

REVENUE RECOGNITION POLICY

CONTROLSYNC SOLUTIONS

1. Purpose and Scope

This Revenue Recognition Policy ("Policy") establishes the comprehensive guidelines and procedures for recognizing revenue at ControlSync Solutions, an enterprise software company specializing in industrial automation and operational intelligence solutions. The policy is designed to ensure consistent, accurate, and compliant revenue recognition practices in alignment with generally accepted accounting principles (GAAP) and current accounting standards.

The scope of this policy applies to all revenue streams generated by ControlSync Solutions, including: - Annual recurring software subscription services - Enterprise licensing agreements - Professional services and implementation support - Technical support and maintenance contracts

2. Accounting Standards Compliance

ControlSync Solutions shall recognize revenue in strict compliance with: - Accounting Standards Codification (ASC) 606 - International Financial Reporting Standards (IFRS) 15 - Securities and Exchange Commission (SEC) reporting guidelines

The company commits to maintaining transparent, consistent, and auditable revenue recognition methodologies that accurately reflect the economic substance of our contractual arrangements.

3. Revenue Recognition Principles

3.1 Contract Identification

Revenue recognition commences upon the establishment of a valid customer contract that: - Demonstrates mutual agreement on commercial terms - Identifies specific performance obligations - Establishes clear pricing and payment structures - Possesses commercial substance and collectibility probability

3.2 Performance Obligations

Performance obligations are evaluated based on: - Distinct goods or services within the contract - Standalone selling price of each obligation - Timing and method of transfer to the customer

3.3 Transaction Price Determination

Transaction price calculations incorporate: - Fixed contract fees - Variable consideration with reliable estimation - Potential performance bonuses or penalties - Significant financing components

4. Revenue Recognition Methods

4.1 Subscription Revenue

Subscription revenue for the cloud-based software platform will be recognized ratably over the contract term, typically on a monthly basis, consistent with the delivery of continuous service.

4.2 Professional Services

Implementation and professional services revenue shall be recognized: - Upon completion of specific milestones - Using the proportional performance method - When outcome can be reliably estimated

4.3 Support and Maintenance Contracts

Maintenance and support revenue will be recognized systematically over the contract period, reflecting the continuous nature of service delivery.

5. Contract Modification Handling

When contract modifications occur, ControlSync Solutions will: - Evaluate whether modifications create new contracts - Adjust transaction prices prospectively - Reallocate remaining performance obligations - Recognize changes in accordance with ASC 606 guidelines

6. Documentation and Record Keeping

Comprehensive documentation shall be maintained for each revenue transaction, including: - Original contract terms - Performance obligation details - Transaction price calculations - Recognition timing and methodology - Supporting financial evidence

7. Internal Controls

The finance department will implement robust internal controls to ensure: - Accurate revenue recognition - Consistent application of accounting principles - Regular review and reconciliation processes - Compliance with regulatory requirements

8. Periodic Review and Updates

This Revenue Recognition Policy will be: - Reviewed annually by the finance leadership - Updated to reflect changes in accounting standards - Approved by the Chief Financial Officer - Communicated to relevant stakeholders

9. Compliance and Enforcement

Violations of this policy may result in: - Internal disciplinary procedures - Potential financial restatements - Regulatory reporting requirements

10. Effective Date

This policy becomes effective January 1, 2023, superseding all prior revenue recognition guidelines.

Approved By: Elena Rodriguez, Chief Financial Officer Date: January 1, 2023