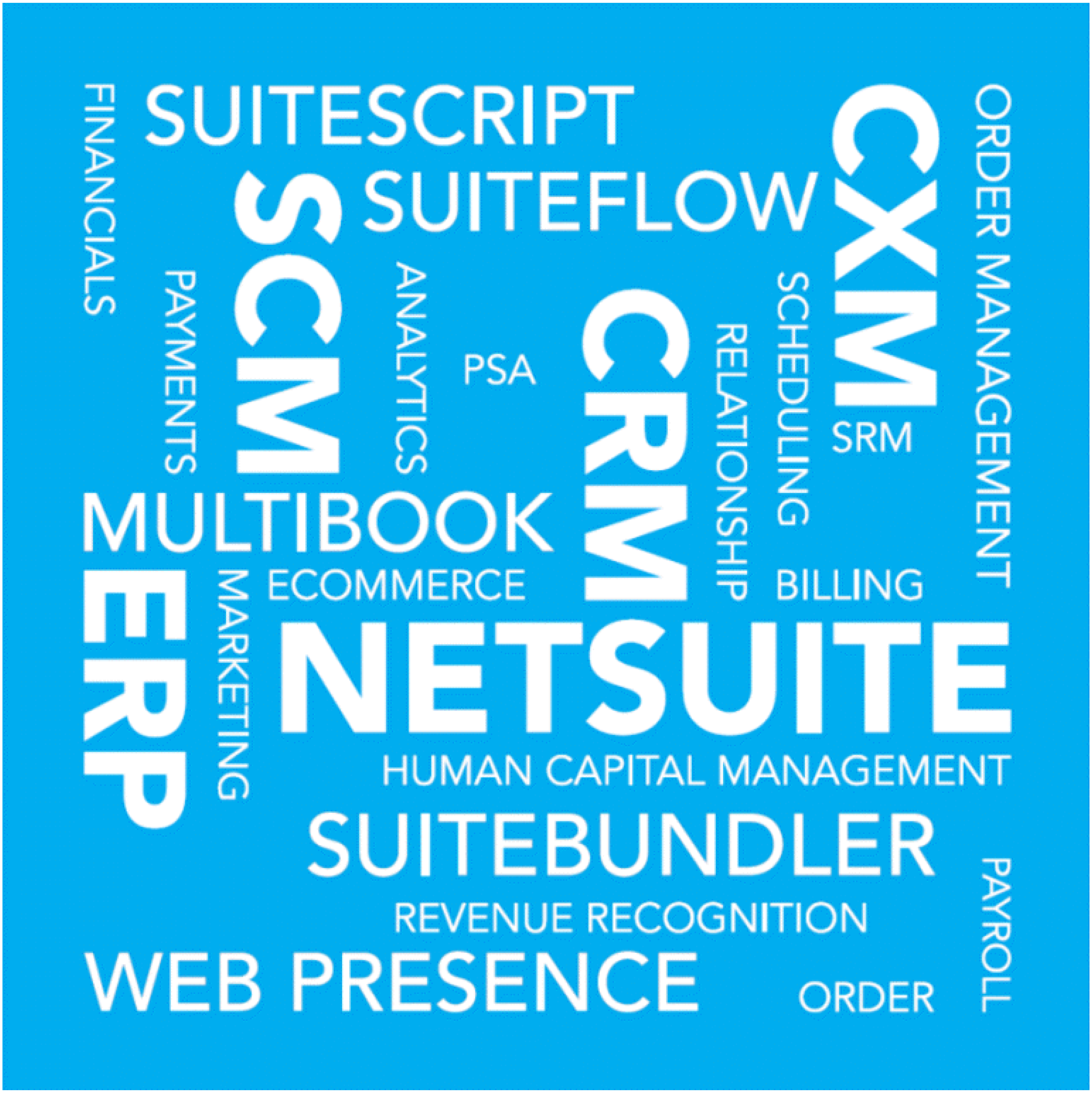
Advanced Revenue Management



April 26, 2017 2016.2

General Notices

Sample Code

NetSuite Inc. may provide sample code in SuiteAnswers, the Help Center, User Guides, or elsewhere through help links. All such sample code is provided "as is" and "as available," for use only with an authorized NetSuite Service account, and is made available as a SuiteCloud Technology subject to the SuiteCloud Terms of Service at www.netsuite.com/tos.

NetSuite may modify or remove sample code at any time without notice.

No Excessive Use of the Service

As the Service is a multi-tenant service offering on shared databases, customers may not use the Service in excess of limits or thresholds that NetSuite considers commercially reasonable for the Service. If NetSuite reasonably concludes that a customer's use is excessive and/or will cause immediate or ongoing performance issues for one or more of NetSuite's other customers, NetSuite may slow down or throttle such customer's excess use until such time that the customer's use stays within reasonable limits. If a customer's particular usage pattern requires a higher limit or threshold, then the customer should procure a subscription to the Service that accommodates a higher limit and/or threshold that more effectively aligns with the customer's actual usage pattern.

Integration with Third Party Applications

NetSuite may make available to Customer certain features designed to interoperate with third party applications. To use such features, Customer may be required to obtain access to such third party applications from their providers, and may be required to grant NetSuite access to Customer's account(s) on such third party applications. NetSuite cannot guarantee the continued availability of such Service features or integration, and may cease providing them without entitling Customer to any refund, credit, or other compensation, if for example and without limitation, the provider of a third party application ceases to make such third party application generally available or available for interoperation with the corresponding Service features or integration in a manner acceptable to NetSuite.

Table of Contents

Advanced Revenue Management

NetSuite offers advanced revenue management features to automate revenue deferral and recognition. These features let you recognize revenue independently from billing customers and receiving payments. These revenue management features are as follows:

- **Advanced Revenue Management**

  This feature automates revenue forecasting, allocation, recognition, reclassification, and auditing through a rule-based event handling framework. It is compliant with the ASC 606 revenue standard.

  With advanced revenue management you can defer revenue for recognition across future periods according to the rules you configure. It supports fair values based on vendor-specific objective evidence (VSOE), best estimate of selling price (ESP), third party evidence (TPE), and other fair value methods your company uses. These fair values are used to determine the revenue allocation ratios for multi-element transactions.

  See Using Advanced Revenue Management.

- **Revenue Recognition Approval Workflow**

  This SuiteApp adds approval workflow to advanced revenue management. It manages the validation and approval routing of revenue arrangements before they are further processed. You can customize the workflow to add and remove features based on your business requirements.

  See Revenue Recognition Approval Workflow.

NetSuite offered different revenue recognition features in the past. These features are still supported for customers who have previously enabled them. For information about the previous revenue recognition features, see Legacy Revenue Recognition.

Using Advanced Revenue Management

Advanced revenue management automates revenue forecasting, allocation, recognition, reclassification, and auditing through a rule-based event handling framework. It is compliant with the ASC 606 revenue standard.

With advanced revenue management you can defer revenue for recognition across future periods according to the rules you configure. It supports fair values based on vendor-specific objective evidence (VSOE), best estimate of selling price (ESP), third party evidence (TPE), and other fair value methods your company uses. These fair values are used to determine the revenue allocation ratios for multi-element transactions.

The following records and transactions are used in advanced revenue management:

- **Revenue arrangements** – Transactions that record the details of customer performance obligations for purposes of revenue allocation and recognition. Advanced revenue management automatically creates revenue arrangements from predefined revenue sources, such as approved sales transactions. The arrangements from multiple revenue sources can be consolidated.
- **Revenue elements** – Records that correspond to individual lines in a source. Revenue elements are attached as lines on a revenue arrangement.
- **Revenue recognition rules** – Records that define patterns for revenue recognition. They include, for example, the recognition method, amount source, and start and end date sources.
- **Revenue recognition plans** – Records that indicate the posting periods in which revenue should be recognized and the amount to be recognized in each period. Revenue plans are derived from revenue recognition rules. Each revenue element has a forecast plan and one or more actual plans. The actual revenue plans control the posting of revenue.
- **Fair value price list** – List of the records that define the fair value for items. Fair value price is used to allocate revenue in revenue arrangements.

Information for using advanced revenue management is included in the following topics:

- Setting Up Advanced Revenue Management
- Revenue Management Roles and Permissions
- Creating Revenue Recognition Rules
- Configuring Items for Advanced Revenue Management
- Managing Revenue Arrangements
- Working with Revenue Recognition Plans
- Managing Revenue Allocation
- Using Advanced Revenue Management for Projects
- Advanced Revenue Management and Multi-Book Accounting
- Month-End Revenue Processing
- Reports for Advanced Revenue Management

Unless the Administrator role is required for a task, navigation paths for procedures in this guide are for the Revenue Manager role. For more information, see Revenue Management Roles and Permissions.

Setting Up Advanced Revenue Management

The Accounting Periods feature must be enabled as a prerequisite for advanced revenue management. For more information, see the help topic Working with Accounting Periods.

See the following topics to set up the Advanced Revenue Management feature.

- Enabling the Advanced Revenue Management Feature
- Adding Item Revenue Categories
- Setting Up Fair Value
- Adding Revenue Allocation Groups
- Mapping Revenue Recognition Fields
- Setting Advanced Revenue Management Preferences
- Revenue Arrangement Approval Routing

Enabling the Advanced Revenue Management Feature

When you enable advanced revenue management, NetSuite automatically adds the following system accounts:

- Deferred Revenue
- Deferred Revenue Clearing
- Unbilled Receivable (already exists if you have enabled the Revenue Commitments feature)
- Revenue Arrangement (a non-posting account)

When advanced revenue management is enabled, revenue for all items is deferred until revenue recognition journal entries are created. Item records use the system–generated deferred revenue account and the Default Standard revenue recognition rule by default. You must select a value for the Create Revenue Plans On field on the item record to finish item configuration for advanced revenue management. For more information, see the following topics:

- Creating Revenue Recognition Rules
- Configuring Items for Advanced Revenue Management
- Generating Advanced Revenue Recognition Journal Entries

The NetSuite order-to-revenue workflow begins with the sales order or invoice, and specifically includes these transactions: sales order, invoice, cash sale, return authorization, credit memo, and cash refund. If you have been using legacy revenue recognition features, any order-to-revenue workflows that began before advanced revenue management was enabled will continue to use the legacy revenue recognition features. Any new order-to-revenue workflows, including new sales orders generated from quotes that were created before advanced revenue management was enabled, will use advanced revenue management. The legacy revenue recognition features are as follows:

- Revenue Recognition
- Revenue Commitments
- VSOE
- EITF 08-01 Revenue Recognition SuiteApp
- Sales Order Revenue Forecasting

To use advanced revenue management, the Accounting Periods feature must be enabled because accounting periods are used for revenue recognition plans.

> **Important:** When you enable the Advanced Revenue Management feature, it cannot be disabled.

To enable advanced revenue management:

1. Go to Setup > Company > Setup Tasks > Enable Features.

2. Click the **Accounting** subtab and check **Advanced Revenue Management**.
3. Make sure that **Accounting Periods** is also checked.
4. Click **Save**.

Adding Item Revenue Categories

Item revenue category is a classification for items that have similar characteristics and revenue allocation requirements.

You can select an item revenue category when you are setting up a fair value price list instead of selecting individual items. For information, see Creating the Fair Value Price List.

To create an item revenue category:

1. Go to Revenue > Setup > Item Revenue Categories > New.
2. Enter a **Name** for the category.

   This name appears in lists. Use unique, descriptive names, but keep them short so they can be read in the lists. For example, if you want two license categories, use names such as **License-Perpetual** and **License-Term**.
3. Complete the following optional fields. All fields are displayed in the Item Revenue Categories list.
   - **Description** – Use this field to provide a longer description than is practical for the name.
   - **Fair Value Formula** – The option you select here becomes the default for fair value price records created for this item revenue category and for items included in this category. To add options to the list, see Adding Fair Value Formulas.
   - **Fair Value Range Checking Policy** – This dropdown list is visible only when the **Enable Fair Value Range Checking** accounting preference is checked. The option you select here becomes the default for fair value price records created for this item revenue category and for items included in this category.

     The options are:
     - **Boundary** – If the discounted sales amount is between the high and low values of the range, it is used as the calculated fair value amount. If it is outside the range, either the high or low value is used, whichever is closer to the discounted sales amount.
     - **Fair Value** – If the discounted sales amount is outside the range, the base fair value is used as the calculated fair value amount.
     - **High** – If the discounted sales amount is outside the range, the high value is used.
     - **Low** – If the discounted sales amount is outside the range, the low value is used.
4. Click **Save** or **Save & New**.

Setting Up Fair Value

You can assign fair values to items and item revenue categories by setting up a fair value price list. To complete the fair value price list, you must have fair value formulas. You may also add dimensions to the fair value price list.

Complete the following procedures to set up your fair value rules.

- Adding Fair Value Formulas
- Adding Fair Value Dimensions
- Creating the Fair Value Price List

Adding Fair Value Formulas

Fair value formulas are used in the fair value price list and on item revenue category records. The formulas appear in a dropdown list on those records. This is the page where you set up the formulas that appear as options on the lists.

The formulas use field values from the revenue arrangement body and from the revenue element lines. You can select properly formatted fields from the Field dropdown list in the formula assistant or type them directly in the Fair Value Formula field. The proper formats are as follows:

Field	Format
Base Fair Value	{fairvalue}
Calculated Fair Value Amount	{calculatedamount}
Discounted Sales Amount	{discountedamount}
Exchange Rate	{exchangerate}
Quantity	{quantity}
Revenue Amount	{allocationamount}
Sales Amount	{amount}
Total Carve-out	{totalallocationamount}
Total Revenue Amount	{totalrevenueamount}
Transaction Total	{totalsellingamount}

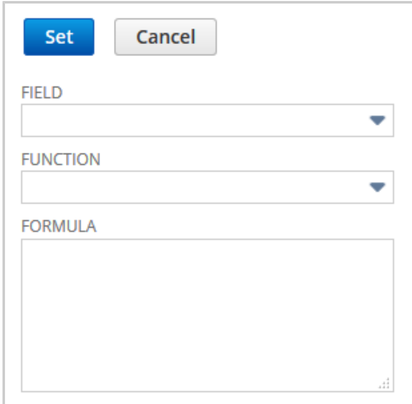
Custom fields for revenue elements are also included in the dropdown list if they are of types Currency, Decimal Number, Integer Number, or Percent.

Fair value formulas use symbols for the basic operators multiply, divide, add, and subtract. Other supported functions are listed in the Function list in the popup formula assistant. Supported functions include ABS, which is useful for determining and using the absolute value. For example, to get a negative calculated fair value for a return authorization, you might use {discountedamount}/ABS({discountedamount}). For syntax and descriptions of the supported functions, see the help topic Numeric Functions.

To add a fair value formula:

1. Go to Revenue > Setup > Fair Value Formula > New.
2. Enter a **Name** for the formula.

   This name appears in lists. Use unique, descriptive names, but keep them short so they can be read in the lists.
3. Enter an optional **Description**.
4. Move the pointer to the right of the **Fair Value Formula** field to display the Set Formula icon, and click the icon to open a popup window where you can build the formula.



You can type directly in the **Fair Value Formula** field.

5. Select values from the **Field** and **Function** lists to add them to the **Formula** field using the proper syntax.

   You can type directly in the **Formula** field.
6. Click **Set** to accept the value in the **Formula** field and close the window.
7. Edit the value in the **Fair Value Formula** field as needed.
8. Click **Save** or **Save & New**.

After you save the fair value formula, you can copy it to create similar formulas as needed.

To copy a fair value formula:

1. Go to Revenue > Setup > Fair Value Formulas.
2. Click **View** next to the formula you want to copy.
3. On the Fair Value Formula page, select **Make Copy** from the **Actions** menu.

   A copy of the fair value formula record opens in edit mode.
4. Make the changes you want for the new formula, and click **Save**.

Using GroupSum

The functions available for fair value formulas include a special GroupSum function to handle complex percentage-based fair value calculations. The format for the function is GroupSum([revenueallocationgroup,] expr).

If you do not specify a revenue allocation group, the group to which the item in the revenue element belongs is used. If you specify a revenue allocation group that no item in the arrangement belongs to, the allocation results in an error. For more information, see Adding Revenue Allocation Groups.

The **expr** is an expression. It may be another formula or a simple field reference.

During calculation of fair value, the reference ID for the revenue element is implicitly included when the group is determined. This reference ID defaults to the internal ID of the source. Items with different reference ID values are not included in the same GroupSum calculation.

For example, the fair value of a maintenance item in a contract is 5% of the discounted sales price of some other items included in the contract. The items upon which the percentage is based have the same revenue allocation group.

A sales order is created and approved to represent the contract.

- Maintenance is included at a nominal price in the sales order.

- The revenue allocation group for the hardware and software is appliance.
- The fair value formula for the maintenance item is 0.5*GroupSum(appliance, {discountedamount}).

The revenue arrangement created from the sales order includes the following values.

Item	Revenue Allocation Group	Reference ID	Discounted Sales Amount	Calculated Fair Value Amount	Revenue Amount
Hardware	appliance	1020	2,400	2,400	1,647.06
Software	appliance	1020	1,000	1,000	686.27
Maintenance		1020	100	1,700	1,166.67

The revenue amounts are the amounts allocated to each revenue element in the revenue arrangement. For more information, see Understanding Fair Value and Allocation.

Adding Fair Value Dimensions

Fair value dimensions are fields that you add to the fair value price record. For example, if you add a fair value dimension for subsidiary, a subsidiary field appears on the fair value price record. The dimensions you add appear in the Fair Value Dimension group on the fair value price record but are not included as columns in the fair value price list.

The fair value dimensions may be custom segments. The custom fields may be automatically populated in the revenue arrangement using revenue recognition field mapping. For more information, see Mapping Revenue Recognition Fields.

To add fair value dimensions:

1. Administrators: Go to Setup > Accounting > Fair Value Dimensions in the Revenue group.

   Revenue Managers: Go to Revenue > Setup > Fair Value Dimensions.
2. Select a dimension from the **Field** list, and type a **Description**.
3. Select additional fields and type descriptions as desired.

   You may use each field only one time. The maximum number of dimensions is 10.
4. Click **Save**.

Logic for Fair Value Price Selection with Fair Value Dimensions

When fair value dimensions are used on a fair value price record, the values you can select include - Any - and - Unassigned -. These values are in addition to specific values for the dimension. When you select - Any - as the dimension value, the fair value price applies to all items regardless of their dimension value unless another fair value price matches the dimension exactly. - Unassigned - equates to null, and when selected, the fair value price applies to items with no value selected for the dimension.

For example, if you add a fair value dimension for Location and your account includes the locations Americas, EMEA, and Asia, the values for Location on the fair value price record are:

- - Any -
- - Unassigned -
- Americas
- Asia
- EMEA

You add Location as a fair value dimension and set up three fair value price records for an item as follows:

Record	Item	Base Fair Value	Currency	Fair Value Formula	Location
1	Service	300	USD	{FAIRVALUE}*0.8	Americas
2	Service	400	USD	{FAIRVALUE}*0.8	- Any -
3	Service	500	USD	{FAIRVALUE}*0.8	- Unassigned -

The service item is included in various transactions with different locations. The fair value price list logic selects fair value prices for the locations as follows:

Location	Fair Value Record
Americas	1
Asia	2
EMEA	2
no value	3

If no fair value price record had been created with a Location value of - Unassigned -, the results would be different. In that case, the revenue element with no value for its location would also use fair value record 2.

Creating the Fair Value Price List

The fair value price list enables you to create different fair value rules for different items and item revenue categories. To create the list, you add fair value price records. The fair values for items are used to allocate revenue in revenue arrangements.

You can edit fair value prices after you add them. Any changes you make apply to new customer performance obligations only. They do not affect existing revenue arrangements.

Note: You can import your fair value price list. For more instructions and an example of the file structure, see the help topic Fair Value Price CSV Import.

To add a fair value price record:

1. Go to Revenue > Setup > Fair Value Price Lists > New.
2. Select an **Item** or **Item Revenue Category** from the lists.
   - If you select an **Item** that belongs to a category, the **Item Revenue Category** field is automatically populated.
   - If you select an **Item Revenue Category**, you can leave **Item** blank. For more information, see Adding Item Revenue Categories.
3. In **Base Fair Value**, enter the base fair value for the item. This value is used for range checking.
4. Select an option from the **Currency** list. This field is available only when the Multiple Currencies feature is enabled. The fair value for other currencies is derived using the transaction exchange rate.
5. Select an option from the **Fair Value Formula** list. If the **Item Revenue Category** you select includes a **Fair Value Formula**, that value is selected by default. To add formulas to the list, see Adding Fair Value Formulas.
6. Enter the following optional values as appropriate:

- **Subsidiary** – This list is available only on OneWorld accounts.
- **Accounting Book** – This dropdown list is available only when the Multi-Book Accounting feature is enabled.
- **Source Type** – This dropdown list enables you to create fair value prices that are specific to the type of revenue source. By default, the fair value price applies to any source that matches the other criteria.
- **Customer:Project** – This list enables you to create fair value prices that are specific to a customer or project. By default, the fair value price applies to any customer or project that matches the other criteria.
- **Fair Value Range Checking Policy** – This dropdown list and its related fields are visible only when the **Enable Fair Value Range Checking** accounting preference is checked. The fair value range checking policy compares the discounted sales price of an item with the calculated fair value and determines what to use as the calculated fair value in the allocation ratio. If the **Item Revenue Category** you select includes a **Fair Value Range Checking Policy**, that value is selected by default.

  When you select a **Fair Value Range Checking Policy**, the following additional fields are required regardless of the option you select:

  - **Low Value Percent** – Enter a percent of the base fair value to set the low end of the range. A percent sign is not required. The **Low Value** is automatically calculated.
  - **High Value Percent** – Enter a percent of the base fair value to set the high end of the range. A percent sign is not required. The **High Value** is automatically calculated.

  The options for **Fair Value Range Checking Policy** are:

  - **Boundary** – If the discounted sales amount is between the high and low values of the range, it is used as the calculated fair value amount. If it is outside the range, either the high or low value is used, whichever is closer to the discounted sales amount.
  - **Fair Value** – If the discounted sales amount is outside the range, the calculated fair value is used as fair value.
  - **High** – If the discounted sales amount is outside the range, the high value is used.
  - **Low** – If the discounted sales amount is outside the range, the low value is used.
- **Units Type** – This list is available only when the Multiple Units of Measure feature is enabled.
- **Is VSOE Price?** – Check this box to indicate that the fair value is VSOE. If this box is not checked, the fair value is considered an estimate. The value of this field, whether checked or not, is passed to the revenue element. This field is not a dimension for purposes of the fair value lookup.
- **Start Date** and **End Date** – These fields enable you to set up fair value prices for future use. When a revenue arrangement is created, its date is checked against these dates.
- **Fair Value Dimension** – When you add fair value dimensions, they appear in a Fair Value Dimension group below the Primary Information. Each dimension list includes the following values in addition to the dimension values for the account:

  - **- Any -** – When you select this value, the fair value price may apply to all items regardless of their dimension value. This is the default. If another fair value price matches the dimension value exactly, that fair value price is used.
  - **- Unassigned -** – When you select this value, the fair value price applies only to items that do not have a value selected for the dimension.

  For more information, see Logic for Fair Value Price Selection with Fair Value Dimensions.

7. Click **Save** or **Save & New**.

After you save the fair value price record, you can copy it to create similar fair value prices as needed.

To copy a fair value price:

1. Go to Revenue > Setup > Fair Value Price Lists.
2. Click **View** next to the fair value price you want to copy.
3. On the Fair Value Price page, select **Make Copy** from the **Actions** menu.

   A copy of the fair value price record opens in edit mode.
4. Make the changes you want for the new fair value price, and click **Save**.

Adding Revenue Allocation Groups

The revenue allocation group value is used in the GroupSum function in fair value formulas. See Using GroupSum.

The item record has a field on the Revenue Recognition / Amortization subtab where you can set the default revenue allocation group. For more information, see Configuring Items for Advanced Revenue Management. The revenue allocation group you select on the item record can be changed on the revenue element in the revenue arrangement.

The values for the revenue allocation group list are derived from an accounting list that you configure during setup.

To add revenue allocation group values:

1. Go to Revenue > Setup > Revenue Allocation Groups > New to open the Revenue Allocation Group page.

   If you are using the Administrator role:

   - Go to Setup > Accounting > Accounting Lists > New.
   - Click the **Revenue Allocation Group** link to open the page.
2. Enter a value in the **Revenue Allocation Group** field. This field allows letters, numbers, and underscore characters only. Do not include spaces or other special characters.
3. Click **Save** or **Save & New**.

Mapping Revenue Recognition Fields

With advanced revenue management you can map custom and standard fields from source records to custom, and some standard, transaction column fields in revenue arrangements. Both body and column fields on the source can be mapped, but only column fields are supported for the target revenue arrangement. You can map the same source field to multiple target fields. However, each target field can have only one source field mapped to it.

The values of mapped fields are copied from the source when the revenue arrangement is created. Changes in the source fields after revenue arrangement creation must be updated manually in the revenue arrangement.

The following standard transaction column fields in the revenue arrangement are available as the Target Field. Not all of the target fields are available for mapping from standard fields. The source field type for these target fields is noted as custom in this table.

Target Field	Source Field Type
Start Date	date
End Date	date

Target Field	Source Field Type
Forecast Start Date	date
Forecast End Date	date
Reference ID	free-form text
Create Revenue Plans On	custom list/record
Revenue Allocation Group	custom list/record
Term in Months	custom integer number
Term in Days	custom integer number
Alternate Quantity	decimal number

When the source and the target revenue arrangement form include the same custom column fields, mapping is not required. If you add a mapping rule that uses a different source field for the target, the mapping rule you add overrides the default mapping.

Note: Be sure to clear the **Revenue Arrangement** box in the **Applies To** subtab for any custom field that should not be included in revenue arrangements.

The following source transaction form types are supported:

- Sales Order
- Invoice
- Cash Sale
- Return Authorization
- Credit Memo
- Cash Refund
- Journal

When the Project Management and Charge-Based Billing features are enabled, the Project Revenue Rule is also a Source Record Type. For information about project revenue rules, see the help topic Project Revenue Recognition.

Revenue recognition field mapping can be performed by those with the Administrator, Revenue Manager, or Revenue Accountant role. You can add the list permission Revenue Recognition Field Mapping to custom roles to grant access to the page.

To map revenue recognition fields:

1. Create custom transaction body fields and custom transaction column fields as needed. If you are unfamiliar with customizing NetSuite, see the help topics SuiteBuilder Overview and the other SuiteBuilder help topics.
2. If you created custom source body or column fields, create custom source transaction forms, and add the custom body and column fields as needed.
3. Administrators: Go to Setup > Accounting > Revenue Field Mapping in the Revenue group to open the Revenue Recognition Field Mapping page.

   Revenue Managers: Go to Revenue > Setup > Revenue Field Mapping.

   Use this page to create a list of field mapping by completing the following fields:

   - **Source Record Type** – Select a record type for the source.
   - **Source Field** – Select a field from the list.

- **Target Field** – Select a field from the list. Custom and standard column fields used on custom revenue arrangement forms are included in the list.
- **Description** – Add an optional description. For example, you might identify the source form for ease of reference.

4. Click **Add** for each mapping row. You can add as many fields as you like.

   You can map the same source field to multiple target fields.
5. Click **Save** when you finish. To delete your mappings, click **Reset**.
6. Set the accounting preference to use the custom revenue arrangement form that contains your target fields:
   a. Go to Setup > Accounting > Accounting Preferences.
   b. Click the **General** subtab, and scroll to the Revenue Recognition group of the preferences.
   c. Select your custom form from the **Default Revenue Arrangement Form** list.
   d. Click **Save**.

System notes are not available for Revenue Recognition Field Mapping page.

If you change the mapping for revenue recognition fields, be sure to update any records, such as fair value dimensions, formulas, and prices that may depend on the previous mapping.

Setting Advanced Revenue Management Preferences

Advanced revenue management includes many preferences that enable you to configure the way revenue is recognized in your account.

To set revenue recognition accounting preferences:

1. Go to Setup > Accounting > Accounting Preferences.
2. Click the **General** subtab, and scroll to the Revenue Recognition group of the preferences.

   The **Default Deferred Revenue Account** preference is on the **Items/Transactions** subtab.
3. Set preferences as desired, and click **Save**.

The following accounting preferences are available with the Advanced Revenue Management feature. If you are using other revenue and expense recognition features, other accounting preferences may be available. For more information about accounting preferences, see the help topic Setting Accounting Preferences.

Revenue Recognition

- **Create Revenue Recognition Journals in GL** – Provides a choice for posting revenue recognition and reclassification journal entries:
  - **Detail** – One detailed journal entry is created for all plans selected for revenue recognition posting and one to three entries for reclassification journal entry creation. The journal entries include separate lines for each plan, and each line posts separately in the general ledger.
  - **Summary** – Revenue recognition and reclassification are summarized for posting. The summaries are based on matching attributes. For details, see the help topics Using Summarized Revenue Recognition Journal Entries and Summarized Reclassification Journal Entries.
- **Default Revenue Recognition Journal Date to** – Select the default transaction date of revenue recognition journal entries when you open the Create Revenue Recognition Journal Entries page.
  - **Last Day of Period** – The date defaults to the last day of the period you select in the Posting period field.

- **Current Date** – The date defaults to the current date.
- **Default Deferred Revenue Reclassification Account** – Arrangement-level and group-level unbilled receivable adjustments require a deferred revenue account for reclassification purposes. Select a default account when the Unbilled Receivable Adjustment Journal Grouping preference is set to Arrangement or Sub-Arrangement Group to avoid errors in the month-end reclassification. You can also set a reclassification account in the Financial subtab of the customer record. The account set on the customer record overrides the system default.
- **Unbilled Receivable Adjustment Journal Grouping** – Select the grouping for reclassification of unbilled receivables. This accounting preference is book specific. When multi-book accounting is enabled, it appears on the accounting book record instead of the Accounting Preferences page. The options are as follows:
  - **Element** – The unbilled receivable adjustment is calculated for each revenue element. This is the default.
  - **Arrangement** – The unbilled receivable adjustment is calculated for the revenue arrangement as a whole. Arrangement level adjustments to deferred revenue are posted to the deferred revenue account specified by the accounting preference Default Deferred Revenue Reclassification Account.
  - **Sub-Arrangement Group** – The unbilled receivable adjustment is calculated for a group of revenue elements in an arrangement. The group is identified by the value of the Unbilled Receivable Group field on the revenue element. Revenue elements within the arrangement that have the same unbilled receivable group value are calculated together.

  For details, see Groupings for Unbilled Receivable Adjustment Journal Entries.
- **Use Sales Price as Fair Value** – When this box is checked, if a matching record is not found in the fair value price list, the allocation uses the sales price as the fair value. When the sales price is used as the fair value, the value of Is VSOE defaults to Yes in the revenue element. If the box is not checked, you receive an error message and must either define the fair value for the item or check the box for this preference.
- **Revenue Arrangement Update Frequency** – Select how revenue arrangements are synchronized with sales transactions.
  - When the **Manual** option is selected, go to Financial > Other Transactions > Update Revenue Arrangements and Revenue Recognition Plans, and click **Update Revenue Arrangements** to update revenue arrangements. For additional information, see Updating Revenue Arrangements.
  - When you select **Automatic**, the system updates revenue arrangements every 3 hours.
- **Revenue Plan Update Frequency** – Select how revenue recognition plans are synchronized with revenue arrangements.
  - When the **Manual** option is selected, you must click **Update Revenue Plans** on the revenue arrangement record or go to Financial > Other Transactions > Update Revenue Arrangements and Revenue Recognition Plans, and click **Update Revenue Plans** to update multiple revenue recognition plans. For additional information, see Updating Revenue Recognition Plans.
  - When you select **Automatic**, the system updates revenue plans every 3 hours.
- **Default Standard Revenue Recognition Rule** – Select the revenue recognition rule to use by default for items.
- **Default Catch Up Period** – Select the catch up period to use by default when an actual revenue plan that has been on hold resumes. When the hold is removed, this is the value that appears in the **Catch Up Period** field. You can change the value by editing the plan. The options for the default are as follows:
  - **Blank** – You must set the **Catch Up Period** on the revenue plan.
  - **Current Period** – This is the default for this accounting preference.
  - **First Open Period** – The accounts payable close determines whether a period is closed.

- **Enable Contingent Revenue Handling** – Check this box to enable contingent revenue handling. When enabled, fields are added to item records and revenue elements for contingent revenue. This is a book-level preference. When Multi-Book Accounting is enabled, this preference appears on the accounting book record, not on the Accounting Preferences page. For more information, see Working with Contingent Revenue Handling.
- **Number of Short-Term Revenue Periods** – Enter the number of short-term revenue periods to include in the Deferred Revenue Waterfall report. Integers from 0 through 52 inclusive are valid values. The default is 12.
- **Enable Fair Value Range Checking** – When this box is checked, the Fair Value Range Checking Policy dropdown list and its dependent fields are added to the fair value price record. The Fair Value Range Checking Policy is also added to the item revenue category record. This preference is checked by default. For more information, see Creating the Fair Value Price List.
- **Default Revenue Arrangement Form** – Select the system form to use for revenue arrangements. The options are **Standard Revenue Arrangement** plus any custom forms created during implementation.
- **Default Revenue Recognition Journal Entry Form** – Select the journal entry form to use for revenue recognition journal entries. The options are Standard Journal Entry plus any custom journal entry forms created during implementation.
- **Default Reclassification Journal Entry Form** – Select the journal entry form to use for deferred revenue reclassification journal entries. The options are Standard Journal Entry plus any custom journal entry forms created during implementation.
- **Create and Maintain Revenue Element upon Closed Order** – This preference is checked by default. When you close a sales order or a line on an order after the revenue element has been created, NetSuite does not update the revenue element. You must create a journal entry to correct the deferred revenue.

  > For example, create a sales order for 10 units of an item. After you fulfill and bill 5 units, the item is discontinued. You close the item line on the sales order, and the revenue element is not updated if this preference is checked.

  Clear this preference to enable the system to update the revenue element in the previous example. The quantity on the revenue element is adjusted and all amounts are updated. In multi-element arrangements, the revenue is reallocated.
- **Enable Advanced Cost Amortization** – Check this box to enable the accrual and amortization of eligible sales costs associated with the contract. When the box is checked, you record eligible sales costs on the revenue arrangement and revenue element. Amortization of these costs is tracked on the revenue recognition plan.

  When **Enable Advanced Cost Amortization** is checked, you must select a **Contract Acquisition Expense Account** and a **Contract Acquisition Deferred Expense Account**.

  For more information, see Using Advanced Cost Amortization.

Items/Transactions

- **Default Deferred Revenue Account** – Select the deferred revenue account to use by default for sales transactions. This account appears by default on item records. The default option is the system-generated Deferred Revenue account.

To set revenue recognition accounting preferences:

1. Go to Setup > Accounting > Accounting Preferences.
2. Click the **General** subtab, and scroll to the Revenue Recognition group of the preferences.

   The **Default Deferred Revenue Account** preference is on the **Items/Transactions** subtab.

3. Set preferences as desired, and click **Save**.

Revenue Arrangement Approval Routing

When you use approval routing, revenue recognition and reclassification journal entries cannot be generated until the revenue arrangement is approved. There are three ways to incorporate approval routing into revenue recognition processing:

- **Approval Routing feature** – This option is the most basic. When you use this option, two fields are added to the revenue arrangement:
  - **Approval Status** – The default is Pending Approval. The other options are Approved and Rejected. By default, all users who can edit revenue arrangements can change the approval status.
  - **Next Approver** – By default, this field is blank. Users who can edit revenue arrangements can select any user in the system as the next approver.
- **Revenue Recognition Approval Workflow SuiteApp** – The Revenue Recognition Approval Workflow is a managed SuiteApp that is available to all users of the Advanced Revenue Management feature. It manages the validation and approval routing of revenue arrangements. For information, see Revenue Recognition Approval Workflow.
- Custom SuiteFlow workflows – You can create a custom workflow using SuiteFlow to manage approval routing for revenue arrangements in your account. For information, see the help topic SuiteFlow Overview.

All three approval routing options require the following features and accounting preference:

- **Features** – Go to Setup > Company > Enable Features.
  - On the **Accounting** subtab, check the **Advanced Revenue Management** box.
  - On the **Employees** subtab, check the **Approval Routing** box.
- **Accounting preference** – Go to Setup > Accounting > Accounting Preferences. On the **Approval Routing** subtab, check the **Revenue Arrangements** box.

Transition to the New Revenue Recognition Standard

The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) announced new standards for revenue recognition in May 2014. The new standard is called Revenue from Contracts with Customers. The FASB refers to the standard as ASC 606, and IASB calls it IFRS 15. Advanced revenue management supports both existing standards and the new standard.

NetSuite uses a cut-off date to define when the transition from current standards to the new standard occurs. The cut-off date affects processing of revenue arrangements as follows:

Revenue Arrangement	Treatment
Completed before the cut-off date	Processed purely under the existing standards
Generated after the cut-off date	Processed purely under the new standard
Generated before the cut-off date but not completed (open revenue transactions)	▪ Processed under the existing standards prior to the cut-off date ▪ Processed under the new standard after the cut-off date ▪ Create a one-time adjustment for the transition from the existing standard to the new standard

A revenue arrangement is considered open if it includes a revenue element whose revenue has not been fully recognized by the cut-off date. An open revenue arrangement may include other revenue elements for which all revenue has already been recognized. These closed revenue elements must be reprocessed under the new standard with the rest of the revenue arrangement.

NetSuite recommends that you work with your revenue accountant to determine what changes are required for your business to meet the ASC 606/IFRS 15 standard. The following are some of the changes you may make:

Use Case	Reconfiguration
Start using revenue allocation	To add revenue allocation, set up the fair value price list.
Stop using the residual method for revenue allocation	Change the Allocation Type on the item record to Normal. If you use multi-book accounting, you can clear the Enable Two Step Revenue Allocation box on the accounting book record.
Use a different fair value definition	Define new fair value records with the cut-off date as the Start Date. Set the End Date for current fair value records to the day before the cut-off date.
Use different revenue recognition rules	Create new revenue recognition rules. Select different revenue recognition rules on the item records.
Use different triggers to create revenue plans	Select different values for the Create Revenue Plans On field on item records.
Use a different grouping for revenue reclassification	Change the option for the accounting preference Unbilled Receivable Adjustment Journal Grouping from Element to Sub-Arrangement Group or from Sub-Arrangement Group to Arrangement.

The recommended steps to convert to the new standard are as follows:

1	Current Standard	Revenue arrangements are processed according to the current standard.
2	Transition Period	(Optional – requires Multi-Book Accounting) Set up a secondary accounting book with the new standard and begin processing revenue in parallel with both standards.
3	Pause	1. Prior to the cut-off date, change revenue arrangement and revenue plan processing to manual. 2. Process all revenue contracts, including revenue recognition journal entries and reclassification, up to the cut-off date under the current standard.
Cut-Off Date		
4	Reconfiguration	1. Close all accounting periods prior to and including the cut-off date. 2. Reconfigure items and default revenue allocation rules according to the new standard.
5	Adjustment	Migrate open revenue arrangements to the new configuration. This process adds a one-time adjustment to revenue plans for the difference between the current standard and the new standard.

		All revenue arrangements are now processed according to the new standard.
6	New Standard	Change revenue arrangement and revenue plan processing back to automatic. All revenue arrangements are now processed according to the new standard including those arrangements that were migrated.

The tools necessary to convert from existing standards to the new standard are included with advanced revenue management. However, the assistance of NetSuite Professional Services or a qualified NetSuite partner is required to access the Migrate Open Revenue Transactions page. To see how the migration works, see Migrating Open Revenue Transactions.

Migrating Open Revenue Transactions

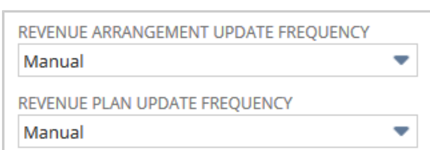
Migrating open revenue transactions is step 5 in the overall transition to the ASC 606/IFRS 15 standard described in Transition to the New Revenue Recognition Standard. When the migration is complete, a one-time adjustment is added to revenue plans in the current period for the difference between the current standard and the new standard. The adjustment posts to the system Retained Earnings account when revenue recognition journal entries are generated for the period.

Note: Contact your NetSuite account representative to request the preference **Enable Migrate Open Revenue Transactions**. The assistance of NetSuite Professional Services or a qualified NetSuite partner is required for the transition process.

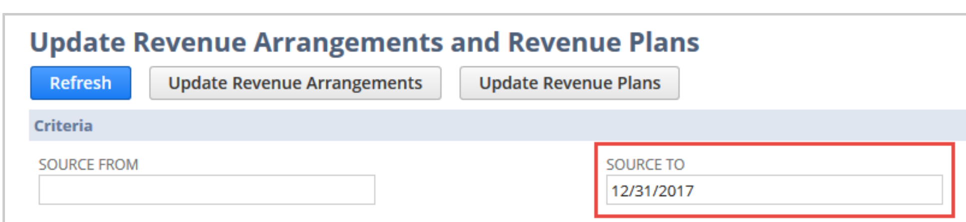
Prerequisites

Before you begin the migration, you must have already completed the following steps:

1. Change revenue arrangement and revenue plan processing to manual in the accounting preferences as shown.



2. Process all revenue contracts, including revenue recognition journal entries and reclassification, up to the cut-off date under the current standard:
   a. Go to Financial > Other Transactions > Update Revenue Arrangements and Revenue Recognition Plans to open the Update Revenue Arrangements and Revenue Plans page.
   b. Change the **Source To** date to the last day of your cut-off period.



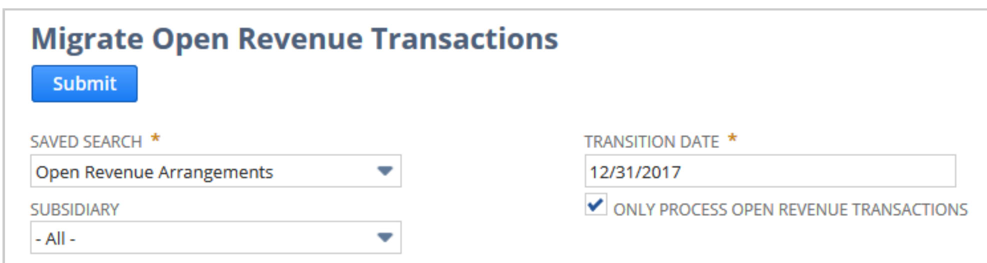
3. Close all accounting periods prior to and including the cut-off date.

4. Reconfigure items and default revenue allocation rules according to the new standard.
5. Create a revenue arrangement saved search that includes all the arrangements you want to migrate. You may use the same saved search as you use to schedule reclassification journal entries. You may include revenue arrangements from more than one accounting book if you are using multi-book accounting. The migration page includes an option to process only open revenue arrangements.

When you have completed the previous steps, you are ready to migrate your open revenue transactions to the new standard. A revenue arrangement is considered open if it includes a revenue element whose revenue has not been fully recognized by the cut-off date. An open revenue arrangement may include other revenue elements for which all revenue has already been recognized.

To migrate open revenue transactions:

1. Go to Transactions > Financial > Migrate Open Revenue Transactions. If this navigation path does not exist in your account, the preference has not been enabled.
2. In the **Saved Search** list, select the revenue arrangement saved search you created for the migration.
3. In the **Transition Date** field, enter or select the last day of your cut-off period.
4. Check the **Only Process Open Revenue Transactions** box. This box is checked by default. If you clear the box, all revenue arrangements in the saved search you select are migrated.
5. In OneWorld accounts, select a **Subsidiary** if you want to migrate one subsidiary at a time.



6. Click **Submit**.

   The Process Status page opens and displays the status of the Migrate Open Revenue Transactions process. Click **Refresh** as needed to update the results.

Revenue Management Roles and Permissions

When you enable the Advanced Revenue Management feature, two roles are added to your account: revenue manager and revenue accountant.

- **Revenue manager** – Defines key revenue recognition configurations and rules, and monitors and analyzes revenue result through various revenue reports
- **Revenue accountant** – Processes daily revenue transactions, revenue recognition plans, and journal entries

The specific permissions are configurable, but by default both roles include full permission for revenue recognition processing. Neither includes the Journal Approval permission that is required to approve journal entries when the accounting preference Require Approvals on Journal Entries is selected. For information on customizing roles and setting role permissions, see the help topic Customizing or Creating NetSuite Roles.

The revenue manager role includes some permissions for setup and customization that the revenue accountant does not have. Enabling the feature and setting accounting preferences require administrative permissions, but other setup can be performed by the revenue manager.

The revenue manager and revenue accountant roles use the Accounting Center. When advanced revenue management is enabled, a Revenue tab is added to the Accounting Center to facilitate navigation. For more information, see Using the Revenue Tab.

Changes to revenue recognition records are tracked and the user who made the change is recorded. For more information, see Tracking Changes in Revenue Recognition Records.

Using the Revenue Tab

Advanced revenue management adds a Revenue tab to the Accounting Center. This tab includes navigational links to functions specific to revenue management. This tab is designed for revenue managers and revenue accountants, but it is available to all roles that use the Accounting Center.

Hover over the Revenue tab to reveal the menu links, or click the tab to open the Revenue dashboard. The Revenue dashboard includes these portlets:

- **Revenue Links** – All of the menu links for the Revenue tab are also included in this link portlet.
- **Reminders** – Reminders for Revenue Arrangements Pending Approval, Revenue Arrangements Not Compliant, and Revenue Recognition Plans On Hold are set up by default.
- **Key Performance Indicators** – Key performance indicators for Deferred Revenue and Revenue are set up by default.
- **Revenue Arrangements Pending Approval** – This is a custom search portlet. When you use the Revenue Recognition Approval Workflow SuiteApp, it lists revenue arrangements whose status is Pending Approval.
- **Revenue Recognition Errors** – This is a custom search portlet. It lists errors for various revenue management processes such as allocation, journal entry creation, deferred revenue reclassification, and revenue arrangement, element, and plan creation. This is only a partial list.

To make the Revenue page your landing page:

1. Go to Home > Set Preferences to open the Set Preferences page.
2. Click the **Appearance** subtab and locate the Centers & Dashboards group.
3. From the **Landing Page** list, select **Revenue**.
4. Click **Save**.

For information about dashboards and portlets and how you can use them, see the help topics Dashboards Overview and Personalizing Dashboards.

Tracking Changes in Revenue Recognition Records

Changes in advanced revenue management records are captured for reference. Users who can view the records can also view the change information. The location of the change information varies for the different record types.

Revenue Arrangements

Revenue arrangements have the standard System Information subtab with a System Notes subtab for changes that the revenue arrangement as a whole. Changes that appear in the system notes include record creation, updates to values in the transaction form, and processes such as allocation. Revenue arrangements have no general ledger impact. For more information about system notes, see the help topic Viewing Transaction System Notes.

The Revenue Element subtab of the revenue arrangement includes a Revenue Arrangement Version subtab. This subtab displays a list of previous versions with the date of the change and the user who made the change. The version number is a link to a page that lists the revenue elements of the previous version. The list includes the following information for each element:

- Revenue element number
- Sales amount
- Discounted sales amount
- Base fair value
- Calculated fair value amount
- Revenue amount

The revenue element number in this list is a link to the revenue element record, which has its own System Notes subtab.

Revenue Elements and Revenue Recognition Rules

Revenue element and revenue recognition rule records include a System Notes subtab. This subtab contains a list of changes similar to the transaction system notes. The columns displayed in the list can be customized, but by default, they include the following:

- Date
- Set By
- Context
- Type
- Field
- Old Value
- New Value

Revenue Recognition Plans

The System Notes subtab for revenue recognition plans records changes in the plan as a whole including processes and edits to fields in the plan form. The default view includes the same columns as the revenue element system notes.

The Planned Revenue subtab of the revenue recognition plan includes a Previous Revenue Plans subtab. This subtab displays a list of previous versions of the planned revenue lines with the date of the change and the user who made the change. The version number is a link to a page that lists the planned revenue lines of the previous version. The list includes the following information for each plan line:

- Planned period
- Amount
- Journal
- Posting Period
- Deferral account
- Recognition account

Setup Records

Item revenue category, fair value formula, and fair value price records also have system notes like the other non-transaction records. For fair value prices, the system notes are on the Custom subtab. The default view includes the same columns as the revenue element system notes.

Creating Revenue Recognition Rules

Revenue recognition rules define how revenue recognition plans are generated after a revenue element is created.

You can create multiple rules to define the terms under which revenue is deferred. These revenue recognition rules are used to generate revenue recognition plans that determine when and how revenue from associated items should be recognized.

For each rule, you can:

- Select from standard revenue recognition methods
- Set the time period over which revenue is recognized
- Define an offset to delay the start of recognition
- Set up an initial amount to be recognized
- Select the source of the revenue recognition plan amount
- Select the trigger for plan start and end dates
- Determine how the plan is modified if the end date changes

Revenue recognition rules cannot be edited after they have been used to generate a revenue recognition plan. The exception is that the rule name can be changed. You cannot delete revenue recognition rules after they have been used.

For details of the options available for rules, see Understanding Revenue Recognition Rules.

For steps for creating a new rule, see Defining a Revenue Recognition Rule.

When you enable advanced revenue management, system-generated default revenue recognition rules are created. These revenue recognition rules cannot be edited except to change their names. System-generated rules cannot be deleted. The following are the system-generated rules:

System-Generated Revenue Recognition Rule	Description
Default Standard	This rule defines revenue recognition plans that begin and end on the same date so that revenue is recognized as soon as the revenue recognition journal entries are created.
Default One-Time Direct Posting	This rule is used for all elements in a revenue arrangement when the source transaction includes a posting discount. For more information, see Discount and Markup Items in Advanced Revenue Management.
Default Percent Complete	This rule is for projects that are attached to a sales transaction. It is generated only when the Projects feature is also enabled. For information about recognizing revenue directly from charge-based projects, see the help topic Project Revenue Recognition.

After revenue recognition rules have been created, you associate them with items. The Default Standard rule is set for all existing eligible items when you enable advanced revenue management.

You should change it as appropriate on the item records. The revenue recognition rule you select on the item record becomes the default rule when the item is sold. See Configuring Items for Advanced Revenue Management.

Understanding Revenue Recognition Rules

Revenue recognition rules define how revenue recognition plans are generated when an item is sold. Review the following descriptions of the fields that you use in revenue recognition rules before you begin to define them:

These fields are on the Revenue Recognition Rule page at Revenue > Non-Transaction Revenue Recognition Records > View Revenue Recognition Rules > New.

For the steps to create each revenue recognition rule, see Defining a Revenue Recognition Rule.

Recognition Methods

The following straight-line revenue recognition methods are available:

- **Straight-line, by even periods** – Recognizes revenue evenly for each period. Amounts are not prorated based on the number of days in any period. All periods recognize equal amounts.
- **Straight-line, prorate first & last period** – Recognizes equal amounts for periods other than the first and the final period, regardless of the number of days in each period. Amounts are prorated for the first period and the final period based on the number of days in each period.
- **Straight-line, using exact days** – Recognizes revenue amounts individually for each period based on the number of days in each period. Because each day in the term recognizes an equal amount, each period may recognize a different amount.
- **Straight-line, prorate first & last period (period-rate)** – Determines the full number of periods in the revenue plan and allocates revenue based on the proportional period amount.
- **Custom** – Enables you to define revenue recognition terms that include uneven periods and amounts.

  When you select Custom for the Method, you define revenue recognition terms by entering information in the columns in the lower portion of the page. A rule using the custom method must have at least one line.

  - **Period Offset** – The number of periods from the start date of the revenue recognition plan to postpone revenue recognition for this line. Only integers are valid, but you may leave the field empty. When the field is blank, zero offset is assumed, and the revenue for the line is recognized in the same period as the revenue recognition start date.

    For example, enter a 2 in this field to wait 2 periods from the revenue recognition start date before you recognize revenue for this line.

- **Amount Percentage** – The revenue amount to recognize as a percentage. The percent sign is added automatically when you add the row. The total of the lines must equal 100%.

The read-only # column numbers the lines as you add them. These numbers are not displayed in view mode.

The Name, Recognition Method, Amount Source, and Rev Rec Start Date Source Fields in the upper portion of the page are required. Other fields are unavailable except the optional fields Reforecast Method and Inactive.

Amount Sources

The amount for a revenue recognition plan can be derived from a fixed amount or a percentage. All revenue recognition rule amount source options are event based, and the event is the creation of the revenue recognition plan. The Create Revenue Plans On field on the Revenue Recognition / Amortization subtab of the item record determines when the plan is created.

> **Note:** Forecast revenue recognition plans always use the Revenue Amount for the revenue element as the plan amount.

Some combinations of Amount Source and Create Revenue Plans On values are invalid, and plans are not created for those combinations. When the combinations are invalid, an error message is logged in the Revenue Arrangement Message subtab for the revenue element. A link to the error message is included in the Revenue Recognition Errors portlet on the Revenue page. Valid combinations are shown in the following table:

Amount Source	Create Revenue Plans On	Amount in Plan
Event-Percent based on amount	Billing	Percentage of the revenue element line revenue amount that the invoice amount represents in relationship to the discounted sales price. That is: invoice amount / discounted sales amount * revenue amount = amount in plan
Event-Percent based on quantity	Fulfillment	Percentage of the revenue element line quantity that is fulfilled multiplied by the revenue amount
Event-Percent Complete	Project Progress	Percent complete from the project record multiplied by the revenue amount. When you select this option, other fields on the rule become read-only. For more information, see Using Advanced Revenue Management for Projects.

Rev Rec Start Date Sources

This field on the revenue recognition rule determines the source of the initial revenue recognition start date on the revenue recognition plan. The actual start date can be changed in the plan if revenue has not yet been recognized. The options are:

- **Arrangement Transaction Date** – The date of the revenue arrangement. This is the default.
- **Event Date** – The date of the event that triggers the creation of the revenue recognition plan. The event is determined by the option selected on the item record for the Create Revenue Plans On field. Forecast revenue recognition plans use the source date as the event date.
- **Source Date** – The date of the source customer performance obligation that generates the revenue element, for example, the date of a sales order.

- **Revenue Element Start Date** – The start date on the revenue element record. This date is not generated automatically. To add the start date, edit the revenue arrangement that the element belongs to, and scroll to the **Start Date** field for the element. When you use the revenue rule as a forecast rule, add the start date in the **Forecast Start Date** field. When you use this option, an error message is generated when you attempt to update revenue plans and the start date for the element is blank.

Rev Rec End Date Sources and End Date Change Impact

The Rev Rec End Date Source field on the revenue recognition rule determines the source of the default end date on the revenue recognition plan. The actual end date can be changed in the plan. The options are:

- **Rev Term in Months** – The end date is derived from the revenue recognition plan start date and the value in the Term in Months field. Term in Months is a required field when you select this option. Exact months are used. If the start date is in the middle of the month, the end date is also mid-month. This is the default Rev Rec End Date Source.

  For example, if the start date of a revenue recognition plan is July 7, 2015, the Rev Rec End Date Source is Rev Term in Months, and the Term in Months is 12, the end date of the plan is July 6, 2016.

- **Rev Term in Days** – The end date is derived from the revenue recognition plan start date plus the value of the Term in Days field. Term in Days is a required field when you selection this option.
- **Arrangement Transaction Date**, **Event Date**, and **Source Date** – Use these options to recognize revenue immediately when the matching Rev Rec Start Date Source values are selected.
- **Recognition Period** – The end date is derived from the revenue recognition plan start date and the value in the Recognition Period field. When this option is selected, Recognition Period is a required field. The end date in the revenue recognition plan is the last day of the period, and partial periods are included in the count.

  For example, if the start date of a revenue recognition plan is July 7, 2015, the Rev Rec End Date Source is Recognition Period, and the Recognition Period is 12, the end date of the plan is June 30, 2016. The partial period initial period is included in the period count.

- **Revenue Element End Date** – The end date on the revenue element record. This date is not generated automatically. To add the end date, edit the revenue arrangement that the element belongs to, and scroll to the End Date field for the element. When you use the revenue rule as a forecast rule, add the end date in the **Forecast End Date** field. If you use this option, an error message is generated when you attempt to update revenue plans and the end date for the element is blank.

The End Date Change Impact field determines how revenue recognition plans are updated when the end date changes. The options are:

- **Update Remaining Periods Only** – This is the default. The remaining unrecognized revenue is divided by the total number of months or periods remaining.
- **Update All Periods** – The total revenue is divided by the total number of months or periods. Adjustments to catch up or claw back revenue are made in the current period for previously recognized revenue.

Term in Months

Specify the number of months to include in revenue recognition plans generated from this rule. If the start date is in the middle of the month, the end date is also mid-month. Consequently, a revenue recognition plan may span more periods than the month count. This field is available only when the Rev Rec End Date Source is Rev Term in Months.

For example, if the start date of a revenue recognition plan is July 7, 2015, the Rev Rec End Date Source is Rev Term in Months, and the Term in Months is 12, the end date of the plan is July 6, 2016. Revenue is recognized over 13 months because the partial periods at the beginning and end are both included in a count of the periods.

You can change the value of Term in Months in a revenue element to override the value derived from the revenue rule. Both current and future revenue plans are affected by the change when revenue plans are updated. The Rev Rec End Date and Planned Revenues subtab are updated on the revenue plans, but the value in the Term in Months field remains the value derived from the revenue rule.

Term in Days

Specify the number of days to include in revenue recognition plans generated from this rule. The end date of the plan is the Rev Rec Start Date plus the number of days. This field is available only when the Rev Rec End Date Source is Rev Term in Days.

For example, if the start date of a revenue recognition plan is June 23, the Rev Rec End Date Source is Rev Term in Days, and the Term in Days is 60, the end date of the plan is August 21. Revenue is recognized in 3 periods due to the partial periods at the beginning and end of the plan.

You can change the value of Term in Days in a revenue element to override the value derived from the revenue rule. Both current and future revenue plans are affected by the change when revenue plans are updated. The Rev Rec End Date and Planned Revenues subtab are updated on the revenue plans. The revenue plan itself does not have a Term in Days field.

Recognition Period

Specify the number of periods to include in revenue recognition plans generated from this rule. For example, if you enter 12, then the revenue plan runs for 12 periods from the start date. An initial partial period is included in the period count if applicable. This field is available only when the Rev Rec End Date Source is Recognition Period.

For example, if the start date of a revenue recognition plan is July 7, 2015, the Rev Rec End Date Source is Recognition Period, and the Recognition Period is 12, the end date of the plan is June 30, 2016. The partial period initial period is included in the period count.

Period Offset and Start Offset

You can define an offset value for a revenue recognition rule to delay the start of a revenue recognition plan. Two types of offset are available:

- **Period Offset** – This moves the entire recognition period into the future by the number of periods specified. The total number of periods remains the same, and the end date is adjusted.

  For example, enter a 2 in this field to wait two periods before you begin recognizing revenue. This can be useful for services you sell that have a probationary or trial period.

- **Start Offset** – This delays the beginning of revenue recognition, changes the number of periods in the plan, and keeps the same plan end date.

  To use a start offset, specify the number of periods to postpone the start of the revenue recognition plan. The number of periods is reduced by the same number because the start is postponed but the end remains the same. You must have at least one more period in the schedule than the number of periods in the start offset.

Initial Amount

The initial amount is a percentage or fixed currency amount to be recognized in the first recognition period. After the initial amount, the plan for recognition of the remainder follows the rules of the selected Recognition Method.

For example, you have contract with a customer to recognize 25% of a $1,200 item immediately. The rule includes the following terms:

- Initial Amount = 25% or $300
- Method = Straight-line, by even periods
- Recognition Period = 12

In the first period, $300 is recognized. The remaining $900 is divided evenly over the remaining 11 periods.

Reforecast Method

The reforecast method determines how future periods are adjusted when revenue forecast plans are recalculated. The option you select for the revenue recognition rule determines the default value on revenue forecast plans that use the rule. If you do not select a reforecast method, revenue forecast plans cannot be recalculated. The options are as follows:

- **Next Period** – This is the period following the Recalculate as of Period. The total adjustment is included in this period. The system-generated default revenue recognition rules use this option.
- **Remaining Periods** – These are all of the periods between the Recalculate as of Period and the last period of the revenue forecast plan. The total adjustment is distributed evenly across these periods.
- **Last Period** – This is always the last period of the revenue forecast plan even when the Recalculate as of Period is the last period. The total adjustment is included in this period.
- **Manual** – When you select this option, you must enter a default value in the **Recalculation Adjustment Period Offset** field. The total adjustment is included in the period determined by the value of this field. The calculation for the adjustment period is start period plus the recalculation adjustment period offset. The first period of the recalculated revenue forecast plan is 0. You can edit the offset in forecast plans that use this reforecast method. The value may not be a negative number. If offset period causes the forecast plan to extend beyond the available accounting periods, you receive an error when you recalculate the revenue forecast plans.

  For example, consider a revenue element with a revenue amount of $300. It has an actual revenue recognition plan with a start date of January 1 and an end date of April 30 in the same year. The revenue forecast plan starts January 1 and ends March 31. Both plans use the straight-line, by even periods recognition method. The plans are created on revenue arrangement creation as follows:

Revenue Plan Type	Jan	Feb	Mar	Apr	Total
Actual	75	75	75	75	300
Forecast	100	100	100		300

  The following table shows the recalculated revenue forecast plans using the manual option for the reforecast method with different recalculation adjustment period offset values:

Recalculation Adjustment Period Offset	Jan	Feb	Mar	Apr	May	Total
0	75 + 25 = 100	100	100			300
1	75	100 + 25 = 125	100			300
2	75	100	100 + 25 = 125			300
3	75	100	100	25		300
4	75	100	100		25	300

For more information, see Recalculating Revenue Forecast Plans.

Straight-Line Revenue Recognition Examples in Advanced Revenue Management

Straight-line methods recognize the revenue from a sale in increments spread over the revenue recognition term. The term is based on the start and end dates and recognition method chosen. The start date and end date are included in the revenue recognition term. The revenue amount is the sales amount after discounts and allocation.

The examples that follow use the same start date, end date, and revenue amount:

- Revenue recognition start date: August 20
- Revenue recognition end date: December 19
- Revenue amount: $400

Straight-line, by even periods

This method divides the revenue amount evenly across all periods. Currency amounts are not prorated based on the number of days in any period.

Period	Revenue
August	$80.00
September	$80.00
October	$80.00
November	$80.00
December	$80.00
Total	$400.00

Straight-line, prorate first & last period

This method recognizes revenue in equal amounts for periods other than the first and final periods, regardless of the number of days in those periods.

Currency amounts are prorated for the first period and the final period based on the number of days in those periods divided by the total number of days between the revenue recognition start and end dates.

- The first period is prorated for August 20 through August 31, inclusive. This is 12 days.
- The final period is prorated for December 1 through December 19, inclusive. This is 19 days.
- The periods between the first and last recognize the balance equally ($400 – $39.34 – $62.31 = $298.35 / 3 = $99.45).

Period	Revenue	Calculation
August	$39.34	12 / 122 x $400 = $39.34
September	$99.45	$298.35 / 3 = $99.45
October	$99.45	$298.35 / 3 = $99.45
November	$99.45	$298.35 / 3 = $99.45
December	$62.31	19 / 122 x $400 = $62.31
Total	$400.00	

Straight-line, using exact days

This method recognizes revenue amounts individually for each period based on the number of days in each period. Because each day in the term recognizes an equal amount, each period may recognize a different amount.

- The first period is prorated for August 20 through August 31, inclusive – 12 days.
- The second period is prorated for the entire month of September – 30 days.
- The third period is prorate for the entire month of October – 31 days.
- The fourth period is prorated for the entire month of November – 30 days.
- The last period is prorated for December 1 through December 19, inclusive – 19 days.

Period	Revenue
August	$39.34
September	$98.36
October	$101.64
November	$98.36
December	$62.30
Total	$400.00

Straight-line, prorate first & last period (period-rate)

This method determines the total number of periods in the revenue recognition plan and then prorates the period amount allocated to the first and final periods based on the number of days in each of those periods. An even amount is allocated to all other periods.

For example, when recognizing $400 of revenue across the year from August 20 through December 19, the revenue allocation is calculated as follows:

1. Calculate the total number of periods. When the revenue recognition start date is in the middle of a period, and the end date is equal to the start date minus one, then the first and final

periods constitute one full period, as in the case of August 20 and December 19. This example has four periods.

2. Calculate the amount for each period by taking the total amount ($400) and dividing by the number of periods (4).

   $400 / 4 = $100 per period

3. Calculate the number of days in the first period, August 20 through August 31, inclusive, divide the result (12) by the total number of days in the first and last periods (12 + 19 = 31), and multiply by the per period amount ($100).

   12 / 31 * $100 = $38.71

4. Calculate the number of days in the final period, December 1 through December 19, inclusive, divide the result (19) by the total number of days in the first and last periods, and multiply by the per period amount ($100).

   19 / 31 * $100 = $61.29

5. The periods between the first and last each recognize $100.

Period	Revenue	Calculation
August	$38.71	12 / 31 * $100 = $38.71
September	$100.00	
October	$100.00	
November	$100.00	
December	$61.29	19 / 31 * $100 = $61.29
Total	$400.00	

Straight-line, prorate first & last period vs. Straight-line, prorate first & last period (period-rate)

To show the differences between these two revenue recognition methods, the previous examples are shown side by side.

Period	Straight-line, prorate first & last period	Straight-line, prorate first & last period (period-rate)
August	$39.34	$38.71
September	$99.45	$100.00
October	$99.45	$100.00
November	$99.45	$100.00
December	$62.31	$61.29
Total	$400.00	$400.00

Defining a Revenue Recognition Rule

The revenue recognition rule defines the terms of the revenue recognition plan that is created from the revenue element when an item is sold. The default revenue recognition rule for a revenue element is set on the Revenue Recognition / Amortization subtab of the item record.

To define a revenue recognition rule:

1. Go to Revenue > Non-Transaction Revenue Recognition Records > View Revenue Recognition Rules > New to open the Revenue Recognition Rule page.
2. In the **Name** field, enter a name for the rule. Revenue recognition rules must have unique names.

   To help identify rules when they appear in the dropdown list on the item records, you can include short forms of key terms of the rule in the name.
3. In the **Recognition Method** field, select a method to specify the terms for posting revenue.
   - For descriptions of the available methods, see Recognition Methods.
   - For examples of how straight-line methods work, see Straight-Line Revenue Recognition Examples in Advanced Revenue Management.
   - If you select **Custom**, you must manually specify period offsets and amount percentages in the columns in the lower portion of the page. The columns are available only when you select **Custom** as the method.
     - **Period Offset** – Specify the number of periods to postpone the start of the recognition plan for this line. The first period to recognize has an offset of zero.
     - **Amount Percentage** – Enter the percentage of revenue amount to recognize.
     - Click **Add**.

     Repeat the steps above until the total in the Amount Percentage column equals 100.
4. Select an **Amount Source** to determine how the amount for the revenue recognition plan is derived. For a description of the options and their results when combined with other revenue recognition options, see Amount Sources.
5. Select a **Rev Rec Start Date Source** to determine the source of the initial start date on the revenue recognition plan. The actual start date can be changed in the plan if revenue has not yet been recognized. For a description of the options, see Rev Rec Start Date Sources.
6. Select a **Rev Rec End Date Source** to determine the source of the default end date on the revenue recognition plan. The actual end date can be changed in the plan. For a description of the options, see Rev Rec End Date Sources and End Date Change Impact.
   - When you select **Rev Term in Months**, you must enter a number in the **Term in Months** field.
   - When you select **Rev Term in Days**, you must enter a number in the **Term in Days** field.
   - When you select **Recognition Period**, you must enter a number in the **Recognition Period** field.
7. Optionally, change the value of the **End Date Change Impact** field, and enter values in the **Period Offset** or **Start Offset** fields and the **Initial Amount** field. For complete descriptions of these fields, see Understanding Revenue Recognition Rules.
8. Optionally, check the **Inactive** box. You can save the rule, but it will not appear as an option in lists.
9. Select a **Reforecast Method** to use for forecast plans. For a description of this field and its options, see Reforecast Method.
   - If you select **Manual** as the **Reforecast Method**, enter a positive integer in the **Recalculation Adjustment Period Offset** field. This field is read-only when you select any other method.
10. Click **Save**.

To use the revenue recognition rule, select it in the Revenue Recognition / Amortization subtab of an item record. For more information, see Configuring Items for Advanced Revenue Management.

To view a list of revenue recognition rules, go to Revenue > Non-Transaction Revenue Recognition Records > View Revenue Recognition Rules.

Configuring Items for Advanced Revenue Management

When you use advanced revenue management, revenue arrangements are created based on the configuration you specify in the Advanced Revenue Recognition section of the Revenue Recognition / Amortization subtab on item records.

You can configure advanced revenue management for the following item types:

- Assembly including Serialized and Lot Numbered
- Download Item
- Kit/Package
- Inventory including Serialized and Lot Numbered
- Non-Inventory for Sale/Resale
- Other Charge for Sale/Resale
- Service for Sale/Resale

The Deferred Revenue Account for each item is selected on the Accounting subtab. The default value for this field is determined by the accounting preference Default Deferred Revenue Account. This preference is on the Items/Transactions subtab of the Accounting Preference page at Setup > Accounting > Accounting Preferences. The Deferred Revenue Account must be of the account type Deferred Revenue. When no account is set, the system-generated deferred revenue account is used. The Income Account on the Accounting subtab must also have a value.

Revenue Recognition Fields

The following fields in the Advanced Revenue Recognition section of the Revenue Recognition / Amortization subtab are used for revenue management:

- **Revenue Recognition Rule** – Select the revenue rule to use by default for this item for actual revenue recognition plans. The default value for this field is determined by the Default Standard Revenue Recognition Rule accounting preference.
- **Rev Rec Forecast Rule** – Select a revenue rule to use for forecast revenue recognition plans. This enables you to create revenue recognition plans for forecasting purposes when actual revenue recognition plans have not yet been created. The default is determined by the same accounting preference as the Revenue Recognition Rule. You may select the same or different rules for actual and forecast rules. Percent complete rules are not available as forecast rules. For more information about percent complete rules, see Using Advanced Revenue Management for Projects.
- **Create Revenue Plans On** – This field determines the event that triggers creation of revenue recognition plans. Match the event with the amount source of the item's revenue recognition rule. The revenue plans may be created automatically or manually according to the Revenue Plan Update Frequency setting in your accounting preferences. For instructions to create revenue plans manually, see Updating Revenue Recognition Plans.

  This field is not required. If you leave the field blank, you can select the value in the revenue arrangement when the item is an element in a contract. For more information, see Viewing and Editing Revenue Arrangements and Understanding the Revenue Element Fields. This field has the following options:

  - **Revenue Arrangement Creation** – Revenue plans can be created manually as soon as the revenue arrangement has been created. If you select this option, select a revenue recognition rule that has Event-Percent based on amount as its Amount Source.

  - **Billing** – Revenue plans can be created after the sales order is billed. Plans are also generated from stand-alone cash sales, invoices, credit memos, and cash refunds. If you select this option, select a revenue recognition rule that has Event-Percent based on amount as the Amount Source.
  - **Fulfillment** – This option is available only when the Advanced Shipping feature is enabled. If you select this option, be sure that the revenue recognition rule you select has Event-Percent based on quantity as its Amount Source.
  - **Project Progress** – This option is available only when the Projects feature is enabled. If you select this option, be sure that the revenue recognition rule you select has Event-Percent Complete as its Amount Source.
- **Hold Revenue Recognition** – Check this box to delay posting from a revenue recognition plan by putting it on hold. When a revenue plan is on hold, the total balance of the delayed item remains in the Deferred Revenue account until you cancel the hold.
- **Item Revenue Category** – Item revenue category is a classification for items that have similar characteristics and revenue allocation requirements. The options in this list are configured during setup to meet the specific needs of your company. For instructions, see Adding Item Revenue Categories.
- **Allocation Type** – Select an allocation type to associate with this item on sales transactions. The default value is Normal.
  - **Normal** – Revenue allocation for the item follows the fair value price list.
  - **Exclude** – The item is excluded from revenue allocation. The item discounted sales amount is the revenue amount.
  - **Software** – The item is software. Revenue allocation follows the fair value price list. Then if the fair value prices for any of items in the allocation are estimates rather than VSOE, revenue allocation is recalculated using the residual method. For more information, see Using the Residual Method and Two-Step Allocation.
- **Revenue Allocation Group** – The revenue allocation group value is used in GroupSum functions in fair value formulas. The option you select here is the default, but you can change it on the revenue element. The available options are configured during setup to meet the specific needs of your company. For instructions, see Adding Revenue Allocation Groups.
- **Permit Discount** – Choose from the following to determine how discounts are handled for this item.
  - **As Allowed** – Allows a portion of an applicable discount to be applied against this item when revenue allocation is performed.
  - **Never** – Prevents a discount from being applied against this item when revenue allocation is performed.
- **Default as Delivered** – Check this box to set this item to a delivered status automatically when it is added to a transaction. Clear this box to leave the delivery status clear by default.

  The fulfillment status of an item is separate from its delivery status. An item may be marked **Delivered** although fulfillment has not yet occurred.

  The delivery status is one of the factors that determines whether the residual method can be used. For more information, see Using the Residual Method and Two-Step Allocation.
- **Direct Revenue Posting** – Check this box to disable advanced revenue management for this item. When checked, posting transactions that include this item post directly to the item revenue account. No revenue element or revenue arrangement is created. When you check this box, the Deferred Revenue Account on the Accounting subtab is disabled.

  When you create sales transactions that include items that have this box checked, all the items in the transaction must have the box checked. You cannot mix items that post directly to revenue with items that post to deferred revenue in the same transaction. This restriction also applies to kit items. All items in a kit must post either to revenue or to deferred revenue.

By default, this box is not checked. You cannot check or clear the box after the item has been used in a transaction with advanced revenue management.

- **Auto-Expansion for Revenue Management** – This box appears only on kit items. When this box is checked, the parent kit item and its child product items become revenue elements. The child items include the fair value and accounting rules for advanced revenue management. By default, it is checked. For a full description of this item-level preference, see Auto-Expansion of Kit Items.
- **Eligible for Contingent Revenue Handling** – Check this box to indicate that this item is subject to contingent revenue handling. When checked, revenue allocation is affected. For details, see Working with Contingent Revenue Handling. This box appears only when the Enable Contingent Revenue Handling accounting preference is checked.

When the Multi-Book Accounting and Revenue and Expense Management features are enabled, an Accounting Book subtab is added to the Revenue Recognition / Amortization subtab. For more information, see Book Specific Revenue Arrangements, Elements, and Plans.

Discount and Markup Items in Advanced Revenue Management

Advanced revenue management supports both non-posting and posting discount and markup items. NetSuite recommends using non-posting discount and markup items.

Non-Posting Discount and Markup Items

Non-posting discount and markup items do not post to a general ledger account. When a discount or markup item without an account specified is added to a transaction, it does not post as an individual transaction line. Instead, the item that it is applied to posts the net amount of the discount or markup. For example, when you create a sales transaction and add a non-posting discount after a line-item, the discount is applied to the previous line-item only. The net amount of the transaction is then correct and the appropriate revenue posts.

> For example, you create a sales transaction that sells a service item for $1,200 to be recognized over 12 periods. You want to apply a $200 discount to the service item, making the total invoiced amount $1,000.
>
> If you apply the discount using a non-posting discount item in the amount of $200, then the discount does not post to the general ledger when the transaction is saved. Instead, the discount is applied to the line-item amount and adjusts the net amount of the invoice. Then, the total amount scheduled for revenue recognition is $1,000.

Posting Discount and Markup Items

Revenue arrangements generated from transactions that include a posting discount have the Create Revenue Plans On value set to Billing for all elements. The Create Revenue Plans On and Revenue Recognition Rule columns are read-only for revenue arrangements generated from transactions that include a posting discount. The **Default One-Time Direct Posting** revenue rule is used for all elements in these revenue arrangements. This revenue rule creates a one-time revenue recognition plan with the same start and end date. Posting discount and markup items, like other special items such as shipping and taxes, do not generate revenue elements. They are included in the general ledger impact when they are billed.

Revenue arrangements whose sources include posting discount or markup items do not support revenue allocation. Revenue arrangements associated with these transactions cannot be merged with other arrangements. The Permit Discount field on the item record is ignored when the source includes a posting discount.

For example, a sales associate creates a sales order as follows:

Item	Amount	Posting Account	Deferred Revenue Account
Hardware	$120	Sales Hardware	Def Rev Hardware
Software	$100	Sales Software	Def Rev Software
Posting discount	–$10	Sales Discount	not applicable

When the revenue arrangement is created, it has two elements with the following values:

Item	Sales Amount	Discounted Sales Amount	Revenue Recognition Rule	Deferral Account	Recognition Account
Hardware	120.00	120.00	Default One-Time Direct Posting	Def Rev Hardware	Sales Hardware
Software	100.00	90.00	Default One-Time Direct Posting	Def Rev Software	Sales Software

The posting discount appears in the sales order and in the invoice when the order is billed. The general ledger impact for the invoice is:

Account	Debit	Credit
Accounts Receivable	210.00	
Def Rev Hardware		120.00
Def Rev Software		100.00
Sales Discount	10.00	

Auto-Expansion of Kit Items

Kit/Package item types include an **Auto-Expansion for Revenue Management** option. When the box is checked, the kit component items control fair value, revenue allocation, and revenue plan creation. The box for the option is checked by default. When the box is cleared, the parent kit item controls the revenue. For general information about the kit item type, see the help topic Kit/Package Items.

When you sell a kit item with auto-expansion, revenue elements are created for the parent kit item and each kit component item. The revenue element for the parent kit item includes the sales amount, but it has no fair value amount. The revenue elements for the kit component items have only fair value amounts and no sales amounts. The element for the parent kit item is always grouped with the elements for the kit component items in the same revenue arrangement. An error occurs if you attempt a merge that splits the revenue elements of a kit into separate revenue arrangements.

The elements of a kit item participate in revenue allocation using the fair values of the kit component elements. Since the parent kit element has zero fair value, its carve out is 100%. To allocate revenue for kit items when auto-expansion is on, the parent kit item must have the Allocation Type set to Normal or Software. At least one kit component item must also have the Allocation Type set to Normal or Software. For purposes of fair value formulas, kit component items inherit their parent kit item's revenue allocation group.

If the parent kit item has the Allocation Type set to Exclude, clear the Auto-Expansion for Revenue Management box.

Revenue recognition plans are created based on the revenue recognition rules and Create Revenue Plans On values of the kit component elements. No revenue plans are created for the parent kit element.

A nested kit occurs when one of the kit component items is also a kit. When a revenue arrangement includes a nested kit, only the top-level parent includes a sales amount. None of the elements for the kit type items, whether the top parent or an intermediate parent, have fair value. Thus, no revenue is allocated to them.

Two fields in the revenue element are specific to kits. The **Is Kit Item Type** field is set to Yes for the parent kit element when auto-expansion is on. This field is empty for all other elements. The **Parent Kit Element** field for kit component elements contains a link to the parent kit revenue element.

Managing Revenue Arrangements

A revenue arrangement is a transaction that records the details of a sale for purposes of revenue allocation and recognition. The revenue arrangement is initially created soon after the source document if the Revenue Arrangement Update Frequency preference is set to Automatic. See Setting Advanced Revenue Management Preferences.

Revenue arrangements are created for the following types of transactions after the transaction is approved.

- Sales Orders
- Invoices
- Cash Sales
- Cash Refunds
- Return Authorizations
- Credit Memos

When the above transactions are the source for a revenue arrangement, the revenue arrangement is listed on the transaction’s Related Records subtab. The revenue arrangement amount in the Related Record is in the base currency, which may be different from the transaction currency. When multi-book accounting is enabled, the revenue arrangement listing includes a column for the accounting book.

Revenue arrangements may also be created directly from projects without attaching the project to a sales transaction. For more information and instructions, see the help topic Project Revenue Recognition.

You can also create revenue elements and arrangements from approved journal entries by selecting a revenue recognition rule for the journal entry. For more information, see Creating Revenue Elements from Journal Entries.

Revenue elements and arrangements are not created for memorized transactions.

Each revenue arrangement initially consists of a transaction header and at least one revenue element line in the Revenue Elements subtab. The revenue element corresponds to lines in a sales transaction. It is a separate record that includes links to the revenue recognition information necessary to account for the revenue from the original sales transaction. When a revenue arrangement is updated, the update incorporates changes to sources that affect revenue management.

All revenue arrangement and revenue element fields are available for search.

When revenue is deferred for billable costs, they are included in revenue arrangements as revenue elements. The defaults for billable items are derived from the item record as usual. Billable expenses are included only if the expense account has an income account selected in the **Track Billable Expenses in** field. The income account must have a deferred revenue type deferral account. The default Allocation Type for all billable costs is Excluded. For more information, see Deferring Revenue for Billable Costs.

The Related Records subtab on the revenue arrangement record lists item fulfillment and invoice records with links to view the records. The Communication and System Information subtabs are standard. For more information, see the help topic Viewing Transaction System Notes.

See the following topics for information about managing revenue arrangements:

- Updating Revenue Arrangements
- Viewing and Editing Revenue Arrangements
- Merging Revenue Arrangements
- Deleting Revenue Arrangements
- Understanding the Revenue Element Fields
- Using Advanced Cost Amortization

For information specific to revenue allocation, see Managing Revenue Allocation.

Updating Revenue Arrangements

Revenue arrangements and revenue elements can be updated automatically or manually depending on the setting of the accounting preference Revenue Arrangement Update Frequency. When you select the automatic option, the system updates revenue arrangements every 3 hours. The update incorporates changes to sources that affect revenue management. You can update revenue arrangements manually between automatic updates. If you have checked the accounting preference Create and Maintain Revenue Element upon Closed Order, revenue elements created from closed sales orders or sales order lines are not updated.

Each time revenue arrangements and elements are updated, a line is added in the Revenue Arrangement Message subtab for each revenue element. The value in the Process column is Auto Update.

To update revenue arrangements manually:

1. Go to Financial > Other Transactions > Update Revenue Arrangements and Revenue Recognition Plans.

   Revenue managers and revenue accountants may prefer to use the **Update Revenue Arrangement** link on the Revenue dashboard or access the page through the Revenue menu.
2. Change the **Source From** and **Source To** dates if desired. By default, **Source From** is blank and **Source To** is today's date. With the default settings, revenue elements and arrangements are created and updated for all revenue sources created or updated as of the current date and time.
3. Click **Update Revenue Arrangements**
4. Click **Refresh** until both the revenue elements and revenue arrangements display **Complete** in the **Submission Status** column.
5. Click the **Complete** link to open a page with a link to the revenue arrangement or elements.

Viewing and Editing Revenue Arrangements

The values of most of the fields in the revenue arrangement header are derived from the sources and revenue elements. These values update automatically when the revenue arrangement is updated.

Many of the details of a revenue arrangement and some important commands are available only in view mode. However, **the only way to edit revenue elements is in edit mode for the revenue arrangements.** For details about these modes of the revenue arrangement, see the following:

- Viewing Revenue Arrangements
- Editing Revenue Arrangements

Viewing Revenue Arrangements

In view mode, buttons at the top of the revenue arrangement enable you to take specific actions as follows:

- **Update Revenue Plans** – This button is available as soon as the revenue arrangement is created. Click it to create or update revenue plans immediately without waiting for the automatic revenue plan update process.
- **View Revenue Plans** – After revenue plans have been created, this button is added to the Revenue Arrangement page. Click it to open a popup window with a list of all of the revenue plans for the revenue elements in the arrangement.
- **Allocate** – This button appears whenever the Compliant box is not checked. This may be because you haver you have edited a revenue arrangement and cleared the Compliant box or because allocation has failed. Clicking this button is the last step in manually updating allocation for the revenue arrangement. For more information, see Updating Revenue Allocation for Revenue Arrangements.

To view a revenue arrangement:

1. Go to Revenue > Revenue Arrangements > View Revenue Arrangements to open the Revenue Arrangements list page.
2. Click **View** next to the revenue arrangement you want to view.

The following fields in the revenue arrangement header cannot be directly edited. Some appear only in view mode. For a listing of the header fields that can be edited, see Editing Revenue Arrangements.

Field	Description
Customer	Derived from the source documents. The value has a quick view of the customer record and a link to open the record.
Created from Merged Arrangements	Checked when the revenue arrangement is the result of a merge. Individual revenue element records include a Last Merged from Arrangement field with a link to the previous revenue arrangement that included them.
Merged into New Arrangements	Checked when some or all of the revenue elements from the revenue arrangement have been merged into another revenue arrangement. The Revenue Arrangement Version subtab of the Revenue Elements subtab includes links to Revenue Arrangement Version pages. For more information, see Tracking Changes in Revenue Recognition Records.
Revenue Plan Status	This field derives its value from the revenue plan status of the revenue elements that belong to the arrangement as follows: ■ **Not Started** – All revenue elements have a status of **Not Started**. ■ **In Progress** – At least one revenue element has a status of **In Progress**, and no elements are **On Hold** or **Plan Failed**. ■ **On Hold** – At least one revenue element has a status of **On Hold**. ■ **Complete** – All revenue elements have a status of **Complete**. ■ **Plan Failed** – At least one revenue element has a status of **Plan Failed**. For information about the Revenue Plan Status for individual revenue elements, see Understanding the Revenue Element Fields.

Field	Description
Deferred Cost Journal Entries	Included only when the accounting preference Enable Advanced Cost Amortization is checked. The link is to the journal entry created to defer all the costs related the contract for amortization and recognition with the related revenue. The journal entry includes lines for element-specific costs. For details information, see Using Advanced Cost Amortization.
Transaction Total	Sum of the Discounted Sales Amount fields of the revenue elements.
Total Carve Out	The total revenue that has been moved between elements from the discounted sales amount to the revenue amount. This is always a positive number.
Total Revenue Amount	Sum of the Revenue Amount fields of the revenue elements. The **Transaction Total** and **Total Revenue Amount** are always equal.
Accounting Book	Included only when the Multi-Book Accounting feature is enabled. Revenue arrangements are book-specific.
Subsidiary	Included only in NetSuite OneWorld accounts. The value is derived from the source documents.
Currency	Included only when the Multiple Currencies feature is enabled. The value is derived from the source documents.
Department	The value is derived from the source documents.
Class	
Location	

Editing Revenue Arrangements

When the revenue arrangement is in edit mode, the Actions menu includes a Delete option. You can delete revenue arrangements before revenue recognition begins and journal entries are created. For more information, see Deleting Revenue Arrangements.

To edit a revenue arrangement:

1. Go to Revenue > Revenue Arrangements > View Revenue Arrangements to open the Revenue Arrangements list page.
2. Click **Edit** next to the revenue arrangement you want to edit.

You can edit some fields on the revenue arrangement header and in the individual revenue elements. For information about the revenue element fields you edit, see Understanding the Revenue Element Fields.

You can edit the following fields on the revenue arrangement header:

Field	Description
Revenue Arrangement #	This number is generated automatically. You can change the number if the Allow Override box is checked for Revenue Arrangement in the Document Number subtab of the Set Up Auto-Generated Numbers page. For more information, see the help topic Setting Up Auto-Generated Numbers.
Date	Type or select a new date. This date is one of the options for revenue recognition plan start date. If plans associated with this arrangement use

Field	Description
	the revenue arrangement date, and if recognition has not yet begun, the plan start date is also updated.
Compliant	You can clear the check in this box to enable reallocation. The **Transaction Is Allocation Bundle** box must also be checked. For more information, see Understanding the Compliant Indicator.
Transaction Is Allocation Bundle	Check this box to indicate that revenue is allocated between the revenue elements.
Contract Acquisition Cost Amount (Base Currency)	This field is included only when the accounting preference Enable Advanced Cost Amortization is checked. Enter the total direct contract acquisition cost for the revenue arrangement, exclusive of item-specific costs. This cost is allocated among the revenue elements. Item-specific costs for item resale and item labor are included in the revenue elements. For details, see Using Advanced Cost Amortization.
Contract Acquisition Expense Account	Included only when the accounting preference Enable Advanced Cost Amortization is checked. The default is the value set in the accounting preference Contract Acquisition Expense Account.
Contract Acquisition Deferred Expense Account	Included only when the accounting preference Enable Advanced Cost Amortization is checked. The default is the value set in the accounting preference Contract Acquisition Deferred Expense Account.
Memo	Enter notes for this arrangement. This field is included in the default list view for revenue arrangements.

NetSuite recommends that you use the Merge Revenue Arrangements for Linked Sources page to move revenue elements from one revenue arrangement to another. For more information, see Merging Revenue Arrangements

The sublist row buttons are available on the Revenue Elements subtab in edit mode. If you add or remove a revenue element, you may be required to reallocate the revenue to save the revenue arrangement. Only revenue elements that do not belong to a revenue arrangement are available to add. The subsidiary and currency values of the revenue elements must be the same as the revenue arrangement. Reallocation may also be required. Merging handles this automatically.

If you add a revenue element for a different customer to a revenue arrangement, the arrangement becomes a multiple customer arrangement. Multiple customer arrangements cannot be merged.

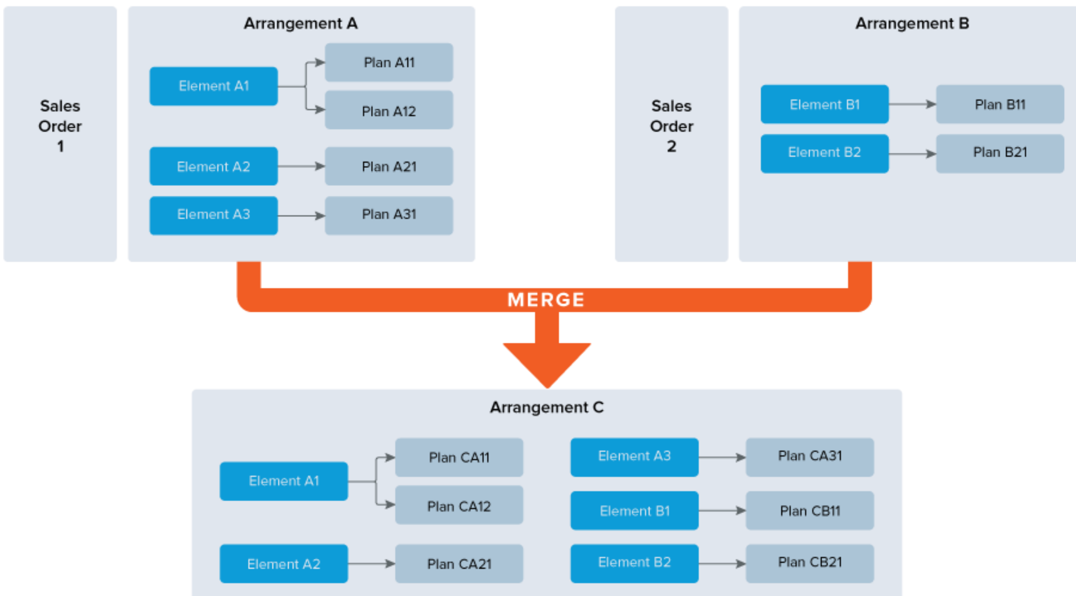
Merging Revenue Arrangements

You can manage revenue recognition across more than one source within a single revenue arrangement. This means that multiple sources that are part of the same performance obligation can be managed as a single arrangement for revenue allocation and recognition. One revenue arrangement is created for each source, but you can merge the multiple arrangements for linked sources into a single revenue arrangement. The foreign currency exchange rate for return authorizations participating in the merge must be the same as that for the linked sales order. Any custom fields on the original arrangements are automatically included in the resulting merged arrangement.

When revenue arrangements are merged, a new revenue arrangement is created that includes the revenue elements from the original revenue arrangements. The Created from Merged Arrangements box in the new revenue arrangement is checked. Original revenue arrangements are preserved, but they no longer include revenue elements that were merged into the new arrangement. These original arrangements preserve the original history and audit trail. The Merged into New Arrangements boxes on the original arrangements are checked. The individual revenue element records include a Merge Arrangement History subtab. This subtab includes links to the arrangements the element has been merged to and from with the dates of the merges. It also includes a link to a snapshot of the pre-merge revenue arrangement.

Revenue is automatically reallocated when you merge. You can preview the results of merging revenue arrangements to see what the result will be if you proceed. Revenue recognition plans are automatically updated when the merge is complete unless automatic updates are turned off.

The following diagram shows the objects involved in a merge.



To merge revenue arrangements:

1. Go to Revenue > Revenue Arrangements > Merge Revenue Arrangements for Linked Sources to open the Merge Revenue Arrangements for Linked Sources page.
2. Select a **Customer** from the list.

   When you select the **Customer**, the other fields are populated as follows:

   - **Subsidiary** – The customer's subsidiary is automatically selected. You cannot change the Subsidiary without first changing the **Customer**.
   - **Currency** – By default, this is the primary currency for the **Customer**. You can select a different currency for multi-currency customers.
   - **Accounting Book** – This field is available only when multi-book accounting is enabled. The default value is **Primary Accounting Book**.
3. Select values for the **Date From** and **Date To** fields in accordance with your company's policies for linking orders.

   When these fields are blank, all revenue arrangements that match the other four criteria are listed.
4. If advanced cost amortization is enabled, you must also select values for the **Contract Acquisition Expense Account** and **Contract Acquisition Deferred Expense Account** filters. For more information, see Using Advanced Cost Amortization.
5. Click **Mark All** to select all the revenue arrangements listed.

> **Note:** If your company permits posting discounts on sales transactions, identify revenue arrangements associated with such transactions and do not select them for merge. For information, see Discount and Markup Items in Advanced Revenue Management.

Alternatively, check the **Select** box for individual revenue arrangements and revenue elements. If you select an arrangement, all its elements are selected by default.

6. Click **Preview** to open the Preview Revenue Arrangement page.

   This page is read-only. It displays the updated **Transaction Total**, **Total Carve-Out**, and **Total Revenue Amount** for the proposed new revenue arrangement. For each revenue element, the preview includes the calculated fair value and revenue amounts before and after the merge plus the change. Other key fields for the revenue elements are also displayed with links for **Revenue Element**, **Source**, and **Item**.

7. Click **Merge** to proceed or **Cancel** to return to the Merge Revenue Arrangements for Linked Sources page.

   You can click **Merge** on the Merge Revenue Arrangements for Linked Sources page without first viewing the preview, but it is not recommended.

   When you click **Merge**, the new merged revenue arrangement is displayed when the process is complete.

   If there is a delay in processing, the Process Status page opens. If that happens, click **Refresh** until the **Submission Status** displays **Complete**.

Deleting Revenue Arrangements

Revenue arrangements can be deleted if they have no associated transactions such as revenue recognition or reclassification journal entries. When a revenue arrangement is deleted, its revenue elements are not deleted, but they are temporarily orphan objects. When revenue arrangements are updated, orphaned revenue elements are reassociated with their pre–merge revenue arrangements if they have one. If there is no revenue arrangement to associate the orphaned elements with and if the elements are still associated with a source transaction, a new revenue arrangement is created.

To delete a revenue arrangement:

1. Go to Revenue > Revenue Arrangements > View Arrangements.
2. Click **Edit** next to the revenue arrangement you want to delete.
3. On the **Actions** menu, click **Delete**.
4. When prompted, click **OK** to confirm the deletion.

   If transactions are associated with the revenue arrangement, an error message provides an option to identify those transactions.

To delete revenue elements, their source documents must also be deleted. For more information, see Deleting Revenue Elements.

Understanding the Revenue Element Fields

The following tables lists the fields on the Revenue Element subtab of the Revenue Elements subtab of a revenue arrangement. The fields that can be edited are indicated in bold.

You can view revenue elements as records independent of the revenue arrangement, but you cannot edit the records except on the subtab of the revenue arrangement. To view individual revenue element records, go to Revenue > Non-Transaction Revenue Recognition Records > View Revenue Elements. Then click View for the revenue element record you want. The individual revenue element records include a Merge Arrangement History subtab. This subtab includes links to the arrangements the element has been merged to and from with the dates of the merges. It also includes a link to a snapshot of the pre-merge revenue arrangement.

Field	Description
Revenue Element	Link to revenue element record. The revenue element ID is configured on the Other subtab of the Set Up Auto-Generated Numbers page. For more information, see the help topic Setting Up Auto-Generated Numbers. When you view the revenue element record in its own page, this field is called **Number** and a link to the revenue arrangement appears in the **Revenue Arrangement** field.
Source	Identifies the source record (read-only)
Source Date	Date of source record (read-only)
Item	Link to item record (read-only)
Quantity	Quantity of item (read-only)
Units	Unit of measure (read-only). This field is included only when the Multiple Units of Measure feature is enabled.
Exchange Rate	Foreign currency exchange rate (read-only). This field is included only when the source is in a currency that is not the subsidiary's base currency.
Sales Amount	Gross sales amount for quantity sold (read-only)
Discounted Sales Amount	Sales amount for quantity sold net of discounts (read-only)
Base Fair Value	Base fair value from fair value price list
Alternate Quantity	For use in fair value formulas when the quantity to derive the fair value differs from the quantity in the source. The value must be a positive number. When you include a value in this field and the other alternate fields, the fair value lookup searches for a match for the alternate units instead of the sales unit.
Alternate Units Type	For use in fair value formulas. This field is included only when the Multiple Units of Measure feature is enabled. When you include a value in this field and the other alternate fields, the fair value lookup searches for a match for the alternate units instead of the sales unit.
Alternate Unit	For use in fair value formulas. This field is included only when the Multiple Units of Measure feature is enabled. If this field does not have a value, the other alternate fields are not used for fair value lookup.
Is Kit Item Type	When the item is a kit with the Auto-Expansion for Revenue Management box checked, the value in this field is Yes. Otherwise, this field is blank. The field is read-only. For details, see Auto-Expansion of Kit Items.
Parent Kit Element	Link to the revenue element for the parent kit of a kit component (read-only). The Auto-Expansion for Revenue Management box must be checked for the parent kit item, or else this field is blank. For details, see Auto-Expansion of Kit Items.
Calculated Fair Value Amount	Fair value price for the item from the Fair Value Price List. This amount is used to calculate the final allocation amounts.
Allocation Type	Allocation type from item record

Field	Description
Is VSOE	Derived from the fair value price list. When the sales price is used as the fair value, this defaults to Yes.
Delivered	This is the initial delivery status for the item (read-only). Its value is derived from the item record.
Eligible for Contingent Revenue Handling	Derived from the item record when the accounting preference Enable Contingent Revenue Handling is checked (read-only). For more information, see Working with Contingent Revenue Handling.
Fair Value Override	When checked, fair values are not derived from the fair value price list. You must populate the Base Fair Value and Calculated Fair Value Amount manually or by script to enable allocation.
Revenue Allocation Group	Used in GroupSum fair value calculations with or without the Reference ID
Reference ID	Used in GroupSum fair value calculations in conjunction with Revenue Allocation Group. For more information, see Using GroupSum. The default value is the source internal ID. If you edit this field, use only letters or numbers. The only special character supported is underscore.
Permit Discount	Derived from the item record.
Posting Discount Applied	When checked, indicates that a posting discount has been applied (read-only). Revenue arrangements whose sources include a posting discount cannot be merged. They do not support revenue allocation. For more information, see Discount and Markup Items in Advanced Revenue Management.
Revenue Amount	You can adjust this amount for individual revenue elements, but the Total Revenue Amount for the revenue arrangement must equal its Transaction Total.
Revenue Allocation Ratio	The percent of the revenue arrangement's total revenue amount that is allocated to this revenue element (read-only).
Unbilled Receivable Group	This field is added when the accounting preference Unbilled Receivable Adjustment Journal Grouping is set to Sub-Arrangement Group. Enter an alphanumeric group ID in this field. Revenue elements within the arrangement that have the same unbilled receivable group value are calculated together. When this field is blank, the null value is treated as a group ID. For details, see Groupings for Unbilled Receivable Adjustment Journal Entries.
Return of Element	This is a link to the positive revenue element with which the negative revenue element is associated.
Create Revenue Plans On	Derived from the item record. You can change the value when no revenue recognition plans exist.
Revenue Recognition Rule	The default value is derived from the item record. Changing the value affects only future revenue recognitions plans, not any plans that have already been created.
Start Date	Must be manually entered when the Revenue Recognition Rule has a Rev Rec Start Date Source of Revenue Element or the revenue plans cannot be generated.
End Date	Must be manually entered when the Revenue Recognition Rule has a Rev Rec End Date Source of Revenue Element or the revenue plans cannot be generated.

Field	Description
Term in Months	The default value is derived from the revenue recognition rule. Changing the value affects both current and future revenue plans. The Rev Rec End Date and Planned Revenues subtab are updated on the revenue plans, but the value in the Term in Months field remains the value derived from the revenue rule.
Term in Days	The default value is derived from the revenue recognition rule. Changing the value affects both current and future revenue plans. The Rev Rec End Date and Planned Revenues subtab are updated on the revenue plans. Revenue plans do not have a Term in Days field.
Rev Rec Forecast Rule	The default value is derived from the item record. Changing the value affects only future forecast plans, not any plans that have already been created.
Forecast Start Date	Must be manually entered when the Rev Rec Forecast Rule has a Rev Rec Start Date Source of Revenue Element or the revenue plans cannot be generated.
Forecast End Date	Must be manually entered when the Rev Rec Forecast Rule has a Rev Rec End Date Source of Revenue Element or the revenue plans cannot be generated.
Deferral Account	The default value is derived from the item record. You can change the value when no revenue recognition plans exist.
Recognition Account	The default value is derived from the item record. You can change the value when no revenue recognition plans exist.
Transition to New Standard	The date that the revenue element was migrated to the ASC 606/IFRS 15 standard for revenue recognition.
Revenue Plan Status	The following plan statuses are possible (read-only): ■ **Not Started** – No actual revenue plan has been created and there is no error, or all actual revenue plans have the status **Not Started**. ■ **In Progress** – At least one actual revenue plan has the status **In Progress**, or some actual revenue plans are **Not Started** but the others are **Completed**. ■ **On Hold** – At least one revenue plan for the element is **On Hold**. ■ **Complete** – All actual revenue plans for the element are **Complete** and their total **Total Recognized** amounts equal the **Revenue Amount** for the element. ■ **Plan Failed** – At least one of the revenue plans for the revenue element was not created due to an error.
Allocated Contract Acquisition Cost Amount (Base Currency)	This read-only field appears only when the Enable Advanced Cost Amortization accounting preference is checked. For more information, see Using Advanced Cost Amortization. The portion of the direct contract acquisition costs for the revenue arrangement that is allocated to this revenue element. By default, the cost is allocated using the revenue allocation ratio for the element. You can override the default ratio.
Contract Acquisition Cost Allocation Ratio Override	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked. If you enter a value to override the default cost allocation, the total allocation ratio override for all elements in the arrangement must equal 100%.

Field	Description
Item Resale Cost Amount (Base Currency)	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked. You can enter a resale cost amount in this field only when the Expense Account and Deferred Expense Account fields on the item record are populated.
Item Labor Cost Amount (Base Currency)	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked. Enter the cost of labor related to this item and select labor expense and deferred expense accounts.
Labor Expense Account	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked. If you entered an amount for the item labor cost, select an account for the expense.
Labor Deferred Expense Account	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked. If you entered an amount for the item labor cost, select an account for the deferred expense.
Class	Derived from the source (read-only)
Department	
Location	
Customer	

Creating Revenue Elements from Journal Entries

You can create revenue elements and revenue arrangements from journal entries. In OneWorld accounts, you can also create them from intercompany journal entries.

Revenue arrangements created from journal entries can be merged with other revenue arrangements if the same customer is selected in the Name field on all deferred revenue lines in the journal entry. The revenue arrangement Customer field is then populated with the customer name. Otherwise, the Customer field in the resulting revenue arrangement is populated with -Multiple-, and the revenue arrangement is not available for merging. For more information, see Merging Revenue Arrangements.

If you use multi-book accounting, you can create revenue elements only from book-specific journal entries and book-specific intercompany journal entries.

To create a revenue element, the income account or other income account in the journal entry line must have a deferred revenue account as its deferral account. When you select a revenue recognition rule for the line and save the journal entry, the account is converted to the associated deferred revenue account.

The revenue recognition rule you select for the journal entry line must have Event-Percent based on amount or Event-Percent Complete as its Amount Source. Only rules with these amount sources are included in the Revenue Recognition Rule dropdown list. When you select a revenue recognition rule that uses Event-Percent Complete, you must select a project in the Name column of that line to prevent errors in revenue element creation.

To create a revenue element and revenue arrangement from a journal entry:

1. Go to Financial > Other > Make Journal Entries or Make Intercompany Journal Entries.

If you are using multi-book accounting, you use Make Book Specific Journal Entries or Make Book Specific Intercompany Journal Entries.

2. Complete the journal entry as usual. For guidance, see the help topic Making Journal Entries.
3. On the income account line:
   a. Select a **Revenue Recognition Rule** from the list. The rule you select here can be changed when the revenue element is created.
   b. (Optional) Enter a **Start Date** and an **End Date**.

      If you do not include a **Start Date**, the revenue arrangement creation date is used as the event date and source date as well as the arrangement transaction date.
4. The **Name** column is required if you want the ability to merge the resulting revenue arrangement. The value you select must be a project if the Revenue Recognition Rule uses Event-Percent Complete as its Amount Source.

After you save the journal entry, you can create the revenue elements, revenue arrangements, and revenue recognition plans manually. For more information, see Updating Revenue Arrangements and Working with Revenue Recognition Plans. After revenue elements are created, you cannot change the Revenue Recognition Rule selected in the journal entry.

A revenue element is created for each line in the journal entry that has a deferred revenue account. The Item and Quantity fields in the revenue element are blank, and the Allocation Type is set to Excluded. The resulting revenue elements are grouped by subsidiary, accounting book, currency, and source journal entry into revenue arrangements.

Deleting Revenue Elements

If a revenue arrangement has been deleted, its orphaned revenue elements may also be deleted. Revenue elements that are still linked to a source document cannot be deleted. When a revenue element is deleted, its revenue plans are also deleted. This is possible because to delete a revenue arrangement, the associated journal entries must first be deleted.

To delete a revenue element

1. Delete its parent revenue arrangement. For instructions, see Deleting Revenue Arrangements.
2. Make sure the source documents have been deleted.
3. Go to Financial > Other Transactions > Update Revenue Arrangements and Revenue Recognition Plans, and click **Update Revenue Arrangements**.

Deferring Revenue for Billable Costs

NetSuite enables you to bill customers for costs you incur in the course of your work for them. With advanced revenue management, you can defer the revenue from these billable costs. To defer the revenue, you must configure deferred revenue accounts for the costs to be billed.

Billable costs may be items, time, or other expenses. Configure billable items like other items for advanced revenue management. For more information on configuring items, see Configuring Items for Advanced Revenue Management.

For instructions on invoicing billable items, see the help topic Billing Items to Customers.

For instructions on invoicing billable time and expenses, see the help topics Billing Time to Customers and Billing Expenses to Customers.

For information about time and materials from projects, see the help topics Creating Sales Orders from Projects and Project Billing

> **Note:** Custom fields from the billable item, expense, and time subtabs are not copied to revenue arrangements.

To defer revenue for billable time and expenses, a deferred revenue account must be set for the income side of the billable time and expenses. The **Track Billable Expense in** field on general ledger accounts enables a deferred revenue account to be linked to accounts used to record billable time and expenses.

To link an account for billable expenses or time to a deferred revenue account:

1. Go to Financial > Lists > Accounts.
2. Click **Edit** next to the expense account where the billable expense or time is posted.
3. On the account record, select an income account from the **Track Billable Expense in** list, and click **Save**.
4. On the Chart of Accounts list, click **Edit** next to the income account you selected in the previous step.
5. On the account record, select a deferred revenue account from the **Deferral Account** list, and click **Save**.

Billable costs appear on the Billable Items, Billable Expenses, and Billable Time subtabs when a customer invoice is created. The user who creates the invoice must click the appropriate subtab and check the line items to bill the customer for. Items and expenses appear as normal line items on the invoice. The customer sees only a selling price that includes the markup spread over the expense items. However, the markup is a separate entry when the invoice is viewed in NetSuite, and separate revenue elements are created when the revenue arrangement is updated.

Billable time and billable expenses use the default standard revenue recognition rule and revenue plans are created on revenue arrangement creation by default. You can change these defaults by editing the revenue element lines on the revenue arrangement. If revenue plans have been created automatically, you must delete existing revenue plans and update revenue plans after your changes are saved.

Billable costs are excluded from allocation by default. Billable items can be allocated if fair value prices are configured. To include billable items in allocation, edit the revenue arrangement and change the allocation type for the revenue element. For more information, see Updating Revenue Allocation for Revenue Arrangements.

Using Advanced Cost Amortization

When you check the accounting preference Enable Advanced Cost Amortization, you can accrue and amortize eligible sales costs associated with a contract. You record the eligible sales costs on the revenue arrangement and revenue elements in the base currency. The amortization of these costs is tracked on the revenue recognition plan in a subtab called Expense Amortization Plan.

Three types of eligibles sales costs can be accrued and amortized. You must designate expense and deferred expense accounts for each type of cost.

Cost Type	Location of Account Settings	Where to Record Costs
Direct contract acquisition costs including all direct expenses incurred during the sales process for a revenue performance obligation, such as sales	**Contract Acquisition Expense Account** and **Contract Acquisition Deferred Expense Account** fields on the revenue arrangement header. The default is set on the	**Contract Acquisition Cost Amount (Base Currency)** field on the revenue arrangement header

Cost Type	Location of Account Settings	Where to Record Costs
commissions and marketing expenses	Accounting Preferences page (Setup > Accounting > Accounting Preferences)	
Item-specific resale expenses for items that are not inventory items	**Deferred Expense Account** and **Expense Account** in the Accounting subtab of the item record	**Item Resale Cost Amount (Base Currency)** field on the revenue element
Implementation labor expense	**Labor Expense Account** and **Labor Deferred Expense Account** fields on the revenue element	**Item Labor Cost Amount (Base Currency)** field on the revenue element

When you save the revenue arrangement with costs recorded, a journal entry is created to accrue the deferred costs for amortization. The general ledger impact of the source transactions is not affected. The deferral journal entry debits the designated deferred expense accounts and credits the expense accounts. A link to the journal entry appears in the revenue arrangement in the Deferred Cost Journal Entries field.

If you change the amounts for any of the costs, the current deferral journal entry is reversed and a new journal entry is created. Changing any of the contract acquisition or labor expense accounts also triggers a reversal of the current deferral journal entry and the creation of a new one. You cannot change the contract acquisition expense accounts after revenue has begun to be recognized on the revenue plan.

Contract Acquisition Cost Allocation

The contract acquisition cost amount that you enter in the revenue arrangement header is allocated across the revenue elements according to the value in the Revenue Allocation Ratio field for each element. The allocated amount is displayed in the Allocated Contract Acquisition Cost Amount (Base Currency) field of the element. When the value in the Contract Acquisition Cost Amount (Base Currency) field in the header changes, the cost is reallocated to the elements, and the allocated cost amounts are adjusted. If elements are added to or removed from an arrangement as a result of a source update, the allocated amounts are adjusted according to the new revenue allocation ratios. When revenue elements have the Allocation Type set to Exclude, they are excluded from cost allocation, as well as revenue allocation.

You can adjust the cost allocation for the revenue elements by entering values in the Contract Acquisition Cost Allocation Ratio Override field. The allocated cost amount is updated using the override ratio when the revenue arrangement is saved. The sum of the values of the Contract Acquisition Cost Allocation Ratio Override field for all elements in the arrangement must equal 100%.

The Allocated Contract Acquisition Cost Amount (Base Currency) value of individual elements remains the same when the elements are merged into a new arrangement. The contract acquisition cost amount in the new header of the new arrangement is the sum of the allocated amounts for the revenue elements. The revenue allocation ratio is ignored. The cost allocation ratio override field is populated with a calculated ratio equal to the allocated cost amount over the total cost amount in the header. The Merge Revenue Arrangements for Linked Sources page includes required filters for the Contract Acquisition Expense Account and Contract Acquisition Deferred Expense Account. For more information about the merge process, see Merging Revenue Arrangements.

For example, you begin with two revenue arrangements.

Arrangement A has a Contract Acquisition Cost Amount of $60 in the header and the following element values:

Element Item	Revenue Allocation Ratio	Contract Acquisition Cost Allocation Ratio Override	Contract Acquisition Cost Allocation Amount
License	60%	30%	$18
Support	40%	70%	$42

Arrangement B has a Contract Acquisition Cost Amount of $80 in the header and the following element values:

Element Item	Revenue Allocation Ratio	Contract Acquisition Cost Allocation Ratio Override	Contract Acquisition Cost Allocation Amount
License	50%	Empty	$40
Support	10%	Empty	$8
Training	40%	Empty	$32

By merging linked sources, you combine the support item from arrangement A with the license item from arrangement B to form a new arrangement C. The results are as follows.

Arrangement C has a Contract Acquisition Cost Amount of $82 ($42 + $40) in the header and the following element values:

Element Item	Revenue Allocation Ratio	Contract Acquisition Cost Allocation Ratio Override	Contract Acquisition Cost Allocation Amount
License		$40 / $82 = 48.78%	$40
Support		$42 / $82 = 51.22%	$42

The new arrangement A has a Contract Acquisition Cost Amount of $18 in the header and the following element values:

Element Item	Revenue Allocation Ratio	Contract Acquisition Cost Allocation Ratio Override	Contract Acquisition Cost Allocation Amount
License		$18 / $18 = 100%	$18

The new arrangement B has a Contract Acquisition Cost Amount of $40 ($8 + $32) in the header and the following element values:

Element Item	Revenue Allocation Ratio	Contract Acquisition Cost Allocation Ratio Override	Contract Acquisition Cost Allocation Amount
Support		$8 / $40 = 20%	$8
Training		$32 / $40 = 80%	$32

If you change the amount in the header of any of these arrangements, the allocated cost amounts are adjusted using the cost allocation ratio overrides.

You can clear the cost allocation ratio override that results from merging. To do so, clear the Compliant box and reallocate. The override ratios are cleared, and the allocated cost amounts for the elements are again based on the revenue allocation ratios.

Revenue elements may be excluded from contract cost allocation in two ways. The Allocation Type may be set to Exclude. Or you may merge arrangements so that the resulting arrangement includes a negative element that is not a return of any positive element in the arrangement. The negative element that is excluded may already have a cost allocation amount carried over with the merge. That cost allocation amount is excluded from allocation, but it is counted in the total contract acquisition cost amount in the header.

Expense Amortization

The Expense Amortization Plan subtab on a revenue recognition plan shows the costs to be amortized in each period of the plan. It includes a separate line for each type of expense: contract acquisition cost, item resale cost, and labor cost. Thus, you may have up to three lines for each planned period. The information displayed for each line is similar to the Planned Revenue subtab. It includes the following fields:

- Planned Period
- Planned Expense Type
- Amount
- Journal
- Posting Period
- Deferred Expense Account
- Expense Account
- Date Executed
- Is Amortized
- % Amortized in Period
- % Total Amortized
- Total Amortized

The actual revenue recognition plan header includes two fields related to advanced cost amortization: Remaining Deferred Cost Balance and Total Amortized. The combined values of these two fields equals the total amortized expense on the revenue plans. When the revenue plan is put on hold, the expense amortization is also on hold. You can edit the Planned Period, Amount, and Is Amortized fields. However, you should assure that your changes are in line with the planned revenue.

The revenue recognition journal entries you schedule or create on the Create Revenue Recognition Journal Entries page include lines for the expense amortization. Columns on the Revenue Recognition Plans subtab on the page show Allocated Contract Acquisition Cost Amount, Item Resale Cost Amount, and Item Labor Cost Amount for each plan. Multiple revenue and expense lines on the same plan and in the same period are added together and appear as one line per period. Each of the expense accounts is debited and the deferred expense accounts are each credited in the revenue recognition journal entry. For more information about the journal entry process, see Generating Advanced Revenue Recognition Journal Entries.

Working with Revenue Recognition Plans

Revenue recognition plans are generated for revenue elements when the event set in the item record occurs. The events that may trigger the creation of revenue plans are revenue arrangement creation, billing, and fulfillment. If the Projects feature is enabled, project progress is also available as a trigger for revenue plan creation. The Revenue Plan Update Frequency accounting preference determines whether plans are created automatically when the trigger event occurs or if plans must be manually created. When you select Automatic, the system creates and updates revenue plans every 3 hours. You can create and update revenue plans manually even when the automatic option is selected.

For more information about updating plans manually, see Updating Revenue Recognition Plans.

Revenue recognition plans indicate the posting periods in which revenue should be recognized and the amount to be recognized in each period. The revenue plan is constructed based on a revenue recognition rule. Periods that are designated as adjustment periods are skipped. Revenue plans based on percent-complete revenue recognition rules are different.

For more information about percent-complete revenue rules, see Using Advanced Revenue Management for Projects.

Revenue recognition plans and the journal entries generated from them are subsidiary-specific in NetSuite OneWorld. You can view and edit only revenue recognition plans and journal entries for subsidiaries to which you have access.

Forecast and Actual Revenue Recognition Plans

To support revenue forecasting, each revenue element has at least two revenue recognition plans, a forecast plan and one or more actual plans. The forecast revenue plan is used only for forecasting and in forecast reports. The actual plan controls the posting of revenue. Item records require separate actual and forecast revenue recognition rules, which may be the same or different. Depending on the revenue recognition rule you select, actual revenue plans may not be created until a later event occurs, such as fulfillment. For more information, see Configuring Items for Advanced Revenue Management.

Revenue Recognition Forecast Plans

Revenue recognition forecast plans are created for revenue elements in addition to the actual plan or plans. Forecast plans cannot be placed on hold, so they do not include fields for Hold Revenue Recognition and Catch Up Period. You can edit forecast revenue plans, but the changes are not carried over to actual revenue plans.

When revenue recognition plans are created on billing or fulfillment, actual plans may not be created immediately because the event has not occurred. To create forecasts in advance of actual revenue plan creation, you can select revenue recognition forecast rules on item records that use start date sources other than the event date. For example, you can set up a revenue recognition rule that uses revenue element start date and revenue element end date as the start and end date sources. Then select the rule as the rev rec forecast rule and set the forecast start and forecast end dates on the revenue arrangement.

Changes in sources that affect the revenue amount in actual revenue plans, such as quantity and price changes, are also reflected in the forecast plans. As revenue is recognized according to actual revenue plans, you can recalculate your forecast plans to align the forecast plans with actual revenue recognition. For more information, see Recalculating Revenue Forecast Plans.

Actual Revenue Plans

Actual revenue plans are updated when changes occur in the sources and when revenue is posted as recognized. A revenue element may have multiple actual plans. For example, if the item record has Create Revenue Plans On set to Billing and a revenue recognition rule with Event-Percent based on amount as the Amount Source, a new actual revenue plan is created for each billing event.

See the following for information about working with revenue recognition plans:

- Updating Revenue Recognition Plans
- Viewing Revenue Recognition Plans
- Editing Revenue Recognition Plans

- Deleting Revenue Recognition Plans

Updating Revenue Recognition Plans

Revenue recognition plans can be updated automatically or manually depending on the setting of the accounting preference Revenue Plan Update Frequency. When you select the automatic option, NetSuite updates revenue plans every 3 hours to incorporate changes to transactions and revenue arrangements that affect revenue plans.

You can update revenue plans manually between automatic updates. If you have checked the accounting preference Create and Maintain Revenue Element upon Closed Order, revenue plans related to closed sales orders or sales order lines are not updated.

To update revenue plans manually:

1. Go to Financial > Other Transactions > Update Revenue Arrangements and Revenue Recognition Plans.

   Revenue managers and revenue accountants may prefer to use the **Update Revenue Plans** link on the Revenue dashboard or access the page through the Revenue menu.
2. Change the **Source From** and **Source To** dates if desired. By default, **Source From** is blank and **Source To** is today’s date. With the default settings, revenue recognition plans are created and updated for all revenue sources created or updated as of the current date and time.
3. Click **Update Revenue Plans**.
4. Click **Refresh** until **Complete** is displayed in the **Submission Status** column.
5. Click the **Complete** link to open a page with a link to the completed records.

The revenue arrangement record includes an Update Revenue Plans button. Click this button to update revenue plans immediately after you edit the arrangement. If the update cannot be completed in a few seconds, the Process Status page opens. Click Refresh until the process is complete.

Viewing Revenue Recognition Plans

You can view detailed information for each revenue recognition plan. The revenue recognition plan record includes a header and a minimum of two subtabs. The Planned Revenues subtab includes the recognition details by accounting period. For more information, see Planned Revenues Subtab. The other default subtab contains the System Notes. Depending on the other features and preferences enabled in your account, you may have more subtabs.

To view a revenue recognition plan:

1. Go to Revenue > Revenue Recognition Plans > View Revenue Plans.
2. Click **View** next to a revenue plan.

You can also view revenue plans for a specific revenue arrangement or element. After revenue plans are created, individual revenue arrangements include a View Revenue Plans button. The button opens a popup window with a list of revenue plans for the arrangement. Click the link in the Number column to open the revenue plan record.

To view revenue plans for a specific revenue element, on the revenue arrangement, go to the Revenue Recognition Plan column for the revenue element. This column has an icon . When you click the icon, a popup windows opens with a list of revenue plans for that element. Click the link in the Number column to open the revenue plan record.

The following information is included in the header of each revenue plan:

Field Name	Description
Accounting Book	This field appears only when the Multi-Book Accounting feature is enabled.
Number	Revenue plans are identified by number rather than name. The revenue plan number is configured on the Other subtab of the Set Up Auto-Generated Numbers page. For more information, see the help topic Setting Up Auto-Generated Numbers.
Created From	Link to the source revenue element
Revenue Recognition Rule	Link to the revenue recognition rule used to create the plan. The following fields from the revenue rule are also included in the plan for convenience. For an explanation of the fields, see Understanding Revenue Recognition Rules. ▪ Recognition Method ▪ Recognition Period ▪ Period Offset ▪ Start Offset ▪ Revenue Term in Months ▪ Amount Source ▪ Revenue Recognition Start Date Source ▪ Revenue Recognition End Date Source ▪ End Date Change Impact ▪ Initial Amount
Rev Rec Start Date	The date revenue recognition begins for this plan
Rev Rec End Date	The date the revenue plan ends
Amount	The total revenue amount included in the plan
Contract Acquisition Cost Amount (Base Currency)	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked.
Item Resale Cost Amount (Base Currency)	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked.
Item Labor Cost Amount (Base Currency)	This field appears only when the Enable Advanced Cost Amortization accounting preference is checked.
Parent Line Currency	The transaction currency
Revenue Recognition Plan Currency	This is the same as the subsidiary base currency. When multi-book accounting is enabled, it is the base currency for the accounting book and subsidiary.
Hold Revenue Recognition	When this box is checked, revenue recognition journal entries cannot be generated for the plan. The plan status is On Hold. This box does not appear on forecast plans.
Item	Link to the item record
Comments	Comments entered for the plan
Exchange Rate	The exchange rate between the Parent Line Currency and the Revenue Recognition Plan Currency on the transaction date

Field Name	Description
Remaining Deferred Balance	The total revenue amount less the total recognized as of the current date. This field does not appear on forecast plans.
Total Recognized	Revenue recognized as of the current date. This field does not appear on forecast plans.
Remaining Deferred Cost Balance	The total deferred expense less the Total Amortized. This field is displayed only when advanced cost amortization is enabled. This field does not appear on forecast plans.
Total Amortized	The total deferred expense that has been amortized to date. This field is displayed only when advanced cost amortization is enabled. This field does not appear on forecast plans.
Status	Current status of the revenue plan. It can be one of the following: ■ **Not Started** – No revenue has been recognized yet. ■ **In Progress** – Some revenue has been recognized but not all. ■ **On Hold** – Some revenue may or may not have been recognized. No additional revenue can be recognized until the hold is removed. ■ **Complete** – All revenue has been recognized for this revenue plan. When advance cost amortization is enabled, cost amortization is considered to determine whether the plan is In Progress or Complete. This field does not appear on forecast plans.
Revenue Plan Type	Forecast or Actual. See Forecast and Actual Revenue Recognition Plans.
Catch Up Period	This field is blank until a plan that has been on hold resumes. When the hold is removed, the value in this field is determined by the **Default Catch Up Period** accounting preference. The field may remain blank, or it may be set to the current period or the first open period. Whatever the default, you can select a different period from this dropdown list. If the default is blank, you must select a period. The list begins with the earliest open period. You can change the catch up period to any open period. This field does not appear on forecast plans. Periods that are locked for A/R as part of the period close checklist are generally not available to select as catch up periods. Those with the Administrator role or a custom role with the Override Period Restrictions permission may select periods that are locked. This field does not appear on forecast plans.
Reforecast Method	Determines how future periods are adjusted when revenue forecast plans are recalculated. See Reforecast Method. This field appears only on forecast plans.
Recalculation Adjustment Period Offset	Empty unless the Reforecast Method is Manual. This field appears only on forecast plans.
Eliminate	If this box is checked, the source of the revenue element for the plan is an intercompany transaction.

Planned Revenues Subtab

This subtab has two subtabs. They are Planned Revenues and Previous Revenue Plans. The Previous Revenue Plans subtab includes links to previous versions and displays the date of the change. When the accounting preference Enable Advanced Cost Amortization is checked, a third subtab is added called Expense Amortization Plan. For information about that subtab, see Using Advanced Cost Amortization.

The following additional information is displayed for each line in the Planned Revenues subtab of an actual revenue plan:

Field Name	Description
Planned Period	The period that revenue is expected to be recognized
Amount	The amount to be recognized for the period on this line
Journal	Link to the revenue recognition journal entry when revenue has been recognized in the period
Posting Period	Period the revenue recognition journal entry was posted
Deferral Account	Link to the account register for the deferral account. The account value is derived from the revenue element.
Recognition Account	Link to the account register for the recognition account. The account value is derived from the revenue element.
Date Executed	Date of the revenue recognition journal entry
Is Recognized	When this box is checked, a manual journal entry must be created to recognize revenue. The revenue plan is not included on the Create Revenue Recognition Journal Entry page for the period on this line. You can edit this field only when revenue has not yet been recognized for that line.
% Recognized in Period	The percentage of revenue recognized, or to be recognized, for the period
% Total Recognized	The cumulative percentage of revenue recognized as of the period
Total Recognized	The cumulative amount recognized as of the period

Forecast plans display only the Planned Period, Amount, Deferral Account, and Recognition Account.

All revenue plans fields and fields on the Planned Revenues subtab are available for search.

Editing Revenue Recognition Plans

Advanced revenue management offers several approaches to editing revenue recognition plans. You can edit one revenue plan at a time or multiple plans. To edit one revenue plan at a time, go to Revenue > Revenue Recognition Plans > View Revenue Plans, and click the Edit link for the plan you want to update.

Two options are provided for editing multiple plans. You can select different values for various fields on multiple individual revenue plans at the same time on the same page. Or you can set the same values for multiple fields across multiple plans and edit the plans in bulk. For instructions for editing multiple plans, see the following topics:

- Editing Individual Revenue Plans Simultaneously
- Bulk Editing Revenue Plans

Although you can edit forecast revenue plans, the changes are not carried over to actual revenue plans. Forecast plans do not include the Hold Revenue Recognition box and Catch Up Period field. Forecast plans include a Reforecast Method field that is not included in actual revenue plans.

The same editing options that are available in the header of individual revenue plans are also available on the bulk update page. This page includes filters to aid in identifying the plans you want to update.

You can edit the following fields in the header of revenue plans:

Field	Description
Revenue Recognition Rule	If the revenue plan has not yet started, you can edit this field. Changing the revenue recognition rule does not affect the revenue recognition start and end dates.
Rev Rec Start Date	You can edit this field only if no revenue has been recognized on the revenue plan.
Rev Rec End Date	You can edit this field even after revenue has begun to be recognized on the plan. The new end date must be after the beginning of the first planned period without recognized revenue. When you change the end date, the revenue plan is adjusted according to the value set in the End Date Change Impact field of the revenue recognition rule. For more information, see Rev Rec End Date Sources and End Date Change Impact.
Hold Revenue Recognition	Actual plans only. Check this box to place the revenue plan on hold. When you check this box, the plan status changes to On Hold. Revenue recognition journal entries cannot be generated for any period in the plan, including the current period if its revenue has not already been recognized. Clear the box to resume recognizing revenue. Revenue that was not recognized while the plan was on hold is recognized in the period set in the Catch Up Period field.
Catch Up Period	Actual plans only. This field is used only when the check is cleared from the Hold Revenue Recognition box . When the hold is removed, the catch up period defaults according to the option selected in the accounting preference Default Catch Up Period. You can change the catch up period to any open period. The planned revenue is updated only when the hold is released. Only those periods prior to the catch up period are updated. Periods that are locked for A/R as part of the period close checklist are generally not available to select as catch up periods. Those with the Administrator role or a custom role with the Override Period Restrictions permission may select periods that are locked.
Comments	Include brief comments about the revenue plan here.
Reforecast Method	Forecast plans only. If you change the selected option, the new method is used the next time you recalculate revenue forecast plans. For a description of the available options, see Reforecast Method. For information about recalculating forecast plans, see Recalculating Revenue Forecast Plans.
Recalculation Adjustment Period Offset	Forecast plans only. You can edit this field only when the Reforecast Method is Manual. Then this field is required, and the value must be positive.

In the Planned Revenues subtab, you can make the following changes for lines that have not yet been recognized:

Field	Description
Planned Period	Periods that are locked for A/R are generally not available to select as planned periods. Those with the Administrator role or a custom role with the Override Period Restrictions permission may select periods that are locked.

Field	Description
Amount	The total of the Amount lines in the Planned Revenue subtab must equal the Amount in the revenue plan header. If you are using percent-complete revenue recognition, your manual changes may be overwritten by the project planned time entries and project Rev Rec Percent Complete Override subtab. For more information, see Using Advanced Revenue Management for Projects.
Is Recognized	Check this box only when the revenue has been recognized by a manual journal entry outside the revenue recognition journal entry process.

When the accounting preference Enable Advanced Cost Amortization is checked, a subtab is added called Expense Amortization Plan. For information about that subtab, see Using Advanced Cost Amortization.

Editing Individual Revenue Plans Simultaneously

The Edit Revenue Plans page provides two options for editing multiple revenue plans. When you select **Individual Plan Update** from the Plan Update Option dropdown list, you can select different values for various fields on multiple revenue plans at the same time on the same page. The procedure for editing multiple plans simultaneously is described in this topic. The procedure for the Bulk Plan Update option is different. When you select Bulk Plan Update, you set the same value across multiple plans for the fields you select. For instructions for that option, see Bulk Editing Revenue Plans.

To edit multiple plans simultaneously:

1. Go to Revenue > Revenue Recognition Plans > Bulk Edit Revenue Plans to open the Edit Revenue Recognition Plans page, and if necessary, select **Individual Plan Update** from the **Plan Update Option** dropdown list.

   The **Plan Update Option** you selected most recently is the default for the page.

   When you select a different Plan Update Option, you are prompted to confirm that you want to leave the page. Click **Leave Page** to refresh the page and change the option.
2. Use the filters at the top of the page to find the revenue plans you want to edit. The filters you select become your default for this page. The following filters are available:
   - Customer
   - Revenue Recognition Rule
   - Subsidiary – for OneWorld accounts
   - Item
   - Revenue Arrangement #
   - Transaction Number
   - Accounting Book – when Multi-Book Accounting is enabled
   - Status
   - Revenue Plan Type

   You can also create a date range for the listed plans using the fields for the start and end dates.
3. Check the box in the **Select** column for the plans you want to edit, or click **Mark All**.
4. Make the changes you want to the individual fields.
5. Click **Submit**.

When you submit your changes, the Process Status page opens. If this page does not open, your changes have not been submitted.

6. Click **Refresh** to update the status.
7. When the **Submission Status** is **Complete**:
   - Click the link in the **Message** column to view any errors.
   - Click **Complete** in the **Submission Status** column to open the Processed Records page. The links in the **Record** column open the updated revenue plans in view mode.

You can also edit revenue plans for a specific revenue element. The Revenue Recognition Plan column in each revenue element line of a revenue arrangement has an icon . When you click the icon, a popup windows opens with a list of revenue plans for that element. Click Edit in the popup window to make the list editable.

Bulk Editing Revenue Plans

The Edit Revenue Plans page provides two options for editing multiple revenue plans. When you select **Bulk Plan Update** from the Plan Update Option dropdown list, you can set the same values for multiple fields across multiple plans. The procedure for editing revenue plans in bulk is described in this topic. The procedure for the individual plan update option is different. When you select Individual Plan Update, you select different values for various fields on multiple revenue plans at the same time on the same page. For instructions for the individual plan update option, see Editing Individual Revenue Plans Simultaneously.

To edit revenue plans in bulk:

1. Go to Revenue > Revenue Recognition Plans > Bulk Edit Revenue Plans to open the Edit Revenue Recognition Plans page, and if necessary, select **Bulk Plan Update** from the **Plan Update Option** dropdown list.

   The **Plan Update Option** you selected most recently is the default for the page.

   When you select a different **Plan Update Option**, you are prompted to confirm that you want to leave the page. Click **Leave Page** to refresh the page and change the option.
2. Use the filters at the top of the page to find the revenue plans you want to edit. The filters you select become your default for this page. The following filters are available:
   - Customer
   - Subsidiary – for OneWorld accounts
   - Item
   - Revenue Arrangement #
   - Transaction Number
   - Accounting Book – when Multi-Book Accounting is enabled
   - Status

   You can also create a date range for the listed plans using the fields for the start and end dates.
3. Set additional filters at the top of the **Revenue Recognition Plan** subtab if desired. The following filters are available:
   - Revenue Plan Type
   - Revenue Recognition Rule
   - Reforecast Method
   - Hold Revenue Recognition

- Catch Up Period

4. Click **Customize** to add more filters to the **Revenue Recognition Plan** subtab or to display more columns in the list.
5. Check the **Select** box for the plans you want to edit, or click **Mark All**.
6. Click the **Set Fields** subtab to select the fields and values to change. Not all fields are appropriate for all types of revenue plans. If you set the **Revenue Plan Type** filter on the subtab, only fields that are appropriate for the selected plan type are displayed.

   The following fields are available.

   - Catch Up Period – actual plans only
   - Hold Revenue Recognition – actual plans only
   - Recalculation Adjustment Period Offset – forecast plans using the manual reforecast method only
   - Reforecast Method – forecast plans only
   - Revenue Recognition End Date
   - Revenue Recognition Rule
   - Revenue Recognition Start Date

   a. Select a value in the **Field** column.
   b. Select or enter a value in the **Selection**, **Checked**, **Text**, **Period**, or **Date** column. Which column accepts a value is determined by your selection in the **Field** column.
   c. Click **Add**.
   d. Repeat steps a, b, and c as needed.
7. Click **Submit**.

   When you submit your changes, the Process Status page opens. If this page does not open, your changes have not been submitted.
8. Click **Refresh** to update the status.
9. When the **Submission Status** is **Complete**:
   - Click the link in the **Message** column to view any errors.
   - Click **Complete** in the **Submission Status** column to open the Processed Records page. The links in the **Record** column open the updated revenue plans in view mode.

Deleting Revenue Recognition Plans

You cannot delete revenue plans after revenue recognition has started if a journal entry is associated with the plan. If you want to change the revenue recognition rule that is used for a revenue element, you must first delete both its forecast and actual revenue plans. Then you can change the rule. When you update revenue plans, new plans are generated from the new rule.

If you need to delete a revenue plan after recognition has started, you must first delete its associated revenue recognition journal entries.

To delete a revenue plan:

1. Go to Revenue > Revenue Recognition Plans > View Revenue Plans.
2. Click **Edit** next to the revenue plan you want to delete.
3. On the **Actions** menu, click **Delete**.

4. When prompted, click **OK** to confirm the deletion.

Managing Revenue Allocation

When you have multi-element sales, the sales prices of the elements may not be the same as their fair value. The sum of the fair value amounts also may not equal the total sales price. Revenue allocation distributes the revenue from a sale across its elements in proportion to their calculated fair value amounts.

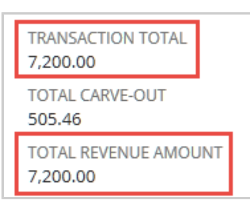
The following topics provide details about revenue allocation when you use the Advanced Revenue Management feature:

- Understanding Fair Value and Allocation
- Revenue Allocation for Returns
- Viewing Allocation Details
- Updating Revenue Allocation for Revenue Arrangements
- Understanding the Compliant Indicator
- Working with Contingent Revenue Handling
- Using the Residual Method and Two-Step Allocation

Understanding Fair Value and Allocation

The items that your company sells as part of a bundle can have a fair value in addition to a sales price. Fair values are assigned to items that are part of the bundle and that are dependent on each other. Fair values include formulas to calculate the fair value for the items when they are sold. The fair value list for items is created during setup and can be modified as needed. For instructions, see Setting Up Fair Value.

The total revenue amount must equal the transaction total. However, the total of the calculated fair value amounts is not required to equal any other total. The transaction total is the total discounted sales amount for all revenue elements in the revenue arrangement. The Transaction Total and Total Revenue Amount fields are displayed in the revenue arrangement header. In this screenshot from a revenue arrangement, their values are both 7,200.00.



Each revenue element is allocated a prorated share of the transaction total as the revenue amount for the item. The ratios for the allocation are determined by the calculated fair value amount of each item over the total calculated fair value for the transaction. The ratio is multiplied by the discounted sales amount to derive the revenue amount for the revenue element.

When the discounted sales amount is greater than the revenue amount, the difference is called the carve-out. When the discounted sales amount is less than the revenue amount, the different is called the carve-in. The carve-in plus the carve-out equals 0 because the transaction total is always equal to the total revenue amount. The total carve-out is also displayed in the revenue arrangement header. The following table shows the calculations for the previous screenshot.

	Sales Amount	Disc. Sales Amount	Calculated Fair Value Amount	Ratio (Item FV / FV Total)	Carve-in	Carve-out	Revenue Amount (Ratio x Total Disc. Sales Amount)
Item 1	6,000	6,000	6,000	0.7800	n/a	383.78	5,616.22
Item 2	1,200	1,200	1,152	0.1498	n/a	121.68	1,078.32
Item 3	0	0	540	0.0702	505.46	n/a	505.46
Total	7,200	**7,200**	7,692	505.46	505.46		**7,200.00**

Revenue elements that do not permit discount are allocated first in a revenue arrangement. All the revenue elements in the preceding example permit discount.

Revenue Allocation for Returns

When some items in a sales transaction are returned for credit, their corresponding revenue must be reversed. These return events are linked to the original sales transaction. When the existing revenue arrangement is updated, it includes a negative element for the return, and the allocation must be adjusted.

> **Note:** Best practice is to merge a return revenue element only with a revenue arrangement that includes its associated sale revenue element. The return and sale revenue elements must have the same foreign currency exchange rate. Negative elements without an associated positive element are excluded from allocation.

The following subtopics provide information about specific returns and general examples:

- Return Authorizations
- Credit Memos
- Cash Refunds
- Negative Element Allocation and Alternate Quantities
- Allocation Examples

Return Authorizations

When return authorizations are created from sales orders, a new revenue arrangement is created with a negative revenue element for the return. The return automatically uses the same foreign currency exchange rate as the sales order. You can merge the new negative revenue arrangement with the existing revenue arrangement for the sales order only when the exchange rates are the same. When you merge, the negative element is automatically linked as a return of the corresponding positive element only if the exchange rates match. This is important because the exchange rate on the return can be edited.

You can also merge the revenue arrangement from a stand-alone return authorization with an existing revenue arrangement for the sales order. Merging these arrangements is not required. However, if you do merge, the foreign currency exchange rates must be the same for both arrangements. For information, see Merging Revenue Arrangements.

The calculated fair value amount for the negative element is a pro-rated share of the linked positive element based on quantity.

Credit Memos

When a credit memo is created from a return authorization, no additional revenue arrangement is generated.

When a credit memo has been created directly from a sales invoice or as a stand-alone transaction without a previous return authorization, a revenue arrangement is created. You can merge the new revenue arrangement with one or more existing arrangements. The merge is not required. The foreign currency exchange rates of the negative elements and positive elements must be the same or the merge fails.

Cash Refunds

When a cash refund is created from a cash sale, a revenue arrangement is created. You can merge the new revenue arrangement with one or more existing arrangements if the foreign currency exchange rates are the same. The merge is not required.

When you merge, the negative element is automatically linked as a return of the corresponding positive element. The calculated fair value amount for the negative element is a pro-rated share of the linked positive element based on quantity.

Negative Element Allocation and Alternate Quantities

When revenue elements include a value in the alternate quantity field, the allocation ratios for negative elements are based on both the quantity and the alternative quantity fields. When you link positive and negative revenue elements, if one element includes an alternate quantity value, both elements must include an alternate quantity value. The negative element quantity multiplied by alternate quantity may not exceed its linked positive element's quantity multiplied by its alternate quantity.

Allocation Examples

Allocation combines the negative element with its related positive element in the revenue arrangement. The unit fair value is the same for the return element as for its related positive element. If there is no set fair value, as in percentage-based fair value, the return fair value is a prorated share of the calculated positive element.

Here is an example.

Item	Quantity	Unit Price	Sales Amount	Fair Value	Calculated FV Amount	Allocation Ratio	Allocation Amount
A	10	12	120	10	100	5/18	83.33
B	20	3	60	5	100	5/18	83.33
C	10	3	30	10	100	5/18	83.34
D	10	9	90	20% of total sales	60	1/6	50.00
Total			$300		360		300.00

A return authorization makes a partial return of 5 units each for items B and D. The return of item B is at a different price. It is for $2 per unit instead of $3 per unit. This is what the merged revenue arrangement looks like.

Item	Quantity	Unit Price	Sales Amount	Fair Value	Calculated FV Amount	Allocation Ratio	Allocation Amount
A	10	12	120	10	100	20/61	80.33
B	20	3	60	5	100	20/61	80.33
C	10	3	30	10	100	20/61	80.33
D	10	9	90	20% of total sales	60	12/61	48.19

Item	Quantity	Unit Price	Sales Amount	Fair Value	Calculated FV Amount	Allocation Ratio	Allocation Amount
–B	–5	2	–10	5	–25	–5/61	–20.08
–D	–5	9	–45	prorated % of D	–30	–6/61	–24.10
Total			$245		305		245.00

Updating Revenue Allocation for Revenue Arrangements

Revenue allocation updates automatically when the revenue arrangement is updated or merged. For more information, see Updating Revenue Arrangements and Merging Revenue Arrangements.

Revenue allocation is also updated automatically when there are changes to the sources because the revenue arrangement is automatically updated. Source changes that affect allocation are adding or removing items or changing the amount on for an item by changing the quantities or rate. When revenue is reallocated, revenue plans are also updated.

If reallocation fails, the error is logged on the Revenue Arrangement Message subtab. The Error column in the Allocation Detail is also populated for each revenue element with an allocation error. The Compliant box in the revenue arrangement header is cleared, and the Allocate button is available in view mode.

You can reallocate multiple revenue arrangements at the same time on the Allocate Revenue Arrangements page at Revenue > Revenue Arrangements > Allocate Revenue Arrangements. Revenue arrangements are listed on this page only if they are not compliant. If there is a problem with a record in the fair value price list, it may affect multiple revenue arrangements. For more information, see Understanding the Compliant Indicator and Setting Up Fair Value.

To update allocation manually:

1. Go to Revenue > Revenue Arrangements > View Revenue Arrangements and click **Edit** for the revenue arrangement you want to reallocate.
2. Check the **Fair Value Override** box for each element whose allocation you want to change.
3. Make the changes you want to the fair value fields.

   The final allocation is based on the **Calculated Fair Value Amount**. This value is not automatically updated when you change the **Base Fair Value** manually.
4. Clear the **Compliant** box and save the arrangement.
5. Click **Allocate**.

Viewing Allocation Details

The Allocation Detail subtab lets you see how the allocation is calculated for each revenue element. This subtab on the revenue arrangement record is read-only and is visible only in view mode. It includes the following columns.

Field	Description
Revenue Element	Link to revenue element record
Item	Link to item record
Fair Value Price Record	Link to fair value price record. This field is blank when the sales price is used as the fair value.
Base Fair Value	Derived from the fair value price list or the sales price

Field	Description
Used Sales Price as Fair Value	If yes, the Fair Value Price Record field is blank.
Is VSOE Price?	Derived from the fair value price list. This indicates whether the fair value is an actual VSOE price (Yes) or a non-VSOE estimated fair value.
Fair Value Formula	Link to the fair value formula record
Pre-Range Checking Calculated Amount	The result of the fair value formula calculation. This is the calculated fair value amount **before** the range checking policy is applied.
Range Policy	Derived from the fair value price list
Low Value	Derived from the fair value price list
Discounted Sales Amount	Net price from the source. A link to the source is included in the Revenue Element subtab.
High Value	Derived from the fair value price list
Calculated Fair Value Amount	The calculated fair value amount **after** the range checking policy is applied
Step One Result	The revenue amount at the end of the first allocation step
Step Two Result	The revenue amount at the end of the second allocation step
Error	Errors that occur in processing the allocation

Understanding the Compliant Indicator

The Compliant box on the header of revenue arrangement indicates whether allocation succeeds when it is required for a revenue arrangement. When the box is checked, allocation was successful. If it is not checked, reallocation is required.

The Compliant box is automatically checked if any of the following statements are true:

- The revenue arrangement is not a qualified multi-element arrangement and revenue allocation is not required. For example, the Transaction Is Allocation Bundle box is not checked, or the revenue arrangement includes only one element.
- Revenue allocation is required, and it completed successfully the last time allocation was run.

The Compliant box is **not** checked only under the following conditions:

- It was cleared manually to enable reallocation.
- The system-executed revenue allocation for the revenue arrangement failed. When allocation fails, an error is logged in the Revenue Arrangement Message subtab and the Error field of the Allocation Detail subtab.

When the Compliant and Transaction Is Allocation Bundle boxes are both checked, the Transaction Total always equals the Total Revenue Amount. If you edit the revenue arrangement and check these two boxes but the Transaction Total does not equal the Total Revenue Amount, you cannot save the arrangement.

Working with Contingent Revenue Handling

Advanced revenue management supports contingent revenue handling for professional service items. Contingent revenue handling stipulates that the allocated amount of revenue for delivered items cannot be contingent on the delivery of additional items or other specified performance. This prevents over-allocating revenue for recognition purposes.

The trigger for contingent revenue handling is a comparison of the ratio of the fair value of eligible items to the ratio of the discounted sales amount of those items. When the fair value ratio is greater, the transaction is disabled for allocation and revenue must be recognized based on the sales amount of the items.

The Enable Contingent Revenue Handling preference controls the availability of contingent revenue handling. This is a book-level preference. When multi-book accounting is enabled, the Enable Contingent Revenue Handling box appears on each accounting book record. Otherwise, the preference is in the Revenue Recognition group on the General subtab of the Accounting Preferences page at Setup > Accounting > Accounting Preferences. For more information, see Setting Advanced Revenue Management Preferences.

When contingent revenue handling is enabled, an Eligible for Contingent Revenue Handling box is included on the Revenue Recognition / Amortization subtab on item records. Unless this box is also checked, contingent revenue handling is not enforced. Eligible for Contingent Revenue Handling is also added to the revenue element when the box is checked for the item.

In the following example, the revenue arrangement includes subscription items and professional services. The professional services item has the Eligible for Contingent Revenue Handling box checked.

	Discounted Sales Amount	Fair Value	Preliminary Allocated Value	Final Allocated Value
Subscription Items	$ 65,000	$ 40,000	$ 61,600	$ 65,000
Professional Services	**12,000**	10, 000	**15,400**	**12,000**
Total	$ 77,000	$ 50,000	$ 77,000	$ 77,000
PS Ratio	16%	20%	20%	16%

Professional services are 16% of the total order (12,000 / 77,000). The ratio of the fair value amount for professional services is 20% of the order (10,000 / 50,000). Using the fair value ratio, the preliminary allocated revenue amount for professional services is $15,400. This amount exceeds the transaction amount of $12,000 and triggers contingent revenue handling. The final revenue allocation for professional service is based on the $12,000 sales amount.

If the Eligible for Contingent Revenue Handling box is checked for multiple elements in a revenue arrangement, those revenue elements are considered as a group. If their combined fair value ratio is greater than their combined sales ratio, contingent revenue handling is triggered. A single eligible revenue element may have a greater fair value ratio without triggering contingent revenue handling.

In the following examples, Case 2 does **not** trigger contingent revenue handling, but Case 3 does.

Case 2					
	Discounted Sales Amount	**Sales Ratio**	**Fair Value**	**Fair Value Ratio**	**Final Allocated Value**
Service A	$ 100	**.6667**	$ 100	**.6452**	$ 64.52
Service B	100		200		129.03

Case 2					
	Discounted Sales Amount	Sales Ratio	Fair Value	Fair Value Ratio	Final Allocated Value
Other C	100	.3333	165	.3548	106.45
Total	$ 300		$ 465		$ 300

In Case 2, the combined fair value ratio is less than the combined sales ratio for the two service items, and allocation proceeds as normal.

Case 3					
	Discounted Sales Amount	Sales Ratio	Fair Value	Fair Value Ratio	Final Allocated Value
Service A	$ 100	.6667	$ 100	.7143	$ 100
Service B	100		200		100
Other C	100	.3333	120	.2875	100
Total	$ 300		$ 420		$ 300

In Case 3, the combined fair value ratio is greater than the combined sales ratio for the two service items, and the discounted sales amount for each item becomes its final allocated value.

If all of the revenue elements in an arrangement are eligible, contingent revenue handling is not triggered.

By default, the revenue arrangement header does not display information about contingent revenue handling. However, you can customize the transaction form to display a box called Contingent Revenue Handling Triggered. The box is checked automatically when the conditions are met that trigger contingent revenue handling.

Using the Residual Method and Two-Step Allocation

The residual method and two-step allocation for software are supported in advanced revenue management. They are used only for software. The Allocation Type on the item record must be Software for all of the items in the multi-element arrangement, referred to as a bundle.

The residual method may be used when some of the items in a bundle have a calculated fair value amount that is a VSOE price, but the fair value for other items is an estimate, not VSOE. The Is VSOE column on the revenue element and Is VSOE Price? column on the allocation detail indicate whether the fair value is a VSOE price. The residual method uses a second step to complete the allocation. In the second step, the VSOE items receive their VSOE prices and the remainder is allocated to the items without VSOE prices.

To use the residual method, the bundle must meet these conditions:

- The Allocation Type is Software.
- All **undelivered** items **have** a calculated fair value amount that is a VSOE price.
- Not all software items are delivered.
- Not all software items are VSOE.

When the residual method is used for revenue allocation, the Residual box is checked in the Allocation Detail subtab of the Revenue Elements subtab on the revenue arrangement.

For more information about using the residual method, see:

- Residual Method Calculation
- Discounts and the Residual Method

Note: When multi-book accounting is enabled, Enable Two Step Revenue Allocation is a preference on the accounting book record. It is checked by default, but it can be cleared on a book-by-book basis. Two-step allocation cannot be turned off unless multi-book accounting is enabled.

Residual Method Calculation

When the conditions are met that trigger the residual method, the second step of allocation takes place. The delivery status is considered only to determine whether the residual method is required. It has no effect on the calculation. For a description of the first step of allocation, see Understanding Fair Value and Allocation.

The formula used in the second step is:

(total discounted sales amount) – (VSOE prices of items)	=	amount to apply to items without a VSOE price, distributed in proportion to their discounted sales amounts

For example, you sell the following bundle:

	Discounted Sales Amount	Calculated Fair Value Amount	Is VSOE	Ratio (Item / FV Total)	Step One (Ratio x Total Discounted Sales Amount)	Step Two (VSOE & Residual)
Item 1	200	360.00	Yes	0.2377	228.21	**360.00**
Item 2	120	540.00	Yes	0.3566	342.31	**540.00**
Item 3 – Delivered	360	345.60		0.2282	219.08	33.75
Item 4 – Delivered	280	268.80		0.1775	170.40	26.25
Total	**960**	1,514.40			960.00	960.00

The total discounted sales amount is $960, and the total revenue amount after allocation must also equal $960. Step One follows the standard allocation rules, and uses the ratio of each item's fair value to allocate the transaction amount.

This bundle qualifies for the residual method. All items without VSOE prices are delivered. Step Two allocates the VSOE prices to items 1 and 2. The total discounted sales amount minus these VSOE prices is $60. This residual amount is allocated to items 3 and 4 in proportion to their discounted sales amounts.

Discounts and the Residual Method

When a discount is applied to a multi-element arrangement, the discount is allocated to the items in the revenue arrangement proportionally based on their revenue allocation ratio.

The Never flag can be used to prevent the allocation of a discount to items. If the Permit Discount field on an item record is set to **Never**, then discounts are not applied to the item. For more information, see Configuring Items for Advanced Revenue Management.

Using Advanced Revenue Management for Projects

> **Note:** This topic is about recognizing revenue for projects that are attached to line items in sales transactions. For information about recognizing revenue directly from charge-based projects, see the help topic Project Revenue Recognition.

If you have a projects-based business, you can recognize revenue based on the percentage of completed project work by using percent-complete revenue recognition plans. A percent-complete plan is one that is derived from a percent-complete revenue recognition rule. Percent-complete rules have Event-Percent Complete as their Amount Source. For more information, see Working with Percent-Complete Revenue Recognition Plans.

Set up a service item to associate a percent-complete revenue recognition rule with projects you track. Then sales that contain the service item generate revenue recognition plans based on the rule and the linked project completion.

As time worked is logged against the project and portions of the project are marked complete, the related revenue is recognized through the revenue recognition journal entries that are part of the month-end processing.

To recognize revenue based on project completion:

1. Enable the Advanced Revenue Management feature. See Setting Up Advanced Revenue Management. The Projects feature must also be enabled.
2. Use the Default Percent Complete revenue recognition rule, or create a revenue recognition rule that uses percent-complete as the Amount Source. See Creating Revenue Recognition Rules.
3. Associate a percent-complete revenue recognition rule with a service item or service items on the item record, and select Project Progress as the value for Create Revenue Plans On. See Configuring Items for Advanced Revenue Management and Setting a Service Item to Create a Project.
4. Create a sales order that includes a service item that meets the requirements in step 3 and attach a project. If the project does not have planned time entries, see the options in Generating Forecast Revenue Plans for Projects Without Planned Time Entries.
5. Create revenue recognition journal entries as needed. The revenue recognition plan is updated based on changes in actual time for the project. See Generating Journal Entries for Percent-Complete Revenue.

Working with Percent-Complete Revenue Recognition Plans

For project-driven revenue recognition, use a service item that has a percent-complete revenue recognition rule and is set to create revenue plans on project progress. When you add this service item with a project to the sales order, the actual revenue plan is created based on actual time logged for the project.

No actual revenue plan is created initially. As actual progress is recorded in the project plan, an actual revenue plan is created and lines are added to the revenue plan. When you create revenue recognition journal entries, the plan is updated with a link to the journal entry. For more information, see Generating Journal Entries for Percent-Complete Revenue.

The Financial subtab of the project record includes a Rev Rec Percent Complete Override subtab. When the Rev Rec Percent Complete Override subtab is empty, forecast revenue plans are created in three ways. In order of precedence, these ways are as follows:

1. If the project has planned time defined, the planned time is used for the forecast revenue plan.

   Note: Actual revenue plans do not use planned time entries.

2. If the project does not have planned time, you can select a rule for forecast revenue plans from the **Rev Rec Forecast Rule** list on the Financial subtab of the project record. The start and end date for the project must also be set. For instructions, see Linking a Forecast Revenue Recognition Rule to a Project.
3. If the project has neither planned time nor a Rev Rec Forecast Rule on the project, the Rev Rec Forecast Rule on the revenue element is used. The Forecast Start Date and Forecast End Date on the revenue element determine the plan start and end dates.

To understand what happens when the Rev Rec Percent Complete Override subtab is **not** empty, see Using the Rev Rec Percent Complete Override Subtab.

Generating Forecast Revenue Plans for Projects Without Planned Time Entries

If a project does not have planned time entries, you can generate forecast revenue plans as follows:

- Build a forecast revenue plan on the Rev Rec Percent Complete Override subtab and check the Use Percent Complete Override for Revenue Forecasting box. For instructions, see Using the Rev Rec Percent Complete Override Subtab.
- Link a revenue recognition forecast rule to the project to forecast project revenue. This option enables creation of a forecast revenue plan. For instructions, see Linking a Forecast Revenue Recognition Rule to a Project.

Using the Rev Rec Percent Complete Override Subtab

When the Rev Rec Percent Complete Override subtab on the Financial subtab of the project record is **empty**, actual and forecast revenue plans are created as described in Working with Percent-Complete Revenue Recognition Plans.

You can use the Rev Rec Percent Complete Override subtab to create forecast revenue plans and to override individual lines of actual revenue plans. If you use the subtab to create forecast revenue plans, actual revenue plans are also created. For details, read the following sections:

- Forecast Revenue Plans
- Actual Revenue Plans
- Procedure to Build Revenue Plans

Forecast Revenue Plans

To create a forecast revenue plan from the Rev Rec Percent Complete Override subtab, you add lines for the accounting periods you want in the plan. On each line, select an Accounting Period and enter a value for Cumulative Percent Complete. Then check the Use Percent Complete Override for Revenue Forecasting box. The Cumulative Percent Complete column in the subtab must include a line with 100%. For complete steps, see Procedure to Build Revenue Plans.

Actual Revenue Plans

For actual revenue plans, the lines on the Rev Rec Percent Complete Override subtab **override** any actual approved time for the matching accounting periods. The value in the Cumulative Percent Complete column is used to calculate the amounts in the actual revenue plan for each matching period. Because the values are cumulative, you cannot skip periods.

No line with 100% in the Cumulative Percent Complete column is necessary to override actual revenue plans.

For example, **before** you enter lines in the override subtab, you have a $1,000 project as follows:

Accounting Period	Amount	Hours
January	$250	25 actual
February	$250	25 actual
March	$300	30 planned
April	$200	20 planned

Then you enter a line in the Rev Rec Percent Complete Override subtab as follows:

Accounting Period	Cumulative Percent Complete
February	100%

The actual revenue plan retains the actual approved time for January because there is no January line in the override subtab. The line for February in the actual revenue plan is $750 because the February override line specifies that the project is 100% complete in February. Since $250 was included for January, the remainder is $750:

Accounting Period	Amount
January	$250
February	$750

If the intention is to recognize all of the revenue in February, you must add a 0% line in the override subtab for January:

Accounting Period	Cumulative Percent Complete
January	0%
February	100%

If your project continues as planned and actual approved time is entered in March and April, you must add lines for these periods in the override subtab to prevent adjustments to recover from the 100% recognized in February. To recognize all of the revenue for this project in February, the Rev Rec Percent Complete Override subtab must be as follows:

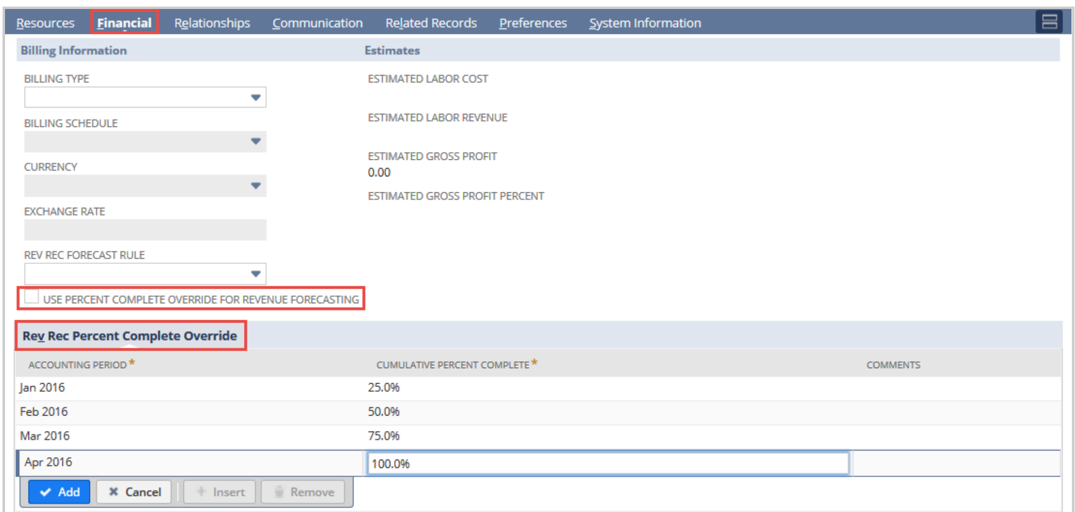
Accounting Period	Cumulative Percent Complete
January	0%
February	100%

Accounting Period	Cumulative Percent Complete
March	100%
April	100%

Procedure to Build Revenue Plans

To build revenue plans on the Rev Rec Percent Complete Override subtab:

1. Go to Lists > Relationships > Projects > New.
2. Complete the project record as needed. For more information, see the help topic Creating a Project Record.
3. Click the **Financial** subtab.



4. Optional: Check the **Use Percent Complete Override for Revenue Forecasting** box.

   When you use this option, forecast revenue plans are generated based on the latest status of the Rev Rec Percent Complete Override subtab. Any planned time entries in the project record are ignored for forecasting purposes. The **Cumulative Percent Complete** on the subtab must include a line with 100%.
5. In the **Rev Rec Percent Complete Override** subtab, select an **Accounting Period**.
6. Enter a number for the **Cumulative Percent Complete** for the period. The number must be between 0 and 100 inclusive.
7. Repeat steps 5 and 6 as desired.

   If you have checked the Use Percent Complete Override for Revenue Forecasting box, end with a line that has **100%** in the Cumulative Percent Complete column.

Linking a Forecast Revenue Recognition Rule to a Project

You can link a forecast revenue recognition rule to a project to create a forecast revenue recognition plan. The forecast revenue plan for the project is created from this linked revenue rule when the project has no planned time.

To create forecast revenue plans by linking a forecast rule to the project, the project record must have both a start date and end date. The Calculated End Date that appears on the Standard Project Form is not used for forecast revenue plans created from the linked Rev Rec Forecast Rule. To add fields for estimated or actual end dates, you customize the project form.

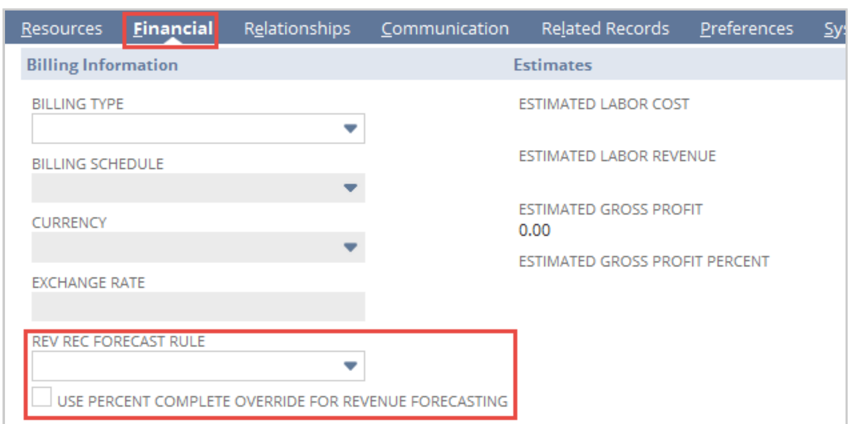
To add an end date to a custom project form:

1. Go to Lists > Relationships > Projects > New.
2. Go to **Customize** in the upper right of the page, and select **Customize Form**.
3. Type a **Name** for the custom form, and click the **Fields** subtab.
4. Check the box in the **Show** column for either **Projected End Date** or **End Date**. These fields are on the **Main** subtab of the **Fields** subtab.
5. Clear the box for **Calculated End Date**, and click **Save**.

   This adds a **Custom Form** field to the Project page so you can select which form to use for a project. When you are using project planned time entries, you can select the Standard Project Form.

To link a forecast revenue rule to a project:

1. Go to Lists > Relationships > Projects > New, and select the **Custom Form** with an **End Date** or **Projected End Date**.
2. Complete the project record as needed including both a **Start Date** and an **End Date** or **Projected End Date**. For more information, see the help topic Creating a Project Record.
3. Click the **Financial** subtab.



4. In the **Rev Rec Forecast Rule** field, select the revenue recognition rule to associate with the project.
5. Clear the **Use Percent Complete Override for Revenue Forecasting** box. When the box is checked, it supersedes all other revenue forecast rule options for the project.
6. Click **Save**.

Advanced Revenue Management and Multi-Book Accounting

When Multi-Book Accounting and Revenue and Expense Management are enabled, all revenue recognition and expense amortization features are book specific. The help topics for multi-book accounting describe the requirements and behavior for the legacy revenue recognition features. For more information, see the help topic Revenue and Expense Management in the multi-book accounting help.

The following topics summarize the changes in advanced revenue management when the Multi-Book Accounting and Revenue and Expense Management features are enabled.

- Book Specific Accounting Preferences
- Book Specific Revenue Arrangements, Elements, and Plans
- Book Specific Revenue Allocation

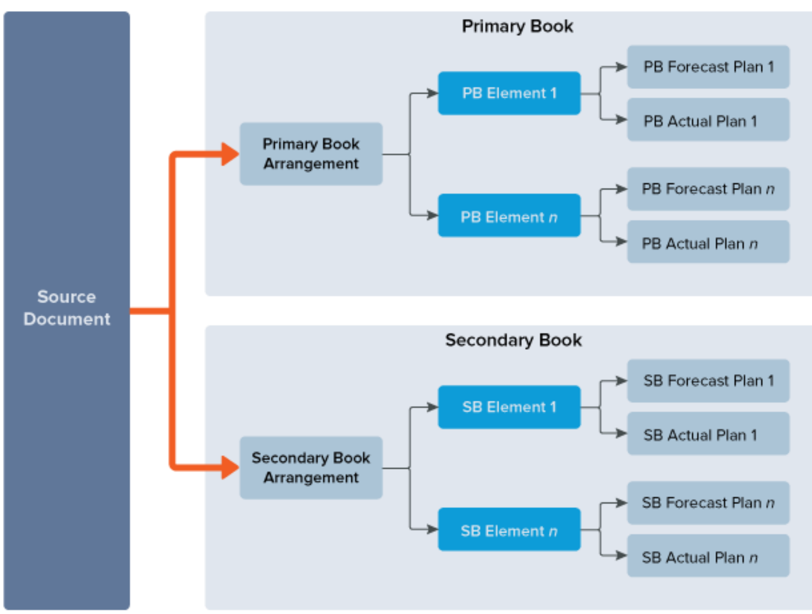
Book Specific Accounting Preferences

Some accounting preferences associated with advanced revenue management are book specific. These preferences are on the accounting book record when multi-book accounting is enabled. They are:

- **Enable Two-Step Revenue Allocation** – Two-step revenue allocation can be disabled only when multi-book accounting is enabled. For information, see Using the Residual Method and Two-Step Allocation.
- **Enable Contingent Revenue Handling** – For information, see Working with Contingent Revenue Handling.
- **Unbilled Receivable Adjustment Journal Grouping** – For information, see Groupings for Unbilled Receivable Adjustment Journal Entries.

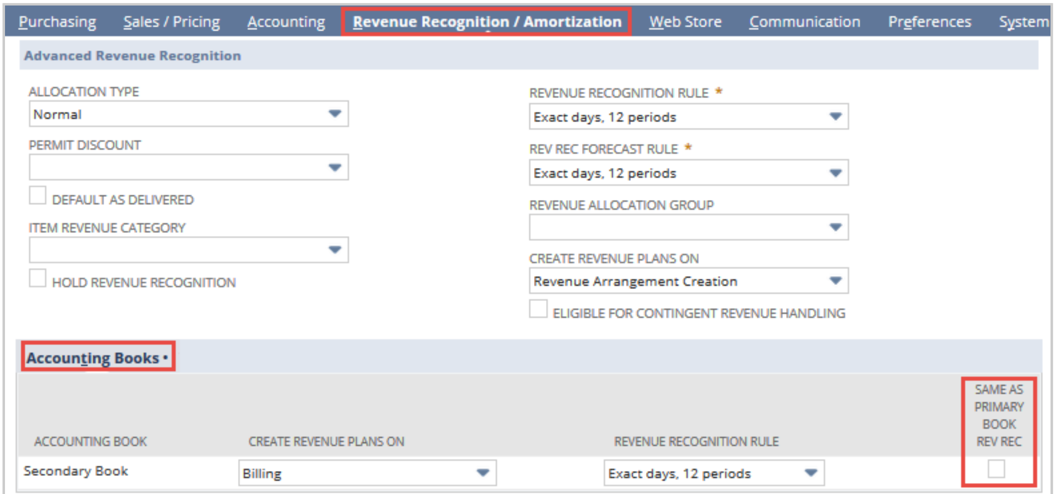
Book Specific Revenue Arrangements, Elements, and Plans

Revenue arrangements, revenue elements, and revenue recognition plans are always book specific. Separate revenue arrangement and revenue elements are generated for each active accounting book from each source document as shown in the following diagram. For information, see Managing Revenue Arrangements.



The Revenue Recognition / Amortization subtab of the item record has an Accounting Books subtab when the Revenue and Expense Management feature is enabled. The values in the main Revenue

Recognition / Amortization subtab are for the primary book. When you select different values in the Accounting Books subtab, the revenue plans for your secondary accounting books are different from those for your primary book. Check the Same as Primary Book Rev Rec box in the Accounting Books subtab to have identical plans for primary and secondary accounting books.



To use the different values for secondary accounting books from the primary book, clear the Same as Primary Book Rev Rec box. The box is checked by default. This setting applies only to the default values. If you change the revenue recognition rule on the revenue arrangement for the primary accounting book, the revenue arrangement for any secondary accounting books is unaffected. The setting of the Hold Revenue Recognition box is not passed to secondary books even when the Same as Primary Book Rev Rec box is checked. For information about other fields on the Revenue Recognition / Amortization subtab of the item record, see Configuring Items for Advanced Revenue Management.

Book Specific Revenue Allocation

Revenue allocation distributes the revenue from a multi-element contract across its elements in proportion to their calculated fair value amounts. To create book specific revenue allocation, use the Accounting Book field on the fair value price record and create book specific fair value prices. For more information, see Setting Up Fair Value and Managing Revenue Allocation.

Revenue elements that have the Allocation Type set to Excluded do not participate in allocation. The Allocation Type setting on the item record is the default for revenue elements for all accounting books. To change the allocation type for a specific accounting book, you must edit the revenue element line in the revenue arrangement for that accounting book.

Month-End Revenue Processing

Month-end revenue processing includes creating revenue recognition journal entries for revenue plans and making month-end adjustments. The month-end adjustments to deferred revenue are referred to as reclassification. For detailed information on these processes, see the following:

- Working with Revenue Recognition Journal Entries
- Reclassifying Deferred Revenue
- Recalculating Revenue Forecast Plans
- Running the Deferred Revenue Waterfall Report

Working with Revenue Recognition Journal Entries

In advanced revenue management, revenue recognition plans provide the information required to recognize revenue, but you must generate the appropriate journal entries to post revenue to the general ledger. Generating revenue recognition journal entries is part of month-end processing, but you may generate the journal entries at any time and multiple times in one month.

For information, see the following:

- Summarized Revenue Recognition Journal Entries
- Scheduling Revenue Recognition Journal Entries
- Generating Advanced Revenue Recognition Journal Entries
- Editing an Advanced Revenue Recognition Journal Entry
- Generating Journal Entries for Percent-Complete Revenue

Summarized Revenue Recognition Journal Entries

In advanced revenue management, you can post revenue recognition journal entries, including reclassification journal entries, in either detailed form or as a summary. The accounting preference Create Revenue Recognition Journals in GL determines which type of journal entry is created. For information about the reclassification journal entries, see Summarized Reclassification Journal Entries.

When you select the Detail option, one detailed journal entry is created for all plans selected on the Create Revenue Recognition Journal Entries page. The journal entry includes separate lines for each plan, and each line posts separately in the general ledger.

When you select the Summary option, journal entries are summarized when they are created based on the following attributes:

- Posting Period
- Subsidiary – for OneWorld accounts
- Accounting Book – when the Multi-Book Accounting feature is enabled. For more information, see the help topic Multi-Book Accounting Overview.
- Account
- Eliminate – when the Automated Intercompany Management feature is enabled. For more information, see the help topic Automated Intercompany Management
- Class
- Department
- Location
- Custom Segment – when the Custom Segments feature is enabled. For more information about Class, Department, Location, and Custom Segment, see the help topic Working with Classifications.

A Details column is added to the summarized journal entry. This column displays a link with the number of rows included in the line. When you click the link in the Details column of a summary journal entry, a popup window opens with the details. The details window includes links to the plan and source records.

For example, suppose you choose to create journal entries for a batch of 19 revenue recognition plans and all of these attributes are the same for each plan in the batch. Then one summary journal entry is created with two lines. In another example, you select a batch of 50 plans that have matching attributes except that two different target accounts are included. Then again one summary journal entry is created, but now it has three lines, one for the debit and one each for the two credit accounts.

Intercompany customers are summarized separately from other customers. However, if an intercompany customer has multiple revenue plans, those plans are also summarized.

If the number of rows in the Details column is very large, you may prefer to create a saved search to review the details rather than clicking through. For guidance, see Saved Search for Revenue Recognition Journal Details.

Using the Summary option for revenue recognition journal entries has no effect on reporting. In reports that enable you to click through to the journal entry, you click through to the summary journal entry. From there, you can see the details as described earlier.

Scheduling Revenue Recognition Journal Entries

When the Advanced Revenue Management feature is enabled, you can schedule the creation of revenue recognition journal entries. To schedule the process, you create a named schedule based on a revenue recognition plan saved search. As part of the schedule, you select the frequency and the next time to run the creation process. If you have uncompleted revenue recognition schedules from legacy revenue recognition, you can include them in the same schedule. A separate field enables you to select a revenue recognition schedule saved search. For information about adding saved searches to the lists, see Guidance for Saved Searches.

For NetSuite OneWorld accounts, you must select a subsidiary. Each subsidiary needs a separate schedule, but you may use the same saved search for all subsidiaries.

When Multi-Book Accounting is enabled, the schedule is book specific. To process all your revenue recognition plans and schedules, each subsidiary and accounting book combination must have its own schedule.

You can review and edit existing schedules for revenue recognition journal entry creation. For information, see Editing Existing Schedules.

To schedule revenue recognition journal entries:

1. Go to Revenue > Revenue Recognition Journal Entries > Schedule Revenue Recognition Journal Entries.
2. On the Schedule Revenue Recognition Journal Entries page, complete the following in the Primary Information section:
    a. Enter a **Name**.
    b. If you have a OneWorld account, select a **Subsidiary**, and if Multi-Book Accounting is enabled, select an **Accounting Book**.
    c. Select a **Revenue Recognition Plan Saved Search** or **a Revenue Recognition Schedule Saved Search** or both.
    d. Complete these additional optional fields as desired:
        - **Description** – Include a description of the revenue plans that are intended for this schedule.
        - **Inactive** – Check this box to make the schedule inactive. Inactive schedule do not run, but they are listed on the Scheduled Revenue Recognition Journal Creation page.
        - **Include Prior Periods** – Check this box to recognize revenue for all periods prior to and including the posting period when the schedule is run.
        - **Approve Journal** – Check this box to create journal entries that are automatically approved. Clear this box to require later review and approval of the journal entries. This box is displayed only when the accounting preference **Require Approvals on Journal Entries** is selected.

3. In the Schedule section, complete the following:
    a. Select a **Recurrence Frequency**. The schedule may not recur more frequently than every 6 hours.
    b. Select a value from the **Repeat Every** list. This field is not available for all recurrence frequencies.
    c. Enter or select the **Next Date** to run the journal entry creation process.
    d. Select a time from the **Next Time** dropdown list to populate the field to the left, or type directly in the field.

       The **Last Executed** field is automatically populated after the scheduled process has run.
4. Click **Save**.

Guidance for Saved Searches

NetSuite provides several ways to create saved searches. One way is to use the Search crosslink in the header of the Revenue Recognition Plans list page to open the Revenue Recognition Plan Search page. Then click Create Saved Search.

You can save the search without selecting a filter. The revenue recognition journal entry creation process automatically ignores revenue plans that are on hold.

If you are sharing the saved search with others, be sure to check the Public box in the header of the Saved Revenue Recognition Plan Search page.

Saved searches for legacy revenue recognition can be created in the same way from the Revenue Recognition Schedules list.

For additional information, see the help topic Using Saved Searches.

Editing Existing Schedules

To edit saved schedules, go to Revenue > Revenue Recognition Journal Entries > Schedule Revenue Recognition Journal Entries and click the List crosslink in the page header. A page called Scheduled Revenue Recognition Journal Creation opens with a list of the schedules that have been created. Click the Edit link to the left of the schedule you want to edit.

Generating Advanced Revenue Recognition Journal Entries

> **Note:** This topic relates to advanced revenue management. For classic revenue recognition, see the help topic Generating Revenue Recognition Journal Entries.

To recognize deferred revenue that is due to post, you create revenue recognition journal entries.

Use the Create Revenue Recognition Journal Entries page to identify and select the revenue recognition plans that require journal entries for a posting period. This page retrieves a list of revenue recognition plans generated from revenue arrangements. You can filter the list of revenue arrangements displayed. Plans whose status is On Hold are not included in the list.

NetSuite creates revenue recognition journal entries when you click the Create Journal Entries button on this page. Up to 50,000 revenue recognition plans may be included in a single summarized journal entry. Multiple journal entries are created if you process more than 50,000 plans or exceed the 1,000 line limit for detailed journal entries.

For example, if 50,000 revenue plans use the same accounts and have same classifications (class, department, location, and custom segments):

- If the accounting preference Create Revenue Journals in GL is set to Detail, the process creates 100 journal entries. Each journal entry has 1,000 lines with two lines per revenue plan.
- If the accounting preference Create Revenue Journals in GL is set to Summary, the process creates one journal entry with two lines. The Details column in the journal entry includes a link that says 50,000 rows. The link opens a popup page that displays lines for the 50,000 revenue plans.

The journal entries post immediately when you click the button or are routed for approval if required.

To generate revenue recognition journal entries:

1. Revenue managers and accounts, go to Revenue > Revenue Recognition Journal Entries > Schedule Revenue Recognition Journal Entries > Run Now.

   Administrators, go to Transactions > Financial > Schedule Revenue Recognition Journal Entries > Run Now.
2. Select a **Posting Period**. You cannot post revenue recognition journal entries in closed periods or in periods that are locked for A/R as part of the Period Close Checklist. If the period is closed or locked for A/R, the journal entries are posted in the next open period.
3. Optionally, check **Include Prior Periods** to recognize revenue for all periods prior to and including the selected **Posting Period**.
4. In the **Journal Entry Date** field, set the transaction date of revenue recognition journal entries you are creating.

   You can set the default date that shows in this field by setting a preference at Setup > Accounting > Accounting Preferences. Select a date in the **Default Revenue Recognition Journal Date to** field.
5. If your role has permission to enter journal entries that are approved, check the **Approve Journal** box to approve the journal entry when you save it. Clear this box to submit this journal entry for approval after it is entered. This box appears only when the accounting preference **Require Approvals on Journal Entries** is checked.
6. If you use NetSuite OneWorld, select the **Subsidiary**.
7. Use the filters at the top of the page to limit the list of revenue recognition plans displayed for this period. The filters you select become your default for this page.

   The page shows a list of revenue recognition journal entries due to post, subject to the filters you select. The list has two subtabs: one for revenue recognition plans and another for revenue recognition schedules. Revenue recognition schedules are used in the legacy revenue recognition solution. For information about the legacy solution, see the help topic Revenue and Expense Recognition Overview.

   The following information is shown on each line of the Revenue Recognition Plans subtab:

   - **Source Transaction** – A link to the related transaction
   - **Item** – A link to the item record
   - **Plan No.** – A link to the related revenue recognition plan
   - **Customer** – A link to the related customer
   - **Revenue Recognition Rule** – A link to the related revenue recognition rule
   - **Planned Period** – The period planned for revenue recognition.
   - **Amount** – The amount to be recognized in the journal entry for this line

   If the accounting preference **Enable Advanced Cost Amortization** is checked, additional columns appear for allocated contract acquisition and item-specific resale and labor costs. For details, see Using Advanced Cost Amortization.

8. Check or clear the **Select Individual Schedules** box:
   - When you check the box, journal entries are created only for the revenue recognition plans you select. After you filter the list to show specific plans, check the box in the **Select** column next to each plan you want to generate journal entries.

     If there are multiple pages of transactions shown when selecting plans, the following is true:
     - If you click **Mark All** or **Unmark All**, only boxes on the current page are affected.
     - You must click **Create Journal Entries** to create an entry for each page of plans.
   - When you clear the box, the list of plans displayed is limited to a sample of 100 plans, and an **Estimate** button appears at the top of the page.
     - Click **Estimate** to count the number of plans and calculate the amount for all of the plans included with your current filter settings.
     - Adjust the filters as needed, and click **Estimate** again.
9. Click **Create Journal Entries**.
10. On the Process Status page, use the link in the **Submission Status** column to view the journal entries for the submission and verify that they are correct. Journal entries created using advanced revenue management are identified by the process type Create Advanced RevRec Journal Entries.

> **Note:** The time required to complete processing the journal entries varies depending how many plans are included. Completion may require several hours if you are processing thousands of plans.

Editing an Advanced Revenue Recognition Journal Entry

You may edit journal entries created from revenue recognition plans. These changes do not alter the revenue recognition plan. Journal entries that you edit remain linked to the revenue recognition plan that generated the original entry.

Some edits, however, could introduce inaccuracies in the revenue recognition reports. For this reason, you cannot change accounts, amounts, segments, and some other information on revenue recognition journals. For example, if you change the class, location, or department on the revenue recognition journal entry, your deferred revenue balances are classified differently than your revenue balances.

To correct the fields that are read-only on a revenue recognition journal entry, NetSuite recommends that you enter a journal entry at each month end to reclassify balances. These balances are easier to track and do not affect the revenue recognition reports.

To edit a journal entry created from the revenue recognition plan:

1. Go to Revenue > Revenue Recognition Journal Entries > Schedule Revenue Recognition Journal Entries > Status.
2. Adjust the filters on the Process Status page as needed to display the journal entry that you want to edit.
3. Click the link in the **Submission Status** column to open the Journal Entries Created from Revenue Recognition Plans page.
4. Click the link in the **Journal** column to display the journal entry record.
5. Click **Edit** to open the record for editing.
6. Make the needed changes in the editable field, and click **Save**.

Generating Journal Entries for Percent-Complete Revenue

The Create Revenue Recognition Journal Entries page includes revenue due to post from percent-complete revenue recognition plans based on project completion.

> **Important:** Always create revenue recognition journal entries in chronological order when using percent-complete revenue recognition for projects.

For the period you select, NetSuite determines the amount due to be recognized for each plan based on project completion. It calculates project completion based on entered and approved project time entries. The project record shows the percentage of completion for the project in that period, and NetSuite uses that percentage to determine the revenue due to post.

A percent-complete revenue plan does **not** show in the list if:

- It has a zero balance to recognize for the selected period.
- The revenue plan is on hold.
- Revenue recognition journal entries have been created for the period, and the planned or actual time worked for the project has not changed since then.

Revenue recognition journal entries typically debit a deferred revenue account and credit a revenue account. In some cases, however, a journal entry may decrease the revenue recognized. In these cases, the revenue recognition journal entries credit a deferred revenue account and debit a revenue account.

> For example, the time estimate to complete project Alpha is 100 hours. During period One, 50 hours are logged for project Alpha. 50 hours = 50% of completion and 50% of the project revenue is recognized.
>
> Then during period Two, the time estimate is increased to 200 hours. The 50 hours logged against the project now equals 25% completion, and the revenue recognized needs to be decreased. NetSuite generates a journal entry that credits the deferred revenue account and debits the revenue account to correct the amount of revenue recognized previously. On the percent-complete revenue recognition plan, the journal entry line displays a negative amount.

The revenue recognition plans coordinate the recognition of deferred revenue with the stages of completion of an associated project. As time worked is logged against the project and portions of the project are marked complete, journal entries become due to post to recognize the related revenue. If the Rev Rec Percent Complete Override subtab on the Financial subtab of the project record is populated, revenue recognition plans are affected. For details, see Using the Rev Rec Percent Complete Override Subtab.

Reclassifying Deferred Revenue

Use the reclassification journal entry process to reclassify deferred revenue after you post month-end revenue recognition journal entries. You can set up both revenue recognition journal entries and reclassification journal entries to run at scheduled times. For information, see Scheduling Revenue Recognition Journal Entries and Scheduling Reclassification Journal Entries.

> **Note:** If the accounting preference **Require Approvals on Journal Entries** is checked, assure that all journal entries related to revenue recognition are approved in advance of reclassification. If revenue recognition journal entries and prior period reclassification journal entries are not approved in advance, the reclassification adjustments will be incorrect.

Reclassification automatically creates journal entries to do the following:

- **Allocate the gross billing amount to individual revenue elements** (for multi-element sales contracts only)

  The general ledger impact for the **carve in/carve out adjustment** to deferred revenue is:

  - For carve out: Debit Deferred Revenue account
  - For carve in: Credit Deferred Revenue account
- **Adjust revenue for foreign currency variance, posting to item-specific accounts**, if you use Multiple Currencies

  The general ledger impact for the **foreign currency adjustment** to revenue is:

  - For a gain: Debit Deferred Revenue and Credit Revenue.
  - For a loss: Debit Revenue and Credit Deferred Revenue.
- **Reclassify unbilled receivables**

  The general ledger impact for the **unbilled receivable adjustment** is:

  - When cumulative billing is less than cumulative revenue recognition: Debit Unbilled Receivable and Credit Deferred Revenue.
  - When cumulative billing is greater than cumulative revenue recognition: Debit Deferred Revenue and Credit Unbilled Receivable. When unbilled receivables were not created for the prior period, no adjustment is needed, and a journal entry is not created. Reclassification is not needed unless unbilled receivables exist from a prior period, so a journal entry may not be created.

    The unbilled receivable adjustment may occur separately for each revenue element, for the combined revenue arrangement, or for a group of elements within the arrangement. The choice is controlled by the accounting preference Unbilled Receivable Adjustment Journal Grouping.
  - As the first step, the system automatically reverses the prior month's unbilled receivable posting and posts again based on the current month's over recognized amount. In your accounts, you see two separate journal entries for this process.

If you are also using the Automated Intercompany Management feature, be sure to check Eliminate Intercompany Transactions for all deferred revenue accounts used for reclassification.

For detailed information, see the following:

- Groupings for Unbilled Receivable Adjustment Journal Entries
- Excluding Revenue Elements from Reclassification
- Summarized Reclassification Journal Entries
- Scheduling Reclassification Journal Entries
- Creating Reclassification Journal Entries
- Reclassification Example

Groupings for Unbilled Receivable Adjustment Journal Entries

The accounting preference **Unbilled Receivable Adjustment Journal Grouping** controls whether the unbilled receivable adjustment is element level, arrangement level, or sub-arrangement group level. When multi-book accounting is enabled, the preference is book specific. Then it appears in the header of the accounting book records.

When you select **Element** for the accounting preference, the unbilled receivable adjustment is calculated for each revenue element. Element level adjustments are posted to the deferred revenue account specified on the revenue element. The default value for Unbilled Receivable Adjustment Journal Grouping is Element.

When you select **Arrangement** for the accounting preference, the unbilled receivable adjustment is calculated for the revenue arrangement as a whole. Arrangement level adjustments to deferred revenue are posted to the deferred revenue account specified by the accounting preference Default Deferred Revenue Reclassification Account. You can also set a reclassification account at the customer level. On the customer record, the Deferred Revenue Account for Revenue Reclassification fields is on the Financial subtab. The account set on the customer record overrides the system default.

When you select **Sub-Arrangement Group** for the account preference, the unbilled receivable adjustment is calculated for a group of revenue elements in an arrangement. Sub-arrangement group adjustments to deferred revenue are posted to the same deferred revenue account as arrangement level adjustments. The group is identified by the value of the Unbilled Receivable Group field on the revenue element. Revenue elements within the arrangement that have the same unbilled receivable group value are calculated together. The group concept is limited to the revenue arrangement. If you have revenue elements on two different arrangements that share the same group ID, they are not calculated together for the unbilled receivable adjustment. When you merge revenue arrangements, the unbilled receivable group values on the individual elements are carried to the new arrangement. All revenue elements in the new arrangement that have the same group ID are calculated together.

For example, assume you have the following two revenue arrangements:

Arrangement	Element	Allocation Type	Unbilled Receivable Group	Recognized Amount	Billed Amount
A	A1	Normal	X	$100	$50
A	A2	Software	X	10	50
A	A3	Excluded	X	50	45
B	B1	Normal	X	10	5
B	B2	Normal	Z	20	10
B	B3	Normal	Z	35	40

The unbilled receivable is calculated as follows:

- Elements A1, A2, and A3 are included in sub-arrangement group X. Element A3 is excluded only from allocation and reallocation, not from the unbilled receivable adjustment.

  The net unbilled receivable adjustment for the group is $15 debited to unbilled receivable and credited to the default deferred revenue reclassification account.
- Element B1 is adjusted alone. Although its sub-arrangement group is X, it is not in the same revenue arrangement.

  The net unbilled receivable adjustment for this element is $5 debited to unbilled receivable and credited to the default deferred revenue reclassification account.
- Elements B2 and B3 are included in sub-arrangement group Z.

  The net unbilled receivable adjustment for this group is $5 debited to unbilled receivable and credited to the default deferred revenue reclassification account.

Revenue arrangements A and B have the same customer and are merged to a new arrangement C. Using the same values for the elements in the new arrangement, the unbilled receivable adjustment after the merge is calculated as follows:

- Elements A1, A2, A3, and B1 are all included in sub-arrangement group X since they belong to the same arrangement.

  The prior posting based on group X in arrangement A are reversed. The prior posting for B1 is also reversed. The net unbilled receivable adjustment is $20 posted to the same accounts are the previous postings.

- Element B2 and B3 still belong to group Z.

  The prior posting is reversed and the unbilled receivable adjustment is reposted based on the latest grouping.

You can change the value of the Unbilled Receivable Adjustment Journal Grouping from a smaller grouping to a larger one. However, you cannot change from a larger grouping to a smaller one. For example, you can change from Element to Sub-Arrangement Group or to Arrangement, but you cannot change from Arrangement to Sub-Arrangement Group or Element. The Default Deferred Revenue Reclassification Account must be set to enable arrangement level or sub-arrangement group level adjustments.

The first time you run reclassification after switching from element level to one of the other options, the previous element level adjustments are reversed at the element level. Then the new unbilled receivable adjustment, if any, is created at the arrangement or sub-arrangement group level.

The memo fields of the reclassification journal entries include the following information:

- **Element level** – Current arrangement and element numbers. The reversal journal also has the current arrangement and element numbers.
- **Sub-arrangement group level** – Current arrangement and element numbers. The reversal has the previous arrangement and element numbers.
- **Arrangement level** – Current arrangement number. The reversal has the previous arrangement number.

For a simple example of the difference between element level and arrangement level unbilled receivable adjustments, consider this scenario. A revenue arrangement generated from a sales order has two revenue elements, one for hardware and one for software. The discounted sales amount for both elements is the same as the calculated fair value amount at $100 each. The transaction currency is the same as the base currency. No allocation or foreign currency adjustments are required. The sales order is partially billed: $50 for hardware and $45 for software.

Here is a summary for the end of the first period after revenue recognition journal entries are created:

Item	Total Revenue	Recognized	Billed	Income Account	Deferral Account
Hardware	100	60	50	Rev: Hardware	Def Rev: Hardware
Software	100	40	45	Rev: Software	Def Rev: Software

For purposes of this example, the same account is used for both items for accounts receivable (A/R). Before reclassification, the account balances are as follows:

A/R	105
Rev: Hardware	60
Rev: Software	40
Def Rev: Hardware	-10
Def Rev: Software	5

When **element level** unbilled receivable reclassification is used, the adjustments are as follows:

Element	Account	Debit	Credit	Comment
Hardware	Unbilled A/R	10		Element level unbilled receivable adjustment on hardware
	Def Rev: Hardware		10	
Software	Unbilled A/R			Billed amount is greater than recognized amount and there are no prior unbilled receivables; no adjustment
	Def Rev: Software			

When **arrangement level** unbilled receivable reclassification is used, the adjustment is as follows. It uses the accounting preference Default Deferred Revenue Reclassification Account to determine the deferred revenue reclassification account.

Account	Debit	Credit	Comment
Unbilled A/R	5		Arrangement level unbilled receivable adjustment
Def Rev: Reclass		5	

The account balances after the unbilled receivable reclassification by the two methods is shown below. The income and accounts receivable account are not affected and are not included.

Account	Balance after Element Level	Balance after Arrangement Level
Unbilled A/R	10	5
Def Rev: Hardware	0	-10
Def Rev: Software	5	5
Def Rev: Reclass		5

Excluding Revenue Elements from Reclassification

Elements in a revenue arrangement can be excluded from reclassification. When elements are excluded, they are ignored during reclassification. Revenue elements can be excluded in two ways:

- You manually exclude the revenue element.

  For example, in a revenue arrangement generated from a sales order, you change the Allocation Type for a hardware item to Excluded.
- You merge the revenue arrangement from a return source with another arrangement, and one or more of the negative elements do not have an associated positive element in the new arrangement. Those negative elements without a linked positive element are automatically marked as Excluded.

When you run the deferred revenue reclassification, the reclassification adjustments are affected in the following way:

- **Carve in/carve out adjustment** – Excluded elements do not participate. Their carve out ratio is 0. Consequently, any billing or credit for these items stays in their own deferred revenue account and does not affect other elements.
- **Foreign currency adjustment** – Foreign exchange variance for each excluded element is calculated separately.

- **Unbilled receivable adjustment** – Excluded elements participate in this process.

Summarized Reclassification Journal Entries

In advanced revenue management, the accounting preference Create Revenue Journals in GL applies to reclassification journal entries as well as monthly revenue posting. For information about summarized revenue recognition journal entries, see Summarized Revenue Recognition Journal Entries.

When you select the Detail option and run the reclassification process, one detailed journal entry is created for each type of reclassification. Each carve in/carve out adjustment and each foreign currency adjustment includes a debit and credit line for each revenue element. The unbilled receivable adjustment includes debit and credit lines for each revenue arrangement, revenue element, or sub-arrangement group, depending on your grouping accounting preference. For details, see Groupings for Unbilled Receivable Adjustment Journal Entries.

When you select the Summary option and run reclassification, the lines of each reclassification journal entry are summarized and posted based on the following attributes:

- Posting Period
- Subsidiary – for OneWorld accounts
- Accounting Book – when the Multi-Book Accounting feature is enabled. For more information, see the help topic Multi-Book Accounting Overview.
- Account
- Eliminate – when the Automated Intercompany Management feature is enabled. For more information, see the help topic Automated Intercompany Management
- Class
- Department
- Location
- Custom Segment – when the Custom Segments feature is enabled. For more information about Class, Department, Location, and Custom Segment, see the help topic Working with Classifications.

A Details column is added to the summarized journal entry. This column displays a link with the number of rows included in the line. When you click the link in the Details column of a summary journal entry, a popup window opens with the details. The details window includes links to the revenue element and source records. When the unbilled receivable adjustment is at the arrangement or sub-arrangement group level, the detail link is to the arrangement. Links are created only when multiple elements or arrangements are included in the line.

Intercompany customers are summarized separately from other customers. However, if an intercompany customer has multiple lines, those lines are also summarized.

Scheduling Reclassification Journal Entries

When the Advanced Revenue Management feature is enabled, you can schedule the creation of reclassification journal entries. Revenue arrangements are included in the reclassification process only if they are approved and the Compliant flag is checked. To schedule the process, you create a named schedule based on a revenue arrangement saved search. As part of the schedule, you select the frequency and the next time to run the process. If you have uncompleted revenue recognition schedules from legacy revenue recognition, you can create schedules that use sales order saved searches or return authorization saved searches. For information about adding saved searches to the lists, see Guidance for Saved Searches.

For NetSuite OneWorld accounts, you must also select a subsidiary. You need a schedule for each subsidiary, but you may use the same saved search for all subsidiaries.

When Multi-Book Accounting is enabled, the schedule is book specific. To process all your transactions, you need a schedule for each subsidiary and accounting book combination.

You can review and edit existing schedules for reclassification journal entry creation. For information, see Editing Existing Schedules.

> **Note:** If the accounting preference **Require Approvals on Journal Entries** is checked, assure that all journal entries related to revenue recognition are approved in advance of scheduled reclassification. If revenue recognition journal entries and prior period reclassification journal entries are not approved in advance, the reclassification adjustments will be incorrect.

To schedule reclassification journal entries:

1. Go to Revenue > Revenue Recognition Journal Entries > Schedule Reclassification Journal Entries.
2. On the Schedule Reclassification Journal Entries page, complete the following in the Primary Information section:
   a. Enter a **Name**.
   b. If you have a OneWorld account, select a **Subsidiary**, and if Multi-Book Accounting is enabled, select an **Accounting Book**.
   c. Select a **Transaction Saved Search**.
   d. Complete these additional optional fields as desired:
      - **Description** – Include a description of the revenue plans that are intended for this schedule.
      - **Inactive** – Check this box to make the schedule inactive. Inactive schedule do not run, but they are listed on the Scheduled Revenue Recognition Journal Creation page.
3. In the Schedule section, complete the following:
   a. Select a **Recurrence Frequency**. NetSuite recommends **Monthly** for reclassification journal entries.
   b. Select a value from the **Repeat Every** list. This field is not available for all recurrence frequencies.
   c. Enter the **Next Date** to run the journal entry creation process.
   d. Select a time from the **Next Time** dropdown list to populate the field to the left, or type directly in the field.

      The **Last Executed** field populates automatically after the scheduled process has run.
4. Click **Save**.

Guidance for Saved Searches

NetSuite provides several ways to create saved searches. One way is to use the Search crosslink in the header of the Revenue Arrangements list page to open the Transaction Search page. Then click Create Saved Search.

On the Saved Transaction Search page assure that the Filter is set to Type is Revenue Arrangement. If you are also reclassifying transactions from legacy revenue recognition, you can change the Filter to Type is any of Sales Order, Revenue Arrangement, Return Authorization. No other filters are required.

If you are sharing the saved search with others, be sure to check the Public box in the header of the Saved Revenue Recognition Plan Search page.

For additional information, see the help topic Using Saved Searches.

Editing Existing Schedules

To edit saved schedules, go to Revenue > Revenue Recognition Journal Entries > Schedule Reclassification Journal Entries and click the List crosslink in the page header. A page called Scheduled Reclassification Journal Creation opens with a list of the schedules that have been created. Click the Edit link to the left of the schedule you want to edit.

Creating Reclassification Journal Entries

Run reclassification after each time you create revenue recognition journal entries. If you run these processes out of order for some reason, you can go back and rerun the revenue recognition journal entry process and then rerun the reclassification journal entry process. The reclassification is cumulative.

For information about creating revenue recognition journal entries, see Scheduling Revenue Recognition Journal Entries and Generating Advanced Revenue Recognition Journal Entries.

You must create reclassification journal entries each month to assure accurate results in subsequent periods. Revenue arrangements are included in the reclassification process only if they are approved and the Compliant flag is checked.

> **Note:** If the accounting preference **Require Approvals on Journal Entries** is checked, assure that all journal entries related to revenue recognition are approved in advance of reclassification. If revenue recognition journal entries and prior period reclassification journal entries are not approved in advance, the reclassification adjustments will be incorrect.

To create reclassification journal entries:

1. Revenue managers and accountants, go to Revenue > Revenue Recognition Journal Entries > Schedule Reclassification Journal Entries > Run Now.

   Administrators, go to Transactions > Financial > Schedule Reclassification Journal Entries > Run Now.
2. In **Posting Period**, select the period for which you are reclassifying revenue.

   The **Journal Entry Date** automatically displays the end of the period when you select the **Posting Period**. You can edit the date if needed.
3. If you use NetSuite OneWorld, select the **Subsidiary**.

   When a journal entry is associated with a subsidiary, the journal posts to that subsidiary and can be viewed only by entities associated with the subsidiary.
4. Select a **Transaction Type** and **Customer:Project** to limit the journal entries created. The **Transaction Type** for advanced revenue management is always **Revenue Arrangement**.

   The **Number of Transactions** field displays the number of transactions that meet your criteria and are eligible for reclassification. If you have eligible transactions from the legacy Revenue Commitment feature, these transactions are included in the count.
5. Click **Create Journal Entries**.

   The Processed Reclassification Journal Entries page opens.
6. Click **Refresh** to update the status.
7. When the **Submission Status** is **Complete**:
   - Click the link in the **Message** column to view any errors.
   - Click **Complete** in the **Submission Status** column to open the Processed Reclassification Journal Entries page.

The Processed Reclassification Journal Entries page lists the journal entries created in the submission. The list includes the **Type** and **Amount** with a link in the **Journal** column to the journal entry.

When a journal entry for the reclassification process would exceed 1,000 lines, multiple reclassification journal entries are created instead. Each of these reclassification journal entries may have up to 1,000 lines. If the 1,000 lines in a journal entry do not offset each other, a placeholder is inserted for line 1,000. The placeholder contains the offset for the first 999 lines and posts to the system-generated Deferred Revenue Clearing account. The next journal entry includes the offset for the placeholder line so that when all journal entries for the reclassification are posted, the balance in the clearing account is 0.

If you delete a reclassification journal entry, the transaction is eligible for reclassification again in the same period from which the posted journal entry was deleted. If the period is closed, the reclassification journal entry is posted in the period determined by the accounting preference Default Posting Period When Transaction Date in Closed Period.

Reclassification Example

The following example illustrates how deferred revenue reclassification works. In this example:

- A positive revenue arrangement from a sales order is merged with a negative revenue arrangement from a return authorization.
- The merge occurs before any billing or credit memos.
- The transaction currency is British pounds (GBP) for both the sales order and the return authorization.
- The base currency is U.S. dollars (USD), and the foreign exchange rate for both transactions is 2 USD/GBP.
- The revenue plans divide the revenue equally over three periods.

Sales Order

The sales order includes four items. Details from the revenue arrangement are as follows:

Item	Quantity	Sales Amount	Calculated FV Amount	Revenue Amount	Carve In	Carve In Ratio	Carve Out	Carve Out Ratio
A	2	£150	£100	£162.50	£12.50	0.1	£0.00	0
B	2	£200	£100	£162.50	£0.00	0	£37.50	0.1875
C	2	£50	£100	£162.50	£112.50	0.9	£0.00	0
D	2	£250	£100	£162.50	£0.00	0	£87.50	0.35
Total		£650	£400	£650.00	£125.00		£125.00	

Return Authorization

The return authorization is for half of item A and half of item C from the original sales order. The return sales amounts per unit differ from the original sales order, but the return is also in British pounds. The foreign exchange rate for the return is the same as the sales order.

Item	Quantity	Sales Amount	Calculated FV Amount	Revenue Amount	Carve In	Carve In Ratio	Carve Out	Carve Out Ratio
–A	–1	–£90	–£50	–£55	£35	1	£0	0
–C	–1	–£20	–£50	–£55	£0	0	£35	1
Total		–£110	–£100	–£110	£35		£35	

Merged Arrangement

When you merge the revenue arrangements from the sales order and the return authorization, the elements for related items are linked. The element for –A is linked to the one for A, and the one for –C is linked to the one for C.

- The Calculated FV Amount for the returned items –A and –C are prorated based on their return **quantity**. The differences between the sales and return prices are irrelevant for the calculated fair value amount. The quantity of –A is half of A, for example, but the return price of –£90 is more than half of the sales price of £150. For more information, see Revenue Allocation for Returns.
- Positive and negative elements are combined to calculate the carve in and carve out ratios for all elements:
  - Combining A and –A results in a net sales amount of £60 and a net revenue amount of £90. The carve in for the net A items is £30.
  - Combining C and –C results in a net sales amount of £30 and a net revenue amount of £90. The carve in for the net C items is £60.
  - Items B and D do not have corresponding negative elements. Their sales and revenue amounts are carried over to the net sales and revenue amounts.
  - The effective carving ratios after combining positive and negative elements are:

    A: Carve in 33.33%

    B: Carve out 10%

    C: Carve in 66.67%

    D: Carve out 28%

Item	Quantity	Sales Amount	Calculated FV Amount	Revenue Amount	Net Sales Amount	Net Revenue Amount	Carve In	Carve In Ratio	Carve Out	Carve Out Ratio
A	2	£150	£100	£180	£60	£90	£30	0.33	£0	0
B	2	£200	£100	£180	£200	£180	£0	0	£20	0.1
C	2	£50	£100	£180	£30	£90	£60	0.67	£0	0
D	2	£250	£100	£180	£250	£180	£0	0	£70	0.28
–A	–1	–£90	–£50	–£90						
–C	–1	–£20	–£50	–£90						
Total		£540	£300	£540	£540	£540	£90		£90	

For simplicity in this example, the positive revenue recognition plans for the positive revenue arrangement are combined with the negative revenue recognition plans from the negative arrangement.

- The positive revenue plan for A combined with the negative plan for –A becomes £30 for each of the three periods January, February, and March.
- The position revenue plan for C combined with the negative plan for –C becomes £30 for each of the three periods January, February, and March.

The simplified revenue recognition plans for the elements in the merged arrangement are as follows:

Item	January	February	March
A and –A	£30	£30	£30
B	£60	£60	£60
C and –C	£30	£30	£30

Item	January	February	March
D	£60	£60	£60

January Activity

After the merge, in January one invoice is generated. The exchange rate at the time of the invoice is 1.5 USD/GBP. The positive and negative elements are combined into a net item with a single carving ratio. The carving ratios established with the merge are maintained. The allocation of the gross billing amount to individual revenue elements is shown in the following table.

Invoice January 20													
Item	Amount (GBP)	Amount (USD)	Account	Gross Cum. Billing (GBP)	Gross Cum. Billing (USD)	Carve In (GBP)	Carve In (USD)	Carve Out GBP)	Carve Out (USD)	Effective Cum. Billing (GBP)	Effective Cum. Billing (USD)	Avg. FX Rate	Carving Adj. Posted to Deferred Revenue
A	100	150	DefRev1	100	150	2.53	3.80	0	0	102.53	153.80	1.5	$3.80
B	20	30	DefRev2	20	30	0	0	2.00	3.00	18.00	27.00	1.5	–$3.00
C	30	45	DefRev3	30	45	5.07	7.60	0	0	35.07	52.60	1.5	$7.60
D	20	30	DefRev4	20	30	0	0	5.60	8.40	14.40	21.60	1.5	–$8.40
Total	170	255	A/R	170	255	7.60	11.40	7.60	11.40	170.00	255.00		0

At the end of the month, revenue is recognized according to the revenue plans and posted.

Revenue Recognition (January 31)						2 USD/GBP	
Item	Amount	Cumulative Rev Rec (GBP)	Account	Debit (GBP)	Credit (GBP)	Debit (Base)	Credit (Base)
A	30	30	DefRev1	30		60	
			Rev1		30		60
B	60	60	DefRev2	60		120	
			Rev2		60		120
C	30	30	DefRev3	30		60	
			Rev3		30		60
D	60	60	DefRev4	60		120	
			Rev4		60		120
Total	180	180		180	180	360	360

Foreign currency gain or loss on each item is calculated as follows:

- Find the overlapping foreign currency amount. This is the lesser of the cumulative effective billing and the cumulative revenue recognition in the foreign currency. In this example, the overlapping foreign currency amount for items A and C is the cumulative revenue recognition amount. For items B and D, it is the cumulative effective billing amount.
- Compare the average billing foreign currency exchange rate for each item to their average revenue recognition exchange rates.

  Foreign currency gain/loss = overlapping foreign currency amount x (average billing exchange rate – average revenue recognition exchange rate)

The detailed foreign currency gain/loss calculation for January and its general ledger posting in base currency are shown in this table.

Line Level Foreign Currency Calculation					
Item	Overlap	Gain/Loss	Account	Debit	Credit
A	30.00	–15.00	Rev1	15.00	

Line Level Foreign Currency Calculation					
Item	Overlap	Gain/Loss	Account	Debit	Credit
			DefRev1		15.00
B	18.00	–9.00	Rev2	9.00	
			DefRev2		9.00
C	30.00	–15.00	Rev3	15.00	
			DefRev3		15.00
D	14.40	–7.20	Rev4	7.20	
			DefRev4		7.20

The final month-end calculation is the unbilled receivable adjustment. The over-recognized revenue is calculated for each item by comparing the cumulative revenue recognition after the foreign currency adjustment with the effective cumulative billing, all in the base currency. Adjustments are made to the unbilled receivables account and the deferred revenue account for each item. When cumulative billing is less than cumulative revenue recognition: Debit Unbilled Receivable and Credit Deferred Revenue.

Because revenue arrangement is denominated by foreign currency, the unbilled receivable adjustment is also posted in the foreign currency with the exchange rate of 2 USD/GBP, the rate at the end of January. The foreign currency balance on unbilled receivables will be included in the period-end foreign currency revaluation and generate unrealized gain/loss if the exchange rate fluctuates from the original unbilled receivable posting rate. The exchange rate used by the first unbilled receivable adjustment journal entry of a specific revenue element is recorded as a fixed exchange rate and used by all subsequent unbilled receivable adjustment journal entries for the revenue element.

Both element level, arrangement level, and sub-arrangement group level unbilled receivable adjustments are shown. The arrangement level and sub-arrangement group level adjustments post to the system account for deferred revenue reclassification instead of the deferred revenue accounts for the elements.

Element Level Unbilled Receivable Adjustment					January 31	
Item	Over Rev Rec Amount	Account	Debit (Base)	Credit (Base)	Debit (GBP)	Credit (GBP)
A	–108.80	Unbilled A/R	0		0	
		DefRev1		0		0
B	84.00	Unbilled A/R	84.00		42.00	
		DefRev2		84.00		42.00
C	–7.60	Unbilled A/R	0		0	
		DefRev3		0		0
D	91.20	Unbilled A/R	91.20		45.60	
		DefRev4		91.20		45.60

Arrangement Level Unbilled Receivable Adjustment					January 31
Over Rev Rec Amount	Account	Debit (Base)	Credit (Base)	Debit (GBP)	Credit (GBP)
58.00	Unbilled A/R	58.80		29.40	
	System DefRev		58.80		29.40

Sub-Arrangement Group Level Unbilled Receivable Adjustment							January 31
Item	Over Rev Rec Amount	Unbilled Receivable Group	Account	Debit (Base)	Credit (Base)	Debit (GBP)	Credit (GBP)
A	−108.80	X					
B	84.00	X					
Group X Total	-24.80		Unbilled A/R	0		0	
			System DefRev		0		0
C	−7.60	Y					
D	91.20	Y					
Group Y Total	83.60		Unbilled A/R	83.60		41.80	
			System DefRev		83.60		41.80

Here are the balances for all the accounts at the end of January.

Ending Balance			January 31
Account	Element Level Unbilled Receivable Adjustment	Arrangement Level Unbilled Receivable Adjustment	Sub-Arrangement Group Level Unbilled Receivable Adjustment
A/R	255.00	255.00	255.00
Rev1	45.00	45.00	45.00
Rev2	111.00	111.00	111.00
Group X Revenue			
Rev3	45.00	45.00	45.00
Rev4	112.80	112.80	112.80
Total revenue	**313.80**	**313.80**	**313.80**
DefRev1	108.80	108.80	
DefRev2	0.00	−84.00	
DefRev3	7.60	7.60	
DefRev4	0.00	−91.20	
System DefRev		58.80	83.60
Total deferred revenue	**116.40**	**0**	**24.80**
Unbilled A/R	175.20	58.80	83.60

February Activity

In February we have the credit memo for the full amount of the earlier return authorization. The foreign exchange rate is 2 USD/GBP.

- The negative posting amounts to deferred revenue are allocated with the same carving ratios as the positive invoice.
- The negative posting is combined with the historical positive posting to derive the cumulative billing amounts.
- The credit memo has a different exchange rate than the original invoice. If the credit memo's exchange rate is significantly greater than the original invoice, you may have a negative net billing

amount in the base currency. Consequently, some lines may have a negative effective billing exchange rate after cumulative bills, credits, and carve out. Item A is an example of this. (You cannot have a negative net billing amount in the transaction currency since you should not refund more than you have billed.)

Credit Memo February 20													
Item	Amount (GBP)	Amount (USD)	Account	Gross Cum. Billing (GBP)	Gross Cum. Billing (USD)	Carve In (GBP)	Carve In (USD)	Carve Out GBP)	Carve Out (USD)	Effective Cum. Billing (GBP)	Effective Cum. Billing (USD)	Avg. FX Rate	Carving Adj. Posted to Deferred Revenue
A	–90	–180	DefRev1	10	–30	2.53	3.80	0	0	12.53	153.80	–2.09	0
B	0	0	DefRev2	20	30	0	0	2.00	3.00	18.00	27.00	1.5	0
C	–20	–40	DefRev3	10	5	5.07	7.60	0	0	15.07	52.60	0.81	0
D	0	0	DefRev4	20	30	0	0	5.60	8.40	14.40	21.60	1.5	0
Total	–110	–220	A/R	60	35	7.60	11.40	7.60	11.40	133.00	35.00		0

At the end of the month, revenue is recognized according to the revenue plans and posted.

Revenue Recognition (February 28)						2 USD/GBP	
Item	Amount	Cumulative Rev Rec (GBP)	Account	Debit (GBP)	Credit (GBP)	Debit (Base)	Credit (Base)
A	30	60	DefRev1	30		60	
			Rev1		30		60
B	60	120	DefRev2	60		120	
			Rev2		60		120
C	30	60	DefRev3	30		60	
			Rev3		30		60
D	60	120	DefRev4	60		120	
			Rev4		60		120
Total	180	360		180	180	360	360

The detailed foreign currency gain/loss calculation for February and its general ledger posting in base currency are shown in this table.

Line Level Foreign Currency Calculation					
Item	Overlap	Gain/Loss	Account	Debit	Credit
A	12.53	–51.00	Rev1	36.00	
			DefRev1		36.00
B	18.00	–9.00	Rev2		
			DefRev2		
C	15.07	–17.53	Rev3	2.53	
			DefRev3		2.53
D	14.40	–7.20	Rev4		
			DefRev4		

The over-recognized revenue is calculated for each item by comparing the cumulative revenue recognition after the foreign currency adjustment with the effective cumulative billing, all in the base currency. Adjustments are made to the unbilled receivables account and the deferred revenue account for each item. When cumulative billing is less than cumulative revenue recognition: Debit Unbilled Receivable and Credit Deferred Revenue.

The system automatically reverses the prior month's unbilled receivable posting and posts again based on the current month's over recognized amount. In your accounts, you see two separate journal entries for this process. For simplicity, only the reposted amounts are shown in the following tables for element level, arrangement level, and sub-arrangement group level adjustments.

Element Level Unbilled Receivable Adjustment					February 28	
Item	Over Rev Rec Amount	Account	Debit (Base)	Credit (Base)	Debit (GBP)	Credit (GBP)
A	94.94	Unbilled A/R	94.94		47.47	
		DefRev1		94.94		47.47
B	204.00	Unbilled A/R	120.00		60.00	
		DefRev2		120.00		60.00
C	89.86	Unbilled A/R	89.86		44.93	
		DefRev3		89.86		44.93
D	211.20	Unbilled A/R	120.00		60.00	
		DefRev4		120.00		60.00

Arrangement Level Unbilled Receivable Adjustment					February 28
Over Rev Rec Amount	Account	Debit (Base)	Credit (Base)	Debit (GBP)	Credit (GBP)
600.00	Unbilled A/R	600.00		300.00	
	System DefRev		600.00		300.00

Sub-Arrangement Group Level Unbilled Receivable Adjustment						February 28	
Item	Over Rev Rec Amount	Unbilled Receivable Group	Account	Debit (Base)	Credit (Base)	Debit (GBP)	Credit (GBP)
A	94.94	X					
B	204.00	X					
Group X Total	298.94		Unbilled A/R	298.94		149.47	
			System DefRev		298.94		298.94
C	89.86	Y					
D	211.20	Y					
Group Y Total	301.06		Unbilled A/R	301.06		150.53	
			System DefRev		301.06		150.53

Here are the balances for all the accounts at the end of February.

Ending Balance			February 28
Account	Element Level Unbilled Receivable Adjustment	Arrangement Level Unbilled Receivable Adjustment	Sub-Arrangement Group Level Unbilled Receivable Adjustment
A/R	35.00	35.00	35.00
Rev1	68.74	68.74	68.74
Rev2	231.00	231.00	231.00
Rev3	102.46	102.46	102.46
Rev4	232.80	232.80	232.80

Ending Balance			February 28
Account	**Element Level Unbilled Receivable Adjustment**	**Arrangement Level Unbilled Receivable Adjustment**	**Sub-Arrangement Group Level Unbilled Receivable Adjustment**
Total revenue	**635.00**	**635.00**	**635.00**
DefRev1	0.00	–94.93	
DefRev2	0.00	–204.00	
DefRev3	0.00	–89.87	
DefRev4	0.00	–211.20	
System DefRev		600.00	600.00
Total deferred revenue	**0.00**	**0.00**	**0.00**
Unbilled A/R	600.00	600.00	600.00

March Activity

In March the remaining amounts are fully billed. Again, positive amounts are combined with all historical amounts (both positive and negative) to derive the gross cumulative billing amounts. The gross cumulative billing amount is then allocated based on the carving ratios to calculate the effective cumulative billing amounts. The foreign exchange rate on the invoice is 3 USD/GBP.

Invoice March 10													
Item	Amount (GBP)	Amount (USD)	Account	Gross Cum. Billing (GBP)	Gross Cum. Billing (USD)	Carve In (GBP)	Carve In (USD)	Carve Out GBP)	Carve Out (USD)	Effective Cum. Billing (GBP)	Effective Cum. Billing (USD)	Avg. FX Rate	Carving Adj. Posted to Deferred Revenue
A	50	150	DefRev1	60	120	30	86.20	0	0	90.00	206.20	2.29	$82.40
B	180	540	DefRev2	200	570	0	0	20	57.00	180.00	513.00	2.85	–$54.00
C	20	60	DefRev3	30	65	60	172.40	0	0	90.00	237.40	2.64	$164.80
D	230	690	DefRev4	250	720	0	0	70	201.60	180.00	518.40	2.88	–$193.20
Total	480	1,440	A/R	540	1,475	90	258.60	90	258.60	540.00	1,475.00		0

At the end of the month, revenue is recognized according to the revenue plans and posted. This completes the revenue recognition for the revenue arrangements.

Revenue Recognition (March 31)						2 USD/GBP	
Item	Amount	Cumulative Rev Rec (GBP)	Account	Debit (GBP)	Credit (GBP)	Debit (Base)	Credit (Base)
A	30	90	DefRev1	30		60	
			Rev1		30		60
B	60	180	DefRev2	60		120	
			Rev2		60		120
C	30	90	DefRev3	30		60	
			Rev3		30		60
D	60	180	DefRev4	60		120	
			Rev4		60		120
Total	180	540		180	180	360	360

The detailed foreign currency gain/loss calculation for March and its general ledger posting in base currency are shown in this table.

Line Level Foreign Currency Calculation					
Item	Overlap	Gain/Loss	Account	Debit	Credit
A	90	26.20	Rev1		77.00
			DefRev1	77.00	
B	180	153.00	Rev2		162.00
			DefRev2	162.00	
C	90	57.40	Rev3		74.93
			DefRev3	74.93	
D	180	158.40	Rev4		165.60
			DefRev4	165.60	

The over-recognized revenue is calculated for each item by comparing the cumulative revenue recognition after the foreign currency adjustment with the effective cumulative billing, all in the base currency. Adjustments are made to the unbilled receivables account and the deferred revenue account for each item.

The system automatically reverses the prior month's unbilled receivable posting and posts a new adjustment based on the current month's over recognized amount. In your accounts, you see two separate journal entries for this process. For simplicity, only the repost amounts are shown in the following table for the element level unbilled receivable adjustment. Revenue is no longer over recognized, so reversing the prior month's unbilled receivable posting is the only adjustment for arrangement level and sub-arrangement group level reclassification.

Element Level Unbilled Receivable Adjustment					March 31	
Item	Over Rev Rec Amount	Account	Debit (Base)	Credit (Base)	Debit (GBP)	Credit (GBP)
A		Unbilled A/R		94.93		47.47
		DefRev1	94.93		47.47	
B		Unbilled A/R		204.00		102.00
		DefRev2	204.00		102.00	
C		Unbilled A/R		89.87		44.93
		DefRev3	89.87		44.93	
D		Unbilled A/R		211.20		105.60
		DefRev4	211.20		105.60	

Here are the balances for all the accounts at the end of March.

Ending Balance		March 31
Account	Element Level Unbilled Receivable Adjustment	Arrangement Level Unbilled Receivable Adjustment
A/R	1,475.00	1,475.00
Rev1	206.20	206.20
Rev2	513.00	513.00
Rev3	237.40	237.40

Ending Balance		March 31
Account	**Element Level Unbilled Receivable Adjustment**	**Arrangement Level Unbilled Receivable Adjustment**
Rev4	518.40	518.40
Total revenue	**1,475.00**	**1,475.00**
DefRev1	0.00	0.00
DefRev2	0.00	0.00
DefRev3	0.00	0.00
DefRev4	0.00	0.00
Total deferred revenue	**0.00**	**0.00**
Unbilled A/R	0.00	0.00

Summary

When the transactions are fully billed and the revenue fully recognized, the following is true:

- Total Accounts Receivable equals Total Revenue in both the transaction foreign currency and the base currency.
- All deferred revenue accounts, including the deferred revenue reclassification account for unbilled receivable adjustment, reach zero balance.
- Unbilled receivable reaches zero balance.

Recalculating Revenue Forecast Plans

You can recalculate revenue forecast plans to align them with recognized and planned revenue on the actual revenue plans for the revenue element. When you recalculate, the revenue forecast plans are adjusted to match the actual plan amounts as of the period you select. If the actual plan has not yet been created, the amount for the period is 0. The difference between the actual and forecast plans prior to alignment is included as an adjustment to the forecast plans when the recalculation is complete. The adjustment is applied according to the reforecast method on the revenue forecast plan. For a description of the reforecast methods, see Reforecast Method.

At month end, generate revenue recognition and reclassification journal entries **before** you recalculate your revenue forecast plans. To assure that your forecast reports are accurate, always recalculate revenue forecast plans before you run your reports.

For example, consider a revenue element with a revenue amount of $300. It has an actual revenue recognition plan with a start date of January 1 and an end date of April 30 in the same year. The revenue forecast plan starts January 1 and ends March 31. Both plans use the straight-line, by even periods recognition method. The plans are created on revenue arrangement creation as follows:

Revenue Plan Type	Jan	Feb	Mar	Apr	Total
Actual	75	75	75	75	300
Forecast	100	100	100		300

On January 31, the revenue recognition journal entry is posted and deferred revenue reclassification is run. The following table shows the results of forecast recalculation for the reforecast method options when the Recalculate as of Period is set to January. The Recalculation Adjustment Period Offset for the Manual method is 3.

Revenue Plan Type	Jan	Feb	Mar	Apr	Total
Actual	75	75	75	75	300
Forecast – Next Period	75	125	100		300
Forecast – Remaining Periods	75	112.50	112.50		300
Forecast – Last Period	75	100	125		300
Forecast – Manual, Offset 3	75	100	100	25	300

Forecast plans, except those for return transactions, may not begin or end with negative amounts. When forecast plans are recalculated, the beginning and ending periods are adjusted as follows:

- When the Reforecast Method is Next Period and the first period amount is negative, the negative amount is included in the next period. The first period is always positive. For example:
  - If January is negative, the negative amount is added to February's amount.
  - If February is then negative, February's negative amount is added to March's amount.
- When the Reforecast Method is Last Period or Manual and the last period amount is negative, the negative amount is included in the prior period. The last period is always positive. For example:
  - If March is negative, the negative amount is added to February's amount.
  - If February is then negative, February's negative amount is added to January's amount.

Forecast plans for return transactions follow the reverse logic. The first and last periods may not begin or end with positive amounts.

Note: Be sure accounting periods are set up for all the periods in your forecast plans and any offsets before you submit the plans for recalculation. If accounting periods are missing, the process ends with an error.

Create revenue recognition and reclassification journal entries before you recalculate revenue forecast plans to assure that forecast reports are properly updated. For more information, see Revenue Recognition Forecast Summary Report and Revenue Recognition Forecast Detail Report.

To recalculate revenue forecast plans:

1. Go to Revenue > Revenue Recognition Plans > Recalculate Revenue Forecast Plans.
2. Select a period from the **Recalculate as of Period** list. Revenue forecast plans are aligned with actual revenue plans through the period you select.
3. Filter the list of revenue forecast plans as desired. The filters you select become your default for this page.

   Click **Reset** to restore the filters to their status when you opened the page.

   Completed revenue forecast plans and those without a reforecast method are automatically excluded from the list.
4. Check or clear the **Select Individual Plans** box:
   - When you check the box, only the revenue forecast plans you check in the **Select** column are recalculated. When there are multiple pages of plans and you click **Mark All** or **Unmark All**, only the plans on the current page are affected.

- When you clear the box, the list of plans displayed is limited to 50.

5. Click **Submit** to begin the recalculation process. The Process Status page opens automatically.

The Revert to Original button recreates revenue forecast plans based on the current revenue element information including revenue amount, revenue recognition forecast rule, and forecast start and end dates if applicable.

Running the Deferred Revenue Waterfall Report

As part of your month-end routine, you should run the Deferred Revenue Waterfall report. Run the report with the status as of today because the contents of the report can change over time. Run this report after you create the month-end revenue recognition and deferred revenue reclassification journal entries. Save the results for future review. For more information, see Deferred Revenue Waterfall Summary Report and Deferred Revenue Waterfall Detail Report.

Reports for Advanced Revenue Management

Reports for advanced revenue management are available from Reports > Revenue menu, and the Revenue group on the Reports page. For those with the Revenue Accountant or Revenue Manager roles, the reports are also available from the Revenue tab and the Revenue page. Many of the reports are the same as those available for the legacy revenue recognition features. When both advanced revenue management and the legacy features are enabled, results are displayed for both in the shared reports.

Administrators can add the Revenue Recognition Reports permission to custom roles to grant access to the reports for advanced revenue management.

The following reports are designed for revenue reconciliation purposes. The balances in these reports tie directly to the general ledger account balances.

- Deferred Revenue by Customer Report
- Deferred Revenue by Item Report
- Revenue by Customer Report
- Revenue by Item Report
- Billing and Revenue Summary Report
- Deferred Revenue Rollforward Report
- Deferred Revenue Waterfall Summary Report
- Deferred Revenue Waterfall Detail Report

The following reports are designed to forecast revenue. These reports are based on revenue recognition plans and **do not** link directly to posted general ledger transactions. Direct posting to deferred revenue or revenue accounts may cause these plan-based reports to differ from general ledger account balances.

- Revenue Recognition Forecast Summary Report
- Revenue Recognition Forecast Detail Report

The following reports provide detailed information about revenue recognition, billing, foreign currency adjustments, and revenue reclassification. Use these reports to monitor and audit reclassification activities associated with recognizing revenue separate from billing.

- Deferred Revenue Reclassification Activity Report
- Deferred Revenue Reclassification Report

Deferred Revenue by Customer Report

The Deferred Revenue by Customer report shows deferred revenue amounts grouped by customer. This report can be used for revenue recognition reconciliation as its balances tie directly to general ledger account balances.

To see this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue By Customer.
2. Select a value in the **As of** filter.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Deferred Revenue by Item Report

The Deferred Revenue by Item report shows deferred revenue amounts grouped by item. This report can be used for revenue recognition reconciliation as its balances tie directly to general ledger account balances.

To see this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue By Item.
2. Select a value in the **As of** filter.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Revenue by Customer Report

The Revenue by Customer report shows recognized revenue amounts grouped by customer. This report can be used for revenue recognition reconciliation. Its balances tie directly to the income statement.

To see this report:

1. Go to Revenue > Revenue Reports > Revenue By Customer.
2. Select a value in the **Period** filter.

   The **From** and **To** values update automatically.

3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Revenue by Item Report

The Revenue by Item report shows recognized revenue amounts grouped by item. This report can be used for revenue recognition reconciliation. Its balances tie directly to the income statement.

To see this report:

1. Go to Revenue > Revenue Reports > Revenue By Item.
2. Select a value in the **Period** filter.

   The **From** and **To** values update automatically.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Deferred Revenue Waterfall Summary Report

The Deferred Revenue Waterfall Summary report reconciles the deferred revenue account balance on the balance sheet and provides a forecast of the expected revenue stream. Run this report after you create revenue recognition and deferred revenue reclassification journal entries for the current period. For more information, see Month-End Revenue Processing.

The Deferred Revenue Waterfall report divides deferred revenue into the following categories:

- **Prior Unrecognized** – Billed and planned for recognition by the end of the current period but not yet recognized. If you have not completed the month-end revenue recognition journal entries for the current period, those amounts are included. When all amounts have been recognized, this column is not displayed.
- **Short-term deferred revenue** – Billed and planned for recognition in the short term. This category is further divided into columns for each of the months. The number of months is determined by the accounting preference Number of Short-Term Revenue Periods. The default is 12.
- **Long-term deferred revenue** – Billed and planned for recognition after the number of months set for short-term deferred revenue. This is the **Thereafter** column of the report.
- **Unplanned deferred revenue** – Billed, unrecognized, and not yet in actual revenue plans

The report includes the following additional columns:

- Deferred Revenue Account
- Revenue Account
- Deferred Revenue Balance

Report results are summarized by deferred revenue account and by revenue account.

Unless the accounting preference Unbilled Receivable Adjustment Journal Grouping is set to Element, unbilled receivable adjustments are included in a separate row. This row has no revenue account. For additional information, see Groupings for Unbilled Receivable Adjustment Journal Entries.

To view this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue Waterfall.
2. Accept the default value in the **As of** filter. The default is the current period.

   The number of months displayed after this period is determined by the accounting preference Number of Short-Term Revenue Periods. For example, if the period is December 2015 and 12 is the Number of Short-Term Revenue Periods, the 12 months that are displayed are January 2016 – December 2016.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Deferred Revenue Waterfall Detail Report

The Deferred Revenue Waterfall Detail report reconciles the deferred revenue account balance on the balance sheet and provides a forecast of the expected revenue stream. Run this report after you create revenue recognition and deferred revenue reclassification journal entries for the current period. For more information, see Month-End Revenue Processing.

The Deferred Revenue Waterfall Detail report divides deferred revenue into the following categories:

- **Prior Unrecognized** – Billed and planned for recognition by the end of the current period but not yet recognized. If you have not completed the month-end revenue recognition journal entries for the current period, those amounts are included. When all amounts have been recognized, this column is not displayed.
- **Short-term deferred revenue** – Billed and planned for recognition in the short term. This category is further divided into columns for each of the months. The number of months is determined by the accounting preference Number of Short-Term Revenue Periods. The default is 12.
- **Long-term deferred revenue** – Billed and planned for recognition after the number of months set for short-term deferred revenue. This is the **Thereafter** column of the report.
- **Unplanned deferred revenue** – Billed, unrecognized, and not yet in actual revenue plans

The report includes the following additional columns:

- Customer
- Unbilled Receivable Group
- Currency (when the Multiple Currencies feature is enabled)
- Source Document #
- Source Type
- Item
- Deferred Revenue Account
- Revenue Account
- Deferred Revenue Balance

Click the values in the Customer and Transaction Number columns to open the associated records.

Report results are grouped by customer.

Unless the accounting preference Unbilled Receivable Adjustment Journal Grouping is set to Element, unbilled receivable adjustments are included in a separate row. This row has no revenue account. There is one row for each group or arrangement. For additional information about groupings for unbilled receivable reclassification, see Groupings for Unbilled Receivable Adjustment Journal Entries.

To view this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue Waterfall > Detail.
2. Accept the default value in the **As of** filter. The default is the current period.

   The number of months displayed after this period is determined by the accounting preference Number of Short-Term Revenue Periods. For example, if the period is December 2015 and 12 is the Number of Short-Term Revenue Periods, the 12 months that are displayed are January 2016 – December 2016.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Revenue Recognition Forecast Summary Report

The Revenue Recognition Forecast Summary report shows the amounts of deferred and recognized revenue for customer obligations. You can use this report to view the totals for deferred revenue and the periods when revenue recognition is planned. Be sure to recalculate your revenue forecast plans before you run this report. For instructions, see Recalculating Revenue Forecast Plans.

> **Note:** This report is based on forecast revenue recognition and does not link directly to posted general ledger transactions. Its balances may not match general ledger balances. Other reports are better suited for reconciliation purposes. For a listing of these reports, see Reports for Advanced Revenue Management.

The report is grouped by customer and source document. It includes the following columns:

- **Source Document** – Click the values in this column to open the associated records.
- **Currency**
- **Source Document Type** – Click the values in this column to open the associated records.
- **Element** – Click the values in this column to open the associated records.
- **Deferred Revenue Account** – Click the values in this column to open the account register.
- **Revenue Account** – Click the values in this column to open the account register.
- **Is Recognized** – Indicates whether the number in the Amount column has been recognized (T) or is planned (F).
- **Status** – Each line from the source document may have up to three rows in the report depending on the revenue status and the number of periods included in the report. Only rows with non-zero values are displayed.
  - **Forecasted** – Amount in forecast revenue plans less amount already recognized and amounts planned in the actual revenue plan.

- **Planned** – Unrecognized amount in actual revenue plans.
- **Planned on hold** – Unrecognized amount in actual revenue plans on hold. A line cannot have both the status Planned and Planned on hold.
- **Recognized** – Amount recognized through revenue recognition and deferred revenue reclassification journal entries.

- **Projected Foreign Currency Revenue Variance** – Shows the potential foreign exchange (FX) gain or loss in future revenue entries due to the difference between the revenue plan FX rate and the average billing FX rate.
- **Amount**

To view this report:

1. Go to

   Revenue > Revenue Reports > Revenue Recognition Forecast.
2. Select a value in the **Period** filter.

   The **From** and **To** values update automatically.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Revenue Recognition Forecast Detail Report

The Revenue Recognition Forecast Detail report shows the amounts of deferred and recognized revenue for revenue arrangements. You can use this report to view details about deferred revenue and the periods when revenue recognition is planned. Be sure to recalculate your revenue forecast plans before you run this report. For instructions, see Recalculating Revenue Forecast Plans.

> **Note:** This report is based on forecast revenue recognition and does not link directly to posted general ledger transactions. Its balances may not match general ledger balances. Other reports are better suited for reconciliation purposes. For a listing of these reports, see Reports for Advanced Revenue Management.

The report includes the same columns as the Revenue Recognition Forecast Summary Report, but it is not grouped. It includes the following additional columns:

- Customer:Job
- Date
- Item Name

You can click these additional columns to open the associated records.

To view this report:

1. Go to Revenue > Revenue Reports > Revenue Recognition Forecast.
2. Select a value in the **Period** filter.

   The **From** and **To** values update automatically.

3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Billing and Revenue Summary Report

The Billing and Revenue Summary report displays billing, revenue recognition, and revenue deferral data for sales transactions and projects. The report includes the following columns:

- Date
- Source Document Number
- Source Type
- Revenue Arrangement
- Customer
- Amount
- Total Amount Billed
- Total Amount Rev. Commit. (revenue committed)
- Total Amount Recognized
- Total Amount Deferred

Click the values in the first four columns to open the associated records.

Note: Invoice is displayed as the source type for charge-based projects.

To see this report:

1. Go to Revenue > Revenue Reports > Billing and Revenue Summary.
2. Adjust the values for **Date**, **To**, and **From**.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

If you are customizing this report, you can find source transaction fields, including custom header fields, under Source Transactions in the Add Fields list. For additional information about customizing this and other reports, see the help topic Report Customization.

Deferred Revenue Reclassification Activity Report

The Deferred Revenue Reclassification Activity Report shows a detailed log of all related revenue transactions including:

- Billing transactions
- Revenue recognition journal entries
- Billing amount allocation journal entries

- Foreign currency gain/loss adjustments
- Unbilled receivable adjustments

Use this report to reconcile the deferred revenue and unbilled receivable balances on the balance sheet from the prior month value to the current month value. It shows the activities that created the current account balances. The sum of all amounts for an account on this report equals the amount on the balance sheet for that account.

Report results are grouped by customer, revenue arrangement, and individual revenue element. Negative elements for transactions, such as return authorizations and credit memos, are reported in combination with their linked positive element. Stand-alone negative elements for posting transactions are listed at the end of the customer group.

You can filter this report for a range of transaction activity dates. Customize the report to add additional filters such as currency, customer, and deferred revenue account.

This report includes the following columns:

- Line Number
- Transaction ID
- Transaction Date
- Transaction Type
- Unbilled Receivable Group
- Source Transaction Currency
- Deferred Revenue Account
- Deferred Revenue Amount (Tran Curr)
- Deferred Revenue Amount (Base Curr)
- Offsetting Account
- Offsetting Amount (Tran Curr)
- Offsetting Amount (Base Curr)

When the Unbilled Receivable Adjustment Journal Grouping accounting preference is set to Arrangement or Sub-Arrangement Group, two rows labeled Unassigned are provided for each revenue arrangement. These rows are for the unbilled receivable adjustments. The first row is for the adjustment that reverses previous unbilled receivable adjustments, if any. The second shows the current unbilled receivable adjustment. For additional information, see Groupings for Unbilled Receivable Adjustment Journal Entries.

To view this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue Reclassification Activity
2. Set the filters for the report.
   - For the **Date, From,** and **To** fields, select a date range for the reclassification activities you want to see.
   - Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
   - Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
   - Select **More** to expand the filter and set additional filters.
3. Click **Refresh** to apply your filters.

Deferred Revenue Reclassification Report

Use this report to audit the reclassification activities shown in the Deferred Revenue Reclassification Activity Report. It provides detailed information about how the reclassification journal entry amounts are calculated for each order line. You can also use this report to forecast the recognition periods for current outstanding deferred revenue balances.

When you run this report, NetSuite stores a snapshot of the values in the accounts. You must run the reclassification process before you run the report to get the latest status for the period. For information, see Creating Reclassification Journal Entries.

Report results are grouped by customer, revenue arrangement, and individual revenue element. You can filter this report for a range of transaction dates, and select the effective date for the transaction report results. Customize the report to add filters such as currency and customer.

This report includes the following columns:

- **Line Number**
- **Currency**
- **Total Amount (Tran Curr)** – Total amount for the line from sales order in transaction currency
- **Total Revenue Allocation Amount (Tran Curr)**
- **Gross Cumulative Billing Amount (Tran Curr)** – Total cumulative amount billed including gross amount, carve in/out amount, and effective amount in transaction currency
- **Carve Out Amount (Tran Curr)** – Deferred revenue amount required to reduce the gross cumulative billing amount to the effective cumulative billing amount in transaction currency
- **Carve In Amount (Tran Curr)** – Deferred revenue amount required to increase the gross cumulative billing amount to the effective cumulative billing amount in transaction currency
- **Effective Cumulative Billing Amount (Tran Curr)** – The total billing amount plus the carve in/carve out amount in transaction currency
- **Gross Cumulative Billing Amount (Base Curr)** – The total cumulative amount billed including gross amount, carve in/out amount, and effective amount in base currency
- **Carve Out Amount (Base Curr)** – The deferred revenue amount required to reduce the gross cumulative billing amount to the effective cumulative billing amount in base currency
- **Carve In Amount (Base Curr)** – The deferred revenue amount required to increase the gross cumulative billing amount to the effective cumulative billing amount in base currency
- **Effective Cumulative Billing Amount (Base Curr)** – The total billing amount plus carve in/carve out amount in base currency
- **Average Billing FX Rate** – Effective Cumulative Billing Amount (Base Curr) / Effective Cumulative Billing Amount (Tran Curr)
- **Current Period Deferred Revenue Adjustment (Base Curr)** – The amount posted by the carve in/carve out calculation in this period to reach the effective cumulative billing amount.
- **Deferred Revenue Account**
- **Cumulative Rev Rec Amount (Tran Curr)**
- **Cumulative Rev Rec Amount Before FX Adjustment (Base Curr)**
- **Average Rev Rec Rate** – Cumulative revenue recognition amount before FX adjustment (base currency) / cumulative revenue recognition amount (transaction currency). If there are no revenue recognition amounts, the exchange rate from the revenue element is used.
- **Overlapping Amount (Tran Curr)**
- **Cumulative Gain/Loss**

- **Current Period FX Adjustment**
- **Cumulative Rev Rec Amount After FX Adjustment (Base Curr)**
- **Revenue Account**
- **Unbilled Receivable Group** – Populated only when the corresponding field on the revenue element contains a value
- **Cumulative Unbilled Receivable Amount (Tran Curr)**
- **Cumulative Unbilled Receivable Amount (Base Curr)**

When the accounting preference Unbilled Receivable Adjustment Journal Grouping is not set to Element, each revenue arrangement includes at least one Unbilled Receivable Adjustment row. For additional information, see Groupings for Unbilled Receivable Adjustment Journal Entries.

To view this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue Reclassification
2. Select **More** to expand the footer.
   - For the **Date**, **From**, and **To** fields, select a date range that includes the date of the transactions you want to run the report for. For example, to view revenue reclassification activity for a sales order dated 7/15/2015, you must enter a date range that includes 7/15/2015.
   - For the **As of** date, select the ending period date for the report. The report returns the deferred revenue reclassification activity through this date.
   - Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
   - Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
3. Click **Refresh** to apply your filters.

Deferred Revenue Rollforward Report

The Deferred Revenue Rollforward Report consolidates components of the Deferred Revenue by Customer, Revenue by Customer, and Billing and Revenue Summary reports. It is designed to help reconcile the movement of revenue from the balance sheet to the income statement. It starts with the beginning deferred revenue balance and displays the activities for the selected period range to arrive at the ending deferred balance.

The report displays the results of all transactions to users with permission to see it, regardless of any role restrictions on transactions.

The Deferred Revenue Rollforward Report consists of three linked reports:

- Deferred Revenue Rollforward Summary Report
- Deferred Revenue Rollforward Customer Summary Report
- Deferred Revenue Rollforward Transaction Detail Report

The Deferred Revenue Rollforward reports always report by period regardless of the setting in your Reporting/Search preferences.

Deferred Revenue Rollforward Summary Report

The Deferred Revenue Rollforward Summary report includes the following columns:

- **Deferred Revenue Account** – All deferred revenue accounts are included. The deferred revenue account is derived either from the item record or from the deferral account specified on the revenue account record. In the summary report, you can click through from this column to the deferred revenue register report.
- **Beginning Balance** – The total in this column ties to the deferred revenue balance on the balance sheet at the end of the previous period.
- **New Transactions** – This column includes all new invoices, credit memos, cash sales, and cash refunds posted to the deferred revenue account during the selected date range.
- **Adjustments** – Adjustments include debits and credits to the deferred revenue balance that do not impact revenue accounts. This includes deferred revenue reclassification journal entries. Adjustments also include manual journal entries from deferred revenue to revenue.
- **Revenue** – This is the amount posted to revenue accounts as revenue is recognized during the selected date range. It includes system-generated revenue recognition journal entries and foreign currency revaluation entries generated from deferred revenue reclassification. It also includes manual journal entries that debit or credit revenue. The total in this column ties to the income statement revenue balance for the same date range.
- **Variance** – This is the variance arising from foreign currency translation between subsidiaries and the parent company. It is equal to Ending Balance – (Beginning Balance + New Transactions + Adjustments + Revenue).
- **Ending Balance** – This is the deferred revenue balance. It ties to the deferred revenue balance on the balance sheet for the same period.

An unlabeled line in this report includes transactions with items that do not have an associated deferred revenue account.

To view this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue Rollforward.
2. Adjust the values for **Date**, **To**, and **From**.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Deferred Revenue Rollforward Customer Summary Report

> **Note:** If you have a large number of transactions, NetSuite strongly recommends that you schedule this report to run in the background during off-peak hours and alert you when it is finished. For information, see the help topic Scheduling a Report.

The Deferred Revenue Rollforward By Customer Summary report adds detail to the Deferred Revenue Rollforward Summary Report by including a Customer column.

Any line labeled Unassigned in this report includes transactions with items that do not have an associated deferred revenue account.

To view this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue Rollforward.
2. Adjust the values for **Date**, **To**, and **From**.

3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Deferred Revenue Rollforward Transaction Detail Report

> **Note:** If you have a large number of transactions, NetSuite strongly recommends that you schedule this report to run in the background during off-peak hours and alert you when it is finished. For information, see the help topic Scheduling a Report.

The Deferred Revenue Rollforward Transaction Details report adds columns for Source Document Type and Source Document Number to the columns shown in the Deferred Revenue Rollforward Customer Summary Report. This report is grouped by Source Document Number, Customer, and Deferred Revenue Account.

For the legacy revenue recognition features, return authorizations appear on separate lines from their related sales orders and invoices. Credit memos are also displayed on different lines than their related invoices.

Any line labeled Unassigned in this report includes transactions with items that do not have an associated deferred revenue account.

To view this report:

1. Go to Revenue > Revenue Reports > Deferred Revenue Rollforward.
2. Adjust the values for **Date**, **To**, and **From**.
3. Select a value in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries.
4. Select a value in the **Accounting Book** filter if you are using multi-book accounting and have access to multiple accounting books.
5. Click **Refresh** to apply your filters.

Revenue Recognition Approval Workflow

The Revenue Recognition Approval Workflow manages the validation and approval routing of revenue arrangements before they are further processed. You can assign revenue recognition limits to determine if an arrangement requires approval and to identify the designated approver. You can set up an approval hierarchy by designating a series of approvers, each with an assigned maximum approval limit. You can also customize the workflow to add and remove features based on your business requirements.

The Revenue Recognition Approval Workflow validates an arrangement based on the maximum total revenue limits that are assigned to reviewers and approvers. For example, an arrangement is created with a total revenue amount of 17,800. The default General Limit of the workflow is set to 10,000. The reviewer and approver limits are set up as follows:

Role	Revenue Recognition Limit / Approval Limit
Revenue Accountant (Reviewer)	15,000
Revenue Manager 1 (Approver 1)	30,000
Revenue Manager 2 (Approver 2)	50,000

The arrangement is routed to Revenue Manager 1 for approval due to the following:

- The total revenue amount exceeds the general limit.
- The total revenue amount exceeds the Revenue Accountant’s limit.
- Revenue Manager 1 has an approval limit that can cover the total revenue amount.
- The arrangement is not routed to Revenue Manager 2 because the total revenue amount does not exceed the previous approver’s limit.

Availability

The Revenue Recognition Approval Workflow is available to users of the Advanced Revenue Management module.

Limitations

Be aware of the following limitations of the Revenue Recognition Approval Workflow:

- The Multiple Currencies feature is not supported. Approval limits align with the base currency of the account. No conversion is made for cases where transaction amounts do not use the base currency.
- The Multi-Book Accounting feature is not supported because the workflow only supports single currency transactions.

> **Note:** The SuiteFlow conditions used for Bulk Approvals for records using custom approvals have been updated for the revenue recognition record. Prior to 2016.2, both the workflow button's condition and the Next Approver condition were used to filter records for bulk approvals for the revenue recognition record. The Next Approver condition checks that the **Next Approver** field on the record contains the current logged in user. Beginning in 2016.2, the Next Approver condition is no longer used to filter records for bulk approvals for this record. Records are now filtered for bulk approvals using only the workflow button's condition. If you would like to continue to filter records based on the **Next Approver** field, you must add the condition to the workflow button condition. If you require assistance, contact Customer Support.

Setup Requirements for the Revenue Recognition Approval Workflow

Prerequisites

Before installing the Revenue Recognition Approval Workflow, be sure to enable the following features and preference:

- Go to Setup > Company > Enable Features, and enable the following:
  - On the **Accounting** subtab, check the **Advanced Revenue Management** box.
  - On the **Employees** subtab, check the **Approval Routing** box.
  - On the **SuiteCloud** tab, check the **SuiteFlow** box.

    For guidelines when using the SuiteFlow feature, see the help topic Enabling SuiteFlow.
- Go to Setup > Accounting > Accounting Preferences, and on the **Approval Routing** subtab, check the **Revenue Arrangements** box.

For more information about enabling features and preferences, see the help topic Enabling Features.

Installing the Advanced Revenue Recognition SuiteApp

The Revenue Recognition Approval Workflow is included in the Advanced Revenue Recognition SuiteApp. To install, go to Customization > SuiteBundler > Search & Install Bundles. On the Search & Install Bundles page, look for the SuiteApp with the following details:

- Bundle Name – **Advanced Revenue Recognition**
- Bundle Id – **92373**

This is a managed SuiteApp that is automatically updated whenever there are upgrades. Issue fixes and enhancements are available after the SuiteApp is updated in your account.

For more information about installing a SuiteApp, see the help topic Installing a Bundle.

Roles and Permissions

Roles for the Revenue Recognition Approval Workflow are based on those used in the Advanced Revenue Management:

- **Revenue Accountant** – Revenue arrangements can be submitted for approval using this role only. You must assign this role to reviewers of revenue arrangements.
- **Revenue Manager** – By default, the ability to approve revenue arrangements is enabled for this role. However, the option to approve revenue arrangements is not limited to users with this role.

To assign either of the roles to existing users, see the help topic Assigning Roles to an Employee.

To enable approval of revenue arrangements, you can set up the permission on the Role record. Go to Setup > Users/Roles > Manage Roles, and then edit the Role record. On the Role page, click the **Permissions** subtab to add the following permission:

- Permission – **Revenue Arrangement**
- Subtab – Transactions
- Minimum Permission – Edit

This permission enables users of the role to approve and reject revenue arrangements. For more information about assigning permissions, see the help topic Set Permissions.

The Revenue Recognition Approval Workflow also adds the following custom fields on Employee records:

- Revenue Recognition Approver
- Revenue Recognition Limit
- Revenue Recognition Approval Limit

The values in these fields are used as validation criteria for the approval routing. By default, the fields are displayed when you create new custom Employee forms. To view or add the fields on your custom Employee form, go to Customization > Forms > Entry Forms, and then click the Edit link for the custom form. On the Custom Entry Form page, click the **Fields** subtab. Look for the **Human Resources: Revenue Recognition** subtab that contains the list of the revenue recognition fields. In the **Show** column, verify that the box for each field is checked. For more information about the custom fields, see Setting Up Employee Records for Approval Routing.

Setting Up the Revenue Recognition Approval Workflow

Setting Up Employee Records for Approval Routing

You must set up the following requirements on the Employee record of an approver or reviewer:

- Assign an email address for each reviewer and approver.
- Designate an approver for each reviewer. To set up an approval hierarchy chain, designate a next approver to each approver in the chain.
- Set the revenue recognition limit for each reviewer.
- Set the revenue approval limit for each approver.

To set up employee records for approval routing:

1. Go to Lists > Employees.

2. On the Employees list, click the Edit link for the employee record to be updated.
3. On the Employee page, verify that the email address is current and active.

> **Note:** Notifications for approval requests and the approval status are sent through email.

4. On the **Human Resources** subtab, click the **Revenue Recognition** subtab.
5. Select or enter the values in the following fields:
   - **Revenue Recognition Approver** – Select the designated approver for the employee. If the employee is an approver and is part of the approval hierarchy, assign the next approver in this field.
   - **Revenue Recognition Limit** – Enter the revenue recognition amount that an employee can cover without requiring approval of the transaction. This limit is used to determine whether or not the arrangement requires initial approval.
   - **Revenue Recognition Approval Limit** – Enter the maximum revenue recognition amount that enables the approver to approve a transaction. This limit is used for the initial or further approval, if the approver is part of the approval hierarchy.

   > **Note:** If a limit field is not defined or left blank, its value is considered as zero.

6. Click **Save**.

Running the Revenue Recognition Approval Workflow

After installing or creating your custom Revenue Recognition Approval Workflow, you have to run it by updating the release status.

To run the Revenue Recognition Approval Workflow:

1. Go to Customization > Scripting > Workflows.
2. On the list of workflows, click the Edit link for Invoice Approval Workflow.
3. On the right navigation pane, click the pencil icon for the **Workflow** tab.
4. On the Workflow page, select **Released** in the **Release Status** field.
5. Click **Save**.

After running the workflow, when you return to the list of workflows, the release status for Revenue Recognition Approval Workflow should display **Released**. For more information about running a workflow, see the help topic Release Status.

Using the Revenue Recognition Approval Workflow

Read the following topics for information about how revenue arrangement transactions are processed by the workflow.

- Revenue Recognition Approval Workflow States
- Resubmitting Revenue Arrangements for Approval

- Viewing the Status of an Arrangement

Revenue Recognition Approval Workflow States

The Revenue Recognition Approval Workflow is initiated upon the update and submission of a revenue arrangement. The arrangement is validated and processed, depending on the conditions that are set for each state.

> **Note:** The workflow uses the total revenue amount as the default for all amount validations. You have the option of using the total carve-out amount by customizing the workflow. For more information, see Setting the Amount Validation Field.

Entry

In the Entry state, the workflow verifies that the **Approval Routing** feature is enabled in the account where the arrangement is created. If the feature is enabled, the arrangement moves to the General Limit Check state. For more information about the required features and preferences, see Prerequisites.

General Limit Check

In the General Limit Check state, the total revenue amount on the arrangement is compared with the predefined General Limit of 10,000. An arrangement with a total revenue amount that exceeds the General Limit moves to the Pending Approval state. Otherwise, the arrangement transfers to either of the following states:

- **Approved** – The arrangement is automatically approved if the total revenue amount is equal to or does not exceed the General Limit. For more information about this state, see Approved.
- **Rejected** – Arrangements with a blank total revenue amount cannot be validated. They are automatically rejected by the workflow to ensure that only valid transactions are processed. This applies to merging where revenue elements of the merged arrangements are transferred to the new arrangement.

Pending Approval

Arrangements that require initial or further approval transfers or returns to the Pending Approval state. The approval status of the transaction is set to Pending Approval. The **Submit for Approval** button is enabled only for the reviewer or Revenue Accountant who created the transaction. When the reviewer submits the transaction, it transfers to the Check Reviewer Limit state. If the transaction requires approval, it goes through a series of approval states. Based on the approval routing setup, the workflow determines the initial and next approver of the transaction. For more information about the approval setup, see Setting Up Employee Records for Approval Routing.

> **Note:** If an arrangement in Pending Approval status is deleted, the workflow notifies the approver about the deletion through email.

After an approver has been assigned, the transaction returns to the Pending Approval state. The transaction transfers to one of the following states based on specific conditions:

- **Rejected** – When a transaction for approval returns to the Pending Approval state, the workflow sends the notification email to the approver. It enables the **Approve** and **Reject** buttons on the transaction, which can be accessed only by the current approver. If the approver rejects the transaction, it transfers to the Rejected State. For more information about this state, see Rejected.

- **Check Approver Limit** – If a transaction requires initial or further approval, the workflow validates the approval limit of the designated approver. For more information about this state, see Check Approver Limit.
- **Resubmit** – Transactions that have not been approved remain on Pending Approval status. The transaction can be resubmitted by the same or another reviewer. If a transaction is resubmitted, the workflow verifies that the total revenue amount has been changed. The current approver is sent a notification email. This informs the approver of the cancelled request for approval because it has been resubmitted. For more information about this state, see Resubmit.

Check Reviewer Limit

In the Check Reviewer Limit state, the total revenue amount is compared with reviewer's limit. If the total revenue amount is equal to or has not exceeded the limit, the transaction is automatically approved. If the total revenue amount exceeds the limit, the transaction transfers to the Get Highest Approver Limit state.

> **Note:** If the reviewer's limit has not been set or is left blank, the zero value is assigned when the transaction enters the Check Reviewer Limit state. For information about the revenue recognition limits, see Setting Up Employee Records for Approval Routing.

Get Highest Approver Limit

An arrangement can transfer to this state either from the Check Reviewer Limit or Check Approver Limit state. In the Get Highest Approver Limit state, the workflow identifies the highest approval limit in the approval hierarchy. The highest limit is compared with the total revenue amount on the transaction. This validation determines if any of the approvers has the capacity to approve the transaction. The transaction is processed based on the following conditions:

- If the total revenue amount exceeds the highest limit, the transaction transfers to the Rejected state. For more information about this state, see Rejected.
- If the total revenue amount is equal to or does not exceed the limit, the transaction moves to the Set Next Approver state.

Set Next Approver

In the Set Next Approver state, the workflow identifies and assigns the approver of the transaction. For initial approval, the designated revenue recognition approver of the reviewer is assigned as the approver. For further approval, the designated revenue recognition approver of the previous approver is assigned as the approver. For information about the revenue recognition approver, see Setting Up Employee Records for Approval Routing.

Check Approver Limit

In the Check Approver Limit state, the workflow determines if the arrangement requires initial or further approval. The approval limit of the current approver is compared with the total revenue amount. The transaction is processed based on the following conditions:

- If the total revenue amount is equal to or is lower than the approval limit, the transaction transfers to the Approved state.
- If the total revenue amount exceeds the approval limit, the transaction returns to the Get Highest Approver Limit state. The transaction requires further approval by another approver with a higher limit than the previous one. This cycle continues until the transaction is approved by the approver who has sufficient limit to cover the total revenue amount. For more information, see Get Highest Approver Limit.

Approved

Approved arrangements are transferred from any of the following states:

- **General Limit Check State** – Arrangements transferred from this state have a total revenue amount that does not exceed the General Limit.
- **Check Reviewer Limit** – Arrangements transferred from this state have a total revenue amount that does not exceed the reviewer's limit.
- **Check Approver Limit** – Arrangements transferred from this state have been manually approved by one or more approvers, and does not require further approval.

Approved arrangements that are resubmitted transfer to the Resubmit state. The workflow verifies that the total revenue amount has changed before transferring the transaction.

In the Approved state, the workflow sends an email to the reviewer who submitted the arrangement to confirm the approval. For cases where a resubmitted transaction is already attached to a pending request for approval, the pending request is cancelled. The approver of the pending request is informed of the cancellation through email. For more information about resubmissions, see Resubmitting Revenue Arrangements for Approval.

Rejected

Rejected arrangements are transferred from any of the following states:

- **General Limit Check** – Arrangements transferred from this state do not have a total revenue amount.
- **Get Highest Approver Limit** – Arrangements transferred from this state do not have an approver with a limit that can cover the total revenue amount. The workflow displays a message to inform the reviewer that no approver in the hierarchy can cover the total revenue amount.
- **Pending Approval** – Arrangements transferred from this state have been manually rejected by the initial or next approver. The workflow sends the reviewer an email regarding the rejection of the transaction.

Rejected arrangements that are resubmitted transfer to the Resubmit state. The workflow verifies that the total revenue amount has changed before transferring the transaction.

In the Rejected state, the workflow sends an email to the reviewer to confirm the rejected transaction. For cases where a resubmitted transaction is already attached to a pending request for approval, the pending request is cancelled. The approver of the pending request is informed of the cancellation through email. For more information about resubmissions, see Resubmitting Revenue Arrangements for Approval.

Resubmit

Arrangements that transfer to the Resubmit state can be any of the following: approved, rejected, or pending approval. In this state, the transaction is prepared before it transfers to the Entry state where it re-enters the workflow. For more information about resubmissions, see Resubmitting Revenue Arrangements for Approval.

Resubmitting Revenue Arrangements for Approval

Arrangements in Pending Approval status can be resubmitted by any user, with the Revenue Accountant role, who has access to the record. The workflow verifies that the amount of the arrangement has been changed before it can process the resubmission.

Resubmitting unapproved revenue arrangements

Arrangements that have not been approved or rejected can be resubmitted by the same or another reviewer. The **Submit for Approval** button remains enabled on the Revenue Arrangement transaction. If the arrangement has existing requests for approval, only the most recent request is processed. The other requests for approval are automatically cancelled. Approvers of previous requests are notified of the cancelled request for approval through email. For more information, see Pending Approval.

Resubmitting approved revenue arrangements

For cases where the total amount of a sales transaction has been updated, the reviewer may have to generate the arrangement again. If the arrangement has been previously approved and the total amount has changed, it reenters the workflow and is processed as follows:

- The workflow validates the updated amount against the general limit.
  - If the updated amount is equal to or does not exceed the general limit, the arrangement is automatically approved.
  - If the updated amount exceeds the general limit, the arrangement becomes available for resubmission. It is set to Pending Approval status and it displays the **Submit for Approval** button.
- Arrangements that are available for resubmission can be submitted for approval by the same or another reviewer. The approval routing is based on the limit and approver of the reviewer. For more information about the workflow process, see Revenue Recognition Approval Workflow States.

Resubmitting merged arrangements

Arrangements can be merged at any time, except if they have already been rejected. When one or more arrangements are merged, both the new and existing arrangements are automatically processed by the workflow. The arrangements are processed according to the following conditions:

- All existing arrangements are automatically validated by the workflow.
  - If the arrangement is completely merged, all existing arrangements are rejected. The workflow automatically rejects arrangements with a blank amount, which happens when all revenue elements are transferred to the new arrangement. For more information, see General Limit Check.
  - If the arrangement is partially merged or split, existing arrangements be validated based on their updated amount. An arrangement amount may be decreased due to one or more transferred revenue elements. If the resulting amount exceeds the general limit, the arrangement becomes available for resubmission.
- The new arrangement that results from a merge is also automatically processed by the workflow based on its amount. If the amount is equal to or does not exceed the general limit, it is automatically approved. If the amount exceeds the general limit, the arrangement becomes available for resubmission. The reviewer can manually submit it again, for approval.

Viewing the Status of an Arrangement

When you submit an arrangement for approval, you can verify the current status and approver on the Revenue Arrangement page.

To view the status of an arrangement:

1. Go to Transactions > Financial > Revenue Arrangements.

2. On the Revenue Arrangements list, click the View link for the specific record.
3. On the Revenue Arrangement page, you can verify the following:
   - In the **Approval Status** field, you can view current status of the arrangement.
     - **Pending Approval** – Arrangements in this status have been submitted or resubmitted for approval. It remains in this status while awaiting the approval of the designated approver.
     - **Approved** – Arrangements in this status have been manually approved by the designated approver. Also, arrangements with a total amount that does not exceed the general limit and reviewer's limit are automatically approved.
     - **Rejected** – Arrangements in this status have been manually rejected by the designated approver. Also, arrangements for approval with a total amount that cannot be covered by any approver in the approval hierarchy are automatically rejected. This is true for resubmitted arrangements with no total amount, as a result of a merge, which are automatically set to Rejected status.
   - In the **Next Approver** field, you can view the name of the currently assigned approver of the arrangement.

     For information about setting the approver, see Setting Up Employee Records for Approval Routing.

Customizing the Revenue Recognition Approval Workflow

You can customize the Revenue Recognition Approval Workflow by enabling only the features that suit your business requirements. You can change the email notification and add substitute approvers to the approval routing. If you want to update the amount validation criteria, use either the total revenue amount or total carve-out to compare with the limits. You can also add components, conditions, and triggers that alter the approval routing process. When planning your customization, you can review the workflow process in the following topics:

- Revenue Recognition Approval Workflow States
- Resubmitting Revenue Arrangements for Approval

Making a Copy of the Revenue Recognition Approval Workflow

To begin your customization, you must create a copy of the workflow.

To make a copy of the workflow:

1. Go to Customization > Scripting > Workflows.
2. From the workflows list, click the link for the Revenue Recognition Approval Workflow.
3. On the workflow page, point to the More link and then select Make Copy.

   The default workflow states, actions, and other components are copied to your custom workflow. For detailed instructions, see the help topic Copying a Workflow.

After completing your customization, you can run the workflow in testing or released mode. Before releasing your custom workflow, ensure that the original Revenue Recognition Approval Workflow is not running. For more information, see Running the Revenue Recognition Approval Workflow.

The instructions in the following sections show you how to update components specific to the Revenue Recognition Approval Workflow. For topics about adding or changing workflow components, see the help topic Working with Workflows. For detailed instructions to customize each workflow component, you can view the topics for states, conditions, actions, and custom fields.

Setting the Amount Validation Field

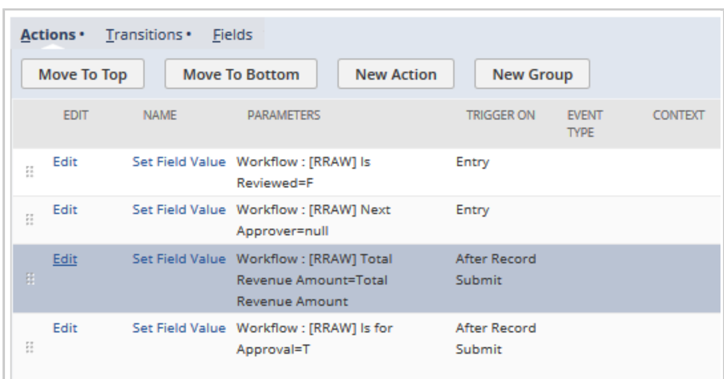
Revenue arrangements can be validated using its total revenue or total carve-out amount. By default, the amount validation field uses the total revenue amount. You can change the default on workflow states that run the actions and transitions for the amount validation.

> **Note:** If you change the amount validation field for the action, you must also change the field for the transitions of all affected states.

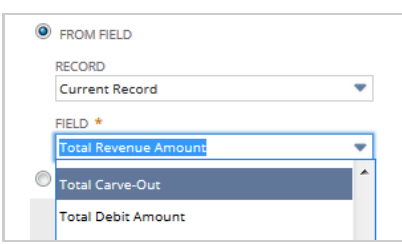
To set the amount validation field for an action:

The following instructions are only applicable to the General Limit Check state, which runs the action for the amount validation.

1. On the workflow diagram, double-click the **General Limit Check** state.
2. On the Workflow State page, click the **Actions** subtab.
3. In the list of actions, click the Edit link for the **Set Field Value** action with the following parameters: **[RRAW] Total Revenue Amount = Total Revenue Amount.**



4. On the Workflow Action page, in the Value section, select your option in the **Field** field: **Total Carve-Out** or **Total Revenue Amount**.



5. Click **Save**.

To set the amount validation field for a transition:

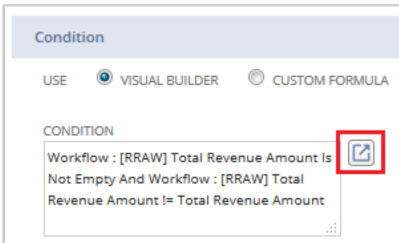
The following instructions are only applicable to the following states that run the transition for the amount validation: Pending Approval, Approved, and Rejected.

1. On the workflow diagram, double-click the state to be updated.

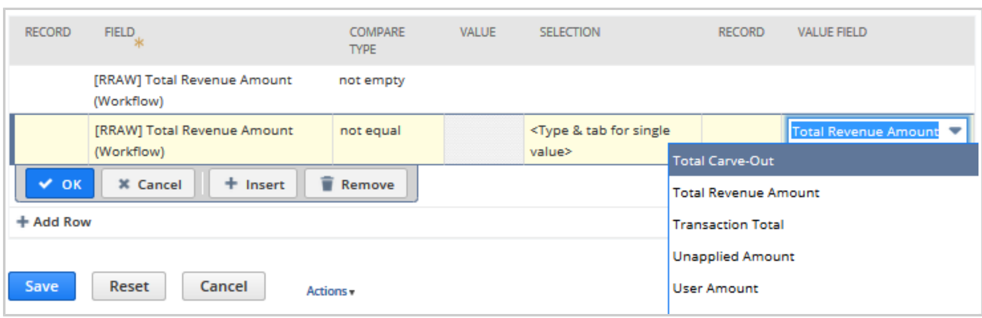
Note: You must update the field for the three states that run the amount validation.

2. On the Workflow State page, click the **Transitions** subtab.
3. In the list of transitions, click the Edit link for the **Resubmit** transition.
4. On the Workflow Transition page, in the Condition section, point to the area beside the **Condition** field, and then click the Open icon.

   This opens Visual Builder where you can select the amount validation field for the condition of the transition.

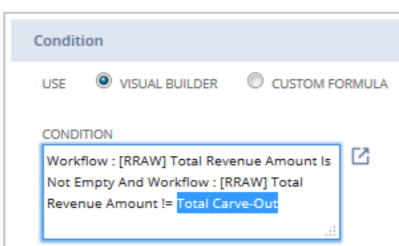
   

5. On the Workflow Condition page, do the following:
   1. In the **Field** column, look for the **[RRAW] Total Revenue Amount (Workflow)** field.
   2. In the **Value Field** column, select **Total Carve-Out** or **Total Revenue Amount**.

   3. Click **OK** to save your selection.
   4. Click **Save** to save the updated condition.

      The **Condition** field shows your updated selection for the amount validation field.

6. Click **Save** to save the updated workflow transition.

Changing the General Limit

Upon entry of a revenue arrangement, the workflow validates its amount using the general limit. The limit is set to 10000 by default. You can set your own limit by updating the **General Limit** field on your custom workflow.

To change the general limit:

1. In the context panel of the workflow, click the **Workflow** tab, and then click the **Fields** view.
2. From the list of fields, select **General Limit** to open its record.
3. On the Workflow Field page, click the **Validation & Defaulting** subtab.
4. In the **Default Value** field, enter the new value for the general limit.
5. Click **Save**.

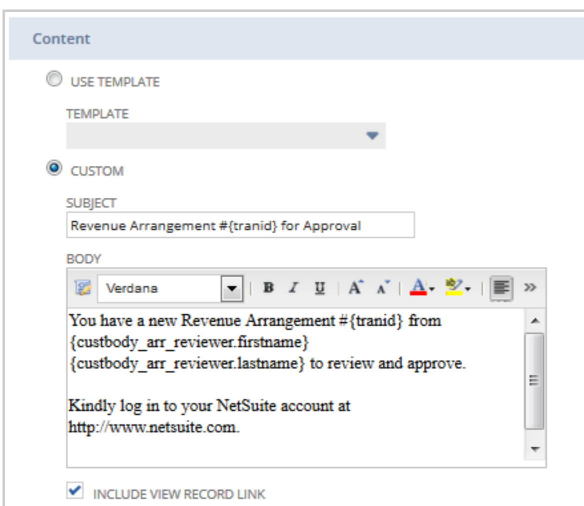
   The new general limit is applied to transactions submitted after your update. An existing transaction in Pending Approval status would have already been validated against the old general limit. However, if the transaction is resubmitted after the update, it is validated against the new general limit.

Updating an Email Notification

You can change the content of the approval or rejection email on any of the following states: Pending Approval, Rejected, Approved. To find out which state to update, click a state from the workflow diagram. Review the details of the state in the context panel. Look for the **Send Email** action row and display its parameters by hovering over the row.

To update an email notification:

1. On the workflow diagram, double-click the state.
2. On the Workflow State page, click the **Actions** subtab.
3. In the list of actions, click the Edit link for the **Send Email** action that contains the message to be updated.
4. In the Content section, you can edit the body and subject of the email in their appropriate fields.

   For more information about updating workflow emails, see the help topic Send Email Action.
5. Click **Save**.