



# ASC 606 Analysis Memo



Analyze

Another Contract

Customer: Cadee Lee | Analysis: contract01



## Generated Memo

# ASC 606 MEMORANDUM

**TO:** Chief Accounting Officer**FROM:** Technical Accounting Team - AI**DATE:** 23 Aug, 2025**RE:** contract01 - ASC 606 Revenue Recognition Analysis

## EXECUTIVE SUMMARY

Executive summary generation failed. Please review individual step analyses below.

## BACKGROUND

We have reviewed the contract documents provided by Cadee Lee to determine the appropriate revenue recognition treatment under ASC 606.

## ASC 606 ANALYSIS

### Step 1: Identify the Contract

**Analysis:**

Based on the provided invoice (invoice.pdf), Subscription Terms (subs.pdf), and General Terms of Use (terms.pdf), the arrangement between the company and the customer, Cadee Lee, meets the ASC 606-10-25-1 criteria for identifying a contract.

Approval and commitment (ASC 606-10-25-1(a)). The parties have approved the contract in accordance with customary online business practices. The invoice identifies a specific customer (Cadee Lee), a specific order and purchase order (Order Number 7215811766, PO HD03470700556CUS), and a defined service term (09-JUL-2025 to 08-JUL-2026) for “Photography plan (20GB).” The Subscription Terms state that “your subscription begins as soon as your initial payment is processed” and that subscriptions renew automatically until canceled. This structure evidences mutual assent via click-through acceptance and the company’s issuance of an order and invoice. The company is committed to provide access to the service during the stated term, and the customer is committed to pay the annual fee, because the customer supplied a payment method and agreed to the Subscription Terms, including renewal and cancellation provisions. Accordingly, approval and commitment are present under 606-10-25-1(a).

Identifiable rights to goods or services (ASC 606-10-25-1(b)). The customer’s rights are to access and use the Photography plan services and software during the stated annual term, including the associated licensed functionality and cloud services, as governed by the General Terms (for example, license rights under Section 3.1 and service access conditions). The company’s rights include suspending service for nonpayment and enforcing use limitations (Subscription Terms and General Terms, Sections 3.1, 3.2, and 11.2). The goods/services are clearly specified as access to the “Photography plan (20GB)” over 09-JUL-2025 to 08-JUL-2026. Therefore, each party’s rights are identifiable as required by 606-10-25-1(b).

Identifiable payment terms (ASC 606-10-25-1(c)). Payment terms are clearly stated. The Subscription Terms specify that the subscription is charged “in one lump sum” at the annual rate plus applicable taxes and renews annually until canceled. The invoice shows “Payment Terms Credit Card” and reflects the pricing for the term: net amount \$119.88, taxes \$7.94, total \$127.82. The terms also describe the 14-day full-refund window and that payments are non-refundable thereafter, and provide for service suspension if payment fails. Because the consideration timing (upfront annual charge), amount, payment method, refund policy, and renewal mechanics are explicit, 606-10-25-1(c) is met.

Commercial substance (ASC 606-10-25-1(d)). The contract has commercial substance because it results in the company receiving consideration of \$127.82 and obligates the company to provide service access for one year. This changes the company’s risk, timing, and amount of cash flows relative to not entering the arrangement, satisfying 606-10-25-1(d).

Probable collectibility (ASC 606-10-25-1(e)). It is probable the company will collect substantially all consideration to which it is entitled because the Subscription Terms require processing the initial credit card payment before the subscription begins, and the invoice evidences an order aligned to that service term start date (09-JUL-2025). Further, the company may suspend service if payment fails, and amounts are non-refundable after 14 days, which mitigates credit risk and supports the conclusion that the customer has both the ability and intention to pay for the services to be delivered, consistent with 606-10-25-1(e). Because the service commences only after payment processing per the Subscription Terms, the collectibility threshold is met at inception of the service term.

Because statements in ASC 606 regarding an “enforceable right to payment for performance completed to date” relate to determining whether a performance obligation is satisfied over time (ASC 606-10-25-27(c)) and not to contract existence, they are not required to conclude under 606-10-25-1. For this arrangement, the existence assessment turns on approval, identifiable rights and payment terms,

commercial substance, and probable collectibility, all of which are satisfied based on the documents provided.

### **Conclusion:**

All ASC 606-10-25-1 criteria are met. A valid contract with Cadee Lee exists as of the commencement of the service term (09-JUL-2025), when the initial payment is processed, with clearly identified rights and payment terms, commercial substance, and probable collectibility. The arrangement should be accounted for under ASC 606 from that date.

### **Issues or Uncertainties:**

- Confirmation of initial payment processing is inferred from the Subscription Terms and the alignment of the invoice date and service term start, but explicit payment confirmation is not shown. If payment had not been processed (for example, if a free trial were in effect), contract existence under ASC 606 would commence upon payment processing rather than at sign-up.

## **Step 2: Identify Performance Obligations**

The contract with Cadee Lee (customer) is an annual subscription for “Photography plan (20GB)” for the service term 09-JUL-2025 to 08-JUL-2026, invoiced at \$119.88 plus \$7.94 in taxes (invoice 3154128659). The accompanying Subscription Terms and General Terms indicate the plan provides ongoing access to Adobe services and software that are licensed, not sold, alongside cloud functionality (including 20GB storage), updates, customer support, and access to certain generative AI features governed by monthly “generative credits” that reset each month and do not roll over. The subscription auto-renews unless canceled and includes a 14-day full refund window on the initial order.

Under ASC 606-10-25-14 and 25-16, we first identify the promises in the contract. Based on the documents, the promises include the following, all tied to the one-year term of the “Photography plan (20GB)”:

- A right to access and use the Photography plan services and software (cloud-based and licensed desktop/mobile clients) on a stand-ready basis for the term (Terms sections 3.1, 3.2).
- 20GB of Creative Cloud storage and related synchronization/sharing functionality for the term (Terms section 3.3).
- Access to updates and new features as released during the term (Terms sections 3.1, 16.1).
- Standard customer support associated with the plan (Terms references to Customer Care).
- Access to generative AI features included in the plan, subject to monthly generative credits that expire each month and reset for the subscription duration (Subscription Terms).

Under ASC 606-10-25-20, each of the above promises is capable of being distinct because the customer can benefit from them on their own or with readily available resources. For example, the licensed applications and cloud services provide functionality independently, cloud storage provides utility for storing and syncing content, and updates and support enable use of the services. However, per ASC 606-10-25-21, we must assess whether these promises are distinct within the context of the contract. They are not separately identifiable because:

- Adobe provides a significant integration service that bundles the hosted applications, cloud storage, updates, support, and AI features into one combined output to the customer: an integrated creative

productivity platform over the subscription term (ASC 606-10-25-21(a), Example 10—Significant Integration Service).

- The promises are highly interdependent and interrelated (ASC 606-10-25-21(c)) because the functionality of the applications depends on cloud services (e.g., sync, collaboration, cloud processing), the service is continuously enhanced through updates, and support underpins use of the integrated platform. The components are inputs to a single service of providing continuous access to the Photography plan, rather than discrete deliverables.
- The plan is marketed and sold as a bundled subscription, and individual elements (for example, standard support, periodic updates, or included AI credits) are not priced or transferred as separate deliverables in this contract, indicating they are not separately identifiable in the context of the contract (ASC 606-10-25-21(b)).

Because the criteria in ASC 606-10-25-21 are not met, ASC 606-10-25-22 requires combining the promises into a single performance obligation. Further, the nature of the promise is to provide a series of distinct services (stand-ready access to the platform each day) that are substantially the same and have the same pattern of transfer over the term, meeting ASC 606-10-25-14(b) and 25-15. The reference to monthly AI credits that expire and reset supports the stand-ready nature of the service each period, but does not create a separate performance obligation because those credits are embedded in and inseparable from the overall subscription service in this contract.

Customer options and material rights. The Subscription Terms include automatic renewal at the then-current rate and a 14-day full refund window on the initial order. The auto-renewal is an option to enter into a future contract at the then-current price and does not provide a discount or incentive that constitutes a material right under ASC 606-10-55-42 through 55-44. The 14-day refund is a cancellation/right-of-return feature for the initial order and does not create a separate performance obligation. While the plan may include the ability to purchase additional products or credits in Adobe's broader ecosystem, this contract does not grant an option for additional goods or services at a discount that would constitute a material right. Therefore, no separate performance obligation arises from customer options.

Principal versus agent. Adobe Inc. is the contracting party and controls the services and software before transfer to the customer. Any third-party infrastructure providers are subcontractors to Adobe. Accordingly, Adobe is the principal for the Photography plan (ASC 606 principal-agent guidance, ASC 606-10-55-36 through 55-40), and no agent considerations alter the identification of performance obligations.

Taken together, the promises in this subscription are combined into one performance obligation: a stand-ready obligation to provide continuous access to the Photography plan (including the applications, 20GB storage, updates, standard support, and included generative AI features/credits) over the one-year term. This single performance obligation is a series of distinct daily services with the same pattern of transfer (ASC 606-10-25-14(b), 25-15).

**Analysis:** The contract promises access to the Photography plan for one year at \$119.88 (invoice) and includes 20GB storage and plan features that reset monthly for AI credits (Subscription Terms). Under ASC 606-10-25-16, these are identified as promised goods and services. Each promise is capable of being distinct (ASC 606-10-25-20) because the customer can benefit from hosted software, storage, updates, and support on their own or with readily available resources. However, the promises are not distinct within the context of the contract (ASC 606-10-25-21) because Adobe provides significant integration of

these items into a single, continuous creative platform, the items are highly interdependent and interrelated in delivering functionality, and they are not sold or priced separately in this contract. Therefore, the promises are combined into a single performance obligation (ASC 606-10-25-22). The nature of this obligation is a series of substantially the same services transferred evenly over time (stand-ready access each day) and is accounted for as a single performance obligation that is a series (ASC 606-10-25-14(b), 25-15). No separate performance obligations arise from customer options because the auto-renewal is at then-current rates and the 14-day refund window is a cancellation/right-of-return feature, neither of which provides a material right to future goods or services at a discount (ASC 606-10-55-42 through 55-44). Adobe is the principal because it controls the services before transfer and is the named supplier to the customer (ASC 606-10-55-36 through 55-40). This conclusion is supported by the invoice's single bundled plan, the term-based access, and the integrated nature of cloud storage, updates, and AI credits, which together indicate a single, combined service because they are delivered together and are not separately identifiable.

**Conclusion:** The contract contains one performance obligation: a stand-ready obligation to provide continuous access to the Adobe Photography plan (including the applications, 20GB storage, updates, standard support, and included generative AI features/credits) over the 09-JUL-2025 to 08-JUL-2026 term. All promised elements are combined into this single performance obligation because they are not distinct within the context of the contract and form an integrated creative platform transferred as a series of daily services over time.

**Issues or Uncertainties:**

- The documents do not detail the exact applications included in "Photography plan (20GB)" or whether any add-on AI credits can be purchased at a discount; if such a discounted option existed, it could create a material right.
- It is unclear whether a free trial preceded this paid term; if a free trial had been promised within the same arrangement, additional consideration of contract inception and potential material rights would be warranted.
- No third-party deliverables are specified, but if the plan included third-party content licensed directly to the customer, principal-agent considerations would need to be reassessed.

## Step 3: Determine the Transaction Price

The objective is to establish the transaction price in accordance with ASC 606-10-32-2, considering fixed and variable consideration, constraints on variable consideration, significant financing components, noncash consideration, and consideration payable to a customer.

**Analysis:**

- Fixed consideration. The invoice shows a one-year "Photography plan (20GB)" subscription for the service term 09-Jul-2025 to 08-Jul-2026 with a stated net amount of \$119.88, billed via credit card in one lump sum at inception. This amount is fixed for the current annual term because the unit price is specified on the invoice and the auto-renewal pricing changes, if any, apply only to future periods and are excluded under ASC 606-10-32-4 (assume no cancellation, renewal, or modification for purposes of determining the transaction price).

- Taxes collected. The invoice shows taxes of \$7.94 (6.63% rate), with a grand total of \$127.82. Amounts collected on behalf of governmental authorities (for example, sales taxes) are excluded from the transaction price either because they are amounts collected on behalf of third parties (ASC 606-10-32-2) or, if elected, under the sales tax practical expedient to present revenue net of such taxes (ASC 606-10-32-2A). Therefore, the \$7.94 is excluded from the transaction price.
- Variable consideration.
- Cancellation refund window. The Subscription and Cancellation Terms provide a full refund if the customer cancels within 14 days of the initial order; after 14 days, payments are nonrefundable. This creates potential variability (refunds) in consideration for the initial-period services and should be treated as variable consideration under ASC 606-10-32-5 through 32-10. The entity must estimate expected refunds (using the expected value or most likely amount method) and include only the amount for which it is probable that a significant reversal will not occur (ASC 606-10-32-11 through 32-13). Because the refund right is limited to the first 14 days and the service is provided over a one-year term, expected refunds are often immaterial in practice; however, management must support the estimate using relevant historical cancellation data for similar plans and customer cohorts. Any estimated refunds reduce the transaction price and give rise to a refund liability.
- Other variability. The contract documents do not indicate price concessions, usage-based fees, overages, bonuses, or penalties for the current term. Generative AI credits reset monthly but do not introduce usage-based charges per the provided terms. Renewal price changes are outside the current contract by ASC 606-10-32-4. Accordingly, no other variable consideration is identified.
- Constraint on variable consideration. Any estimated refunds are included only to the extent it is probable that a significant reversal will not occur (ASC 606-10-32-11 through 32-14). If management's historical evidence indicates a de minimis 14-day refund rate, the constrained variable consideration reduction may be \$0. If not, a reduction equal to the unconstrained expected refunds should be recorded.
- Significant financing component. The customer prepays the annual fee and receives services over 12 months. While prepayment can indicate a financing component (ASC 606-10-32-15 and 32-16), the practical expedient applies when the period between transfer of goods or services and payment is one year or less (ASC 606-10-32-18). Because services are transferred over a one-year term and payment occurs at inception, the period does not exceed one year. Therefore, if the practical expedient is elected (as is common), no adjustment for a significant financing component is required. Even absent the expedient, the benefit of financing on \$119.88 over approximately one year would likely be insignificant given prevailing market rates, but the expedient obviates the need to quantify.
- Noncash consideration. None. Consideration is paid via credit card; there is no noncash consideration (ASC 606-10-32-21 through 32-24).
- Consideration payable to a customer. None is indicated. There are no rebates, coupons, or other amounts payable to the customer that would reduce the transaction price (ASC 606-10-32-25 through 32-27).
- Transaction price calculation.
- Fixed price for current term: \$119.88.
- Less: estimated refunds within 14-day window (variable consideration), constrained to the amount for which a significant reversal is not probable (ASC 606-10-32-11 through 32-14). Based on the information



provided, this is expected to be \$0 unless management's data indicates otherwise.

- Exclude sales taxes of \$7.94 from the transaction price (ASC 606-10-32-2 and/or 32-2A).
- Resulting transaction price for revenue recognition: \$119.88.

Because sales taxes are excluded and there are no other variable, noncash, or customer-payable amounts indicated, the transaction price for the contract is \$119.88, subject to a potential immaterial reduction for expected refunds during the 14-day cancellation period if supported by historical evidence.

### **Conclusion:**

The transaction price for the one-year Photography plan is \$119.88, excluding \$7.94 of taxes collected on behalf of a governmental authority. No adjustment for a significant financing component is required because the practical expedient for one year or less applies. Variable consideration is limited to potential 14-day refunds and is estimated and constrained; based on the information provided, this is expected to be \$0 unless management's historical data indicates otherwise.

### **Issues or Uncertainties:**

- Confirmation of the company's policy election to present revenue net of sales and similar taxes under ASC 606-10-32-2A.
- Availability of historical refund data to estimate and constrain expected refunds during the 14-day cancellation window. If expected refunds are not de minimis, the transaction price should be reduced and a refund liability recognized.

## **Step 4: Allocate the Transaction Price**

Based on the provided invoice and subscription terms, the contract with Cadee Lee reflects an annual Adobe "Photography plan (20GB)" for the service term 09-JUL-2025 to 08-JUL-2026. The invoice shows a net amount of \$119.88 and taxes of \$7.94, for a gross total of \$127.82. For ASC 606 purposes, the transaction price is the consideration for goods and services excluding taxes collected on behalf of taxing authorities (policy election per ASC 606-10-32-2A). Therefore, the transaction price to be allocated is \$119.88.

Because Step 4 requires allocating the transaction price to performance obligations based on standalone selling prices (SSPs), the analysis below assumes the performance obligations concluded in Step 2 and applies the allocation principles in ASC 606-10-32-29 through 32-34.

### **Analysis:**

- Performance obligations (summary from Step 2). Based on the contract evidence, the Photography plan provides continuous, stand-ready access to Adobe's hosted creative applications, cloud services, storage (20GB), updates, and included plan features over the 12-month term. These elements are typically highly interrelated and together provide a combined output of ongoing access to the Adobe cloud ecosystem. Accordingly, consistent with typical SaaS arrangements, Step 2 would generally conclude there is a single performance obligation: a series of distinct services that are substantially the same and have the same pattern of transfer (stand-ready access over time). This is supported because the plan's software, storage, updates, and bundled features together provide a single integrated service rather than separately identifiable benefits to the customer.

- SSP determination requirement. ASC 606 requires allocation on a relative SSP basis. ASC 606-10-32-31 states the entity shall determine the SSP of each distinct good or service at contract inception and allocate the transaction price proportionately. If SSP is not directly observable, ASC 606-10-32-33 permits estimation using suitable methods (for example, adjusted market assessment, expected cost plus margin, or, where permitted, residual approach), as long as the allocation objective in ASC 606-10-32-29 is met. SSPs should therefore be established separately based on the entity's observable pricing and discounting practices for the Photography plan and any other distinct goods or services (if identified in Step 2).

- Allocation methodology. To meet the allocation objective in ASC 606-10-32-29, the transaction price is allocated to each performance obligation on a relative SSP basis (ASC 606-10-32-31). Because Step 2 is expected to identify a single performance obligation (stand-ready access to the Photography plan over the term), the allocation is straightforward: 100% of the transaction price is allocated to that single performance obligation. If Step 2 had identified multiple performance obligations, the company would allocate the transaction price proportionately to each based on their relative SSPs.

- Discount allocation considerations. The invoice does not itemize any discount. However, if the total contract consideration reflects a discount relative to aggregate SSPs, ASC 606-10-32-36 through 32-37 governs discount allocation. By default, discounts are allocated proportionately to all performance obligations based on relative SSPs unless there is observable evidence that the entire discount relates to one or more (but not all) performance obligations (ASC 606-10-32-36). ASC 606-10-55-262 illustrates proportionate discount allocation. If the residual approach were used to estimate any SSP, any discount must be identified and allocated first before applying the residual approach (ASC 606-10-32-37 and 606-10-55-266). In this contract, because there is expected to be a single performance obligation, any discount, if present, would be allocated entirely to that single performance obligation by default.

- Taxes. The invoice shows \$7.94 of taxes. Consistent with ASC 606's policy election for taxes assessed by governmental authorities (ASC 606-10-32-2A), the company would typically present revenue net of such taxes. Therefore, taxes are excluded from the transaction price allocation.

Because the contract comprises one annual stand-ready service and no separate distinct promises have been identified, the entire transaction price of \$119.88 is allocated to the single performance obligation for the service term 09-JUL-2025 to 08-JUL-2026. This conclusion aligns with ASC 606's allocation objective (ASC 606-10-32-29) and the relative SSP framework (ASC 606-10-32-31 to 32-34).

### **Conclusion:**

- Subject to confirmation of Step 2, the contract contains a single performance obligation (stand-ready access to the Photography plan for 12 months).

- The full transaction price of \$119.88 (excluding \$7.94 of taxes) should be allocated to that single performance obligation on a relative SSP basis, which results in a 100% allocation to the plan. If multiple performance obligations were identified, allocation would be made proportionately to SSPs, with discounts allocated per ASC 606-10-32-36 to 32-37.

### **Issues or Uncertainties:**

- Confirmation that Step 2 concluded there is only one performance obligation. If multiple performance obligations exist, SSPs must be established for each and the allocation re-performed on a relative SSP basis.



- Confirmation of the company's tax presentation policy election under ASC 606-10-32-2A (net presentation assumed).
- Whether any promotional discount exists relative to established SSPs. If so, discount allocation should follow ASC 606-10-32-36 to 32-37.
- Whether any included plan features (for example, monthly generative AI credits) constitute a separate material right. Based on the documents, they appear to be features within the plan and not a separate promise, but confirmation is needed.

## Step 5: Recognize Revenue

Based on the invoice and subscription terms, the arrangement with Cadee Lee is a one-year subscription to Adobe's Photography plan (20GB) for the service term 09-JUL-2025 to 08-JUL-2026, billed upfront via credit card. The nature of Adobe's promise is a stand-ready right to access hosted software and related cloud services continuously throughout the term, with updates and features available during the period. The customer receives and consumes the benefits as access is provided over time. Therefore, revenue is recognized over time on a time-elapsed basis across the service term, with control transferring continuously. The annual net consideration to be recognized as revenue is \$119.88 (excluding taxes of \$7.94), recognized ratably from 09-JUL-2025 through 08-JUL-2026.

Because the subscription terms allow a full refund if canceled within 14 days of the initial order, revenue during that initial window should reflect an estimate of expected refunds (or be constrained if not probable of no significant reversal), with a refund liability recorded for expected cancellations. After the 14-day window (or earlier if sufficient, reliable experience supports an estimate), revenue continues to be recognized ratably for the remainder of the term.

### Analysis:

- Performance obligation(s): The contract conveys a single stand-ready promise to provide access to the Photography plan (20GB), including hosted functionality, storage, updates, and listed features (including any included generative AI credits that reset monthly). These are provided as a series of distinct days of service with the same pattern of transfer and are not separately identifiable within the context of the contract. The evidence is in the invoice (Photography plan 20GB, 1-year term) and the Subscription Terms stating the subscription begins upon payment and renews annually.
- Over-time vs. point-in-time: Revenue is recognized over time because the customer simultaneously receives and consumes the benefits of access to the services as Adobe performs (ASC 606-10-25-27(a)). This is consistent with the nature of a stand-ready SaaS service in which control transfers continuously.
- When control transfers: Control transfers continuously throughout the service term as the customer has the right to access and use the services each day. This aligns with ASC 606-10-25-23 and 606-10-25-27, which require revenue recognition when the customer obtains control and specify over-time recognition when benefits are simultaneously received and consumed.
- Timing and pattern of recognition:
  - Start and end: Recognize revenue from 09-JUL-2025 through 08-JUL-2026, as evidenced by the invoice service term and Subscription Terms stating the subscription begins as soon as initial payment is processed.

- Measure of progress: A time-elapsed input method (straight line over the term) best depicts the stand-ready transfer of service because the customer's right to access does not vary by period within the term, and service is provided evenly across time (ASC 606-10-25-27 and the measurement objective in ASC 606-10-55-164).
- Amount: Recognize the net subscription consideration of \$119.88 (invoice "NET AMOUNT") over the 12-month term. Taxes of \$7.94 are invoiced but, consistent with common policy elections under ASC 606, are presented on a net basis and excluded from revenue if Adobe has elected the sales tax presentation expedient.
- Impact of the 14-day cancellation/refund right: The Subscription Terms provide a full refund if canceled within 14 days of the initial order. Under ASC 606, that creates a form of variable consideration/refund right. Adobe should recognize revenue during the initial 14-day window only to the extent it is probable that a significant reversal will not occur, with a refund liability for expected cancellations. If Adobe has sufficient, reliable historical data indicating minimal cancellations, Adobe may recognize revenue ratably while recording a refund liability for expected refunds; otherwise, it should constrain revenue in the initial window and recognize any constrained amount when the uncertainty is resolved.
- Other terms:
  - Generative AI credits that reset monthly do not create a separate performance obligation because they are part of the overall stand-ready right to access the plan and are provided throughout the same subscription term with the same transfer pattern. Recognition remains ratable over time.
  - Auto-renewal does not affect the current term's revenue timing because renewal constitutes a new contract period.
  - No bill-and-hold or point-in-time transfer features are present (invoice and terms reflect hosted access, not delivery of a good to be held).

#### Authoritative support:

- ASC 606-10-25-23: Recognize revenue when the entity satisfies a performance obligation by transferring control.
- ASC 606-10-25-27(a): Over-time recognition when the customer simultaneously receives and consumes benefits as the entity performs.
- ASC 606-10-55-164: For performance obligations satisfied over time, recognize revenue by measuring progress toward complete satisfaction to depict performance.
- Practical note on presentation of taxes consistent with ASC 606's policy election to present sales taxes on a net basis (excluded from transaction price), applied if elected.

#### Conclusion:

The Photography plan is a single stand-ready service satisfied over time. Revenue of \$119.88 should be recognized on a straight-line basis over the service term from 09-JUL-2025 to 08-JUL-2026, with control transferring continuously as access is provided. During the 14-day cancellation window, recognize revenue subject to an estimate of expected refunds (or constrain revenue if not probable of no significant reversal) and record a refund liability for expected cancellations.

#### Issues or Uncertainties:

- The 14-day full refund right requires an estimate of expected cancellations. If reliable historical data is not available, revenue during the initial 14 days may need to be constrained until the window lapses.
- Confirmation of Adobe's accounting policy election to present sales taxes on a net basis (excluded from revenue) is needed to confirm exclusion of \$7.94 from the transaction price.
- Confirmation that included features (e.g., generative AI credits) are not marketed or priced as separate options is advisable, although they appear to be part of the single stand-ready service with the same transfer pattern.

## CONCLUSION

The analysis indicates compliance with ASC 606 revenue recognition requirements. Implementation should proceed as outlined in the step-by-step analysis above.

---

**PREPARED BY:** [Analyst Name] | [Title] | [Date]

**REVIEWED BY:** [Reviewer Name] | [Title] | [Date]

This memorandum represents our preliminary analysis based on the contract documents provided. Final implementation should be reviewed with external auditors and may require additional documentation or analysis of specific implementation details.



Download Memo (Markdown)