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Sage Intacct: Utilizing Contracts to Receive ASC606 and ASC605 Reporting Needs

August 29th, 2023



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Learning Objectives

Describe

Describe how Order Entry integrates with Accounts Receivable

Setup

Identify how to setup workflows that eliminate excess paper and excel tracking

Associate

Recall how to associate revenue recognition logic to automate deferred revenue tracking





Describe how Order Entry integrates with Accounts Receivable



Accounts Receivable vs. Order Entry

- Accounts Receivable

- Entry based on GL account
- Net dollar amount
- No workflow, single transaction

- Order Entry

- Entry based on Items
- Utilize Quantity/Unit/Price
- Sales Order Workflow



Order Entry vs. Contracts

- Order Entry

- Sales Order workflow
- Automate Billing
- Automate Revenue
- Renewals
- No modifications to Sales Order after workflow has started

- Contracts

- Contracts Workflow
- Automate Billing
- Automate Revenue
- Renewals
- Can add new Products over life of Contract
- MEA
- ASC 606/IFRS 15 Compliant



Revenue Recognition Matrix

Feature/Capability	Contracts + Projects	OE <u>RevRec</u> + Projects
Revenue Recognition		
ASC 606 Compliance for <u>Txn</u> vs SSP on project or <u>task based</u> 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

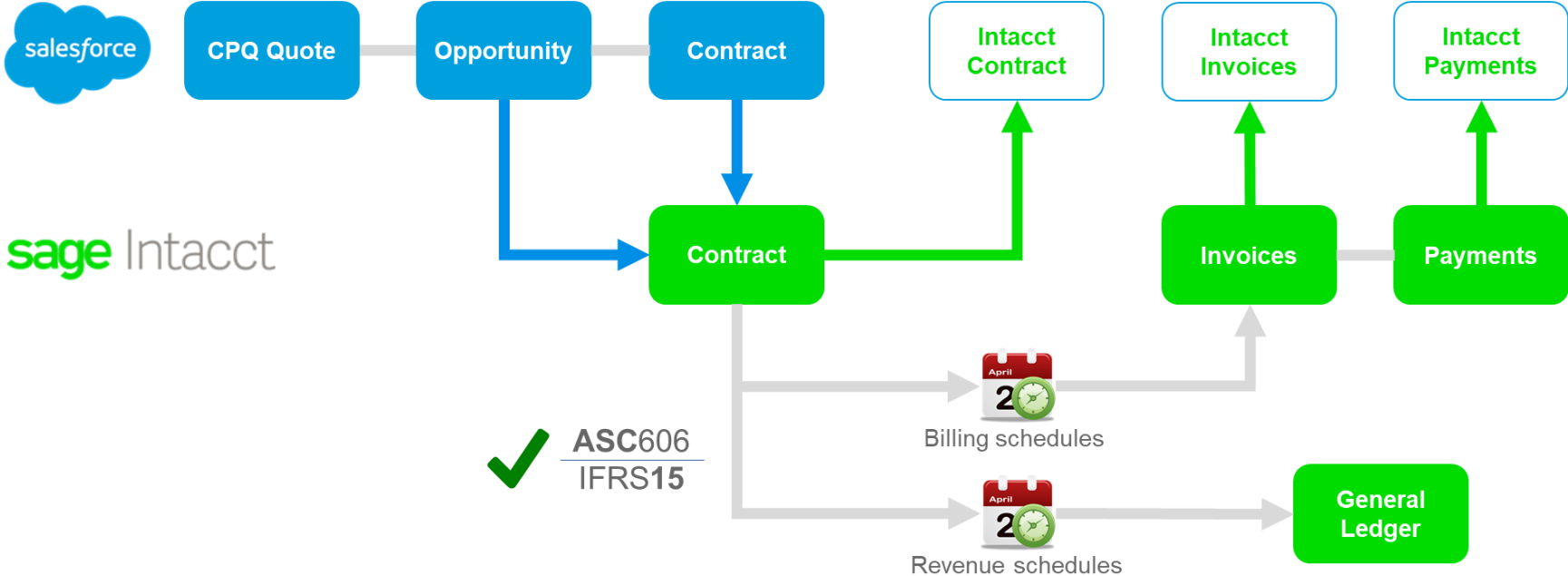




Setup workflows that
eliminate excess paper and
excel tracking



Contracts Workflow



ASC606
IFRS15

Manage different Billing models

Perpetual	SaaS	Usage	Services
License Maintenance Support	Subscription	Usage pricing Tiered pricing Price per thousand Minimum flat fees Included units Overages Customer specific	Hours Time & Materials Fixed price
Billing Options			
Frequency Monthly – Quarterly – Annually	Pause Hold / Resume	Timing One-time – In Advance – In Arrears – Every Invoice	
Special Pricing			
Discounts – Free periods			
Multi-currency & Real-time, Exclusive Tax			

Contract Types

- **Termed**
 - Has start and end dates
 - Create one contract per customer. When a customer wants to purchase additional items or change an existing agreement, you can add on to the contract and make other modifications as needed during the contract life cycle. If the contract is renewed, Intacct sets the source contract to "Renewed" and creates a new child contract that's linked to the source contract.
- **Evergreen**
 - Does not have an end date
 - Easily bill auto-renewing subscriptions report and forecast on the billing and revenue data using evergreen contracts. Each evergreen contract line shows the scheduled billing and revenue for one in progress recurring billing period for an offering and tracks the recurring billing history.



Contract Billing

- Billing Methods

- Fixed Price
- Quantity/Usage based
- Project time
- Project Materials

- Flat/fixed amount frequency

- One-time
- Use billing template
- Include with every invoice (Monthly, Quarterly, Annually)



Contract Revenue Recognition

Method	Description
Straight line	Revenue is allocated evenly over the recognition term. The calculation varies according to whether partial periods exist and where a partial period occurs
Daily rate	Revenue is allocated using a daily recognition rate.
Quantity based	The revenue schedule will be blank until a usage record is associated with the contract line. This type of revenue recognition is proportionate to the quantity used, so the system doesn't know what the schedule will be until the usage quantity is input.
Predefined percentages	This revenue schedule is completely customized by the user.



Contract Revenue Recognition

Method	Description
Project percent complete	<ul style="list-style-type: none">• The template could be based on the project as a whole or on an individual task• The percentage of completion can be automatically calculated by the system based on approved hours / source hours, or it can be determined by user input• The template can have recognition thresholds set so that project/task revenue is only recognized when certain thresholds are met
Task percent complete	



Contract Forecasting

- Scheduled Billing and Revenue allows for insightful reporting
 - Can forecast on Billing and Revenue over the life of the contract
 - As contract lines are added or modified the forecasts and associated reporting are updated in real time
 - Can forecast by individual contract as well as by revenue stream

CN_Forecast - Schedules by Contract

[Customize](#) [Graph](#) [View](#) [Print](#) [Process & store](#) [Email](#) [Add to dashboard](#) [Memorize](#) [Export](#)

Subtotal name	Contract ID	Contract name	Customer name	Contract State	Type	Posted/Scheduled	Classification	2023/08	2023/09	2023/10	2023/11	2023/12	2024/01	2024/02	2024/03	2024/04	2024/05
Sum for CN0074-8	CN0074-8	10074 - One-Year Contract	Astromech	In progress	Revenue	Scheduled	Unbilled	8,083.33	8,083.33	8,083.33	8,083.33	8,083.33	0.00	0.00	0.00	0.00	0.00
Sum for CN0075-8	CN0075-8	10075 - One-Year Contract	Capsule	In progress	Revenue	Scheduled	Unbilled	8,083.33	8,083.33	8,083.33	8,083.33	8,083.33	0.00	0.00	0.00	0.00	0.00
Sum for CN0076-8	CN0076-8	10076 - One-Year Contract	Tyrell Corp.	In progress	Revenue	Scheduled	Unbilled	12,706.25	12,706.25	12,706.25	12,706.25	12,706.25	12,706.25	0.00	0.00	0.00	0.00



Demo- Contract Setup





Associate revenue recognition logic to automate deferred revenue tracking



Revenue Recognition Accounting Flow

To cover all possible event scenarios or timing scenarios, Contracts uses eight accounts in three categories during the revenue recognition process:

Deferred Revenue

Deferred Unbilled
Deferred Billed
Deferred Paid

Sales Revenue

Revenue Unbilled
Revenue Billed
Revenue Paid

Accounts Receivable

AR Unbilled
AR Billed



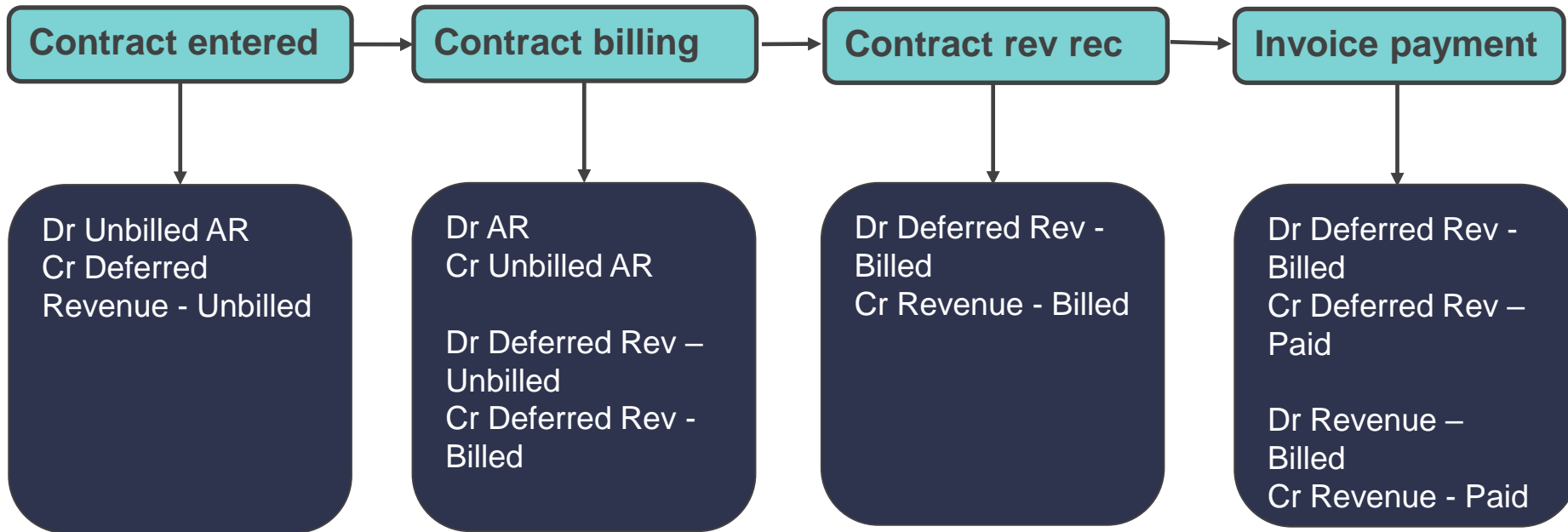
View Journal Balances for a Contract

- General Ledger journal entries are automatically generated from the contract, contract line, and contract expenses upon saving the records
- The journal balances tab displays the current contract balances

Journal 1				
	Unbilled	Billed	Paid	Total
Deferred Revenue	70,000	0.00	0.00	70,000
Sales Revenue	7002.80	0.00	6,997.20	14,000
Total	77,002.80	0.00	6,997.20	84,000



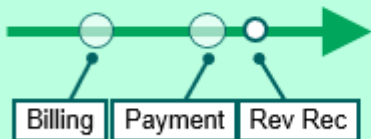
Contract Line Postings – Fixed Fee Example



Billing and Revenue Recognition Scenarios

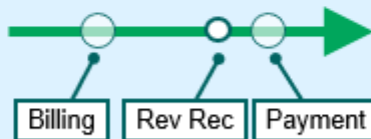
Timeline 1

- Billing
- Payment
- Revenue recognition



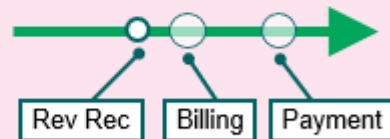
Timeline 2

- Billing
- Revenue recognition
- Payment

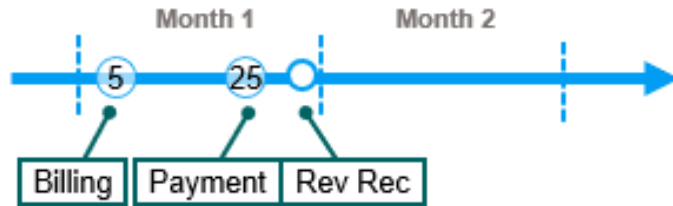


Timeline 3

- Revenue recognition
- Billing
- Payment



Timeline 1: Billing followed by Payment and Revenue Posting



1) Billing

	Unbilled	Billed	Paid	Total
1 Deferred Revenue	9,000.00	3,000.00	0.00	12,000.00
2 Sales Revenue	0.00	0.00	0.00	0.00
3 Total	9,000.00	3,000.00	0.00	12,000.00

	Unbilled	Billed	Paid
1 Receivables	9,000.00	3,000.00	0.00

2) Payment received

	Unbilled	Billed	Paid	Total
1 Deferred Revenue	9,000.00	0.00	3,000.00	12,000.00
2 Sales Revenue	0.00	0.00	0.00	0.00
3 Total	9,000.00	0.00	3,000.00	12,000.00

	Unbilled	Billed	Paid
1 Receivables	9,000.00	0.00	3,000.00

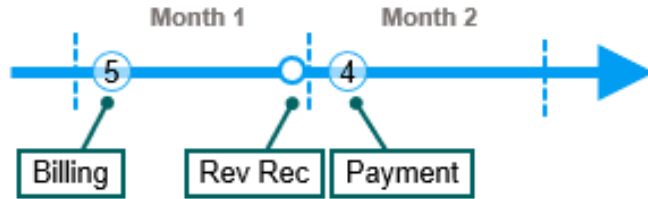
3) Revenue posts

	Unbilled	Billed	Paid	Total
1 Deferred Revenue	9,000.00	0.00	2,000.00	11,000.00
2 Sales Revenue	0.00	0.00	1,000.00	1,000.00
3 Total	9,000.00	0.00	3,000.00	12,000.00

	Unbilled	Billed	Paid
1 Receivables	9,000.00	0.00	3,000.00



Timeline 2: Billing Followed by Revenue Posting and Payment



1) Billing

		Unbilled	Billed	Paid	Total
1	Deferred Revenue	9,000.00	3,000.00	0.00	12,000.00
2	Sales Revenue	0.00	0.00	0.00	0.00
3	Total	9,000.00	3,000.00	0.00	12,000.00
		Unbilled	Billed	Paid	
1	Receivables	9,000.00	3,000.00	0.00	

2) Revenue posts

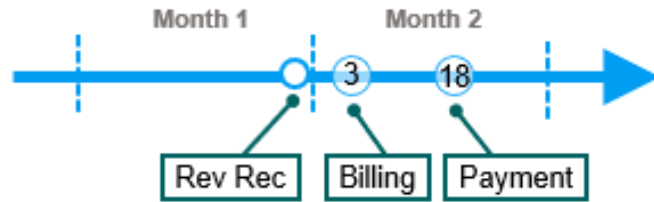
		Unbilled	Billed	Paid	Total
1	Deferred Revenue	9,000.00	2,000.00	0.00	11,000.00
2	Sales Revenue	0.00	1,000.00	0.00	1,000.00
3	Total	9,000.00	3,000.00	0.00	12,000.00
		Unbilled	Billed	Paid	
1	Receivables	9,000.00	3,000.00	0.00	

3) Payment received

		Unbilled	Billed	Paid	Total
1	Deferred Revenue	9,000.00	0.00	2,000.00	11,000.00
2	Sales Revenue	0.00	0.00	1,000.00	1,000.00
3	Total	9,000.00	0.00	3,000.00	12,000.00
		Unbilled	Billed	Paid	
1	Receivables	9,000.00	0.00	3,000.00	



Timeline 3: Revenue Posting Followed by Billing and Payment



1) Revenue posts

	Unbilled	Billed	Paid	Total
1 Deferred Revenue	11,000.00	0.00	0.00	11,000.00
2 Sales Revenue	1,000.00	0.00	0.00	1,000.00
3 Total	12,000.00	0.00	0.00	12,000.00

	Unbilled	Billed	Paid
1 Receivables	12,000.00	0.00	0.00

2) Billing

	Unbilled	Billed	Paid	Total
1 Deferred Revenue	9,000.00	2,000.00	0.00	11,000.00
2 Sales Revenue	0.00	1,000.00	0.00	1,000.00
3 Total	9,000.00	3,000.00	0.00	12,000.00

	Unbilled	Billed	Paid
1 Receivables	9,000.00	3,000.00	0.00

3) Payment received

	Unbilled	Billed	Paid	Total
1 Deferred Revenue	9,000.00	0.00	2,000.00	11,000.00
2 Sales Revenue	0.00	0.00	1,000.00	1,000.00
3 Total	9,000.00	0.00	3,000.00	12,000.00


	Unbilled	Billed	Paid
1 Receivables	9,000.00	0.00	3,000.00

View Transaction History for a Contract

The transaction history tab displays the entire debit/credit history for the contract or contract line

General Renewals Journal balances **Transaction history** Billing transaction history Compliance MRR history

As of date



[Refresh](#)

Filter contract transaction results

Journal 1

<< < Page 1 of 2 > >>

	Transaction date	Detail line	Expense line	Type	Event	Balance type	Posting type	Classification	Amount	Base amount	Exchange rate	GL Batch	Transaction
1	01/01	1	--	Flat/Fixed	On Create	Revenue	Deferred Revenue	Unbilled	12000	12000	1	37	--
2	01/01	1	--	Flat/Fixed	On Create	Accounts Receivable	Accounts Receivable	Unbilled	12000	12000	1	37	--
3	01/01	2	--	Flat/Fixed	On Create	Revenue	Deferred Revenue	Unbilled	120	120	1	41	--
4	01/01	2	--	Flat/Fixed	On Create	Accounts Receivable	Accounts Receivable	Unbilled	120	120	1	41	--
5	01/31	1	--	Flat/Fixed	On Recognition	Revenue	Deferred Revenue	Unbilled	(1019.17)	(1019.17)	1	--	38
6	01/31	1	--	Flat/Fixed	On Recognition	Revenue	Sales Revenue	Unbilled	1019.17	1019.17	1	--	38
7	01/31	1	--	Flat/Fixed	On Invoice	Accounts Receivable	Accounts Receivable	Unbilled	(1000)	(1000)	1	42	Contract Invoice-INV-003
8	01/31	1	--	Flat/Fixed	On Invoice	Revenue	Sales Revenue	Unbilled	(1000)	(1000)	1	42	Contract Invoice-INV-003



Contract Line Journal Postings - Usage

Contract lines with a billing method equal to “Quantity based” (usage billing) the quantity based or variability billing portion:

Contract line is entered:

Debit: N/A (no postings occur)

Credit: N/A (no postings occur)

Contract line is invoiced:

Debit: AR billed

Credit: Sales billed

Contract line invoice is paid:

Debit: cash account

Credit: AR billed

Contract line is revenue recognized:

Debit: N/A (deferred revenue not applicable)

Credit: N/A (deferred revenue not applicable)



Demo- Contract Revenue Review



Forecast the Future

with Billing, Cash, And Revenue at the Press of a Button

Contract Forecast - All Types

Customize Graph View Print Process & store Email Add to dashboard Memorize Export

Contract name	Customer ID	Customer Name	Contract ID	Item Name	Contract Line Drill Down	2018/01-2018/03	2018/04-2018/06	2018/07-2018/09	2018/10-2018/12	2019/01-2019/03	2019/04-2019/06	Future Forecast	Total Forecasted Value
▼ Billing													
▼ Billing	C-00080	Knowledgebase Marketing	K-00045	Subscription	957	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	900,000.00	1,800,000.00
	C-00080	Knowledgebase Marketing	K-00045	Implementation	958	25,000.00						0.00	25,000.00
Sum for Billing						175,000.00	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	900,000.00	1,825,000.00
▼ Payment													
▼ Payment	C-00080	Knowledgebase Marketing	K-00045	Implementation	958	25,000.00						0.00	25,000.00
	C-00080	Knowledgebase Marketing	K-00045	Subscription	957	150,000.00	100,000.00	150,000.00	200,000.00	150,000.00	100,000.00	950,000.00	1,800,000.00
Sum for Payment						175,000.00	100,000.00	150,000.00	200,000.00	150,000.00	100,000.00	950,000.00	1,825,000.00
▼ Revenue													
▼ Revenue	C-00080	Knowledgebase Marketing	K-00045	Implementation	958	2,083.35	2,083.35	2,083.35	2,083.35	2,083.35	2,083.33	12,499.92	25,000.00
	C-00080	Knowledgebase Marketing	K-00045	Subscription	957	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	900,000.00	1,800,000.00
Sum for Revenue						152,083.35	152,083.35	152,083.35	152,083.35	152,083.35	152,083.33	912,499.92	1,825,000.00
Sum Total						502,083.35	402,083.35	452,083.35	502,083.35	452,083.35	402,083.33	2,762,499.92	5,475,000.00

- Data is of a Contract

SaaS Metrics – a SaaS CEO's must-have

Total CMRR \$572,487 <small>this month</small> + \$36,335 vs. prior month	Total CARR \$6,869,845 <small>this month</small> + \$436,021 vs. prior month	Total Subscription Bookin \$789,463 <small>this month</small> - \$11,702 vs. prior month	Average New Deal CMRR \$6,414 <small>this month</small> + \$2,333 vs. prior month	CMRR Growth (Net New) \$36,335.15 <small>this month</small> - \$15,703 vs. prior month
CMRR Growth Rate 6.78% <small>this month</small> - 3.97 vs. prior month	SaaS Quick Ratio 11.72 <small>this month</small> - 20 vs. prior month	Rule of 40 182.94% <small>trailing 1 year</small>	Net Dollar Retention Rate 99.60% <small>this month</small> - 0.19 vs. prior month	Total Customer Churn (% of Total) 0.00% <small>this month</small> no change vs. prior month
Total Customers 99 <small>this month</small> + 6 vs. prior month	New & Recovered Custom 6 <small>this month</small> - 7 vs. prior month	CMRR per Customer \$5,782 <small>this month</small> + \$17 vs. prior month	Billings \$75,750 <small>this month</small> + \$13,350 vs. prior month	Days Sales Outstanding (DSO) 959 <small>this month</small> + 335 vs. prior month

CMRR Growth Breakdown
07/20/2022 10:14:16

	Month Ending 02/28/2018 Actual	Month Ending 03/31/2018 Actual	Month Ending 04/30/2018 Actual	Month Ending 05/31/2018 Actual	Month Ending 06/30/2018 Actual	Month Ending 07/31/2018 Actual	Month Ending 08/31/2018 Actual	Month Ending 09/30/2018 Actual	Month Ending 10/31/2018 Actual	Month Ending 11/30/2018 Actual	Month Ending 12/31/2018 Actual	Month Ending 01/31/2019 Actual	Month Ending 02/28/2019 Actual	Trailing 12 Months Actual	Trailing 12 Months Actual
Total Contract Value															
Subscription Bookings	311,839.60	481,659.65	243,126.23	393,879.15	596,400.70	329,464.95	554,940.40	676,781.36	434,440.35	617,519.90	839,770.50	801,166.03	789,463.24	6,758,612.46	
Total Contract Value	\$311,839.60	\$481,659.65	\$243,126.23	\$393,879.15	\$596,400.70	\$329,464.95	\$554,940.40	\$676,781.36	\$434,440.35	\$617,519.90	\$839,770.50	\$801,166.03	\$789,463.24	\$6,758,612.46	
CMRR															
Beginning CMRR	\$213,223.74	\$231,609.71	\$254,778.63	\$262,365.25	\$276,709.96	\$300,197.62	\$314,839.39	\$339,430.96	\$377,129.79	\$402,758.83	\$437,960.99	\$484,113.19	\$536,152.01	\$231,609.71	
New CMRR (All)															
New	15,521.33	24,210.43	9,166.88	15,087.63	23,800.16	15,601.01	23,675.22	27,037.74	15,271.75	23,967.94	38,412.72	53,046.32	38,485.59	307,763.39	
Expansion CMRR															
Add-On	2,424.00	0.00	0.00	0.00	0.00	0.00	2,525.00	9,545.52	9,620.25	10,150.50	6,474.10	0.00	0.00	38,315.37	
Renewal Uplift	440.64	703.49	439.25	786.44	1,216.45	449.57	658.46	1,115.57	737.03	1,083.71	1,265.38	668.47	1,238.73	10,362.55	

Resources

- Sage University Training & Release Notes
- Intacct Customer Office Hours
- View and Subscribe to the CLA Intacct Blog

<https://blogs.claconnect.com/intacct/>

- Continue to join our monthly Sage Intacct Webinars

[2023 Sage Intacct Webinar Series : 2023 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)

The screenshot shows a blog post on the Sage Intacct Blog. At the top, there is a search bar and the text 'CLA Blogs'. The main heading is 'Sage Intacct Blog' with the Sage Intacct logo. The article title is 'Incorporating Sage Intacct Order Entry for Itemized Billing' by Ashley Klapperick, dated July 24, 2022. The article text discusses customer billing questions and the benefits of Sage Intacct's Order Entry application. A sidebar on the right contains a 'Subscribe to Blog' button and a list of resource links: 'Get More Sage Intacct Resources', 'Request a Demo/Product Tour', 'Free Trial', 'Register for the CLA Sage Intacct webinar series', 'Register for a Sage Intacct webinar', and 'Current Sage Intacct Customer Login'. A vertical 'SHARE' button is located on the left side of the article content.

Incorporating Sage Intacct Order Entry for Itemized Billing
July 24, 2022 | by Ashley Klapperick

Do you scramble to answer customer questions about their billing? Is customer billing being provided to accounting from another application or team within the organization?

Sage Intacct's Order Entry application eliminates the never-ending task of tracking down itemized details about an invoice sent to a customer. Order Entry integrates with Accounts Receivable, enabling you the ability to have a true quote to cash workflow or simply, itemized billing enabling drill-down to the details.

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