

Global Upside Helps Technology Reseller INX Overcome Multi-Year Restatement Ordeal

INX was a leading reseller of complex IT systems to large and small businesses, with a record of double-digit revenue growth from 1997, the year it joined the NASDAQ, until 2009. In 2009, it encountered a major challenge, when its auditor insisted it carry out a revenue restatement, resulting in a temporary de-listing from the NASDAQ exchange. Global Upside provided the essential accounting support that restored INX to financial compliance.

LIFE-THREATENING CHALLENGE In 2009, INX switched auditors—and encountered a major accounting challenge. The new auditor informed management that the company’s financial reports going back three years were not in compliance with revenue recognition rules under U.S. generally accepted accounting principles. This was a very major challenge. The company had 700,000 SKUs (items for sale) in its database and more than 43,000 contracts completed over the years in question. Technology sales transactions are notoriously complex, with contracts for the sale of a product or system often involving commitments to deliver future versions of software, services, or product upgrades, if and when they are made available by the manufacturer. Sometimes technology manufacturers themselves cannot establish separate prices for the various components of a product—yet INX had to make all those calculations to restate its revenue accurately. *“It was incredibly complicated. We had to estimate the fair value for every product, every contract, and every deal over three years,”* INX chairman Jim Long explains. *“Numerous companies have had near-death or full-death experiences trying to do this.”*

EXECUTIVE SUMMARY

CLIENT

INX Inc.

MARKET

Technology reseller

BUSINESS CHALLENGES

- Revenue restatement (3 years)
- Ongoing revenue recognition process

SOLUTION

Retained Global Upside to develop processes and execute restatement

BENEFITS

- Major restatement process completed in less than four months
- Implemented high-quality, accurate, reliable revenue processes
- Scalable, cost-effective ongoing accounting services and support for INX



PROCESSES & POLICIES After interviewing experts from accounting firms, audit firms and consultants, and experiencing a time consuming false start with one consulting firm, Long decided that INX would go back to its original audit firm, Grant Thornton, and bring in Global Upside for the accounting support to execute the three-year analysis and revenue restatement. Global Upside CEO Ragu Bhargava proposed a plan involving Global Upside's team in India doing detailed contract-by-contract analysis. Long accepted the proposal, in part because of Bhargava's personal experience as a former CFO of a public technology company and former auditor with Deloitte, which brought valuable experience to the challenge.

CEO Ragu Bhargava. Within a month, a team of 35 professionals, all of them either CPAs or chartered accountants, had been hired and assigned to the project both in the U.S. and at Global Upside's India office. By the end of the year, the deal analysis for 2008 and 2009 was complete. The 12-hour time difference became an advantage because every night, while the U.S. team slept, the India team continued the work, handing off documents or questions to the U.S. team each morning. At the start of 2011, having completed the contract analysis, the Global Upside team began working with auditors Grant Thornton on the next step; producing audited revenue statements for each quarter. In June 2011, INX was able to file its 10-K for the year ended December 2010, as well as new 10-Q statements for applicable quarters through Q1 2011. In Q3 2011, INX was able to re-list on the NASDAQ, while reporting that revenue for Q2 2011 reached a record \$117 million, up 39% on the year-earlier period.

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RETURN TO THE STOCK MARKET In October 2010, Global Upside went to work. The first step was to work with INX to create a written revenue recognition policy and related processes. Global Upside then worked with the auditors to gain their approval and support for the new policy and scope of work. It was a complex process, involving frequent meetings between INX, the Global Upside team, and the audit team. "At Global Upside, our philosophy is to do whatever it takes to get the job done. Failure is not an option in our minds," comments

"It was a complete re-engineering of our entire revenue recognition methodology, and a review of every single one of our contracts under today's accounting rules, to result in proper revenue accounting for INX over a three-year period," Jim Long recalls. "Global Upside was able to do this because they have the expertise; they understand U.S. accounting rules, employ a lot of highly qualified people, understand the importance of rules and processes, and they know how to implement them and work with auditors and other professionals."



About Global Upside, Inc. Headquartered in Silicon Valley, California, Global Upside is a leader in delivering innovative solutions to companies for their finance, accounting and human resources needs. Founded over 15 years ago, Global Upside today offers the complete range of on-site and off-site outsourced services including search and interim staffing support. Global Upside professionals deliver high quality, timely and responsive service to clients in more than 60 countries worldwide. For more information, visit www.GlobalUpside.com.

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