What is revenue recognition?

Revenue recognition is an accounting rule of the generally accepted accounting principles (GAAP) that determines the specific conditions under which income becomes realized as revenue. Revenue recognition is a particularly important accounting measure for subscription-based businesses.

For example, you’ve received a monthly subscription for a service that starts on January 15 and the value of the service is delivered throughout the month of January, through to February 14. On January 31, 16 days of the subscription is “earned” since that much of the service has been delivered. The “not yet delivered” portion of the service – 14 days, is counted as “deferred”.

Why is revenue recognition important?

Revenue recognition reflects the true extent of revenue earned during a specific period.

In a subscription business, revenue needs to be recognized daily and this is extremely hard to accomplish manually, in a timely fashion and without error as subscriptions are received every day - each resulting in a unique revenue recognition calculation.

How does Fusebill help you recognize your earned and deferred revenue?

With Fusebill, revenue recognition is handled automatically. The Fusebill platform manages multiple pricing and subscription schemes and allows for customer subscriptions to be received directly and automatically at any time of day and any day of the week. Fusebill enables you to recognize your revenue quickly and accurately, at any point in time, so you can meet your account closing deadlines.

To ensure you always know where you stand, Fusebill’s revenue recognition dashboard shows you at any given time, how much of these transactions are still in a deferred or earned account.

Fusebill is the industry leader in simplifying revenue recognition and its agile platform automates and manages all your subscription billing activities. Contact us! Let’s get you started: sales@fusebill.com

Want to learn more about how you can turn your subscription billing into a competitive advantage? Read The Complete Guide to Subscription Billing

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