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Revenue Recognition in Order Entry

April 25th, 2023

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Learning Objectives

At the end of the session, you will be able to:

- Review what is included in Order Entry and Revenue Recognition
- Recall how to work with Revenue Recognition templates
- Identify how to manage Revenue Schedules

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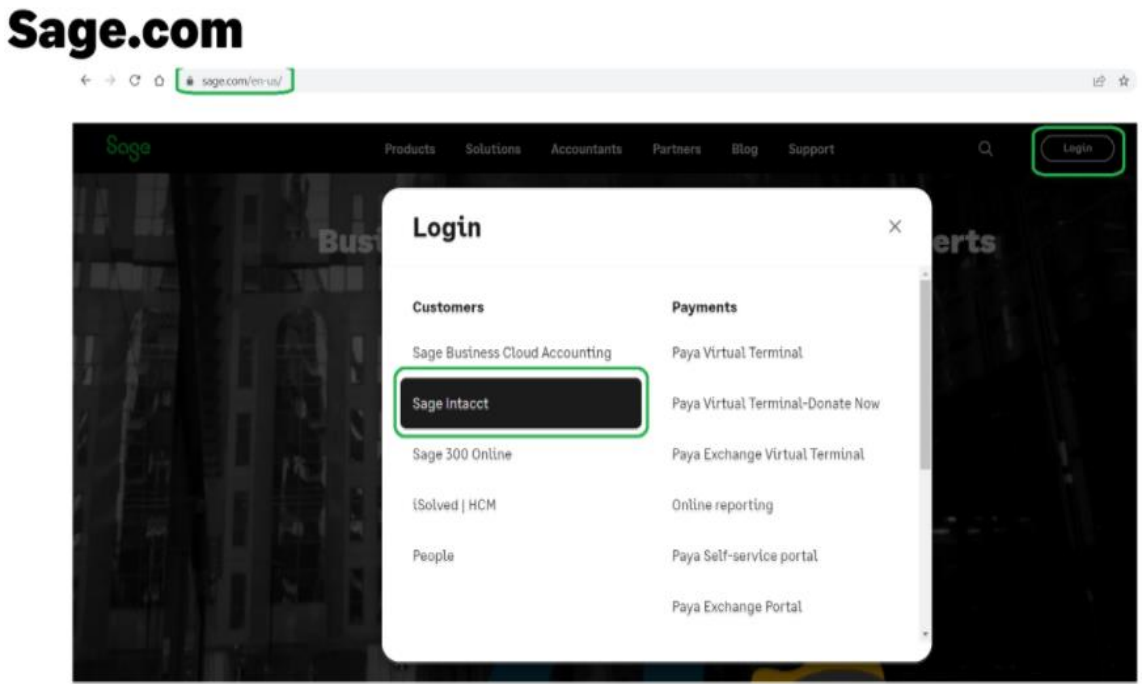
Reminder…

- Intacct.com will be getting phased out and changing to Sage.com
- When this change takes place, you will want to select Sage Intacct from the Login button



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What is included in Order Entry Revenue Recognition

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Project Revenue Recognition Matrix

Feature/Capability	Contracts + Projects	OE RevRec + Projects
Revenue Recognition		
ASC 606 Compliance for Txn vs SSP on project or task based rev rec; meaning supports MEA	Yes	No
ASC 606 Revenue recognition for T&M projects with MEA	Yes	No
Rev Rec by %complete based on actual hours vs. budgeted/estimated/planned hours, project or task	Yes	Yes
Rev Rec by observed % complete - project or task	Yes	Yes
Rev Rec by % complete by milestone (certain percentage values only)	Yes	Yes
Rev Rec by % complete based on actual cost vs. budget	No, but have work-around	Yes**
Rev Rec consideration for project and task % complete as-of-date	Yes	No
Control over bulk calculation of % complete	Yes	No
Ability to process at Top Level and Entity Level	Yes	No – entity only
Offline revenue recognition (initiated on-line)	Yes	No
Project Daily posting of revenue recognition	No	Yes
100% complete override to recognize all revenue	No	Yes

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Project Billing Matrix

Feature/Capability	Contracts + Projects	OE + Projects
Billing		
Time and Materials Billing	Yes	Yes
Scheduled Billing (month offset)	Yes	No
Recurring Billing	Yes	Yes
Fixed fee billing based on actual % complete	Yes	Yes
Fixed Fee Billing Based on observed % complete	Yes	Yes
Fixed fee Billing by % complete by milestone (certain percentage values only)	Yes	Yes
Bill to a maximum	No-on road map	Yes
Billing minimum	No-on road map	No
Invoice currency selection	No-on road map	Yes
Partial Period Billing	Yes	No

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About Revenue Recognition

- Revenue Recognition is amortization of revenue over the life of a contract
- Recognize each allotment of revenue when delivery has taken place or services have been rendered
- Requirements to record as Revenue
  - Seller's price to buyer is fixed and determinable
  - Only showing revenue in period in which it is earned
  - Collectability is reasonably assured

NOTE: If need for ASC 606 compliance is required, better fit is the Contracts Module

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Revenue Recognition in Order Entry

- Amortization
- Delivery Options
- Separation of Billing and Revenue
  - Example: Quarterly billing with monthly revenue recognition
- Renewals (for simple renewal needs)
- Add-ons such as Salesforce, Avalara, Projects, require Order Entry rather than Accounts Receivable

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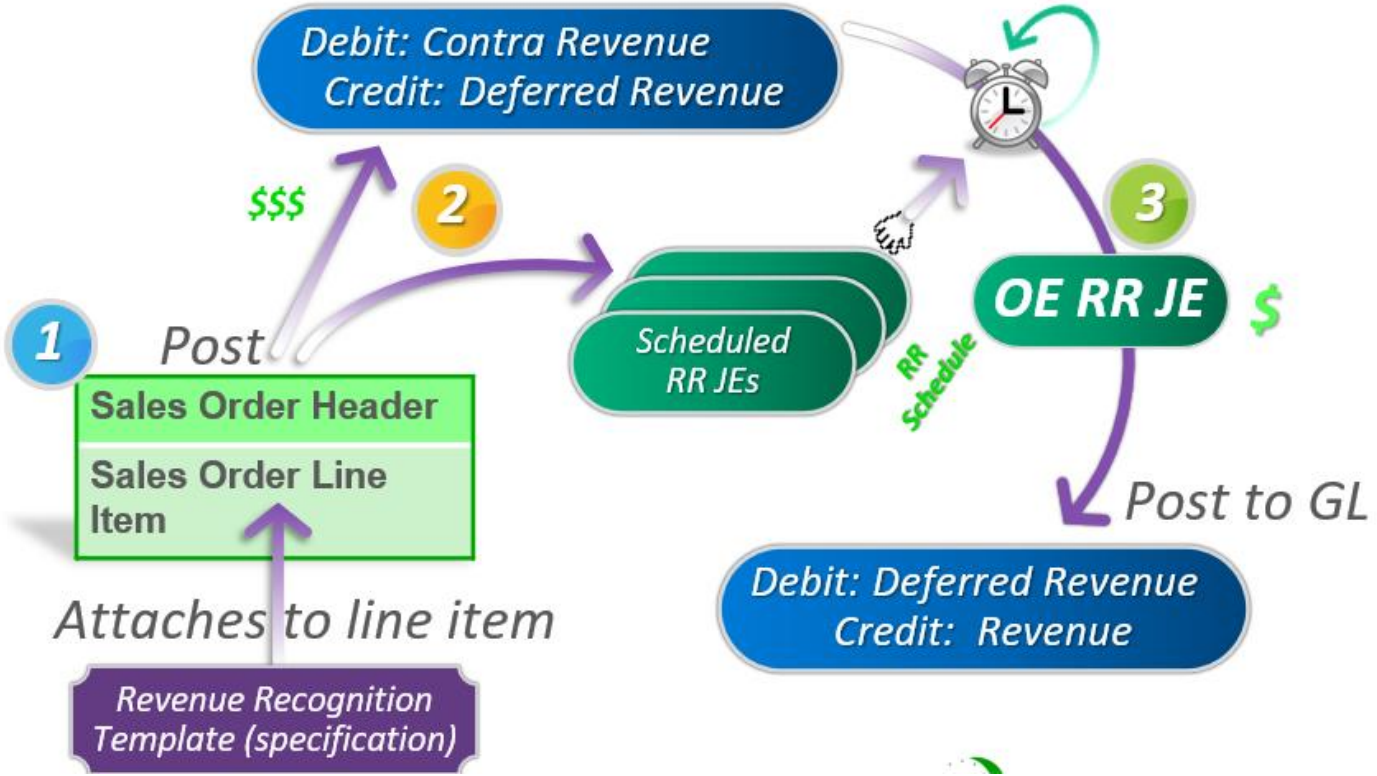
Revenue Recognition in Order Entry



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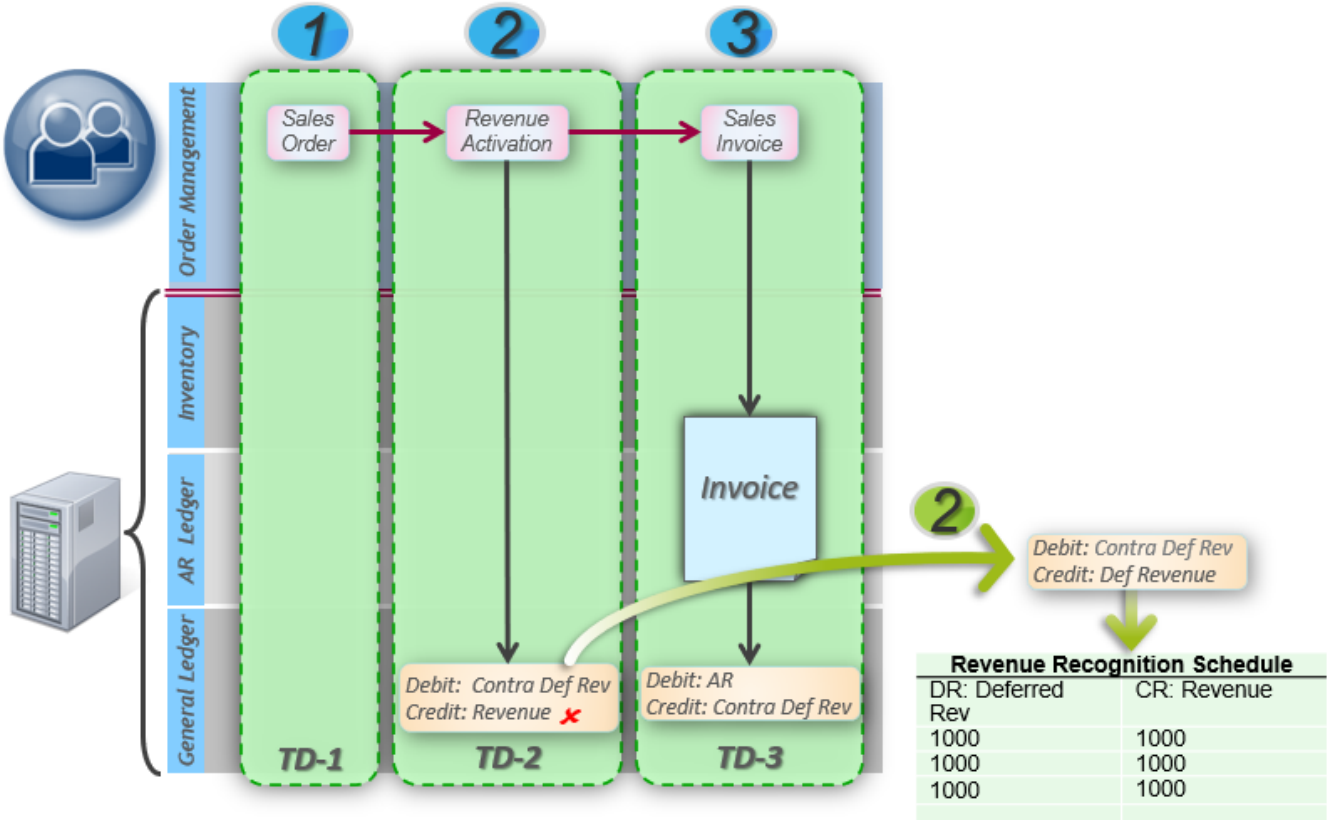
Create Transaction Definitions



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What Journal Entries are booked?

Invoice Creates:

Debit: Accounts Receivable
Credit: Contra Def Rev (based on TD Invoice Setup)

Rev Rec Activation Creates:

Debit: Contra Def Rev
Credit: Def Revenue (based on Item and Item GL Group

Revenue Schedule “Firing” Creates:

Debit: Def Revenue
Credit: Revenue (based on TD Activation Setup)

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Working with Revenue Recognition Templates

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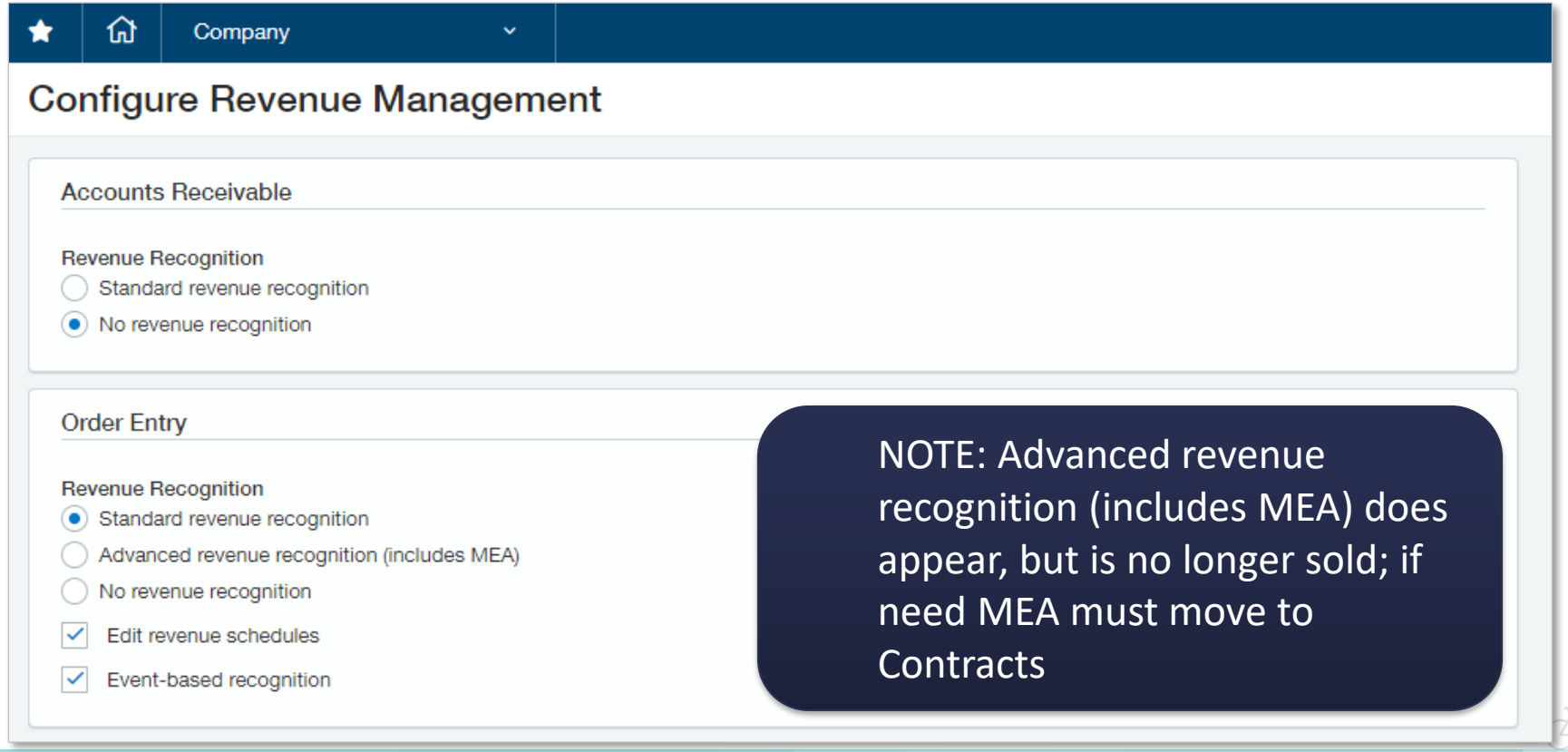
Revenue Management Subscription



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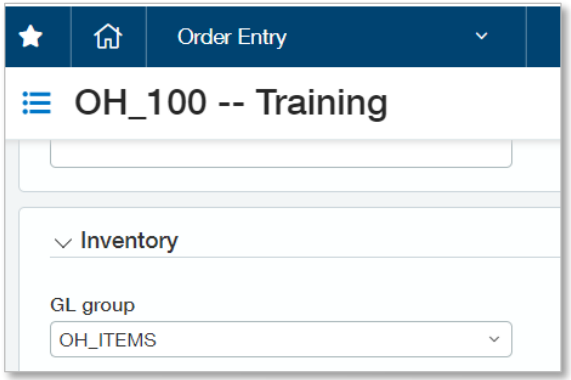
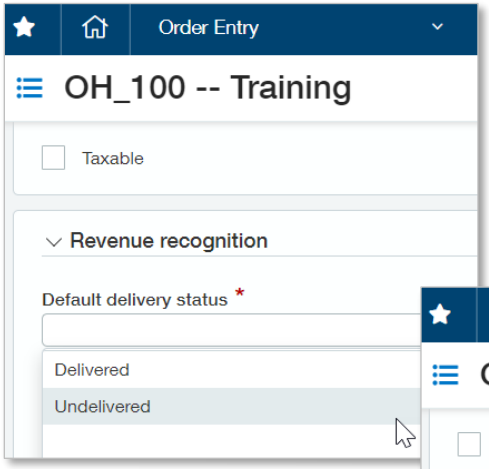
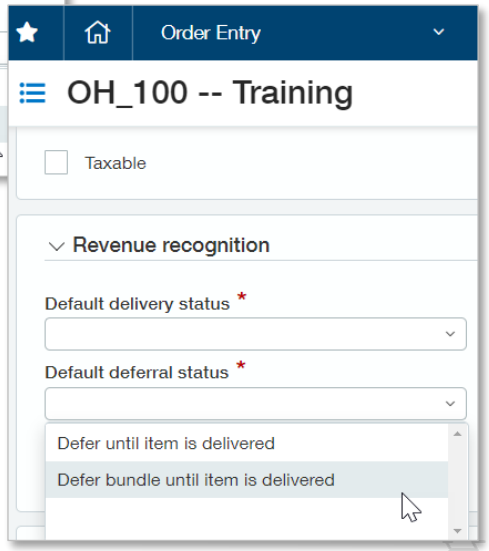
Items are the Foundation!

- Be sure that:
  - Item GL Group is correct
  - Delivery status is correct
  - Default deferral status no longer applies to new customers







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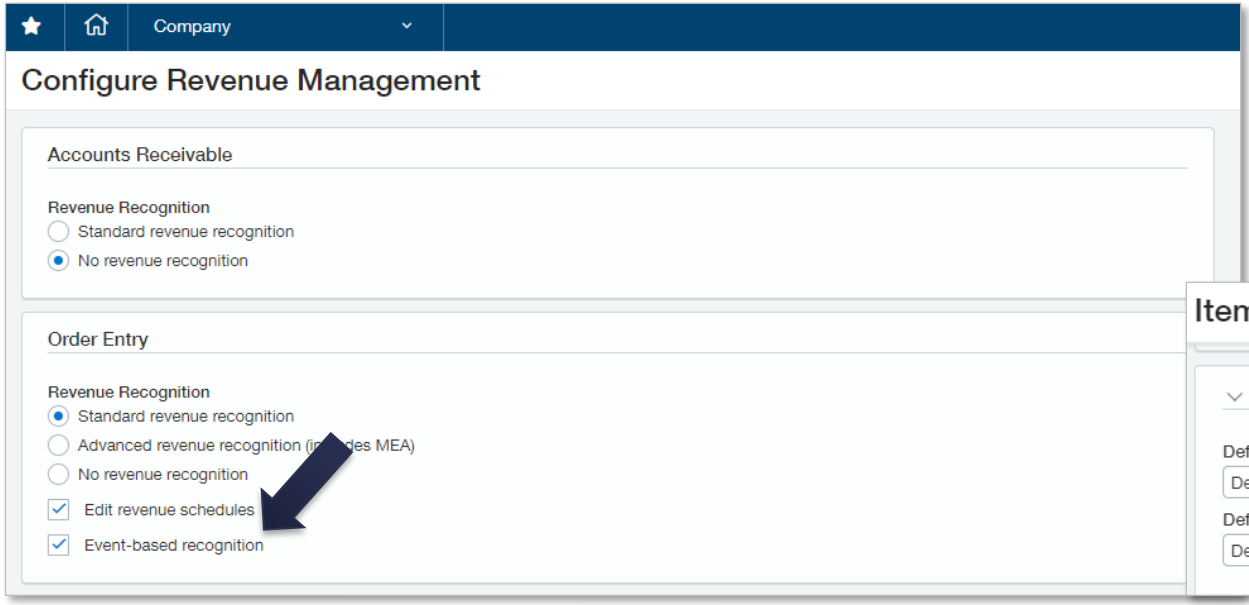
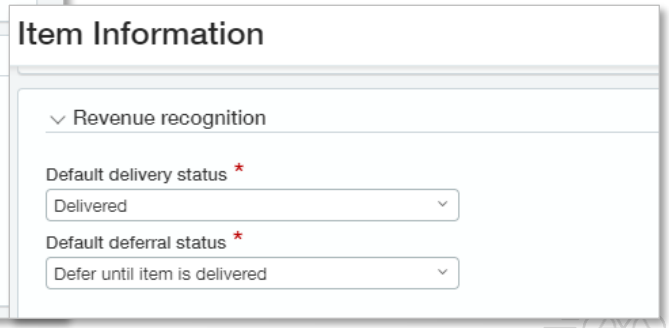
Item Default Considerations

- With Event-based recognition, delivery drives Revenue Recognition Schedule “in progress”
- Setup of Delivery default on item





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Importance of Revenue Recognition Templates

- It is attached to a transaction line item
- It writes the rules for the schedule
- **Note:** the transactions in the schedule are UNPOSTED
- The Scheduler uses the rules of the Rev Rec Template to post the Rev Rec Transaction
- Can create to:
  - Automatically post
  - Manually post

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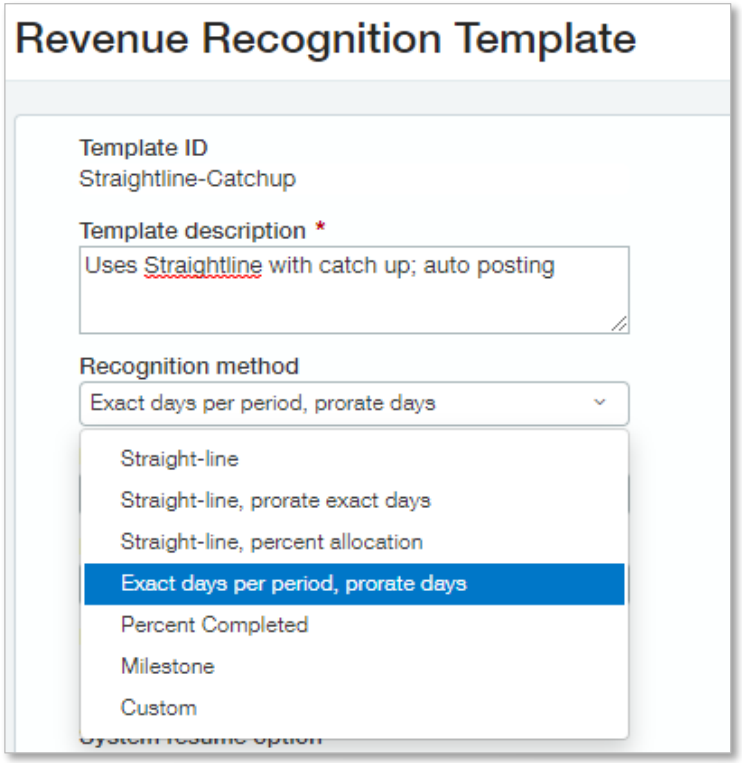
What kind of Recognition Schedule?

- 8 schedules available to choose from
- Confirm you know which schedule fits best
- Make sure to name Template for clarity or use Custom View in List



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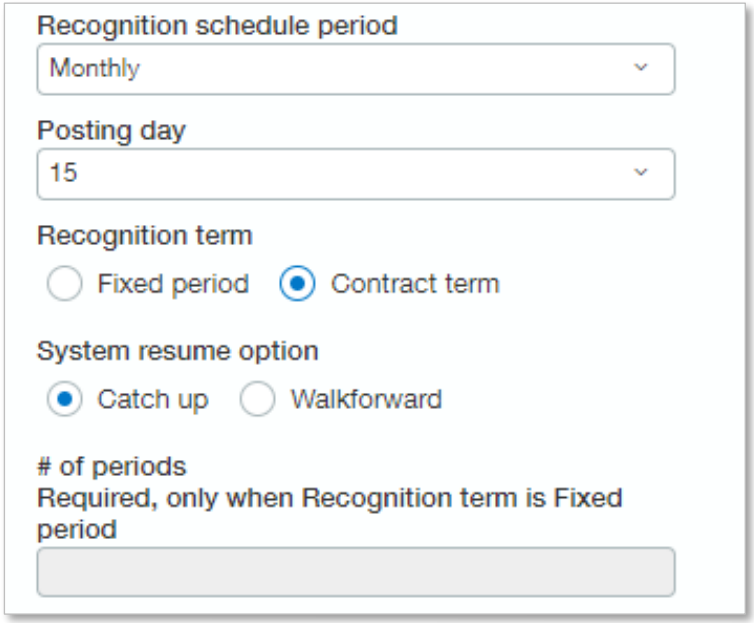
What kind of Term?

- Choose the period
- Posting Day – Specific day of month, daily or End of Period
- Recognition Term
  - Fixed Period – Must define the number of periods
  - Contract Term – Looks to dates on transaction line



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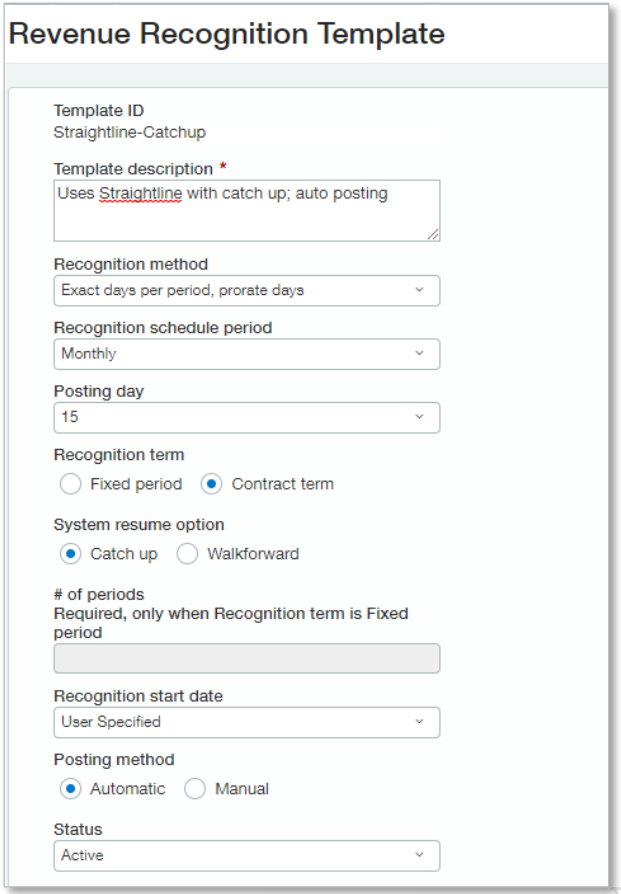
Revenue Recognition Template

- Order Entry can use the concept of ‘Catch up’ of ‘Walkforward’ (Accounts Receivable cannot)
  - **Catch up** – when schedule updated with new delivery date, all prior periods not posted will catch up in current month
  - **Walkforward** – based on updated delivery date will walk the contract forward number of days necessary to equal the # of days or original schedule *(fence post moving)*



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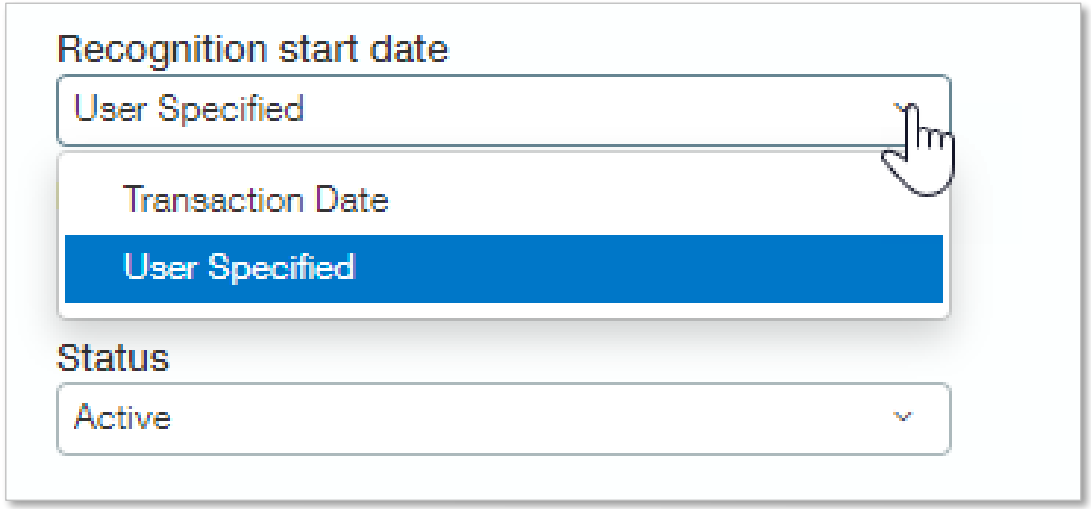
Recognition Start Date

- Transaction Date – Posting date of document
- User Specified – Looks to contract's starting date on transaction line



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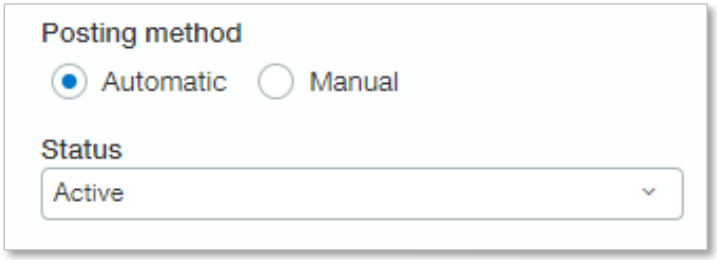
Posting Method

- Automatic
  - Occurs according to the schedule
  - Period should be open
  - In Order Entry, delivery status of item must be set to ‘Delivered’
- Manual
  - Gives user control of when actual posting will occur
  - In Order Entry, still need to mark item as ‘Delivered’



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Templates with Transaction Definition Setup

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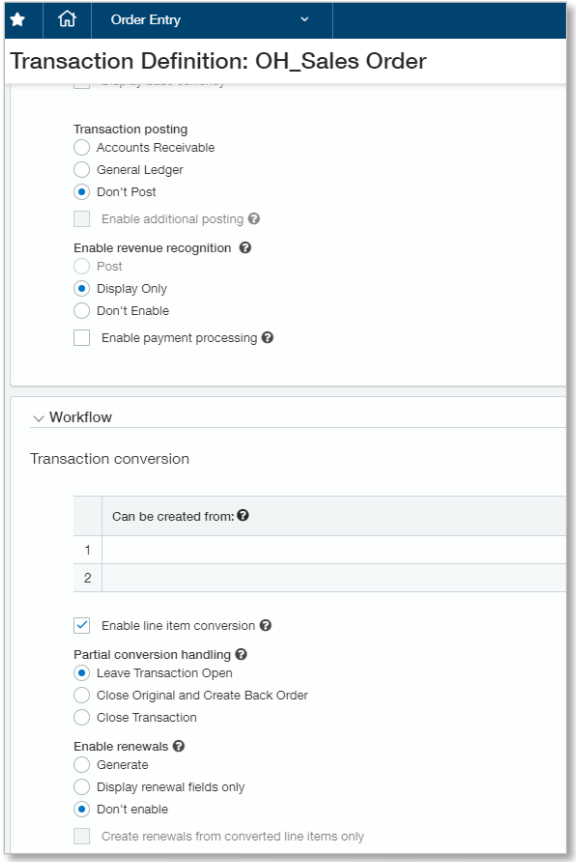
Sales Order Transaction Definition

- Does not Post to GL – gives you the opportunity for review



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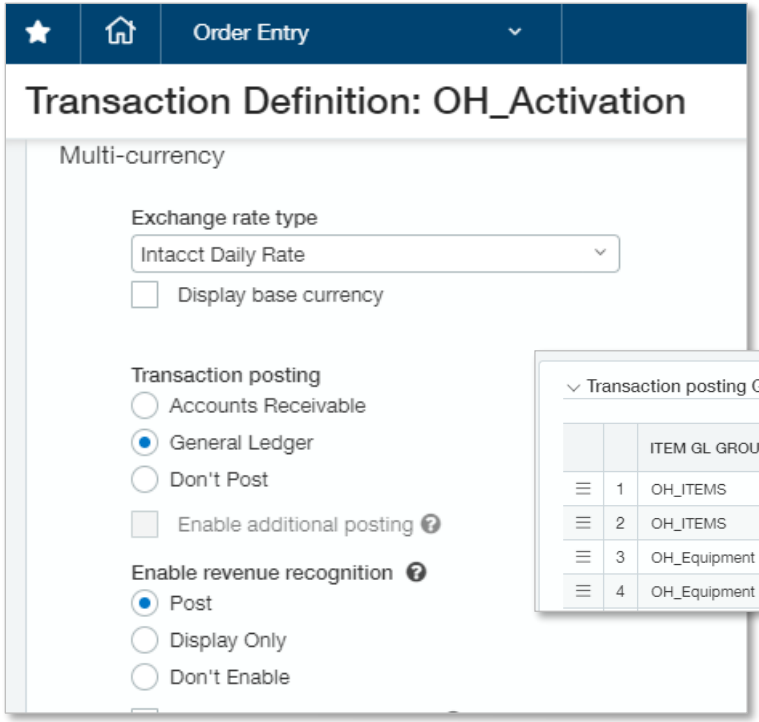
Activation Transaction Definition

Sets up Revenue Recognition Schedule for Transaction Lines



Transaction posting GL account mapping

		ITEM GL GROUP	Warehouse	Customer GL Group	Debit/Credit *	GL Account *	Is Offset?
☰	1	OH_ITEMS			Credit	4030--Revenue - Servi	☐
☰	2	OH_ITEMS			Debit	2830--Contra Deferrec	☑
☰	3	OH_Equipment			Credit	4010--Revenue - Prod	☐
☰	4	OH_Equipment			Debit	2730--Contra Deferrec	☑

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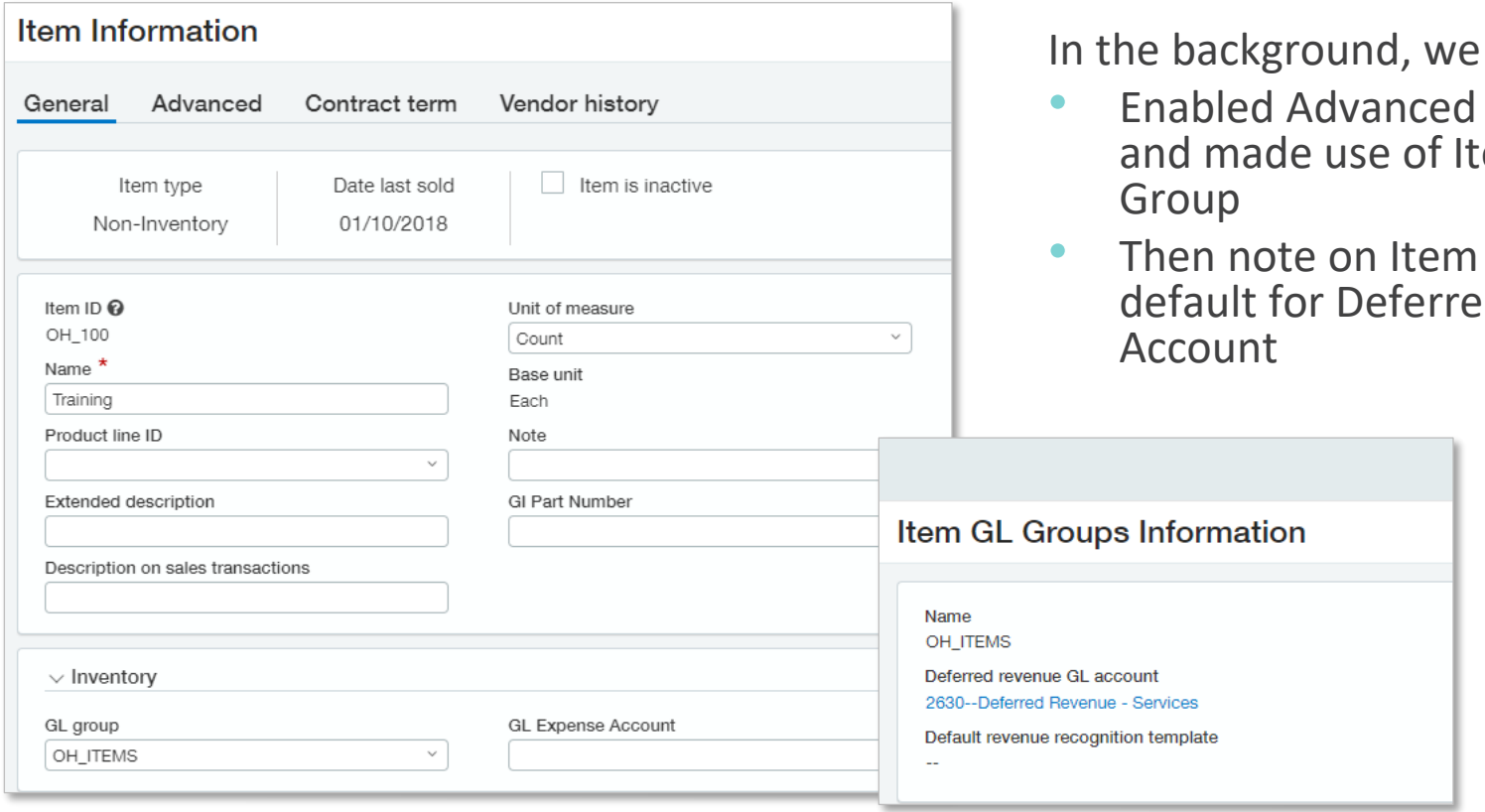
Activation Transaction



In the background, we have:

- Enabled Advanced Workflow and made use of Item GL Group
- Then note on Item GL Group default for Deferred Rev Rec Account

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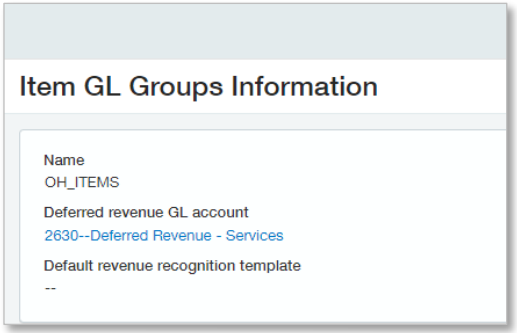
Role of Activation Transaction Definition

If a Revenue Template is associated with the OE transaction line:

- Revenue posting is ignored until schedule runs
- Instead, Item GL Group points the posting to the correct Deferred Revenue Account
- Offset debit posts to Contra Deferred account

Item GL Group - Credit



Transaction Definition Posting – Debit (when schedule starts)

		ITEM GL GROUP	Warehouse	Customer GL Group	Debit/Credit *	GL Account *	Is Offset?
☰	1	OH_ITEMS			Credit	4030--Revenue - Servi	☐
☰	2	OH_ITEMS			Debit	2830--Contra Deferrec	☑
☰	3	OH_Equipment			Credit	4010--Revenue - Prod	☐
☰	4	OH_Equipment			Debit	2730--Contra Deferrec	☑

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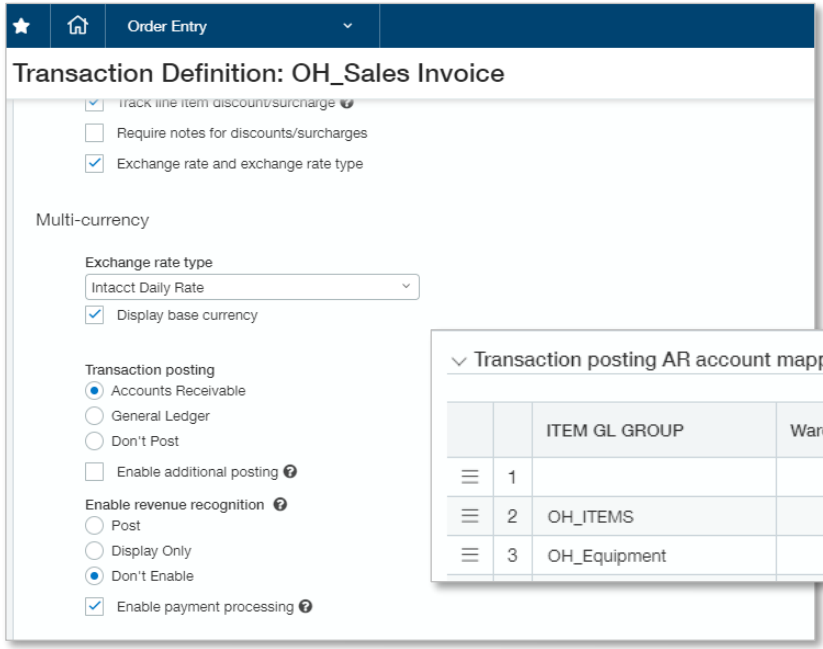
Invoice Transaction Definition

- Sales Invoice transaction relieves the Contract Account
- (DR Accounts Receivable/CR Contra Revenue)



Transaction posting AR account mapping

		ITEM GL GROUP	Warehouse	Customer GL Group	Debit/Credit *	GL Account *	Is Offset?
☰	1				Debit	1100--Accounts Recei	☑
☰	2	OH_ITEMS			Credit	2830--Contra Deferrec	☐
☰	3	OH_Equipment			Credit	2730--Contra Deferrec	☐

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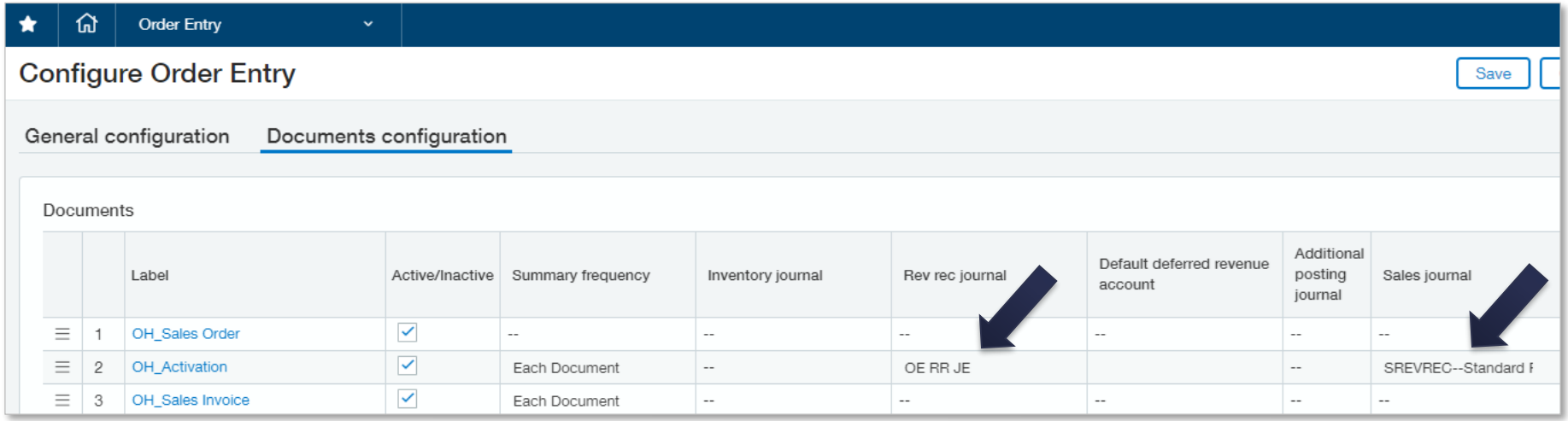
Order Entry Document Configuration

- Update the Document Configuration



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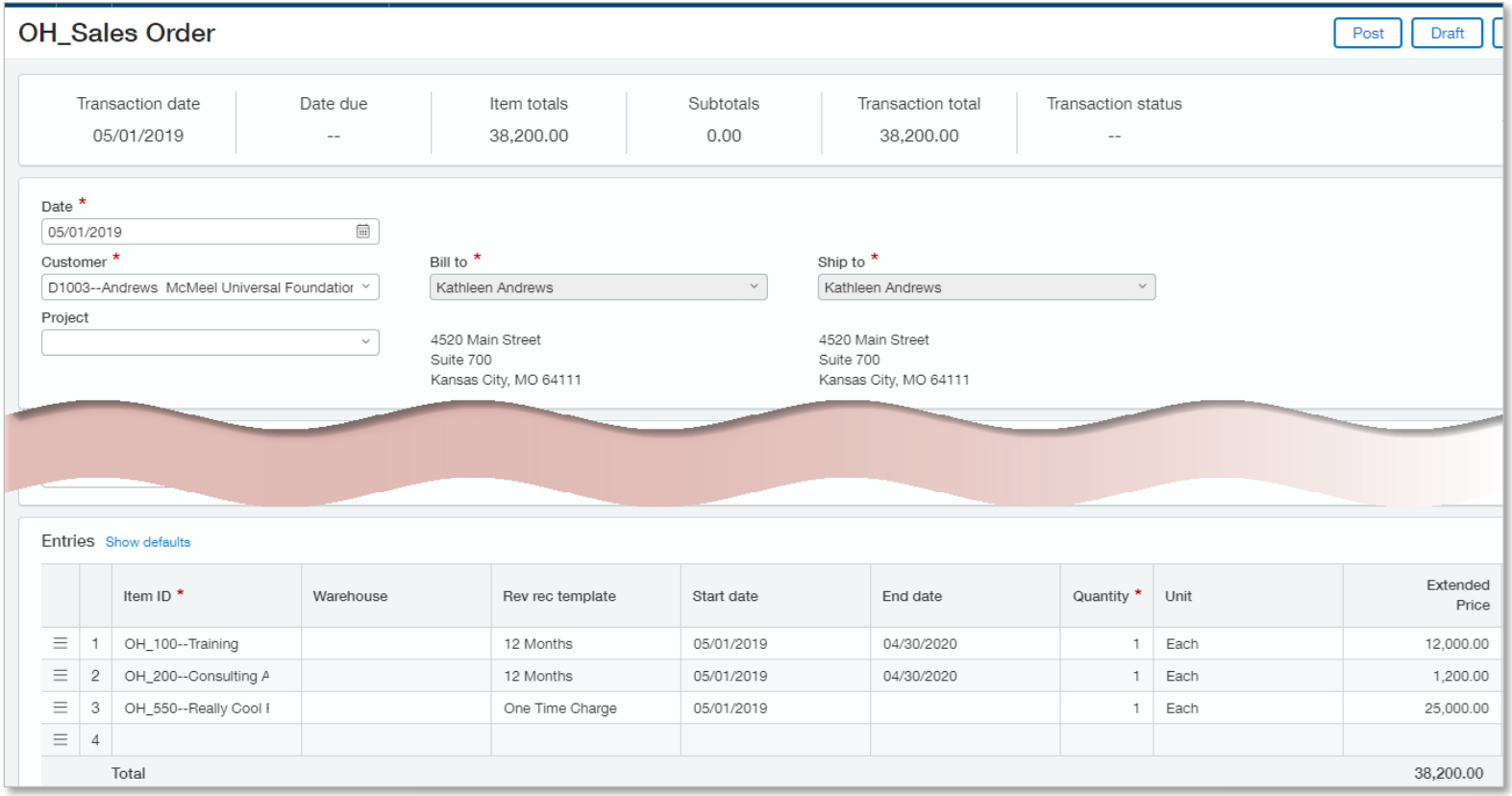
Sales Order Example



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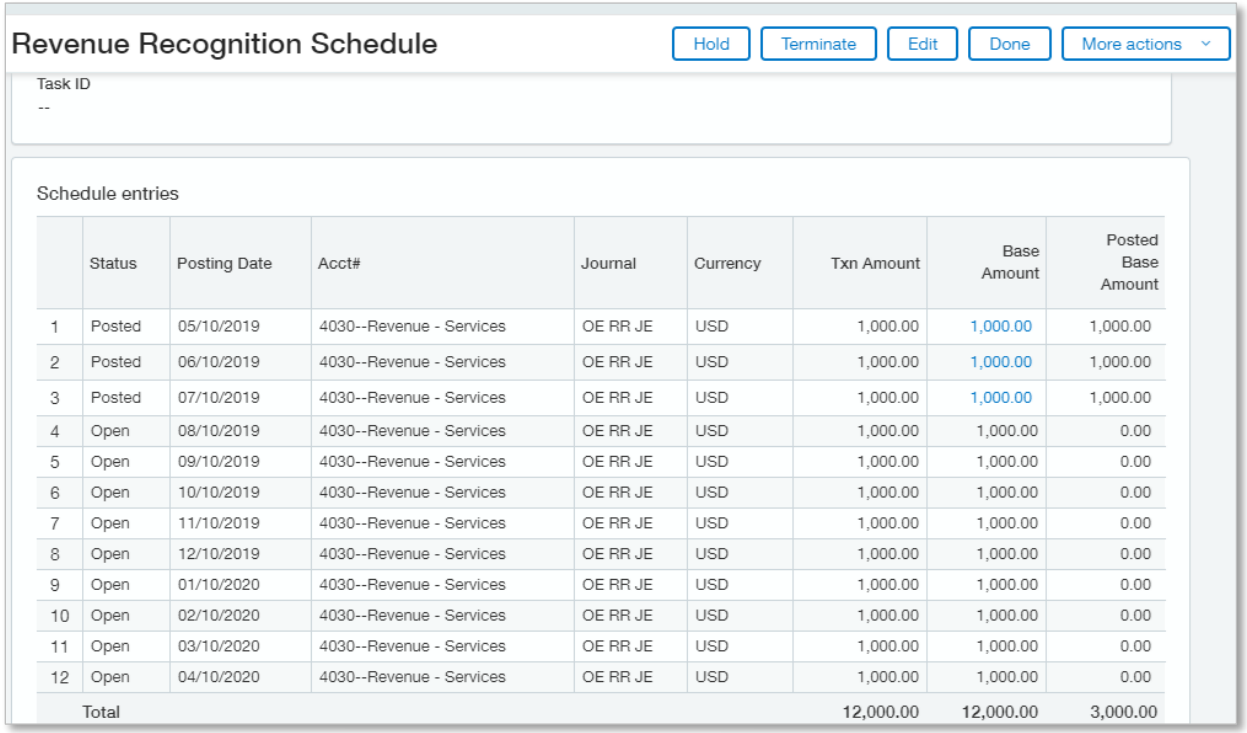
Converted to Activation Transaction

Builds revenue recognition schedule and if ‘delivered’ starts to process automated schedules



Revenue Recognition Schedule

Hold | Terminate | Edit | Done | More actions

Task ID
--

Schedule entries

	Status	Posting Date	Acct#	Journal	Currency	Txn Amount	Base Amount	Posted Base Amount
1	Posted	05/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	1,000.00
2	Posted	06/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	1,000.00
3	Posted	07/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	1,000.00
4	Open	08/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
5	Open	09/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
6	Open	10/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
7	Open	11/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
8	Open	12/10/2019	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
9	Open	01/10/2020	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
10	Open	02/10/2020	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
11	Open	03/10/2020	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
12	Open	04/10/2020	4030--Revenue - Services	OE RR JE	USD	1,000.00	1,000.00	0.00
	Total					12,000.00	12,000.00	3,000.00

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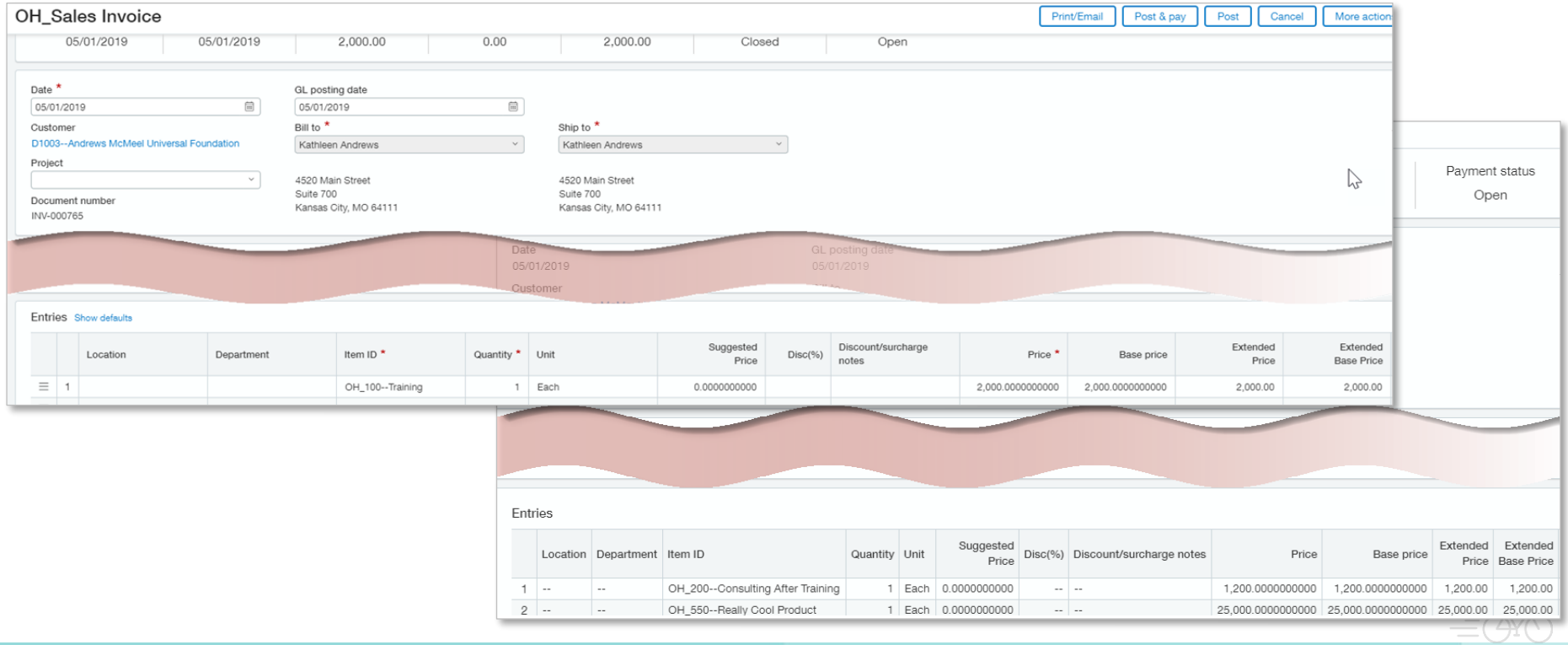
Activation Transaction converted to Invoice

Produces invoices based on recurring schedule chosen



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Manage Revenue Schedules

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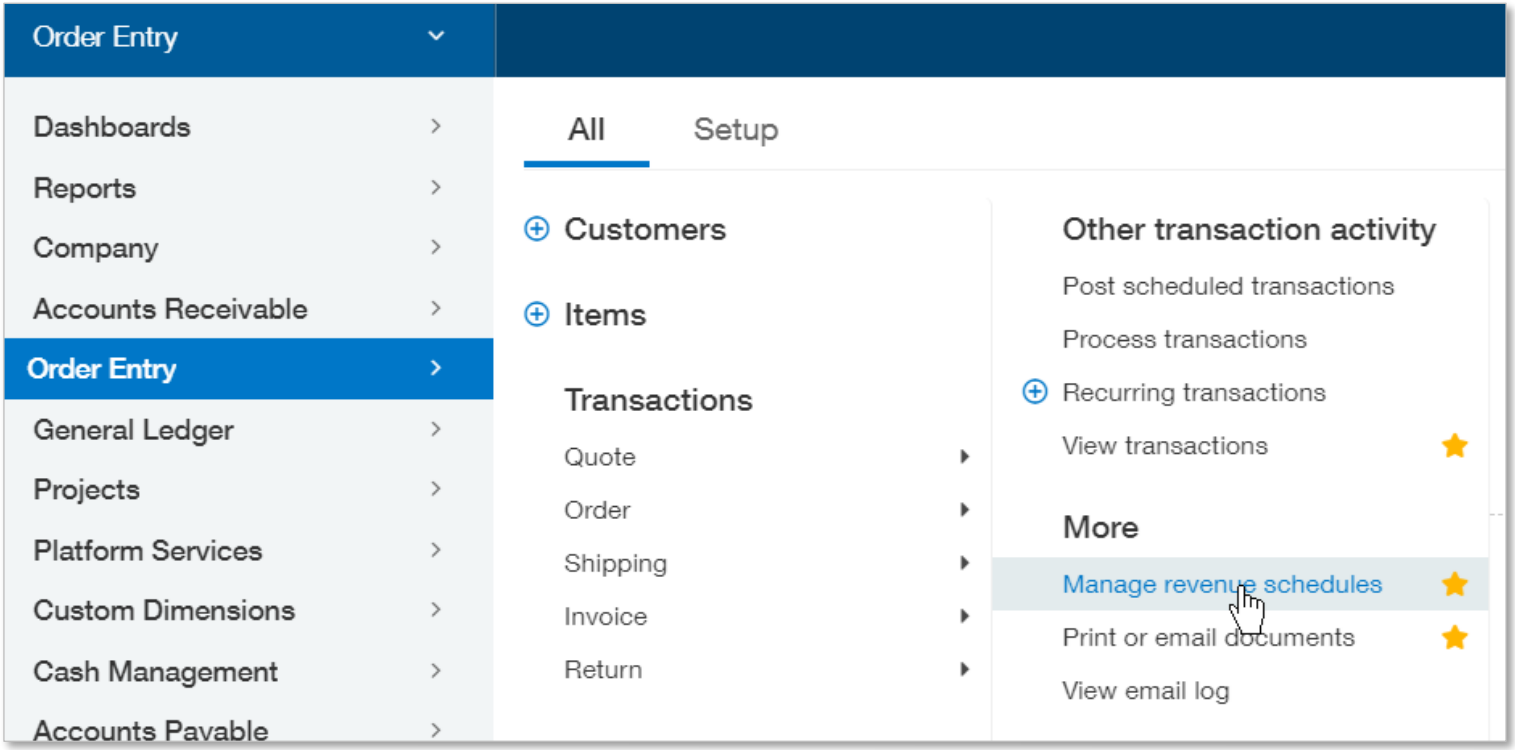
Run and Maintain Schedules



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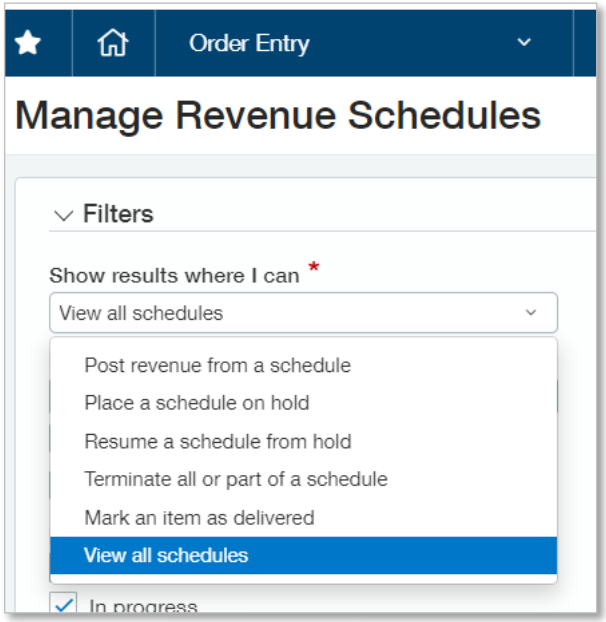
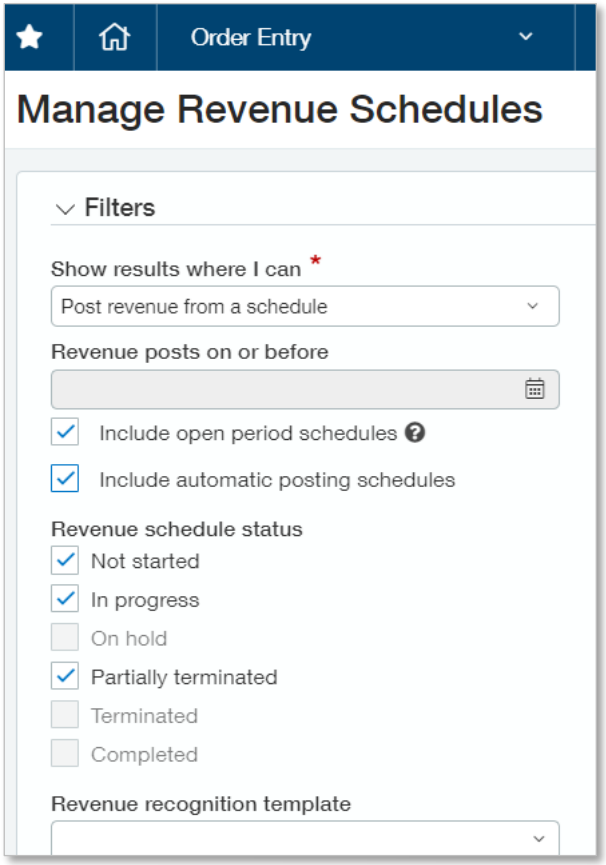
Run and Maintain Schedules





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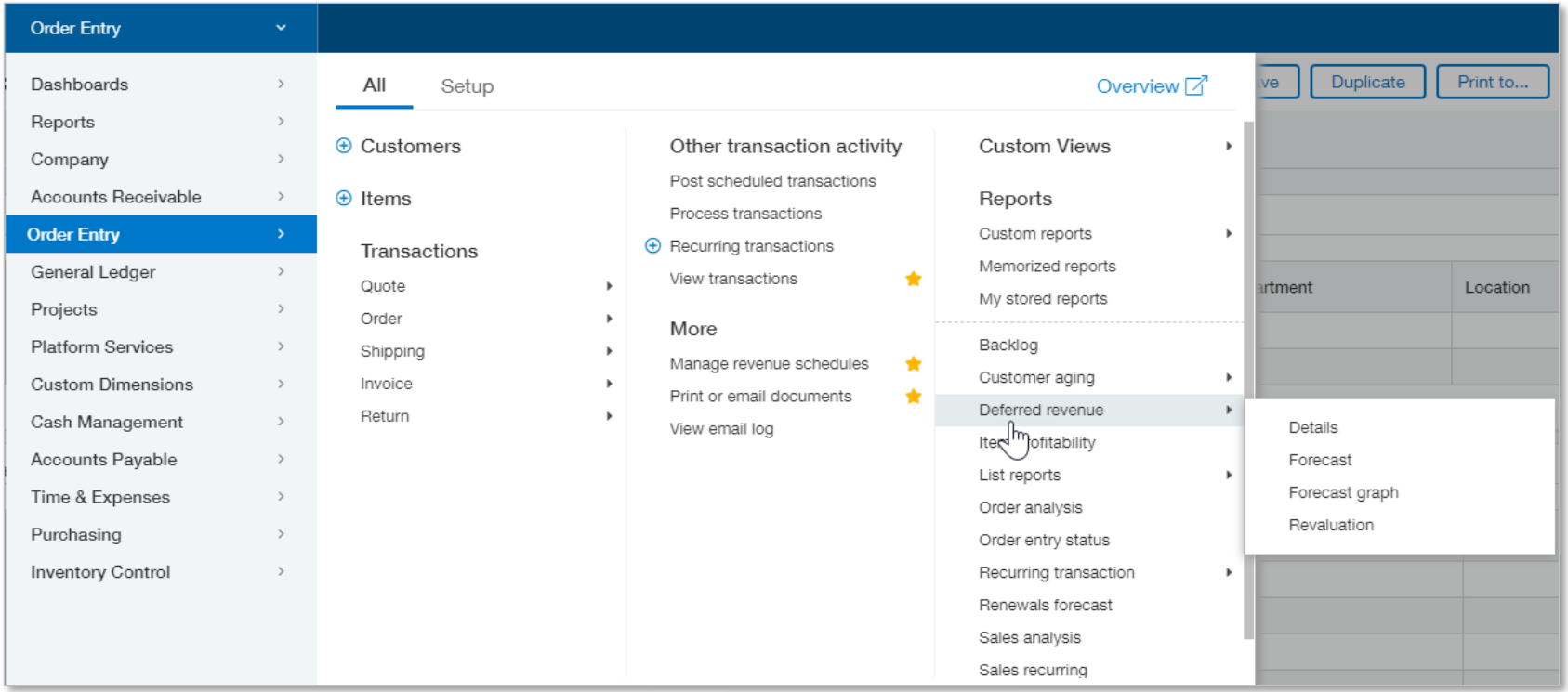
Order Entry Revenue Recognition Reports



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Order Entry Revenue Recognition Reports

Deferred Revenue Details:

- Shows details of customers and transactions for which you have deferred revenue, such as Customer ID's, names, amount deferred, amount recognized, and the gain or loss recognized.

Deferred Revenue Forecast:

- Shows how deferred income is recognized as revenue over time. Use report to forecast revenue by time period, account, customer, and more

Deferred Revenue Forecast Graph:

- Illustrates how deferred income is recognized as revenue over time. Use any of several types of graphs to visually track deferred income by time period, account, customer and more..

Deferred Revenue Revaluation Report:

- Available for companies that use multiple transaction currencies and revenue recognition

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