Accounting Methodology for Predictive Analytics Contracts

Confidential Document

Nexus Intelligent Systems, Inc.

Proprietary and Confidential Financial Methodology Specification

1. PRELIMINARY DEFINITIONS

1 "Company" shall mean Nexus Intelligent Systems, Inc., a Delaware corporation with principal offices located at 1200 Technology Park Drive, San Jose, California 95134.

2 "Predictive Analytics Contract" means any service agreement involving machine learning diagnostic tools, AI-powered predictive maintenance platforms, or enterprise digital transformation consulting services provided by the Company.

3 "Revenue Recognition Methodology" refers to the systematic approach used by the Company to record and report contractual revenue in compliance with applicable accounting standards.

2. REVENUE RECOGNITION PRINCIPLES

1 General Accounting Standards

The Company shall adhere to the following core accounting principles when recognizing revenue from Predictive Analytics Contracts:

a) Compliance with ASC 606 Revenue from Contracts with Customers

b) Consistent application of accrual accounting methods

c) Transparent documentation of performance obligations

d) Precise measurement of contract value and deliverable milestones

2 Contract Evaluation Criteria

Each Predictive Analytics Contract shall be evaluated based on the following comprehensive criteria:

(i) Identifiable contract with measurable performance obligations

(ii) Clearly defined transaction price

(iii) Allocable standalone selling prices for distinct services

(iv) Probability of substantial revenue collection

3. REVENUE RECOGNITION TIMELINE

1 Contract Initiation Phase

Upon execution of a Predictive Analytics Contract, the following recognition protocols shall be implemented:

a) Comprehensive contract review by legal and financial teams

b) Identification of distinct performance obligations

c) Determination of standalone selling prices

d) Establishment of expected contract duration

2 Performance Obligation Tracking

The Company shall systematically track performance obligations through:

(i) Milestone-based recognition protocols

(ii) Periodic assessment of contract fulfillment

(iii) Documented evidence of service delivery

(iv) Quantifiable metrics for technological deliverables

4. VARIABLE CONSIDERATION METHODOLOGY

1 Variable Pricing Mechanisms

For contracts containing variable pricing elements, the following approach shall be utilized:

a) Most likely amount method for estimating variable consideration

b) Constraint principle limiting recognized revenue

c) Regular reassessment of variable pricing estimates

d) Comprehensive documentation of pricing adjustments

2 Performance Bonus Calculations

Performance-based bonuses or contract modifications shall be recognized using:

(i) Probability-weighted estimation techniques

(ii) Conservative recognition principles

(iii) Documented substantiation of performance metrics

5. CONTRACT MODIFICATION PROTOCOLS

1 Accounting for Contract Amendments

Contract modifications shall be evaluated and recognized according to the following hierarchy:

a) Determination of modification scope

b) Assessment of new distinct goods or services

c) Adjustment of transaction price

d) Prospective or cumulative catch-up recognition methods

6. DISCLOSURE AND REPORTING REQUIREMENTS

1 Financial Statement Disclosures

The Company shall provide comprehensive disclosures including:

(i) Disaggregated revenue information

(ii) Contract asset and liability balances

(iii) Performance obligation satisfaction timelines

(iv) Significant judgment and estimation details

7. COMPLIANCE AND INTERNAL CONTROLS

1 Audit and Verification

This methodology shall be subject to:

a) Annual independent financial audit

b) Quarterly internal review processes

c) Continuous improvement and refinement

d) Documentation of methodology modifications

8. LIMITATION OF LIABILITY

1 Disclaimer

This accounting methodology represents the Company's best practices and interpretations of applicable accounting standards. It does not constitute absolute legal or financial guarantee and remains subject to professional judgment and evolving regulatory requirements.

9. EXECUTION

Approved and Implemented: January 22, 2024

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