



**akuiteo**  
BUSINESS SOFTWARE

User Guide

# REVENUE RECOGNITION

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# Table of Contents

1 Preface .....	4
1.1 Revisions .....	4
1.2 Help desk .....	4
2 Performing the revenue recognition .....	5
3 Setting up the company and the status .....	7
4 Allocating costs to a period .....	8
5 Allocating products to a period .....	10
6 Logging products and costs .....	12
7 Using the revenue recognition .....	13
7.1 Prerequisites .....	13
7.2 Running the revenue recognition .....	13
7.3 Completion rule .....	14
7.4 Theoretical progress rule .....	15
7.5 Actual progress rule .....	17
7.6 Prorata rule .....	19
7.7 Logging the revenue .....	20

# 1 Preface

## 1.1 REVISIONS

<b>Revision 2</b>	Published in February 2022 <ul style="list-style-type: none"><li>• Minor corrections.</li></ul>
<b>Revision 1</b>	Published in November 2021

## 1.2 HELP DESK

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To share your feedback or contact the help desk, feel free to visit our website page:

<https://www.akuiteo.fr/akuiteo.clients/>

## 2 Performing the revenue recognition

There are different ways to complete a revenue recognition. Akuiteo gives you another way to bill invoices and calculate a revenue. In your business, if the revenue calculation is directly linked to the billing process, an invoice validated in Akuiteo generates an entry in a product account (class 7).

Thanks to the **Allocation of income to the period** module, you can:

- calculate the deferred revenue prorata on the class 7 entry, by applying a prorata between the closing date and the period specified on the invoice,
- calculate the amount of invoices to be issued, that corresponds to the non-billed delivery note at the closing date.

The invoices to be issued and the deferred revenue values are calculated from the management objects (sales invoices and delivery notes). They generate accounting entries at each closing date and are linked to the projects and the structure (BU, entities). These values can be presented in a project financial report or a BU or company financial report.

If your revenue calculation is different from your billing process, or if you run several activities that imply different revenue calculations, you can set up different revenue recognition methods:

- Prorata
- Completion
- Actual progress: the progress percentage is calculated by comparing the actual with the expected costs (actual costs + remaining tasks).
- Theoretical progress: the progress percentage is calculated by comparing the timesheets and the number of days sold matching the quantities of the order lines.

When the revenue is calculated, it is separated from the sales billing process:

- If the billing is more than the revenue, a deferred revenue is generated.
- If the billing is less than the revenue, an invoice to be issued is generated.

Once these calculations are validated, deferred revenue and invoices to be issued entries are generated per project (or per phase). These values can be presented in a project financial report and a BU or company financial report. This computed data will also be stored in a history.

### Possible scenarios depending on profiles

Specific profile:

The revenue can be calculated using a dedicated project logging process and in a specific report if:

- you do not want to generate accounting entries,
- you want the calculation to depend on business data as well as on standard management objects (for example: project custom data) and the revenue calculation methods that are available cannot be used.

Software publisher:

- Maintenance: Prorata
- Rebilling charges: Completion
- Services with delivery notes: Completion
- Fixed price projects: Actual progress
- Sold time-based billing: Theoretical progress

Engineering company:

- Fixed price projects: Actual progress with updated sales forecast
- Sold time-based billing: Theoretical progress
- Occasional service: Completion

# 3 Setting up the company and the status

## Setting up the company

- 1 Go to **Tools > Setup > General setup > Company > Company**.
- 2 Under the **Module to generate the products' situation** section, select the type of module that enables you to generate the products status:
  - Allocation of income to the period: hides the **Revenue recognition** menu and displays the **Allocation of income to the period** menu.
  - Revenue recognition: displays the **Revenue recognition** menu and hides the **Allocation of income to the period** menu.

## Setting up the status



- 1 Go to **Tools > Setup > General setup > Accounting > Status**.
- 2 Select the following options:
  - Under the **WIP entry** section, check **Automatic generation** if you want entries to be stored in the **Generation journal** when validating the revenue recognition.
  - Under the **Closing entry** section, check **Automatic generation** if you want to systematically generate entries and **Automatic reversing entry** to automate the reverse entries.
  - Under the **Pro rata calculation** section, select the calculation method applied when linking products and costs to the period, in months or in days. The prorata calculated for the prorata recognition method is always in days.
  - Under the **Allocation of income and expenses to the period** section, specify if you want to group together lines per balance sheets and if you do not want to add logs to the history.
  - Under the **Detail of situation entries** section, specify whether you want to group the entry on a line per outstanding account or if you want to generate a detailed entry per customers or suppliers (using an SIA or a Deferred revenue reconciliation account set up on third-parties).

## 4 Allocating costs to a period

In a standard closing process, all the costs linked to a project are checked (timesheets and schedules, purchase orders, receptions and invoices) before running the revenue recognition, especially for the progression-based method.

The aim of this module is to generate the receivable invoices and deferred expenses entries on the status date.

The process follows 4 steps:

- 1** Start the **Allocation of expenses to the period** module, via **Accounting > Periodic works > Allocation of expenses to the period**.
- 2** Specify the accounts then click on .
- 3** Correct the amount of receivable invoices and deferred expenses calculated by directly modifying the columns:
  - Adopted PIA
  - Selected prepaid expenses
- 4** Validate and generate the receivable invoices/deferred expenses entry by clicking on .

### Calculation of receivable invoices or non-received invoices

- Non-billed receptions at closing date (or billed after the closing date)
- Receptions with periods: calculation of a receivable invoice with the prorata of the period
- Non-billed billing tables at closing date (or billed after the closing date)

### Calculation of deferred expenses

- Invoices with periods: calculation of a deferred expense with the prorata of the period

#### Note

It is possible to exclude non-booked invoices by checking the **Exclude non-validated invoices** box.



### Example

You have received an amount of 20 euros on the class 6 account.

1. Start the **Allocation of expenses to the period** module, via **Accounting > Periodic works > Allocation of expenses to the period**.
2. Validate the receivable invoice of 20 euros suggested by the system.

Two lines are generated with the details of the closing entry and its reverse entry.

If the entries are detailed per third-party, 2 entries are generated with 3 lines each:

- Class 6 cost account (e.g. 606400).
- VAT account (e.g. 455660) defined in the setup of the class 6 general account (606400), in the **Status** section > **VAT recoverable on receivable credit notes and invoices**.
- Supplier account that must have PIA control/Prepaid expenses control accounts set up in the third-party record sheet.


# 5 Allocating products to a period

**Reminder:** to access the **Allocation of income to the period** menu, you must do the setup described in [Setting up the company and the status \(p. 7\)](#).

In a standard closing process, you must check all the products linked to projects (deliveries and sales invoices).

The aim of this module is to generate the invoices to be issued and the deferred revenue entries on the status date.

The process follows 3 steps:

- 1** Start the **Allocation of income to the period** module, via **Accounting > Periodic works > Allocation of income to the period**.
- 2** Correct the amount of invoices to be issued and deferred revenue calculated by directly modifying the columns:
  - Selected SIA
  - Deferred income chosen
- 3** Validate and generate the invoices to be issued/deferred revenue entry by clicking on .

## Calculation of invoices to be issued

- Deliveries with an expected billing date (To bill on)  $\leq$  Status date
- Deliveries with periods on the lines: calculation of the invoices to be issued with the prorata of the period. For less than 1-month periods, you must check that the prorata calculation setup is in days and not in months, otherwise the delivery will not be taken into account. This module does not take into account deliveries with no expected billing date or no period.
- Non-billed billing tables at status date (or billed after the status date)

## Calculation of the deferred revenue

- Invoices with periods: calculation of a deferred revenue with the prorata of the period

### Note

It is possible to exclude non-booked invoices by checking the **Exclude non-validated invoices** box.

### Example

Let us assume that you have:

- A non-validated invoice (F1400003) of 800 euros on a class 7 account (70610300), on 04/18/2014.
  - A delivery (L1400003) with an expected billing date set on 04/04/2014 on a class 7 account (70611200).
  - A billing table (T1400002) with a table line that must be billed on 04/04/2014, on a class 7 account (70611200).
1. Start the **Allocation of income to the period** module.
  2. Validate the suggestions from the system to generate the entries.

The system has generated:

- 6 lines in the logging table of products, with the details of the closing entry and its reverse entry.
- 3 entries.

# 6 Logging products and costs

When you validate entries, details about how these entries were created are saved in the logging table.

These details are made up of two lines:

- The amount of receivable invoice or the deferred expense
- The reverse entry of the previous line on the first day of the following month, with a reverse amount (so a negative one)

The costs logging table takes into account the charging modifications in the Purchases module. For example, a non-billed reception of 100 on product A in January will result in a receivable invoice of 100 for a given project.

If the invoice is received in February and the purchase is reassigned on product B, the cost will be of 100 on product B and of -100 on product A in February. However, in the project record sheet, the cost displayed on January will be of 100 and of 0 in February.

## Importing the history

Go to **Management > Imports**.

## Viewing the history

To view what the system has created in the logging table of products and costs, go to **Management > Projects > arrow on the right of the search icon in the action bar > History of allocation of expenses to the period**.

## Adding to the history or modifying it

Select a line and right-click in the table. You can:

- Add a parent line
- Copy the selected line
- Modify the selected line (you cannot modify a validated line or a line generated by the system)
- Delete the selected line
- Validate the selected lines

# 7 Using the revenue recognition

## 7.1 PREREQUISITES

To use this module, you must:

- Set up the access (see [Setting up the company and the status \(p. 7\)](#)).
- Check that all invoices are validated at the closing date (otherwise, you will not be able to create an entry).
- Enable the following DMFs:
  - DMF 070711 ACCOUNTING SETUP REVENUE RECOGNITION
  - DMF 070816 ACCOUNTING PERIODIC WORKS REVENUE RECOGNITION
  - DMF 070817 ACCOUNTING PERIODIC WORKS REVENUE RECOGNITION - INPUT
  - DMF 070818 ACCOUNTING PERIODIC WORKS REVENUE RECOGNITION - VALIDATE
  - DMF 070820 ACCOUNTING PERIODIC WORKS COST RECOGNITION - HISTORY
  - DMF 070821 ACCOUNTING PERIODIC WORKS COST RECOGNITION - ENTRY
- Set up the sub-families of sold products.

It is possible to define a revenue recognition rule from the sub-family of a sold product. When you create a sold product, the setup of the revenue recognition rule will be automatically retrieved from its sub-family. If you modify the Revenue recognition field, Akuteo suggests you update the revenue recognition rule of all the sold products associated with that sub-family.

- Set up the sold products.

The revenue recognition module only takes into account the sold products with the same revenue recognition rule specified in the parameters and in the product. Therefore, you must run the revenue recognition process as often as there are revenue recognition types configured for each closing. For example, if you use 2 revenue recognition methods (completion and actual progress), you will have to run the revenue recognition module twice: the first time for the actual progress, and the second time for the completion.

## 7.2 RUNNING THE REVENUE RECOGNITION


**1** Go to **Accounting > Periodic works > Revenue recognition**.

**2** Enter the following information:

- **Revenue recognition method:** the list of revenue recognition methods.
- **Closing date:** by default, it is the last day of the previous month. If this is the last day of the month, the current date will be suggested.
- **Period from...to:** it is empty by default and enables you to set the period to take into account.
- **Date of previous close:** by default, it is the last day of the month preceding the previous month; if this is the last day of the month, the current date will be suggested.
- **Presentation 'Overview':** enables you to display items per grouping (a line per project / phase / sub-phase / lines).
- **Presentation 'Details':** a line per object line.

- **Rule to choose 'on the product':** based on the revenue recognition method indicated on the sold product record sheet.
- **Rule to choose 'on the line':** based on the revenue recognition method of the sub-family stored in the object lines to determine the rule to take into account. During an accounting period, the sub-family of a product can change so the revenue calculation rule changes as well.

## 7.3 COMPLETION RULE

- 1 Go to **Accounting > Accounting setup > Revenue recognition**, then click on .
- 2 Enter a code and name for the setup.
- 3 Select **Completion** in the **Type** field.
- 4 Select the grouping level (Project, Phase, Sub-phase).
- 5 Under the **Level of detail** section, select the relevant option:
  - Account: grouped by account
  - Account - Product sold: grouped by account + sold product
  - Account - Product sold - Customer: grouped by account + sold product + customer
- 6 Check the boxes linked to the revenue calculation:

<b>Revenue calculated based on deliveries only</b>	<p><u>If the box is checked:</u></p> <p>Invoices to be issued = If (Recognized revenue <math>\geq</math> Billed) then Recognized revenue - Billed otherwise 0</p> <p>Deferred revenue = If (Recognized revenue &lt; Billed) then Billed - Recognized revenue otherwise 0</p> <p>Recognized revenue = Non-billed deliveries <math>\leq</math> closing date</p> <p><u>If the box is not checked:</u></p> <p>Invoices to be issued = Non-billed deliveries <math>\leq</math> closing date + Non-billed lines of validated billing tables <math>\leq</math> closing date</p> <p>Deferred revenue = Billed &gt; closing date</p> <p>Recognized revenue = Billed + Invoices to be issued - Deferred revenue</p>
<b>Budget calculated with updated sales forecast</b>	<p>Validated orders are taken into account to calculate the budget.</p> <p>Budget = validated but not delivered orders with no billing table <math>\leq</math> closing date + non-billed deliveries <math>\leq</math> closing date + non-billed lines of validated billing tables <math>\leq</math> closing date + Invoices <math>\leq</math> closing date</p>
<b>Budget calculated with the signed quotations</b>	<p>Budget = Initial budget = Signed quotations.</p>

## Resulting revenue recognition:


Column	Description
Initial budget	Signed quotations $\leq$ closing date
Billed	Invoices $\leq$ closing date
Amount to be billed	Validated but not delivered orders with no billing table $\leq$ closing date + non-billed deliveries $\leq$ closing date + non-billed lines of validated billing tables $\leq$ closing date
Billing %	Billed / Budget
Free maintenance %	Free maintenance defined on the lines
Revenue to recognize	Budget - recognized revenue
Revenue M-1	Logged revenue retrieved based on the logging date defined in the start screen
Monthly production	Recognized revenue - revenue (M-1)

## 7.4 THEORETICAL PROGRESS RULE

The revenue is calculated by applying a percentage of progress on the ordered amount.

The ordered amount is calculated by adding non-delivered orders, non-billed deliveries and sales invoices.

The progress percentage is calculated by comparing the timesheets and the number of sold days matching the quantities in the order lines.

- 1 Go to **Accounting > Accounting setup > Revenue recognition**, then click on .
- 2 Enter a code and name for the setup.
- 3 Select **Theoretical progress** in the **Type** field.
- 4 Select the grouping level: Project, Phase, Sub-phase.
- 5 Under the **Level of detail** section, select the relevant option:
  - Account: grouped by account
  - Account - Product sold: grouped by account + sold product
  - Account - Product sold - Customer: grouped by account + sold product + customer
- 6 In the **Time status code** section, select the options related to the timesheet entries.
- 7 Check the boxes linked to the revenue calculation:

<b>Budget calculated</b>	Validated orders are taken into account to calculate the budget.
--------------------------	--

<b>with updated sales forecast</b>	Validated but not delivered orders with no billing table $\leq$ closing date + non-billed deliveries $\leq$ closing date + non-billed lines of validated billing tables $\leq$ closing date + Invoices $\leq$ closing date.
<b>Budget calculated with the signed quotations</b>	Budget = Initial budget = Signed quotations.


### Resulting revenue recognition:

Column	Description
Initial budget	None
Timesheets	Timesheets in days based on the time status code $\leq$ closing date
Billed	Invoices $\leq$ closing date
Amount to be billed	Budget - Billed
Actual remaining tasks	Schedule in days $\leq$ closing date
Invoices to be issued	Recognized revenue - Billed
Deferred revenue	Billed - Recognized revenue
Recognized revenue	Budget x forced progress
Revenue to recognize	Budget - recognized revenue
Revenue M-1	Logged revenue based on the previous closing date defined in the starting screen
Monthly production	If theoretical remaining tasks = 0 then budget - Revenue M-1. Otherwise (budget / updated forecast) * days done.
Sold days	Budget (in days)
Days done	Timesheets
Theoretical remaining tasks	Sold days - Days done
Difference	Theoretical remaining tasks - Actual remaining tasks
Updated forecast	Days done + Actual remaining tasks
Calculated progress %	Days done / Updated forecast
Theoretical progress %	Days done / Sold days
Forced progress %	Default theoretical remaining tasks (manual entry possible if DMF)



## 7.5 ACTUAL PROGRESS RULE

The revenue is calculated by applying a percentage of progress on the ordered amount. This progress percentage can be forced.

- 1 Go to **Accounting > Accounting setup > Revenue recognition**, then click on .
- 2 Enter a code and name for the setup.
- 3 Select **Actual progress** in the **Type** field.
- 4 Select the grouping level (Project, Phase, Sub-phase).
- 5 Check the **Calculation of expenses with valuated time and purchases** box to include purchases in the calculation. See the table below.
- 6 Under the **Level of detail** section, select the relevant option:
  - Account: grouped by account
  - Account - Product sold: grouped by account + sold product
  - Account - Product sold - Customer: grouped by account + sold product + customer
- 7 In the **Time status code** section, select the options related to the timesheet entries.
- 8 Check the boxes linked to the revenue calculation:

<b>Calculation of expenses with valuated time and purchases</b>	<p><u>If the box is checked:</u></p> <p>Actual costs = Valuated timesheets ≤ closing date + purchase invoices ≤ closing date + non-billed receptions ≤ closing date</p> <p>Updated forecast = real cost + actual remaining tasks</p> <p>% calculated progress = actual costs / updated forecast</p> <p>The actual is calculated from the costs' logging table lines.</p> <p><u>If the box is not checked:</u></p> <p>Timesheets = Valuated timesheets ≤ closing date</p> <p>Updated forecast = Timesheets + actual remaining tasks</p> <p>% calculated progress = timesheets / updated forecast</p>
<b>Budget calculated with updated sales forecast</b>	<p>Validated orders are taken into account to calculate the budget.</p> <p>Budget = Validated but not delivered orders with no billing table ≤ closing date + non-billed deliveries ≤ closing date + non-billed lines of validated billing tables ≤ closing date + Invoices ≤ closing date</p>
<b>Budget calculated with the signed quotations</b>	<p>Budget = Initial budget = Signed quotations.</p>
<b>Actual calculated</b>	<p>The actual is calculated from management objects in the Purchases module.</p>


<b>with actual expenses</b>	
<b>Actual calculated with logging of expense recognition</b>	<p>If the <b>Calculation of expenses with valuated time and purchases</b> box is checked:</p> <p>The actual is calculated from the costs' logging table lines.</p>
<b>Remaining tasks calculated from valuated schedules</b>	<p>The remaining tasks are calculated from the valuated schedule &gt; closing date.</p> <p>Actual remaining tasks = Valuated timesheets &gt; closing date + valuated schedule &gt; closing date</p> <p>If the <b>Calculation of expenses with valuated time and purchases</b> box is checked:</p> <p>Actual remaining tasks = Valuated timesheets &gt; closing date + valuated schedule &gt; closing date + validated but not received purchase orders ≤ closing date</p> <p>If the <b>Inclusion of validated quotes</b> box is checked:</p> <p>Actual remaining tasks = Valuated timesheets &gt; closing date + valuated schedule &gt; closing date + validated but not received purchase orders ≤ closing date + validated quotes ≤ closing date</p>
<b>Remaining tasks calculated from the remaining project tasks</b>	<p>The remaining tasks are calculated from the project remaining tasks AND the valuation of the employee linked to this task</p> <p>Actual remaining tasks = Valuated timesheets &gt; closing date + project's remaining tasks valuated with the employee associated with this task</p> <p>If the <b>Calculation of expenses with valuated time and purchases</b> box is checked:</p> <p>Actual remaining tasks = Valuated timesheets &gt; closing date + project's remaining tasks valuated with the employee associated with this task + validated but not received purchase orders ≤ closing date</p> <p>If the <b>Inclusion of validated quotes</b> box is checked:</p> <p>Actual remaining tasks = Valuated timesheets &gt; closing date + project remaining tasks valuated with the employee associated with this task + Validated but not received purchase orders ≤ closing date + Validated quotes ≤ closing date</p>
<b>Inclusion of validated quotes</b>	<p>If checked, the validated quotes are taken into account when calculating the actual costs.</p>

### Resulting revenue recognition:

Column	Description
Initial budget	Signed quotations ≤ closing date
Forced progress %	Actual progress % (manual entry possible if DMF)
Recognized revenue	Budget x forced progress
Billed	Invoices ≤ closing date
Invoices to be issued	If (Recognized revenue ≥ Billed) then Recognized revenue - Billed
Deferred revenue	If (Recognized revenue < Billed) then Billed - Recognized revenue
Revenue M-1	Logged revenue retrieved based on the logging date defined in the start screen

## 7.6 PRORATA RULE

It is a revenue recognition method based on the period of management objects lines ('Period from' and 'to').

- 1 Go to **Accounting > Accounting setup > Revenue recognition**, then click on .
- 2 Enter a code and name for the setup.
- 3 Select **Prorata** in the **Type** field.
- 4 Select the grouping level (Project, Phase, Sub-phase).
- 5 Under the **Level of detail** section, select the relevant option:
  - Account: grouped by account
  - Account - Product sold: grouped by account + sold product
  - Account - Product sold - Customer: grouped by account + sold product + customer
- 6 Check the boxes linked to the revenue calculation:

<b>Revenue calculated based on deliveries only</b>	<p><u>If the box is checked:</u></p> <p>Suggested invoices to be issued = If (Recognized revenue <math>\geq</math> Billed) then Recognized revenue - Billed</p> <p>Suggested deferred revenue = If (Recognized revenue <math>&lt;</math> Billed) then Billed - Recognized revenue</p> <p>Recognized revenue = Non-billed deliveries ('Delivered on' date <math>\leq</math> closing date)</p> <p><u>If the box is not checked:</u></p> <p>Suggested invoices to be issued = Non-billed deliveries <math>\leq</math> closing date + non-billed lines of validated billing tables <math>\leq</math> closing date</p> <p>Suggested deferred revenue = Invoice lines with the prorata of the period compared with the closing date</p> <p>Recognized revenue = Billed + selected invoices to be issued - selected deferred revenue</p>
<b>Budget calculated with updated sales forecast</b>	<p>Validated orders are taken into account to calculate the budget.</p> <p>Budget = validated but not delivered orders with no billing table <math>\leq</math> closing date + non-billed deliveries <math>\leq</math> closing date + non-billed lines of validated billing tables <math>\leq</math> closing date + Invoices <math>\leq</math> closing date</p>
<b>Budget calculated with the signed quotations</b>	<p>Budget = Initial budget = Signed quotations.</p>

Resulting revenue recognition:

Column	Description
Initial budget	Signed quotations ≤ closing date
Billed	Invoices ≤ closing date
Selected invoices to be issued	Invoices to be issued suggested by default (manual entry possible if DMF)
Selected deferred revenue	Selected deferred revenue by default (manual entry possible if DMF)
Revenue M-1	Logged revenue retrieved based on the logging date defined in the start screen
Monthly production	Recognized revenue - revenue (M-1)

## 7.7 LOGGING THE REVENUE

When you validate entries, the details about the revenue recognition are stored in the logging table.

- 1 Run the **Revenue recognition** module.
- 2 Correct the amount of invoices to be issued and deferred revenue calculated by directly modifying the relevant columns.
- 3 Validate and generate the invoices to be issued/deferred revenue entry by clicking on ✓.
- 4 If you want to import the history, go to **Management > Imports**.
- 5 To view the history, go to **Management > Projects > arrow on the right of the search icon in the action bar > Revenue logging search**.
- 6 To add or modify the history, select a line or right-click on the table to:
  - Add a parent line
  - Copy the selected line
  - Modify the selected line (you cannot modify a validated line or a line generated by the system)
  - Delete the selected line
  - Validate the selected lines