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Revenue Recognition Using Order Entry and Projects

July 30th, 2024



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Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- 4 Attendance Markers that read: “I’m Here,” will be launched during this session. You must respond to a minimum of 3 to receive the full 1 CPE credit.

****Both requirements must be met to receive CPE credit****



Learning Objectives

- *At the end of the session, you will be able to:*
 - *Identify what is included in Order Entry and Projects Revenue Recognition*
 - *Review Revenue Recognition Templates and Schedules*
 - *Identify additional revenue recognition options with Projects*





Revenue Recognition Concepts in Order Entry and Projects



About Revenue Recognition

- Revenue recognition is amortization of revenue over life of a contract
- Recognize each allotment of revenue when delivery has taken place or services have been rendered

Requirements to record as Revenue

- The seller's price to buyer is fixed and determinable
- Only showing revenue in period in which it is earned
- Collectability is reasonably assured



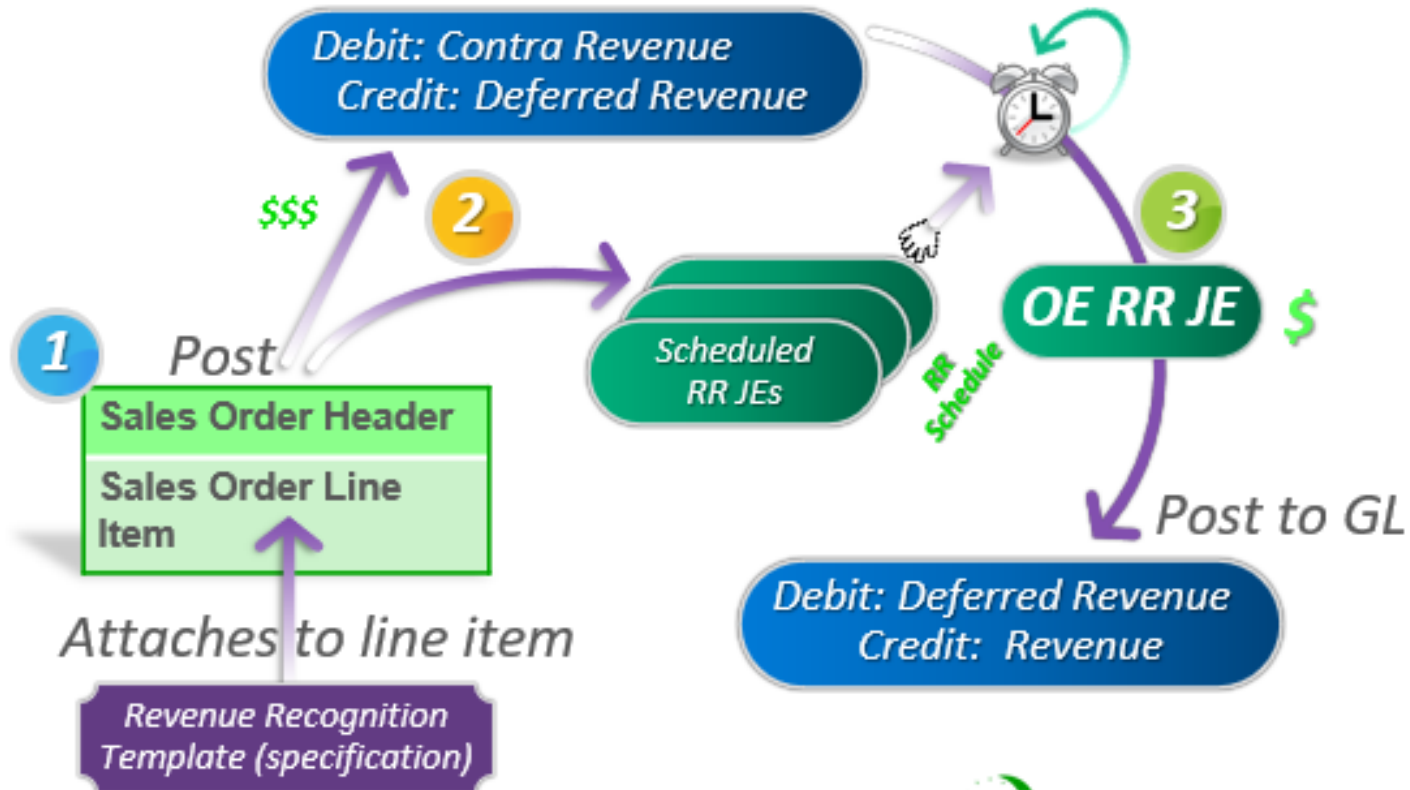
Revenue Recognition in Order Entry

- Amortization
- Delivery options
- Separation of Billing and Revenue
- Renewals (for simple renewal needs)
- Add-ons such as Salesforce, Avalara, Projects, require Order Entry rather than Accounts Receivable

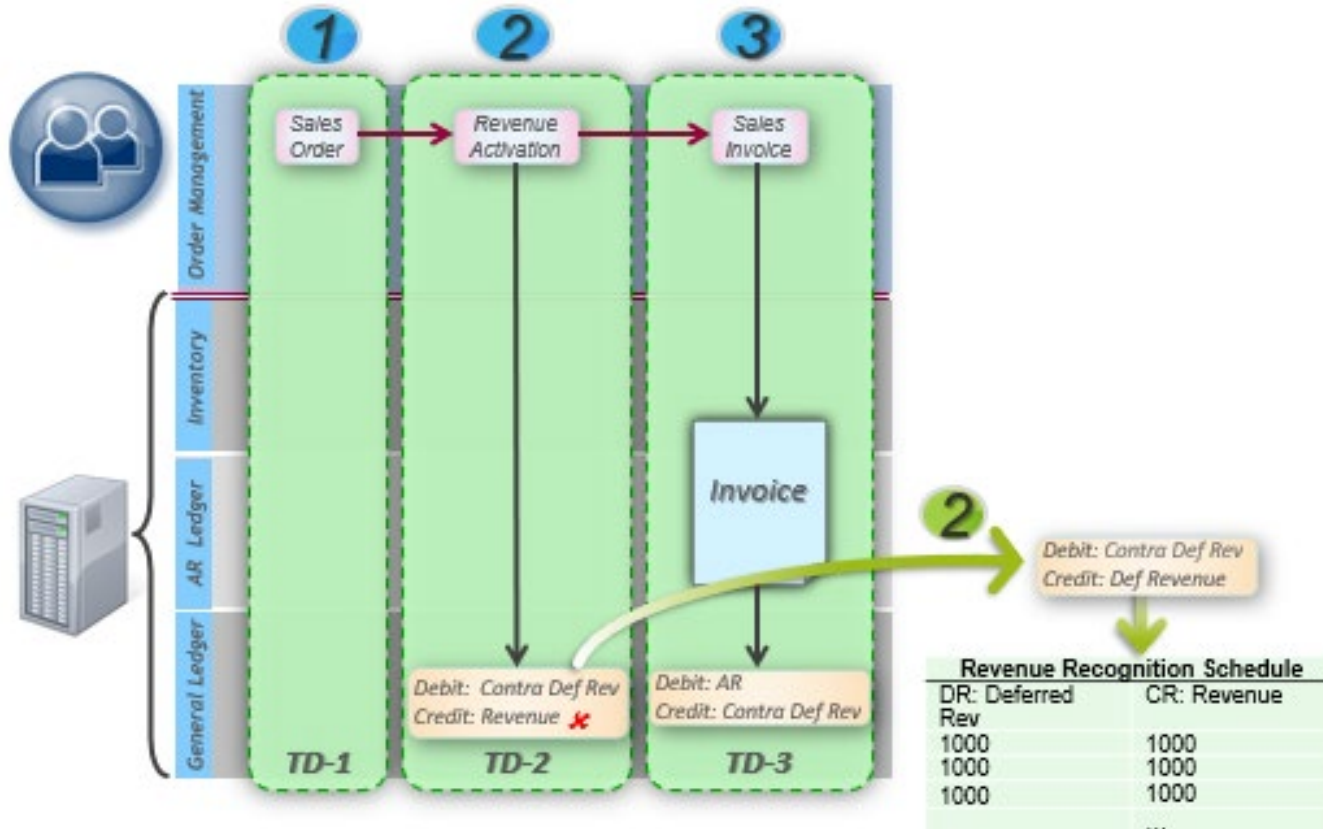
NOTE: If client's need is for ASC 606 compliance better fit is Contracts module



Revenue Recognition in Order Entry



Transaction Definitions



Order Entry: Journal Entries Booked

Rev Rec Activation Creates:

Debit: **Contra Def Rev**
Credit: **Def Revenue**
(based on Item and Item
GL Group "pointers")

- Invoice Creates:

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

- Revenue Schedule
"Firing" Creates:

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





Setup Revenue Recognition Templates and Schedules



Subscribe to Rev Rec

Configure Revenue Management


Accounts Receivable

Revenue recognition

- Standard revenue recognition
- No revenue recognition

Order Entry

Revenue recognition

- Standard revenue recognition
- No revenue recognition
- Edit revenue schedules
- Event-based recognition 



Items Are the Foundation!

Be sure that:

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

The image shows two screenshots of a software configuration interface. The top screenshot shows the 'Inventory' section with a 'GL group' dropdown menu set to 'Bill'. The 'Revenue recognition' section has a 'Default delivery status' dropdown menu with 'Delivered' selected. The bottom screenshot shows the 'Revenue recognition' section with a 'Default delivery status' dropdown menu set to 'Delivered' and a 'Default deferral status' dropdown menu with 'Defer until item is delivered' selected.

Inventory

GL group
Bill

Revenue recognition

Default delivery status *

Delivered

Delivered

Undelivered

Revenue recognition

Default delivery status *

Delivered

Default deferral status *

Defer until item is delivered

Defer until item is delivered

Defer bundle until item is delivered



Importance of Revenue Recognition Templates

- It is attached to a transaction line item
- It writes the rules for the schedule
- NOTE: the transactions in the schedule are UNPOSTED
- The Scheduler uses the rules of the Rev Rec Template to post the Rev Rec Transaction
- Can create to:
 - Automatic Posting
 - Manual Posting



Choices of Recognition Schedules

- 8 Schedules to choose from
- Client usually knows which schedule fits best
- Make sure to name Template for clarity or use Custom View in List

☰ Revenue recognition template

Template ID
Treatment 12

Template description *

Treatment Length 12 Revenue % Month 1.25%

Recognition method

Custom

Straight line

Straight line, percent allocation

Straight line, percent allocation, end of period

Exact days per period, prorate days

Exact days per period, prorate days, end of period

Percent completed

Milestone

Custom



Selecting the Term

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

Recognition schedule period

Monthly

Posting day

End of period

Recognition term

Fixed period Contract term

System resume option

Catch up Walk forward

Number of periods

13



Revenue Recognition Template

Order Entry can use the concept of ‘Catch up’ or ‘Walkforward’ (Accounts Receivable cannot)

- **Catch up** – When schedule updated with new delivery date, all prior periods not posted will catch up in current month
- **Walkforward** – Based on updated delivery date, will walk the contract forward number of days necessary to equal the # of days or original schedule (fence post moving)

☰ Revenue recognition template

Template ID

Treatment 12

Template description *

Treatment Length 12 Revenue % Month 1.25%

Recognition method

Custom

Recognition schedule period

Monthly

Posting day

End of period

Recognition term

Fixed period

Contract term

System resume option

Catch up

Walk forward

Number of periods

13

Recognition start date

Transaction date

Posting method

Automatic

Manual

Status

Active



Recognition Start Date

- **Transaction Date** – Posting date of document
- **User Specified** – Looks to contracts starting date on transaction line

Recognition start date

Transaction date

Transaction date

User-specified



Posting Method

- **Automatic**
 - Occurs according to the schedule
 - Period should be open
 - In OE, Delivery Status of Item must be set to “Delivered”
- **Manual**
 - Gives user control of when actual posting will occur
 - In OE, still need to mark Item as “Delivered:”

Posting method

Automatic Manual



Revenue Templates Specific to Projects

- **What are the options for creating revenue templates specific to Projects?**
- Use any of the standard Order Entry options
 - Straight-line
 - Straight-line, prorate exact days
 - Straight-line, percent allocation
 - Straight-line, percent allocation, end of period
 - Exact days per periods, prorate days
 - Exact days per period, prorate days, end of period
- Projects Adds
 - Percent completed
 - Milestones



When using Percent Completed as your recognition method, you have more choices to make.

- Calculate on
 - Task
 - Project
- Based on
 - Estimated Hours (Project or Task)
 - Planned Hours (Project or Task)
 - Budgeted Hours (Project Only)
 - Budgeted Costs from GL (Project Only)
 - Budgeted Costs from Summary (Project Only)
 - Observed % Completed (Project or Task)



Project Fields Used for Revenue Templates

☰ Project Information

Project ID 10080	Parent project ID --	Root project ID 10080--Sage Transform
Project name Sage Transform		

∨ Progress

Calculated % completed %	Approved duration 0.00
Estimated duration 70.00	Remaining duration 70.00
Actual duration 0.00	

∨ Budget

Budgeted billing amount 0.00	Budgeted duration (hours) 125.00	Budget duration % variance 100.00 %
Budgeted cost 250,000.00	Budget duration difference (hours) 125.00	Budget currency = USD



Task Fields Used for Revenue Templates

Task Information

Milestone

Utilized

Priority

1

WBS code

Calculated % completed

%

Planned duration

25.00

Estimated duration

25.00

Actual duration

--

Observed % completed

		As of date *	% complete *	Note	
☰	1	08/31/2021	20.00		+ 🗑️
☰	2				+ 🗑️
☰	3				+



Percent Completed Revenue Templates

Template ID
Pct Cmpl-Proj-Est Hrs

Template description
Percent Completed-Project-Estimated Hours

Recognition method
Percent Completed

Percent or milestone source
Project

Recognition schedule period
Monthly

Posting day
End Of Period

System resume option
Walkforward

Calculate on
Project

Based on
Estimated Hours

Posting method
Manual

Status
active

Here is an example of a Percent Complete Revenue Template for Percent Completed of a Project based on Estimated Hours



Milestone Revenue Templates

When using Milestone as your Recognition method, you must also use Task

- Based on
 - Estimated Hours
 - Planned Hours
 - Observed % Completed



Milestone Revenue Templates

Template ID	Milestone-Task-Obs Pct Cmpl	
Template description	Milestone-Task-Observed % Completed	
Recognition method	Milestone	
Percent or milestone source	Project	
Recognition schedule period	Monthly	
Posting day	End Of Period	
System resume option	Walkforward	
Calculate on	Task	
Based on	Observed % Completed	
Posting method	Manual	
Status	active	
Milestones		
	Percent Completed	Percent Recognized
1	100	100

Here is an example of a Milestone Revenue Template based on the Observed % Completed of a Project Task.





Reporting Possibilities



Revenue Recognition in Order Entry Reports

The screenshot displays a software interface with a navigation menu on the left and a main content area. The navigation menu includes items like Dashboards, Budgets, Reports, and Order Entry. The main content area shows a dropdown menu for 'Reports' under the 'Order Entry' section. A red arrow points to the 'Deferred revenue' option in the dropdown menu. The dropdown menu also includes options like Backlog, Customer aging, Item profitability, List reports, Order analysis, Order Entry status, and Recurring transaction. A secondary dropdown menu is visible over the 'Deferred revenue' option, showing 'Details', 'Forecast', and 'Forecast graph'.

Order Entry

Dashboards

Budgets

Prepaid Expense Amortiz...

Reports

Cash Management

Company

General Ledger

Purchasing

Accounts Payable

Accounts Receivable

Grants

Order Entry

All Setup Overview

Customers

Items

Transactions

Order

Invoice

Other transaction activity

Post scheduled transactions

Process transactions

Recurring transactions

View transactions

More

Print or email documents

View email log

Revenue recognition

Manage revenue schedules

Reports

Memorized reports

My stored reports

Backlog

Customer aging

Deferred revenue

Item profitability

List reports

Order analysis

Order Entry status

Recurring transaction

Details

Forecast

Forecast graph

Primary Entity

Year To Date

12/31/2014

Actual Period % Var

000.00	(26.82)	3
295.34	5.03	2,1
820.83	7.19	1,7
016.33	0.57	4



Reports Breakout

- **Deferred Revenue Details:**
 - Shows details of customers and transactions for which you have deferred revenue, such as customers' IDs, names, amount deferred, amount recognized, and the gain or loss recognized
- **Deferred Revenue Forecast:**
 - Shows how deferred income is recognized as revenue over time
 - Use report to forecast revenue by time period, account, customer and more

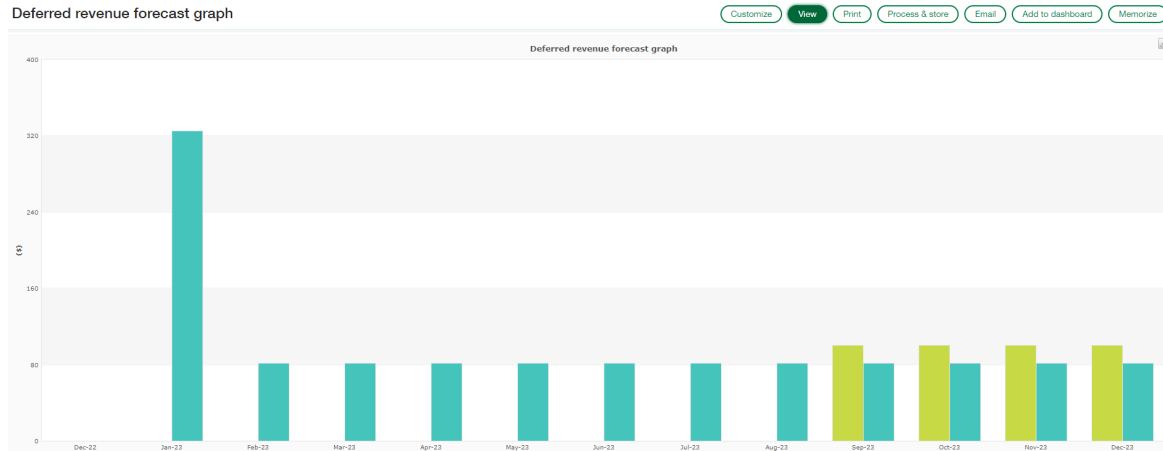
Deferred revenue details report

Customer ID	Customer name	Base amount	Amount deferred	Amount recognized	Amount paid
C-1014	Rural Health Network	1,200.00	100.00	1,100.00	0.00
C-1002	Cynthia DeWinter	1,300.00	975.00	325.00	0.00
C-1019	Skuski Foundation	450,000.00	450,000.00	0.00	0.00
	Grand total	452,500.00	451,075.00	1,425.00	0.00



Reports Breakout

- **Deferred Revenue Forecast Graph:**
 - Illustrates how deferred income is recognized as revenue over time
 - Use any type of graphs available (bar, line, pie, etc.) to visually track deferred income by time period, account customer, and more...
- **Deferred Revenue Revaluation Report: (*not listed in screenshot*)**
 - Available for companies that use multiple transaction currencies and revenue recognition





Demonstration

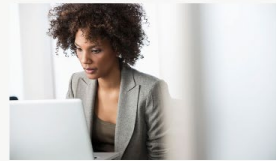


Resources

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

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

- Continue to join our monthly Sage Intacct Webinars
- [2024 Sage Intacct Webinar Series: CLA \(claconnect.com\)](https://blogs.claconnect.com/intacct/2024-sage-intacct-webinar-series-cla)



SAGE | 7/17/2024

Sage Intacct Tips for a Balanced Balance Sheet



SAGE | 6/21/2024

Adding Your Company Brand to Sage Intacct Email Templates



SAGE | 6/7/2024

Sage Intacct for Schools: Data-Driven Decisions with Dashboards



SAGE | 5/16/2024

Sage Intacct's New Bank Transaction Assistant File



SAGE | 5/12/2024

Sage Intacct Bank Feeds: Matching Rules



SAGE | 3/5/2024

Elegant Chart of Account Design Maintenance



Thank you!



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