsequent periodic payments for future ...services. The initial fees may, in substance, be wholly or partly an advance payment for future products or services....In such circumstances, the staff believes that up-front fees, even if nonrefundable, are earned as the...services are...performed over the term of the arrangement or the expected period of performance<sup>39</sup> and generally should be deferred and recognized systematically over the periods that the fees are earned."

"<sup>39</sup> The revenue recognition period should extend beyond the initial contractual period if the relationship with the customer is expected to extend beyond the initial term and the customer continues to benefit from the payment of the up-front fee (e.g., if subsequent renewals are priced at a bargain to the initial up-front fee)."

## SET-UP FEES - SEC SAB 104:

Estimating period of expected benefit:

- Similar to expected customer life
- Consider historical customer churn rates
- Consider technology lifecycle
- Consider consistency with internal forecasts of customer churn used for revenue projections
- Update estimate as new information becomes available

Recent examples:

- Taleo - disclosed 7 years
- athenahealth - disclosed 12 years

## REVIEW QUESTION

SaaS Co sells its hosted solution using annual contracts that include an initial payment of \$25K, and recurring monthly payments of \$10K. Each time a customer renews, they are required to pay the \$25K initial payment again. On average, 75% of SaaS Co's customers renew each year. When should the initial payment be recognized?

- A. Upon payment
- B. Over the one-year contract period
- C. Over an estimated customer life of four years

## ASU 2009-13 - ALLOCATING CONSIDERATION

Arrangement consideration should be allocated at the inception of an arrangement using relative selling prices

- Subsequent changes in selling prices do not change initial allocation

Exceptions and qualifications

- Only allocate revenue that is fixed and determinable
- Amount allocated to delivered items is limited to amount that is not contingent on delivery of any undelivered item or meeting specified performance criteria
- Measurement of revenue per period must assume customer will not cancel arrangement
- Revenue recognized cannot exceed non-cancelable amounts in the arrangement
- Other GAAP requires deliverable to be recorded at FV

## ASU 2009-13- ESTIMATING SELLING PRICES

- Three-tiered hierarchy
  - Vendor Specific Objective Evidence (VSOE) of selling prices
  - 3rd party evidence (usually not available for SaaS companies)
  - Estimated selling prices (ESP)
- ESP is not the same as fair value
- Now required for all elements - delivered and undelivered
- Estimate at outset of arrangement - no subsequent adjustment
- Allocate arrangement consideration based on relative selling prices of all elements

## VSOE OF SELLING PRICE

VSOE = price charged when same element is sold separately

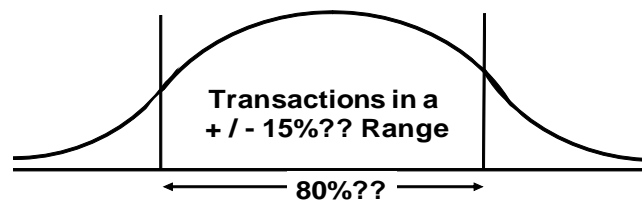
Minimal authoritative implementation guidance

- Results in a diversity of practice

Track and assess separate sales (VSOE studies)

Bell-curve approach - generally used in practice

- Example - 80% of separate sales within +/- 15% range



## REVIEW QUESTION

True or false: Under the new revenue recognition rules, SaaS companies will no longer be required to assess whether or not they have VSOE?

- A. True
- B. False

## LEVEL OF SUPPORT FOR ESTIMATED SELLING PRICES

- Consider all available evidence
  - VSOE study data
  - Margin analysis
  - Competitor pricing
  - Contract prices
  - List prices as a starting point
- Develop a methodology and consistently apply
- No requirement for ability to reasonably estimate
- Will be subjective in some situations
- Segment by customer class, geography, etc.
- Monitor for changes - changes could occur mid-period

## VALUE BASED PRICING

Use of ESP allows for value based pricing of services:

- Different customers pay different amounts for the same service, based on the value that the service provides
- Powerful sales model that maximizes revenue from each customer
- Could result in competitors' changing pricing policies as a result of not having to establish and maintain VSOE

## ASU 2009-13- ESTIMATING SELLING PRICES

Use of a range to define VSOE or estimated selling prices:

- No specific authoritative guidance on approach
- Range should be reasonably narrow - for example:
  - Within + / - 15% of a median price, or
  - From list price to list minus 25%
- As long as prices are within the range, the item is deemed to be priced at the VSOE or ESP rate and no allocation of discounts are necessary.
- If one or more items are priced outside of the VSOE or ESP range then allocate consideration based on a specific VSOE or ESP point estimate.
  - Generally use midpoint of the range for items priced outside of the range
  - Generally use contract price for items priced within the range

## ASU 2009-13- ESTIMATING SELLING PRICES - EXAMPLE

SaaS Co. sells hosted solution and related consulting services

Both the hosting & consulting services have standalone value

Hosted solution: List = \$5,000/year/user  
ESP = \$3,000-\$4000/year/user  
(+ / - 15% range)

Consulting services: List = \$1000 per day  
VSOE = \$750- \$1000 / day  
(+ / - 15% range)

Customer A purchases a 10-user package for \$25K and agrees to a \$20K consulting project that will take 25 man-days. The consulting has stand-alone value.

How should consideration be allocated?



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## ASU 2009-13- ESTIMATING SELLING PRICES - EXAMPLE

Since the hosted solution was sold for less than the ESP range of \$30K - \$40K (for 10 users), the total sales price of \$45K must be allocated between hosting and consulting.

SaaS Co. uses the midpoint of the hosting ESP range and the contract price for consulting for purposes of allocation as follows:

- Hosting midpoint = \$35k (\$3,500 \* 10 users)
- Consulting contract = \$20k (\$800 \* 25 hrs / \$800 within VSOE range)
- Hosting rev =  $\frac{\$35k}{\$55k} * \$45K = \underline{\$28.6K}$
- Consulting =  $\frac{\$20k}{\$55k} * \$45K = \underline{\$16.4K}$

If the hosting sales price had been \$30k, then both the hosted service and consulting services would be within their ESP/VSOE ranges, and no allocation would be necessary.



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## ALLOCATING CONSIDERATION IN ARRANGEMENTS WITH SET-UP FEES

No authoritative guidance to reconcile ASC 605-25 with SAB 104 guidance

Example 1:

Do-It-All Corp provides a hosted CRM solution.

- Happycustomer, Inc. subscribes to the service and goes live on 1/1/2010
- Payment for the service consists of a \$40K set-up fee and an annual renewable fee of \$80K, all paid up front. The set-up fee includes installation, training and 100 hours of sales optimization consulting.
- Hosted service ESP = \$80K
- Sales optimization ESP = \$10K

Question:

2. How should the \$120K be allocated and recognized?



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## ALLOCATING CONSIDERATION IN ARRANGEMENTS WITH SET-UP FEES

Example 1 Question:

2. How should the \$120K be allocated and recognized?

Suggested methodology:

- Allocate total consideration pro-rata between hosted service and sales optimization service, but limited to ESP of the respective services
- Excess \$30K treated as set-up fee and recognized over the longer of the expected period of customer benefit or contract term



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## ALLOCATING CONSIDERATION IN ARRANGEMENTS WITH SET-UP FEES

Example 2:

On April 1, 2010, Do-it-all enters into a \$25K SOW to custom configure the CRM application, provide additional training on the use of the hosted service, and analyze sales data for the 1st three months and make business marketing recommendations based on that data.

Only the data analysis service is determined to have stand-alone value.  
ESP = \$10K

Question:

3. How should the \$25K be allocated and recognized?

Suggested methodology:

- Recognize \$10K when data analysis services are performed
- Remaining \$15K treated as a set-up fee and recognized over the longer of the expected period of customer benefit or contract term



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## USAGE BASED FEES

- Usage based fees are fees that are based on the customer's prospective usage of the hosted service
  - Arrangements can have various combinations of fixed periodic fees and usage fees
  - Example: \$2 fee for each transaction processed using hosted service
  - Usage fees generally not considered fixed and determinable until the customer usage occurs
- Usage fees are generally recognized at the time the usage takes place
- When allocating arrangement consideration between hosted and other services, ASC 605-25-30-1 indicates that only fixed and determinable fees can be allocated.
  - Can result in non-intuitive allocation of revenue



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## POLLING QUESTION

Select the best description of your company:

- A. Our recurring monthly or annual fees are all fixed and do not vary based on usage
- B. Our recurring monthly or annual fees include both fixed and usage based fees
- C. Our recurring monthly or annual fees are all usage based
- D. None of the above

## USAGE BASED FEES - EXAMPLE

Do-It-All Corp enters into a one year arrangement for CRM hosting and consulting services with standalone value.

Hosting fee	= 1% of customer's revenues, paid monthly
Hosting ESP	= \$30K
Consulting Fee	= \$10K
Consulting ESP	= \$10K

Fixed and determinable consideration = \$10K

Allocated pro rata based on ESP as follows:

Hosting revenue	= \$7,500 ( $\$30K/\$40K \times \$10K$ ) (plus 1% as received)
Consulting revenue	= \$2,500 ( $\$10K/\$40K \times \$10K$ )

This allocation methodology could result in negative margins reported for the consulting revenue.

## SaaS COMPANIES AND PRODUCT ROADMAPS

Specific guidance for software licensing companies

- Sharing roadmaps treated as providing specified upgrade rights
- Can preclude all revenue recognition until roadmap items are delivered

Minimal guidance for SaaS companies

How significant are roadmap upgrades to functionality of service?

Would estimated selling prices be different with or without the roadmap upgrades that have been communicated to the customer?

- If different, allocate total consideration between respective estimated selling prices

When competing against traditional software licensing company, use as a competitive advantage?

## POLLING QUESTION

How important would sharing of roadmaps with prospects be to the sales process at your company?

- A. Very important
- B. Somewhat important
- C. Not important
- D. Don't know

## PRODUCT ROADMAPS - EXAMPLE

Do-It-All Corp is negotiating with a significant prospect. During the negotiations, the prospect mentions that Do-It-All Corp's competitor's solution has additional features that Do-It-All Corp's CRM solution does not provide. Do-It-All Corp's sales team promises the prospect that Do-It-All Corp will be upgrading its CRM software in three months and provides a product roadmap to the prospect that shows when these upgrades will be implemented. The Customer agrees to a one-year contract for \$120K.

Do-It-All Corp estimates that the sales price of the existing hosted solution without the upgrades would be \$100K for the year, and the upgraded service would be \$140K per year.

Do-It-All Corp recognizes revenue as follows:

Months 1 to 3 - \$7,692 per month

Months 4 to 12 - \$10,769 per month

(Determined algebraically or on a reiterative basis)



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## COMBINED LICENSING AND SaaS

Is the software license a separate element?

Guidance in ASC 985-605-55-121to125 provides two criteria that must be met to treat software license as a separate element:

- a. Customer has contractual right to take possession of software at any time during the hosting period without significant penalty, and
- b. Feasible for customer to either run software on its own hardware or contract with 3rd party to host the software.

Meet the criteria:

- Use relative selling prices to allocate total consideration between software and hosting elements
- Treat other services that are software related as software elements

Don't meet the criteria:

- Treat entire arrangement as a hosting / services arrangement



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## ASU 2009-13 - WHO'S ADOPTING?

From recent 10-Q Filings:

- Taleo - Adopted in Q1 2010  
"this change will significantly increase services revenue and services gross margins"
- Netsuite - Adopting in Q2 2010 (from 1/1/2010).  
- Previously did not have VSOE of hosting
- Rightnow - Adopted in Q1 2010.  
- Previously had VSOE, so adoption not material
- Successfactors - Still evaluating
- Liveperson - Still evaluating
- Concur - Plans to adopt Q1 2011
- Vocus - Still evaluating

## ASU 2009-13 - MANNER OF ADOPTION

Flexible approach allows:

- Prospective adoption - required for fiscal years beginning on or after **June 15, 2010**
- Retrospective adoption - for all periods presented
  - Used by Apple Computer
  - Will probably not be used very often in practice though?
  - Could be attractive to pre-IPO companies
- Early adoption - either prospectively or retrospectively
  - Can be prospectively adopted early in any quarter, as long as adoption is reflected back to 1<sup>st</sup> fiscal quarter of the year

## ASU 2009-13 - PROSPECTIVE ADOPTION

Only apply to new revenue arrangements or materially modified arrangements in periods subsequent to adoption

- Legacy transactions still follow legacy accounting rules
- Will often result in revenues being recognized under both the legacy and new rules in the initial period(s) of adoption

## ASU'S 2009-13 AND 14 - ONGOING DISCLOSURE REQUIREMENTS

Requires following disclosures by similar type of arrangement:

- The nature of multiple-deliverable arrangements
- The significant deliverables within the arrangements
- General timing of delivery or performance of service
- Performance, cancellation, termination, and refund-type provisions
- Significant factors, inputs, assumptions, & methods used to determine selling price
- Whether deliverables in the arrangements qualify as separate units of accounting, and the reasons that they do not qualify as separate units of accounting, if applicable
- General timing of revenue recognition for significant units of accounting
- Separately, the effect of changes in selling price or method or assumptions used to determine selling price when significant

## ASU'S 2009-13 AND 14 - TRANSITIONAL DISCLOSURE REQUIREMENTS

Only applies where prospective adoption method is used

- If following retrospective method, follow FAS 154 required disclosures

Required qualitative disclosures by similar types of arrangements:

- Description of any change in the units of accounting
- Description of changes in how arrangement consideration is allocated
- Description of the changes in the pattern and timing of revenue recognition
- Whether adoption is expected to have a material effect on future financial statements

Additional quantitative disclosures required if material...

## ASU'S 2009-13 AND 14 - TRANSITIONAL DISCLOSURE REQUIREMENTS

Required quantitative information if the effect of adoption is material

Flexible approach - the following are examples of methods that may be used to meet this requirement:

- The amount of revenue that would have been recognized in the year of adoption based on the prior rules
- The amount of revenue that would have been recognized in the year prior to adoption based on the new rules
- Revenue and deferred revenue in the reporting period broken out between legacy contracts still subject to prior rules and new contracts subject to the new rules

## ACCOUNTING FOR COSTS

### Two types of costs:

1. Direct customer costs related to specific customers
  - a. Initial direct costs (costs incurred during set-up period)
    - Examples: installation costs and sales commissions
    - Can either be deferred and recognized as revenue is recognized, or expensed as incurred
    - Accounting policy election
    - Once elected, use consistent approach
  - b. Costs of providing ongoing services
    - Expense as incurred
2. Costs to develop and maintain software technology
  - Following slide

## POLLING QUESTION

Select the best description of your company:

- A. We have significant upfront costs and defer those costs
- B. We have significant upfront costs and expense all upfront costs as incurred
- C. We don't have significant upfront costs
- D. None of the above or don't know

## COSTS TO DEVELOP AND MAINTAIN SOFTWARE

- Use Licensing model if there are plans to license, sell or lease
- Otherwise, use a SaaS / internal use model

Licensing ASC 985-20 (FAS 86)	SaaS / Internal use ASC 350-40 (SOP 98-1)
Expense all development costs until technological feasibility has been reached	Expense all R&D and preliminary project stage costs as incurred
Capitalize costs once technological feasibility has been established until general release	Application development stage - capitalize costs
Post implementation & operation - costs expensed as incurred	Post implementation & operation - costs expensed as incurred

## UPCOMING SaaS EVENTS - DON'T MISS!!!

**Tony Sondhi - SaaS Accounting Seminar - San Jose**  
June 21 (full day course)

Mr. Sondhi is a member of the EITF and a highly recommended instructor

Details at <http://www.acsondhi.com>

**SaaS University Conference - Washington D.C.**

July 20-22

BDO is a sponsor and speaker

Details at <http://www.saasuniversity.com/>

## ABOUT BDO

BDO is a national professional services firm providing assurance, tax, financial advisory and consulting services to a wide range of publicly traded and privately held companies. Guided by core values including competence, honesty and integrity, professionalism, dedication, responsibility and accountability, for 100 years BDO has provided quality service and leadership through the active involvement of its most experienced and committed professionals. BDO provides clients superior value by supplying more partner time on engagements, delivering service with a hands-on, collaborative approach, maintaining continuity of engagement team members and offering competitive and transparent rates. BDO has significant expertise and experience serving a large number of public and private software and technology companies. Services BDO provides that are applicable to SaaS companies include:

- Financial statement audits
- SAS 70 audits
- Comprehensive tax services
- Transaction advisory services
- Valuation services



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## ABOUT THE SPEAKER - JAY HOWELL

With approximately 25 years of experience, Jay is a national technical partner for auditing, accounting and SEC reporting matters located in the San Francisco Bay Area. In this role, Jay helps oversee technical accounting, auditing and risk management matters and works with client service teams to assist BDO's clients with their financial reporting responsibilities, including consultations on technical accounting, auditing and reporting matters, assistance with SEC registrations and IPOs, periodic filings, internal control reporting matters and responding to SEC comment letters. Clients Jay works with are particularly concentrated in the technology and software/SaaS industries.

Jay specializes in software and technology revenue recognition and consults with clients and colleagues across the country on the topic. In addition, Jay helps oversee BDO's revenue recognition related training programs and regularly teaches courses on the subject. Jay also is a member of BDO's national assurance committee and helps oversee firm-wide policy with respect to integrated audits of internal control. In 2005 and 2006, Jay served as BDO's representative at the SEC/PCAOB roundtables on Section 404 and also participated on a smaller company internal controls task force of the Center for Audit Quality.

Jay received his BA in business economics from the University of California, Santa Barbara, and he and his wife enjoy backpacking and sailing in their spare time.

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## AC'SENSE PROGRAM

Ac'sense<sup>SM</sup> Programs and Website:

<http://www.bdo.com/acsense/>

- NOTE: Link to a self-study course of today's program will be available shortly at:  
<http://www.bdo.com/acsense/events/SaaS-Revenue-Recognition-June01.aspx>

## CPE CERTIFICATES

Certificates will be processed and will be accessible by participant for printing as follows:

1. Individuals - by logging onto the <http://university.learnlivetech.com/BDOonline> after the session is completed and clicking **on My Learning - Completed Items**. Under the Certificate column, click the **Print** button beside the completed webcast.
2. Group participants - After receipt and processing of submitted group sign-in sheets to [cpdregistrar@bdo.com](mailto:cpdregistrar@bdo.com), group participants will be proctored into LearnLive and will be notified via e-mail when they can retrieve their certificates, following the steps above.
3. Sign-in sheets may be downloaded from the following:  
<https://university.learnlive.com/content/public/1029/accessinstructions/CPE%20Attendance%20Sheet.doc>

## EVALUATION

- We continually try and improve upon our programming and appreciate constructive feedback
- Following the program, we will be sending out a thank you e-mail that contains a link to a brief evaluation
- Thank you in advance for your consideration!

That concludes today's program.



Thank you for attending!