# Revenue Recognition Principles - Consulting Services

**Confidential Document**

**Nexus Intelligent Systems, Inc.**

## 1. OVERVIEW OF REVENUE RECOGNITION FRAMEWORK

1 Purpose

This document establishes the comprehensive revenue recognition principles for consulting services provided by Nexus Intelligent Systems, Inc. (hereinafter "Company"), in compliance with ASC 606 and applicable financial reporting standards.

2 Scope

These principles shall govern revenue recognition for all enterprise AI services, predictive analytics consulting, and digital transformation engagements, including but not limited to:

- Predictive maintenance platform implementations

- Machine learning diagnostic tool deployments

- Enterprise digital transformation consulting services

- Custom AI solution development and integration

## 2. REVENUE RECOGNITION CRITERIA

1 Contract Identification

Revenue recognition shall commence upon satisfaction of the following contractual prerequisites:

a) Written agreement executed by authorized representatives

b) Identifiable performance obligations

c) Transferable economic rights

d) Probable collection of consideration

2 Performance Obligations

Performance obligations shall be categorized as follows:

- Point-in-time deliverables

- Time-based service engagements

- Milestone-based consulting projects

3 Transaction Price Determination

Transaction pricing shall incorporate:

- Fixed fee components

- Variable consideration with constraint

- Potential performance bonuses

- Contractually defined success metrics

## 3. REVENUE RECOGNITION METHODOLOGIES

1 Time-and-Materials Contracts

For time-and-materials engagements, revenue shall be recognized:

- Based on direct labor hours performed

- At contractually agreed billing rates

- With documented time tracking documentation

2 Fixed-Price Consulting Engagements

Fixed-price project revenues shall be recognized using:

- Proportional performance method

- Milestone completion tracking

- Percentage-of-completion accounting principles

3 Variable Consideration Allocation

Variable consideration shall be estimated using:

- Expected value method

- Most likely amount technique

- Constraint principles preventing revenue inflation

## 4. DOCUMENTATION AND COMPLIANCE REQUIREMENTS

1 Supporting Documentation

Each revenue recognition event must be supported by:

- Executed client agreements

- Detailed service delivery logs

- Performance milestone certifications

- Client acceptance documentation

2 Internal Controls

The Company shall maintain rigorous internal controls including:

- Segregation of revenue recognition responsibilities

- Monthly reconciliation processes

- Independent review mechanisms

- Comprehensive audit trails

## 5. DISCLOSURE AND REPORTING

1 Financial Statement Presentation

Revenue recognition shall be transparently reported, including:

- Disaggregation of revenue streams

- Disclosure of significant judgments

- Explanation of estimation methodologies

2 Periodic Review

Revenue recognition principles shall undergo:

- Quarterly internal review

- Annual comprehensive assessment

- Alignment with evolving accounting standards

## 6. LIMITATIONS AND DISCLAIMERS

1 Interpretative Guidance

This document provides interpretative guidance and does not constitute definitive accounting advice. Professional judgment remains essential.

2 Modification Rights

The Company reserves unconditional rights to modify these principles consistent with emerging regulatory requirements and accounting standards.

## 7. EXECUTION

Approved and Implemented: January 22, 2024

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