



QAD Enterprise Applications
Enterprise Edition

User Guide

QAD Revenue Recognition User

Guide

Introduction
Setting Up Revenue Recognition
Maintaining Revenue Recognition Contracts

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Revenue Recognition User Guide

Change Summary

The following table summarizes significant differences between this document and previous versions.

Date/Version	Description	Reference
September 2018/ QAD 2018 EE	Major updates to include new functionality on COGS and default rules	
September 2017/ QAD 2017 EE, QAD Financials 2017.1 EF	Major updates to include more details on revenue recognition requirements and to add new functionality	
March 2017/QAD Financials 2017 EF	Initial Version	

Introduction

This section explains what revenue recognition is, what it involves, and how you can implement it.

Revenue Recognition Overview **2**

Introduces revenue recognition.

QAD Revenue Recognition Solution **3**

Describes the concepts behind the revenue recognition solution.

Revenue Recognition Overview

Basic revenue recognition functionality decouples invoice generation in accounts receivable from recognition of sales revenue in the income statement. Decoupling is due to the timing of the passing of control for sale of a good or service. Basic requirements include:

- Delaying recognition of revenue until a certain number of days after invoicing or shipment.
- Recognizing revenue over a defined time period.
- Waiting for customer confirmation accepting delivery or installation of the good or service before recognizing revenue.

Advanced revenue recognition requires update of revenue based on other factors such as:

- Percentage complete of a project.
- Allocation of discounts equally across all items in a contract.
- Estimation of revenue until final contract price is agreed or known.
- Providing of detailed information to meet new disclosure requirements in the new accounting standards.

Accounting Standards

In 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issued converged guidance on recognizing revenue in contracts with customers. The FASB version of the new standard is known as ASC 606 and the IASB version is known as IFRS15. The new standard aims to:

- Remove inconsistencies and weaknesses in existing revenue requirements.
- Provide a more robust framework for addressing revenue issues.
- Improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets.
- Provide more useful information to users of financial statements through improved disclosure requirements.
- Simplify the preparation of financial statements by reducing the number of requirements to which an organization must refer.

The revenue recognition standard is largely conceptual in nature and contain several core principles.

- Contracts are segmented into performance obligations and revenue allocated to each obligation.
- Revenue is recognized when control of the goods or services in each performance obligation is transferred to the customer. For example, a manufacturing company is not paid for its goods until the goods are accepted and implementation services are complete.
- Revenue is measured net of customer incentives. For example, the invoice price is higher than the actual price paid because the customer benefits from bulk discounts.
- Estimates and judgments are involved in recognizing and measuring revenue. For example, you know that some goods purchased by a customer are always returned. Therefore, you make a reasonable calculation to judge what portion of the invoice that will be.

- More extensive disclosures are required in financial statements, even if there is no change to the numbers.

The Revenue Accounting department and the Revenue Accountant are responsible for correct accounting for revenue.

Performance Obligations

A performance obligation refers to promised goods or services in a contract. Only when control of the good or service passes is the performance obligation satisfied. You can then recognize the revenue. A performance obligation can include the delivery of goods on just a single order line. However, you can also collect multiple lines from multiple orders onto a single performance obligation.

The delivery of all the order lines must then be complete before you can recognize the revenue. Although performance obligations can cover multiple orders, invoices, and pending invoices, a single performance obligation cannot cover multiple revenue recognition contracts.

QAD Revenue Recognition Solution

Revenue recognition functionality allows you to:

- Define revenue recognition contracts complete with performance obligations.
- Define and work with accrued and deferred revenue accounts. You must create deferred recognition daybooks to enable you to track journal entries and postings to handle the deferral and recognition of revenue.
- Define and work with cost of sales accounts. You can enable cost of sales postings at entity level.
- Define revenue recognition rules and link them to the performance obligations attached to revenue contracts. This step enables you to automate revenue recognition journal entries based on the following recognition rules:
 - Acceptance – A performance obligation requires a form of acceptance such as proof of delivery.
 - Payment – Revenue is not recognized until payment has been received.
 - Time-based – A performance obligation can be marked as fulfilled after a set time period after goods or services have been shipped or invoiced.
 - Periodic – Revenue is recognized monthly or periodically, such as for warranties or maintenance contracts.
 - Custom Periodic – Revenue recognition is subject to special considerations. For example, revenue amounts might be split unevenly across financial periods.
 - Percentage Complete – Revenue is recognized based on the percentage complete or progress to completion of a contract.
- Allocate discounts according to variable consideration, such as the expected value of a contract or the most likely value of a contract. Variable consideration includes discounts, credits, rebates, performance bonus, penalties, returns, refunds, price concessions, and incentives.
- Use ongoing estimates during a contract.

- Provide detailed reporting and disclosure in accounts.

Revenue Recognition Building Blocks

Commitments to deliver goods or services are grouped in a revenue contract and are listed as performance obligations. Each performance obligation has a revenue recognition rule that applies to all the sales order lines, trailer charges, and invoices covered by the performance obligation. After a revenue contract has been created, the revenue rule listed on the performance obligation is assessed. You can recognize the revenue and costs only when the performance obligations have been met. An obligation is met when control of the goods or services has been transferred to the customer.

Depending on the revenue recognition rule specified on the performance obligation, revenue and costs are recognized immediately or deferred from the sales revenue accounts and posted to the deferred revenue accounts. For percentage complete and periodic type revenue recognition rules, revenue can also be posted to the accrued revenue account and the accrued cost of sales account.

Revenue Recognition Processing

When you post a sales order invoice, the value of that invoice is automatically posted to the sales account defined against each sales order line. However, revenue recognition then assesses whether the revenue recognition rule associated with each sales order line has been met. When the rule has not been met for one or more sales order lines, postings are created to defer the revenue.

You can create a revenue contract manually using the revenue contract maintenance functions. Alternatively, when the sales order customer is set up to use the auto-generate function, you can create revenue contracts automatically.

Revenue Recognition Accounting

An example describes how revenue recognition accounting works. A sales order has a line material value of \$1000 with a tax rate of 7%.

Table 1.1
Sales Order Amounts

Item	Amounts
Line Amount	\$1000
Tax Amount	\$70

Figure 1.1 displays the accounting for this example, including:

- 1 Creation of the invoice for the sales order.
- 2 Deferring of the sales revenue to the deferred revenue account.
- 3 Recognizing of the revenue to the sales account.

Fig. 1.1
Accounting

Accounts Receivable		Sales		Tax Account		Deferred Revenue	
Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
1070.00 (1)			1000.00 (1)		70.00 (1)		1000.00 (2)
		1000.00 (2)				1000.00 (3)	
			1000.00 (3)				

COGS Accounting

Costs and revenues must be recognized in the same period. Therefore, where an organization must recognize costs for different types of goods and services, you can configure the system at entity level to automatically create cost of sales postings.

The decision to automatically create cost of sales postings depends on the nature of your business. If you deal with inventory items, where the standard costs are stored on the sales orders, it is possible to identify the cost amounts. However, if you sell a mixture of products and services, the costs are likely captured from a variety of sources, some of which may be outside the system. In cases like these, you need to handle the deferral or accrual of costs with manual journal entries.

Standalone Selling Price and Allocated Transaction Price

The transaction price is the amount of consideration the entity expects to receive in exchange for transferring promised goods or services. The transaction price is allocated to the performance obligations based on its relative standalone selling price. The standalone selling price is defined as the price that an entity would sell the good or service for if they sold it separately to a customer. The system enables you to provide estimates and to review and update them as the contract progresses.

Setting Up Revenue Recognition

This chapter provides information on how to set up a revenue recognition solution in your system.

***Revenue Recognition Setup Overview* 8**

Provides an overview of the steps involved in setting up Revenue Recognition.

***Creating Revenue Recognition Daybooks* 9**

Describes how to set up revenue recognition daybooks.

***Creating Revenue Recognition Rules* 10**

Provides details of the revenue recognition rules available and how to create them.

***Mapping Revenue GL Accounts* 14**

Describes how to map GL accounts for accrued and deferred postings.

***Setting Up Default Rules* 18**

Describes how to set up default revenue recognition rules for a contract.

***Assigning Revenue Recognition Customer Defaults* 23**

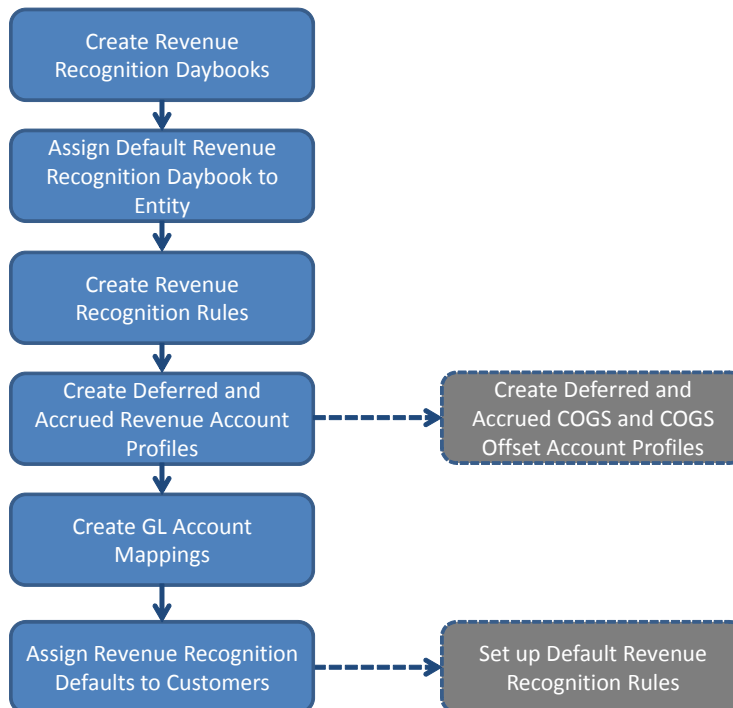
Describes how to assign default revenue recognition settings to a customer.

Revenue Recognition Setup Overview

Set up revenue recognition as displayed in Figure 2.1.

- 1 Create one or more revenue recognition daybooks.
- 2 Assign a default revenue recognition daybook to an entity.
This step is mandatory when the entity is to be used for revenue recognition.
- 3 Set up revenue recognition rules. Create at least one revenue recognition rule.
- 4 Set up profiles for the accrued and deferred revenue accounts.
Optionally, you can also set up profiles for the deferral and accrual cost of goods sold (COGS).
- 5 Create GL account mappings. Optionally, you can also set up mappings for the deferral and accrual cost of goods sold (COGS).
- 6 Optionally, you can set up default rules to be assigned to contracts when they are created based on different contract parameters.
You can also assign default revenue recognition settings to one or more customers as a fall-back when no default rule is found. You must assign a default revenue recognition rule when revenue contracts are auto-generated when sales orders are created.

Fig. 2.1
Revenue Recognition Setup Workflow



Creating Revenue Recognition Daybooks

In Daybook Create (25.8.1.1), define one or more daybooks of type Revenue Recognition. A revenue recognition daybook can use the official or management layers. It is a financial type daybook only.

Note You might create more than one daybook when you want to have one daybook per entity in the same set.

Fig. 2.2
Daybook Create

The screenshot shows the 'Daybook Create' form with the following fields and values:

- Daybook Code: RevRec
- Description: Revenue Recognition
- Second Description: (empty)
- Daybook Type: Revenue Recognition (highlighted with a red box)
- Layer Code: Primary
- Active: ☒
- Daybook Control: Financial
- Daybook Group Code: (empty)
- Access Role: (empty)

Assigning a Revenue Recognition Daybook to an Entity

The Revenue Recognition tab of the Entity menu (36.1.1.2) enables you to define a default revenue recognition daybook. You can also specify whether a review is automatically required for auto-generated contracts and whether to automatically create cost of goods sold postings to defer and accrue cost of goods sold amounts.

Fig. 2.3
Entity Modify Revenue Recognition Daybook Field

The screenshot shows the 'Entity Modify' form with the 'Revenue Recognition' tab selected. The fields and values are as follows:

- Entity Code: 10USACO
- Entity Description: USA DIVISION
- Business Relation: 10-USA-CO
- Localization Code: (empty)
- Active: ☒
- Domain: 10USA
- Revenue Recognition Daybook: RevRec1
- Review Required for Auto-Generated Contracts: ☐
- Create Cost of Sales Postings: ☐

Revenue Recognition Daybook. Use this field to define a revenue recognition daybook for any entity that you use for revenue recognition purposes. The field is not mandatory, but when it contains a daybook, it must be of type Revenue Recognition. You must enter a valid daybook if you want any revenue calculations to be performed. The lookup displays a full list of daybooks available. You can specify the same daybook in multiple entities.

Review Required for Auto-Generated Contracts. You can also indicate whether auto-generated contracts automatically require a review. When you select this field, all revenue contracts created by the auto-generation program automatically require a review. You can override the setting in this field at customer level. The Revenue Calculation program does not include revenue contracts that have not been reviewed.

Note For more details on the revenue contract review process, see “Reviewing Revenue Contracts”.

Create Cost of Sales Postings. Select this field to create automated cost of sales postings alongside postings that defer or accrue revenue. When you select this field:

- You can set up default cost of sales account mappings in Revenue GL Account Mapping (37.4).
- Default cost of sales profiles are available on the Customer menu (27.20.1) for any customer using the same shared set. The customer profile is a backup for when no mapping is found.
- Revenue Contract Modify and Revenue Contract View display additional information regarding the deferral and accrual of cost of goods sold amounts.
- The Revenue Calculation program also automatically creates postings to defer and accrue cost of goods sold amounts.

Creating Revenue Recognition Rules

Revenue recognition rules are assigned to the performance obligations on a revenue contract. These rules control when and how to recognize the revenue of orders and invoices. Create revenue recognition rules using the Revenue Recognition Rule menu (37.2). There are different rule types, each based on unique criteria.

Note For more details on performance obligations, see “Revenue Recognition Maintenance Overview”.

Time-Based

You can set up a time-based rule to allow revenue to be recognized a set number of days after the sales order line has been shipped or invoiced.

Percentage Complete

The percentage complete rule means that revenue is deferred or accrued, depending on the difference between the amount of the contract that has been invoiced and the amount of work done on the contract.

You determine the amount of work done by calculating the percentage of the contract that has been completed, typically by checking how much money has been spent working on the contract. You compare this amount to the amount of the contract that has been invoiced. If the amount invoiced is greater than the amount completed, the difference is deferred. If the amount completed is greater than the amount invoiced, the difference is accrued.

Note Percentage complete rules are not supported for scheduled sales orders.

Acceptance

You can set up a customer acceptance rule that requires additional information to be recorded on invoice lines of the linked lines on the revenue contract. For example, a proof-of-delivery number can be required for an invoice to be flagged as accepted.

You can record the acceptance of the full quantity delivered, or you can specify the quantity of the order that the customer has accepted. When you accept a portion of the full quantity, only the revenue for that portion is recognized when you run the Revenue Calculation. By default, the full quantity is accepted.

If an invoice is not flagged as accepted, the invoice revenue is always deferred. If the invoice is flagged as accepted, the invoice revenue is always recognized.

The invoice acceptance date is important because you can set an effective date for the Revenue Calculation. If you run the Revenue Calculation before the invoice acceptance date, then even if the invoice is flagged as accepted, the revenue from the invoice is still deferred. Otherwise, the revenue of the invoice is recognized.

Payment

The customer payment rule means that when an invoice has not been settled, the Revenue Calculation always defers the invoice revenue. If the invoice has been settled in full—not partially settled—the invoice revenue is always recognized.

The invoice payment date is also important because you can set an effective date for the Revenue Calculation. If you run the Revenue Calculation before the invoice payment date, then even when the invoice is flagged as settled, the revenue from the invoice is still deferred. Otherwise, the revenue of the invoice is recognized.

Periodic and Custom Periodic

You can choose from two types of periodic rule:

- Periodic
- Custom Periodic

Both types are set up in the same way. Specify the period type and the point in the period when revenue is to be recognized. Table 2.1 displays the supported period types.

Table 2.1
Supported Period Types

Period Type	Description
Monthly	These standard calendar periods correspond to the 12 months of the year.
GL Period	This period type refers to the GL Periods that have been set up in the system. These periods can be identical to the monthly periods or they can be configured differently. For example, some businesses prefer to have 13 periods in a year, with each period precisely four weeks in length.
Quarterly	There are four periods in a year, each of three months in length.
Bi-annually	There are two periods in a year, each of six months in length.
Annually	There is a single period for the whole year.

Also specify when the revenue deferred for a period can be recognized. Table 2.2 displays the options for recognizing this revenue.

Table 2.2
Recognition Options

Recognition Point	Description
Start	The revenue is recognized at the start of the period. When the revenue contract maintenance program creates the periods for a performance obligation, the recognition date is set to the first day of the period.
End	The revenue is recognized at the end of the period. When the revenue contract maintenance program creates the periods for a performance obligation, the recognition date is set to the last day of the period.
Offset	The revenue is recognized after a set number of days from the start of the period. For the revenue recognition rule being created, you must enter the number of days to offset the recognition point from the start of the period.

Periodic and custom periodic types are set up in the same way, with the same set of parameters controlling how each revenue recognition rule created behaves. The difference between the two types is the level of control allowed in the revenue contract maintenance program in adjusting the periods created for a performance obligation.

Periodic type rules do not allow you to modify the number of periods generated for the performance obligation. However, you can vary the amount of revenue recognized in each period. By default, the revenue is split evenly across the periods.

Custom periodic type rules offer more flexibility. You can change the revenue split of the periods, and you can also delete or add periods to the period set generated for the performance obligation.

Note Periodic and custom periodic rules are not supported for scheduled sales orders.

Revenue Recognition Rule Menu

Use the Revenue Recognition Rule menu (37.2) to create revenue recognition rules.

Fig. 2.4
Revenue Recognition Rule Create

The fields displayed depend on the rule type that you select. Figure 2.4 displays the screen when you select a time-based rule.

Rule Code. Enter a meaningful rule code.

Description. Enter a meaningful description that explains the purpose of the rule.

Active. Only active rules can be assigned to active revenue recognition contracts. This field is selected by default.

Rule Type. Select a rule type. You can choose from Acceptance, Payment, Percentage Complete, Time-based, Periodic, or Custom Periodic. For the Payment and Percentage Complete rule types, no further setup is required. However, when you choose another rule type, extra fields are displayed.

Revenue Recognized at. This field is displayed for time-based rules. Choose from Days after Invoice and Days after Shipment. This field enables you to set the revenue recognition criteria to a specific number of days after the sales order line is invoiced or shipped.

Important Sometimes, order lines from the same order are shipped on different dates. For revenue to be recognized accurately, create an invoice each time you ship. Otherwise, the system uses the final ship date as the date for the whole invoice and revenue may not be recognized.

Additional Number of Days. This field is displayed for time-based rules. The field specifies the number of days after the invoicing or shipping—depending on the setting of the Revenue Recognized at field—that the revenue can be recognized.

Proof of Delivery. This field is displayed for rules based on customer acceptance. The field indicates whether a proof-of-delivery number is required to be recorded for an invoice to be flagged as accepted.

Note When you select Proof of Delivery, more fields become available for all invoice sub-records against the linked lines of the performance obligations. You can then flag an invoice as accepted and add the proof-of-delivery number, when required. The Revenue Calculation then always recognizes the value of the invoice. You can also specify an accepted quantity against the invoice sub-record of the linked lines of the performance obligations. The revenue is then recognized in portions, based on the item quantity accepted.

Period Type. This field is displayed for periodic or custom periodic based rules. Select the length of the period type. Choose from Annually, Bi-annually, Quarterly, Monthly, or GL Period. By default, the type is GL Period.

Recognition Point. This field is displayed for periodic or custom periodic based rules. Choose to recognize revenue at End of Period, Offset, or Start of Period. By default, the recognition point is at the start of the period. If you select Offset, the Number of Days field is displayed. Use it to specify the offset from the start of the period when the revenue is recognized.

Number of Days. This field is displayed when you select Offset in the Recognition Point field. Enter the number of days from the start of the specified period when the revenue is to be recognized. A warning is displayed when the number of days you enter exceeds the length of the period type defined for the revenue recognition rule.

Revenue Recognition Rule Modify (37.2.2) enables you to modify a rule already in use in the system. However, you can only modify certain fields because the rule has previously been agreed upon with the customer.

Mapping Revenue GL Accounts

You can specify different GL accounts for revenue recognition deferral and accrual postings, depending on the sales account. This functionality enables you to separate the revenue recognition postings according to the needs of your organization—by product line, for example. You can map the sales account and a related deferred revenue account and accrued revenue account to the relevant GL accounts using Revenue GL Account Mapping (37.4). You must map each of these accounts to a separate GL account.

Note The use of a COGS accounts is optional. See “Mapping Cost of Goods Sold Accounts”.

The simplest type of mapping maps a sales account to a pair of GL accounts for all analysis types; all sub-accounts, cost centers, and projects. This scenario is displayed in Figure 2.5.

Sub-account, cost center, and project analysis used on the sales account posting line is then copied and used for the deferred or accrued revenue account posting lines—if the GL accounts are set up to allow such analysis.

Fig. 2.5
Simple Revenue GL Account Mapping

	GL Account	Sub-Account	Cost Center	Project
Sales Account	1090			
Deferred Revenue Account	1940			
Accrued Revenue Account	1450			
Deferred COGS Account				
Accrued COGS Account				
COGS Offset Account				

The most complex type of mapping maps a specific sales account, sub-account, cost center, and project combination to a pair of revenue recognition GL accounts. The deferred revenue and accrued revenue account each use a specific sub-account, cost center, and project combination. This scenario is displayed in Figure 2.6.

Fig. 2.6
Revenue GL Account Mapping

	GL Account	Sub-Account	Cost Center	Project
Sales Account	42500	1000	GRA	ASP
Deferred Revenue Account	42600	2000	TR	ASP
Accrued Revenue Account	42650	2500	TR	ASP
Deferred COGS Account				
Accrued COGS Account				
COGS Offset Account				

A mapping must conform to how a GL account has been set up to handle analysis. For example, in one scenario, a mapping is created to not map all sub-accounts, cost centers, and projects. However, a deferred revenue account is set up to only use sub-account analysis. In this case, you are only permitted to enter a sub-account. The cost center and project fields for the account are disabled.

In another scenario, a mapping uses a sales account with no analysis. It is set to map all sub-accounts, cost centers, and projects to the deferred and accrued revenue accounts. Figure 2.7 displays the deferred revenue GL account setup. In this case, because the sales account has no sub-accounts, cost centers, or projects to pass to the deferred or accrued revenue accounts, you need to define the deferred and accrued revenue accounts with default profiles for the sub-accounts, cost centers, and projects. Otherwise, you cannot save the mapping and an error message is displayed.

Fig. 2.7
GL Account Analysis Settings

GL Account View

Go To Actions Tools Print Preview Attach

GL Account: def-all
Description: deferred all
GL Type: Standard Account
Active: ☒

Referenced: ☐
In Posting: ☐
System Type:
Budget Group:
Budget Enabled: ☐ Category: Asset

Posting Currency Analysis Report Link Banking Cash Defaults

Sub-Account Analysis
Sub-Account: ☒ Default Sub-Account: Elec

Cost Center/Project Analysis
Cost Center Analysis: ☒ Project Analysis: ☒ Analysis Limitation: None
Default Cost Center: adv
Default Project: PJDF
Default SAF Structure:

SAF Analysis
SAF Analysis: ☐ SAF Structure Code:

GL Analysis Set On Date: 31/08/2016 GL Analysis Set on by: mfg
GL Sub-Account Set On Date: 31/08/2016 GL Sub-Account Set on by: mfg

Mapping Cost of Goods Sold Accounts

When the creation of cost of sales postings is enabled in an entity, the Revenue GL Account Mapping also displays account, sub-account, cost center and project fields for a deferred COGS account, accrued COGS account, and a COGS offset account. The fields are not mandatory, because for some types of inventory items, you can choose to handle the deferral and accrual of costs of goods sold manually. In addition, costs for memo items are not stored, so associated deferral and accrual of costs must be handled manually.

However, if you choose to leave these fields blank, it affects whether cost of sales postings are created when GL mappings cannot be found for items on a revenue contract. When the Create Cost of Sales Postings field is selected in any entity that uses the customer shared set and the COGS fields are blank, the system raises a warning when you save.

The COGS offset account is credited or debited when costs of sales are deferred or accrued. This account is used instead of debiting up to five different cost of sales accounts for each item as defined in Product Line Maintenance and Sales Account Maintenance. You define the COGS offset account to appear in the same section of the income statement as the detailed COGS accounts as used during shipments. In addition, the detail is still preserved in the detailed shipment postings for management accounting purposes.

The analysis settings for the three COGS accounts can also be inherited from the related sales account by selecting the All Sub-Accounts, All Cost Centers, and All Projects fields.

Note When you select the Create Cost of Sales Postings field at entity level, log out and log back in to ensure that the COGS accounts are displayed in the mappings and that the COGS profiles are displayed in customer records.

Revenue GL Account Mapping Copy enables you to copy COGS account details.

Revenue GL Account Mapping Menu

The fields to complete in Revenue GL Account Mapping Create (37.4.1) are:

All Sub-Accounts. This field is selected by default. It means that the mapping includes all sub-accounts for the chosen sales, deferred revenue, and accrued revenue GL accounts. When you clear this field, you can specify a particular sub-account to map to for one or more of the GL accounts.

All Cost Centers. This field is selected by default. It means that the mapping includes all cost centers for the chosen sales, deferred revenue, and accrued revenue GL accounts. When you clear this field, you can specify a particular cost center to map to for one or more of the GL accounts.

All Projects. This field is selected by default. It means that the mapping includes all projects for the chosen sales, deferred revenue, and accrued revenue GL accounts. When you clear this field, you can specify a particular project to map to for one or more of the GL accounts.

Sales Account. Enter the sales GL account that you want to map. You can also specify a particular sub-account, cost center, and project by clearing the fields at the top of the screen. The account fields available depend on the GL account setup.

Deferred Revenue Account. Enter the deferred revenue account that you want to map to. You can also specify a particular sub-account, cost center, and project by clearing the fields at the top of the screen. The account fields available depend on the GL account setup.

Accrued Revenue Account. Enter the accrued revenue account that you want to map to. You can also specify a particular sub-account, cost center, and project by clearing the fields at the top of the screen. The account fields available depend on the GL account setup.

Deferred COGS Account. This field is displayed when the creation of cost of sales postings is enabled in an entity. The account that you enter here is debited when costs of sales are deferred. If you enter an account here, you must also enter an accrued COGS account and a COGS offset account.

Accrued COGS Account. This field is displayed when the creation of cost of sales postings is enabled in an entity. The account that you enter here is credited when costs of sales are accrued. If you enter an account here, you must also enter a deferred COGS account and a COGS offset account.

COGS Offset Account. This field is displayed when the creation of cost of sales postings is enabled in an entity. The account that you enter here is credited or debited when costs of sales are deferred or accrued. If you enter an account here, you must also enter a deferred COGS account and an accrued COGS account.

When you have completed the sales account mapping, click Save.

To speed up the process of creating similar account mappings, you can copy existing mappings and edit them using Revenue GL Account Mapping Copy (37.4.5).

Searching for Revenue GL Account Mappings

When a mapping is required, the system must find a suitable mapping depending on the sales account and analysis used on the sales order line. If an exact match can be found, then this mapping is used. However, because revenue GL account mappings can be set up to match against all possible sub-accounts, cost centers, and projects, an exact match is not always possible. In such cases, the system finds the best possible match using the search hierarchy in Table 2.3.

Table 2.3
System Search Sequence for Revenue GL Account Mappings

Search Step	Sales GL	Sales Sub-Account	Sales Cost Center	Sales Project	All Sub-Accounts	All Cost Centers	All Projects
1	4100	Mech	Adm	Pr1	No	No	No
2	4100	N/A	Adm	Pr1	Yes	No	No
3	4100	Mech	N/A	Pr1	No	Yes	No
4	4100	Mech	Adm	N/A	No	No	Yes
5	4100	N/A	N/A	Pr1	Yes	Yes	No
6	4100	N/A	Adm	N/A	Yes	No	Yes
7	4100	Mech	N/A	N/A	No	Yes	Yes
8	4100	N/A	N/A	N/A	Yes	Yes	Yes

Note When a revenue GL account mapping has been set up to map all analysis codes to the deferred and accrued revenue account, the analysis codes are taken from the sales account analysis defined on the revenue contract.

Setting Up Default Rules

There are two ways to set up a default revenue recognition rule for a performance obligation:

- Specify a default revenue recognition rule on the customer record. See “Assigning Revenue Recognition Customer Defaults”.
- Set up default revenue recognition rules based on customer, item, location, and other dimensions. This method always overrules the rule set in the customer record.

If you have complex revenue recognition rule requirements, you may need to create revenue contracts manually and use judgment on which revenue recognition rules to apply to the performance obligations.

For simpler requirements, you can use an automated method to create contracts. For example, you want to delay the recognition of revenue until title and risk of loss is transferred at Free On Board (FOB) point. Default revenue recognition rules enable you to apply a revenue recognition rule to a performance obligation that delays the recognition of revenue by an appropriate amount of time for that order. The advantage of setting up default rules in advance based on different scenarios is that less intervention, if any, is needed later. The use of default revenue recognition rules allows the auto-generation of contracts to run smoothly.

Whether you choose to create contracts manually or automatically, default rules mean that the correct revenue recognition rule is selected for each performance obligation that is created.

Managing Revenue Recognition Default Hierarchies

On the Domain menu (36.1.1.1), the Revenue Recognition tab displays the dimensions that you can use to retrieve default revenue recognition rules when a contract is created. By default, nine dimensions are displayed in the default hierarchy of priority. However, you can reorder the dimensions or remove the ones that you do not need.

The hierarchy you set up determines how the correct default revenue recognition rule is found. This hierarchy acts as a default for the whole domain. The hierarchy applies for all contracts created in Revenue Contract Create or Revenue Contract Auto-generate. The nine dimensions are:

- 1 Item
- 2 Product Line
- 3 Customer
- 4 Ship To Country
- 5 Sold To Country
- 6 Ship From Country
- 7 FOB Point
- 8 Customer Type
- 9 Ship Via

Note The Ship From, Ship To, and Sold To locations are the country codes associated with the site on the sales order line (Ship From location) and either the Sold To or Ship To addresses on the sales order. Typically, you create records using either the Ship To country code or the Sold To country code, but you can use both where appropriate.

Important When no default revenue recognition rule is found, the system applies the default revenue recognition rule on the customer record. See “Assigning Revenue Recognition Customer Defaults”.

Note FOB Point is a field on the trailer screen of Sales Order Maintenance (7.1.1) and Pending Invoice Maintenance (7.13.1). The FOB Point is typically a three-letter International Commercial Term (Incoterm) defined in the system. Incoterms are designed to communicate the tasks, costs, and risks associated with the transportation and delivery of goods. Incoterms are important for revenue recognition because they help to determine when ownership has been transferred and the economic benefits and risks of ownership lie with the buyer.

Fig. 2.8
Domain Level Default Rule Dimensions

Domain Modify x

Go To Actions Tools Print Preview Attach

Domain: 22UK Primary Entity: 22UKCO

Name: United Kingdom Division Active: ☒

Search Name: 22UK Setup Complete: ☒

General Shared Sets Operational Cross-Company Invoice Numbering **Revenue Recognition**

Default Rule Hierarchy

Sequence	Dimension
1	FOB Point
2	Item
3	Product Line
4	Customer
5	Ship To Countr
6	Sold To Countr
7	Ship From Cou
8	Customer Typ
9	Ship Via

To change the sequence of the dimensions, click the relevant dimension and select another dimension from the list. Alternatively, you can drag and drop dimensions within the grid. To delete a dimension, select the line and use the context menu to delete it. You can delete a dimension when you do not use it to determine revenue recognition rules in your organization.

Whatever hierarchy you set up, there must be at least one row in the grid and each dimension you include must have a unique sequential number. The system automatically renumbers the remaining rows when any row has its sequence number changed. When you have completed the setup, save your changes.

Creating Default Revenue Recognition Rules

To set up default rules based on different combinations of customer, item, and location; use the Rev Rec Default Rule menu (37.2).

Important Settings in Rev Rec Default Rule take precedence over the settings on the customer record.

You can set up rules for a combination of the dimensions available at domain level. By default, these include:

- Customer Code
- Customer Type
- Item Code
- Product Line
- FOB Point
- Ship From country
- Ship To country
- Sold To country
- Shipvia Code

However, the fields that you see and the order in which they appear depend on the setup at domain level. For example, if the domain-level record contains the dimensions Product Line, Customer Type, Ship To Country, and Ship From Country, only these fields are displayed in Rev Rec Default Rule Create.

Fig. 2.9
Rev Rec Default Rule Create

The screenshot shows the 'Rev Rec Default Rule...' window with a menu bar (Go To, Actions, Tools, Print, Preview, Attach) and a form with the following fields and values:

Field	Value	Lookup Icon	Selected Value
FOB Point	EXW	Q	Ex Works
Item Number	01011	Q	Supplies Kit
Product Line		Q	
Customer Code	10C1001	Q	MediLogic
Ship To Country	EU	Q	European Union
Sold To Country		Q	
Ship From Country	US	Q	UNITED STATES
Customer Type		Q	
Ship Via	UPS	Q	UPS
Rule Code	INV-5	Q	Recognise Revenue 5 days after invoice

All fields are optional, so you can make the default rules you create as granular as you like. After you enter a combination based on the available dimensions, select a rule code using the lookup. You can only use active rules in the system.

The default revenue recognition rules are saved at domain level. To help you to copy rule setup, Rev Rec Default Rule Excel Integration (37.2.9) enables you to define or update rules using an Excel template and quickly load those rules into the system.

How the Search Works

When you create a contract—manually or automatically, the system sets the revenue recognition rule for the performance obligation by searching the revenue recognition default rules according to the revenue recognition default rule hierarchy. It finds and applies the default revenue recognition rule record that is the best match. If a record cannot be found using any of the parameters as defined in the default revenue recognition rule hierarchy, the system searches for a record where all the fields are blank, apart from the rule code.

Assigning a Rule to a Contract Generated Automatically

When automatically generating revenue contracts, a default rule is always found. If you create a default rule record with only a customer code, this record is always used ahead of any rule defined against the customer record. If you do not create a default rule record, the default rule set on the customer record is used.

Example You define a default revenue recognition rule hierarchy as displayed in Table 2.4.

Table 2.4
Default Hierarchy

Sequence	Dimension
1	Product Line
2	Customer Type
3	Ship To Country
4	Ship From Country

You set up default revenue recognition rules as displayed in Table 2.5.

Table 2.5
Default Revenue Recognition Rules

Product Line	Customer Type	Ship To Country	Ship From Country	Rule Code
20				% Complete (Percent Complete Rule)
		NL	GB	INV-5 (5 days after invoice date)
	Intercompany			INV-3 (3 days after invoice date)

You next create three sales orders, as displayed in Table 2.6.

Table 2.6
Sales Orders

Order	Product Line	Ship To Country	Ship From Country	Customer Type
Order1	10	NL	GB	Commercial
Order2	10	NL	GB	Intercompany
Order3	20	NL	GB	Commercial

To assign rules to each performance obligation, the system searches for a full match using all the parameters defined in the default rule hierarchy: Product Line, Customer Type, Ship-To Country, and Ship-From Country. If no match is found, the system continues to search, dropping one parameter at a time, in descending order of priority.

The system searches for a match for Product Line, Customer Type, and Ship To Country; then Product Line, Customer Type, and Ship From Country; then Product Line, Ship To Country, and Ship-From Country. Next, the system searches for the combination of Product Line and Customer type, then Product Line and Ship-To Country, then Product Line and Ship-From Country, and then only for Product Line.

If there is still no match, the system begins a new search for a match without the highest priority parameter—Product Line. It searches first for the combination of Customer Type, Ship To Country, and Ship From Country; then Customer Type and Ship To Country; then Customer Type and Ship From Country; and then only for Customer Type.

If no record is found, the system begins a new search without Product Line or Customer Type. It first looks for the combination of Ship To Country and Ship From Country, and then just for Ship To Country, then just Ship From Country. If there is still no record found, the system searches for a revenue recognition default rule record with all fields left blank. If none is found, the default rule from the customer record is used. The results of the search for the three orders in our example are displayed in Table 2.7.

Table 2.7
Search Results

Order	Rule Code	Reason
Order1	INV-5	No match to Product Line, no match to Customer Type, match to Ship From and Ship To Country
Order2	INV-3	No match to Product Line but match to Customer Type
Order3	% Complete	Match to Product Line

Assigning a Rule to a Contract Created Manually

When you manually create a revenue contract and add a performance obligation, it is possible to add multiple sales order lines to the performance obligations. The system assigns the revenue recognition rule to the performance obligation as follows:

- When you create the performance obligation, the rule code is left blank.
- When the rule code is blank and a sales order line or trailer charge is added, the system checks the default rule for the sales order line, and sets the rule code on the performance obligation to that value.
- If no default rule record is found for the sales order line or trailer code, the rule code for the performance obligation is set using the rule code linked to the customer record.
- When any additional sales order lines or trailer charges are added to a performance obligation with a non-blank rule code, the rule code is not updated, but you can manually edit the rule code.
- If there is no default rule defined against the customer—it is possible that the customer is not set for the automatic generation of revenue contracts, you must manually enter the rule code for the performance obligation.

Note Automatically generated revenue recognition contracts only ever have a single sales order line for a performance obligation. Therefore, there are no conflicts in setting the revenue recognition rule.

Assigning Revenue Recognition Customer Defaults

In Customer Create (27.20.1.1), use the Revenue Recognition tab to set up certain default information for each customer included in revenue recognition, as displayed in Figure 2.10. These settings act as a backup for cases where no default revenue recognition rule is found for a contract or no revenue GL account mappings are found.

Fig. 2.10
Customer Modify – Revenue Recognition Tab

The settings you can define are:

- A default revenue recognition rule.
- A default deferred revenue account profile.
- A default accrued revenue account profile.
- A deferred COGS account profile.
- An accrued COGS account profile.
- A COGS offset account profile.
- Whether to automatically create a revenue contract from sales orders when you run Revenue Contract Autogenerate (37.1.5).
- Whether a review is required for revenue contracts created for this customer.

It is mandatory to set these defaults for a customer when revenue contracts are to be auto-generated from sales orders. Therefore, if you select the Auto Create Revenue Contracts field, you must at least complete the default deferred revenue profile, the accrued revenue account profile, and the default revenue recognition rule.

The COGS profiles must be completed when the Create Cost of Sales Postings field is selected in any entity using the same customer shared set and the Auto Create Revenue Contracts field is selected.

Maintaining Revenue Recognition Contracts

The following topics describe how to create and maintain revenue recognition contracts.

Revenue Recognition Maintenance Overview 26

Provides an overview of revenue contracts and performance obligations.

Autogenerating Revenue Recognition Contracts 26

Describes how to auto-generate revenue recognition contracts.

Manually Creating and Maintaining Revenue Contracts 29

Describes how to create revenue recognition contracts manually.

Revenue Recognition Views and Browsers 54

Describes various revenue recognition views and browsers available.

Reviewing Revenue Contracts 56

Describes the review process for revenue recognition contracts.

Revenue Recognition Postings 57

Describes the accounting process associated with revenue calculations.

Processing by Batch Daemon 67

Describes how to set up a schedule to batch process revenue calculations.

Creating Revenue Contracts With Opening Balances 69

Describes how to import opening balances for existing revenue contracts.

Revenue Recognition Maintenance Overview

Revenue contracts are made up of performance obligations. Performance obligations are created for the line items—and, optionally, trailer charges—on a sales order. Each performance obligation is assigned a recognition rule that governs how and when the order revenue is recognized. Each performance obligation has only one revenue recognition rule, but can have one or more order lines or trailer charges assigned to it.

Note Whenever order lines are mentioned, trailer charges are also included, when these exist.

When creating a revenue contract, it is your decision how many performance obligations a contract has and how many order lines are grouped under a single performance obligation. Assess the different order lines and determine whether the order line itself represents a single performance obligation. If so, create a performance obligation and assign the order line to it.

However, the delivery of goods and services on one order line may be deemed to be related to the delivery of goods and services on another order line—even on another order—for revenue recognition purposes. In this case, the two order lines must be combined under a single performance obligation. In this case, you create a performance obligation and assign the two order lines to it. The performance obligation only ever has a single revenue recognition rule and both order lines must fulfill the rule for the revenue to be recognized.

Important Revenue contracts are created at domain level. Therefore, you can create a revenue contract in one entity of a domain, but modify or delete the contract in another entity of the same domain. You can also attach sales orders, trailer charges, and pending invoices from multiple entities in the domain to the performance obligations of a single revenue contract.

Autogenerating Revenue Recognition Contracts

The easiest method of creating a revenue contract is by using Revenue Contract Autogenerate (37.1.5). This program enables you to auto-create revenue contracts based on a set of parameters. You can use this menu to generate multiple revenue contracts simultaneously.

Based on the selection criteria, one or more contracts are generated for all sales order lines and invoice history records that are eligible for revenue contract creation. The autogenerate program creates a single revenue contract for each sales order processed, with each sales order line creating its own performance obligation line.

Note The system automatically generates a performance obligation for each trailer charge, even if it has a zero value on the order. If you do not want this to happen, remove the trailer charge from the order.

Fig. 3.1
Revenue Contract Autogenerate

Note You enable auto-generation of revenue contracts at customer level on the Customer menu (27.20.1). In the customer record header, make sure that the customer is active. On the Accounting tab, make sure that Auto Create Revenue Contracts is selected.

The fields in Revenue Contract Autogenerate are as follows:

Customer Code. Enter a customer code range. The range can comprise one or more customers.

Sales Order . Enter a sales order range. The range can comprise one or more sales orders.

Note Any revenue contract generated by the program uses the sales order number as the revenue contract number, unless you have set up autonumbering and select the Generate Contract Number field.

Sales Order Line. This field is only relevant when you have entered a single sales order. Where there are multiple sales orders, you cannot select individual sales order lines. When you enter a sales order line range, the result depends on the setting of the Generate Contract Number field.

- When you select Generate Contract Number and, for a selected order, specify only the new order lines that have been added since a contract was created, a new revenue contract is created for the new lines.
- When you do not select Generate Contract Number and specify some order lines, the system creates a new version of the existing contract. However, the new version only includes the order lines you specify. Order lines that may have previously been linked to the contract are removed. Use this option with caution.

Order Date. Enter an order date range. By default, the Order Date From and To field is populated with the system date. When you click Generate and one or both dates in the order date range are blank, a warning is displayed to indicate that there may be a large data set to process.

Generate Contract Number. Select this field to generate a predefined revenue contract number. The number is generated based on the autonumbering set up in Revenue Contract Autonumber Activate (37.1.50.1).

When you click Generate, the revenue contract is created as active. If the revenue contract requires a review, it is automatically flagged that a review is required. You can carry out a review in Revenue Contract Modify (37.1.2).

The automatic creation of contracts can also be scheduled by using the Batch daemon. When you click Generate, the contracts are created at the scheduled time. For more information on the Batch daemon, see “Processing by Batch Daemon”.

Process By Daemon. Select this field to use the Batch daemon to automatically perform the auto-generation of contracts at a specified time each day.

Description. Enter a description that is visible in Batch Daemon Monitor when the contract generation is queued for processing. This field is only active when you select Process By Daemon.

Start Date. Specify a start date of today or sometime in the future for the auto-generation. The Batch daemon daily run starts on this date. When you do not enter a start date, the system date is used. This field is only active when you select Process By Daemon.

Start Time (UTC). Specify the time when you want the daemon to run the auto-generation each day. When you do not enter a start time, the default time of 0:00 (UTC) is used. This field is only active when you select Process By Daemon.

SSM

SSM is a separate module that generates sales order and invoice history records for a variety of activities during the life cycle of a service call or contract. Basic revenue recognition functionality is already included for service contract activities. Therefore, any orders and invoices created directly for the service contract or that are linked activities—such as Calls, Material Orders, Depot Orders, and Return Material Authorization—are skipped during processing. These orders and invoices are excluded from revenue recognition functionality. However, material orders, calls, depot orders, and return material authorizations that are not linked to service contracts are considered by revenue recognition.

Revenue Recognition Autonumbering

You can use Revenue Contract Autonumber Activate (37.1.50.1) to set up autonumbering for revenue contracts. The system generates a number for each newly created contract, based on the autonumbering you set up here. At this point, you can still override the generated number because the contract number is fixed only when the first version of the contract is saved to the database.

Fig. 3.2
Revenue Contract Autonumber Activate

Enter the relevant details to set up autonumbering.

Domain. Enter the domain in which the autonumbering is to apply.

Next Number. Type a starting number for the revenue contract numbering. Each subsequent number will increment by one.

Length. Enter the length of the number. By default, the length is 8 digits.

Suppress Leading Zeros. When the number is less than 8 digits, you can select whether to suppress the leading zeros in the contract number.

Active. Select this field to make the autonumbering active.

The Revenue Contract Autonumber menu also contains the following programs:

- Revenue Contract Autonumber Modify (37.1.50.2)
- Revenue Contract Autonumber View (37.1.50.3)
- Revenue Contract Autonumber Deactivate (37.1.50.4)

Manually Creating and Maintaining Revenue Contracts

The Revenue Contract Menu (37.1) enables you to manually create and maintain revenue contracts, as displayed in Figure 3.3. When you set up the system to automatically generate contracts, you can use this menu to maintain these contracts. The header fields store key revenue contract information.

Fig. 3.3
Revenue Contract Create

The screenshot shows the 'Revenue Contract Create' window. At the top, there's a toolbar with 'Go To', 'Actions', 'Tools', 'Print', 'Preview', and 'Attach'. Below this, the 'Contract Number' is 3800004, 'Customer' is 10C3002, 'Currency' is USD, and 'Version valid from' is 19/06/2017 (current). The 'Special Technical Parts' description is entered, and the 'Active' checkbox is checked. The 'Houston Automotive Group' is listed as the customer name. The 'General' tab is selected, showing 'Contract' details: Start Date (19/06/2017), End Date (31/12/2017), Agreement Date (01/06/2017), and Reference (425). The 'Selected Version' section shows 'Review Required' checked, 'Review Reason' set to 'General', and 'Review Note' as 'Original Version'. The 'On Hold' and 'Completed' status indicators are visible.

Contract Number. The contract number must be a unique identifier of the revenue contract. You can also enter a short description for the revenue contract in the adjacent field. The contract number of the revenue contract can be set in a number of ways.

- You can manually enter a unique contract number in the field.
- When the revenue contract is auto-generated, the program automatically sets the contract number to the sales order number.
- When Revenue Contract Autonumber Activate (37.1.50.1) is set up, the system automatically generates a unique number for the contract.

Customer. Enter the customer code or select from the lookup. The customer name is populated according to the code.

Currency. Enter the currency code for this revenue contract. The default currency for the selected customer is displayed by default in this field.

Version Valid From. This field is a list that displays all versions of the contract. You can view any version of the contract. However, you can only modify the current version. When you modify the current version and save the contract, a new version may be created.

For more details on when a new version is created, see “Contract Versions”.

Active. Select this field to make the revenue contract active.

The Revenue Calculation cannot process an inactive revenue contract. Therefore, no deferral or recognition postings can be created for it. An inactive revenue contract does not need to have performance obligations or order lines linked to the performance obligations. You can make a revenue contract inactive to allow you time to verify that it is correctly constructed, with the correct performance obligations and linked lines.

Making a revenue contract active means that the Revenue Calculation processes the contract and potentially creates deferral and recognition postings. After postings have been created, it is not possible to make the revenue contract inactive again. You can only make an active revenue contract inactive when the contract has not been processed and there are no revenue recognition postings. An active revenue contract must have performance obligations and linked lines.

Note You can also provide supporting documentation for the revenue contract by adding attachments at header level. You can also add attachments at obligation line level. For more details, see “Attachments”.

Under the header, contract details are presented on tabs on the Revenue Contract screen.

Contract Versions

Contract versions provide a clear audit trail on changes to the contract affecting revenue calculations. When you modify the latest version of a revenue contract, a new version of the revenue contract may be created, depending on:

- How often the revenue contract is modified. The revenue recognition module only maintains one version of a contract for a given date. Where multiple changes to a revenue contract are made on the same day, the single version of the contract for that day is updated.
- Whether the revenue contract is under review. You can modify a contract that is under review but the current version is modified. No new version is created. The exception is when a line is deleted from the contract. In this case, any postings created for that line must be reversed, so a new version is created.
- Whether the revenue contract is active. Any modifications to an inactive contract do not result in the creation of a new version. When an inactive contract is made active, the revenue contract is then automatically flagged as requiring a review.
- Whether the changes are financially material. When a change can affect how revenue is deferred, accrued, or recognized, a new version of the contract is created. A new version is created when:
 - A sales order line or trailer charge is added to or deleted from a performance obligation.
 - You update the percentage complete of a performance obligation of type percentage complete.
 - You add or delete a period on a performance obligation of type custom periodic.
 - You update any of these fields on a performance obligation:
 - Completed
 - Rule Code
 - Start Date
 - End Date
 - You update the stand-alone selling price or allocated transaction price on the performance obligation lines or Contract Value tab.

Important The standalone selling price is the price at which an organization sells a good or service separately to a customer.

The allocated transaction price is the amount to which an organization expects to be entitled in exchange for transferring the promised goods or services to the customer. The transaction price must be allocated proportionately to each performance obligation on a relative standalone selling price basis with some limited exceptions.

- You update any of these fields on the customer acceptance invoice line:
 - Invoice Accepted
 - Accepted Date
 - Accepted Qty

When a revenue contract is created manually or is auto-generated and Review Required for Auto-Generated Contracts is selected at entity level, the Review Required field is set to True. The Review Required flag is also usually set to true when a new contract version is created. However, some changes are exceptions. A review does not become required when you change the following performance obligation properties:

- Percentage complete amount
- Accepted
- Accepted date
- Accepted quantity
- Completed

General Tab

The General tab is split into two sections. The Contract section contains information about the whole contract, regardless of which version you are maintaining.

Start Date. This field contains the contract start date.

End Date. This field contains the contract end date.

Agreement Date. This field contains the date on which the contract was agreed with the customer or other stakeholders.

Reference. This field contains a pertinent reference number to the revenue contract, such as a customer reference number.

On Hold. This field indicates whether the revenue contract is on hold. When the contract is on hold, no further processing of the contract can take place until it is taken off hold.

When on hold, any invoiced revenue that is in a position to be recognized is deferred. When the revenue contract is taken off hold, then revenue is re-recognized by the Revenue Calculation.

Completed. Select this field to indicate that the revenue contract has been completed.

The Selected Version section contains information that only applies to the version that you are currently viewing or maintaining.

Review Required. This field indicates whether a review is required for this version of the contract. The field can be selected automatically or you can do it manually.

A contract is automatically flagged for review when:

- A new contract is created and Review Required for Auto-Generated Contracts is selected at entity level, or a new version of the contract is created.
- Revenue calculation is run on the contract and the system flags a contract for review as a result of the validation.

You can also manually select the Review Required field to indicate that a revenue contract version needs a review.

On Hold. This field indicates whether this version of the revenue contract is on hold. When the contract version is on hold, no further processing of the contract can take place until the contract version is taken off hold. When on hold, any invoiced revenue that is in a position to be recognized is deferred. When the revenue contract version is taken off hold, then revenue is re-recognized by the Revenue Calculation.

Review Reason. When a review is required, this field contains the reason why a review is necessary. When a revenue contract version is flagged for review, a reason code must be assigned to the revenue contract version. The available reason codes are:

- Auto Generated – This reason code indicates that the revenue contract auto-generation program created a contract and it needs to be reviewed.
- Calculation – This reason code indicates that the Revenue Calculation found an issue with the contract and a review is required.
- General – This reason code is a general purpose code to use when you manually flag a contract version as requiring a review.
- Negative Quantity Item – This reason code indicates that the overall quantity for an item is negative, and this needs to be reviewed.
- New Version – This reason code indicates that there is a new version of the revenue contract and it needs to be reviewed.
- Zero Quantity Item – This reason code indicates that a zero quantity has been created, which automatically requires a review.

Review Note. When the Review Required field is selected, this field must contain an entry. If a version is automatically flagged as needing a review, the system automatically adds a standard system description to the field.

If you manually select the Review Required field, you must add a note before you can save your changes to the contract.

For more information on the review process, refer to the section Reviewing Revenue Contracts.

Financial Overview Tab

The Financial Overview tab displays read-only information about the various totals on the contract. The totals on the tab are automatically calculated from the data on the Performance Obligation tab. This tab lets you look at the general financial picture of the contract.

Fig. 3.4
Revenue Contract Modify - Financial Overview Tab

Revenue Contract Cr... x

Go To ▾ Actions ▾ Tools ▾ Print Preview Attach ▾

Contract Number T140879 T140879 Active ☒

Customer 10-300 QMI -USA Division 1 JJ

Currency USD

Version valid from 30/07/2018 (current)

General **Financial Overview** Performance Obligation Contract Value Note Review Versions

	TC	USD
Contract Total		85,000.00
Order Total		85,000.00
Standalone Selling Price Total		85,000.00
Allocated Transaction Price Total		85,000.00

Revenue	TC	USD	BC	USD	SC	USD
Total Invoiced		0.00		0.00		0.00
Total Redistributed		0.00		0.00		0.00
Total Deferred		0.00		0.00		0.00
Total Accrued		0.00		0.00		0.00
Total Recognized		0.00		0.00		0.00

Contract Total. This field displays the contract value in transaction currency. This includes estimates for future business on the revenue contract.

Order Total. This field displays the total of all the orders linked to the contract. This total can be used with the Contract Total to show how much of the contract value has actually been ordered by the customer.

Standalone Selling Price Total. This field displays the total value of the contract in transaction currency based on the stand-alone selling prices of the performance obligation lines. The stand-alone selling price is the price at which an organization sells a good or service separately to a customer.

Allocated Transaction Price Total. This field displays the total value of the items on a contract in transaction currency, based on the allocated transaction prices of the performance obligation lines. The allocated transaction price is the amount to which an organization expects to be entitled in exchange for transferring the promised goods or services to the customer.

Total Invoiced. This field displays the amount of the revenue contract that has been invoiced in transaction, base, and statutory currency.

Total Redistributed. The total of the invoice values in transaction, base, and statutory currency for the contract that have been redistributed between performance obligations due to differences between invoiced prices and allocated transaction prices. These values are equal to the Total Invoiced amounts.

Total Deferred. This field displays the amount of revenue for the contract that has been deferred in transaction, base, and statutory currency.

Total Accrued. This field displays the amount of revenue for the contract that has been accrued in transaction, base, and statutory currency.

Total Recognized. This field displays the amount of revenue for the contract that has been recognized in transaction, base, and statutory currency.

Performance Obligation Tab

The Performance Obligation tab records all performance obligations on the revenue contract, complete with any linked lines. You can create a performance obligation on the Performance Obligation tab using the context menu, available by right-clicking the relevant line. Linked lines allow for sales order lines and trailer charges linked to the performance obligations.

You can also view transaction information from the context menu.

Fig. 3.5
Revenue Contract Modify – Performance Obligation Tab

The columns on a performance obligation line contain important information about the obligation.

Table 3.1
Performance Obligation Tab Columns

Column	Description
Line No	Performance obligation line number.
Description	Description of the performance obligation.
On Hold	Indicates whether the performance obligation is on hold. This field is for reference only.
Rule Code	Revenue recognition rule used on the performance obligation.
Rule Type	The type of revenue recognition rule used on the performance obligation.
Complete	Indicates whether the performance obligation has been completed. This field is for reference only.
Exp Final Rec Date	The expected final recognition date for the performance obligation. This field is for reference only.
Actual Final Rec Date	The actual final recognition date for the performance obligation. This field is for reference only.
TC Total	The total amount of the performance obligation in transaction currency.
TC/BC/SC Total Redistributed	The total redistributed revenue amount of the performance obligation in transaction, base, and statutory currency.

Column	Description
TC/BC/SC Total Invoiced	The total invoiced on the performance obligation in transaction, base, and statutory currency.
TC/BC/SC Total Deferred	The total deferred revenue on the performance obligation in transaction, base, and statutory currency.
TC/BC/SC Total Accrued	The total accrued revenue on the performance obligation in transaction, base, and statutory currency.
TC/BC/SC Total Recognized	The total recognized revenue on the performance obligation in transaction, base, and statutory currency.
% Complete	The percentage of the performance obligation that has been completed.
% Complete Change Date	The date at which the percentage complete value was updated.

Some of the fields on the performance obligation are calculated from the data stored on the performance obligation lines, including:

- The total amount of the performance obligation
- The amount of the performance obligation line invoiced
- The invoiced amount of the performance obligation line that has been redistributed based on allocated transaction prices
- The amount of the performance obligation line deferred, accrued, and recognized

History

A history record is created each day that you edit the % Complete field on the performance obligation. If you change this field more than one time in a day, the history record for that day is updated. The Revenue Calculation uses history records to ensure that the revenue is correctly calculated for the effective date that you run the Revenue Calculation.

Performance Obligation Form View

By default, you view all performance obligations defined against the revenue contract in a grid. However, you can also open a form that displays details of a performance obligation in tab format. You display the form view by opening the context menu on any performance obligation and choosing View Detail. The form view is overlaid on the grid view of the Performance Obligation tab, as displayed in Figure 3.6. The form view displays several tabs.

Fig. 3.6
Performance Obligation Tab – Form View

The screenshot shows the 'Revenue Contract Cr...' form. At the top, there are tabs: 'Go To', 'Actions', 'Tools', 'Print', 'Preview', and 'Attach'. Below these are input fields for 'Contract Number' (D0001), 'Customer' (10-100), 'Currency' (USD), and 'Version valid from' (22/08/2018 (current)). The 'Active' status is indicated. The main section has tabs: 'General', 'Financial Overview', 'Performance Obligation' (selected), 'Contract Value', 'Note', 'Review', and 'Versions'. Under 'Performance Obligation', there is a table with columns 'Line No', 'Description', 'Rule Code', and 'Rule Type'. The table lists four items: 1 Surgical Kit, 2 Freight, 3 Taxable Freight, and 4 Taxable Special. To the right of this table is a detailed view for the selected 'Surgical Kit' line item, showing fields for 'Description', 'Completed', 'On Hold', 'Rule Code' (INV-10), 'Rule Type' (Time-based), 'Start Date' (22/08/2018), 'End Date' (23/08/2018), 'Expected Final Recognition Date', and 'Actual Final Recognition Date'.

Performance Obligation Tab

The Performance Obligation tab displays the:

- Description
- Completed and On Hold fields
- Rule code and type
- Start and end dates
- Expected and actual final recognition dates

The performance obligation tab displays additional fields, depending on the revenue recognition rule used. For example, if the rule is a percentage complete type rule, additional fields are displayed that enable you to update the complete percentage and the effective date for that percentage.

Note An API is available for updating the complete percentage and effective date.

Totals Tab

The Totals tab displays the performance obligation total information, including:

- Performance obligation value in transaction currency
- Invoice value in transaction, base, and statutory currency
- Redistributed revenue value in transaction, base, and statutory currency
- Deferred revenue value in transaction, base, and statutory currency
- Accrued revenue value in transaction, base, and statutory currency
- Recognized revenue value in transaction, base, and statutory currency

Notes Tab

The Notes tab enables you to enter a note on the selected performance obligation line.

Note Depending on the type of revenue recognition rule on the performance obligation, other tabs can also be displayed. For example, when you create a performance obligation using a rule of type periodic or custom periodic, the Periods tab is also displayed as in Figure 3.7. The tab displays a breakdown of how the revenue is recognized across the periods. For more information, see “Periodic and Custom Periodic Revenue Recognition Rules”.

Fig. 3.7
Performance Obligation Tab – Form View Periods

Performance Obligation					
Totals		Note	Periods		
% Complete	Change Date	% Complete	TC Cumulative Value	Discrete Percentage	TC Value
02/01/2017		8.33	99.96	8.3300	99.96
03/01/2017		16.66	199.92	8.3300	99.96
04/01/2017		24.99	299.88	8.3300	99.96
05/01/2017		33.32	399.84	8.3300	99.96
06/01/2017		41.65	499.80	8.3300	99.96
07/01/2017		49.98	599.76	8.3300	99.96
08/01/2017		58.31	699.72	8.3300	99.96
09/01/2017		66.64	799.68	8.3300	99.96
10/01/2017		74.97	899.64	8.3300	99.96
11/01/2017		83.30	999.60	8.3300	99.96
12/01/2017		91.63	1,099.56	8.3300	99.96
01/01/2018		100.00	1,200.00	8.3700	100.44

Periodic and Custom Periodic Revenue Recognition Rules

When you create a performance obligation and specify a rule of type Periodic or Custom Periodic, a set of period records is automatically generated when you specify a start and end date. This date range is the time frame over which the revenue of the performance obligation is to be recognized.

Fig. 3.8
Revenue Contract Period Creation

General									
Performance Obligation			Contract Value		Note	Review			
Line No	Description	Completed	On Hold	Rule Code	Rule Type	Start Date	End Date	Exp Final Rec Date	
1	Maintenance - mo	☐	☐	periodic	Periodic	02/01/2017	01/31/2018		
Entity	Site	Link Type	Order	Order Line	Trailer Code	Exp Final Rec Date			
10USACO	10-400	Order	test-03	1					
% Complete	Change Date	% Complete	TC Cumulative Value	Discrete Percentage	TC Value				
02/01/2017		8.33	99.96	8.3300	99.96				
03/01/2017		16.66	199.92	8.3300	99.96				
04/01/2017		24.99	299.88	8.3300	99.96				
05/01/2017		33.32	399.84	8.3300	99.96				
06/01/2017		41.65	499.80	8.3300	99.96				
07/01/2017		49.98	599.76	8.3300	99.96				
08/01/2017		58.31	699.72	8.3300	99.96				
09/01/2017		66.64	799.68	8.3300	99.96				
10/01/2017		74.97	899.64	8.3300	99.96				
11/01/2017		83.30	999.60	8.3300	99.96				
12/01/2017		91.63	1,099.56	8.3300	99.96				
01/01/2018		100.00	1,200.00	8.3700	100.44				

The number of periods generated depends on the period type defined on the revenue recognition rule and the date range you specify. For each generated period, a recognition percentage and recognition value are calculated and stored. These values are derived from the total value of the performance obligation and the number of periods generated.

Example Ten periods are generated. The performance obligation has a value of \$1000. Therefore, each period has a recognition percentage of 10% and a recognition value of \$100.

Each period has a recognition date. This date is calculated based on the setting in the Recognition Point field in Revenue Recognition Rule (37.2.1). If the setting is Start of Period, the recognition date is set to be the first day of each period. If the setting is End of Period, the recognition point is set to be the last day of each period. If the rule uses an offset recognition point, the recognition date is set to the first date of the period plus the number of offset days.

There are special exceptions for the first and last periods generated for the performance obligation. For example, the rule uses the start of the period as the recognition point. However, the start date of the performance obligation has been set afterward. In this case, the first period recognition date is set to the start date of the performance obligation.

A similar situation arises when the rule uses the last date of the period as the recognition point and the end date of the performance obligation is before the last day of the last period. In this situation, the recognition date is set to the end date of the performance obligation. This recognition logic is displayed in Table 3.2.

Table 3.2
Recognition Logic Example

Recognition Point	Start of Performance Obligation	End of Performance Obligation	Recognition Date for First Period	Recognition Date for Last Period
Start	January 15, 2016	December 15, 2016	January 15, 2016	December 1, 2016
End	January 15, 2016	December 15, 2016	January 31, 2016	December 15, 2016

When the period or custom period rule uses GL periods, the periods created for the performance obligation are defined to fit the GL periods set up in the software.

GL Period Example

Example A contract is created with a performance obligation to be recognized over a year-long period. The performance obligation has a start date of January 18, 2017, and an end date of January 17, 2018. The Period Type is set to GL Period in Revenue Recognition Rule. The total recognition value is \$1000.

During this period, the customer likely receives 12 invoices for the services covered by the performance obligation. However, on the revenue contract, 13 periods are created against the performance obligation, as displayed in Table 3.3.

Table 3.3
Period Type of GL Period

GL Period	Start	End	% Recognized	Recognition Value
1	January 18, 2017	January 31, 2017	3.73	\$37.30
2	February 1, 2017	February 28, 2017	8.34	\$83.40
3	March 1, 2017	March 31, 2017	8.34	\$83.40
4	April 1, 2017	April 30, 2017	8.34	\$83.40
5	May 1, 2017	May 31, 2017	8.34	\$83.40
6	June 1, 2017	June 30, 2017	8.34	\$83.40
7	July 1, 2017	July 31, 2017	8.34	\$83.40
8	August 1, 2017	August 31, 2017	8.34	\$83.40
9	September 1, 2017	September 30, 2017	8.34	\$83.40
10	October 1, 2017	October 31, 2017	8.34	\$83.40
11	November 1, 2017	November 30, 2017	8.34	\$83.40

GL Period	Start	End	% Recognized	Recognition Value
12	December 1, 2017	December 31, 2017	8.34	\$83.40
13	January 1, 2018	January 17, 2018	4.53	\$45.30

13 periods are created because revenue contract performance obligation periods are calculated to fit in with the GL periods set up on the system. The contract starts and finishes in the middle of the January periods in 2017 and 2018. Therefore, one of the 12 invoices for the service is split between the 1st and 13th periods on the performance obligation.

The percentage and value of the performance obligation is calculated by working out the percentage of revenue to be recognized daily. This percentage is based on the number of days in the revenue contract period. From this figure, you can calculate the percentage of revenue to be recognized in the first and last periods of the performance obligation.

To simplify accounting, for the remaining periods, the remaining revenue is split evenly across these whole GL periods. However, to split the revenue based on the number of days in each period on the performance obligation, you can change the recognition percentage and value of the difference periods.

Monthly Period Example

If the revenue recognition rule uses a period type other than GL periods, performance obligation periods are calculated differently.

Example As in the previous example, a contract is created with a performance obligation to be recognized over a year-long period. The performance obligation has a start date of January 18, 2017, and an end date of January 17, 2018. The Period Type is set to Monthly in Revenue Recognition Rule.

This time, only 12 periods are created, as displayed in Table 3.4.

Table 3.4
Period Type of Monthly

GL Period	Start	End
1	January 18, 2017	February 17, 2017
2	February 18, 2017	March 17, 2017
3	March 18, 2017	April 17, 2017
4	April 18, 2017	May 17, 2017
5	May 18, 2017	June 17, 2017
6	June 18, 2017	July 17, 2017
7	July 18, 2017	August 17, 2017
8	August 18, 2017	September 17, 2017
9	September 18, 2017	October 17, 2017
10	October 18, 2017	November 17, 2017
11	November 18, 2017	December 17, 2017
12	December 18, 2017	January 17, 2018

This time, the performance obligation periods are not tied to the GL periods of the system and are calculated from the start date of the performance obligation. The start date of the performance obligation is January 18, 2017 and the period extends one month into February, meaning the end date of the period is the February 17, 2017.

The value of the performance obligation is split evenly across the performance obligation periods. However, you can choose to change the recognition percentages and values.

The other revenue recognition rule period types—quarterly, bi-annually, and annually—work in a similar way to the monthly period type.

Performance Obligation Lines

You can link sales order lines to a performance obligation regardless of the shipped or invoiced status of the lines. However, you can only link a sales order line to one performance obligation. If you attempt to link a sales order line that has already been added to a performance obligation on an existing revenue contract, you receive an error.

You must delete the sales order line from the performance obligation before you can add it to another contract. Deleting the sales order line triggers reverse postings for it.

Note You cannot delete a performance obligation line for an item where the contract version date is today and the Revenue Calculation already ran for today, or where the version is not the current version.

You can also link sales order trailer charges to a single performance obligation. As with sales order lines, you can only link a sales order trailer charge to a single performance obligation. If you attempt to link a sales order trailer charge that has already been added to a performance obligation on an existing revenue contract, you receive an error.

You must delete the trailer line linked to the performance obligation before you can add that line to another revenue contract. Deleting the trailer line triggers reverse postings for it.

Note You cannot delete a performance obligation line for a trailer where the contract version date is today and the Revenue Calculation already ran for today, or where the version is not the current version.

A performance obligation consists of a line number, a description, and a revenue recognition rule. The rule defines how and when the revenue contained in the orders attached to the performance obligation can be recognized.

A performance obligation must always have a description. If the Description field is left blank, the software sets the description to the first order line description linked to the performance obligation.

For each performance obligation, you can attach one or more sales order lines. Each order line displays columns with important information, as displayed in Table 3.5.

Table 3.5
Performance Obligation Order Line Columns

Column	Description
Order	The sales order number.
Order Line	The line of the sales order number.
Trailer Code/Number	The trailer charge code and number.

Column	Description
Link Type/Link Type Description	The type of document being linked to the performance obligation and its description.
TC/SC/BC Invoiced	The invoiced amount of the sales order line in transaction, statutory, and base currency.
TC/SC/BC Deferred	The deferred revenue amount of the sales order line in transaction, statutory, and base currency.
TC/SC/BC Recognized	The recognized revenue amount of the sales order line in transaction, statutory, and base currency.
TC/SC/BC Recognized	The redistributed revenue amount of the sales order line in transaction, statutory, and base currency.
BC/SC Deferred COGS	The deferred cost of sales amount of the sales order line in base and statutory currency.
BC/SC Accrued COGS	The accrued cost of sales amount of the sales order line in base and statutory currency.
BC/SC Recognized COGS	The recognized cost of sales amount of the sales order line in base and statutory currency.
Order Value TC	The order value of the sales order line in transaction currency.
Net Price	The order price of the item.
List Price	The list price of the item.
Discount	The discount that has been applied to the sales order line.
Site	The site from which the sales order line was shipped.
Entity	The entity of the sales order line.
Item Number/Description	The item code and description.
Order UOM	The unit of measure used on the order.
Order Qty	The quantity ordered on the order line.
Sales Account/Account Description	The GL sales account code and its description.
Sales Sub-account	The sales sub-account code.
Sales Cost Center/Project	The sales cost center and project codes.
Deferred Revenue Account/Account Description	The GL deferred revenue account code and its description.
Deferred Revenue Sub-account/Cost Center/Project	The deferred revenue sub-account, cost center, and project codes.
Accrued Revenue Account/Account Description	The GL accrued revenue account code and its description.
Accrued Revenue Sub-account/Cost Center/Project	The accrued revenue sub-account, cost center, and project codes.
Deferred COGS Account/Account Description	The deferred Cost of Goods Sold account code and description.
Deferred COGS Sub-account/Cost Center/Project	The deferred Cost of Goods Sold sub-account, cost center, and project codes.
Accrued COGS Account/Account Description	The accrued Cost of Goods Sold account code and description.
Accrued COGS Sub-account/Cost Center/Project	The accrued Cost of Goods Sold sub-account, cost center, and project codes.
COGS Offset Account/Account Description	The Cost of Goods Sold Offset account code and description.

Column	Description
COGS Offset Sub-account/Cost Center/Project	The Cost of Goods Sold Offset sub-account, cost center, and project codes.
Exp Final Recognition Date	The expected date by which all the revenue for the line is recognized.
Actual Final Recognition Date	The actual date on which all the revenue for the line was recognized.
SSP	The standalone selling price for the line. It is used in variable consideration calculations and for revenue redistribution according to the latest accounting standards.
Allocated Trans Price	The allocated transaction price for the line item. It is used in variable consideration calculations and for revenue redistribution, according to the latest accounting standards.

Fig. 3.9
Revenue Contract Performance Obligation Order Line

Revenue Contract Modify

Go To Actions Tools Print Preview Attach (2)

Contract Number: 22S10173 22S10173 Active

Customer: 22C1001 Teasdale Hospital Equipment

Currency: GBP

Version valid from: 28/03/2017 (current)

General Financial Overview Performance Obligation Contract Value Note Review Versions

Line No	Description	Complete	Exp Final Rec Date	Actual Final Rec Date	TC Total	SC Total Invoic	BC Total Invoic	TC Total Invoic
1	Medical Ultras	☒			2,500.00	0.00	0.00	0.00

SSP 2,500.00000 Alloc Trans Pri 2,500.00000 Domain 22UK Order 22S10173 Customer 22c1001 Currency GBP Order Lin 1 Trailer Code Trailer Numb 0

Performance Obligation Line Form View

You can also choose to view and maintain the performance obligation linked lines using form view. Display form view by double-clicking a performance obligation line or by using the context menu. The form is displayed over the right-hand portion of the grid, as shown in Figure 3.10.

Fig. 3.10
Revenue Contract Performance Obligation Order Line Form View

Revenue Contract Modify x

Go To Actions Tools Print Preview Attach (2)

Contract Number 22S10173 22S10173 Active

Customer 22C1001 Teesdale Hospital Equipment

Currency GBP

Version valid from 28/03/2017 (current)

General Financial Overview Performance Obligation Contract Value Note Review Versions

Line No	Description	Complete	Alloc Trans
1	Medical Ultras	☒	
	SSP		
	2.500.00000		2.500
	Auto-Created		SAF Concept Co
	☒		Customer Type
	☒		Product Line
	☒		Region
	☒		Site
	% Complete		% Complete Change
	50.00		28/03/2017

Performance Obligation Line Totals Accounting History

Link Type Order

Order 22S10173

Order Line 1

Entity 22UKCO

Site

Expected Final Recognition Date

Actual Final Recognition Date

Item

Item Description

Link Type Description

Order Qty

Order UoM

List Price

Discount

Net Price

Standalone Selling Price

Standalone Selling Price Lower Limit

Standalone Selling Price Upper Limit

The form displays various tabs.

Performance Obligation Line Tab

The Performance Obligation Line tab contains the following information:

- Link type information
- Order
- Order line
- Trailer
- Entity and site information
- Expected and actual final recognition dates
- Item, quantity, and price information

Totals Tab

The Totals tab holds the total information:

- Order value
- Invoice value in transaction currency, base currency, and statutory currency
- Redistributed invoice value in transaction currency, base currency, and statutory currency. This value is needed when allocated transaction prices are used.
- Deferred revenue value in transaction currency, base currency, and statutory currency
- Accrued revenue value in transaction currency, base currency, and statutory currency

- Recognized revenue value in transaction currency, base currency, and statutory currency
- When cost of sales postings are enabled for the entity, values for cost of goods sold are also displayed when the linked line is for an inventory item for which COGS accounts are defined. Values are displayed in base and statutory currency only because the transaction currency for COGS postings is always the base currency.

Accounting Tab

The Accounting displays GL account information and the SAF defaults. At least three sets of accounts and analysis are displayed.

- Sales account
- Deferred revenue account
- Accrued revenue account

The sales account and its analysis—division, cost center, and project—are gathered from different places depending on the line type. When the type is a sales order line, the details are gathered from the line itself and from the trailer code details for the trailer charge line.

When the Create Cost of Sales Postings field is selected at entity level, the following fields are also displayed:

- Deferred COGS Account
- Accrued COGS Account
- COGS Offset Account

The values for these COGS accounts are always blank on linked order lines for memo items and for trailer charges. The values might also be blank for inventory items when a revenue GL account mapping is found for the item with blank COGS accounts. Where the COGS accounts are not blank, the displayed account, sub-account, cost center, and project combinations are used in the creation of postings for the deferral and accrual of cost of sales amounts.

The SAF defaults section contains the SAF concepts, values, and descriptions used on the performance obligation line, which are reused in the revenue recognition postings and calculation. The SAFs can be:

- System SAFs, which are retrieved for sales order lines or trailer charges, based on the SAF structures linked to the sales account, cost center, or project. You cannot update or delete system SAFs.
- Non-system SAFs linked to SAF structures on the sales account, cost center, or project. These SAFs are retrieved using the same SAF defaulting logic as for customer invoices. This logic looks for default values from the customer, business relation, cost center, project, GL account, and then the SAF structure itself. You cannot update or delete non-system SAFs.
- SAFs that you enter manually. You can update or delete manually entered SAFs.

Acceptance Tab

You can also view and maintain invoice sub-records in form view on the Acceptance tab. It displays the invoices created from the sales order line linked against the performance obligation line. For more details, see “Invoices”.

Invoices

If the performance obligation uses a customer acceptance rule, you can add more invoice information to the linked lines of the performance obligation, as displayed in Table 3.6.

Table 3.6
Invoice Sub-records

Column	Description
Invoice Accepted	When selected, this column indicates that the invoice has been accepted by the customer.
Accepted Date	The date when the customer accepted the invoice.
POD Reference	The proof of delivery reference—a 40-character field to hold tracking numbers from the carrier.
Accepted Quantity	Number of items that the customer has chosen to accept.
Year	The year the invoice was created.
Daybook	The daybook used for the invoice.
Voucher	The invoice voucher number.

Fig. 3.11
Revenue Contract Modify – Invoice Accepted Field

If you select the Invoice Accepted field, it indicates that the invoice revenue can be recognized. When you run the Revenue Calculation process for the contract, recognition postings are created.

If the customer acceptance revenue recognition rule also uses proof of delivery, you must enter a value in the POD Reference field. This field records the delivery number from the commercial shipment company handling the delivery of the goods to the customer. If you leave the field blank and select the Invoice Selected field, you receive an error stating that the Proof of Delivery field must contain a value. However, the system does not validate any value entered in the Proof of Delivery field.

You can also record the quantity of items that the customer has accepted. This information allows for the partial recognition of revenue to cover a range of scenarios. For example, the customer may stagger the inspection of the received quantity of items over a period of time. As a result, the item quantity is accepted in portions, which means that the revenue of the contract is also recognized in portions.

When the Invoice Accepted field is not selected, the Revenue Calculation defers the revenue of the invoice to the deferred revenue GL account you defined on the linked line record of the performance obligation.

Net Prices and Deferred and Recognized Amounts

All currency values—invoiced, deferred, accrued, and recognized—are net values. Therefore, these values are net of taxes, both excluded and included.

The net price of a linked line on a performance obligation can change over the lifetime of the revenue contract because an order line assigned to a performance obligation can be delivered in multiple shipments and multiple invoices. The prices charged for the goods can vary over time and tax rates can also change, affecting the calculated net price.

For a partially shipped invoice, the net price is calculated from the sales order line. However, after the sales order has been fully shipped and invoiced, the net price is calculated from the final invoice generated for the sales order line.

GL Accounts

For each sales order line or trailer charge attached to the performance obligation, there must be:

- A sales account
- A deferred revenue account
- An accrued revenue account

The sales account and analysis defaults to the sales account and analysis defined on the order line.

The deferred revenue and the accrued revenue accounts default as follows:

- 1 The system checks whether there is a GL account mapping available, based on the sales account and the sales analysis. If a mapping exists, the deferred and accrued revenue account and analysis defined on the mapping are used.
- 2 When no GL account mapping is available, the default deferred and accrued revenue account profiles defined for the customer are used to find GL accounts. The analysis fields are populated using the default values defined in the GL accounts used.
- 3 When no default account profiles are set for the customer, the accounts remain blank and you must enter GL accounts and analysis manually.

You cannot save the revenue contract until the deferred revenue account has been set. You can use any standard GL account defined in the system. The only restriction is that the deferred revenue account cannot be set to use the same GL as the sales account.

The accrued revenue account is also mandatory. As with the deferred revenue account, it must be an active standard GL account and it cannot be set to use the same GL account as the sales account. In addition, it cannot be set to the same GL account as the deferred revenue account.

When the Create Cost of Sales Postings field is selected at entity level, the following fields are also displayed:

- Deferred COGS Account
- Accrued COGS Account
- COGS Offset Account

The values for these COGS accounts are always blank for linked order lines for memo items and for trailer charges. The values can also be blank for inventory items when a revenue GL account mapping is found for the item with blank COGS accounts. As with deferred and accrued revenue accounts, the values for these fields are determined from revenue GL account mappings. When no mapping is available, the values come from profiles defined in the customer record. Where the COGS accounts are non-blank, the displayed account, sub-account, cost center, and project combinations are used to create postings for the deferral and accrual of cost of sales amounts.

Note The usual restrictions on the use of analysis codes apply when creating and modifying revenue contracts. Analysis codes must be active and available for use in the current entity. All analysis codes are validated against defined COA masks.

Adding Obligations by Order

Instead of manually adding performance obligations on the Performance Obligation tab, you can create performance obligations by sales order using the context menu. Click the context menu item Add Obligations by Order, which displays a browse that enables you to select sales orders. When you select a sales order, a performance obligation is created for each sales order line. The rule of the performance obligation is set as the default rule on the customer record.

Note The revenue recognition calculation creates transactions when deferring and recognizing revenue. These transactions are created when the orders and shipments have been invoiced or the system can accrue revenue ahead of invoicing, if the performance obligation has been satisfied. You can also use the context menu to view these transactions and invoices.

Contract Value Tab

The Contract Value tab records the contract value of the revenue contract. Although you record the performance obligations and their associated sales order and trailer charges on the Performance Obligation tab, the Contract Value tab contains the necessary details for calculating the value of the contract.

Fig. 3.12
Revenue Contract Modify – Contract Value Tab

Revenue Contract Modify x

Go To Actions Tools Print Preview Attach (2)

Contract Number: 22S10173 | 22S10173 | Active

Customer: 22C1001 | Teasdale Hospital Equipment

Currency: GBP

Version valid from: 28/03/2017 (current)

General Financial Overview Performance Obligation **Contract Value** Note Review Versions

Contract:		Item Estimate:	Item SSP:	Item Alloc Trans Price:
Totals for (GBP)	2,500.00	2,500.00	2,500.00	2,500.00

Explicit Estimate	Item	Trailer Code	UoM	Item Qty	Item Price	TC Estimated Item T	Stand-Alone Selling P	SSP Lower Li	SSF
	01010	EA		1.00	2,500.0000	2,500.00	2,500.00000	2,500.00000	

Contract values are inherited from the Performance Obligation tab. You cannot create contract value lines for items for which there are no orders attached to performance obligations of the revenue contract.

These lines are synchronized with the performance obligation order lines. You can select the Explicit Estimate field to mark a line as having an explicit estimate, which enables you to take into account variable consideration. The estimated contract quantities and prices reflect what you expect to receive from the customer for this contract. A customer may have agreed on quantity based pricing, where the cost per unit changes, depending on the amount ordered. In each period, you must review and revise the estimate based on the quantities you believe the customer is likely to order. The estimates you enter here affect the calculation of the allocated transaction price.

You also need estimates to correctly calculate allocated transaction price when dealing with scheduled orders. Scheduled orders do not enable you to calculate an overall value for the duration of the contract because the required ship schedule only provides a short-term view of what the customer wants over the next short-term period. Therefore, for scheduled orders, it is a requirement to enter estimated quantities for each item for the duration of the contract.

It is also important to review these estimates because prices are often changed retrospectively, so these changes need to be predicted in advance in the contract value.

When a new revenue recognition contract is created using Revenue Contract Autogenerate (37.1.5), a performance obligation line is created on the Performance Obligation tab for each sales order line. Simultaneously, contract value lines are generated on the Contract Value tab.

Note These contract value lines can be of type order or trailer. However, only item lines are used for the allocated transaction price in variable consideration calculations. Trailers are not included in the calculation. Variable considerations examples include discounts, credits, rebates, performance bonus, penalties, sales returns, refunds, price concessions, and incentives.

The Contract Value tab records estimate and non-estimate valuation lines.

- An estimate line is used when there is not enough information to precisely determine the quantity and invoice value of a particular variable consideration on the revenue contract.
- A non-estimate line is used to mirror the value of a particular item listed on a sales order or trailer charge attached to a performance obligation.

In either case, the following information is recorded on a valuation line, which displays the columns in Table 3.7.

Table 3.7
Contract Value Tab Columns

Field	Description
Explicit Estimate	Logical field. Yes indicates that the valuation line is an estimate.
Item	The item number for the valuation line.
UOM	Unit of measure for the item.
Description	The item description.
Trailer Code	The trailer code for the valuation line.
Estimated Item Qty/Price	The quantity and price of the item.
Standalone Selling Price	The price of the item that would be used in an arms-length transaction.
SSP Upper/Lower limit	The upper or lower SSP price limit to be used in determining whether to calculate a distributed allocated transaction price.
Allocated Transaction Price	The allocated transaction price of the line.
TC estimated item total	The total value of the valuation line based on the item total price.

Field	Description
TC Item Total by SSP	The total value of the valuation line based on the stand-alone selling price.
TC item total by Alloc Trans Price	The total value of the valuation line based on the allocated transaction price.

On the Contract Value tab, the allocated transaction price is calculated based on the order value, stand-alone selling price value, and other factors to ensure that the revenue of the revenue contract is distributed across all valuation lines based on the logic dictated by ASC 606 and IFRS 15.

When you update the stand-alone selling prices, this update can trigger an update of the allocated transaction prices on the contract value lines when the SSP value is outside the range of the SSP limits. The associated sales order lines and trailer charge lines on the performance obligations are also updated with the prices. The stand-alone selling prices default to the order value. Non-estimate lines do not allow updates. You can modify a non-estimate line on the Performance Obligation tab.

In the example displayed in Table 3.8, a revenue contract has been raised for a customer to cover the purchase of an electrical generator for a factory. The price also includes one year of maintenance and training to help the customer to install and run the electrical generator. This example does not include trailers. However, even when there are trailers, they are not included in the calculation. Trailers do not have a stand-alone selling price.

Table 3.8
Contract Value Example

Performance Obligation	Rev Rec Rule	Item	Quantity	Order Price	Invoiced Amount	SSP	Allocated Transaction Price
Deliver and install power generator	Invoice + 15 days	1 electrical generator	1	\$1,000,000	\$1,000,000	\$1,000,000	\$896,309.31
1 year of maintenance	Periodic	Maintenance – 1 year	1	0	0	\$120,000	\$107,557.12
2 weeks of consultancy	Customer Acceptance	Initial training	10	\$2,000	\$20,000	\$18,000	\$16,133.57

The three performance obligations on the contract each require a valuation line on the Contract Value tab. There is one line for the electrical generator, one line for the maintenance, and one line for the training.

The total stand-alone selling price for the contract is \$1,138,000.00. This price is based on each of three items being sold separately in an arms-length transaction. The total invoice value of this contract is \$1,020,000.00.

The expected revenue from the customer for the items only must be distributed across all three lines because maintenance has been included in the invoice price and the customer has, in effect, not been charged for it. However, revenue is being generated from this maintenance activity. Therefore, part of the money received from the customer has to be considered maintenance revenue. The distribution is displayed in the Allocated Transaction Price column in Table 3.8.

The distribution calculation formula is:

$$(SSP \text{ for the valuation line} / \text{total SSP for all the valuation lines}) * \text{total invoice amount for all the valuation lines}$$

So for the first line, the electrical generator, the allocated transaction price is:

$$(1,000,000.00 / 1,1138,000.00) * 1,020,000.00 = £896,309.31$$

The other two lines are calculated similarly, resulting in the allocated transaction prices for the three lines as displayed in Table 3.8.

Review Tab

The Review tab allows you to create records that document the review of the revenue contract. The review process is an important feature during the lifetime of the revenue contract. The review record contains the following fields in form view, which you can open by double-clicking the review line.

Fig. 3.13
Revenue Contract Modify – Review Tab

Review User	Review Result	Note	Review Date	User Name	Review Time	Review Reason	Rev Req Note
mfg	Needs Attention		27/06/2017	mfg	14:26	New Version	A new version of

Review Date. This field contains the date the review was created and carried out.

Review Time. This field displays the time that the review was created and carried out.

Review User ID. This field displays the ID of the user carrying out the review.

Review User Name. This field displays the reviewer user name.

Review Reason. This field contains the reason for the review being required. The reason is taken from the Contract Version section of the General tab.

Review Request Note. This field contains the review request note. This information is taken from the Contract Version section of the General tab.

Review Result. This field contains the outcome of the review.

Notes. Enter any general notes that support the outcome of the review.

When you create a review, you must select one of two review outcomes:

- Approved
- Needs Attention

If you select Approved, the Review Required flag is removed on the General tab and the Revenue Calculation program can then create revenue recognition transactions. If you select Needs Attention, the Review Required flag remains selected and the revenue contract remains excluded from processing by the Revenue Calculation program.

For more information on the review process, see “Reviewing Revenue Contracts”.

Note Tab

The Note tab enables you to make notes on the contract. You can enter details of any review processes or provide information concerning any documents that you have attached to the contract.

Fig. 3.14

Revenue Contract Modify – Note Tab

Revenue Contract Modify x

Go To Actions Tools Print Preview Attach (2)

Contract Number 22S10173 22S10173 Active ☒

Customer 22C1001 Teasdale Hospital Equipment

Currency GBP

Version valid from 28/03/2017 (current)

General Financial Overview Performance Obligation Contract Value Note Review Versions

The operating committee met concerning the terms of the contract in Heidelberg on 23/06/2017. There will be a further meeting on 14/07/2017 in Dublin.

Attachments

To help accounting staff to document revenue contract reviews, you can attach extra documentation to the contract at header level or at performance obligation line level.

When you add an attachment at header level, the attachment title displays the contract number. You can add the attachment using the Attach menu or the Attachments panel.

When you attach a document at line level, the attachment title displays the revenue contract line level. You can add the attachment by selecting the performance obligation line and then by using the Attach menu, the Attachments panel, or the context menu on the performance obligation line.

Versions Tab

You can view all versions of the contract on the Versions tab. For each version, it displays the date that the version was created, the user who created it, and whether a review is required for the version.

You can also record notes against a particular version of the contract. These notes are version specific, unlike notes that are stored against a revenue contract in general and are visible regardless of the version being displayed.

The Versions tab also informs you which version of the contract is the latest version and which version is currently being displayed.

Fig. 3.15
Revenue Contract Modify – Versions Tab

Current	Date	User	Note	Review Required	Review Note	Review Reason	User Name	On Hold
☒	24/05/2017	mfg		☒	A new version of	New Version	mfg	☐
☐	01/04/2017	mfg		☐			mfg	☒
☐	28/04/2017	mfg		☐			mfg	☐

Deleting Revenue Contracts

When no revenue has been deferred or recognized on a contract, you can delete the revenue contract and its associated performance obligations and linked lines in Revenue Contract Delete (37.1.4).

When revenue has been deferred or recognized on a contract, deleting a performance obligation and linked lines—in the current version only—results in a reversal of already deferred or recognized revenue.

However, the system only allows one contract version each day. Therefore, when the current version is today, the Revenue Calculation has run, and revenue has been deferred or recognized on a contract, you cannot delete the revenue contract, the performance obligations on the contract, or the linked lines of the performance obligations.

Note You can add a deleted line to the current version of another contract.

Adding an Order Line to an Existing Performance Obligation

You can add an order line to a performance obligation that is already linked to existing order lines. However, this can affect the deferred and recognized revenue of the performance obligation.

Example A contract exists with a performance obligation with an order line linked to the obligation. The order revenue has been recognized and posted to the sales account. You add another order line that has been invoiced already but you cannot recognize the revenue for another six months. When the revenue recognition process is run, the revenue of the new order line is deferred and a posting moves the revenue from the sales account to the deferred revenue account. However, the revenue recognition process also defers the revenue for the original order line that has already been recognized because the revenue of the performance obligation must be deferred and recognized as a whole. In this case, you have changed the overall conditions of the performance obligation by adding the new order line.

Note When adding multiple sales order lines for the same item code, you must use the same unit of measure on all lines.

Revenue Recognition Views and Browsers

There are a variety of views and browsers in the system that enable you to find out more detail about revenue contracts.

Revenue Contract View

The revenue recognition calculation creates transactions when deferring, recognizing, and accruing revenue. These transactions are created when orders and shipments have been invoiced, or when revenue has been accrued and not invoiced. You can view these transactions and invoices in Revenue Contract View (37.1.3) using the right-click context menu. This menu enables you to open the Revenue Contract Transaction browse and the Revenue Contract Invoice browse. For more information on revenue calculations, see “Revenue Recognition Postings”.

Revenue Contract Transaction View

Revenue Contract Transaction View (37.1.20) enables you to see a sub-ledger transaction view of revenue contracts. You can search for types of transactions by using the filters. The filters correspond to some of the column fields in the browse. For example, the transaction lines in the browse grid contain columns with information such as:

- Revenue contract number
- Performance obligation number
- Performance obligation description
- GL Account and other analysis
- Debit and credit amounts in base, transaction, and statutory currencies
- Revenue recognition daybook information
- Transaction posting date and GL year and period information
- Cost of sales deferral and accrual transactions (when these are enabled for the current entity)
- The transaction type, which identifies revenue recognition, COGS recognition, and revenue redistribution transactions.

Fig. 3.16
Revenue Contract Transaction View

Contract Number	Perf Obligation No	Performance Obligation Description	GL Period	Year	Voucher	Daybook Code
test-04	1	toaster ovens for kitchen	02	2017	000000001	revrec
test-04	1	toaster ovens for kitchen	02	2017	000000001	revrec
test-02	1	Wall project	03	2017	000000002	revrec
test-02	1	Wall project	03	2017	000000002	revrec

Revenue Contract Invoice View

Revenue Contract Invoice View (37.1.21) allows you to view the invoices created for orders linked to revenue contracts. You can search for transactions using the filters. The filters correspond to some of the column fields in the browse. Each line in the grid displays information concerning the invoices and how the invoices are linked to the performance obligations on the revenue contract, such as:

- Revenue contract number
- Year, daybook code, and voucher number for the invoice
- Domain code
- Customer code

Note You can right-click an invoice line and select Revenue Contract Transaction View to display the revenue recognition transactions that have been created for the revenue contract.

Fig. 3.17
Revenue Contract Invoice View

Revenue Contract Linked Sales Order Line

Revenue Contract Linked Sales Order Line (37.1.22) enables you to identify which contracts order lines are used on. For example, you can search for a sales order, a line number, or an item number and verify which contracts they appear on. This program is particularly useful where there are multiple sales orders on the same revenue contract. It also enables you to identify sales orders that are not currently associated with any revenue contract.

Revenue Contract Browse

Revenue Contract Browse (37.1.40) presents some basic information from the revenue contract header. It forms part of the Revenue Contract Version collection.

Revenue Contract Version Collection

The Revenue Contract Version Collection allows you to view the difference between revenue contract versions. The collection is divided in three sections:

- The top section shows the revenue contracts available with some information taken from the contract header.
- The middle section displays the versions of the contract that have been created.

The bottom section has three browses that show the performance obligations, the contract valuation, and the reviews.

Revenue Contract Transactions for Excel

Revenue Contract Transactions for Excel (37.1.27) enables you to export transaction information associated with a revenue contract for viewing and reporting in Excel. The Type field allows you to select whether to view all transactions or a certain type of transaction. The following transaction information is available on the report:

- Invoice transactions
- Revenue redistribution transactions
- Deferred revenue transactions
- Accrued revenue transactions
- Revenue recognition transactions
- Opening balances
- Cost of sales deferral and accrual transactions (when these are enabled for the current entity)
- COGS recognition transactions

Reviewing Revenue Contracts

This section describes the procedural processes involved in determining whether a review is needed and how you then update the revenue contract. For details of how to mark a contract as requiring a review and how to carry out a contract review, see “Manually Creating and Maintaining Revenue Contracts”.

Setting Up an Effective Review Process

The revenue manager or financial controller of a business unit needs to ensure that revenue contracts are reviewed in a timely manner. Until a revenue contract is reviewed, it cannot be processed using the Revenue Calculation program. When revenue contracts are unreviewed at the end of a reporting period, the necessary revenue calculations have not taken place.

Therefore, there must be a process to ensure that the revenue manager or the financial controller is informed that revenue contracts are ready for review.

Starting the Review Process

A review process can be started for a revenue contract manually or automatically.

Automatic

A revenue contract can be flagged automatically as requiring a review. This can happen when:

- A revenue contract is first created.
- A new version of the contract is created.

- A zero quantity contract value line is created, which can occur when a user creates or updates a performance obligation or when the Revenue Contract Autogenerate program runs. If it occurs when the auto-generate program runs, the presence of zero quantity valuation lines overrides the setting in the Review Required for Auto-Generated Contracts field in Entity Modify and Customer Modify.
- Opening balances have been entered for a revenue contract, but the total invoice amounts do not match with the actual total invoiced values. In this case, the Revenue Calculation sets the contract as requiring review, so that the differences can be corrected.

Manual

There are two ways to manually flag a revenue contract as requiring a review in Revenue Contract Create or Modify.

- 1 On the General tab, select the Review Required field. You then select a review reason and enter explanatory text.
- 2 You can use the second way when a contract is not currently flagged as needing a review. On the Review tab, you can create a new review record and leave the result as Needs Attention. When you save the revenue contract, it is updated as requiring a review. On the General tab, the review reason code is set to General and then text entered against the review record is copied into the review note field.

Carrying Out Reviews

When the review process has started, you can review the revenue contract and document findings, making changes to the review contract when necessary. All reviewing activity takes place in Revenue Contract Modify. After making all necessary changes, you can create a review record that documents the changes. The result of the review can be either Approved or Needs Attention.

Approved means that the contract is marked as reviewed. Needs Attention means that more work is required or that someone else needs to approve your work.

Note You can simply save the changes without creating a review record. However, somebody needs to review the contract and create a review record with the result Approved before postings can be made.

Revenue Recognition Postings

A supplier posts revenue for goods or services directly to the revenue account. If the performance obligation related to recognizing that value is not satisfied, that revenue is deferred. When the performance obligation is satisfied, revenue is recognized. If invoicing has not taken place and the performance obligation is satisfied, revenue is recognized against the accrued revenue account. When invoicing takes place, the revenue accrual is reversed.

Revenue recognition postings are split into the following types:

- Deferral postings, where sales revenue is moved to the deferred revenue account
- Recognition postings, where sales revenue is moved from the deferred revenue account to the sales revenue account

- Recognition postings, where postings are made to the sales revenue and accrued revenue accounts
- Revenue redistribution postings, where revenue is redistributed based on allocated transaction prices.

Note For COGS revenue recognition postings, see “Revenue Calculations Including COGS Accounts”.

Deferral postings move the revenue from the sales account to the deferred revenue account. Deferral postings are created when the revenue for an order on a performance obligation cannot be recognized because the rule on the performance obligation is not satisfied. Recognition postings recognize revenue. Sometimes, these postings recognize revenue that has previously been deferred to a deferred revenue account. The recognition posting moves the revenue back to the sales revenue account. In other cases, revenue can be immediately recognized but the customer has not yet been invoiced, so revenue is recognized to an accrued revenue account.

Entity Security

Revenue recognition postings are created at entity level. Therefore, when you run Revenue Calculation, revenue recognition postings are created for order lines, trailer charges, and invoices assigned to the current entity.

For example, in Table 3.9, there are two revenue contracts involving three entities. You log in to 10USACO and run the automated Revenue Calculation against Contract A and Contract B. However, this action only creates revenue recognition postings in entity 10USACO because the revenue recognition calculation only ever creates postings for the current entity. Therefore, to complete the revenue postings for Contract A, you must also run the Revenue Calculation in 11CANCO. Postings for Contract B are complete when you run the Revenue Calculation in 21NLCO.

Note The entity of the sales order is derived from the site code attached to the sales order header and the sales order lines of the sales order.

Table 3.9
Revenue Contract Example

Revenue Contract	Performance Obligation	Order	Order Line	Entity
Contract A	Obligation 1	SO1	1	10USACO
	Obligation 2	SO1	2	11CANCO
Contract B	Obligation 1	SO2	1	21NLCO
	Obligation 2	SO2	2	21NLCO

Running Revenue Calculations

You can manually run revenue recognition calculations to create revenue recognition postings in Revenue Calculation (37.3.1). You can specify the revenue calculations to run using the filter criteria, as displayed in Figure 3.18.

You can also choose to create a Revenue Calculation run that can be scheduled to be processed by the Batch daemon. When the batch reaches the target date and time, the system begins to process the batch records and postings are triggered. A new batch is made available for the next day. For more information, see “Processing by Batch Daemon”.

Fig. 3.18
Revenue Calculation

The fields on the Revenue Calculation menu are:

Contract Number. Enter the contract number range that you want to process. You can specify one or multiple contracts.

Important If any contract in the range requires a review, the relevant contract version must be reviewed before it can be processed by the Revenue Calculation. When the contract version is not marked as reviewed, the Revenue Calculation skips the processing of that contract. Completed contracts are not considered by the calculation either and they do not appear on the Revenue Contract Audit Report.

Customer. Enter a customer code range. If you leave the Customer field blank, the system automatically generates a number for the record based on the sequence defined in Customer Autonumber Create.

Sales Order. Enter a sales order range.

Business Relation. Enter a business relation range. If you leave this field blank, the system automatically generates a number for the record based on the sequence defined in Business Relation Autonumber Create.

Group Name. Enter a group name range containing corporate groups.

Effective Date. This field enables you to specify an effective date for the calculation run. By default, the field is set to the current system date.

However, running the Revenue Calculation on a date before existing calculated transactions creates new transactions on the specified date. The new transactions can potentially invalidate any existing transactions dated after the new ones. In this case, the Revenue Calculation makes reversal and correction postings for the contracts being processed.

The field is not active when you select the Use Daemon field. When the Batch daemon runs the Revenue Calculation, the effective date is set to the system date.

Important A revenue contract can have several versions. Each version is effective for a specific period during the life-time of the revenue contract. The Revenue Calculation always runs for the active version on the effective date. Any revenue recognition postings created by the calculation are based on the version of the revenue contract selected by the calculation.

Print Error Detail. This field enables you to control how much revenue contract information is printed on the report. When the field is clear, only summary error information is displayed on the report. When you select this field, error details are printed in full, including information about revenue contracts skipped due to not being active or under review. Selecting this field can produce large amounts of output.

Process By Daemon. Select this field to use the Batch daemon to automatically perform the Revenue Calculation at a specified time each day.

Description. Enter a description that is visible in Batch Daemon Monitor when the calculation is queued for processing. This field is only active when you select Process By Daemon.

Start Date. Specify a start date of today or sometime in the future for this revenue calculation. The Batch daemon daily run starts on this date. When you do not enter a start date, the system date is used. This field is only active when you select Process By Daemon.

Start Time (UTC). Specify the time when you want the daemon to run the Revenue Calculation each day. When you do not enter a start time, the default time 0:00 (UTC) is used. This field is only active when you select Process By Daemon.

Note To run a calculation more than once daily, create a similar Revenue Calculation record and change the start time. For more detail on the Batch daemon, see “Processing by Batch Daemon”.

To run the Revenue Calculation based on your selected criteria, click Calculate.

Revenue Calculation Audit Report

When you click Calculate, Revenue Calculation finds the revenue contracts that fall into the user-defined criteria and runs the Revenue Calculation for the contracts. The Revenue Calculation then automatically produces a report that details the results of the run, as displayed in Figure 3.19.

The report displays the revenue contracts that have had revenue deferred and contracts that have had revenue recognized. The report also displays the amounts of each performance obligation line, including the invoice, deferred amounts, accrued amounts, and recognized amounts, and whether the performance obligation was met. Where the report displays deferred or recognized amounts, the journal entry reference number is also printed.

Depending on the setting of the Print Error Detail field, the report displays messages indicating that there were problems or displays detailed error and warning messages.

When cost of sales postings are created in the current working entity, the report also displays details of COGS amounts recognized, deferred, and accrued for linked order lines for inventory items where COGS accounts have been defined. The COGS amounts are always in base currency, and separate journal entries are always created.

Important The Revenue Calculation program processes revenue contracts as a whole. Therefore, you can run the program for a specific sales order and then find that revenue recognition postings have been created for other sales orders because they are linked to the same contract.

The report only shows details of performance obligations for which movements have taken place. Revenue contracts marked as completed do not appear on the report.

Fig. 3.19
Audit Report

Revenue Calculation Audit Report									
18C1000 LTZ Retail		test-02	POSTINGS as at 3/1/2017			CONTRACT TOTALS			USD
Line No	Description	Rule Code	Rule Met?	Recognized	Accrued	Deferred	Invoiced	Recognized	Accrued
1	Wall project	percentage	True	10,000.00	10,000.00	0.00	0.00	10,000.00	10,000.00
Journal : 2017/revrec/000000002				10,000.00	10,000.00	0.00	0.00	10,000.00	10,000.00
qadfin-203848 The revenue contract (test-03) is not active and cannot be processed. End of Report Search Criteria									

Deferral Postings

Deferral postings move revenue from the sales account—the one specified on the revenue contract—to a deferred revenue account. A deferral posting is created when the conditions of the revenue recognition rule are not met when the Revenue Calculation is run.

Individual posting lines are created for each invoice or credit note of the linked line of the performance obligation. When a linked line refers to a sales order line, it is possible that there are multiple invoices or credit notes. In this case, the Revenue Calculation creates a set of posting lines for each invoice or credit note.

When credit notes are linked to a performance obligation, the postings created for the deferral of revenue result in positive values on the postings lines.

Accrual Postings

When the conditions of a revenue recognition rule are met but insufficient value has been invoiced to the customer, accrual postings are used to handle the recognition of revenue. With accrual postings, revenue is still recognized to the sales revenue account. However, some or all of the revenue needs to be offset to an accrued revenue account. Accrual postings usually only occur for performance obligations using revenue recognition rules that support accrued revenue:

- Periodic and custom periodic
- Percentage complete

Recognition of revenue to the accrued revenue account is always temporary. When the revenue is invoiced, the offset postings to the accrued revenue account are reversed.

Note For some rules, accrual postings are only used depending on other factors. For example, performance obligations using shipping date based rules do not usually need accrual postings. However, if allocated transaction prices are involved, it is possible to see accrual postings for other rules when allocated transaction prices are higher than invoice prices for a given performance obligation.

Recognition Postings

Recognition postings move revenue from the deferred revenue account back to the sales account. These postings happen when the conditions of the revenue recognition rule defined on the performance obligation have been met.

Revenue cannot be recognized until all orders linked to a performance obligation meet the conditions defined by the revenue recognition rule. Therefore, when even one order linked to a performance obligation does not meet the conditions of the revenue recognition rule, the revenue as a whole must remain deferred.

As with deferral postings, individual posting lines are created for each invoice or credit note of the linked line of the performance obligation. When a linked line refers to a sales order line, it is possible that there are multiple invoices or credit notes. In this case, the Revenue Calculation creates a set of posting lines for each invoice or credit note. Figure 3.20 displays the recognition postings for an invoice.

Fig. 3.20
Journal Entry View – Invoice Recognition Postings

GL Account	Sub-Account C	Cost Ce	Description	Trans Curr	TC Debit	TC Credit
4010	Mech	Adm	Revenue Recognition 22C1001/nsc01/1	GBP	0.00	10,000.00
DEF-REV2			Revenue Recognition 22C1001/nsc01/1	GBP	10,000.00	0.00

Exchange Rate Gains and Losses

It is important to credit a good or service at the same exchange rate it was invoiced at to avoid exchange gains and losses. Gains and losses can be avoided if you use the same exchange rate on the credit note and invoice transactions. Otherwise, manual journal entries are needed to clear any remaining balances on deferred and accrued revenue accounts caused by different exchange rates for invoices and related credit notes.

Revenue Calculation: Percentage Complete Performance Obligations

When the revenue recognition rule on a performance obligation is percentage complete, the Revenue Calculation can produce accrual postings along with the deferral and recognition postings. Accrual postings are created when the conditions of the recognition rule are met but insufficient value has been invoiced to the customer. The accrued revenue account is a balance sheet account that holds values for unbilled receivables.

Accrual postings can move revenue from the deferred revenue account to the accrued revenue account or can post to the accrued revenue account and the sales revenue account. In each case, the account details and associated analysis are taken from the performance obligation linked line.

If accrual postings are created when there are no invoices for the associated performance obligation linked line, the system uses the Revenue Calculation effective date to find any necessary exchange rates; for example, the statutory currency exchange rate.

The exception is where there is a fixed exchange rate on the associated sales order and that rate is used for the translation to base currency. If an accrual posting is required and there are invoices for the linked line, the accrual posting uses the exchange rate of that invoice for the postings in base currency. Where multiple invoices exist, a composite exchange rate is calculated. When the accrued revenue is later recognized, the reversal posting uses the exchange rate of the original accrual posting.

When using the percentage complete recognition rule, you must assess what percentage of a performance obligation has been completed. The Revenue Calculation then takes the percentage completed and compares it to the amount of the performance obligation that has been invoiced. The Revenue Calculation then creates deferral, accrual, and recognition postings based on this comparison.

- Invoiced amounts up to the completed amount are recognized and recognition postings are created, moving revenue to the sales revenue account.
- Invoiced amounts over the completed value are deferred and deferral postings are created, moving revenue to the deferred revenue account.
- Amounts that have been completed above the invoiced amounts are recognized and accrued and postings are created to the sales revenue account, as well as an opposite entry to the accrued revenue account.
- When the performance obligation has been fully invoiced and marked as fully complete, all revenue is then recognized and the accrued revenue and deferred revenue accounts are cleared.

Cost of sales values are also accrued and deferred in the same way, based upon the percentage complete.

In cases where there is more than one line on a performance obligation, percentage completed value is apportioned across the performance obligation lines.

Note An API is available to update percentage complete rules. Percentage complete rules are not supported for scheduled sales orders.

Percentage Complete Examples

Example A performance obligation is created on a revenue contract, as displayed in Table 3.10. The sales order line is for \$14,000. The sales order line is then fully shipped and invoiced. The full amount is then deferred. The performance obligation is then marked as being 80% completed. The sales order line is then fully invoiced. However, because only 80% has been completed, only \$11,200 can be recognized. The remaining \$2,800 remains deferred.

Table 3.10

Percentage Complete – Fully Invoiced

Performance Obligation	Sales Order Line
Total Value	14000
Percentage Complete	80%
Percentage Invoiced	100%
Value Recognized	11200 (80%)
Value Deferred	2800 (20%)

Example Again, a performance obligation is created on a revenue contract, as displayed in Table 3.11. The sales order line is for \$14,000. The performance obligation is marked as being 80% completed. The value completed is \$11,200. The sales order line is then partially invoiced at 50%. Because 50% has been invoiced, only 50% can be recognized to the sales revenue account.

80% of the contract has been completed and 50% recognized. The other 30% (80% – 50%) of the revenue is offset to the accrued revenue account. Because only 50% of the sales order line has been invoiced, the remaining 20% is not deferred.

Table 3.11

Percentage Complete – Partially Invoiced

Performance Obligation	Sales Order Line
Total Value	14000
Percentage Complete	80%
Percentage Invoiced	50%
Value Recognized	7000 (50%)
Value Accrued	4200 (30%)

Example A performance obligation is created on a revenue contract and there are three sales order lines, as displayed in Table 3.12. The total value of the performance obligation is \$14,000. The three sales order lines are shipped and deferred at different times. The performance obligation is then marked at 80% complete. The performance obligation is then fully invoiced. The percentage completed value is recognized and apportioned across the performance obligation lines.

Table 3.12

Percentage Complete – Fully Invoiced with Multiple Sales Order Lines

Performance Obligation	Total	Sales Order Line 1	Sales Order Line 2	Sales Order Line 3
Total Value	14000	9000	4000	1000
Percentage Complete	80%			
Percentage Invoiced	100%			
Value Recognized	11200 (80%)	7200	3200	800
Value Deferred	2800 (20%)	1800	800	200

Revenue Calculation: Periodic Performance Obligations

The revenue recognition postings created for performance obligation using periodic or custom periodic revenue recognition rules are similar to the postings created for percentage complete revenue recognition rules. The amount of revenue available to recognize increases with each

period of the contract. The postings created for such performance obligations can recognize, defer, or accrue the revenue. As with the other revenue recognition rules, the accounts used for these postings are defined on the linked lines of the performance obligation.

When a performance obligation uses a periodic or custom periodic rule, the revenue of the performance obligation is handled on a period-by-period basis. The periods are defined against the performance obligation and store the percentage and value in discrete and cumulative forms. Each time the Revenue Calculation is run during the lifetime of the contract, the revenue of the performance obligation is deferred, accrued, or recognized, depending on whether the recognition date of a period has been reached and whether revenue has been invoiced:

- Where the cumulative available-to-recognize value is less than the invoiced amount of the performance obligation, the available-to-recognize value is recognized to the sales revenue account. The remaining invoiced amount is deferred to the deferred revenue account.
- Where the cumulative available-to-recognize value is greater than the invoiced amount of the performance obligation, the available-to-recognize amount is recognized to the sales revenue account. The uninvoiced portion of that value is offset to the accrued revenue account.
- Where the cumulative available-to-recognize value is equal to the invoiced amount of the performance obligation, the invoiced amount is recognized to the sales revenue account.

Note Periodic and custom periodic rules are not supported for scheduled sales orders.

Example A revenue contract has been created with a single performance obligation using a periodic rule. There are 12 periods corresponding to the calendar months. The amount on the performance obligation is \$1200.00. The periods created for the performance obligation are displayed in Table 3.13. Invoices are generated at the start of each period, with the revenue being available to recognize at the end of each period.

Table 3.13
Periodic Recognition Rule – Invoice Monthly

Period	%	Cumulative %	Value	Cumulative Value	Period Start Date	Period End Date	Invoice At	Recognize At
1	8.33	8.33	\$100	\$100	January 1	January 31	January 1	January 31
2	8.33	15.67	\$100	\$200	February 1	February 28	February 1	February 28
3	8.33	25	\$100	\$300	March 1	March 31	March 1	March 31
4	8.33	33.33	\$100	\$400	April 1	April 30	April 1	April 30
5	8.33	41.67	\$100	\$500	May 1	May 31	May 1	May 31
6	8.33	50	\$100	\$600	June 1	June 30	June 1	June 30
7	8.33	58.33	\$100	\$700	July 1	July 31	July 1	July 31
8	8.33	66.67	\$100	\$800	August 1	August 31	August 1	August 31
9	8.33	75	\$100	\$900	September 1	September 30	September 1	September 30
10	8.33	83.33	\$100	\$1000	October 1	October 30	October 1	October 30
11	8.33	91.67	\$100	\$1100	November 1	November 30	November 1	November 30
12	8.33	100	\$100	\$1200	December 1	December 31	December 1	December 31

Revenue Calculations Including COGS Accounts

The Revenue Calculation creates sub-ledger and GL transactions for the deferral and accrual of costs of goods sold, as well as for the associated revenue when all of the following are true:

- Cost of sales postings are generated for the current working entity.
- A linked order line for a performance obligation includes COGS accounts.
- The order line is for an inventory item.

The COGS postings are handled as separate journal entries because the transaction currency for COGS postings is always the base currency.

There are some differences in the way that COGS deferrals and accruals are handled, depending on the type of revenue recognition rule type used for a performance obligation:

Table 3.14

Rule Type	Comments
Time-based and Payment	Only cost deferrals are supported. Deferrals are determined based on invoiced items only, using the cost on the invoice history line for the full quantity invoiced.
Acceptance	As for time-based and payment, but cost amounts deferred are prorated based on the accepted quantity, which can be less than the full invoice quantity. The default behavior is to accept the full quantity for an invoice. It is not possible to accept more than the invoice quantity.
Percentage Complete and Periodic or Custom Periodic	Cost accruals and deferrals are supported. COGS amounts are recognized in proportion to the percentage complete on the performance obligation. For periodic and custom periodic rules, this is the cumulative percentage complete, rather than the percentage for the individual period. Cost amounts for invoiced quantities are taken from the invoice history detail records, but for accruals, the latest cost from the item/site cost record is used. Costs are determined using estimated quantities, where explicit estimates have been entered on the revenue contract.

Calculating Cost Amounts

The following example explains how cost amounts are calculated when item costs change during the life of a revenue contract.

- The revenue contract has a single line linked to an order for a quantity of 80 of Item A.
- Item A has a cost of \$10.
- The performance obligation uses a percentage complete rule.
- On the Contract Value tab, there is an estimated quantity of 100 for Item A.
- Two shipments and invoices are processed for Item A:
 - Shipment/Invoice #1 – quantity 10, cost \$11
 - Shipment/Invoice #2 – quantity 10, cost \$12
- When the Revenue Calculation is run, the item cost has changed to \$15 per unit and the percentage complete is set to 40%.
- The total cost is determined as (invoiced quantity x invoice cost) + (uninvoiced quantity x latest item cost at line site). The uninvoiced quantity is calculated as the estimated quantity minus the invoiced quantity.

$$(10 \times \$11) + (10 \times \$12) + (80 \times \$15) = \$1,430$$
- The cost amount that can be recognized is 40% of this value = \$572.
- As \$230 has already been invoiced, the accrued cost amount is \$342.

SAFs in COGS Postings

The SAF values from the sales account are used for the COGS accounts when the following conditions are true:

- Any of the three COGS accounts use SAFs, or are used with cost centers or projects that use SAFs.
- The SAF concepts used are shared with the sales account for the performance obligation linked line.

Otherwise, standard SAF defaulting is used.

Statutory Currency Amounts in COGS Postings

Postings for COGS accruals and deferrals use the same rules for currency translation as normal inventory transactions:

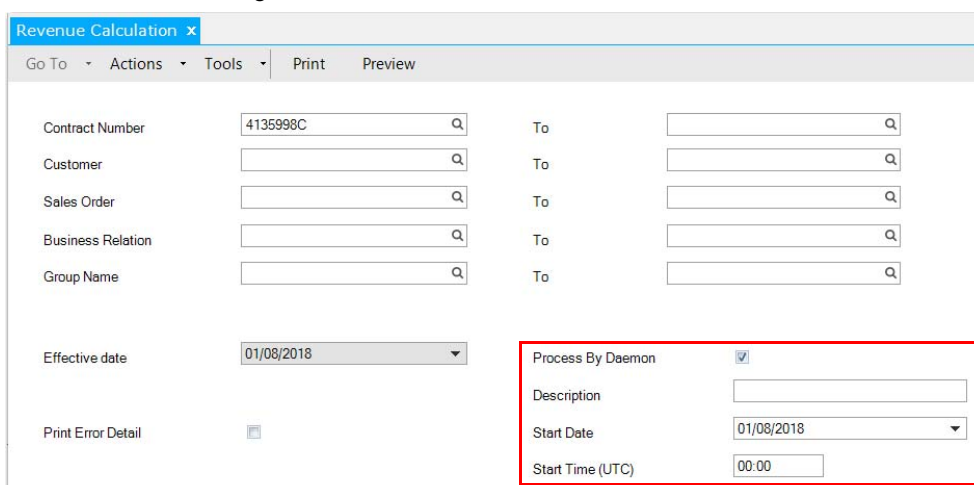
- For a site that uses standard costing, cost amounts are translated to statutory currency from base currency, first using the inventory exchange rate type, with optional fall-back to statutory and accounting rate types.
- For a site that uses average costing, cost amounts are translated to statutory currency from base currency, first using the statutory exchange rate type, with optional fall-back to the accounting rate type.
- Where invoices are available, the posting date of the invoices is used for the retrieval of exchange rates for statutory currency amounts.

For accrual postings (for percentage complete and periodic rules), when invoices are not available, the system retrieves exchange rates for statutory currency amounts using the Revenue Calculation effective date.

Processing by Batch Daemon

When you run Revenue Calculation (37.3.1), postings are generated to or from a deferred or sales account when the right conditions are met. You can schedule the Batch daemon to generate postings for a revenue contract or contracts at a specific time each day, as displayed in Figure 3.21. For more detail, see “Running Revenue Calculations”.

Fig. 3.21
Revenue Calculation Using Batch Daemon

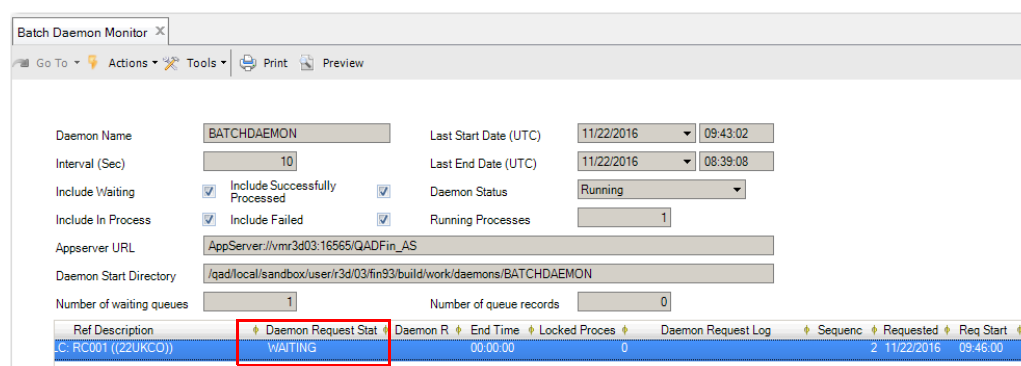


When you click Calculate in Revenue Calculation, a batch record is created and made available in the Batch Daemon Monitor (36.14.16.19.3).

Note The Batch daemon must be running.

Until the start time is reached, the batch has the status WAITING, as displayed in Figure 3.22.

Fig. 3.22
Batch Daemon Monitor



In the example in Figure 3.23, the Batch daemon starts processing the queue record at UTC time 09:46:00. When the record is processed, a new record with the same parameters is automatically created for the next day at the same time.

Fig. 3.23
Batch Daemon Monitor Example

The screenshot shows the 'Batch Daemon Monitor' window. It has a menu bar with 'Go To', 'Actions', 'Tools', 'Print', and 'Preview'. Below the menu bar, there are several configuration fields:

- Daemon Name: BATCHDAEMON
- Interval (Sec): 10
- Include Waiting: ☒ Include Successfully Processed: ☒
- Include In Process: ☒ Include Failed: ☒
- Appserver URL: AppServer://vmr3d03.16565/QADFin_AS
- Daemon Start Directory: /qad/local/sandbox/user/r3d/03/fin93/build/work/daemons/BATCHDAEMON
- Number of waiting queues: 3
- Number of queue records: 0
- Last Start Date (UTC): 11/22/2016 09:43:02
- Last End Date (UTC): 11/22/2016 08:39:08
- Daemon Status: Running
- Running Processes: 1

At the bottom, there is a table with the following columns: Daemon Requ, Start Time, Ref Description, Daemon Request Stat, Daemon R, End Time, and Locked Proces. The table contains two rows:

Daemon Requ	Start Time	Ref Description	Daemon Request Stat	Daemon R	End Time	Locked Proces
11/22/2016 09:46:02	REVENUECALC: RC001 ((22UKCO))	PROCESSED-OK	11/22/2016 09:46:37	0		
00:00:00	REVENUECALC: RC001 ((22UKCO))	WAITING	00:00:00	0		

Revenue Calculation Batch Daemon Delete

When you no longer need a queue record—for example, a revenue contract has ended—you can delete it using Revenue Calculation Batch Daemon Delete (37.3.2). You can search for queue records using the filters. For example, you can specify a contract number and click Search, as displayed in Figure 3.24.

Fig. 3.24
Revenue Calculation Batch Daemon Delete

The screenshot shows the 'Revenue Calculation Batch Da...' window. It has a menu bar with 'Go To', 'Actions', 'Tools', 'Print', and 'Preview'. Below the menu bar, there is a search section titled 'Search for QBatch daemon records' with the following fields:

- Requested Date From: [dropdown]
- Requested Date Till: [dropdown]
- Contract Number: 22S10106 (highlighted with a red box)
- Customer Code: [text box]
- Sales Order: [text box]
- Business Relation: [text box]
- Group Name: [text box]
- Description: [text box]
- Search: [button]

Below the search section, there is a table with the following columns: Sel, Contract Number From, Contract Number To, Description, Start Date, Customer From, Customer To, and Sales C. The table contains one row:

Sel	Contract Number From	Contract Number To	Description	Start Date	Customer From	Customer To	Sales C
☐	22S10106	22S10110	R3D001	01/27/2017			

At the bottom right, there are 'Delete' and 'Close' buttons.

To delete a record, select the Select field and click Delete. The record is permanently deleted.

Creating Revenue Contracts With Opening Balances

To move revenue contracts to QAD Financials from another system, you need to re-create the existing revenue contracts using Revenue Contract Create. However, you then still need to add opening balances to those revenue contracts. You can add opening balances using Revenue Contract Opening Balance (37.1.25).

This program enables you to enter opening balance amounts for:

- Recognized revenue
- Deferred revenue
- Accrued revenue

You can then save these balances and the system creates sub-ledger records against the contracts. Corresponding journal entries are not created because it is assumed that the necessary balances on the recognized, deferred, and accrued accounts (and analysis) have already been created in the general ledger.

Important You can only run Revenue Contract Opening Balance (37.1.25) for unprocessed revenue contracts. An unprocessed revenue contract is a contract that has not been processed by the Revenue Calculation. There are no revenue recognition sub-ledger records or corresponding revenue recognition postings for the revenue contract.

Revenue Contract Opening Balance

Revenue Contract Opening Balance (37.1.25) enables you to enter opening balances or to load revenue contract data to an Excel spreadsheet and add opening balances in Excel. When you have added the opening balances, you can then load them back into Revenue Contract Opening Balance (37.1.25) and save them.

Fig. 3.25
Revenue Contract Opening Balance

Use the search fields to find revenue contracts that require opening balances.

Contract number. Enter a revenue contract number range to search for.

Customer. Enter the customer codes assigned to the revenue contracts.

Business Relation Name. Specify the business relation code used on the customers used on the contract.

Corporate Group. If customers have been grouped into corporate groups, you can search for contracts using corporate group codes.

Start Date. Specify the start date of the contract.

Without Opening Balance Only. Select this field to exclude contracts that already have opening balances assigned to them.

When you have completed the fields, click Search to display relevant revenue contracts in the grid.

Adding Opening Balances Manually

To enter or to modify opening balances, drill down to the revenue contract sales order line and trailer charges. No opening balances are required for the performance obligation level or the contract level. Enter opening balances for:

- Accrued revenue
- Deferred revenue
- Recognized revenue
- Redistributed invoice amounts—for cases where allocated transaction prices differ from the invoice prices.

Note You cannot create opening balances for accrued COGS and deferred COGS.

For all these revenue types, the opening balances must be broken down into credit and debit values and entered in transaction, base, and statutory currency.

The Effective Date field in the grid is blank for a revenue contract without an opening balance. In this case, you must manually enter an effective date for the opening balances of the revenue contract.

When you have entered the opening balances, you can click Save.

Important After Revenue Calculation runs on the contract for the first time, you can no longer update the opening balances. Therefore, it is recommended that revenue contracts requiring opening balances are created as inactive. This step ensures that the Revenue Calculation program does not consider the contracts and allows you time to verify that the opening balances are correct.

Note If you have entered invoice redistribution amounts, the total of these amounts may be different to the total actual invoiced amounts in one or more currencies. In this case, when the Revenue Calculation runs on the contract for the first time, the revenue contract is automatically marked as requiring review before further calculations can be run. This enables you to correct these differences in the opening balances so that correct GL postings can be created for any subsequent revenue calculations.

Adding Opening Balances Using Excel

You can also export the revenue contracts to Excel by choosing Export to Excel in the context menu. You can add or modify balances and import the spreadsheet back into the program by choosing Import from Excel. You can then save the balances.

Revenue Contract Opening Balance Report

When opening balances have been loaded into the system, you can check the opening balances loaded using the Revenue Contract Opening Balance report. You can use the filters to select a range of revenue contracts against which opening balances have been created.

Business Relation. Enter a range of business relation codes assigned to customers on the revenue contract.

Contract Number. Enter a range of revenue contract numbers.

Corporate Group. Enter a range of corporate group codes.

Customer Code. Enter a range of customer codes of the revenue contract.

Revenue Contract. This filter controls whether the report displays revenue contracts with opening balances, without opening balances, or all revenue contracts.

The report displays revenue contract information along with the various types of opening balances listed against the different types of GL accounts and analysis. You can cross-reference this information with the GL to verify whether the opening balances in the revenue recognition sub-ledger match the opening balances in the GL.

Fig. 3.26
Revenue Contract Opening Balance Report



Contract Opening Balance

USA DIVISION

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10C1002	Houston Automotive	open1	6/22/2017							USD	
Line No	Description	Rule Code	Rule Type	Note							
1	Durable Plastic Housing	inv +15	Time-based								
Link Type	Order	Order Line	Item	Description	Total Invoiced	Debit TC	Credit TC	Debit BC	Credit BC	Debit SC	Credit SC
Order	open1	1	60001	Durable Plastic Housing		1,000.00	0.00	1,000.00	0.00	1,000.00	0.00
		GL	Sub Account	Cost Centre	Project	Debit TC	Credit TC	Debit BC	Credit BC	Debit SC	Credit SC
	Sales	4010	Mech	Adm		0.00	0.00	0.00	0.00	0.00	0.00
	Deferred	2450	Mech			0.00	1,000.00	0.00	1,000.00	0.00	1,000.00
	Accrued	2470	Mech			0.00	0.00	0.00	0.00	0.00	0.00

Revenue Contract Populate COGS Accounts

This utility is provided to populate COGS accounts when COGS Postings is enabled for an entity where contracts already exist. Only performance obligation lines with blank COGS accounts are updated. The same validation logic applies to this utility as for contract creation. The system looks up the revenue GL map for the relevant sales account and retrieves the COGS accounts.

Product Information Resources

QAD offers a number of online resources to help you get more information about using QAD products.

[QAD Forums \(community.qad.com\)](https://community.qad.com)

Ask questions and share information with other members of the user community, including QAD experts.

[QAD Knowledgebase \(knowledgebase.qad.com\)*](https://knowledgebase.qad.com)

Search for answers, tips, or solutions related to any QAD product or topic.

[QAD Document Library \(documentlibrary.qad.com\)](https://documentlibrary.qad.com)

Get browser-based access to user guides, release notes, training guides, and so on; use powerful search features to find the document you want, then read online, or download and print PDF.

[QAD Learning Center \(learning.qad.com\)*](https://learning.qad.com)

Visit QAD's one-stop destination for all courses and training materials.

*Log-in required

