

# Case Study

Automating the review of 12,600+ contracts for ASC 606 compliance



## Executive Summary

TIBCO is a leading enterprise software company enabling thousands of enterprises around the world to interconnect their existing systems, APIs, devices, and other end points and augment their intelligence through analytical insights. TIBCO used Klarity to automatically extract custom clauses and metadata and consolidate the final amended versions of 12,600+ contracts.

## The Challenge

TIBCO had over 20 years of legacy contracts, amendments, and work orders on its own and third party forms that needed to be checked for the presence of rare clauses impacted by the new ASC 606 revenue recognition standards.

## The Solution

Klarity worked with TIBCO to determine which metadata (including contract numbers in TIBCO's custom format) and clauses should be extracted. Klarity then extracted these clauses and metadata from over 12,600 revenue contracts, amendments, and work orders and consolidated their final amended versions.

**6,300+**

hours of manual contract review  
**no longer required**

**13.85%**

of contracts had  
**non-standard clauses**

**2 hours**

of onboarding  
needed to reach  
**full compliance**

## Introduction

TIBCO is a global software company with 5,000 employees that enables thousands of enterprises around the world to interconnect their existing systems, APIs, devices, and other end points and augment enterprise intelligence through analytical insights.

## The Challenge

TIBCO was facing a daunting challenge: the review of 12,600+ revenue contracts on its own and third party paper for 16 rare clauses that are essential to ensure compliance with ASC 606 revenue recognition standards. A single accountant would take around 6,300 hours, or 7.6 months of full-time work, to manually review all of these contracts assuming that they spend thirty minutes reviewing each contract. Needless to say, this would be unfeasible given the limited resources of a company.

TIBCO originally wanted to use one of their existing AI systems to perform this job. However, after attempting to leverage this existing tool, it became evident that it would not work for two reasons:

- TIBCO did not have even tens or hundreds of training samples since the clauses of interest were exceptionally rare.
- Many of the contracts had been amended numerous times, meaning that the audit team would have to tediously read multiple documents to manually determine the final version of each contract.

## The Solution

TIBCO engaged Klarity achieve the following:

1. Extract contract metadata.
2. Extract clauses relevant for ASC 606 revenue recognition standards.
3. Link revenue contracts to amendments and work orders.
4. Consolidate the final version for each contractual relationship.

It only took one meeting and two short calls for Klarity to fully onboard TIBCO. Without any further input from TIBCO, Klarity soon submitted the final deliverable, identifying rare, non-standard terms in 13.85% of the contracts. After inspecting this deliverable, TIBCO concluded that:

- Klarity's accuracy far exceeded their existing AI systems.
- Klarity provided the crucial but otherwise lacking functionality to link contracts together in determining their final amended versions.

Ultimately, Klarity enabled TIBCO to get fully compliant with minimal effort on their side.

If you are interested in learning more about Klarity's contract review solutions, please reach out to [andrew@klaritylaw.com](mailto:andrew@klaritylaw.com) or visit [tryklarity.com](http://tryklarity.com).