

## Cloud Data Warehousing Investment Leads to EBITDA Gains and Improved Profitability

**CHALLENGE:****CapEx vs. OpEx Issues**

Many organizations post-pandemic have become conscious of increasing operating expenses (OpEx). While many solutions offer a valuable return on investment, approval for OpEx spending remains a long process for many executive teams. On the other hand, companies who employ best financial practices continuously invest in capital expenditures (CapEx) and typically spend between 2-4% of their revenue on CapEx, depending on the industry.

In many firms, executives are heavily concentrated and compensated on EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization). Maximizing what their company can capitalize could be the difference in failing, meeting or exceeding their investors' expectations on profitability.

A recently approved Accounting Standards Update (ASU 2018-15),\* defined how a customer should account for implementation costs and services for implementation and migration/configuration incurred in a service-based cloud computing arrangement. ASU 2018-5 states that IT implementation costs can be capitalized, while all other non-implementation costs need to be expensed.

**ASU 2018-15 defines CapEx implementation costs as:**

- The IT application development phase of implementation, which can include coding and testing
- Developing or purchasing software to convert or access data from the old system by the new system
- Configuring or customizing the service, whether internally or by third party vendors
- Travel for service providers who are assisting with the implementation process on-site
- Payroll for employees while they are involved in implementation phase

**Costs that must be expensed as OpEx include:**

- Training, even if this training occurs during the development or implementation stages
- Preliminary project and post-implementation phase costs
- Data conversion, which includes purging or cleansing old data, reconciling between systems, creating new or additional data, and conversion to the new format

**SOLUTION:**

As New England's premier IT solutions provider for over 20 years, Focus' expertise includes analysis of Generally Accepted Accounting Principles (GAAP) and the ability to capitalize many aspects of an organization's digital transformation project in order to maximize CapEx implementation.

We have guided a multitude of organizations on their journey to the cloud to build a foundation that is powerful and extensible by leveraging cloud-native capabilities. Using Snowflake, an exceptional cloud computing-based data warehousing solution, we create a single, governed and immediately queryable source for storing all the company's data. Organizations can access that data on a single source platform using AWS, Azure or GCP to make quick, business critical decisions.

With Snowflake's cloud software options—pricing, flexibility and effectiveness, Focus experts implement a powerful and profitable CapEx compliant solution that accelerates transformation to the cloud.

**RESULTS:**

The bottom line: organizations implement best accounting practices and with the ability to apply capital expenditures (CapEx) to their IT cloud transformation can dramatically increase their potential for profitability.



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