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ASC 606 MEMORANDUM

TO: Chief Accounting Officer

FROM: Technical Accounting Team - AI

DATE: October 09, 2025

RE: Contract Analysis - ASC 606 Revenue Recognition Analysis

DOCUMENTS REVIEWED: ASC_606_Sample_InnovateTech.docx

EXECUTIVE SUMMARY

For Global Dynamics Corp., we conclude the arrangement is within ASC 606 and, assuming execution of the SOW and a documented assessment that collection is probable, meets the contract existence criteria; rights, payment terms, and commercial substance are present. At inception, five performance obligations are identified: (1) SaaS access (series), (2) hardware, (3) system integration, (4) configuration/setup, and (5) user training; Premium/Enterprise Support, Data Migration, add-on modules, and additional scanners are options, with enhanced support a separate series performance obligation if elected and the additional scanner option potentially a material right.

The fixed transaction price is $891,600 assuming Standard Support and no optional services, with potential increases to $1,042,920 (Premium) or $1,194,240 (Enterprise); variable amounts (e.g., performance bonus, usage, volume discounts, SLA credits) are constrained at inception, and no significant financing component, noncash consideration, or consideration payable to the customer is identified. Consideration will be allocated to the performance obligations on a relative SSP basis (with any bundled discount allocated proportionately) and recognized over time for SaaS and training, and at points in time for hardware delivery and for system integration and configuration/setup upon customer acceptance; key execution risks include substantiating collectibility at inception and assessing whether the additional scanner option creates a material right.

BACKGROUND

Global Dynamics Corp. entered into a multi-element arrangement that includes SaaS access, delivery of hardware, and professional services (system integration, configuration/setup, and user training), with optional enhanced support and add-on modules. This memo provides a high-level ASC 606 assessment to confirm contract existence, identify distinct performance obligations, determine and allocate the transaction price on a relative SSP basis, and conclude on the timing of revenue recognition for over-time and point-in-time elements.

ASC 606 ANALYSIS

Step 1: Identify the Contract

Analysis:

Scope. The arrangement is a customer contract for software access (SaaS), tangible goods, and professional services. The SOW provides a 36-month subscription to the Logi-AI Suite for up to 500 users, related support, hardware scanners, and implementation services, with optional add-on modules during the term [Contract, 1.0 Project Scope and Deliverables; 1.1; 1.2; 1.3; 1.4; 1.5]. This is within ASC 606 because it is an exchange of goods and services for consideration and does not convey the right to control the use of an identified asset; the SaaS is a hosted platform with ongoing updates (indicative of a service, not a lease), and the hardware is a sale of goods [Contract, 1.1; 1.2; 5.1]. There is no indication of insurance, a financial instrument, or a collaboration (the roles are provider and customer with customer-paid fees) [Contract, STATEMENT OF WORK; 2.0 Fees and Payment Schedule; 9.2 Entire Agreement]. Accordingly, the arrangement falls within ASC 606's scope (and not ASC 842, ASC 944, or other non-606 scopes) [ASC 606-10-25-1].

Approval and commitment to perform (ASC 606-10-25-1(a)). The SOW is "entered into as of October 26, 2023" under a master services agreement and contains a signature block stating "IN WITNESS WHEREOF, the parties have executed this Statement of Work as of the Effective Date" with named signatories and titles [Contract, STATEMENT OF WORK; IN WITNESS WHEREOF]. Because the SOW provides a written agreement with signature lines and effective date, it evidences a customary form of approval and commitment to perform, contingent on actual execution. [Management Input Required: Confirm that both parties executed the SOW (and any required PO per 8.4), and the Effective Date is the binding date.]

Identified rights to goods and services (ASC 606-10-25-1(b)). The SOW clearly identifies each promised good/service and related acceptance/transfer provisions: a 36-month SaaS subscription including the Core Platform for up to 500 users and one support tier [Contract, 1.1; 1.4]; delivery of 200 scanners with title and risk of loss transferring upon delivery [Contract, 1.2]; professional services for integration, configuration, training, and optional data migration with explicit completion and written acceptance criteria [Contract, 1.3; 6.0 Acceptance Criteria and Deliverable Sign-Off]; optional add-on modules purchasable during the term [Contract, 1.5]. Milestones and acceptance detail when each deliverable is complete and the customer's rights to accept or reject [Contract, 4.0 Implementation Timeline and Milestones; 6.0; 6.6 Deemed Acceptance]. Because the SOW delineates the specific goods/services, timing, and acceptance, the parties' rights are identifiable.

Identified payment terms (ASC 606-10-25-1(c)). Payment terms are clearly stated for each promised good/service: SaaS base fees of $240,000 for Year 1 (Net 30 from Effective Date), $252,000 at the beginning of Year 2, and $264,600 at the beginning of Year 3; all non-refundable once paid [Contract, 2.1]; support fees by tier, payable annually in advance with a 5% annual increase for premium/enterprise [Contract, 2.2]; hardware $50,000, due Net 30 [Contract, 2.3]; fixed-fee professional services due upon completion and acceptance (except data migration 50% upfront/50% at completion) [Contract, 2.4]; optional modules payable annually upon activation [Contract, 2.5]; variable consideration terms for usage-based fees, a performance bonus, a prospective volume discount, and SLA credits, with timing of invoicing/credits defined [Contract, 2.6]. General invoicing and Net 30 terms are reiterated, and late-payment remedies (including the right to suspend services if >60 days overdue) are specified [Contract, 8.0 Payment Terms and Conditions; 8.2 Late Payment]. Because the consideration amounts, invoicing points, and due dates are explicitly defined, payment terms are identifiable.

Commercial substance (ASC 606-10-25-1(d)). The contract changes the timing and amount of cash flows via staged billings (annual in advance for SaaS/support; Net 30 for hardware; upon acceptance for services), optional add-on purchases, and variable consideration (usage, bonus, discounts, service credits) [Contract, 2.1–2.6]. Early termination for convenience requires a fee equal to 50% of remaining SaaS fees, further affecting cash flows [Contract, 3.3 Early Termination]. Because the arrangement creates new, substantive rights and obligations that alter the timing and amount of InnovateTech's cash flows, commercial substance is present.

Collectibility "probable" (ASC 606-10-25-1(e)). ASC 606 requires assessing whether it is probable the entity will collect substantially all consideration for the goods/services to be transferred, based on the customer's ability and intention to pay [ASC 606-10-25-1(e)]. The SOW's structure (annual SaaS/support billed in advance; non-refundable once paid; right to suspend services if >60 days overdue) supports enforceability and mitigates exposure [Contract, 2.1; 2.2; 8.2]. ASC 606 also indicates the assessment may consider the entity's practice of stopping service upon nonpayment [ASC 606-10-25-1]. However, creditworthiness and intent to pay for Global Dynamics Corp. are not provided in the contract. Therefore, management must perform and document a collectibility assessment at inception, focused on the consideration for goods/services to be transferred (e.g., Year 1 SaaS/support, hardware, and services), and not necessarily the entire contract total [ASC 606-10-25-1(e)]. [Management Input Required: Customer credit evaluation and intent-to-pay assessment supporting "probable" collection; consideration of any credit enhancements; evaluation of concentration risk.]

Other relevant considerations. The SOW references a bundled discount and standalone reference pricing, which will be relevant for transaction price allocation in later steps [Contract, 2.7 Package

Discounts and Bundled Pricing]. Optional add-on modules and additional scanners during the term represent potential future contract modifications or additional contracts under ASC 606 [Contract, 1.5; 2.3 (additional units); 7.1 Change Order Process]. If not all ASC 606-10-25-1 criteria are met at inception, consideration received would be recorded as a liability and the arrangement reassessed per ASC 606-10-25-6 to 25-8. Additionally, because some consideration is invoiced in advance (e.g., annual SaaS), InnovateTech may initially present a contract liability until services are provided [ASC 606-10-45-1].

Because the SOW is a bilateral, commercial agreement with identifiable rights and payment terms and appears to meet ASC 606's scope, we conclude a contract exists under ASC 606, conditioned on execution and a positive collectibility assessment.

Conclusion:

We conclude the arrangement is within ASC 606 and, assuming execution of the SOW and a documented assessment that collection is probable, meets the contract existence criteria in ASC 606-10-25-1(a)–(e). Rights and payment terms are clearly specified, and the arrangement has commercial substance; management must separately substantiate collectibility at inception [ASC 606-10-25-1; ASC 606-10-25-1(e)].

Issues or Uncertainties:

- Execution/approval: The SOW includes signature blocks and an effective date; management must confirm countersignature and any required PO issuance [Contract, IN WITNESS WHEREOF; 8.4 Purchase Orders].
- Collectibility: No credit information is provided. [Management Input Required: Collectibility assessment under ASC 606-10-25-1(e) evidencing ability and intent to pay; consider the right to suspend services per 8.2.]
- MSA dependencies: The SOW is "under the terms of the MSA dated January 15, 2022," but the MSA is not provided. Terms in the MSA (e.g., termination, acceptance, payment remedies) could affect enforceability. [Management Input Required: Review MSA for any clauses impacting rights, payment, or collectibility.]
- Optional scope changes: Optional modules, additional scanner purchases, and change orders could be contract modifications that require evaluation under ASC 606-10-25-10 to 25-13; that analysis is out of scope here and should be performed when such changes occur.
- If criteria are not met: Apply ASC 606-10-25-6 to 25-8 to defer revenue, record consideration received as a liability, and reassess until criteria are met.
- Future accounting judgments: [Management Input Required: SSP determination for allocation (ASC 606-10-32-32/33), variable consideration estimation/constraint, and over-time vs. point-in-time assessments for services in later steps.]

Step 2: Identify Performance Obligations

Analysis:

We identified all promised goods and services in the SOW and then evaluated whether each is (1) capable of being distinct and (2) distinct within the context of the contract. We also considered the series provision, warranties, options/material rights, principal–agent, and other indicators under ASC 606.

Promised goods and services (contract evidence):

- Logi-AI Suite 36-month SaaS subscription for up to 500 users; includes monthly feature updates and security patches, and “Customer’s choice of ONE support tier” [Contract, 1.1 Logi-AI Suite SaaS License; 1.4 Support Services].
- Hardware: 200 OptiScan-7 scanners; “Title and risk of loss … transfer to the Customer upon delivery.” [Contract, 1.2 Hardware Provisioning].
- Professional services: System Integration (SAP bi-directional sync), Configuration and Setup, User Training; Data Migration is “separately priced and optional.” [Contract, 1.3 Professional Services; 1.3.1–1.3.4].
- Optional add-on modules purchasable during the term (Advanced Analytics, Mobile Warehouse Management, API Integration Pack) [Contract, 1.5 Optional Add-On Modules].
- SLA/Support commitments and response times vary by tier; SLA failure credits are the sole remedy [Contract, 1.4 Support Services; 5.0 Service Level Agreement; 5.3 SLA Failure Remedies].
- Options for additional scanners at $275/unit; retroactive 10% refund if >100 additional scanners are purchased in a contract year [Contract, 2.3 Hardware; 2.6.3 Volume Discount (Prospective)].
- Variable consideration: performance bonus, usage-based fees, and SLA credits [Contract, 2.6 Variable Consideration and Performance-Based Fees].

Step 2 assessment framework:

- Identify promised goods/services and consider whether to bundle into POs [ASC 606-10-25-14; 25-16].
- Capable of being distinct: customer can benefit on its own or with other readily available resources [ASC 606-10-25-20].
- Distinct within the context: evaluate significant integration, significant modification/customization, and high interdependence/interrelation [ASC 606-10-25-21(a)-(c)].
- If not distinct, combine into a single PO [ASC 606-10-25-22].
- Series guidance for stand-ready or repeated services over time [ASC 606-10-25-14(b)].

Evaluation by promised item:

1) Logi-AI Suite SaaS (including updates/patches and one support tier)

- Capable of being distinct. The SaaS is a hosted service that can operate “in standalone mode with manual data imports” [Contract, 1.3.1 System Integration Services]. Because the customer can benefit from access on its own (even if less efficient), the criterion is met [ASC 606-10-25-20].
- Distinct within the context. There is no indication the SaaS is significantly modified by the professional services; the core platform remains the same and receives “Monthly feature updates and security patches” as part of the service [Contract, 1.1 Logi-AI Suite SaaS License]. Although the SOW describes an overall goal “to integrate the platform into the Customer’s existing supply chain systems” [Contract, 1.0 Project Scope], the SaaS can be and is provided irrespective of whether the integration is complete. The professional services do not appear to significantly modify or customize

the underlying SaaS, and the items are not highly interdependent because the SaaS can function without the integration (manual imports) and the services have separate acceptance criteria and fees [Contract, 1.3; 2.4; 6.0]. Therefore, the SaaS is separately identifiable [ASC 606-10-25-21].

- Series provision. The SaaS represents a series of distinct services (stand-ready access and updates) that are substantially the same and have the same pattern of transfer over 36 months; therefore, treat as a single PO under the series guidance [ASC 606-10-25-14(b)].
- Support tier considerations. The subscription "includes … Customer's choice of ONE support tier" [Contract, 1.1], with Standard included in the base fee and Premium/Enterprise for additional consideration [Contract, 1.4; 2.2]. Because Standard Support is bundled within the base SaaS and is integral to the service level of access (helpdesk/uptime commitments), we view Standard Support as part of the SaaS PO. If the Customer elects Premium or Enterprise (additional fees and enhanced entitlements such as 24/7 response, dedicated engineer/TAM, proactive monitoring, on-site reviews, and "custom reporting development (up to 40 hours per year)" [Contract, 1.4 Support Services]), those incremental benefits are capable of being distinct and are separately identifiable from the SaaS (they do not integrate or significantly modify the platform). Accordingly, if a higher-tier support is elected, it is a separate "series" PO. This approach aligns with the guidance that technical support can be a separate PO when it is a distinct promise [ASC 606-10-55-149].

Conclusion for SaaS: One PO for the SaaS (including Standard Support). If Premium/Enterprise is elected, that incremental support is a separate PO.

2) Hardware: 200 OptiScan-7 scanners

- Capable of being distinct. The scanners are tangible goods with title/risk transfer at delivery [Contract, 1.2]. The platform "can operate with third-party scanners" [Contract, 1.2], so the customer can benefit from the SaaS without these specific devices. Thus, the hardware is capable of being distinct [ASC 606-10-25-20].
- Distinct within the context. There is no significant integration or modification of the scanners with the SaaS (they "provide enhanced functionality" but are not required) [Contract, 1.2]. The items are not highly interdependent because the platform functions without them. The scanners have separate delivery, acceptance windows, and payment terms [Contract, 1.2; 2.3; 6.1]. Therefore, they are separately identifiable [ASC 606-10-25-21].
- Not a series. The scanners are delivered in a batch with control passing upon delivery [Contract, 1.2], so the series criterion does not apply.

Conclusion for hardware: Separate PO.

3) System Integration Services (SAP bi-directional sync)

- Capable of being distinct. The customer can benefit from integration together with the SaaS, which is readily available [ASC 606-10-25-20]. The SaaS can be used without integration (manual files) [Contract, 1.3.1].
- Distinct within the context. Although the integration increases the value of the SaaS, the service does not significantly modify the SaaS itself; it configures data flows between systems. There is no evidence of a significant integration service that transforms multiple promises into a single

combined output beyond normal implementation. The service has separate acceptance and fee [Contract, 2.4; 6.2]. Because these factors indicate no significant integration, modification, or high interdependence, it is separately identifiable [ASC 606-10-25-21].

- Not a series. This is a defined project with completion and acceptance, not a stand-ready series.

Conclusion for system integration: Separate PO.

4) Configuration and Setup

- Capable of being distinct. The customer can benefit from this with the SaaS [ASC 606-10-25-20].
- Distinct within the context. This does not significantly modify the SaaS; it configures user roles, workflows, and dashboards [Contract, 1.3.2]. The service has separate acceptance and fee [Contract, 2.4; 6.3]. It is not highly interdependent with other services (work can be parallel to integration, and each has independent acceptance) [Contract, 4.0 Milestones; 6.0].
- Not a series.

Conclusion for configuration/setup: Separate PO.

5) User Training

- Capable of being distinct. Training has standalone utility; the customer benefits when using the platform [Contract, 1.3.3].
- Distinct within the context. Training does not modify the SaaS or hardware; it is not integrated with other promises and has separate acceptance and fee [Contract, 2.4; 6.4].
- Not a series.

Conclusion for training: Separate PO.

6) Data Migration (optional)

- Promised option. The SOW states it is “separately priced and optional” at $35,000 [Contract, 1.3.4; 2.4].
- If elected, capable and distinct. It can be performed by InnovateTech to enable usage with historical data; it does not significantly modify the SaaS, and has separate acceptance and fees [Contract, 1.3.4; 6.5]. It would be a separate PO if added via Change Order or if elected at inception [ASC 606-10-25-20; 25-21].
- Material right assessment. Based on the stated price, there is no explicit discount relative to observable SSP in the SOW. Therefore, the option to add data migration appears to be a marketing offer rather than a material right unless pricing is below SSP [ASC 606-10-55-41 to 55-45]. [Management Input Required: SSP determination for data migration per ASC 606-10-32-33].

7) Optional add-on modules during the term (Advanced Analytics, Mobile WMS, API Pack)

- Promised options to acquire additional SaaS functionality later at stated annual prices [Contract, 1.5; 2.5].
- Material right assessment. The SOW does not evidence a discount relative to SSP for these modules. Absent evidence of a discount incremental to what other customers receive, these options are not separate POs; they are future contracts or customer options with no material right [ASC 606-10-55-41 to 55-45]. [Management Input Required: Assess whether the stated prices are at SSP.]

8) Support tiers (incremental to Standard)

- Premium and Enterprise tiers are optional for additional fees [Contract, 1.4; 2.2]. These enhanced support entitlements (24/7 coverage, dedicated resources, proactive monitoring, on-site reviews, custom reporting hours) are capable of being distinct and do not integrate/modify the SaaS. If elected, treat as a separate "series" PO transferred over time [ASC 606-10-25-14(b); 25-21]. If only Standard Support is chosen (included), it is part of the SaaS PO.

9) Volume discount on additional scanners; option to buy additional scanners

- Option to buy additional hardware at $275/unit [Contract, 2.3].
- Retroactive 10% refund on all scanner purchases in a year if >100 additional scanners are purchased [Contract, 2.6.3]. This can create a material right if the pricing (including the contingent rebate) provides a discount relative to SSP for additional units [ASC 606-10-55-42]. The SOW shows standalone reference price for 200 units at $60,000 ($300/unit) [Contract, 2.7 Standalone Reference Pricing], suggesting the $275 price (and potential 10% rebate) may be discounted versus list. Because material right conclusions depend on SSP and expected purchase volume, management judgment is required. If a material right exists, it is a separate PO to which consideration is allocated and recognized as the right is exercised or expires [ASC 606-10-55-44]. [Management Input Required: SSP of additional scanners and probability/extent of additional purchases.]

Other considerations:

- Warranties. The SOW provides a short inspection/replacement period for defective scanners ("Any defective units will be replaced … within 10 business days") [Contract, 6.1]. This appears to be an assurance-type warranty addressing defects in compliance with specs (no separate fee or service period stated). It is not a separate PO [ASC 606-10-55-30 to 55-35].
- Principal vs. agent. InnovateTech provides proprietary hardware and its own SaaS and services; no third-party reseller is indicated. We conclude InnovateTech is principal for all identified POs [ASC 606-10-55-36 to 55-40].
- Consignment. Not indicated; title to scanners passes to Customer upon delivery [Contract, 1.2]. Consignment guidance is not applicable [ASC 606-10-55-80 to 55-84].
- Variable consideration. Performance bonus, usage-based fees, and SLA credits affect transaction price but do not create separate POs [Contract, 2.6]. These will be addressed in later steps.

Because the platform can function without the integration services (albeit with reduced utility), because each professional service has separate pricing, milestones, and acceptance, and because none appears to significantly modify the underlying SaaS or to be highly interdependent with other promises, we conclude the SaaS, hardware, and each professional service are distinct performance obligations unless a higher-tier support is elected (which would be an additional distinct PO). This approach is consistent with identifying distinct promises and applying the "series" guidance for time-based services [ASC 606-10-25-14; 25-20; 25-21; 25-22].

Conclusion:

We conclude there are five performance obligations at inception (assuming Standard Support and no optional services/modules elected): (1) the SaaS access (series), (2) the hardware, (3) system integration,

(4) configuration/setup, and (5) user training. Premium/Enterprise Support, Data Migration, add-on modules, and additional scanners are options; the enhanced support would be a separate series PO if elected, and the additional scanner option may create a material right depending on SSP and expected purchase volume [ASC 606-10-25-14; 25-20; 25-21; 55-41 to 55-45].

Issues or Uncertainties:

- Support tier elected. The SOW does not explicitly state which support tier is chosen. If Premium/Enterprise is elected, treat it as a separate PO. [Management Input Required: Confirm selected tier.]
- Data migration election. The SOW lists it as optional. If elected at inception or via Change Order, treat as a separate PO. [Management Input Required: Confirm election.]
- Add-on modules and additional scanners. Potential material right exists for additional scanners (and related volume rebate) if pricing is below SSP; add-on modules appear priced at stated rates with no explicit discount. [Management Input Required: SSP determinations and expected purchases per ASC 606-10-32-33; 55-41 to 55-45.]
- Allocation and discount: The contract references a bundled package discount across core platform, hardware, and professional services [Contract, 2.7]. SSPs and discount allocation will require Step 4 analysis. [Management Input Required: SSP estimates.]

Step 3: Determine the Transaction Price

Analysis: We evaluate the promised consideration InnovateTech expects to be entitled to in exchange for transferring the specified goods and services to Global Dynamics Corp., including fixed and variable consideration, potential significant financing components, and other adjustments to the transaction price, consistent with ASC 606 Step 3 [ASC 606-10-25-14]. Because ASC 606 requires us to "assume that the goods or services will be transferred to the customer as promised" and not presume cancellation, renewal, or modification, we base the transaction price on the contractually stated fees and schedules, subject to the variable consideration constraint [ASC 606-10-32-4, 32-11 to 32-13].

- Fixed consideration identified:
- SaaS license: Year 1 $240,000, Year 2 $252,000 (due at beginning of Year 2), Year 3 $264,600 (due at beginning of Year 3), totaling $756,600 [Contract, 2.1 Logi-AI Suite SaaS License].
- Hardware: $50,000 one-time fixed fee for 200 units; payment due Net 30 from Effective Date [Contract, 2.3 Hardware (OptiScan-7 Scanners)].
- Professional services: Integration $45,000; Configuration $18,000; Training $22,000 (each "due upon completion and acceptance"), totaling $85,000 [Contract, 2.4 Professional Services Fees].
- Support tier: The customer "must select one" support tier [Contract, 1.4 Support Services]. Standard Support is "included in base license fee (no additional charge)" [Contract, 2.2 Support Service Fees]. Premium and Enterprise are additional fixed annual fees with 5% annual increase [Contract, 2.2 Support Service Fees]. Because the selected tier is not specified in the SOW, fixed consideration for support beyond Standard is not determinable from the contract as provided. [Management Input Required: Confirm selected support tier.]
- Variable consideration identified (ASC 606-10-32-5 to 32-9):

- Performance bonus: One-time $40,000 if a 15% shipping cost reduction is achieved in the first 12 months; historical success rate noted at ~75% [Contract, 2.6.1 Performance Bonus]. This is a variable bonus. Under ASC 606, variable consideration is estimated using expected value or most likely amount and included only to the extent it is probable there will be no significant reversal when resolved [ASC 606-10-32-8, 32-11 to 32-13]. Because achieving the metric depends on customer outcomes and will be assessed over the next 12 months, we do not include it in the initial transaction price pending constraint assessment. [Management Input Required: Variable consideration estimate and constraint assessment per ASC 606-10-32-11 to 32-13.]
- Usage-based fees: $40 per additional user per month beyond 500, measured monthly and invoiced the following month [Contract, 2.6.2 Usage-Based Fees]. This is variable consideration that is resolved monthly. Because it depends on future usage, we do not include an estimate upfront; revenue is recognized as usage occurs when it is not probable to estimate without significant reversal risk [ASC 606-10-32-11 to 32-13].
- Volume discount (prospective): Retroactive 10% refund on all scanner purchases in a contract year if the customer purchases more than 100 additional scanners during that year [Contract, 2.6.3 Volume Discount (Prospective)]. This creates variability in the transaction price for scanner sales in a period in which the threshold is met. Because the additional purchases are optional and threshold attainment is uncertain, we do not include any refund estimate at inception for the initial 200 units. If/when the threshold becomes probable in a contract year, the expected refund would reduce revenue for scanner sales in that year consistent with ASC 606's treatment of discounts as variable consideration [ASC 606-10-32-5, 32-7].
- Service level credits: For Premium/Enterprise tiers only, 10%–25% credits apply if uptime thresholds are missed and are "applied to the following month's invoice" [Contract, 2.6.4 Service Level Credits]. These credits represent variable consideration reductions of the SaaS fee if SLAs are not met. Because they are contingent on future performance, we exclude them from the initial transaction price and recognize reductions if and when probable without significant reversal or when incurred [ASC 606-10-32-11 to 32-13]. If Standard Support is selected, these credits do not apply (per scope in 2.6.4).
- Optional items excluded from initial transaction price:
- Optional data migration ($35,000) is "separately priced and optional" [Contract, 1.3.4; 2.4 Professional Services Fees]. Unless elected at contract inception, it is excluded at inception.
- Optional add-on modules are purchasable "at any time during the contract term" with annual per-module pricing [Contract, 1.5 Optional Add-On Modules; 2.5 Optional Add-On Module Pricing]. These are options, not committed consideration; exclude until exercised.
- Total transaction price (fixed consideration only, based on currently committed items and assuming Standard Support):
- SaaS license (3 years): $756,600
- Hardware (200 units): $50,000
- Professional services (integration, configuration, training): $85,000
- Subtotal fixed consideration: $891,600

Because the contract's detailed fee schedule creates specific payment obligations, we use these amounts for the transaction price. The summary statement that "total contract value [is] $599,000 … representing a 12% discount" conflicts with the detailed line items and stated standalone references [Contract, 2.7 Package Discounts and Bundled Pricing]. We do not substitute $599,000 for the detailed fee schedule absent a signed bundled price term. [Management Input Required: Resolve internal inconsistency in Section 2.7 vs. Sections 2.1–2.4 to confirm the enforceable price.]

If a higher support tier was selected at inception (not specified):

- Premium Support adds: Year 1 $48,000, Year 2 $50,400, Year 3 $52,920; total $151,320 [Contract, 2.2 Support Service Fees].
- Enterprise Support adds: Year 1 $96,000, Year 2 $100,800, Year 3 $105,840; total $302,640 [Contract, 2.2 Support Service Fees].

Accordingly:

- With Premium Support: $891,600 + $151,320 = $1,042,920 fixed consideration.
- With Enterprise Support: $891,600 + $302,640 = $1,194,240 fixed consideration.
- Constraint on variable consideration: Because ASC 606 requires including variable consideration only to the extent it is probable there will be no significant reversal of cumulative revenue when uncertainties resolve, management must evaluate the performance bonus, usage-based fees, volume discounts, and SLA credits under the constraint [ASC 606-10-32-11 to 32-13]. Given the dependence on future outcomes and customer behavior, we exclude these amounts at inception pending management's assessment. [Management Input Required: Variable consideration methods (expected value vs. most likely amount) and constraint documentation per ASC 606-10-32-8 and 32-11 to 32-13.]
- Significant financing component: We evaluate whether the timing of payments provides a significant financing benefit to InnovateTech or the customer. Annual SaaS fees are due at contract start (Year 1 Net 30) and "at the beginning" of Years 2 and 3 [Contract, 2.1 Logi-AI Suite SaaS License]. Because each year's services are transferred ratably and each monthly service period is paid no more than 12 months in advance, the practical expedient applies and no adjustment for time value of money is required [ASC 606-10-32-15 to 32-16; practical expedient in ASC 606-10-32-18]. In addition, some professional services are paid upon completion/acceptance [Contract, 2.4 Professional Services Fees], and data migration (if elected) has a 50% upfront over a short (weeks) delivery period [Contract, 1.3.4; 4.0 Milestones], which is not significant given the short interval and the one-year expedient. Hardware is due Net 30 with delivery within 14 days [Contract, 2.3 Hardware; 4.0 Milestone 1], yielding a short lag and no significant financing component. Further, where upfront or annual payments reflect commercial reasons other than financing, a significant financing component is not present [ASC 606-10-32-17(c)]. Because payment timing differences are short and commercially standard for SaaS, we conclude no significant financing component.
- Noncash consideration: All consideration is stated in cash; no noncash consideration is identified [Contract, 2.0 Fees and Payment Schedule; 8.0 Payment Terms]. We conclude none.
- Consideration payable to the customer: The contract includes SLA "credits" that are "applied to the following month's invoice" [Contract, 2.6.4 Service Level Credits], which function as reductions of

the SaaS fee (variable consideration), not as separate consideration payable. No other rebates, coupons, or payments to the customer are identified that would be accounted for as consideration payable to a customer. We conclude none, apart from price reductions already treated as variable consideration.

Because ASC 606 requires an entity to adjust for financing only when there is a significant financing component [ASC 606-10-32-15 to 32-16] and to include variable consideration only to the extent it is probable of no significant reversal [ASC 606-10-32-11 to 32-13], the transaction price at inception is limited to fixed, committed amounts, with variable elements excluded pending management's constraint assessment.

Conclusion: Based on the contract's enforceable fee schedule, the fixed transaction price is $891,600 assuming Standard Support and no optional services/modules, with potential increases to $1,042,920 (Premium) or $1,194,240 (Enterprise) depending on the support tier selected [Contract, 2.1–2.4]. Variable amounts (performance bonus, usage, volume discounts, SLA credits) are excluded at inception pending constraint assessment and will be included only to the extent it is probable no significant reversal will occur [ASC 606-10-32-11 to 32-13]. No significant financing component, noncash consideration, or consideration payable to the customer is identified based on the provided terms [ASC 606-10-32-15 to 32-17(c)].

Issues or Uncertainties:

- The SOW does not specify which support tier was selected; fixed consideration for Premium or Enterprise cannot be concluded without confirmation. [Management Input Required: Confirm support tier selection at contract inception.]
- Section 2.7 states a "total contract value of $599,000 … 12% discount" that is inconsistent with the detailed fee schedule and standalone references. [Management Input Required: Clarify whether a bundled fixed price supersedes the line-item fees.]
- Variable consideration constraint requires judgment and data not included in the SOW (e.g., likelihood of achieving the performance bonus; expected excess users; probability of SLA credits; likelihood of volume discount thresholds). [Management Input Required: Variable consideration estimation and constraint documentation per ASC 606-10-32-8 and 32-11 to 32-13.]
- Optional services (data migration) and optional modules are outside the committed consideration unless elected. [Management Input Required: Confirm any elections made at inception.]

Step 4: Allocate the Transaction Price

Analysis:

Per Step 2, the contract contains multiple promised goods and services to Global Dynamics Corp. We summarize the performance obligations from that step (for allocation purposes) as follows, based on the SOW:

- SaaS subscription (series of services over time): A 36-month subscription to the Logi-AI Suite for up to 500 users, inclusive of one support tier. Evidence: "A 36-month subscription license to the Logi-AI Suite, granting access for up to 500 users… [and] Customer's choice of ONE support tier" [Contract, "A 36-month subscription license to the Logi-AI Suite…"; "Customer must select one of the following support tiers…"]. Standard Support is included; Premium/Enterprise Support, if selected, is at an additional fee [Contract, "Standard Support: Included… Premium Support: Additional $48,000 per year… Enterprise Support: Additional $96,000 per year…"].

- Hardware (point-in-time good): 200 OptiScan-7 scanners with transfer of title and risk upon delivery [Contract, "200 proprietary 'OptiScan-7' handheld scanners… Title and risk of loss… upon delivery"].
- Professional services (over time): System Integration Services, Configuration and Setup, and User Training, each with specified acceptance criteria and separate fees [Contract, "System Integration Services… complete upon Customer's written acceptance"; "Configuration and Setup… complete upon… deployment to production"; "User Training… complete upon delivery of all scheduled sessions"].
- Optional Data Migration (only if elected): Separately priced, one-time migration service [Contract, "Data Migration Services (Optional): $35,000… Due 50% upon project start, 50% upon completion and acceptance"].
- Support upgrade (if selected): Premium or Enterprise Support as an additional paid level distinct from the included Standard Support [Contract, "Customer must select one of the following support tiers… Premium… Enterprise"].

Because these promises are separately described with stand-alone pricing/payment mechanics and acceptance/transfer provisions in the SOW, Step 2 treated them as distinct performance obligations for allocation (except that the SaaS and the included Standard Support form a single series). If Step 2 ultimately concluded certain implementation services are not distinct from the SaaS (for example, if they significantly customize the SaaS), allocation would be adjusted accordingly (see Issues).

Standalone selling prices (SSPs). ASC 606 requires allocation on a relative SSP basis. Management must determine the SSP of each distinct good/service at contract inception, using observable data when available; if not observable, estimate an SSP that achieves the allocation objective (that is, depict the price the entity would charge for each good/service on a stand-alone basis) [ASC 606-10-32-31, 32-33, 32-29]. Acceptable estimation methods include:

- Adjusted market assessment approach.
- Expected cost plus a margin approach.
- Residual approach—only when the SSP is highly variable or uncertain [ASC 606-10-32-33].

A combination of methods may be used, provided the allocation objective is met [ASC 606-10-32-35]. Before using a residual approach, any overall discount must first be considered for allocation to other performance obligations, if applicable [ASC 606-10-55-266].

[Management Input Required: SSP determination per ASC 606-10-32-33.]

Contract discount and allocation. The SOW states the pricing "reflect a bundled package discount" and that the "total contract value of $599,000… represents a 12% discount" relative to stated standalone reference pricing [Contract, "The fees outlined above for Core Platform, Hardware, and Professional Services reflect a bundled package discount. The total contract value of $599,000… represents a 12% discount…"]. Because this discount is explicitly described as relating to the Core Platform (SaaS), Hardware, and Professional Services bundle, and there is no evidence that the entire discount relates specifically to only one of those items, we would allocate the discount proportionately to those performance obligations based on relative SSPs [ASC 606-10-32-31, 32-37; see also the proportionate discount allocation illustration, ASC 606-10-55-262]. In contrast, Premium/Enterprise Support (if separately purchased) and optional add-on modules (if later exercised) are not part of the stated bundled discount and, absent evidence that the entire discount pertains to those goods/services, would not receive a portion of the initial bundle discount.

Because the SOW includes list/reference prices (for example, standalone references for the 3-year SaaS, the scanners, and professional services), management should assess whether these are representative of stand-alone selling prices in practice. If observable SSPs exist for certain items (for example, hardware sold stand-alone at $275 per unit for additional orders; stated annual pricing for Premium/Enterprise Support), those amounts provide strong anchors. For items with uncertain or highly variable pricing (for example, bespoke integration), the residual or cost-plus approaches may be appropriate, subject to the criteria for residual use and the overall allocation objective [ASC 606-10-32-33, 32-35; 606-10-55-266].

Allocation mechanics (subject to Step 3 transaction price):

- Fixed consideration in scope of the initial contract (excluding optional modules, future scanner purchases, usage overages, service-level credits, and the performance bonus) should be allocated to the identified performance obligations on a relative SSP basis at inception [ASC 606-10-32-31].
- Apply the bundled discount proportionately to the SaaS, Hardware, and Professional Services covered by the bundle, unless management has persuasive evidence that the discount relates entirely to one or more, but not all, of those obligations, in which case allocate the discount only to those obligations [ASC 606-10-32-36 to 32-37].
- If the customer selects a paid Support upgrade (Premium/Enterprise), treat it as a separate performance obligation with an observable annual SSP (the stated annual fee schedule), generally outside the bundle discount unless renegotiated.
- Variable consideration (for example, usage-based fees, performance bonus) was assessed in Step 3. To the extent any variable amount is included in the transaction price and relates specifically to a distinct good/service or to a distinct period of service, it may be allocated entirely to that performance obligation/period if the criteria are met (not concluded here) and otherwise follows the relative SSP allocation. Service-level credits reduce consideration for the affected SaaS service period.

Because the SOW's "package discount" is expressly tied to the Core Platform, Hardware, and Professional Services bundle, and there is no evidence it is specific to only one of those items, the default outcome under ASC 606 is proportionate allocation of the discount across those performance obligations by relative SSP [ASC 606-10-32-31, 32-37]. The residual approach is permissible only for goods/services with highly variable or uncertain SSP and only after considering discount allocation to other obligations [ASC 606-10-32-33; 606-10-55-266].

Key contract evidence leveraged:

- “A 36-month subscription license to the Logi-AI Suite…” [Contract, “A 36-month subscription license to the Logi-AI Suite…”].
- “200 proprietary ‘OptiScan-7’… Title and risk of loss… upon delivery” [Contract, “Title and risk of loss… upon delivery”].
- Professional services scope and separate fees/acceptance [Contract, “System Integration Services… $45,000… Configuration and Setup: $18,000… User Training: $22,000”].
- “Customer must select one of the following support tiers… Standard Support (included)… Premium Support (additional fee)… Enterprise Support (additional fee)” [Contract, “Customer must select one of the following support tiers…”].
- “The fees… reflect a bundled package discount. The total contract value of $599,000… represents a 12% discount…” [Contract, “reflect a bundled package discount…”].

Because the contract explicitly calls out a bundled package discount for the Core Platform, Hardware, and Professional Services, and gives stand-alone pricing references, allocation should follow relative SSP with proportionate discount allocation unless management can demonstrate the discount relates entirely to a subset of obligations under ASC 606 [ASC 606-10-32-31, 32-36 to 32-37].

Conclusion:

We will allocate the transaction price to the identified performance obligations on a relative SSP basis at contract inception, with the bundled discount allocated proportionately to the SaaS, Hardware, and Professional Services included in the bundle, absent evidence that the entire discount relates to only a subset [ASC 606-10-32-31, 32-37]. SSPs should be established by management using observable stand-alone data when available, or estimated using acceptable methods (adjusted market assessment, expected cost plus margin, or residual when highly variable/uncertain) while meeting the allocation objective [ASC 606-10-32-33, 32-35].

Issues or Uncertainties:

- Pricing inconsistencies requiring resolution: The SOW presents (i) annual SaaS fees totaling $756,600 over 3 years, plus hardware of $50,000 and professional services of $85,000 (sum $892,600), but also states a “total contract value of $599,000” and “12% discount… from… $680,000.” Additionally, the “Standalone Reference Pricing” listed totals $905,000 (SaaS $750,000 + hardware $60,000 + professional services $95,000). These figures are inconsistent and materially affect the transaction price and discount basis. Management must reconcile the binding prices for allocation.
- Step 2 distinctness conclusion for implementation: If Step 2 ultimately concludes certain services (for example, integration/configuration) are not distinct and form part of a combined SaaS performance obligation, the allocation would be revised to reflect fewer performance obligations.
- Support tier selection: The SOW allows one support tier; which tier the Customer selected at inception is not specified. Allocation to a paid Support upgrade cannot be finalized until selection is confirmed.
- Optional services: Whether Data Migration was elected is not specified; optional add-on modules are not committed at inception and are excluded until exercised.

- Variable consideration: Usage-based fees, performance bonus, SLA credits, and volume discounts are variable and outside the fixed bundle; allocation of any included variable amounts (if any) requires further analysis under ASC 606 (not concluded here).

Step 5: Recognize Revenue

Analysis:

ASC 606 requires recognizing revenue when (or as) each performance obligation (PO) is satisfied by transferring control to the customer [ASC 606-10-25-23], either over time if one of the criteria in ASC 606-10-25-27 is met or at a point in time otherwise. The amount recognized equals the consideration allocated to that PO [ASC 606-10-32-28].

Below, we conclude the timing for each promised good/service based on the contract evidence and the ASC 606 criteria. We use "because" statements to connect evidence to conclusions.

1) Logi-AI Suite SaaS subscription (including the selected support tier)

- Contract evidence: "A 36-month subscription license to the Logi-AI Suite, granting access for up to 500 users… Monthly feature updates and security patches are included with all support tiers" [Contract, 1.1 Logi-AI Suite SaaS License]. The initial term is 36 months commencing on the Effective Date [Contract, 3.1 Initial Term]. SLAs and support response times apply throughout the term [Contract, 5.1 Platform Availability; 5.2 Support Response Times].
- Over-time vs point-in-time: Over time. Because the SaaS and support are stand-ready services the customer receives and consumes as provided (continuous access and support), the criterion that "the customer simultaneously receives and consumes the benefits" is met [ASC 606-10-25-27(a)].
- Transfer of control: When access to the hosted platform and the selected support tier are made available (stand-ready control transfers continuously) [ASC 606-10-25-23; 25-27].
- Timing and pattern: Recognize ratably over the service period (time-elapsed method) because stand-ready access and support are provided evenly over time and SLAs/response commitments are uniform across the term [ASC 606-10-25-27]. Recognition begins when access/support are first provisioned.
- Because the contract states the initial term "commencing on the Effective Date" and the platform can run in standalone mode even before integration ("Without this integration, the platform operates in standalone mode with manual data imports" [Contract, 1.3.1 System Integration Services]), we conclude access can be provided at or near the Effective Date.
- [Management Input Required: confirm the provisioning/activation date if different from the Effective Date.]

Notes on support tiers within the SaaS period:

- Standard Support is included in the base license [Contract, 1.1; 1.4 Support Services]. Premium/Enterprise Support add fees and enhanced commitments (e.g., 24/7 response, dedicated engineer/TAM, quarterly on-site reviews, custom reporting up to 40 hours per year) [Contract, 1.4 Support Services]. Because the promise is to stand ready and to respond/perform as-needed over the term, the time-elapsed method continues to best depict performance even when discrete activities (e.g., quarterly reviews) occur, as the series of daily/continuous support services is the predominant promise [ASC 606-10-25-27].

Variable consideration within SaaS/support:

- Service level credits reduce revenue in the month of SLA failure ("Credits are applied to the following month's invoice" [Contract, 2.6.4 Service Level Credits]); recognize as a reduction of revenue for that period of service because the customer did not receive the fully promised service level in that month [ASC 606-10-25-23; 32-28].
- Usage-based fees for users >500 are recognized as incurred because usage is measured monthly and invoiced the following month [Contract, 2.6.2 Usage-Based Fees], aligning recognition with the period the customer receives additional service [ASC 606-10-25-23; 32-28].
- The performance bonus (if achieved within the first 12 months) is recognized when it becomes not subject to significant reversal (typically upon achievement/confirmation per the contract trigger) [Contract, 2.6.1 Performance Bonus; ASC 606-10-32-28].
- [Management Input Required: timing assessment of when the constraint is lifted based on internal evidence of achievement and historical experience.]

2) Hardware – 200 OptiScan-7 scanners

- Contract evidence: "Title and risk of loss for the scanners transfer to the Customer upon delivery" [Contract, 1.2 Hardware Provisioning]. "Delivery is complete upon Customer's signed receipt acknowledging delivery of all units in good condition" [Contract, Milestone 1 - Hardware Delivery]. Customer has 5 business days to inspect; defective units will be replaced [Contract, 6.1 Hardware].
- Over-time vs point-in-time: Point in time. Because control transfers when title and risk of loss pass and the customer signs for delivery, the indicators of control occur at delivery [ASC 606-10-25-23]. Customary inspection/replacement terms do not prevent control from transferring at delivery.
- Transfer of control: On delivery at the customer's facility (upon signed receipt) [Contract, Milestone 1 - Hardware Delivery; 1.2 Hardware Provisioning].
- Timing and pattern: Recognize revenue upon delivery of the 200 units.
- For any additional scanners purchased later, recognize upon each delivery at the point in time control transfers [Contract, 2.3 Hardware].

3) Professional Services – System Integration Services

- Contract evidence: "Custom integration… essential for the platform to access Customer's transactional data… performed on-site… complete upon Customer's written acceptance" [Contract, 1.3.1 System Integration Services]. Acceptance requires specific integration outcomes [Contract, 6.2 System Integration Services].
- Over-time vs point-in-time: Point in time. Because customer benefit is realized upon completion/acceptance, there is no evidence the customer controls an asset as created, and the contract does not provide an enforceable right to payment for performance completed to date if terminated early (billing is "due upon completion and acceptance" [Contract, 2.4 Professional Services Fees]), criterion (a) and (b) under ASC 606-10-25-27 are not met, and criterion (c) is not met due to lack of enforceable right to payment.

- Transfer of control: Upon written acceptance or deemed acceptance [Contract, 1.3.1 System Integration Services; 6.2 System Integration Services; 6.6 Deemed Acceptance].
- Timing and pattern: Recognize revenue at acceptance.

4) Professional Services – Configuration and Setup

- Contract evidence: “Complete upon Customer deployment to production environment” and requires written approval of UAT results [Contract, 1.3.2 Configuration and Setup; 6.3 Configuration and Setup]. Billing “due upon completion and acceptance” [Contract, 2.4 Professional Services Fees].
- Over-time vs point-in-time: Point in time. For the same reasons as Integration (benefit realized at completion, acceptance gating, and no enforceable right to payment for work-to-date), the over-time criteria are not met [ASC 606-10-25-27].
- Transfer of control: Upon UAT approval/deployment acceptance or deemed acceptance [Contract, 1.3.2; 6.3; 6.6].
- Timing and pattern: Recognize revenue at acceptance.

5) Professional Services – User Training

- Contract evidence: “On-site training for up to 50 users, delivered over 5 business days… Training is complete upon delivery of all scheduled sessions” [Contract, 1.3.3 User Training; 6.4 User Training]. Billing is “due upon completion of training sessions” [Contract, 2.4 Professional Services Fees].
- Over-time vs point-in-time: Over time. Because trainees simultaneously receive and consume the benefit as each session is delivered, criterion (a) is met [ASC 606-10-25-27(a)].
- Transfer of control: As each day/session is delivered (continuous service consumption) [ASC 606-10-25-27].
- Timing and pattern: Recognize over the 5 training days using a time-elapsed or sessions-delivered measure (e.g., 1/5 per day), which depicts performance.

6) Professional Services – Data Migration (optional)

- Contract evidence: “One-time migration… complete upon Customer's written acceptance of data accuracy validation report” [Contract, 1.3.4 Data Migration Services; 6.5 Data Migration]. Fees: 50% at start, 50% upon completion and acceptance [Contract, 2.4 Professional Services Fees].
- Over-time vs point-in-time: Point in time. Because acceptance gates completion, there is no stated enforceable right to payment for work-to-date beyond the initial 50% deposit if terminated, and benefit is realized at completion, the over-time criteria are not met [ASC 606-10-25-27].
- Transfer of control: Upon written acceptance (or deemed acceptance per the contract) [Contract, 1.3.4; 6.5; 6.6].
- Timing and pattern: Recognize revenue at acceptance.

7) Optional Add-On Modules (purchased during term)

- Contract evidence: “Each module is licensed on a per-user basis and requires a minimum 12-month commitment from date of activation” with annual license “due upon activation, then annually on anniversary date” [Contract, 1.5 Optional Add-On Modules; 2.5 Optional Add-On Module Pricing].
- Over-time vs point-in-time: Over time. As with the core SaaS, these are hosted access services consumed as provided; criterion (a) is met [ASC 606-10-25-27(a)].

- Transfer of control: From activation for the committed period [Contract, 1.5; 2.5].
- Timing and pattern: Recognize ratably over the 12-month commitment from activation (time-elapsed method) [ASC 606-10-25-27].

Other contract features affecting period recognition:

- Service level credits: Recognize as a reduction to revenue in the month of the SLA shortfall; credits are applied to the following invoice [Contract, 2.6.4 Service Level Credits; 5.3 SLA Failure Remedies].
- Volume discount on additional scanners: If the customer purchases >100 additional scanners in a contract year, a retroactive 10% refund applies to all scanner purchases in that year [Contract, 2.6.3 Volume Discount (Prospective)]. Any resulting refund should reduce hardware revenue when the threshold becomes probable/achieved for the affected year's deliveries.
- [Management Input Required: monitor annual additional scanner purchases to determine timing/amount of any retroactive refunds.]
- Shipping and handling: Not separately specified post-control transfer. To the extent shipping/handling occur after control transfers, a policy election could treat them as fulfillment costs with accrual of costs [ASC 606-10-25-18B].
- [Management Input Required: policy election for shipping/handling, applied consistently.]

Because the contract includes "Deemed Acceptance" if no written rejection is provided within 10 business days [Contract, 6.6 Deemed Acceptance], acceptance-based services (integration, configuration, data migration) transfer control at the earlier of written acceptance or the deemed acceptance date.

Conclusion:

- Over time: SaaS (including selected support tier) and any add-on modules (ratably over the access term); User Training (over the 5 training days). These satisfy ASC 606 over-time criterion (a) because the customer simultaneously receives and consumes the benefits as performance occurs [ASC 606-10-25-27(a)].
- Point in time: Hardware (upon delivery/signed receipt); System Integration, Configuration/Setup, and Data Migration (upon customer acceptance or deemed acceptance). Control transfers at those points under ASC 606 [ASC 606-10-25-23].

Issues or Uncertainties:

- Provisioning date for SaaS/support: The contract term starts on the Effective Date, but revenue start requires confirmation of when access/support were provisioned. [Management Input Required: confirm activation date.]
- Enforceable right to payment for in-process professional services: The SOW bills most services upon acceptance, suggesting no right to payment for work performed to date if terminated. If the MSA contains contrary terms (not provided), conclusions for over-time vs point-in-time could change.
- Allocation/constraint policies for variable consideration (bonus, SLA credits, volume rebates): Detailed allocation and constraint assessments occur in Steps 3–4; recognition timing herein assumes those assessments. [Management Input Required: confirm variable consideration policies and period attribution.]

CONCLUSION

Based on the step conclusions, the arrangement is within the scope of ASC 606 and, assuming management substantiates collectibility at contract inception, the parties have identified the contract, the five performance obligations, and a fixed transaction price of $891,600 (with potential increases to $1,042,920 or $1,194,240 depending on the support tier) in accordance with ASC 606 guidance. Revenue should be allocated on a relative SSP basis and recognized over time for the SaaS, selected support and add-on modules (ratably) and training, and at a point in time for hardware and customer-accepted services, provided management completes SSP determinations, assesses the potential material right related to the additional scanner option, and applies the constraint on variable consideration; absent other issues identified in the steps, the contract is accounted for in compliance with ASC 606.

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

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

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