

Adaxa Revenue Recognition - Statement of Capabilities

The idea of Revenue Recognition was added 12 years ago to Compiere by Jorg Janke and then never implemented. Adaxa has implemented it for both Time and Event based recognition requirements.

This Document explains how the recognition process now implemented.

Option 1 - recognise revenue over a set number of months.

The Product is linked to a “Revenue Recognition” type so revenue on an invoice is put in Customer Prepayments account in the invoice posting.

The screenshot shows the 'Product' form with the following details:

- Client: Adaxa Demo 29Oct
- Organisation: Z2
- Search Key: 3YrService
- Version No: [Empty]
- Name: 3 Year Service Agreement
- Vehicle Product:
- Model Variant: [Empty]
- Description: [Empty]
- Comment/Help: [Empty]
- Document Note: took revenue recognition out in case it was this that was crashing stuff on sunday testing
- UPC/EAN: [Empty]
- Active: Summary Level:
- Product Category: Service
- Classification: [Empty]
- Duty Class: [Empty]
- Tax Category: GST
- Revenue Recognition: 3yr agreement (highlighted in red)
- UOM: Each
- Company Agent: [Empty]
- Product Type: Service
- Mail Template: [Empty]

The “Revenue Recognition” tab for a Time Based distribution defines the recognition rules.

The screenshot shows the 'Revenue Recognition' form with the following details:

- Client: Adaxa Demo 29Oct
- Organisation: RN
- Name: Byr agreement
- Description: [Empty]
- Active:
- Time based:
- Recognition frequency: Month
- Number of Months: 36

Note that there is a presumption that the system has monthly periods defined in the Calendar.

The "Revenue Recognition Plan" tab shows the (many) invoices that have been raised that are linked to this plan.

Revenue Recognition Client* Adaxa Demo 29Oct Organisation* RN

Revenue Recognition Plan Accounting Schema* NZD

Revenue Recognition Run Revenue Recognition* 3yr agreement

Invoice Line* 1000756 - 30/10/2014 - 29,785.00_20_900.00

Active

Total Amount* -900.00 Currency* NZD

Recognised Amount* 0.00

Unearned Revenue* *_-49099_- Product Revenue* RN_-42137_-

The "Revenue Recognition Run" tab shows the planned amount of revenue to be recognised in each of the future months relating to a particular invoice. ... the journal column gets filled in when the revenue recognition happens and the appropriate accounting entries are created.

Client	Orgar	Revenue Recognition Plan	Active	Recognition Date	Journal	Recognised Amount
		900.00				
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/07/2015		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/08/2015		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/09/2015		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/10/2015		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/11/2015		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/12/2015		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/01/2016		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/02/2016		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/03/2016		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/04/2016		-25.00
Adaxa Demo 29Oct	RN	3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00	<input checked="" type="checkbox"/>	28/05/2016		-25.00

a single line from above shown in form view shows a part of the invoice and when it was recognised and on what journal.

Revenue Recognition Client* Adaxa Demo 29Oct Organisation* RN

Revenue Recognition Plan Revenue Recognition Plan* 3yr agreement_1000756 - 30/10/2014 - 29,785.00 - 20 - 900.00

Revenue Recognition Run Active

Recognition Date 30/11/2014 Journal*

Recognised Amount* -25.00

The "Revenue Recognition Run" process creates a journal with lines that transfer from Customer Prepayment to income and records the journal line so you can drill to the journal line.

Menu (0) Product X Revenue Recognition X Revenue Recognition Run X

Generate revenue recognition journal

Generate GL journal based on valid revenue recognition run entries

Document Type*

Account Date*

Revenue Recognition

The created journal picks up the revenue for each month from each invoice as per the Revenue Recognition Plan for that invoice.

Option 2 - Revenue Recognition based on an Event rather than time

Assume we have invoiced a service product and wish to recognise revenue over the life of the agreement.

Dealer Vehicle Invoice 1000787 - 13/01/2015

Qty	UoM	Description	Price	Line Amt
1	Ea	test product with event based rev recognition test_prepay	600.00	600.00
		GST Sales 15%	600.00	90.00
Total				690.00

NZD 690.00 20 Days from End of Month

The invoice posted to the Customer Prepayment/Unearned Revenue account.

Posting

Enter Query View Result

Orga	CostCer	Account	Accoun	Accoun	Product	Busine	Account Dat	Peri	Posti
RN	SL - Sales	21210 - GST on Sales	0.00	90.00		D Dealer	13/01/2015	Jan-15	Actua
RN	SL - Sales	49099 - Unearned Revenue	0.00	600.00	test_prepay - test product with event based rev recognition	D Dealer	13/01/2015	Jan-15	Actua
RN	SL - Sales	11200 - Accounts Receivable - Trade	690.00	0.00		D Dealer	13/01/2015	Jan-15	Actua
			690.00	690.00					

The event-based plan for this type of sale is.

Client* Adaxa Demo 29Oct Organisation* RN
 Name* 3yr Service Prepayment
 Description 33%-33%-34%
 Active
 Time based

The "Service" tab shows the percent that will be recognised at each event.

Client	Organisation	Revenue Recognition	Line No	Percent	Description
Adaxa Demo 29Oct	RN	3yr Service Prepayment	10	33.00	First service
Adaxa Demo 29Oct	RN	3yr Service Prepayment	20	33.00	Second service
Adaxa Demo 29Oct	RN	3yr Service Prepayment	30	34.00	Third service

The "Revenue Recognition Plan" tab shows the invoices that are to be handled by this revenue recognition plan...

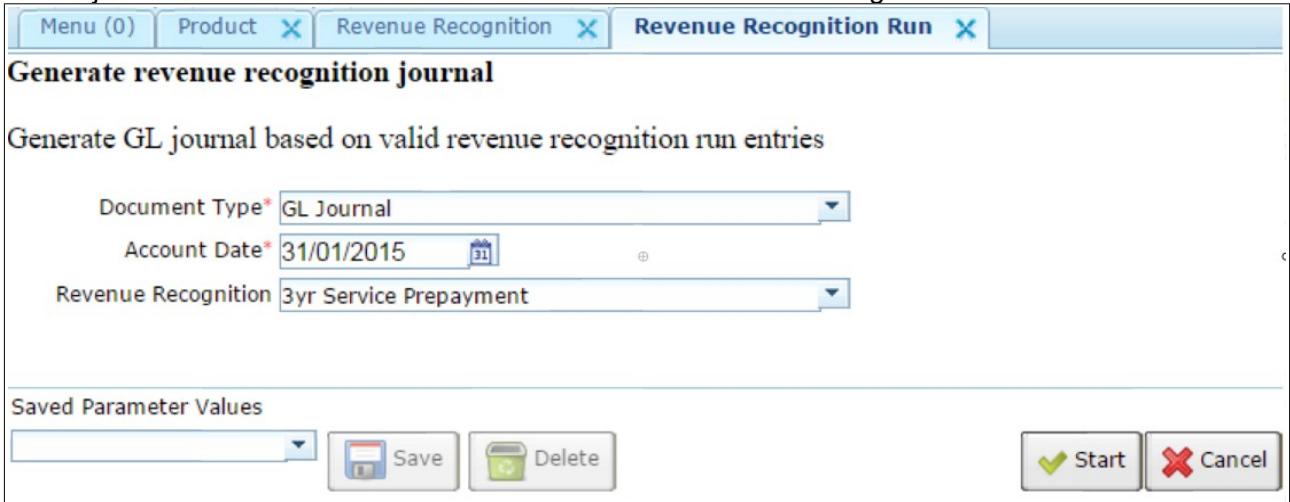
Client* Adaxa Demo 29Oct Organisation* RN
 Accounting Schema* NZD
 Revenue Recognition* 3yr Service Prepayment
 Invoice Line* 1000787 - 13/01/2015 - 690.00_10_600.00
 Active
 Total Amount* -600.00 Currency* NZD
 Recognised Amount* 0.00
 Unearned Revenue* *-49099- Product Revenue* RN-SL-42137-

The "Revenue Recognition Run" tab shows the dollar amount to be taken up at each Plan Event for each invoice

Client	Organisation	Revenue Recognition Plan	Active	Recognition Date	Journal	Recognised Amount
Adaxa Demo 29Oct	RN	3yr Service Prepayment_1000787 - 13/01/2015 - 690.00 - 10...	<input checked="" type="checkbox"/>			-198.00
Adaxa Demo 29Oct	RN	3yr Service Prepayment_1000787 - 13/01/2015 - 690.00 - 10...	<input checked="" type="checkbox"/>			-198.00
Adaxa Demo 29Oct	RN	3yr Service Prepayment_1000787 - 13/01/2015 - 690.00 - 10...	<input checked="" type="checkbox"/>			-204.00

Enter a "Recognition Date" to record that the first of the three events has taken place.

Run the process “**Generate Revenue recognition Journal**” and the system creates a GL journal that takes the revenue out of Customer Prepayments and credits Income for each line where a Recognition Date has been entered that is on or before the journal date. Each line in the Revenue Recognition Run has its journal line value inserted to show when and where it was recognised.



Menu (0) Product Revenue Recognition Revenue Recognition Run

Generate revenue recognition journal

Generate GL journal based on valid revenue recognition run entries

Document Type* GL Journal

Account Date* 31/01/2015

Revenue Recognition 3yr Service Prepayment

Saved Parameter Values

Save Delete Start Cancel

A report of Revenue Recognition Run lines where the Journal Entry field is null should match to the Customer Prepayments/Unearned Income account in the Trial Balance.