Legacy Revenue Recognition

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Legacy Revenue Recognition

Revenue recognition refers to deferring revenue for recognition in future time periods independently from billing customers and receiving payments. NetSuite currently offers the Advanced Revenue Management feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

This guide describes the NetSuite revenue recognition features that were offered in the past. These features are still supported for customers who have previously enabled them. The features that are part of legacy revenue recognition are as follows:

- **Revenue Recognition**

  When this feature is enabled, you create revenue recognition templates that use standard or custom recognition methods and associate these templates with items.

  For each sales transaction that includes items with associated revenue recognition templates, one or more revenue recognition schedules are generated. These schedules are based on the templates associated with the items sold. You use these revenue recognition schedules to post the appropriate journal entries to the general ledger to recognize revenue in future periods. For example, if customers must pay in advance for a service, such as an annual maintenance contract, then you would periodically recognize revenue after billing the customer and receiving payment, according to the associated template and schedule.

  See Using Revenue Recognition.

  The Revenue Recognition feature must be enabled to enable and use other revenue features.

- **Revenue Commitments**

  When this feature is enabled, you can recognize revenue **before** issuing an invoice to a customer. For example, if customers do not have to pay for services until your company fulfills certain milestones, such as phases of a construction project, then you may have to recognize revenue after incurring significant costs, but before you can bill the customer. Also, due to timing differences, the amount recognized may not equal the amount billed for a specific period.

  See Using Revenue Commitments.

- **VSOE**

  This feature enables you to accurately recognize revenue to meet the requirements of vendor-specific objective evidence (VSOE) accounting standards. VSOE standards provide guidelines for recognizing revenue from a bundle of products and services. Each of the items in the bundle may be invoiced as part of the bundle, but may also have independent market prices. For revenue recognition purposes, VSOE resolves the discrepancy between an item's bundle price and its fair market value.

  VSOE is often used to recognize revenue for computer system projects that include hardware purchases, software licenses, implementation services, and maintenance contracts.

  See Using the VSOE Feature.

- **EITF 08-01 Revenue Recognition**

  EITF 08-01 Revenue Recognition automates the complex pricing calculation and revenue allocation processes required to comply with the Financial Accounting Standards Board (FASB) rules for Emerging Issues Task Force (EITF) Rule 08-01. This rule requires companies selling products and services with multiple elements to report both recurring and non-recurring revenue items based on estimated selling prices.

  This feature is available with the NetSuite SuiteApp 29321.

  See EITF 08-01 Revenue Recognition Feature

- **Sales Order Revenue Forecasting**

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This feature enables you to forecast revenue using sales orders and return authorizations, so that forecast amounts include billed, unbilled, and deferred revenues. This method can provide a more complete forecast.

See Using Sales Order Revenue Forecasting.

Using Revenue Recognition

> **Note:** Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

The Revenue Recognition feature enables you to record the general ledger impact of sales transactions across multiple future periods.

The Accounting Periods feature must be enabled before the Revenue Recognition feature can be enabled. When Revenue Recognition is enabled, NetSuite automatically adds a default account with a type of Deferred Revenue to the Chart of Accounts because at least one account of this type is required for the feature. You can create additional Deferred Revenue type accounts as needed. For more information about enabling this feature and setting associated preferences, see Setting Up the Revenue Recognition Feature.

After Revenue Recognition has been enabled, you can create revenue recognition templates that indicate how revenue from associated items should be posted. For each template, you can select from a choice of standard terms or define your own custom terms, set the time period over which recognition occurs, define an offset to delay the start of recognition, and set up an initial amount to be recognized. For more information, see Creating Revenue Recognition Templates.

To recognize revenue for the sale of an item, you must associate a deferred revenue account with that item on its item record. You can set a revenue recognition template on an item record. This template becomes the default for all sales of the item. You also can associate a revenue recognition template with an item on the item line of a transaction record to apply only to that specific item sale. For more information, see Associating Revenue Recognition Templates with Items.

Revenue recognition schedules are generated for sales transactions containing items that have associated revenue recognition templates. Each schedule indicates the posting periods in which revenue should be recognized and the amount to be recognized in each period for each item sale. For more information, see Working with Revenue Recognition Schedules.

Revenue recognition schedules provide a basis for the generation of journal entries that record the impact of item sales. NetSuite provides a user interface for you to generate all journal entries required for revenue recognition for a selected posting period. For information, see Working with Revenue Recognition Journal Entries.

If the Bill Costs to Customers feature is enabled so that you can bill costs back to customers for time, items, and expenses incurred on projects, you can defer the sales revenue for these costs that you bill. See Deferring Revenue When Billing Costs to a Customer.

If the Project Management feature is enabled, you can use variable revenue recognition schedules to recognize revenue based on the percentage of project work completed. See Using Percent-Complete Revenue Recognition for Projects.

NetSuite provides revenue recognition reconciliation reports. For information, see Revenue Recognition Reports.

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> ⚠ **Important:** The Revenue Recognition feature must be enabled for the following features to be available: Revenue Commitments, VSOE, and Sales Order Revenue Forecasting.

Setting Up the Revenue Recognition Feature

> ℹ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For the equivalent information for Advanced Revenue Management (Essentials), see the help topic Setup for Advanced Revenue Management (Essentials).

Complete the following tasks to set up the Revenue Recognition feature:

- Enabling the Revenue Recognition Feature
- Setting Revenue Recognition Accounting Preferences
- Enabling Auto-Numbered Revenue Recognition Schedules (optional)
- Defining Expense Categories for Billable Expenses (if you want to recognize revenue for billable expenses)

After you have set up the Revenue Recognition feature, the next step is to create the revenue recognition templates used to generate revenue recognition schedules for item sales. See Creating Revenue Recognition Templates.

> ℹ **Note:** The Revenue Recognition feature is a prerequisite for the following revenue-related features: Revenue Commitments, VSOE, and Sales Order Revenue Forecasting. To use any of these features, you need to complete additional setup tasks. See Setting Up the Revenue Commitments Feature, Setting Up the VSOE Feature, and Using Sales Order Revenue Forecasting.

Enabling the Revenue Recognition Feature

> ℹ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For the equivalent information for Advanced Revenue Management (Essentials), see the help topic Enabling the Advanced Revenue Management (Essentials) Feature.

To use the Revenue Recognition feature, the Accounting Periods feature must be enabled because accounting periods are used for revenue recognition schedules. Accounting periods must be set up for the complete range of time covered by your revenue recognition schedules. Also, revenue recognition requires one ore more deferred revenue accounts.

To enable Revenue Recognition:

1. Go to Setup > Company > Setup Tasks > Enable Features (Administrator).
2. Click the **Accounting** subtab, ensure the **Accounting Periods**, **Revenue Recognition**, and any other desired revenue feature boxes are checked.

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3. Click **Save**.

4. Ensure that one or more Deferred Revenue accounts are set up as needed.

   NetSuite automatically adds a default account with a type of Deferred Revenue to the Chart of Accounts because at least one account of this type is required for the feature. You can create additional Deferred Revenue type accounts as needed. For each item that requires revenue recognition, you designate a Deferred Revenue type account where revenue is posted according to the generated schedule.

   To view the automatically created account or to create additional accounts, go to Lists > Accounting > Chart of Accounts.

5. Go to Setup > Accounting > Manage Accounting Periods, and ensure that accounting periods are set up for the range of time your revenue recognition schedules covers.

   For example, if you are going to create schedules that extend 3 years ahead, you need to set up accounting periods through that time

Setting Revenue Recognition Accounting Preferences

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The following preferences are available when you enable the Revenue Recognition feature:

- **Create Revenue Recognition Journals in GL** – Choose how revenue recognition journal entries are posted:

  - **Detail** – A separate journal entry is created for each revenue recognition schedule.

  - **Summary** – Revenue recognition schedules are summarized for posting. The summaries are based on matching attributes. For details, see Using Summarized Revenue Recognition 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.

- **Use System Percentage of Completion For Schedules** – Check this box to calculate project completion automatically, based on approved time logged against the project. To override the automatic calculation, enter a value in the Rev Rec Override Percent Complete field on the Financial subtab of the project. For more information, see the help topic Using Percent-Complete Revenue Recognition for Projects

  If you clear this box, you must enter the percentage of project completion manually for revenue recognition on project records in the Rev Rec Override Percent Complete field. The value in this field can be different from the value in the system-calculated Percent Time Complete field.

- **Allow Users to Modify Revenue Recognition Schedule** – Check this box to permit changes to be made to existing standard revenue recognition schedules. You can change the revenue recognition amount on a schedule only by changing the schedule to generate the new amount. You cannot modify variable revenue recognition schedules.

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If you prefer that revenue recognition schedules cannot be changed after they are created, disable this preference.

> **Note:** The schedule amount **must always equal** the line amount. Only amounts that have not yet been recognized can be changed.

- **Prorate Revenue Recognition Dates for Partially Billed Sales Orders** – This preference applies only to revenue recognition schedules that have Rev Rec Date Specified on Sales Order as the Term Source. The preference affects only the revenue recognition start and end dates for the invoices. Amounts and periods on the revenue recognition schedules are not affected.

    Check the box to divide the period established by the sales order revenue recognition start and end dates proportionally for each partial invoice. This is the default.

    Clear the box to use the same revenue recognition start and end dates for each invoice as the start and end dates on the sales order.

- **Adv. Billing: Use Sales Order Amount** – Use this preference to determine the source of the revenue amount when billing schedules and variable revenue recognition schedules are used.

    Check this box to recognize revenue based on the percent complete in relation to the sales order. For example, if the sales order amount is $1,000, the invoice amount is $500 and the project is 50% complete, then 50% of the sales order amount is recognized ($500).

    Clear this box to recognize revenue based on the invoice amount. For example, if the sales order amount is $1,000, the invoice amount is $500 and the project is 50% complete, then 50% of the invoice amount is recognized ($250).

Depending on the other revenue features enabled, additional revenue recognition preferences may be available. For more information, see the help topic General Accounting Preferences.

To set revenue recognition accounting preferences:

1. Go to Setup > Accounting > Preferences > Accounting Preferences.
2. Click the **General** subtab, and scroll down to the Revenue Recognition and Classic Revenue Recognition Only sections of the page.

    When the Automated Intercompany Management feature is also enabled, the **Items/Transactions** subtab includes the accounting preference **Default Intercompany Deferred Revenue Account**. For information about this preference, see the help topic Items/Transactions Accounting Preferences.
3. Set preferences as desired, and click **Save**.

Enabling Auto-Numbered Revenue Recognition Schedules

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

When you use the Revenue Recognition feature, you can choose to automate the numbering of revenue recognition schedules. This enhances your ability to audit deferred and forecasted expenses.

To enable auto-numbering for revenue recognition schedules:

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1. Go to Setup > Company > Auto-Generated Numbers.
2. Click the **Schedules** subtab.
3. Check the **Enable** box next to **Revenue Recognition Schedule**.
4. Enter the appropriate information in each column:
   - **Prefix**
   - **Suffix**
   - **Minimum Digits**
   - **Initial Number**
   - **Current Number**

After auto-generated numbering is enabled, revenue recognition schedules are listed by number instead of by name on transactions and lists. The name is preserved on each schedule.

After a schedule has been created, the schedule number appears as a link on journal entries related to that schedule. A schedule number link also replaces the View link on transactions that link to the schedule.

Defining Expense Categories for Billable Expenses

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Before you can defer revenue on billable expenses items, you must set up the expense category record.

To set up a billable expense account for Revenue Recognition:

1. Go to Setup > Accounting > Expense Categories.
2. Click **Edit** next to the appropriate expense category.
3. In the **Expense Account** field on the Expense Category page, select the account in which you track billable expenses.
4. Click **Save**.

Creating Revenue Recognition Templates

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For the equivalent information for Advanced Revenue Management (Essentials), see the help topic Revenue Recognition Rules.

A revenue recognition template defines the terms of the revenue recognition schedule created by the sale of an item.

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After Revenue Recognition has been enabled, you can create multiple templates to define revenue deferment terms. These templates are used to generate revenue recognition schedules that determine how revenue from associated items should be posted.

For each template, you can:

- Select from a choice of standard terms or define your own custom terms
- Set the time period over which recognition occurs
- Define an offset to delay the start of recognition
- Set up an initial amount to be recognized

For details and examples of the choices available for templates, see Understanding Revenue Recognition Template Terms.

For steps for creating a new template, see Defining a Revenue Recognition Template.

After templates have been created, you can associate them with items. The revenue recognition template you select on the item record becomes the default template when the item is sold. You also can associate a revenue recognition template with an item for a specific transaction only by selecting it on the transaction item line. See Associating Revenue Recognition Templates with Items.

Understanding Revenue Recognition Template Terms

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For the equivalent information for Advanced Revenue Management (Essentials), see the help topic Revenue Recognition Rule Field Reference.

Revenue recognition templates provide the basic terms used to generate revenue recognition schedules. Review the following descriptions of the terms that you use in NetSuite revenue recognition templates before you begin to define them:

- Revenue Recognition Template Types
- Revenue Recognition Methods
- Revenue Recognition Term Source
- Revenue Recognition Period
- Revenue Recognition Period Offset and Start Offset
- Revenue Recognition Initial Amount

These terms appear on the Revenue Recognition Template page at Lists > Accounting > Revenue Recognition Templates > New.

For the steps to create each revenue recognition template, see Defining a Revenue Recognition Template.

Revenue Recognition Template Types

Two types of templates are available:

- **Standard** – Select this type for most templates. Standard templates require a recognition Method and Term Source.

- **Variable** – Select this type to use this template for percent-complete revenue recognition for service items that are part of projects. A variable revenue recognition schedule recognizes revenue for its balance as time is entered against the related project, until the project is completed.

    This type of schedule is available if the Project Management feature is enabled. For information, see Using Percent-Complete Revenue Recognition for Projects.

> **ⓘ Note:** If you select a type of Variable, you cannot set the following template fields: Method, Term Source, Recognition Period, Period Offset and Start Offset.

Revenue Recognition Methods

You can choose from a number of straight-line revenue recognition methods, or define your own custom method.

Straight-Line Revenue Recognition Methods

The following straight-line 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.

    The term includes the start date and end date you define.
- **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 schedule and allocates revenue based on the proportional period amount.

For examples of how revenue is recognized using straight-line methods, see Straight-Line Revenue Recognition Method Examples.

Custom Revenue Recognition Methods

The Custom method enables you to define revenue recognition terms that include uneven periods, amounts, and multiple income accounts.

For example, you can define a custom schedule as:

- 1st period – 40% of net income posts to income account 4000, 10% to account 4001
- 2nd period through 6th period – 10% of net income to posts to account 4002

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:

- **Account** – the income account you want to post deferred revenue into. Make sure the currency on the account matches the intended transaction currency. Create multiple custom method templates as needed to support foreign currency transactions.
- **Period Offset** – the number of periods to postpone the start of the recognition schedule for this line. The first period to recognize has an offset of zero.

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For example, if your recognition terms are based on 30-day periods, enter a 2 in this field to wait 60 days before you begin recognizing revenue for this line.

You can recognize different amounts to different accounts within the same period when you set several lines to the same period offset value.

- **Amount** – the revenue amount to recognize as a percentage or a currency value. Include the percent sign to indicate a percentage, for example, 10%.

Revenue Recognition Term Source

Term Source determines which dates to use to recognize revenue.

Select from the following:

- **Rev Rec Dates Specified on Transaction** – Uses the invoice or cash sale as the source to determine the revenue recognition period.

  The revenue recognition period is determined by Rev. Rec. start and end dates entered on the invoice or cash sale.

  The invoice or cash sale Rev. Rec. dates can use the sales order as the original source, but subsequent changes to Rev. Rec. dates on the sales order **do not** change the Rev. Rec. dates on the invoice.

  When you change the Rev. Rec. start or end dates on the invoice or cash sale before the schedule is created, the revenue recognition schedule refreshes based on the new dates. After a schedule is created, the dates cannot be changed.

  If the term source Rev Rec Dates Specified On Transaction is selected on a template that is used on a sales order, then the sales order revenue recognition dates are used because the invoice dates are not yet known.

- **Rev Rec Dates Specified on Sales Order** – Uses the sales order revenue recognition dates as the source to determine the revenue recognition period. The revenue recognition period is determined by Rev Rec start and end dates entered on the sales order. This choice appears only when you use the sales order feature.

  The Rev Rec dates are derived from the sales order. Subsequent changes to Rev Rec dates on the sales order **do not** change the Rev Rec dates on an invoice that was created prior to the change. Changes to sales order dates **do** change the dates on the schedule if no journal entry has posted from the schedule.

  If the sales order has multiple invoices, revenue recognition schedules are created for each invoice. The sales order determines the periods and amounts per period. The revenue recognition schedule for the first invoice begins with the first period and amount and includes as many periods as needed to schedule the invoice amount. Schedules for subsequent invoices begin with any remaining amount in the last period of the previous schedule and continue until the full invoice amount is scheduled.

  For example, create a sales order with the following values on an item line:

Field	Value
Rev. Rec. Schedule	Standard template with the following values: □ **Term Source** – Rev Rec Dates Specified on Sales Order □ **Method** – Straight-line, by even periods □ **Period** – 12
Rev. Rec. Start Date	January 1
Rev. Rec. End Date	December 31
Quantity	10

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Field	Value
Unit Price	$120
Amount	$1,200

For purposes of revenue recognition, you have $100 per month for 12 months beginning in January.

If you create the first invoice for a quantity of 3.5, you get a revenue recognition schedule for $420. It has $100 per month for the first four months of January, February, March, and April, and it has $20 in May. Then when you create the next invoice, its revenue recognition schedule begins with $80 in May. If the second invoice is again for a quantity of 3.5, the $420 is divided with $80 in May, $100 each month for June, July, and August, and $40 in September. When you invoice the final $360, it is scheduled for $60 in September and $100 each month for October, November, and December. The invoice dates have no role in determining the revenue recognition schedule dates.

For another example of the behavior of this term source with multiple invoices, see Example with Rev Rec Dates Specified on Sales Order.

- **Billing Schedule, Transaction Date on Sales Order** –Uses the transaction date of the sales order to determine the revenue recognition start date.

  This choice appears only when the Advanced Billing feature is enabled. For more information on Advanced Billing, see the help topic Billing Customers Using Billing Schedules. This term source does not support the fixed bid, milestone project billing type.

  This term source creates a schedule to recognize revenue based on the Sales Order transaction date. NetSuite dates subsequent invoices based on the assigned billing schedule.

  Rev Rec start and end dates entered on the Sales Order are **not** sourced.

  For example, a Sales Order is set up as follows:

  - Sales Order transaction date = Mar. 25, 2006
  - Billed quarterly, 4 bills total

Bill created on:	Rev Rec dates:
Mar. 25, 2006	Mar. 25 through June 24, 2006
June 25, 2006	June 25 through Sept. 24, 2006
Sept. 25, 2006	Sept. 25 through Dec. 24, 2006
Dec. 25, 2006	Dec. 25, 2006, through Mar. 24, 2007

- **Billing Schedule, Rev Rec Date on Sales Order** – Uses the sales order revenue recognition dates as the source to determine the revenue recognition period.

  This choice appears only when the Advanced Billing feature is enabled. For more information on Advanced Billing, see the help topic Billing Customers Using Billing Schedules. This term source does not support the fixed bid, milestone project billing type.

  This term source creates a schedule to recognize revenue based on the Sales Order revenue recognition dates, not the transaction dates. NetSuite dates subsequent invoices based on the assigned billing schedule.

  For example, a Sales Order is set up as follows:

  - Sales Order Rev Rec Start Date = Mar. 25, 2006
  - Billed quarterly, 4 bills total

Bill created on:	Rev Rec dates:
Mar. 25, 2006	Mar. 25 through June 24, 2006

Bill created on:	Rev Rec dates:
June 25, 2006	June 25 through Sept. 24, 2006
Sept. 25, 2006	Sept. 25 through Dec. 24, 2006
Dec. 25, 2006	Dec. 25, 2006, through Mar. 24, 2007

Revenue Recognition Period

The **Recognition Period** defines the range of time for revenue recognition by setting the number of periods over which the schedule is recognized. For example, if you enter **12**, then the schedule runs for 12 periods starting from the Rev Rec Start Date. If the Rev Rec Start Date is mid-month, the partial month counts as one of the periods in the total.

If you enter a start date in the transaction and specify a recognition period in the template, NetSuite determines the appropriate end date and generates the recognition schedule.

If you enter both a start date **and** an end date, then these dates override the recognition period set on the template.

If you enter **neither** a start date **nor** an end date, NetSuite uses the transaction date for the start date and the number of periods in the template to determine the end date. In this case, the end date is always the last day of the period, and partial periods are included in the count.

The following examples show how the recognition period field functions when you enter dates on line items in the transaction. The transaction date is mid-month, January 15, 2007. The January 1 start dates are entered in the line item as Rev. Rec. Start Date.

Start Date	End Date	Recognition Period	Result
Jan. 1, 2007	[none]	12	The schedule runs 12 full periods (Jan. 1, 2007 through Dec. 31, 2007.) NetSuite populates the end date as Dec. 31, 2007.
Jan. 1, 2007	Nov. 1, 2007	12	The schedule runs 11 full periods ((Jan. 1, 2007 through Nov. 1, 2007.) The start and end dates entered override the recognition period setting.
[none]	[none]	12	The schedule runs 12 periods. The first period is partial but counts in the total. NetSuite populates the start date as Jan. 1, 2007 and the end date as Dec. 31, 2007.

Revenue Recognition Period Offset and Start Offset

You can define an Offset value for a revenue recognition template to delay the start of a schedule. Two types of Offset are available:

- **Period Offset** moves the entire recognition period ahead by **x** number of periods, keeping the same number of periods.

  For example, if your amortization terms are based on 30-day periods, enter a 2 in this field to wait 60 days before you begin recognizing revenue. This can be useful for services you sell that have a probationary or trial period.

- **Start Offset** delays the beginning of recognition, changing the number of periods, and keeping the same end date.

  To use a start offset, you specify the number of periods to postpone the start of the recognition for a schedule. Setting a start offset changes the number of periods in the schedule because it postpones the beginning, but does not change the final period of the schedule. You must have at least one more period in the schedule than the number of periods in the start offset.

  For example, you have contracted with a customer to recognize 25% of a $1200 item immediately.

  - Initial amount = 25%, or $300.

  - Method = Straight-line, by even periods

  - Recognition period = 12 months

  The remaining $900 is recognized according to the item's schedule:

Period	Income
1	0
2	0
3	$300 (initial)
4	$100
5	$100
...	...
12	$100

Revenue Recognition 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 remainder is recognized according to the revenue recognition schedule.

For example, you have contracted with a customer to recognize 25% of a $1200 item immediately.

- Initial amount = 25%, or $300.

- Method = Straight-line, by even periods

- Recognition period = 12 months

The remaining $900 is recognized according to the item's schedule:

Period	Income
1	$300 (initial)
2	$75
3	$75
...	...
12	$75

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Straight-Line Revenue Recognition Method Examples

> **(i) Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For the equivalent information for Advanced Revenue Management (Essentials), see the help topic Straight-Line Revenue Recognition Examples in Advanced Revenue Management (Essentials).

When a straight-line method is used, revenue from a sale is recognized over the revenue recognition term based on the start and end dates and recognition method chosen. The mid-month start date and end dates are included in the revenue recognition term.

Example amounts are based on an invoice that shows following:

- Revenue recognition start date August 20
- Revenue recognition end date December 19
- 4 items sold for $100.00 each with a revenue recognition template chosen

Saving the invoice creates a revenue recognition schedule to recognize revenue of $400.00 over four months. Since each partial month counts as a period, the schedule shows five periods. The recognition method set on the revenue recognition template affects the amounts recognized during each period.

The following examples illustrate the differences in amortization amounts per period with each recognition method:

- Straight-line, by even periods
- Straight-line, prorate first & last period
- Straight-line, prorate first & last period (with rounding)
- Straight-line, using exact days
- Straight-line, prorate first & last period (period-rate)
- Straight-line, prorate first & last period vs. Straight-line, prorate first & last period (period-rate)

Straight-line, by even periods

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

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

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Straight-line, prorate first & last period

This method recognizes revenue in equal amounts for periods other than the first and the final period 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 Rev. Rec. Start and End dates.

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

Period	Income	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, prorate first & last period (with rounding)

When using the Straight-line, prorate first & last period method, if rounding is required for amounts, then the rounding difference is added to the next to the last period.

This example is based on an invoice that shows the following:

- Revenue recognition start date 12/21/2005
- Revenue recognition end date 12/20/2006
- One item sold for $49.50 with an associated Straight-line, prorate first & last period template

Saving the invoice creates a schedule to recognize $49.50 over thirteen periods. The schedule is generated as shown below, with the rounded period highlighted.

Period	Income
December 2005	$1.49
January 2006	$4.12
February2006	$4.12
March 2006	$4.12
April 2006	$4.12
May 2006	$4.12
June 2006	$4.12
July 2006	$4.12
August 2006	$4.12

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Period	Income
September 2006	$4.12
October 2006	$4.12
November 2006 (rounded)	$4.10
December 2006	$2.71
Total	$49.50

Straight-line, using exact days

This method recognized 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 20th through August 31st, or 12 days.
- The second period is prorated for the entire month of September, or 30 days.
- The third period is prorated for the entire month of October, or 31 days.
- The fourth period is prorated for the entire month of November, or 30 days.
- The fifth period is prorated for December 1st through December 19th, or 19 days.
- The total number of days is 122.
- The amount per day is $3.2787 when rounded to four decimal places.

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

Example with Rev Rec Dates Specified on Sales Order

When you use the term source Rev Rec Dates Specified on Sales Order, the same number of days and amount per day are used. When the sales order is later billed, the sales order remains the reference. In this example, the sales order uses the same dates and amounts as the invoice example. However, it is billed in three invoices. One item is billed in the first invoice, two in the second, and the fourth in the third to complete the billing.

Period	Sales Order	Inv. 1	Inv. 2	Inv. 3	Total from Invoices
	$400.00	$100.00	$200.00	$100.00	$400.00
August	39.34	39.34			39.34
September	98.36	60.66	37.70		98.36

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Period	Sales Order	Inv. 1	Inv. 2	Inv. 3	Total from Invoices
		(100–39.34)	(98.36–60.66)		
October	101.64		101.64		101.64
November	98.36		60.66	37.70	98.36
			(200–37.70–101.64)		
December	62.30			62.30	62.30

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

This method determines the total number of periods in the schedule, 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, 2006, the revenue allocation is calculated as follows:

Period	Income	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	

1. First, the number of total periods is calculated. This example has exactly 4 periods. When the Rev. Rec. Start date is in the middle of a period, and the End date is equal to the Start date minus one period, then the first and final periods constitute one full period, as in the case of August 20th and December 19th.

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

   $400 / 4 = $100 per period

3. The first period is prorated for August 20th through August 31st, or 12 days divided by the total number of days in the first and last periods (12 + 19 = 31).

   12/31 * $100 = $38.71

4. The final period is prorated for December 1st through December 19th, or 19 days, inclusive of the 19th.

   19/31 * $100 = $61.29

5. The middle periods recognize the period amount of $100

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

On an invoice, you sell one line-item for $1200. The Rev. Rec. Start date is 1/17/06 and the End date is 1/16/07. The revenue is recognized as follows using each method:

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Period	Straight-line, prorate first & last period	Straight-line, prorate first & last period (period-rate)
January 2006	$49.32	$54.84
February 2006	$99.83	$100.00
March 2006	$99.83	$100.00
April 2006	$99.83	$100.00
May 2006	$99.83	$100.00
June 2006	$99.83	$100.00
July 2006	$99.83	$100.00
August 2006	$99.83	$100.00
September 2006	$99.83	$100.00
October 2006	$99.83	$100.00
November 2006	$99.83	$100.00
December 2006	$99.83	$100.00
January 2007	$52.60	$45.16

The Straight-line, prorate first & last period method does not allocate the same amount to January 2006 and January 2007 combined ($101.92), as it does for other periods in that schedule ($99.83), despite the fact that Jan 06 and Jan 07 constitute exactly one period. This is because when the schedule is created, a day rate is used to calculate the amount to allocate to the first and last periods. In other words, the number of days in January 2006 and January 2007 (31 days) is divided by 365 days and then multiplied by $1200, which equals $101.92.

The Straight-line, prorate first & last period (period-rate) methods first calculates the number of periods (12), and then prorates the period value ($100) between the first and final periods.

Defining a Revenue Recognition Template

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For the equivalent information for Advanced Revenue Management (Essentials), see the help topic Defining a Revenue Recognition Rule.

A revenue recognition template defines the terms of the revenue recognition schedule created by the sale of an item.

To define a revenue recognition template:

1. Go to Lists > Accounting > Revenue Recognition Templates > New.
2. On the New Revenue Recognition Template page, in the **Name** field, enter a name for this template.

   For example, you could name a template **12 Month, Equal Distribution**.

3. In the **Type** field, select the kind of template you are creating.

- **Standard** – select for most templates
- **Variable** – select for percent-complete recognition when the Project Management feature is enabled. You cannot set **Method**, **Term Source**, **Recognition Period**, **Period Offset**, **Start Offset**, and **Initial Amount** for Variable templates. You can save the template at this point or skip to Step 9.

  For information about variable revenue recognition schedules, see Working with Variable Revenue Recognition Schedules.

4. In the **Method** field, choose a method to set the terms to post income from the net sales amount.

- For descriptions of the available methods, see Revenue Recognition Methods.
- For examples of how straight-line methods work, see Straight-Line Revenue Recognition Method Examples.
- If you select **Custom**, you must manually specify accounts, posting periods and amounts in the columns in the lower portion of the page. Make sure the currency on the account matches the intended transaction currency.

  1. **Account** – select the income account you want to post deferred revenue into.
  2. **Period Offset** – specify the number of periods to postpone the start of the recognition schedule for this line. The first period to recognize has an offset of zero.
  3. **Amount** – enter the revenue amount to recognize, as a percentage or a currency value.
  4. Click **Add**.
  5. Repeat steps above to define additional terms for this custom method.

  These fields are available only if you select **Custom** in the **Method** field.

5. Select a **Term Source** to control how the recognition period is determined.

   For information about the choices for **Term Source**, see Revenue Recognition Term Source.

6. In the **Recognition Period** field, enter the number of accounting periods over which the schedule will recognize revenue. For example, if you enter **12**, then the schedule runs for 12 periods starting from the Rev Rec Start Date.

   For examples of how the recognition period value works, see Revenue Recognition Period.

7. Optionally, enter the number of accounting periods to delay the start of recognition after the schedule start date. You can enter the following types of offsets:

- **Period Offset** moves the entire recognition period ahead by **x** number of periods, keeping the same number of periods, so that the end date is moved forward.

  For example, if the schedule dates are 1/1/06 to 6/1/06, with month-long periods and a period offset of **2**, recognition starts on 3/1/06 and continues until 8/1/06.

- **Start Offset** delays the beginning of recognition, changing the number of periods, and keeping the same end date.

  For example, if the schedule dates are 1/1/06 to 6/1/06, with month-long periods and a start offset of **2**, recognition starts on 3/1/06 and continues until 6/1/06.

   Setting a period offset does not change the number of periods in the schedule. Setting a start offset changes the number of periods in the schedule because it postpones the beginning, but does not change the final period of the schedule.

   For more information and examples, see Revenue Recognition Period Offset and Start Offset.

8. In the **Initial Amount** field, enter a percentage or amount to be recognized in the first recognition period. The remaining amount is then recognized according to the set recognition method. This field is not available for Variable templates.

   For more information, see Revenue Recognition Initial Amount.

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9. Check the **Public** box to make the template available to other users.

10. Check the **Inactive** box to inactivate the template. Inactivated templates are saved, but do not appear in lists or as choices in your account.

    To view inactivated templates or reactivate them, go to Lists > Accounting > Revenue Recognition Templates, and check the **Show Inactives** box.

11. Click **Save**.

Now this template can be used to defer revenue by associating the template with an item you sell. This can be done on an item record or on a sales transaction. See Associating Revenue Recognition Templates with Items.

Revenue recognition templates can be edited. If you change any of the values in a revenue recognition template, all **future** revenue recognition schedules created from the template use the new values. Existing revenue recognition schedules created from the template are not affected. The best practice is to create a new revenue recognition template instead of editing an existing template after it has been used.

To view a list of available revenue recognition templates, go to Lists > Accounting > Revenue Recognition Templates.

Associating Revenue Recognition Templates with Items

> (i) **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Item Configuration for Advanced Revenue Management (Essentials) and (Revenue Allocation).

Revenue recognition templates are used to generate revenue recognition schedules for items sold, based on the association of templates with items.

You can associate a revenue recognition template with the following item types:

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

You can associate a revenue recognition template with an item on the item record to make it the default on all transactions. When the item is entered on a sales transaction, the associated template appears on the transaction line automatically. This default can be edited as necessary for specific transactions. See Setting a Revenue Recognition Template on an Item Record.

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You do not have to designate a revenue recognition template on an item record. As long as a deferred revenue account is designated on an item record, you can select a revenue recognition template for the item when it is entered on each sales transaction. See Setting a Revenue Recognition Template on a Transaction Item Line.

You can set the default for an item so that Hold Revenue Recognition is automatically checked when the item is added to a transaction. See Delaying Revenue Recognition for an Item.

When you enter a transaction, the following occurs for any item associated with a revenue recognition template:

- **Revenue is deferred** – The revenue amount is posted to a deferred revenue account.
- **A revenue recognition schedule is created** – Revenue amounts are scheduled to be recognized across periods based on the terms defined by the template.

If you want to defer revenue for sales of discount and markup items, it is strongly recommended that you use non-posting discount and markup items. See Deferring Revenue for Discount and Markup Items.

> ⚠️ **Important:** To apply a revenue recognition template to an item, you must associate a deferred revenue account with that item on its item record. When Revenue Recognition is enabled, NetSuite automatically adds a default account with a type of Deferred Revenue to the Chart of Accounts because at least one account of this type is required for the feature. You can create additional Deferred Revenue type accounts as needed.

Setting a Revenue Recognition Template on an Item Record

> ℹ️ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Item Configuration for Advanced Revenue Management (Essentials) and (Revenue Allocation).

You can set a revenue recognition template on an item record. This template becomes the default for all sales of the item.

To select a default revenue recognition template for an item:

1. Go to Lists > Accounting > Items, and click **Edit** next to an item.
2. In the Item record, click the **Accounting** subtab.
3. Ensure that an account is selected in the **Deferred Revenue Account** field.

   This field must be populated for revenue recognition to be available for an item on transactions.
4. Click the **Revenue Recognition / Amortization** subtab, and select a template in the **Revenue Recognition Template** list.
5. Click **Save**.

Now the item is associated with the revenue recognition template and the item defaults to use the template when it is sold. You can change the revenue recognition template on individual transaction lines as needed. See Setting a Revenue Recognition Template on a Transaction Item Line.

On the item record, you can also set the default to delay posting from the schedule that is created for the item. See Delaying Revenue Recognition for an Item.

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Delaying Revenue Recognition for an Item

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Item Configuration for Advanced Revenue Management (Essentials) and (Revenue Allocation).

You can choose to delay posting from a revenue recognition schedule by putting it on hold. You may want to do this if, for example, delivery is delayed or your ability to collect payment becomes uncertain. When a schedule is on hold, the total balance of the delayed item remains in the Deferred Revenue account until you cancel the hold.

Revenue recognition can be delayed for any item that has a deferred revenue account identified on its item record, whether or not it has revenue recognition schedule. If the **Hold Revenue Recognition** box is checked for such an item, when the delay is canceled, all revenue for the item is immediately recognized.

You can set Hold Revenue Recognition on an item record. This setting becomes the default for all sales of the item.

To set Hold Revenue Recognition for an item:

1. Go to Lists > Accounting > Items, and click **Edit** next to an item.
2. In the Item record, click the **Accounting** subtab and ensure that an account is selected in the **Deferred Revenue Account** field.

   This field must be populated for revenue recognition to be available for an item on transactions.
3. Click the **Revenue Recognition / Amortization** subtab, and check the **Hold Revenue Recognition** box.
4. Click **Save**.

Adding Hold Revenue Recognition and Catch Up Period Columns

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

If you want to delay posting of revenue recognition journal entries on transactions, you can use the Manage Revenue Recognition page. It includes the columns Hold Revenue Recognition and Catch Up Period. For details, see Managing Revenue Recognition.

Alternatively, you can add Hold Revenue Recognition and Catch Up Period columns to the transaction form. If you use SuiteScript to automate your revenue recognition process, you must add these columns to your transactions because the Manage Revenue Recognition page is not scriptable.

To add the hold and catch up period columns:

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1. Go to Customization > Forms > Transaction Forms, and find the form you want to add the columns to.
2. Click **Edit** or **Customize** to open the form.
3. On the **Screen Fields** subtab, click **Columns**.
4. Check the **Hold Revenue Recognition** and **Catch Up Period** boxes.
5. Make sure that the **Form is Preferred** box at the top of the page is checked, and click **Save**.

To delay the schedule for an item on a transaction, check the Hold Revenue Recognition box on the line with the item. The setting for the Hold Revenue Recognition box on a sales order carries over to the invoice when you create the invoice. You can set the default for this box on the item record. For details, see Delaying Revenue Recognition for an Item.

Clear the Hold Revenue Recognition box to resume the schedule. Scheduled revenue that was not recognized during the hold is recognized in the catch up period. You can change the catch up period to any open period.

Setting a Revenue Recognition Template on a Transaction Item Line

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

When you enter sales transactions, you can change the revenue recognition template for the item lines. The template change applies to the specific transaction only. Your change may modify a default from the item record or to select a value when there is no default.

You can apply revenue recognition templates to items on the following types of transactions:

- Sales Orders
- Invoices
- Cash Sales
- Revenue Commitments
- Cash Refunds
- Return Authorizations
- Revenue Commitment Reversals
- Credit Memos

> **⚠ Important:** You cannot associate a revenue recognition template with an item unless it has a Deferred Revenue Account selected on the item record. You cannot add a revenue recognition template to the following transaction types when the transaction is in a closed period: invoice, credit memo, cash sale, and cash refund.

To change the revenue recognition template on an item line:

1. On the transaction record, select values for the main body fields as needed.
2. On the **Items** subtab, select an item.

3. In the **Rev. Rec. Schedule** column, select the appropriate template.

   If you select a variable template, you must also select the associated project in the **Customer** column.

4. Select the following additional values for the line item as needed:

   ■ **Rev. Rec. Start Date** – Whether this date is required is determined by the Revenue Recognition Term Source on the Revenue Recognition Template. For more information, see Revenue Recognition Term Source.

   ■ **Rev. Rec. End Date** – Whether this date is required is determined by the Revenue Recognition Term Source and Revenue Recognition Period on the Revenue Recognition Template. For more information, see Revenue Recognition Period.

   ■ **VSOE** – This column is available only when the VSOE feature is enabled. Click the pencil icons to display the VSOE fields. For more information, see the help topics Using the VSOE Feature and EITF 08-01 Revenue Recognition Feature.

5. Click **Add**.

6. Click **Save**.

Now the item is associated with the revenue recognition template for this sale, and a revenue recognition schedule will be generated. The point at which this schedule is generated varies according to the type of transaction and your account's enabled features preference settings. For example, if an approval process is in place, a schedule is not generated for a sales order until it is approved.

■ When an invoice or cash sale contains an item with a revenue recognition template, a revenue recognition schedule is created when the sale is approved or saved.

■ When a sales order contains an item with a revenue recognition template, a revenue recognition schedule is created when the sale is billed.

> **ⓘ Note:** You may be able to customize a transaction form to use a particular revenue recognition template for all items on the transaction. To do so, click **Customize** on the form.

Deferring Revenue for Discount and Markup Items

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Discount and Markup Items in Advanced Revenue Management (Essentials).

This topic describes behavior for the classic Revenue Recognition feature. For the Advanced Revenue Management (Essentials) behavior, see the help topic Discount and Markup Items in Advanced Revenue Management (Essentials). The behavior is different.

To discount or markup transactions and items that defer revenue, you must use **non-posting** discount and markup items. This ensures that both the net amount of each line and the transaction as a whole are recognized correctly. Posting discounts cannot be applied to sales transactions that have revenue recognition templates or schedules.

Non-posting discount and markup items do not post to a general ledger account. When a discount/markup item without an account specified is added to a transaction, it does not post as an individual transaction line. Instead, the item to which it is applied posts the net amount of the discount/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 can create a sales transaction that sells a service item for $1,200.00 to be recognized over 12 periods. You want to apply a $200.00 discount to the service item, making the total invoiced amount $1,000.00.
>
> If you apply the discount using a non-posting discount item in the amount of $200.00, 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 amortization is $1,000.00.
>
> If you had instead applied a posting discount, the full $1,200 posts to the ledger, in addition to a $200 offsetting debit posting to the related discount account. This distorts the revenue recognition and is not allowed when sales transactions have revenue recognition templates or schedules.

The net amount posted on a transaction is also used to make commission calculations when you use the Commissions feature.

For more information on non-posting discount items, read the help topic Discount Items.

Working with Revenue Recognition Schedules

> ⓘ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Revenue Recognition Plans.

Revenue recognition schedules are generated for sales transactions containing items that have associated revenue recognition templates. For details, see Creating Revenue Recognition Templates and Associating Revenue Recognition Templates with Items. Each schedule indicates the posting periods in which revenue should be recognized, and the amount to be recognized in each period, for an item sale.

The point at which a revenue recognition schedule is generated for an item sale depends on the type of sales transaction and enabled features and preferences set in your account. The schedule could be generated when a transaction is first saved, when it is approved, or when it is billed.

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

- Managing Revenue Recognition
- Reviewing the Revenue Recognition Schedules List
- Viewing a Revenue Recognition Schedule
- Editing a Revenue Recognition Schedule
- Mass Updating Revenue Recognition Schedules
- Deleting a Revenue Recognition Schedule

Revenue recognition schedules determine the journal entries that need to be generated to record the impact of item sales. For each posting period, NetSuite provides a list of journal entries required to recognize revenue. See Working with Revenue Recognition Journal Entries.

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

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Managing Revenue Recognition

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Editing Revenue Recognition Plans.

The Manage Revenue Recognition page enables you to pause and resume revenue recognition schedules. You can also adjust the schedule start and end dates if posting has not yet begun. This page includes a line for each item in the transaction that has a deferred revenue account.

To access this page, click the Manage Revenue Recognition button on the source transaction for the schedule. The button appears on the following transactions when the Revenue Recognition feature is enabled **and** at least one item in the transaction has a deferred revenue account:

- Sales Orders when the Revenue Commitments feature is enabled and the order has been fulfilled
- Invoices
- Cash Sales
- Revenue Commitments when the Revenue Commitments feature is enabled
- Cash Refunds
- Return Authorizations
- Revenue Commitment Reversals when the Revenue Commitments feature is enabled
- Credit Memos

The top of the Manage Revenue Recognition page includes links to the transaction and customer records. A read-only Posting Period field displays the first posting period. The rows of items have read-only columns for Item, Quantity, Price, Amount, Schedule, Deferred Revenue Account, Revenue Account, Allocation Price, Allocation Amount, and Revenue Term in Months.

You can edit the following fields:

- **Start Date** – Revenue recognition schedule start date. You can change this date only if no revenue has been recognized on the schedule. If the Start Date is mid-month, the Revenue Term in Months will not be the same as the number of periods in the schedule since a period is included for each partial month.
- **End Date** – Revenue recognition schedule end date. You can change this date only if no revenue has been recognized on the schedule.
- **Catch Up Period** – This field is blank unless the schedule has been placed on hold. When the hold is removed, the catch up period defaults to the earliest open period. The catch up period does not update automatically after the field has been populated. The field is populated with the default only when it is blank at the time the hold is removed from the schedule.

  You can change the catch up period to any open period. 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 may select periods that are locked.
- **Hold Revenue Recognition** – Check this box to place the schedule on hold. When you check this box, revenue recognition journal entries cannot be generated for any period in the schedule, including the current period if its revenue has not already been recognized. Clear the box to resume the schedule. Scheduled revenue that was not recognized during the hold is recognized in the catch up period.

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When the Hold Revenue Recognition box is checked, the status on the Revenue Recognition Schedule record is On Hold. Revenue recognition schedules can be created with an initial status of On Hold. When a revenue recognition schedule is on hold, it is not included in the list on the Create Revenue Recognition Journal Entries page.

Item records include a Hold Revenue Recognition box. If the box is checked on the item record, it is also checked by default when the item is added to a transaction. For details, see Delaying Revenue Recognition for an Item.

If you use SuiteScript to automate your revenue recognition process, you must add the Hold Revenue Recognition and Catch Up Period columns to your transactions because the Manage Revenue Recognition page is not scriptable. See Adding Hold Revenue Recognition and Catch Up Period Columns.

By default, the following reports include revenue recognition schedules that are on hold. To exclude schedules that are on hold, add a Status filter to these reports.

- Deferred Revenue by Customer Report
- Deferred Revenue by Item Report
- Deferred Revenue by State Report
- Scheduled Deferred Revenue Report
- Revenue Recognition Forecast Summary Report
- Revenue Recognition Forecast Detail Report
- Sales Order Revenue Forecast Summary Report
- Sales Order Revenue Forecast Detail Report
- Billing and Revenue Summary Report

Reviewing the Revenue Recognition Schedules List

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

To view a list of revenue recognition schedules:

Go to Lists > Accounting > Revenue Recognition Schedules.

The Revenue Recognition Schedules page lists all active revenue recognition schedules.

The following is shown for each schedule:

- **Date** – The date the schedule was created
- **Type** – Identifies whether the schedule is Standard or Variable
- **Status** – The schedule status can be one of the following:
  - **Not Started** – No revenue has yet been recognized.
  - **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.

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- ▫ **Complete** – All revenue has been recognized for this schedule.
- **Source Transaction** – Shows the transaction the schedule originates from.
- **Template Name** – Shows the name of the template that created the schedule.
- **Schedule Name** – Shows the name of the schedule. This is the same as the template name by default, but can be changed.
- **Amount (Schedule Total)** – Shows the total amortization amount for the schedule, including amounts already recognized and amounts yet to be recognized.
- **Remaining Deferred Balance** – Shows the amount on the schedule which has not yet been recognized.
- **Total Recognized** – Shows the amount on the schedule which has already been recognized to date.

Variable schedules, which are linked to Projects, also show the following information:

- **Project** – Shows a link to the associated project record.
- **% Total Amort** – Shows the percentage of the schedule already recognized for all periods.

For each schedule in the list, you can:

- Click **Edit** or **View** to open the schedule.
- Click the name in the **Schedule Name** column, or click the number in the **#** column to view the schedule.
- Click the invoice number in the **Source Transaction** column to view the invoice that the schedule was created from.
- Click the **Template Name** to view the template used to create the schedule.
- Click the **Schedule** name to view the schedule.

In the filter area at the top of the list, you can select filters to limit the schedules showing in the list. Filter the list by the following:

- Posting Period
- Status
- Transaction Type

Viewing a Revenue Recognition Schedule

> ⓘ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Viewing Revenue Recognition Plans.

Revenue recognition schedules determine the journal entries that need to be generated. Revenue is not recognized until the revenue recognition journal entries for the scheduled posting period are generated. See Working with Revenue Recognition Journal Entries.

To view a revenue recognition schedule:

1. Go to Lists > Accounting > Revenue Recognition Schedules.
2. Click **View** next to a schedule.

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> **ℹ Note:** You can also view a revenue recognition schedule from the sales transaction that created it. On the sales transaction, on the **Items** subtab, in the **Rev. Rec. Schedule** column, click **View** to open the schedule.

The following information appears at the top of the page:

- **Name** – By default, this is the same as the template name. You can edit the name if the Allow Users to Modify Revenue Recognition Schedules preference is enabled. See Editing a Revenue Recognition Schedule.
- **Created From** – Link to the source transaction for the schedule.
- **Job** or **Project** – The job or project associated with the schedule. Jobs and projects can be associated only with variable revenue recognition schedules.
- **Template** – Link to the revenue recognition template used to create the schedule.
- **Type** – Either Standard or Variable. See Revenue Recognition Template Types.
- **Method** – Eee Revenue Recognition Methods.
- **Term Source** – See Revenue Recognition Term Source.
- **Recognition Period** – The number of periods over which the revenue from the schedule is recognized. This field is blank in the schedule if it is blank in the template.
- **Start Date** – The date revenue recognition begins for this schedule.
- **End Date** – The date the revenue recognition schedule ends.
- **Status** – The schedule status can be one of the following:
  - **Not Started** – No revenue has yet been recognized.
  - **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 schedule.
- **Period Offset** and **Start Offset** – See Revenue Recognition Period Offset and Start Offset
- **Initial Amount** – See Revenue Recognition Initial Amount.
- **Remaining Deferred Balance** – The amount on the schedule that has not yet been recognized.
- **Total Recognized** – The amount on the schedule that has been recognized to date.
- **Amount** – The total amount for the schedule including the amount already recognized and the remaining balance.
- **Eliminate** – If this box is checked, the transaction from which the schedule was created is an intercompany transaction.

The following information shows for each line:

- **Account** – Income account that this line's revenue amount posts to when it is recognized. By default this is the item's income account.
- **Posting Period** – Period in which this line is scheduled to be recognized.
- **Is Recognized** – When this box is checked, it indicates that the revenue amount on the line has been recognized by a manual journal entry outside the revenue recognition journal entry process. The schedule is not included on the Create Revenue Recognition Journal Entry page for the specified period. This box is **not** checked by the system. This box appears on both Standard and Variable revenue recognition schedules.
- **Date Executed** – Date of the journal entry that posts the amount on this line.
- **Journal** – Number of the journal entry that posts the amount on this line. The number is a link to the journal entry record.

- **Amount** – Amount to be recognized for this line of the schedule.
- **Total Recognized** – Shows the cumulative amount recognized on the schedule to date.

Variable schedules, which are linked to Projects, also show the following information:

- **% Amort. In Period** – Percentage of revenue recognized or to be recognized for that period.
- **% Total Amortized** – Cumulative percentage of revenue recognized each period.

Editing a Revenue Recognition Schedule

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Editing Revenue Recognition Plans.

Depending on your setting for the preference Allow Users to Modify Revenue Recognition Schedules, you can change schedules after they are created. For more information on this preference, read Setting Revenue Recognition Accounting Preferences.

To change the start or end dates of a revenue recognition schedule, or to put the schedule on hold, use the Manage Revenue Recognition page. For instructions to access this page, see Managing Revenue Recognition.

On the revenue recognition schedule record, you can change the name of the revenue recognition schedule and change values in schedule lines before revenue is recognized.

To edit a revenue recognition schedule:

1. Go to Lists > Accounting > Revenue Recognition Schedules.

   You can filter the list by **Posting Period**, **Statue**, and **Transaction Type** to reduce the number of revenue recognition schedules listed.

2. Click **Edit** next to the schedule you want to edit.

3. Enter a new **Name** if desired.

4. In the schedule lines, click in the field you want to change to begin editing, and click **OK** when you are finished with that line.

   The following fields if revenue has not yet been recognized:

   - **Account** – Income account that this line's revenue amount posts to when it is recognized. By default this is the income account specified on the item record.

   - **Posting Period** – Period in which revenue for this line is scheduled to be recognized.

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

   - **Is Recognized** – Check this box to indicate that the revenue amount on the line has been recognized by a manual journal entry outside the revenue recognition journal entry process. The schedule is not included on the Create Revenue Recognition Journal Entry page for the specified period when this box is checked.

     If you check this box, be sure that the manual journal entry to recognize the revenue amount has been created, or create the journal entry as the next step in your process. When the Revenue Commitments feature is enabled, lines with this box checked are considered in deferred revenue reclassification.

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- **Amount** – Amount to be recognized for this line of the schedule.

    The total schedule amount must equal the sales amount or the VSOE allocation amount on the line in the source transaction.

5. Click **Save**.

Mass Updating Revenue Recognition Schedules

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Editing Revenue Recognition Plans.

NetSuite provides two mass updates for revenue recognition schedules that you can run to update multiple records simultaneously. The Update is Recognized Flag mass update is available when the Revenue Recognition feature is enabled. The Create/Recreate Schedules on Sales Orders & Return Authorizations mass update is available when the Sales Order Revenue Forecasting feature is enabled.

Update Is Recognized Flag

The Is Recognized flag is used to identify revenue that has been recognized by a manual journal entry outside the revenue recognition journal entry process. You can update the Is Recognized field on many revenue recognition schedules simultaneously using a mass update. For all schedules that match the criteria set in the update form, the Is Recognized box is either checked or unchecked.

This mass update is designed to facilitate data migration when an opening balance is entered and revenue schedules span the period when the balance is entered. To avoid duplication, lines with posting dates prior to the period when the opening balance is entered should be marked as recognized.

To complete an Update Is Recognized Flag mass update:

1. Go to Lists > Mass Update > Mass Updates.
2. Click **Rev Rec Schedules**.
3. Click **Update Is Recognized Flag**.
4. Complete the mass update form to set criteria, including selecting **Yes** or **No** in the **Is Recognized** field.
5. Click **Preview** or **Save**.

Create/Recreate Schedules on Sales Orders & Return Authorizations

When you have enabled the Sales Order Revenue Forecasting feature, you can create and update recognition schedules for sales orders and return authorizations using mass update.

For example, you would like to create and update schedules for the last month on all sales orders and return authorizations. You can perform a mass update with the Date filter set for within the last month. When you submit the form, schedules are created for all appropriate lines on transactions.

If you also use the Project Management feature, this mass update enables you to create new schedules for existing projects or to update existing schedules for Sales Orders and return authorizations related to projects.

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1. Go to Lists > Mass Update > Mass Updates.
2. Click **Create/Recreate Schedules on Sales Orders & Return Authorizations**.
3. Complete the mass update form to set criteria.
4. Click **Preview** or **Save**.

For more information on performing mass updates, read the help topic Mass Changes or Updates.

Deleting a Revenue Recognition Schedule

> ℹ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Deleting Revenue Recognition Plans.

If you want to delete a revenue recognition schedule, you can do so only by removing an item line that has a revenue recognition schedule from a transaction. After the item line is deleted from the transaction, the schedule no longer appears in the Revenue Recognition Schedules list at Lists > Accounting > Revenue Recognition Schedules.

You cannot delete a schedule directly from the list of revenue recognition schedules. In addition, you cannot delete an item from a transaction if journal entries from the associated revenue recognition schedule have been created.

Cases When a Revenue Recognition Schedule May Not Be Created

> ℹ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

There are cases when a revenue recognition schedule may not be created. You can identify these cases when a line on an invoice is indefinitely deferred because the transaction line shows the template name rather than a View link or a Revenue Recognition Schedule number (if auto-numbering is on). These cases, as described below, require an action by the user to move them out of the deferred state.

- The following cases apply if the Vendor Specific Objective Evidence (VSOE) feature **is** enabled, and either the transaction is marked as a VSOE bundle or the transaction has one or more item groups marked as a VSOE bundle, as shown in the cases below:

  - An invoice **is** linked to a sales order and allocation is not completed for the sales order. The lack of allocation from the sales order carries over to the invoice and all lines in the bundle are deferred indefinitely.

  - An invoice **is not** linked to a sales order and allocation is not completed for the invoice. All lines in the bundle are deferred indefinitely.

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□ An invoice **is** linked to a sales order that includes one or more lines not marked as delivered. Those lines are indefinitely deferred.

□ An invoice **is not** linked to a sales order and the invoice includes one or more lines not marked as delivered. Those lines are indefinitely deferred.

For information about using a report to find deferred revenue transactions, read Sales Order Revenue Forecast Summary Report.

Working with Revenue Recognition Journal Entries

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Revenue Recognition Journal Entries.

Although revenue recognition schedules provide the information required to recognize revenue, you must generate the appropriate journal entries to post revenue to the general ledger. For information, see the following:

■ Using Summarized Revenue Recognition Journal Entries

■ Generating Revenue Recognition Journal Entries

  □ Filtering the Revenue Recognition Source Transaction List

■ Editing a Revenue Recognition Journal Entry

■ Setting Up a Reminder for Revenue Recognition Journal Entries

> **Note:** For information about journal entries that recognize revenue based on the percentage of project work completed, see Percent-Complete Based Recognition Journal Entries.

Using Summarized Revenue Recognition Journal Entries

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Summarized Revenue Recognition Journal Entries.

You can post revenue recognition journal entries in either the 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, see Setting Revenue Recognition Accounting Preferences.

When you select the Detail option, one detailed journal entry is created for all revenue recognition schedules selected on the Create Revenue Recognition Journal Entries page. The journal entry includes separate lines for each schedule, 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:

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- Subsidiary
- Posting Period
- Accounting Book
- Account
- Class
- Department
- Location
- Custom Segment

For example, suppose you choose to create journal entries for a batch of 19 revenue recognition schedules and all of these attributes are the same for each schedule in the batch. Then one summary journal entry is created with two lines. In another example, you select a batch of 50 schedules 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.

When you create a summary journal entry, all of the key attributes to create the summary journal entry matched except the revenue recognition destination account. The Details column in the summary journal entry displays the number of rows included in the detail. The entry in the Details column is link. When you click the link, a popup window opens with the details. 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.

The details window includes links to the schedule and source transaction records.

Revenue recognition schedules and source transactions may be included in a single summary journal entry line and general ledger posting when the required attributes match.

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

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.

Saved Search for Revenue Recognition Journal Details

> ℹ **Note:** This topic applies to both the Revenue Recognition feature and the Advanced Revenue Management (Essentials) feature.

To create a saved search for revenue recognition journal entry details, use the Transaction search type. Additional requirements are as follows:

- **Criteria** – Select **Applying Link Type**, and set its description to **is Revenue/Amortization Recognition**.
- **Results** – Make the following changes to the default fields:
  - Change **Type** to **Applying Transaction : Type**.
  - Change **Document Number** to **Applying Transaction**, and select **Document Number** from the Saved Transaction Search popup.
  - Change **Amount** to **Applying Link Amount**.
- **Available Filters** – Add a field using **Applying Transaction Fields** and select **Date Created**.

These settings return the details lines for revenue recognition journal entries for the date or date range you select. The results include the journal entry number and amount.

Generating Revenue Recognition Journal Entries

> ⓘ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic 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 transactions that require a journal entry for a posting period. This page retrieves a list of transactions based on the existing revenue recognition schedules generated for sales transactions. You can filter the list of transactions displayed. Schedules 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 schedules may be included in a single summarized journal entry. Multiple journal entries are created if you process more than 50,000 schedules or exceed the 1,000 line limit for detailed journal entries.

> For example, if 50,000 revenue schedules 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 schedule.
> - 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 schedules.

For more information about line limitations in NetSuite, see the help topic Line Limitations for Transactions.

The journal entries post immediately upon clicking the button or are routed for approval, if required.

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

If you void or delete a revenue recognition journal entry, the link to the journal is removed from the revenue recognition schedule. The revenue schedule becomes available for recognition in the same period as the journal you voided or deleted.

To generate revenue recognition journal entries:

1. Go to Transactions > Financial > Create Revenue Recognition Journal Entries.

   You can also access the Create Revenue Recognition Journal Entries page directly from your dashboard by setting up the Revenue Recognition Entries Pending reminder. See Setting Up a Reminder for Revenue Recognition Journal Entries.

2. Select a posting period.

   > ⓘ **Note:** 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.

3. In the **Journal Entry Date** field, set the transaction date of revenue recognition journal entry 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.

4. 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. For another way to approve journal entries, see the help topic Journal Entry Approval Overview.

5. If you use NetSuite OneWorld, select the **Subsidiary** to associate with this journal entry.

   When a journal entry is associated with a subsidiary, the journal posts to that subsidiary and the schedule is restricted to be viewed only by entities associated with the subsidiary.

6. Use the filters at the top of the page to limit the list of source transactions scheduled to recognize revenue for this period.

   For information about the filter fields available, see Filtering the Revenue Recognition Source Transaction List.

   The page shows a list of revenue recognition journal entries due to post, subject to the filters you select. The following information is shown on each line:

   - **Source Transaction** – A link to the related transaction.
   - **Customer** – A link to the related customer.
   - **Project** – A link to the related project.
   - **Type** – Shows if the schedule is Standard or Variable.
   - **% Recog.** – The total percentage of a variable schedule recognized prior to this journal entry.
   - **% Complete** – The total percentage completed of a project that is related to a variable schedule.

     The difference between the % Recognized and the % Complete is the Amount that is recognized in the current period on this journal entry.

   - **Schedule Name** – A link to the related revenue recognition schedule.
   - **Template Name** – A link to the related revenue recognition template.
   - **Transaction Type** – The type of originating transaction.
   - **Amount** – The amount to be recognized on the journal entry for this line.

7. Check or clear the **Select Individual Schedules** box:

   - When you check the box, journal entries are created only for schedules you select. After you filter the list to show particular schedules, check the box in the Select column next to each schedule you want to generate journal entries.

     If there are multiple pages of transactions shown when selecting schedules, 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 schedules.

   - When you clear the box, the list of schedules displayed is limited to a sample of 100 schedules, and an **Estimate** button appears at the top of the page.

     - Click **Estimate** to count the number of schedules and calculate the amount for all of the schedules included with your current filter settings.
     - Adjust the filters as needed and click **Estimate** again.

8. Click **Create Journal Entries**.

9. On the Process Status page, use the link in the **Submission Status** column to view the journal entry for the submission and verify that it is correct.

Filtering the Revenue Recognition Source Transaction List

> ℹ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

Use the following fields to filter the list of source transactions on the Create Revenue Recognition Journal Entries page that require revenue recognition journal entries:

Posting Period	Choose to show only schedules that are due to post during the period you have chosen. If the Rev Rec Start Date of a schedule is in a closed period, the amount that would have been recognized in that period is posted to the first open period. The Accounts Receivable close determines if a period is closed.
Transaction Type	Choose to show All transaction types, or only Invoice, Cash Sale, Credit Memo, Cash Refund, Revenue Commitment, Revenue Commitment Reversal, or Journal Entry.
Type	Choose to show Standard schedules, Variable schedules or All schedules.
Item Type	Filter the list of schedules to include only ones with the item type you select. Select All to include all item types.
Customer	Filter the list of schedules to include only ones associated with the customer you select. Leave this field blank to include all customers.
Target Account	Filter the list of schedules to include only ones that target the general ledger account you select. Select All to include all accounts.
Deferral Account	Filter the list of schedules to include only ones that use the deferral account you select. Select All to include all accounts.
Transaction Date	Filter the list of schedules to include only ones with a transaction date included in the time period you select. Select All to include all transaction dates.

Editing a Revenue Recognition Journal Entry

> ℹ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Editing an Advanced Revenue Recognition Journal Entry.

You may edit journal entries created from revenue recognition schedules. These changes do not alter the revenue recognition schedule. Journal entries that you edit remain linked to the revenue recognition schedule 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

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journals. For example, if you set the class, location, or department for a source transaction, such as an invoice, and then change those settings on the revenue recognition journal entry, your deferred revenue balances are classified differently than your revenue balances.

To edit the fields on a revenue recognition journal entry that are unavailable, you should 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 a Revenue Recognition schedule:

1. Go to Transactions > Financial > Create Revenue Recognition Journal Entries > Status.
2. Click the link in the **Submission Status** column to open the page Journal Entries Created from Revenue Recognition Schedules.
3. Click the link in the **Journal** column to display the journal entry record.
4. Edit the available fields on the original journal entry.
5. Click **Save**.

Setting Up a Reminder for Revenue Recognition Journal Entries

> ⓘ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. This reminder is not included with Advanced Revenue Management (Essentials).

You also have the option to set up a reminder on your Home page to notify you when revenue recognition journal entries are due to post.

To set up a reminder for revenue recognition:

1. Go to the Home page.
2. In the Reminders portlet, click **Set Up**.
3. On the Set Up Reminders page, check the **Revenue Recognition Entries Pending** box.
4. Click **Save**.

Now when revenue recognition journal entries are due to post, NetSuite shows a reminder. Then you can click the link in the Reminders portlet to view and post the journal entries.

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Deferring Revenue When Billing Costs to a Customer

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Revenue Arrangement Management.

NetSuite enables you to bill costs back to customers for time, items, and expenses you incur while working on a project for them. You can recognize the income over time and defer the sales revenue for these costs that you bill.

First, you must enable the Bill Costs to Customers feature. For more information, read the help topic Billing Costs to Customers.

Defer revenue from costs you bill to customers using the following steps.

1. Billing Customers for Expenses Related to Deferred Revenue.
2. Enter the time, item, or expense, and mark it as billable.
3. Create an invoice that bills the customer for the cost you entered.

Billing Customers for Expenses Related to Deferred Revenue

You can set up expense accounts or items so that you can bill them to a customer and recognize revenue in a revenue account linked to that expense account or item.

To set up an expense account to post to a deferred revenue account:

1. Go to Lists > Accounting > Accounts.
2. Click **Edit** next to the expense account you want to update.
3. On the account record, in the **Track Billable Expense in** field, select an account. For example, select the **Sales** account. Then click **Save**.
4. Open the record of the account you selected in the previous step. From the example, you would open the Sales account.
5. Select an account in the **Deferral Account** field. For example, select Deferred Revenue.
6. Click **Save**.

To set up an item to post to a deferred revenue account:

1. To set up an item, go to List > Accounting > Items.
2. Click **Edit** next to the item.
3. In the **Accounting** subtab on the item record, select a **Deferred Revenue Account**.
4. Click the **Revenue Recognition / Amortization** subtab, and select a **Revenue Recognition Template** to associate with this item on sales transactions.

   If you do not select a template on the item record, you must manually select the revenue recognition schedule on the **Billable Items** subtab of the sales transaction.
5. Click **Save**.

Enter the time, item, or expense, and mark it as billable

When you enter time transactions, purchase orders, bills, checks or credit card payments for time, an item or expense, you can check the Billable box and assign a billable customer for the item or expense.

Then, when you create an invoice for the customer, the expense appears on a Billable subtab.

Create an invoice that bills the customer for the cost you entered

When you create a customer invoice, the costs you have billed to customers show on the Billable Items, Billable Expenses and Billable Time subtabs. Click the appropriate subtab and check the line items you want to bill the customer for. Then click Save.

> ⓘ **Note:** To generate deferred revenue for billable time, you must manually select revenue recognition schedules on the **Billable Time** subtab.

The 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, you see the markup as a separate entry when you view the invoice in NetSuite.

On the Billable Expenses subtab of the invoice, you can select a schedule or enter revenue recognition dates for the time, item or expense.

Using Percent-Complete Revenue Recognition for Projects

> ⓘ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Advanced Revenue Management (Essentials) for Projects.

If you have a projects based business, you can recognize revenue based on the percentage of completed project work by using variable revenue recognition schedules. You can coordinate the recognition of deferred revenue with the completion of stages for your projects. This feature is available only if you use Project Management.

Set up an item to associate a variable recognition template with projects you track. Then, sales that contain the service item generate a revenue recognition schedule based on the template and the linked project completion.

As time worked is logged against the project and portions of the project are marked complete, journal entries are created to recognize the related revenue.

To recognize revenue based on project completion:

1. Enable the Revenue Recognition feature. See Setting Up the Revenue Recognition Feature.
2. Create a variable type revenue recognition template. See Creating Revenue Recognition Templates.

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3. Associate the variable type revenue recognition template with a service item or service items, either on the item record(s), or on individual sales orders or invoices in the Rev Rec Schedule column. See Associating Revenue Recognition Templates with Items.

   Variable templates can be used on the same items as standard templates.

4. Create an invoice or bill for the project sales order. After an invoice exists, the revenue recognition schedule is generated with forecast revenue lines.

5. Create revenue recognition journal entries as needed. Running revenue recognition updates the schedule based on the changes in planned and actual time for the project.

For information about the variable revenue recognition schedule, see Working with Variable Revenue Recognition Schedules.

Additional Revenue Recognition Accounting Preferences

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Setting Advanced Revenue Management (Essentials) Preferences.

When you use the **Use System Percentage of Completion for Schedules** preference, NetSuite automatically determines the percentage of a project that has been completed based on time logged against the project. If the Percent Complete field in the project record has a value, it is used instead of the automatic calculation. If you do not select this preference, you must enter the percent complete value on the project record.

If you use the **Adv. Billing: Use Sales Order Amount** preference, revenue is recognized based on the percent complete in relation to the sales order rather than in relation to the invoice.

For more information about these and other accounting preferences related to revenue recognition, see the Revenue Recognition section in General Accounting Preferences.

To set preferences for revenue recognition:

1. Go to Setup > Accounting > Accounting Preferences.
2. Click the **General** subtab.
3. Scroll to the Revenue Recognition section, and check the preferences you want to use.
4. Click **Save**.

Percent-Complete Based Recognition Journal Entries

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For equivalent information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

The Create Revenue Recognition Journal Entries page includes revenue due to post from variable schedules based on project completion.

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> ⚠️ **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 schedule 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 variable schedule does **not** show in the list if:

- It has a zero balance to recognize for the selected period.
- Revenue recognition journal entries have been created for the period and the planned or actual time worked for the project has not changed since that point.

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 Variable Revenue Recognition Schedule, the journal entry line displays a negative amount.

These schedules 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. For more information, see Working with Variable Revenue Recognition Schedules.

Working with Variable Revenue Recognition Schedules

> ℹ️ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

Variable revenue recognition schedules show both estimated revenue amounts for future periods and actual recognized revenue posted by revenue recognition journal entries. Variable schedules can be used with fixed bid projects created using Project Management. Fixed bid projects have a project total amount based on the planned time entries for the project. Forecasted revenue amounts for the project are based on the total planned time for the project.

When you select a variable revenue recognition template on an item line, you must also select the association project in the line's Customer column.

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> **ⓘ Note:** A **Billing Type** is not required for the variable revenue recognition schedule to forecast revenue amounts. Variable schedules calculate estimated revenue for future periods only when a project has planned time entries. For example, if you attach a variable schedule to a project that is not a fixed bid project, such as Time and Materials, forecasting is ignored because the total amount of the project cannot be determined.

The variable revenue recognition schedule displays additional columns that are not included in a standard schedule: % Amort. in Period and % Total Amort. A schedule line with a journal number and an amount in the Total Recognized column represents recognized revenue. Forecast lines do not have a journal number or an amount in the Total Recognized column and % Total Amort. columns. Forecast lines cannot be edited in a variable revenue recognition schedule.

If you run revenue recognition more than one time for a period, you get a line on the revenue recognition schedule for each revenue recognition journal entry created. Rerunning revenue recognition does not aggregate the recognition amounts into one journal entry. The new revenue recognition journal entry amount is the additional or change in revenue recognized for the period from the previous journal entry.

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

Revenue recognition forecast amounts can be calculated after a project is attached to a sales transaction or to an item on a sales transaction. When you initially create a sales transaction for a project, the revenue recognition schedule amounts for a project are calculated as follows:

- Total Revenue Amount x (Planned Time Entries for the Period / Total Planned Time Entries for the Project)

For example, a $14,250 project has planned time for September and October but no work has been completed yet. The revenue recognition forecast amount lines based on the planned time entries are as follows:

Posting Period	Journal	Amount	% Amort. in Period
Sep 2015	- None -	10,050.00	70.5263%
Oct 2015	- None -	4,200.00	29.473%

The Date Executed, Total Recognized, and % Total Amort. columns are empty.

When you run Create Revenue Recognition Journal Entries, the processes does the following:

- Creates the revenue recognition journal entry for the variable revenue recognition schedule. This amount is calculated as the Current Project Completion amount minus the amount of project completion as of the last time revenue recognition was run.

- Updates the estimated or forecast revenue amounts on the schedule for future periods based on the planned time remaining for the project. Forecast lines do not have information for Date Executed, Journal, Total Recognized, and % Total Recognized.

As work on the project occurs, the Create Revenue Recognition Journal Entries process is run two times in September and one time in October. Work is for the project is 100% complete when the October journal entry is generated. The amount lines for the fully recognized project revenue are as follows:

Posting Period	Date Executed	Journal	Amount	Total Recognized	% Amort. in Period	% Total Amount
Sep 2015	9/20/2015	1	4,650.00	4,650.00	32.6316%	32.6316%

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Posting Period	Date Executed	Journal	Amount	Total Recognized	% Amort. in Period	% Total Amount
Sep 2015	9/30/2015	2	1,800.00	6,450.00	12.6316%	45.2632%
Oct 2015	10/31/2013	3	7,800.00	14,250.00	54.7368%	100.0%

Revenue Recognition Reports

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For the equivalent information about the current feature, see the help topic Reports for Advanced Revenue Management.

Revenue recognition reports are available from the Reports > Revenue task link, and the Revenue group on the Reports page.

Most of the following reports are available after the Revenue Recognition feature has been enabled at Setup > Company > Setup Tasks > Enable Features (Administrator), on the Accounting subtab. Sales Order Revenue Forecast reports are available after the Sales Order Revenue Forecasting feature has been enabled.

The following reports are designed for revenue recognition reconciliation purposes. These reports' balances tie directly to the general ledger account balances.

- Deferred Revenue by Customer Report
- Deferred Revenue by Item Report
- Deferred Revenue by State Report
- Revenue by Customer Report
- Revenue by Item Report
- Revenue by State Report
- Billing and Revenue Summary Report
- Deferred Revenue Rollforward Report

For information about customizing deferred revenue reconciliation reports, see Enhancing Deferred Revenue Reports.

The following reports are designed for review of revenue recognition schedule data to forecast revenue. These reports are based on revenue recognition schedules and **do not** link directly to posted general ledger transactions, so their balances may not match ledger balances.

- Scheduled Deferred Revenue Report
- Revenue Recognition Forecast Summary Report
- Revenue Recognition Forecast Detail Report
  The following two reports are available when the Sales Order Revenue Forecasting feature is enabled:
- Sales Order Revenue Forecast Summary Report

■ Sales Order Revenue Forecast Detail Report

Because these reports are based on revenue recognition schedules, they include only schedule details, not other transactions. Direct posting to deferred revenue or revenue accounts may cause these schedule-based reports to differ from general ledger account balances.

With Revenue Recognition enabled, sales orders that have the Rev Rec on Rev Commit. box checked show in sales reports (the Sales by Customer Report, for example) if they are billed. If the order revenue is recognized and billed, both the sales order and the revenue commitment are shown.

Additional reports are available in the Revenue group when the Revenue Commitment feature is enabled. For information about these reports, see Revenue Reclassification Reports.

Deferred Revenue by Customer Report

This topic is for the classic revenue recognition report. For the advanced revenue management context, see the help topic Deferred Revenue by Customer Report. The topics are similar. Only the related reports are different.

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. The Amount column shows the Recognition Amount.

This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

To see a Deferred Revenue by Customer report:

Go to Reports > Revenue > Deferred Revenue by Customer.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Deferred Revenue by Item Report

This topic is for the classic revenue recognition report. For the advanced revenue management context, see the help topic Deferred Revenue by Item Report. The topics are similar. Only the related reports are different.

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. The Amount column shows the Recognition Amount.

This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

To see a Deferred Revenue by Item report:

Go to Reports > Revenue > Deferred Revenue by Item.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

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Deferred Revenue by State Report

The Deferred Revenue by State report shows deferred revenue amounts, grouped by state. This report can be used for revenue recognition reconciliation as its balances tie directly to general ledger account balances. The Amount column shows the Recognition Amount.

This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

> ⓘ **Note:** This report is not available with the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features.

To see a Deferred Revenue by State report:

Go to Reports > Revenue > Deferred Revenue by State.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Revenue by Customer Report

This topic is for the classic revenue recognition report. For the advanced revenue management context, see the help topic Revenue by Customer Report. The topics are similar. Only the related reports are different.

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. This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

To see a Revenue by Customer report:

Go to Reports > Revenue > Revenue by Customer.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Revenue by Item Report

This topic is for the classic revenue recognition report. For the advanced revenue management context, see the help topic Revenue by Item Report. The topics are similar. Only the related reports are different.

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. This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

To see a Revenue by Item report:

Go to Reports > Revenue > Revenue by Item.

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A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Revenue by State Report

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

The Revenue by State report shows recognized revenue amounts, grouped by state. This report can be used for revenue recognition reconciliation. Its balances tie directly to the income statement. This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

> **Note:** This report is not available with the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features.

To see a Revenue by State report:

Go to Reports > Revenue > Revenue by State.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Billing and Revenue Summary Report

This topic is for the classic revenue recognition report. Customized versions of this report produce errors after the Advanced Revenue Management (Essentials) feature is enabled. For the advanced revenue management context, see the help topic Billing and Revenue Summary Report. The topics are similar, but the related reports are different.

The Billing and Revenue Summary report displays billing, revenue recognition, revenue deferral, and Revenue Commitment data at the transaction level. You can use this report to track billing and revenue for sales orders and return authorizations. This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

The report includes the following fields:

- transaction date
- transaction number
- transaction type
- customer
- amount
- total amount billed

- total amount of revenue committed
- total amount of revenue recognized
- total amount of revenue deferred.

This report is compatible with, but does not require, the Revenue Commitments feature and with all historical recognition methods.

This report does not support reporting by period even when the Report by Period preference is set to All Reports. The Report by Period preference can be configured at Home > Set Preferences, the Analytics subtab.

To see a Billing and Revenue Summary report:

Go to Reports > Revenue > Billing and Revenue Summary.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Deferred Revenue Rollforward Report

This topic is for the classic revenue recognition report. Customized versions of this report produce errors after the Advanced Revenue Management (Essentials) feature is enabled. For the advanced revenue management context, see the help topic Deferred Revenue Rollforward Report. The topics are similar, but the related reports are different.

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.

In OneWorld accounts, this report is intended to be run at each subsidiary level. When run as a consolidated report, the calculation of the Variance column is different. For an explanation of the difference, see Deferred Revenue Rollforward Summary.

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
- Deferred Revenue Rollforward By Customer Summary
- Deferred Revenue Rollforward Transaction Details

The Deferred Revenue Rollforward Report always reports by period regardless of the setting in your Reporting/Search preferences.

To view these reports:

1. Select one of the reports:
   - For the Deferred Revenue Rollforward Summary, go to Revenue > Revenue Reports > Deferred Revenue Rollforward.
   - For the Deferred Revenue Rollforward By Customer Summary, go to Revenue > Revenue Reports > Deferred Revenue Rollforward > Customer Summary.

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■ For the Deferred Revenue Rollfoward Transaction Details, go to Revenue > Revenue Reports > Deferred Revenue Rollforward > Detail.

> ⓘ **Note:** If you have a large number of transactions, you should schedule these reports to run in the background during off-peak and alert you when they are finished.

2. Adjust the values for **Date**, **To**, and **From**.

3. Select a single subsidiary value (not consolidated) in the **Subsidiary Context** filter if you have a OneWorld account and access to multiple subsidiaries. When you run a consolidated report, the calculation of the Variance column is different.

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 Summary

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. The column is blank for transactions that post directly to revenue.

■ **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 for revenue commitments. 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 column includes the foreign currency gain and loss adjustments from the second step of the reclassification process. In OneWorld accounts, if you select a consolidated subsidiary context instead of the intended individual subsidiary context, the value is different. In a consolidated context, the foreign currency adjustments are included, but the calculation 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.

Deferred Revenue Rollforward By Customer Summary

The Deferred Revenue Rollforward By Customer Summary report adds detail by including a Customer column to the columns shown in the Deferred Revenue Rollforward Summary report. The report is grouped by account and customer.

Any line labeled Unassigned in this report includes transactions with items that do not have an associated deferred revenue account.

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You can also view this report by clicking any of the numbers in the Deferred Revenue Rollforward Summary report or by clicking View Summary on the Deferred Revenue Rollforward Transaction Detail report.

Deferred Revenue Rollforward Transaction Details

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 By Customer Summary report. This report is grouped by Source Document Number, Customer, and Deferred Revenue Account.

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.

You can also view this report by clicking any of the numbers in the Deferred Revenue Rollforward By Customer Summary report.

> **Note:** Report data is truncated when the number of transactions in the report period exceeds 100,000.

Scheduled Deferred Revenue Report

> **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

The Scheduled Deferred Revenue report shows sale transactions that have an open deferred amount as of the date range selected. It is based on the recognized and deferred revenue amounts for invoices, cash sales, and credit memos. This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator). This report is not available with the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features.

This report is based on revenue recognition schedules and does not link directly to posted general ledger transactions, so its balances may not match general ledger balances. Other reports are better suited for reconciliation purposes. See Revenue Recognition Reports.

This report displays the transaction type, date, and customer:job for each transaction that has an open deferred revenue amount. It includes the following information:

- Recognized Revenue - revenue amount that has been recognized as of the selected date range
- Deferred Revenue - amount remaining in deferred revenue
- Total - original billed amount which equals the sum of the recognized and deferred amounts.

To see a Scheduled Deferred Revenue report:

Go to Reports > Revenue > Scheduled Deferred Revenue.

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A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Revenue Recognition Forecast Summary Report

This topic is for the classic revenue recognition report. Customized versions of this report produce errors after the Advanced Revenue Management (Essentials) feature is enabled. For the advanced revenue management context, see the help topic Revenue Recognition Forecast Summary Report. The topics are similar, but the related reports are different.

The Revenue Recognition Forecast Summary report shows the amounts of deferred and recognized revenue on cash sales, invoices, and credit memos. You can use this report to view the totals for deferred revenue and when that revenue is scheduled to be recognized. This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

If you run this report by Accounting Period, the report displays columns only for accounting periods that have revenue recognition schedules.

This report is based on revenue recognition schedules and does not link directly to posted general ledger transactions, so its balances may not match general ledger balances. Other reports are better suited for reconciliation purposes. See Revenue Recognition Reports.

To see a Revenue Recognition Forecast Summary report:

Go to Reports > Revenue > Revenue Recognition Forecast.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Revenue Recognition Forecast Detail Report

This topic is for the classic revenue recognition report. Customized versions of this report produce errors after the Advanced Revenue Management (Essentials) feature is enabled. For the advanced revenue management context, see the help topic Revenue Recognition Forecast Detail Report. The topics are similar, but the related reports are different.

The Revenue Recognition Forecast Detail report shows the amounts of deferred and recognized revenue for each transaction line on cash sales, invoices, and credit memos. You can use this report to view details about deferred revenue and when that revenue is scheduled to be recognized. This report is available after the Revenue Recognition feature has been enabled on the Accounting subtab at Setup > Company > Setup Tasks > Enable Features (Administrator).

This report is based on revenue recognition schedules and does not link directly to posted general ledger transactions, so its balances may not match general ledger balances. Other reports are better suited for reconciliation purposes. See Revenue Recognition Reports.

To see a Revenue Recognition Forecast Detail report:

Go to Reports > Revenue > Revenue Recognition Forecast > Detail.

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A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Sales Order Revenue Forecast Summary Report

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

The Sales Order Revenue Forecast Summary report shows deferred and recognized revenue for each transaction line on Sales Orders and return authorizations. You can use this report to view the totals for deferred revenue and when that revenue is scheduled to be recognized. This report is available after the Revenue Recognition and Sales Order Revenue Forecasting features have been enabled at Setup > Company > Setup Tasks > Enable Features (Administrator) on the Accounting subtab. This report is not available with the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features. For more information, see Using Sales Order Revenue Forecasting.

> **ⓘ Note:** This report is based on revenue recognition schedules and does not link directly to posted general ledger transactions, so its balances may not match general ledger balances. Other reports are better suited for reconciliation purposes. See Revenue Recognition Reports.

To see a Sales Order Revenue Forecast Summary report:

Go to Reports > Revenue > Sales Order Revenue Forecast.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Sales Order Revenue Forecast Detail Report

> **ⓘ Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

The Sales Order Revenue Forecast Detail report shows deferred and recognized revenue for each transaction line on Sales Orders and return authorizations. You can use this report to view the totals for deferred revenue and when that revenue is scheduled to be recognized. This report is available after the Revenue Recognition and Sales Order Revenue Forecasting features have been enabled at Setup > Company > Setup Tasks > Enable Features (Administrator) on the Accounting subtab. This report is not available with the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features. For more information, see Using Sales Order Revenue Forecasting.

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This report is based on revenue recognition schedules and does not link directly to posted general ledger transactions, so its balances may not match general ledger balances. Other reports are better suited for reconciliation purposes. See Revenue Recognition Reports.

To see a Sales Order Revenue Forecast Detail report:

Go to Reports > Revenue > Sales Order Revenue Forecast > Detail.

A message appears indicating that your report is loading. The status bar in the footer of the report indicates the progress as your report loads. You can click **Cancel Report** next to the status bar to stop the report from loading.

Enhancing Deferred Revenue Reports

> ℹ️ **Note:** This topic applies to the Revenue Recognition feature. Revenue Recognition is the key feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

You can customize the following deferred revenue reconciliation reports to identify the original source of the transaction by adding fields from the Transaction Dimension group:

- Deferred Revenue By Customer
- Deferred Revenue by Item
- Deferred Revenue By State
- Revenue by Customer
- Revenue By Item
- Revenue By State
- Deferred Revenue Reclassification Activity
- Deferred Revenue Reclassification
- Revenue Reclassification Summary
- Revenue Reclassification Detail
- Purchase Order History
- Sales Tax Analysis
- A/P Payment History by Payment
- A/P Payment History by Bill
- A/R Payment History by Payment
- A/R Payment History by Invoice

There are four fields in the Transaction Dimension group that reference the source document for the transaction. You can add them in Edit Columns, Filters, and Sorting. The fields are:

- Source Rev. Rec. Document Number – The transaction number of the original source
- Source Rev. Rec. Document Type – The transaction type of the original source
- Source Rev. Rec. Start Date – The revenue start date in the source document

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- Source Rev. Rec. End Date – The revenue end date in the source document

When you add these fields to the columns in the report, you can identify and drill down to the original source. The following table shows how the source document type is derived from transactions.

Transaction	1st Level Parent	2nd Level Parent	Source Document Type
Manual journal entry	Journal		Journal
Rev. rec. journal entry on manual invoice	Invoice		Invoice
Rev. rec. journal entry	Invoice	Sales Order	Sales Order
Rev. rec. journal entry	Revenue Commit	Sales Order	Sales Order
Reclassification	Sales Order		Sales Order
Invoice	Sales Order		Sales Order
Credit Memo	Invoice	Sales Order	Sales Order

Using Revenue Commitments

> **ⓘ Note:** Revenue Commitments is a feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

> **⚠ Important:** The functions discussed in this topic require the Revenue Commitments feature to be enabled.

Use revenue commitments when you want to recognize revenue separately from billing. This practice is common in businesses that invoice a customer at specific milestones during a project or when the company meets specific contractual requirements. For example, for a construction project, the contract may specify that you can only bill an invoice to the customer at certain milestones, based on completion of construction phases. However, as the contractor, you may incur expenses before reaching a milestone, and you may be required to recognize revenue as you have completed a portion of the project prior to issuing an invoice.

Without revenue commitments, companies attempt to recognize revenue without invoicing the customer by one of the following methods: creating an invoice and then holding it, creating a reversing journal, or creating an invoice, but deferring the revenue.

The Revenue Commitment transaction separates the billing and revenue recognition functions, enabling you to recognize revenue and bill customers at different times and to recognize revenue in amounts that differ from the amounts billed to customers. A revenue commitment is a non-posting transaction. It serves as the placeholder for the revenue recognition schedule that generates the posting revenue recognition journal entries.

An unbilled receivable posting occurs when revenue recognition is faster than the billing on a specific sales order. When billing occurs at a faster rate than revenue recognition, deferred revenue is increased. The deferred revenue reclassification process adjusts revenue and deferred revenue balances at the line item level. See Advanced Revenue Commitments Overview and Line Level Deferred Revenue Reclassification.

Revenue commitments and revenue commitment reversals can be generated when the sales order or return authorization line item is marked Hold Revenue Recognition. The associated revenue recognition schedules are created with a status of On Hold and are managed in the same way as other revenue recognition schedules. For details, see Managing Revenue Recognition.

You cannot create a stand-alone revenue commitment. All revenue commitments must be generated from, and are therefore linked to, a sales order. Similarly, revenue commitment reversals require a return authorization. At the end of the billing and recognition process, the total amount of revenue recognized and amounts invoiced to a customer must equal the total amount of the sales order. For more information, see Billing Additional Items on Orders with Revenue Commitments.

You cannot create a credit memo directly from a sales invoice if the sales order is enabled with revenue commitment. You need to generate a return authorization first and then a revenue commitment reversal and a credit memo. For information about creating revenue commitments and revenue commitment reversals, see Creating Revenue Commitments and Creating Revenue Commitment Reversals.

Because data about revenue commitments appears on revenue reports, such as the Billing and Revenue Summary, most of the fields on invoices also are on revenue commitments. A significant difference is that an invoice creates a customer liability (account receivable), while a revenue commitment creates an

unbilled receivable amount. The unbilled receivables account is system generated. You cannot define additional accounts.

For information about enabling, setting preferences, and assigning permissions for the Revenue Commitments feature, see Setting Up the Revenue Commitments Feature. Note that the Revenue Recognition feature must first be enabled for Revenue Commitments to be available.

For details about transaction fields that are used for revenue commitments, see Understanding Revenue Commitment Fields.

For examples of use cases for revenue commitments, see Revenue Commitment Examples.

Setting Up the Revenue Commitments Feature

> **Note:** Revenue Commitments is a feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

To set up the Revenue Commitments feature, complete the following procedures:

- Enabling the Revenue Commitments Feature
- Setting Revenue Commitment Preferences
- Assigning Revenue Commitment Permissions

> **Important:** The Revenue Recognition feature must be enabled before you can enable Revenue Commitments.

Enabling the Revenue Commitments Feature

> **Note:** Revenue Commitments is a feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

If you plan to use the Revenue Commitments feature, then you must first enable the Revenue Recognition feature.

To enable the Revenue Commitments feature:

1. Go to Setup > Company > Enable Features.
2. Click the **Accounting** tab.
3. If Revenue Recognition is not already enabled, you must check the **Revenue Recognition** box.
4. Check the **Revenue Commitments** box.

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> ⚠️ **Important:** If an open revenue commitment or revenue commitment reversal exists, then you cannot disable the Revenue Commitment feature.

Setting Revenue Commitment Preferences

The following accounting preferences are available when you enable the Revenue Commitments feature. These preferences are in addition to those available when the Revenue Recognition feature is enabled.

- **Default Deferred Revenue Reclassification Account**

  Select the default deferred revenue account for reclassification between deferred revenue and unbilled receivable accounts at the order level. This account appears on customer records and on sales orders for that customer. You can override this default on the customer record or on a sales order.

  > ℹ️ **Note:** With line level deferred revenue reclassification, the Deferred Revenue Reclassification account is used **only** to post order level deferred revenue until the order is fully billed and recognized. If you leave this field blank on a sales order, then order level deferred revenue will be posted to the account set in this preference.

- **Default Foreign Currency Adjustment Revenue Account**

  Select a default revenue account to post foreign currency adjustments that result when exchange rates are different for billing and revenue postings. You must select an income account. This account appears on customer records and on sales orders for the customer. You can override this default on the customer record or on a sales order.

  > ℹ️ **Note:** The Foreign Currency Adjustment Revenue account is **not** used when the line level deferred revenue reclassification enhancements for Version 2013 Release 2 are enabled for your account. The default account set here will be ignored.

- **Allow Revenue Commitments In Advance of Fulfillment**

  If this preference is enabled, then the Commit Revenue button appears on a transaction, such as a sales order, even if a transaction or the lines on it are not fulfilled. Also, the Hide Unfulfilled Orders box appears in the Generate Revenue Commitments page.

  This preference is similar to the Invoicing preference called Invoice in Advance of Fulfillment, and as with that preference, NetSuite generates a Revenue Commitment for partially or completely fulfilled lines. For more information about the fulfillment process, see the help topic Order Fulfillment.

- **Allow Revenue Commitment Reversals In Advance of Item Receipt**

  If this preference is enabled, then the Reverse Revenue button appears on a Return Authorization, even if the items to be returned have not been received. Also, the Hide Unreceived Orders box appears in the Generate Revenue Commitments page. If this preference is not checked, then the button does not appear. If this preference is disabled, then NetSuite only generates a Revenue Commitment Reversal. For more information about the return process, see the help topic Customer Return Management.

Depending on the other revenue features enabled, additional revenue recognition preferences may be available. Note that the following related preferences, when available, apply to revenue commitments:

- Allow Users to Modify VSOE Values on Transactions
- Prorate Revenue Recognition Dates for Partially Billed Sales Orders

The following preference does **not** apply to revenue commitments:

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- Adv. Billing Use Sales Order Amount.

For more information, see the Revenue Recognition section in General Accounting Preferences.

To set revenue commitments accounting preferences:

1. Go to Setup > Accounting > Preferences > Accounting Preferences.
2. Click the **General** subtab, and scroll down to the Revenue Recognition and Classic Revenue Recognition Only sections of the page.
3. Set preferences as desired, and click **Save**.

Assigning Revenue Commitment Permissions

The following permissions control the creation of Revenue Commitments and Revenue Commitment Reversals. These permissions are located on the Transactions tab of the Roles page.

- Revenue Commitment
- Revenue Commitment Reversal

For more information on how to assign these permissions, see the help topics Using the Global Permissions Feature and Customizing or Creating NetSuite Roles.

Revenue Commitments Process

Use the following process for recognizing revenue using revenue commitments.

> **Note:** Reclassification of deferred revenue at the order level was introduced with Version 2012, Release 2 and expanded to include line level deferred revenue reclassification with Version 2013 Release 2.

- **Create sales orders for revenue commitments** – see the help topic Creating Sales Orders
- **Create revenue commitments** – see Creating Revenue Commitments
- **Create revenue recognition journal entries** – see Creating Revenue Recognition Journal Entries
- **Reclassify revenue for revenue commitments** – see Reclassifying Deferred Revenue for Revenue Commitments
- **View revenue recognition reports** – see Revenue Reclassification Reports

Advanced Revenue Commitments Overview

With revenue commitments, billing a sales order and recognizing the revenue from that sale can happen at different times and at different foreign currency exchange rates if multiple currencies are involved. The relationship of the timing of billing and revenue recognition determines the impact on the general ledger during the life cycle of an order. At the end of the order's life cycle, the order is fully billed, income is fully recognized, and the balances for the unbilled receivable account and deferred revenue account are zero. Before that point, the account balances for unbilled receivables and deferred revenue are determined by the rate at which the billing and revenue recognition has occurred.

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- **Billing rate slower than revenue recognition rate:** If the total revenue recognized for a sales order exceeds the total amount billed, then the excess revenue recognition amount generates a positive unbilled receivables balance. All amounts are compared in base currency and the excess revenue posts to the unbilled receivable account.

- **Billing rate faster than revenue recognition rate:** If the total amount billed for an order exceeds the total revenue recognized, then the exceeding billing amount generates a positive deferred revenue balance. All amounts are compared in base currency and the excess billing posts to the deferred revenue account.

> (i) **Note:** The revenue commitment itself is a non-posting transaction. It serves as the placeholder for the revenue recognition schedule that generates the posting revenue recognition journal entries.

In addition, if foreign currency rates differ at the time of billing and revenue recognition, an adjustment is required at the end of each financial period to align the revenue recognition exchange rate with the effective billing exchange rate. The excess amount of foreign currency gain or loss for the overlapping portion of the billed and recognized amounts for the transaction posts directly to the revenue account.

For more information about the revenue commitments process, see:

- Life Cycle for Sales Order with Revenue Commitment
- Calculating Foreign Currency Adjustment for Revenue Commitments
- Billing Additional Items on Orders with Revenue Commitments

Life Cycle for Sales Order with Revenue Commitment

This example illustrates how Deferred Revenue and Unbilled Receivables account balances are affected by revenue reclassification, based on the rate of billing and revenue recognition activity.

- **Total Billing < Total Revenue Recognition** – creates positive unbilled receivable and zero deferred revenue posting
- **Total Billing > Total Revenue Recognition** – creates positive deferred revenue posting and zero unbilled receivable posting

A sales order is created for $1,200. Revenue is recognized quarterly based on the milestones completed. The customer is billed quarterly in equal amounts of $300. The following table shows the billing and revenue recognition postings for the order:

Activity	Q1	Q2	Q3	Q4
Revenue Recognition	$400	$450	$800	$1200
Billing	$300	$600	$900	$1200
Billing to Revenue Recognition Ratio	<	>	>	>

The account balances for Deferred Revenue and Unbilled Receivables for each quarter are shown in the following table. When the order is fully billed and the revenue recognized in full at the end of Q4, the account balances for Deferred Revenue and Unbilled Receivables are both 0.

Account	Q1	Q2	Q3	Q4
Deferred Revenue	0	150	100	0

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Account	Q1	Q2	Q3	Q4
Unbilled Receivable	100	0	0	0

All amounts are accumulated balances and are calculated at the sales order level. If a sales order has multiple line items that follow different revenue recognition and billing schedules, revenue reclassification calculates a single combined amount for Deferred Revenue or Unbilled Receivable. If order lines use different deferred revenue and revenue accounts, the reclassification process will use the accounts specified on the sales order for the Deferred Revenue Reclassification Account, and Foreign Currency Adjustment Revenue Account, if multiple currencies are involved. For information about creating reclassification journal entries, see Reclassifying Deferred Revenue for Revenue Commitments.

Calculating Foreign Currency Adjustment for Revenue Commitments

The revenue reclassification for the foreign currency variance related to a sales order with a revenue commitment is automatically generated when you create revenue reclassification journal entries. The amount is calculated by determining the overlapping foreign currency amounts for billing and revenue recognition and the effective billing foreign currency rate.

- **Effective Billing FX Rate** – The effective billing exchange rate is the total base currency amount billed divided by the total foreign currency amount billed.

- **Overlap** –The overlap is the overlapping amount between the amount of income recognized and the amount billed for an order. Overlap amounts are always in transaction (foreign) currency and based on cumulative order amounts. For example, if the total foreign currency recognized revenue amount at the end of a month for an order is 200 and the total foreign currency billed amount is 300, the overlap amount is 200. If the total foreign currency recognized revenue is 200 and the total foreign currency billed amount is 150, the overlap amount is 150.

  When accumulated billing is greater than accumulated revenue for an order, the revenue adjustment is calculated as follows:

  (Overlap x Effective Billing FX Rate) - Recognized Revenue in Base Currency

  When accumulated billing is less than accumulated revenue for an order, the revenue adjustment is calculated as follows:

  Billed Amount in Base Currency - (Overlap x Revenue Commitment FX Rate)

The foreign currency gain/loss adjustment posts to the revenue account for the sales order when you reclassify revenue.

Billing Greater Than Revenue Recognition Example

A sales order with revenue commitment has 2 items. The first item is recognized and billed in full. The second item has a 12 month revenue recognition schedule and 12 month billing schedule. The transaction currency is GBP and base currency is USD. The currency exchange rate when the revenue commitment is generated is 1.5 USD/GBP. The exchange rate when the first item is billed is 2.0 USD/GBP. The second item is billed when the rate is 1.25 USD/GBP.

The order has the following details at the end of the first month:

Sales Order	Total Amount	Revenue Recognition		Billing	
Line 1	GBP 100	GBP 100	USD 150	GBP 200	USD 400

Sales Order	Total Amount	Revenue Recognition		Billing	
Line 2	GBP 1200	GBP 100	USD 150	GBP 100	USD 125

The revenue reclassification is calculated as follows:

- Effective billing FX rate = (400 +125) / (200 +100) = 1.75 USD/GBP
- Overlap = GBP 200
- FX adjustment = (200/300 x (125+ 400) - (150 + 150) or

  (200 x 1.75) -300 = USD 50

The G/L impact for the revenue reclassification for the foreign currency adjustment is:

Account	Debit	Credit
Deferred Revenue	USD 50	
Revenue		USD 50

Billing Less Than Revenue Recognition Example

A sales order with revenue commitment has 2 items. The first item is recognized in full in the first month. It has a 2 month billing schedule. The second item has a 12 month revenue recognition schedule and 12 month billing schedule. The transaction currency is GBP and base currency is USD. The currency exchange rate when the revenue commitment is generated is 1.5 USD/GBP. The exchange rate when the first item is billed is 2.0 USD/GBP. The second item is billed when the rate 2.5 USD/GBP.

The order has the following details at the end of the first month:

Sales Order	Total Amount	Revenue Recognition		Billing	
Line 1	GBP 100	GBP 100	USD 150	GBP 50	USD 100
Line 2	GBP 1200	GBP 100	USD 150	GBP 100	USD 250

The revenue reclassification is calculated as follows:

- Effective billing FX rate = (100 + 250) / (50 +100) = 2.33333 USD/GBP
- Overlap = GBP 150
- FX adjustment = (100 + 250) - (150 x 1.5) - or

  350 - (350/2.3333) x 1.5 = USD 125

The G/L impact for the revenue reclassification for the foreign currency adjustment is:

Account	Debit	Credit
Deferred Revenue	USD 125	
Revenue		USD 125

For information about creating reclassification journal entries, see Reclassifying Deferred Revenue for Revenue Commitments.

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Line Level Deferred Revenue Reclassification

Deferred revenue reclassification for revenue commitments is calculated at the line item level, not at the order level. Line level deferred revenue reclassification uses item-specific revenue and deferred revenue accounts to post deferred revenue amounts per transaction line.

In addition, the foreign currency gain/loss adjustment is calculated based on the billing and revenue recognition rates on individual lines, and then posts to the revenue and deferred revenue accounts associated with the items. Item-specific revenue and deferred revenue account balances are adjusted for foreign currency gain/loss instead of posting currency adjustments to order level accounts.

The unbilled receivable adjustment is calculated at the order level by comparing the total billed amount in base currency, to the total revenue recognized amount in base currency. If the sales contract is denominated by a foreign currency, the unbilled receivable adjustment is denominated in the same foreign currency which enables the foreign currency revaluation of open unbilled receivable balances.

The Deferred Revenue Reclassification and Deferred Revenue Reclassification Activity reports provide detailed information about how deferred revenue reclassification amounts are calculated. For information about these reports, see Deferred Revenue Reclassification Report and Deferred Revenue Reclassification Activity Report.

> ℹ **Note:** Line level deferred revenue reclassification is not enabled by default for accounts using the Revenue Commitments feature before Version 2013 Release 2. To use line level deferred revenue reclassification for accounts that enabled the Revenue Commitments feature prior to Version 2013 Release 2, contact Support. See Adopting Line Level Deferred Revenue Reclassification.

The following diagram illustrates the Deferred Revenue Reclassification process:
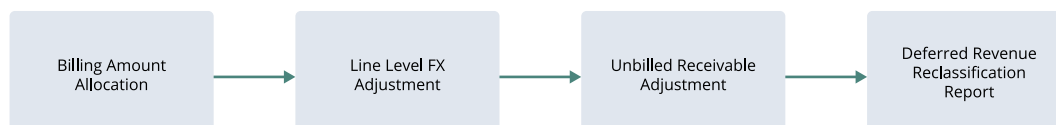
When you run Deferred Revenue Reclassification, the process automatically performs these steps:

1. **Billing Amount Allocation** – For orders **with** bundled items (multi-element sales contracts), the revenue amount allocated for each line item on the order may be different than its billing or sales amount. To properly calculate the impact on deferred revenue and unbilled receivables, the billing amount allocation step redistributes the gross billing amount across the individual line items based on the revenue allocation ratio for the lines. It determines how much of the gross billing amount to allocate to the individual deferred revenue accounts for each line. Line items with billing amounts that exceed revenue recognition amounts 'give up' the excess billing amount to be allocated to lines where recognition exceeds billing. This allocation step is also referred to as 'carve in/carve out'.

   For orders **without** bundled sales items, the billing allocation does not occur. The revenue allocation amount is the same as the billing allocation amount for each line on the order

2. **Line Level Foreign Currency Adjustment** – The foreign currency gain/loss amount is calculated based on the billing and revenue recognition rates for each line and summed up to an order level foreign currency gain/loss balance. The gain/loss adjustment posts an adjustment to the revenue and deferred revenue accounts associated with each line.

3. **Order Level Unbilled Receivable Adjustment** – The unbilled receivable adjustment is calculated at the order level by comparing the accumulated base currency billing amount to the

accumulated base currency revenue recognition amount. If the sales order is denominated by a foreign currency, the unbilled receivables adjustment amount is then converted to foreign currency using the daily rate in effect at the time the first adjustment is calculated. This rate is used to convert any subsequent unbilled receivable adjustments to transaction currency for the life of the order and its revenue recognition. Converting the unbilled receivable adjustment amount to foreign currency makes open unbilled receivable balance eligible for foreign currency revaluation at month end.

For information about running deferred revenue reclassification, see Reclassifying Deferred Revenue for Revenue Commitments.

For detailed examples of how the adjustments to deferred revenue, unbilled receivables, and foreign currency gain/loss are calculated, see Revenue Commitment Examples.

Adopting Line Level Deferred Revenue Reclassification

Line level deferred revenue reclassification is standard for accounts that enabled the Revenue Commitments feature beginning with 2013.2.

Accounts prior to 2013.2 did not have line level reclassification enabled by default. You should fully test these enhancements before having the changes enabled for your account.

Take advantage of the following options:

- Test the new deferred revenue reclassification enhancements in your Release Preview account. The enhancements **are enabled** in your Release Preview account.
- Contact Support to enable the enhancements in your NetSuite sandbox account for further testing.
- Work with the Professional Services team for in-depth training.

After you fully test the line level deferred revenue reclassification process, contact Support to enable the enhancements in your production account.

When the line level deferred revenue reclassification enhancements are enabled for your account, all existing open transactions with revenue commitments will be automatically adjusted to follow the new reclassification calculation logic the first time you create revenue recognition journal entries. See Line Level Deferred Revenue Reclassification for more information.

Billing Additional Items on Orders with Revenue Commitments

You can add items to an invoice when billing a sales order that has a revenue commitment. This type of billing activity usually occurs for overages on service contracts or other types of billing that need to include charges not covered by the original sales order. All items added directly to an invoice are considered one-time, independent revenue events.

When you add items to an invoice when billing a sales order with a revenue commitment, the revenue for the added items is recognized immediately upon posting the invoice. It is not included with the revenue commitment generated for the items on the invoice that came from the original sales order and does not follow a revenue recognition schedule.

On the invoice record, the **Processed by Rev Commit** column identifies which of the items follow the revenue recognition schedule. All item lines on the invoice that originate from a sales order with a revenue commitment are set to Yes. When you add an additional line to the invoice on the Items subtab, the Processed by Rev Commit column is blank, indicating that a revenue recognition schedule does not apply and that the revenue for this line is booked immediately.

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Items that you enter on the Billable Items, Billable Expense, and Billable Time subtabs of an invoice are not sourced from a sales order. These items can have a revenue recognition schedule but the Processed by Rev Commit. column will always be blank. These items are not be included in revenue commitments and revenue reclassification.

In addition, if you edit a line on an invoice for a sales order with a revenue commitment and change it to an item not included in the original sales order, the income for the line is recognized immediately upon saving the order and the Processed by Rev Commit. column is blank.

You can delete all of the line items on an invoice created from a sales order with Rev Rec on Rev Commit. box checked. If you do so, the box, which is read-only on invoices, is automatically cleared by the system.

For a use case example, see Revenue Commitment with One-Time Revenue Item Example.

The following procedure provides information on how to add an item when billing a sales order with revenue commitment only. For information about creating invoices, see the help topic Billing and Invoices.

To bill an item not on a sales order with revenue commitment:

1. On a sales order with a revenue commitment that is ready for invoicing, click **Next Bill**.
2. Verify the information in Primary Information is correct or make changes as needed.
3. On the **Items** subtab, enter a new line for the billable item you want to add to the invoice, and click **Add**.
4. Complete the **Billable Items**, **Billable Expenses**, and **Billable Time** subtabs as needed. For more information, see Deferring Revenue When Billing Costs to a Customer.

   To generate deferred revenue for billable time, you must manually select revenue recognition schedules on the **Billable Time** subtab.
5. Click **Save**.

Creating Revenue Commitments

Before you can create a revenue commitment, a sales order must exist and be approved. That sales order provides the initial data used to populate the revenue commitment. If you choose to recognize revenue for a sales order by using a revenue commitment, the revenue for all lines on that sales order must be recognized using a revenue commitment. A sales order cannot recognize revenue using both revenue commitments and invoices. After you use a revenue commitment to recognize any revenue from a sales order, you cannot change the sales order unless you first delete the revenue commitment.

You can create a revenue commitment:

- **Directly from the sales order by clicking the Commit Revenue button.** See Creating a Revenue Commitment from a Sales Order.
- **From the Generate Revenue Commitments page.** See Using the Generate Revenue Commitment Page.

A revenue commitment is a non-posting transaction. It serves as the placeholder for the revenue recognition schedule that generates the posting revenue recognition journal entries.

> ⓘ **Note:** Do not change the customer or project directly on the revenue commitment. To change these values, create a return authorization to reverse the sales order. Then create a revenue commitment reversal to reverse the revenue commitment. After that, create a new sales order with the correct customer or project value. For more information, see Creating Revenue Commitment Reversals.

Understanding Revenue Commitment Fields

By default, one field related to revenue commitment displays in the Revenue section of the Accounting subtab, the Rev Rec on Rev Commit. check box. After you select this option, other fields become available. NetSuite displays the Accounting subtab on the following transaction forms:

- Cash Sale
- Credit Memo
- Invoice
- Refund
- Revenue Commitment
- Revenue Commitment Reversal
- Sales Order

The following fields may be available under Revenue on the Accounting subtab:

- Rev Rec on Rev Commit.
- Revenue Status
- Rev. Commit. Status
- Recognized Revenue
- Deferred Revenue
- Discounts and Subtotals
- Transaction is VSOE Bundle – For information about this field, see Using VSOE on Sales Orders and Invoices.

Rev Rec on Rev Commit.

This field displays Yes or No to indicate whether or not revenue on this transaction is recognized using a revenue commitment or an invoice. When creating a sales order, this item on the Accounting subtab initially appears as an unchecked check box. You can use form customization to set the default value.

If the transaction is an intercompany transaction and Rev Rec on Rev Commit. is checked, the deferred revenue account for all items must support intercompany elimination. To support intercompany elimination the Eliminate Intercompany Transactions box on the account must be checked.

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Revenue Status

The Revenue Status field can display the following values:

- **Pending** – No revenue recognition has occurred, therefore all revenue remains deferred.
- **In Progress** – Some revenue recognition has occurred.
- **Completed** – All revenue recognition has occurred, leaving no deferred revenue.

If you cancel or manually close a sales order before recognizing revenue for all items on the order, the status would be based on the status of the transaction at the time. For example, if you had a sales order with an amount of $100, but closed it after only recognizing $80, then the status would be In Progress. In this case, you should use a return authorization and revenue commitment reversal to offset the full amount of the sales order and the revenue commitment.

NetSuite displays this field if the Revenue Recognition feature is enabled. The field does not require the Revenue Commitments feature to be enabled.

Rev. Commit. Status

The Rev. Commit. Status field can display the following values:

- **Pending Commitment** – No revenue commitments created.
- **Partially Committed** – Some revenue commitments created.
- **Committed** – All revenue commitments created.

> ⚠️ **Important:** The status NetSuite displays depends on the status of invoices, as well as revenue commitments. If the **Rec Rev on Rev Commit** box on a sales order is not checked, the **Rev. Commit. Status** is based on the partial or fully completed status of the invoices for the sales order. In this situation, the invoice becomes the revenue commitment document.

Recognized Revenue

The cumulative dollar amount of the revenue recognized with either invoices or revenue commitments. NetSuite displays this field if the Revenue Recognition feature is enabled. The field does not require the Revenue Commitments feature to be enabled.

Deferred Revenue

The cumulative dollar amount of the revenue deferred with either invoices or revenue commitments. Revenue is deferred by using revenue recognition schedules. For more information, refer to Working with Revenue Recognition Schedules.

Discounts and Subtotals

Discounts and subtotals on revenue commitments work like they do on invoices with the **Convert Absolute Discounts to Percentage** preference enabled (Setup > Accounting Preferences > Order Management > Invoicing). NetSuite automatically converts absolute discounts to percentages when it copies lines from a sales order or return authorization to a revenue commitment or revenue commitment reversal. This means that if you partially commit, the discount will be proportionately applied. It also means that in certain cases the number may change slightly due to rounding.

For example, consider a sales order with the following lines:

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Line	Item	Amount
1	19" Monitor	$250
2	Discount	$(50)
	Sub-total	$200

Line	Item	Amount
1	19" Monitor	$250
2	Discount	20%
	Sub-total	$200

Shipping, Handling, Payments, and Tax Items

Revenue commitments do not display these items, which only appear on invoices.

Creating a Revenue Commitment from a Sales Order

Revenue commitments can only be created if a sales order exists. The sales order provides the basic information used to create and populate a revenue commitment. You cannot add items to a revenue commitment that do not appear on the sales order.

To create a revenue commitment directly from a sales order:

1. After providing all of the information required on a sales order page, on the **Accounting** subtab, check the **Rev Rec on Rev Commit.** box. This preference tells NetSuite to use a revenue commitment to recognize revenue for **all** lines on this order and to use related invoices or cash sales solely for billing.

   For instructions for creating sales orders, see the help topic Creating Sales Orders.

   When NetSuite creates an invoice, cash sale, or revenue commitment, NetSuite also disables the Rev Rec on Rev Commit. box.

2. Click **Commit Revenue** to open the Revenue Commitment page. If your process includes order approval, the **Commit Revenue** button is available when the order is approved.

3. In Primary Information, if autonumbering is disabled, optionally enter an identification number in the **Rev. Commitment #** field and any other information not included on the sales order that you want on the revenue commitment.

4. Complete fields on each of the following subtabs as necessary. Because a revenue commitment functions very much like an invoice, these tabs and the fields on them are very similar to those on an invoice. For more information, see Understanding Revenue Commitment Fields.

   ▪ **Items**
   ▪ **Accounting**

- **Sales Team**
- **Address**
- **Custom**

For more information about how to complete fields on these subtabs, see the help topic Creating an Invoice.

> ⚠️ **Important:** To recognize revenue using a revenue commitment, all lines on a certain sales order must be included on one or more revenue commitments. You cannot recognize revenue on sales orders using revenue commitments for some lines on the sales order and invoices to recognize revenue from other lines on the sales order. The same requirements apply to revenue commitment reversals and return authorizations.

5. Click **Save**.

To avoid reporting differences between sales orders and the revenue commitments derived from them, you generally should not change the values populated into the revenue commitment from the sales order. For example, if you set the Department on the sales order to R&D, and on the revenue commitment you set the Department to G & A, your reports may display different values for revenues and receivables.

A revenue commitment, like a sales order, is a non-posting transaction. It serves as the placeholder for the revenue recognition schedule that generates the posting revenue recognition journal entries.

Using the Generate Revenue Commitment Page

You can create a revenue commitment from the Generate Revenue Commitments page.

To generate a revenue commitment:

1. Go to Transactions > Financial > Generate Revenue Commitments.
2. Select a **Customer**.
3. Select a **Posting Period**.
4. In the **Date** field, enter a date for this revenue commitment or select a date from the popup calendar.
5. Select a **Status** for this revenue commitment.
   - **-All-**, which includes all of the following Status options.
   - **Pending Fulfillment**
   - **Partially Fulfilled**
   - **Pending Billing/Partially Fulfilled**
   - **Pending Billing**
   - **Billed**
6. Check the **Hide Unfulfilled Orders** box to exclude already fulfilled orders.

   This box only appears if you enable the preference **Allow Revenue Commitments in Advance of Fulfillment**.
7. Enter the sales order number.

   This field only appears if you enable **Bar Coding and Item Labels**. For more information, refer to Bar Codes and Item Labels.
8. Click **Customize** to display additional columns on the Revenue Commitment page or to filter the revenue commitments that will be displayed.

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9. Check the **Commit Revenue** box for each sales order you want to generate a revenue commitment for.

10. Click **Submit**. The Job Status page shows the processing status for the request you submitted.

A revenue commitment is a non-posting transaction. It serves as the placeholder for the revenue recognition schedule that generates the posting revenue recognition journal entries.

Creating Revenue Recognition Journal Entries

A revenue commitment is a non-posting transaction. You must create revenue recognition journal entries to record the revenue for sales transactions with revenue commitments for a period. This process records the revenue according to the revenue recognition schedule attached to the sales order.

To create revenue recognition journal entries for revenue commitments:

1. Go to Transactions > Financial > Create Revenue Recognition Journal Entries.

2. Follow the steps described in Generating Revenue Recognition Journal Entries.

After you create revenue recognition journal entries, your next step is to reclassify the revenue for revenue commitments and adjust for foreign currency variance, if you use Multiple Currencies. See Reclassifying Deferred Revenue for Revenue Commitments.

Reclassifying Deferred Revenue for Revenue Commitments

Use the Create Reclassification Journal Entries process to reclassify deferred revenue for revenue commitments.

If line level deferred revenue reclassification **is enabled** for your account, reclassifying deferred revenue for revenue commitments automatically creates journal entries to:

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

  The G/L 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 G/L 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 revenue amounts for unbilled receivables and deferred revenue**

  The G/L impact for reclassifying revenue is:

  - When billing < revenue recognition: Debit Unbilled Receivable and Credit Deferred Revenue.
  - When billing > revenue recognition: Debit Deferred Revenue and Credit Unbilled Receivable. Reclassification is not needed unless unbilled receivables exist from a prior period, so a journal entry may not be created.

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If line level deferred revenue reclassification **is not enabled** for your account, reclassifying deferred revenue for revenue commitments automatically creates journal entries to:

- **Adjust revenue for foreign currency variance, if you use Multiple Currencies**

  The G/L 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 revenue amounts for unbilled receivables and deferred revenue**

  The GL impact for reclassifying revenue is:

  - When billing < revenue recognition: Debit Unbilled Receivable and Credit Deferred Revenue.

  - When billing > revenue recognition: Debit Deferred Revenue and Credit Unbilled Receivable. Reclassification is not needed unless unbilled receivables exist from a prior period, so a journal entry may not be created.

You must create deferred revenue reclassification journal entries each month to ensure accurate results in subsequent periods. To reclassify deferred revenue, run the Create Deferred Revenue Reclassification Journal Entries batch process. You should run revenue reclassification after each time you create revenue recognition journal entries. If you run these processes out of order for some reason, you can always go back and run Create Revenue Recognition Journal Entries and then rerun Create Deferred Revenue Reclassification Journal Entries. The reclassification is cumulative.

> ⚠️ **Important:** If the accounting preference **Require Approvals on Journal Entries** is checked, ensure that all journal entries related to revenue recognition are approved in advance of reclassification. If you rerun reclassification and journal entries from the previous run are not approved, duplicate reclassification journal entries are created.

To create deferred revenue reclassification entries:

1. Go to Transactions > Financial > Create Reclassification Journal Entries.
2. In **Posting Period**, select the period to reclassify revenue for.
3. For **Journal Entry Date**, enter the date for the journal entries.
4. 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.
5. If you use NetSuite OneWorld, select the **Subsidiary** to associate with this journal entry.

   When a journal entry is associated with a subsidiary, the journal posts to that subsidiary and the schedule is restricted to be viewed only by entities associated with the subsidiary.
6. Select a transaction type if you want to filter the list of transactions.
7. Select a **Customer:Job**.
8. In the **Select Individual Schedules** field:

   - Check the **Select Individual Schedules** box to create only one journal entry for the transactions you select from the list of source transactions. If you filter the list to show particular schedules, you can check the box in the **Select** column next to each schedule you want to include in the journal entry. Clicking **Create Journal Entries** creates **one** journal entry for all schedules that you mark.

     If there are multiple segments or pages of transactions shown when selecting schedules, the following is true:

     - If you click **Mark All** or **Unmark All**, only boxes on the current segment or page are affected.

- You must click **Create Journal Entries** to create an entry for each segment or page of schedules.

- Clear the **Select Individual Schedules** box to create one or more journal entries. After you filter the list to show particular transactions, when you click **Create Journal Entries**, you create multiple journal entries at one time for all schedules that show in the list, across all segments or pages. It is not necessary to submit each page individually.

  If you do not filter the list of schedules, a journal entry is created for every source transaction for the period selected, even if there are hundreds or more schedules.

The page shows a list of revenue recognition journal entries due to post with the following information for each line:

- **Source Transaction** – links to the originating transaction
- **Customer** – links to the customer on the transaction
- **Has recognition change** – indicates whether the amount of revenue recognized has changed since the last time reclassification was run.
- **Has billing change** – indicates whether the amount billed has changed since the last time reclassification was run

Revenue recognition schedules that have lines with **Is Recognized** checked for the selected **Posting Period** are included in the list if they have been billed.

9. Click **Create Journal Entries**.

Creating Revenue Commitment Reversals

If a revenue commitment cannot be invoiced, or the revenue and unbilled receivable must be reversed for some reason, a user with sufficient permission must reverse the revenue commitment.

A revenue commitment reversal transaction posts a journal entry like the following:

Debit: Revenue 10,000

Credit: Unbilled Receivables 10,000

To create a revenue commitment reversal, a return authorization must exist for the revenue commitment. That return authorization provides the initial data used to populate the revenue commitment reversal.

If you choose to reverse revenue for a return authorization by using a revenue commitment reversal, the revenue for all lines on that return authorization must be reversed using a revenue commitment reversal. After you reverse any revenue from a return authorization using a revenue commitment reversal, you cannot change the return authorization unless you first delete the revenue commitment reversal.

A revenue commitment reversal can be created:

- **Directly from the return authorization by clicking Reverse Revenue.** See Creating a Revenue Commitment Reversal from a Return Authorization.
- **Indirectly from the Generate Revenue Commitment Reversals page.** See Using the Generate Revenue Commitment Reversals Page.

Creating a Revenue Commitment Reversal from a Return Authorization

This process is very similar to creating a revenue commitment from a sales order. For information about that process, see Creating a Revenue Commitment from a Sales Order.

A return authorization provides the basic information used to create and populate a revenue commitment reversal. For information about return authorizations, see the help topic Customer Returns Process. You **cannot** add items to a revenue commitment reversal that do not appear on the return authorization.

To create a revenue commitment reversal directly from a return authorization:

1. After providing all of the information required on a Return Authorization page, on the **Accounting** subtab, check the **Rev Rec on Commit** box. This tells NetSuite to use a revenue commitment reversal to reverse revenue for **all** lines on this return authorization.

   After NetSuite creates an invoice, cash sale, or revenue commitment, NetSuite also disables the **Rev Rec on Rev Commit.** check box. At that point, the only way to disable the Revenue Recognition on Revenue Commitment option is to delete all of the child transactions.

2. Click **Reverse Revenue** to open the New Revenue Commitment Reversal page.

3. In Primary Information, if autonumbering is disabled, optionally enter an identification number in the **Rev. Commitment Reversal #** field and any other information not included on the return authorization that you want on the revenue commitment reversal.

4. Complete fields on each of the following subtabs, as necessary.

   - **Items**
   - **Accounting**
   - **Sales Team**
   - **Address**
   - **Custom**

   To avoid reporting differences between return authorizations and the revenue commitment reversals derived from them, you generally should not change the values populated into the revenue commitment reversal from the return authorization.

Using the Generate Revenue Commitment Reversals Page

You can create a revenue commitment reversal from the Generate Revenue Commitment Reversals page.

To reverse revenue on the Generate Revenue Commitment Reversals Page:

1. Go to Transactions > Financial > Generate Revenue Commitment Reversals.

2. Select a **Customer**.

3. Select a **Status**.

   - **- All -**
   - **Pending Receipt**
   - **Partially Received**
   - **Pending Refund/Partially Received**
   - **Pending Refund**
   - **Refunded**

4. Check the **Hide Unreceived Orders** box to exclude orders that have already been fulfilled. This box only appears if you enable the preference **Allow Revenue Commitment Reversals in Advance of Item Receipt**.

5. Click **Customize** to display additional columns from the Revenue Commitment page or to add filters for the list of revenue commitments.

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6. Enter the **Return Authorization** number.

   This field only appears if you enable **Bar Coding and Item Labels**. For more information, refer to Bar Codes and Item Labels.

7. Select the return transactions that you want to reverse the revenue commitments for.

8. Click **Submit**.

Revenue Commitment Examples

The following examples illustrate how revenue commitments work for line level deferred revenue reclassification:

- Base Currency Transaction Without Revenue Allocation
- Base Currency Transaction with Revenue Allocation
- Foreign Currency Transaction with Revenue Allocation

The following examples illustrate how revenue commitments work for sales orders:

- VSOE with Foreign Currency Revenue Commitment Example
- Revenue Commitment with One-Time Revenue Item Example

Base Currency Transaction Without Revenue Allocation

This example illustrates the line level deferred revenue reclassification process as of Version 2013 Release 2. See Adopting Line Level Deferred Revenue Reclassification.

In this scenario, the sales amount on individual line items is the same as the revenue allocation amount. You create the sales order on January 1, as shown in this table.

Item	Amount	Deferred Revenue Account	Revenue Account	Revenue Recognition Schedule
1	$120	DefRev1	Rev1	One-time revenue recognition
2	$120	DefRev2	Rev2	3–month even period revenue recognition

On January 10, you create a sales invoice to partially bill the order. Because the sales amounts on individual items are the same as their revenue allocation amounts, the billing amount allocation step is skipped. The G/L posting from this bill is based on the gross billing amount as follows:

Item	Billing Amount	Debit	Credit
1	$60	A/R 60	DefRev1 60
2	$60	A/R 60	DefRev2 60

At the end of January, you post a revenue recognition JE as shown in this table.

Item	Revenue Recognition Amount	Debit	Credit
1	$120	DefRev1 120	Rev1 120

Item	Revenue Recognition Amount	Debit	Credit
2	$40	DefRev2 40	Rev2 40

The gross balances at the end of January are as follows:

Account	Balance
A/R	120.00
Rev1	120.00
Rev2	40.00
DefRev1	–60.00
DefRev2	20.00

Next you complete the reclassification process. See Reclassifying Deferred Revenue for Revenue Commitments. The total billing amount of $120 is less than the total revenue recognition amount of $160. Therefore, the process debits Unbilled Receivable and credits Deferred Revenue. The Deferred Revenue System account is used to hold the temporary deferred revenue balance before the order is fully billed and recognized. The adjustment JE is as follows:

Account	Debit	Credit
Unbilled Receivable	40	
Deferred Revenue System		40

The balances after the adjustment are as follows:

Account	Balance
A/R	120.00
Rev1	120.00
Rev2	40.00
Total revenue	**160.00**
DefRev1	–60.00
DefRev2	20.00
Deferred Revenue System	40.00
Total Deferred Revenue	**0.00**
Unbilled receivable	40.00

At the order level, the total deferred revenue balance is zero (-60+20+40).

On February 10, you create the next invoice for the order as shown in this table.

Item	Billing Amount	Debit	Credit
1	$60	A/R 60	DefRev1 60
2	$60	A/R 60	DefRev2 60

The revenue recognition JE at the end of February is as follows:

Item	Revenue Recognition Amount	Debit	Credit
2	$40	DefRev2 40	Rev2 40

The gross account balance at the end of February is as follows:

Account	Balance
A/R	240
Rev1	120
Rev2	80
DefRev1	0
DefRev2	20

Next you complete the reclassification process for February. The total billing amount of $240 is now greater than the total revenue recognition amount of $200. The adjustment JE reverses the prior unbilled receivable adjustment as shown:

Account	Debit	Credit
Unbilled Receivable		40
Deferred Revenue System	40	

After the reclassification adjustment, the ending balances are as shown:

Account	Balance
A/R	240.00
Rev1	120.00
Rev2	80.00
Total Revenue	**200.00**
DefRev1	0.00
DefRev2	40.00
DefRev system	0.00
Total Deferred Revenue	**40.00**
Unbilled Receivable	0.00

When the order is fully invoiced and recognized in March, all deferred revenue and unbilled receivable accounts will have a zero balance.

Base Currency Transaction with Revenue Allocation

This example illustrates the line level deferred revenue reclassification process as of Version 2013 Release 2. See Adopting Line Level Deferred Revenue Reclassification.

In this scenario, a sales order in base currency with bundled items requires revenue allocation.

You create a sales order on January 1 with the line items shown in the following table. Each item has its own revenue and deferred revenue accounts (Rev1, Rev2, Rev3, Rev4, DefRev1, DefRev2, DefRev3, and DefRev4). The carve in/carve out logic calculates the line level billing amount to allocate to the individual deferred revenue accounts.

Item	Sales Amount	VSOE Ratio	Revenue Allocation	Carve In Amount	Carve In Ratio	Carve Out Amount	Carve Out Ratio
1	$100	0.25	60	0	0	40	0.4
2	$50	0.17	40	0	0	10	0.2
3	$50	0.38	90	40	0.8	0	0
4	$40	0.21	50	10	0.2	0	0
Total	$240	1	240	50		50	

- The billing amounts for items 1 and 2 are larger than their revenue allocation amounts, so the excess billing amount must be allocated (carved out) to the other items based on their carve-out ratio. Items 1 and 2 give revenue to item 3 and 4 during revenue allocation. The carve-out ratio is calculated as **(sales amount – revenue allocation amount)/sales amount** when the sales amount is greater than the revenue allocation amount. When the sales amount is less than the revenue allocation amount, the carve-out ratio is zero.
  - Carve out amount from item #1 is $40, which is 40% of its original sales amount and its carve-out ratio.
  - Carve out amount from item #2 is $10, which is 20% of its original sales amount and its carve-out ratio.
  - The total carving amount on this order is $50 at the order level.
- The billing amounts for items 3 and 4 are less than their revenue allocation amounts, so the difference needs to be recovered from the other items based on their carve-in ratio. Items 3 and 4 receive revenue from items 1 and 2 during revenue allocation. The carve-in ratio is calculated as **gain from the carving on this item/total carving amount** when the sales amount is less than the revenue allocation amount. When the sales amount is greater than the revenue allocation amount, the carve-in ratio is zero.
  - Item #3 takes $40, which is 80% of the total carving amount and its carve-in ratio.
  - Item #4 takes $10, which is 20% of the total carving amount and its carve-in ratio.

On January 20, you create an invoice to partially bill the order. This table shows how the billing amount allocation is calculated:

Item	Account	Invoice Amount	Gross Cumulative Billing	Carve Out	Carve In	Effective Cumulative Billing	Carving Adjustment Posted to Deferred Revenue
1	DefRev1	$50	50	20		30	–20
2	DefRev2	$20	20	4		16	–4
3	DefRev3	$30	30		19.2	49.2	19.2
4	DefRev4	$20	20		4.8	24.8	4.8
Total	A/R	$120	120				

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- The gross billing amount for each item is shown in the Amount column, and the gross cumulative billing amount is in the next column.
- The effective cumulative billing for each item is based on the carve in/out ratios and the gross cumulative billing amount as follows:
  - Item 1 gives $20 due to 40% carve-out ratio.
  - Item 2 gives $4 due to 20% carve-out ratio.
  - Total carved out amount is $24
  - Item 3 gets $19.2 due to 80% carve-in ratio.
  - Item 4 gets $4.8 due to 20% carve-in ratio.
- The effective cumulative billing amount is equal to the line item deferred revenue balance before revenue recognition. (For example, for item 1 this is $30.)
- The last column shows deferred revenue balance adjustment posting required for each item to reach the effective cumulative billing amount from the gross billing amount. A negative adjustment means debit, positive means credit. When billing has occurred over multiple accounting periods, this column shows only the net adjustment within the current period.

At the end of January, you post the following revenue recognition amounts. The last two columns show the actual posting to item-specific revenue and deferred revenue accounts.

Item	Amount	Cumulative Rev Rec	Account	Debit	Credit
1	10	10	DefRev1	10	
			Rev1		10
2	30	30	DefRev2	30	
			Rev2		30
3	70	70	DefRef3	70	
			Rev3		70
4	20	20	DefRev4	20	
			Rev4		20
Total	130	130			

At the end of January, the total billing amount on this order is $120, and the total revenue recognition amount is $130. Because revenue recognition exceeds billing, the reclassification process makes this unbilled receivable adjustment:

Month-end adjustment			January
Account	Debit	Credit	
Unbilled A/R	10		
Deferred Revenue System		10	

After this adjustment, the ending account balances for January are as follows:

Ending Balance	January 31
A/R	120.00

Ending Balance	January 31
Rev1	10.00
Rev2	30.00
Rev3	70.00
Rev4	20.00
Total Revenue	**130.00**
DefRev1	20.00
DefRev2	–14.00
DefRev3	–20.80
DefRev4	4.80
Deferred Revenue System	10.00
Total Deferred Revenue	**0.00**
Unbilled A/R	10.00

Notice that the order level total deferred revenue balance is 0 (20 – 14 – 20.8 + 4.8 + 10) and the unbilled receivable is $10.

On February 20, you create another invoice. This triggers the same billing amount allocation logic:

Item	Account	Invoice Amount	Gross Cumulative Billing	Carve Out	Carve In	Effective Cumulative Billing	Carving Adjustment Posted to Deferred Revenue
1	DefRev1	$50	100	40		60	–20
2	DefRev2	$20	40	8		32	–4
3	DefRev3	$15	45		38.4	83.4	19.2
4	DefRev4	$20	40		9.6	49.6	4.8
Total	A/r	$105	225				

- With two invoices on this order:
  - Item 1 has $100 gross cumulative billing, which is $60 effective cumulative billing after carve out.
  - Item 2 has $40 gross cumulative billing, which is $32 effective cumulative billing after carve out.
  - Total carved amount is $48
  - Item 3 has $45 gross cumulative billing, which is $83.4 after carve in.
  - Item 4 has $40 gross cumulative billing, which is $49.6 after carve in.
  - The last column shows the net deferred revenue adjustment in February. This is in addition to the adjustment in January. For example, for item 1, the previous month's difference between the gross and effective cumulative billing was –20. For the current month the difference is –40. Therefore, the additional adjustment needed to reach the effective billing amount for item 1 is –20.

At the end of February, you post another set of revenue recognition amounts:

Item	Amount	Cumulative Rev Rec	Account	Debit	Credit
1	30	40	DefRev1	30	
			Rev1		30
2	5	35	DefRev2	5	
			Rev2		5
3	20	90	DefRef3	20	
			Rev3		20
4	10	30	DefRev4	10	
			Rev4		10
Total	65	195			

The total billing amount at the end of February is $225, and the revenue recognition amount is $195. Billing now exceeds revenue recognition, and the previous unbilled receivable adjustment is reversed:

Month-end adjustment		February
Account	Debit	Credit
Unbilled A/R		10
Deferred Revenue System	10	

The ending account balances for February are as follows:

Ending Balance	February 28
A/R	225.00
Rev1	40.00
Rev2	35.00
Rev3	90.00
Rev4	30.00
Total Revenue	**195.00**
DefRev1	20.00
DefRev2	–3.00
DefRev3	–7.00
DefRev4	20.00
Deferred Revenue System	0.00
Total Deferred Revenue	**30.00**
Unbilled A/R	0.00

When the order is fully invoiced and recognized, all deferred revenue and unbilled receivable accounts will have a zero balance.

Foreign Currency Transaction with Revenue Allocation

This example illustrates the line level deferred revenue reclassification process as of Version 2013 Release 2. See Adopting Line Level Deferred Revenue Reclassification.

The key difference between this example and Base Currency Transaction with Revenue Allocation is that foreign currency is used on this sales contract.

On January 1, you create a sales order with the following line items. Each item has its own revenue and deferred revenue accounts (Rev1, Rev2, Rev3, Rev4, DefRev1, DefRev2, DefRev3, and DefRev4). The sales order is written in GBP, and the spot foreign exchange rate is 2 USD/GBP.

Item	Sales Amount	VSOE Ratio	Revenue Allocation	Carve In Amount	Carve In Ratio	Carve Out Amount	Carve Out Ratio
1	£100	0.25	60	0	0	40	0.4
2	£50	0.17	40	0	0	10	0.2
3	£50	0.38	90	40	0.8	0	0
4	£40	0.21	50	10	0.2	0	0
Total	£240	1	240	50		50	

The same logic is used to calculate carve in/out ratios as in the Base Currency Transaction with Revenue Allocation example.

On January 20, you create an invoice to partially bill the order. The exchange rate is 1.5 USD/GBP. This table shows how the billing amount allocation is calculated:

January 20												1.5 USD/GBP	
Item	Amount (FX)	Amount (Base)	Account	Gross Cumulative Billing (FX)	Gross Cumulative Billing (Base	Carve In (FX)	Carve In (Base)	Carve Out (FX)	Carve Out (Base)	Effective Cumulative Billing (FX)	Effective Cumulative Billing (Base)	Average FX Rate	Carving Adjustment Posted to Deferred Revenue
1	£50	$75	Def Rev1	£50	$75			20	$30	£30	$45	1.5	–30
2	£20	$30	Def Rev2	£20	$30			4	$6	£16	$24	1.5	–6
3	£30	$45	Def Rev3	£30	$45	£19.2	$28.8			£49.2	$73.8	1.5	28.8
4	£20	$30	Def Rev4	£20	$30	£4.8	$7.2			£24.8	$37.2	1.5	7.2
Total	£120	$180	A/R	£120	$180	£24	$36	24	$36	£120	$180		0

During the billing amount allocation, the gross billing amount is redistributed to individual line items. Because the sales order is denominated by a foreign currency, the billing amount allocation process happens twice:

- First, to convert the transaction currency amounts in the Gross Cumulative Billing (FX) column to the amounts in the Effective Cumulative Billing (FX) column:
  - The item 1 GBP 50 gross cumulative billing becomes GBP 30 effective cumulative billing.
  - The item 2 GBP 20 gross cumulative billing becomes GBP 16 effective cumulative billing.
  - The item 3 GBP 30 gross cumulative billing becomes GBP 49.2 effective cumulative billing.
  - The item 4 GBP 20 gross cumulative billing becomes GBP 24.8 effective cumulative billing.

- A second time for the base currency amount, to convert the "Gross cumulative billing (base)" to "Effective cumulative billing (base)"

  - The item 1 USD 75 gross cumulative billing becomes USD 45 effective cumulative billing.

  - The item 2 USD 30 gross cumulative billing becomes USD 24 effective cumulative billing.

  - The item 3 USD 45 gross cumulative billing becomes USD 73.8 effective cumulative billing.

  - The item 4 USD 30 gross cumulative billing becomes USD 37.2 effective cumulative billing.

- Then divide each item's effective cumulative billing (base) by its effective cumulative billing (FX), to get the average foreign currency exchange rate on this item.

- The last column shows the base currency deferred revenue adjustment posting, which converts the gross cumulative billing (base) to effective cumulative billing (base). When billing has occurred over multiple accounting periods, this column shows only the net adjustment within the current period.

At the end of January, the following revenue recognition amounts are posted with a foreign currency exchange rate of 2 USD/GBP:

Revenue Recognition (January 31)						2 USD/GBP	
Item	Amount	Cumulative Rev Rec (FX)	Account	Debit	Credit	Debit (Base)	Credit (Base)
1	£10	10	DefRev1	10		20	
			Rev1		10		20
2	£30	30	DefRev2	30		60	
			Rev2		30		60
3	£70	70	DefRef3	70		140	
			Rev3		70		140
4	£20	20	DefRev4	20		40	
			Rev4		20		40
Total	£130	130		130	130	260	260

The next step is to calculate the foreign currency gain/loss on individual items. The logic is as follows:

- Find the overlapping foreign currency amount. This is the lesser of the cumulative effective billing and the cumulative revenue recognition, both in the foreign currency. In this example:
  - Item 1 has an overlapping amount of GBP 10, the cumulative revenue recognition amount.
  - Item 2 has an overlapping amount of GBP 16, the cumulative effective billing amount.
  - Item 3 has an overlapping amount of GBP 49.2, the cumulative effective billing amount.
  - Item 4 has an overlapping amount of GBP 20, the cumulative revenue recognition amount.

- Compare the average billing foreign currency exchange rate calculated on individual items to their average revenue recognition foreign currency exchange rates, and calculate the foreign currency gain/loss as the difference.
  - Foreign currency gain/loss = Overlapping foreign currency amount * (average billing foreign currency exchange rate – average revenue recognition foreign currency exchange rate)

- Sum up the line level foreign currency gain/loss to get the order level foreign currency gain/loss.

This table shows the detailed foreign currency gain/loss calculation for January and its GL posting in base currency:

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Line Level Foreign Currency Calculation					
Item	Overlap	Gain/Loss	Account	Debit	Credit
1	10	–5	Rev1	5	
			DefRev1		5
2	16	–8	Rev2	8	
			DefRev2		8
3	49.2	–24.6	Rev3	24.6	
			DefRev3		24.6
4	20	–10	Rev4	10	
			DefRev4		10
Total	95.2	$–47.6			

At the end of January, the total revenue recognition base currency amount on this sales order is $260 – $47.60 = $212.40. The total billing base currency amount is $180. This leaves an under-billed amount of $32.40. This is posted as an adjustment JE to the unbilled receivable account. If the foreign currency exchange rate in the end of January is 2 USD/GBP, the adjustments are as follows:

Month-end adjustment				January
Account	Debit (Base)	Credit (Base)	Debit (FX)	Credit (FX)
Unbilled A/R	32.4		16.2	
Deferred Revenue System		32.4		16.2

> **(i) Note:** Because the sales order is denominated by foreign currency, the unbilled receivable adjustment is also posted in the foreign currency, British pounds, with the foreign currency exchange rate 2 USD/GBP (the January ending rate). The foreign currency balance on unbilled receivable will go through the period-end foreign currency revaluation and generate unrealized gain/loss if the exchange rate fluctuates from the original unbilled receivable posting rate. This exchange rate, used by the first unbilled receivable adjustment JE of a specific sales order, is recorded as a fixed exchange rate and used by all subsequent unbilled receivable adjustment JE postings for the sales order.

Here are the balances at the end of January:

Ending Balance	January 31
A/R	180.00
Rev1	15.00
Rev2	52.00
Rev3	115.40
Rev4	30.00
Total Revenue	**212.40**

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Ending Balance	January 31
DefRev1	30.00
DefRev2	−28.00
DefRev3	−41.60
DefRev4	7.20
Deferred Revenue System	32.40
Total Deferred Revenue	**0.00**
Unbilled A/R	32.40

The total deferred revenue balance of this order is now zero, and there is a positive $32.40 balance in the unbilled receivable account.

In February, you create another bill on this order with a different foreign currency exchange rate, 3 USD/GBP. This triggers the same billing amount allocation logic:

February 20												3 USD/GBP	
Item	Amount (FX)	Amount (Base)	Account	Gross Cumulative Billing (FX)	Gross Cumulative Billing (Base	Carve In (FX)	Carve In (Base)	Carve Out (FX)	Carve Out (Base)	Effective Cumulative Billing (FX)	Effective Cumulative Billing (Base)	Average FX Rate	Carving Adjustment Posted to Deferred Revenue
1	£50	$150	DefRev1	£100	$225			40	$90	£60	$135	2.25	−60
2	£20	$60	DefRev2	£40	$90			8	$18	£32	$72	2.25	−12
3	£15	$45	DefRev3	£45	$90	£38.4	$86.4			£83.4	$176.4	2.115	57.6
4	£20	$60	DefRev4	£40	$90	£9.6	$21.6			£49.6	$111.6	2.25	14.4
Total	£105	$315	A/R	£225	$495	£48	$108	48	$108	£225	$495		0

The average foreign currency exchange rate on each item is re-calculated based on the latest effective cumulative billing amounts (foreign currency and base).

At the end of February, you post the following revenue recognition amounts with a foreign currency exchange rate of 2 USD/GBP:

Revenue Recognition (February 28)							2 USD/GBP
Item	Amount	Cumulative Rev Rec (FX)	Account	Debit	Credit	Debit (Base)	Credit (Base)
1	£30	40	DefRev1	30		60	
			Rev1		30		60
2	£5	35	DefRev2	5		10	
			Rev2		5		10
3	£20	90	DefRef3	20		40	
			Rev3		20		40
4	£10	30	DefRev4	10		20	

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Revenue Recognition (February 28)						2 USD/GBP	
Item	Amount	Cumulative Rev Rec (FX)	Account	Debit	Credit	Debit (Base)	Credit (Base)
			Rev4		10		20
Total	£65	195		65	65	130	130

With the new billing and revenue recognition, the foreign currency gain/loss on individual items is calculated. The last two columns show the net posting in this period to derive the latest foreign currency gain/loss from the prior month's foreign currency gain/loss.

Line Level Foreign Currency Calculation					
Item	Overlap	Gain/Loss	Account	Debit	Credit
1	40	10	Rev1		15
			DefRev1	15	
2	32	8	Rev2		16
			DefRev2	16	
3	83.4	9.6	Rev3		34.2
			DefRev3	34.2	
4	30	7.5	Rev4		17.5
			DefRev4	17.5	

With the new revenue recognition amounts and foreign currency gain/loss amounts, the effective revenue recognition amount in base currency is now $425.10. The total billing amount of $495 surpasses the revenue recognition amount. Consequently, you reverse the prior unbilled receivable adjustment using the same foreign currency exchange rate as the original unbilled receivable reclassification JE:

Month-end adjustment				February
Account	Debit (Base)	Credit (Base)	Debit (FX)	Credit (FX)
Unbilled A/R		32.4		16.2
Deferred Revenue System	32.4		16.2	

The ending account balances for February are as follows:

Ending Balance	February 28
A/R	495.00
Rev1	90.00
Rev2	78.00
Rev3	189.60
Rev4	67.50
Total Revenue	**425.10**

Ending Balance	February 28
DefRev1	45.00
DefRev2	–6.00
DefRev3	–13.20
DefRev4	44.10
Deferred Revenue System	0.00
Total Deferred Revenue	**69.90**
Unbilled A/R	0.00

In March, you continue this process and create an invoice for the remaining value of this order with a foreign currency exchange rate of 1.5 USD/GBP as shown in this table:

March 20 (fully billed, fully recognized)													1.5 USD/GBP
Item	Amount (FX)	Amount (Base)	Account	Gross Cumulative Billing (FX)	Gross Cumulative Billing (Base	Carve In (FX)	Carve In (Base)	Carve Out (FX)	Carve Out (Base)	Effective Cumulative Billing (FX)	Effective Cumulative Billing (Base)	Average FX Rate	Carving Adjustment Posted to Deferred Revenue
1	£0	$0	DefRev1	£100	$225			£40	$90	£60	$135	2.25	0
2	£10	$15	DefRev2	£50	$105			£10	$21	£40	$84	2.1	–3
3	£5	$7.5	DefRev3	£50	$97.5	£40	$88.8			£90	$186.3	2.07	2.4
4	£0	$0	DefRev4	£40	$90	£10	$22.2			£50	$112.2	2.244	0.6
Total	£15	$22.5	A/R	£240	$517.5	£50	$111	£50	$111	£240	$517.5		0

When a sales order is fully billed, the effective cumulative billing amount (FX) on an item should equal its revenue allocation amount (FX). This is not true for the effective cumulative billing amount in base currency because multiple bills can be created with different foreign currency exchange rates. The process is to derive the final average foreign currency exchange rates on individual items as shown in the previous table. Then recognize the residual revenue amounts.

Revenue Recognition (March 31)							2 USD/GBP
Item	Amount	Cumulative Rev Rec (FX)	Account	Debit	Credit	Debit (Base)	Credit (Base)
1	£20	60	DefRev1	20		40	
			Rev1		20		40
2	£5	40	DefRev2	5		10	
			Rev2		5		10
3	£0	90	DefRef3	0		0	
			Rev3		0		0
4	£20	50	DefRev4	20		40	

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Revenue Recognition (March 31)						2 USD/GBP	
Item	Amount	Cumulative Rev Rec (FX)	Account	Debit	Credit	Debit (Base)	Credit (Base)
			Rev4		20		40
Total	£45	240		45	45	90	90

The foreign currency gain/loss is recalculated as follows:

Line Level Foreign Currency Calculation					
Item	Overlap	Gain/Loss	Account	Debit	Credit
1	60	15	Rev1		5
			DefRev1	5	
2	40	4	Rev2	4	
			DefRev2		4
3	90	6.3	Rev3	3.3	
			DefRev3		3.3
4	50	12.2	Rev4		4.7
			DefRev4	4.7	

With the new foreign currency gain/loss, the total revenue recognition amount in base currency is $517.50, exactly the same as the total billing amount in base currency because the order is fully billed and recognized. No additional unbilled receivable adjustment is required in this period.

The ending balances in March are:

Ending Balance	March 31
A/R	517.50
Rev1	135.00
Rev2	84.00
Rev3	186.30
Rev4	112.2
Total Revenue	**517.50**
DefRev1	0.00
DefRev2	0.00
DefRev3	0.00
DefRev4	0.00
Deferred Revenue System	0.00
Total Deferred Revenue	**0.00**

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Ending Balance	March 31
Unbilled A/R	0.00

As shown, when a sales order is fully billed and recognized, even though different billing and revenue recognition exchange rates are used, the result is a zero balance on **all** deferred revenue and unbilled receivable accounts.

VSOE with Foreign Currency Revenue Commitment Example

This example illustrates the revenue commitments process as of Version 2012 Release 2.

In this scenario, you have a sales order transacted in foreign currency. The lines of the order have different revenue recognition schedules, and vendor-specific objective evidence (VSOE) applies. The transaction currency is GBP and the base currency is USD.

The sales order has the following item details:

Sales Order	Price	VSOE	Allocation	Recognition Schedule	Deferred Revenue Account	Revenue Account
Line 1	GBP 180	GBP 100	GBP 120	3 month	DR 1	Rev 1
Line 2	GBP 60	GBP 100	GBP 120	2 month	DR 2	Rev 2

The revenue commitment for the full sales order amount is created on January 10 and the exchange is 1.5 USD/GBP.

The order is billed in arrears based on milestones and billing generates 3 invoices.

All amounts shown are accumulated amounts as of that period. The rate of billing compared to rate of revenue recognition is calculated for the order total, not separately for each line item. Foreign currency translation amounts are rounded.

The following tables show how the amounts are calculated for the foreign currency revenue adjustment, and amounts for deferred revenue, revenue and unbilled receivables. They also show the GL impact for each month when revenue reclassification is run.

For each month, the FX adjustment amount is the amount required to adjust the previous month's FX adjustment to the current gain/loss amount.

This table shows how the amounts posted to the deferred revenue, revenue, and unbilled receivable accounts are determined. At the end of April the sales order is fully billed and recognized. The combined balance for the deferred revenue accounts and the balance for the unbilled receivable account for the order are 0, and $380 has been posted to the revenue accounts.

Invoice	Total Amt	Total Amt	Billing FX Rate	Total G/L	Deferred Revenue Accounts			Revenue Accounts			Un- billed Receivable
	Trans	Base			DR 1	DR 2	DR	Rev 1	Rev 2	Rev	
Jan	£60	$120	2 USD/ GBP	$ 30	$ 60	$ (90)	$ 30	$ 60	$ 90	$ 30	$ 60
Feb	£240	$280	1 USD/ GBP	$ 45.45	$ 100	$(120)	$ 45.45	$120	$180	$ (45.45)	-
Mar	£240	$280	No bill	$ 50	$ 40	$(120)	$ 80	$180	$180	$ (50)	$30

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Invoice	Total Amt	Total Amt	Billing FX Rate	Total G/L	Deferred Revenue Accounts			Revenue Accounts			Un- billed Receivable
	Trans	Base			DR 1	DR 2	DR	Rev 1	Rev 2	Rev	
Apr	£240	$380	5 USD/GBP	$ 20	$140	$(120)	$(20)	$180	$180	$ 20	-

This table shows the G/L impact for the foreign currency revenue adjustment and revenue reclassification journal entries:

Invoice	Total Rev Rec Amt	Total Rev Rec Base Currency	Total Billed Amount	Total Billed Base Curr	Total Gain/ Loss	FX Adjustment	Reclassification
Jan		First bill, 2 USD/GBP			$ 30		
Line 1	£ 40	$ 60	£ 60	$ 120		Dr Def Rev $ 30	Dr UNAR $ 60
Line 2	£ 60	$ 90	-	-		Cr Rev $ 30	Cr Def Rev $ 60
Feb		Second bill, 1USD/GBP			$ (45.45)		
Line 1	£ 80	$ 120	£ 160	$ 220		Dr Rev $ 60	Dr Def Rev$ 60
Line 2	£ 120	$ 180	£ 60	$ 60		Cr Def Rev $ 60	Cr UNAR $ 60
Mar		No bill			$ (50)		
Line 1	£ 120	$ 180	£ 160	$ 220		Dr Rev $ 4.54	Dr UNAR $ 30
Line 2	£ 120	$ 180	£ 60	$ 60		Cr Def Rev $ 4.54	Cr Def Rev $ 30
Apr		Last bill, 5 USD/GBP			$ 20		
Line 1	£120	$ 180	£180	$ 320		Dr Def Rev $ 70	Dr Def Rev$ 30
Line 2	£ 120	$ 180	£ 60	$ 60		Cr Rev $ 70	Cr UNAR $ 30

Revenue Commitment with One-Time Revenue Item Example

This simplified example illustrates how revenue is recognized when adding an item to an invoice created for a sales order with a revenue commitment.

In this scenario, a text messaging company offers its customers the following service:

- Basic text messaging services - 1 year contract ($120) that covers 250 messages a month.

The billing and revenue recognition for the contract is as follows:

- Basic text messaging service is billed monthly at $10.
- Revenue recognition schedule is a 12 month, even period schedule.
- Rev Rec on Rev Commit. box is checked on the sales order.

Item	Sales Price per One Year Contract	Revenue Recognition Schedule
Basic Text Messaging Service	$120	12 month

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In one month, the text message usage for a customer exceeds the 250 message limit specified in the contract, triggering an additional, one-time charge of $5.00.

Item	Source	Sales Price	Invoice Amount	Revenue Recognized
Basic Text Messaging Service	Sales order	$120 / 12 months	$10	Per Revenue Recognition Schedule
Overage Fee	Invoice	$5	$5	Fully recognized when billed

The income for the Overage Fee is fully recognized upon saving the invoice. The revenue commitment and revenue recognition schedule do not apply to any item lines added directly to the invoice. The G/L impact for the monthly invoice created for this example is as follows:

Account	Debit	Credit
Accounts Receivable	15	
Revenue		5
Deferred Revenue		10

For more information, see Billing Additional Items on Orders with Revenue Commitments.

Revenue Reclassification Reports

The Revenue Reclassification reports provide detailed information about revenue recognition, billing, foreign currency adjustments, and revenue reclassification grouped by sales order for a specified time period. Use these reports to monitor and audit the revenue commitment and reclassification activities associated with using revenue commitments to recognize revenue separate from billing.

There are two sets of reclassification reports. The Deferred Revenue Reclassification and the Deferred Revenue Reclassification Activity reports apply when your account reclassifies deferred revenue at the line level. Before your account is enabled for line level reclassification, use the Revenue Reclassification Summary and Detail reports. These reports do not include any information about billing amount allocation and line level reclassification of deferred revenue.

Use the following reclassification reports **after** line level deferred revenue reclassification is enabled in your account:

- Deferred Revenue Reclassification Report
- Deferred Revenue Reclassification Activity Report

Use the following reclassification reports if line level deferred revenue reclassification **has not** yet been enabled for your account:

- Revenue Reclassification Summary Report
- Revenue Reclassification Detail Report

Deferred Revenue Reclassification Report

This report shows the detailed information for line level deferred revenue reclassification. This topic is for the legacy revenue commitment report. For the advanced revenue management context, see the help topic Deferred Revenue Reclassification Report. The topics are similar, but the related reports are different.

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Use this report to audit the reclassification activities shown in the Deferred Revenue Activity Report. It provides detailed information about the 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.

> **ⓘ Note:** Use this report only after line level deferred revenue reclassification is enabled for your account.

Report results are grouped by customer, sales order, and individual order lines. You can filter this report for a range of sales order 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)** – the 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)** – the 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)** – the 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**
- **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 Balance (Base Curr)**
- **Deferred Revenue Balance (Trans Curr)** – deferred revenue balance (base currency) / average FX RAte
- **Deferred Revenue Account**
- **Rev Rec Schedule**
- **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)
- **Overlapping Amount (Tran Curr)**
- **Cumulative Gain/Loss**

- **Current Period FX Adjustment**
- **Cumulative Rev Rec Amount After FX Adjustment (Base Curr)**
- **Revenue Account**

On this report, the order level unbilled receivable adjustment line displays results only for the following columns:

- Line Number
- Currency
- Current Period Deferred Revenue Adjustment (Base Currency)
- Deferred Revenue Balance (Base Currency)
- Deferred Revenue Balance (Transaction Currency)
- Deferred Revenue Account
- Cumulative Rev Rec Amount After FX Adjustment (Base Currency)

> ⓘ **Note:** This report shows all transactions, not only those marked for revenue commitment.

This report does not support reporting by period even when the Report by Period preference is set to All Reports. The Report by Period preference can be configured at Home > Set Preferences, the Analytics subtab.

To view the Deferred Revenue Reclassification Report

1. Go to Reports > Revenue > 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 sale order or sales orders you want to run the report for. This is the date the sales order was created. For example, to view revenue reclassification activity for a sales order dated 7/15/2013, you must enter a date range that includes 7/15/2013.
   - For the **As of** date, select the ending period date to run the report for. The report returns the deferred revenue reclassification activity through this date. For example, if you select **As of** 07/31/2013, the report shows revenue reclassification activity for the selected sales orders through 7/31/2013. If you enter 10/31/2013, the report shows activity from the sales order date through 10/31/2013.
   - Select a subsidiary in the **Subsidiary Context** field.

Deferred Revenue Reclassification Activity Report

This topic is for the legacy revenue commitment report. For the advanced revenue management context, see the help topic Deferred Revenue Reclassification Activity Report. The topics are similar.

The Deferred Revenue Reclassification Activity Report shows a detailed log of all related revenue transactions for a sales order including:

- billing transactions
- revenue recognition journal entries
- billing amount allocation journal entries
- foreign currency gain/loss adjustments
- unbilled receivable adjustments

The report includes sales orders with and without revenue commitments, as both types of orders can change the deferred revenue balance.

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 transaction 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.

> ℹ️ **Note:** Use this report only after line level deferred revenue reclassification is enabled for your account.

Report results are grouped by customer, sales order, and transaction type. You can filter this report for a range of transaction activity dates. Customize the report to add filters such as currency, customer, and deferred revenue account.

This report includes the following columns:

- Line Number
- Transaction Date
- Transaction Type
- 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)

This report does not support reporting by period even when the Report by Period preference is set to All Reports. The Report by Period preference can be configured at Home > Set Preferences, the Analytics subtab.

To view the Deferred Revenue Reclassification Activity

1. Go to Reports > Revenue > 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 subsidiary in the **Subsidiary Context** field.
   - Select **More** to expand the filter and set additional filters.

Revenue Reclassification Summary Report

> ℹ️ **Note:** This report applies only if line level deferred revenue reclassification **is not enabled** for your account. This report is not available with the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features.

Use this report to provide an audit trail at month end of the revenue reclassification and foreign currency adjustment journal entries that occurred for a time period. The report shows the accumulated billing and revenue recognition amount for each transaction line on a sales order. These transaction events are the

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source of revenue reclassification and currency adjustment journal entries created. Use this report to see how the journal entries were created based on the accumulated revenue recognition and billing amounts.

The report includes the following columns:

- Sales Order – grouped by customer and transaction lines for each order
- Transaction Type
- Transaction Currency
- Transaction Date
- Billing (Trans Currency) – the accumulated billing amount as of the date selected for the report
- Billing (Base Currency)
- Rev Rec (Transaction Currency) – the accumulated revenue amount as of the date selected for the report
- Rev Rec (Base Currency)
- Unbilled Receivables Amount (Base Currency)
- Deferred Revenue Amount (Base Currency)
- Revenue Posting Amount (Base Currency)

You can customize the report to include additional columns such as Total Committed Amount Base Currency, Total Committed Amount Transaction Currency, Deferred Revenue Account, Revenue Reclassification Account.

This report does not support reporting by period even when the Report by Period preference is set to All Reports. The Report by Period preference can be configured at Home > Set Preferences, the Analytics subtab.

To view the Revenue Reclassification Summary

1. Go to Reports > Revenue >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 sale order or sales orders you want to run the report for. This is the date the sales order was created. For example, to view revenue reclassification activity for a sales ordered dated 6/15/2012, you must enter a date range that includes 6/15/2012.
   - For the **As of** date, select the ending period date to run the report for. The report returns the revenue reclassification activity through this date. For example, if you select **As of** 06/30/2012, the report shows revenue reclassification activity for the selected sales orders through 6/30/2012. If you enter 10/31/2012, the report shows activity from the sales order date through 10/31/2012.
   - Select a subsidiary in the **Subsidiary Context** field.
3. Click **Refresh**.

Revenue Reclassification Detail Report

> (i) **Note:** This report applies only if line level deferred revenue reclassification **is not enabled** for your account. This report is not available with the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features.

The Revenue Reclassification Detail report shows the detailed history of all related transactions for a sales order including the:

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- period-end revenue recognition journal entries
- billing transactions
- revenue reclassification journal entries
- foreign currency adjustment journal entries

The report shows the G/L impact to Revenue, Deferred Revenue, and Unbilled Receivable accounts for each of these transactions. You can aggregate the G/L impact amounts to reconcile to the current balance sheet and income statement balances.

The report shows the following columns:

- Sales Order – grouped by customer and transaction lines for each order
- Transaction Type
- Line Number
- Transaction Currency
- Base Currency
- Transaction Date
- Billing (Trans Currency)
- Billing (Base Currency)
- Rev Rec (Trans Currency)
- Rev Rec (Base Currency)
- Unbilled Receivables Amount (Base Currency)
- Deferred Revenue Amount (Base Currency)

This report does not support reporting by period even when the Report by Period preference is set to All Reports. The Report by Period preference can be configured at Home > Set Preferences, the Analytics subtab.

To view the Revenue Reclassification Detail:

1. Go to Reports > Revenue >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 sale order or sales orders you want to run the report for. This is the date the sales order was created. For example, to view revenue reclassification activity for a sales ordered dated 6/15/2012, you must enter a date range that includes 6/15/2012.
   - For the **As of** date, select the ending period date to run the report for. The report returns the revenue reclassification activity through this date. For example, if you select **As of** 06/30/2012, the report shows revenue reclassification activity for the selected sales orders through 6/30/2012. If you enter 10/31/2012, the report shows activity from the sales order date through 10/31/2012.
   - Select a subsidiary in the **Subsidiary Context** field.
3. Click **Refresh**.

Using the VSOE Feature

The VSOE feature is a feature of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) feature to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

You can use the Vendor-Specific Objective Evidence (VSOE) feature to ensure that your company properly recognizes revenue for products and services sold as part of a bundle. VSOE revenue recognition is commonly used by companies that sell software products and services in multiple-element bundles. VSOE focuses on the fair market value of an item sold individually, as opposed to the assigned sales value of the item sold as part of a multiple-element bundle. You can use the VSOE feature to determine VSOE prices of items and defer the recognition of this revenue.

> **Note:** The VSOE feature is intended for use by United States companies to maintain GAAP compliance with the American Institute of Certified Public Accountants (AICPA) Statement of Position 97-2 (SOP 97-2) and SOP 98-9 (the residual method). For more information on these SOPs, visit www.aicpa.org.

The following topics provide details about using the VSOE feature:

- Understanding VSOE Prices and Allocation summarizes how VSOE works in NetSuite.
- Setting Up the VSOE Feature describes how to enable the VSOE feature, set its preferences, and set up VSOE on an item record.
- Creating VSOE Bundles describes how to predefine the bundles that you sell as item groups or to designate an entire transaction as a bundle.
- Recognizing Revenue for VSOE Bundles describes how revenue for items in a bundle are allocated for a transaction, how to enter VSOE information on a sales order, and how to fulfill and bill VSOE items in a transaction.
- VSOE Revenue Recognition Examples describes scenarios that demonstrate the affect of options such as delivery statuses, deferral settings, and unmatched or incomplete VSOE prices.

Note that the Revenue Recognition feature must first be enabled for VSOE to be available. For information about this feature, see Using Revenue Recognition.

Understanding VSOE Prices and Allocation

The items that your company sells as part of a bundle can have a vendor-specific objective evidence (VSOE) price, based on its fair market value, in addition to an invoice price as part of the bundle. VSOE prices are assigned to items that are part of the bundle and that are dependent on each other. As you sell bundles, it is the VSOE price of each item in the bundle, not its invoice price, that is the revenue amount recognized for the sale. Using the VSOE price, you can recognize deferred revenue according to the fair value of the items in a bundle.

For example, you may sell software that requires an implementation service and a maintenance contract. In the following example, these three items sell for $20,000 as a bundle:

Bundle Members	Invoice price	VSOE price
Software, Product 099	$10,000	$8,000
Professional Services, 100 hours	8,000	10,000

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Bundle Members	Invoice price	VSOE price
Maintenance, 1 year	2,000	2,000
Total	$20,000	$20,000

If the sales amount of a bundle differs from the bundle's VSOE amount, each member item is assigned an amount to be recognized by allocating the total sales amount across all bundle member items.

> **Note:** To allocate amounts in a bundle, each item must have a VSOE amount on its item record. The system cannot calculate the VSOE allocation if any item in a bundle does not have a VSOE value, and an error occurs.

The VSOE settings and statuses of an item determine the amount of revenue allocated and when it is recognized. These settings include the following:

- When you sell a bundle, the revenue allocation may be delayed so that a schedule is not created until appropriate conditions are met.
- When the bundle is billed, the allocated value of the bundle is recognized according to the associated recognition schedule.

When the VSOE amount is properly allocated for an order and the order is billed, the revenue can be recognized for each item based on the revenue recognition schedule generated from the assigned revenue recognition template. See Creating Revenue Recognition Templates and Working with Revenue Recognition Schedules.

Setting Up the VSOE Feature

Complete the following tasks to set up the VSOE feature::

- Enabling the VSOE Feature
- Setting Up VSOE Preferences
- Setting Up VSOE on an Item Record

When you have set up the VSOE feature, you can define VSOE bundles. See Creating VSOE Bundles.

Enabling the VSOE Feature

If you plan to use the VSOE feature, you must first enable the Revenue Recognition feature. See Enabling the Revenue Recognition Feature **.**

To enable VSOE revenue recognition:

1. Go to Setup > Company > Enable Features.
2. Click the **Accounting** subtab.
3. If Revenue Recognition is not already enabled, you must check the **Revenue Recognition** box.
4. Check the **VSOE** box.
5. Click **Save**.

Setting Up VSOE Preferences

The following accounting preference applies specifically to the VSOE feature:

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- **Allow Users to Modify VSOE Values on Transactions**

  Check this box to allow changes to VSOE prices on sales transactions. Clear this box if you do not want to allow such changes. Only amounts that have not yet been recognized can be changed. Also, the delivery status of an item can be changed until the item's revenue is recognized, regardless of this preference.

To set VSOE accounting preferences:

1. Go to Setup > Accounting > Preferences > Accounting Preferences.
2. Click the **General** subtab, and scroll down to the Classic Revenue Recognition Only section of the page.
3. Set preferences as desired, and click **Save**.

Additional revenue recognition preferences may be available, depending on other revenue recognition features that are enabled. For information, see the Revenue Recognition section in General Accounting Preferences.

Setting Up VSOE on an Item Record

You can set up VSOE for the following types of items:

- Assembly
- Serialized Assembly
- Lot Numbered Assembly
- Kit/Package
- Item Group (Bundle)
- Inventory
- Serialized Inventory
- Lot Numbered Inventory
- Non-Inventory for Sale/Resale
- Other Charge for Sale/Resale
- Service for Sale/Resale

Each item can have a revenue recognition template associated with it either on an item record or on a sales transaction. When you associate a revenue recognition template on an item record, that template is selected by default for that item on all transactions. For more information, see Associating Revenue Recognition Templates with Items.

To set up VSOE on an individual item record:

1. Go to Lists > Accounting > Items, and click **Edit** next to an item.
2. In the Item record, click the **Accounting** subtab, and select an account from the **Deferred Revenue Account** list.

   This field must be populated for VSOE to be available for an item on transactions.
3. Click the **Revenue Recognition / Amortization** subtab, and complete the following:

   a. Select a template from the **Revenue Recognition Template** list.

      You must select a template for each item you plan to use with VSOE even if all revenue will be recognized immediately upon billing the sale. Only items with a VSOE template assigned can use VSOE revenue recognition.

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For more information about revenue templates, read Creating Revenue Recognition Templates.

b. In the **VSOE Price** field, enter the VSOE price for this item if it is known.

If you need to use more than one VSOE price for an item, you can set the most common price here and then manually change the price on each transaction as needed. VSOE prices typically are based on the historical sale prices of items, or may be set by management.

c. In the **Deferral** field, choose how to handle deferment when this item is sold as part of a bundle:

- **Defer Bundle Until Delivered** – Until this item is marked delivered, the revenue recognition of **all** items in the bundle is deferred.

  A typical use for this option is to identify items whose revenue recognition depends on the delivery of the item itself, in addition to the delivery of a separate service. For example, a specified upgrade would typically be marked **Defer Bundle Until Delivered.**

- **Defer Until Item Delivered** – Until this item is marked delivered, the revenue recognition of this item is deferred. This setting is the default for this field.

  The deferral setting you choose for each item in a bundle works together with the deferral settings for other items in the bundle.

  > For example:
  >
  > □ Member 1 – Defer Bundle Until Delivered: status is undelivered
  >
  > □ Member 2 – Defer Bundle Until Delivered: status is delivered
  >
  > □ Member 3 – Defer Until Item Delivered: status is delivered
  >
  > □ Member 4 – Defer Until Item Delivered: status is delivered

d. In the **Permit Discount** field, 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 the VSOE allocation is performed. How a discount is able to be applied depends on the scenario. For example, no discount is applied to an undelivered item when the residual method is used even if the undelivered item is set to As Allowed. In other cases, all bundle members may receive a portion of a discount, such as when all items have a VSOE price. Then, an explicit discount is applied proportionately to all bundle members. This is the default for this field.

- **Never** – Does not allow a discount to be applied against this item when the VSOE allocation is performed. This selection would be common for a Specified Upgrade.

e. Check the **Default as Delivered** box to automatically set this item to a Delivered status when this item is added to a transaction. Clear this box to leave the delivery status clear by default.

The default for the **Default as Delivered** box is cleared.

For VSOE, 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 VSOE delivery status is used in the following two ways:

- To determine how the sales amount of the bundle is allocated to individual members based on their VSOE settings.

- To specify that revenue recognition for the item can begin when the order has been billed.

4. Click **Save**.

The item is now set up for VSOE revenue recognition. When the item is sold on a bundled transaction, revenue for the sale is allocated and deferred according to its VSOE settings.

When added to a transaction, the item defaults to use the revenue recognition template assigned. You can change the revenue recognition template on individual transaction lines.

For more information about the function of VSOE settings for items, read Allocating VSOE Revenue for a Bundle.

Creating VSOE Bundles

Vendor-specific objective evidence (VSOE) prices are assigned to items which are sold together and are dependent on each other. These groups of dependent items are known as bundles. For example, software you sell may require an implementation service. You sell these two items together as a group, or bundled product.

For each set of products that you sell as a bundle, you can do one of the following:

- Set up an item group.

  The bundle is identified by indicating its members on an Item Group type item record. See Creating an Item Group VSOE Bundle.
- Create a transaction bundle.

  The bundle is identified by marking the transaction as a bundle, and included items are added to the transaction record. See Creating a Transaction VSOE Bundle.

> **ⓘ Note:** A transaction may contain an item group or a transaction bundle, but not both. VSOE processes are the same whether you use item groups or transaction bundles.

For details about processing VSOE bundles, see Recognizing Revenue for VSOE Bundles.

Creating an Item Group VSOE Bundle

To sell vendor-specific objective evidence (VSOE) item group bundles, create an item group record to identify the members of the bundle.

> **ⓘ Note:** If you include an item group VSOE bundle in a transaction VSOE bundle, allocation ignores the item group settings and allocates across the entire transaction.

To set up a bundled item group record:

1. Go to Lists > Accounting > Items > New.
2. Click **Item Group**.
3. On the **Revenue Recognition / Amortization** subtab, check the **Is VSOE Bundle** box.
4. Click the **Purchasing/Inventory** subtab.
5. In the **Item** field, select the first item that is a member of this bundle.

   The VSOE settings from this member's item record appear, such as discount, deferral, and delivery settings. These settings can be changed, if needed.
6. Click **Add**.
7. In the **Item** field, select and add all member items to complete this bundle.

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VSOE bundles must contain at least two members.

8. Complete other fields on the item record as necessary.

9. Click **Save**.

Now, these members are identified as a group bundle. When this item group is sold, the VSOE prices are allocated and deferred according to the VSOE settings for its member items. See Recognizing Revenue for VSOE Bundles.

Creating a Transaction VSOE Bundle

Instead of creating an item group to bundle vendor-specific objective evidence (VSOE) items, you can designate an entire sales transaction as a VSOE bundle. If you include VSOE item groups in a transaction VSOE bundle, the items are processes as individual items rather than a group.

To create a transaction bundle:

1. Go to a new transaction form for one of the following:
   - Cash Sale
   - Credit Memo
   - Invoice
   - Refund
   - Return Authorization
   - Sales Order

2. Check the **Transaction Is VSOE Bundle** box on the **Accounting** subtab.

3. Add items to the transaction.

   You must add a minimum of two items.

   You cannot add an item group that is a VSOE bundle.

4. Complete the remainder of the transaction as necessary, and click **Save**.

> **Note:** If a sales order is **not** marked **Transaction is VSOE Bundle**, the sales order allocation and delivered flags do not propagate to invoices for the sales order.

Now, items on the transaction that have VSOE settings can be processed for VSOE. See Recognizing Revenue for VSOE Bundles.

Recognizing Revenue for VSOE Bundles

When you enter a transaction that either is a transaction bundle or includes an item group bundle, NetSuite determines the vendor-specific objective evidence (VSOE) amount for each line item to be recognized and when this amount should be recognized.

NetSuite makes these determinations based on the settings and status of **all** VSOE items on a transaction. The VSOE settings of a single item can affect all items on the transaction. See Setting Up VSOE on an Item Record for more information on these settings that affect allocation and recognition, such as VSOE pricing and delivery specifications.

For details about recognizing revenue for VSOE bundles, see the following:

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Allocating VSOE Revenue for a Bundle

As you sell bundles, it is the vendor-specific objective evidence (VSOE) value of the items, not the sale value, that is the revenue amount recognized for the sale. Allocation is the process used to determine the amount recognized for each item in a bundle. The total VSOE amount allocated always equals the sales amount of the transaction bundle (or the item group if you are using item groups for VSOE).

The VSOE allocation amount for a sale can be calculated automatically by checking the Auto-calculate VSOE box on a transaction. The VSOE price allocated to member items is determined by the VSOE settings on each item record and the delivery status of the item. Allocation amounts also can be calculated manually. See Manual Calculation of VSOE Allocations. You also can allocate VSOE using custom code. See SuiteScript Client Scripts for more information.

> ⚠️ **Important:** After a VSOE bundle is invoiced, the allocation amounts cannot change. For example, you enter a sales order with three items. Only two of the items are marked delivered for VSOE and are eligible to have their allocated value recognized. After invoicing the sales order, you mark the third item delivered for VSOE. Marking the item delivered after invoicing does not impact the VSOE allocation. None of the VSOE settings impact the VSOE allocation after the order has been invoiced. Only the delivered flag may be checked after invoicing to start the revenue recognition process.

The VSOE value allocated to bundle member items is determined by the following:

- Revenue recognition settings on each item record
- VSOE settings on each item record
- Delivery status of the items
- Transaction-level and line-level discounts

For example, a VSOE transaction bundle includes the following:

Item	Invoice price	VSOE Price	VSOE Allocation	Delivered?	Deferral
Installation Service 202	$1500	$1000	$1000	Yes	Defer Until Item Delivered
Software Product 101	$1500	$2000	$2000	Yes	Defer Until Item Delivered
Software Product 103	$2500	$2500	$2500	Yes	Defer Until Item Delivered

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Item	Invoice price	VSOE Price	VSOE Allocation	Delivered?	Deferral
Total	$5500	$5500	$5500		

NetSuite allocates the VSOE price of all items in this bundle based on their deferral settings and delivery status. All items in the bundle are set as Defer Until Item Delivered AND all items are marked as delivered.

Because the total invoice amount of the bundle items is equal to the total VSOE price, the VSOE allocation for each item is the VSOE price of each item. The total VSOE amount allocated for this sale is $5500.

For more examples of VSOE allocation, see VSOE Revenue Recognition Examples.

VSOE Allocation and Currencies

If you use NetSuite OneWorld and have enabled both the VSOE and Multiple Currencies features, when you enter a transaction using a currency other than the base currency, the VSOE price and allocation are calculated based on the foreign currency, not the base currency. The VSOE allocation is performed using the converted VSOE price or sales amount.

Manual Calculation of VSOE Allocations

You can set an accounting preference to indicate that VSOE allocation should be calculated manually.

To indicate that allocations should be calculated manually:

1. Go to Setup > Accounting > Accounting Preferences.
2. On the **General** subtab, scroll down to Revenue Recognition section, and clear the **Allow Users to Modify VSOE Values on Transactions** box.
3. Click **Save**.

Updating VSOE Allocations and Delivery Status on a Transaction

You can click the Update VSOE button on the Accounting subtab to update the vendor-specific objective evidence (VSOE) allocation amount and delivery status on a transaction. VSOE prices can be changed only on transactions you have not yet billed. After billing, you can only change the delivery status.

For example, an order that you have not yet billed has only some items marked delivered. You can view the order and click Update VSOE to update the delivery status of the appropriate items. NetSuite recalculates the VSOE allocation based on the deferral settings and delivery status of all items on the order. You can also update the allocation amounts if you make your own calculations.

> **Note:** **Update VSOE** does not auto-calculate the allocation regardless of your transaction settings. To auto-calculate allocation, you must edit the transaction to make changes.

For example, a VSOE transaction bundle on an unbilled sales order includes the following:

Item	Invoice price	VSOE Price	Delivered?	Deferral
Installation Service 202	$1500	$1000	No	Defer Until Item Delivered

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Item	Invoice price	VSOE Price	Delivered?	Deferral
Software Product 101	$1500	$2000	Yes	Defer Until Item Delivered
Software Product 103	$2500	$2500	Yes	Defer Until Item Delivered
Total	$5500	$5500		

As shown, the revenue to be recognized upon invoicing for the sale is $4500. This total is derived from the VSOE prices of items that qualify for revenue recognition. The Installation Service 202 item does not qualify for revenue recognition at this time because it is not marked delivered.

When you edit the sales order to mark the Installation Service 202 item as delivered, the allocated revenue for the item can be recognized.

Using VSOE on Sales Orders and Invoices

Vendor-specific objective evidence (VSOE) can be used on individual invoices or used together with sales orders. VSOE settings entered on sales orders can also affect invoices created from them.

If the revenue for an item on a sales order must be recognized using a revenue recognition schedule and the sales order will be billed on an invoice for a bundle, the **Transaction Is VSOE Bundle** box on the Accounting subtab must be checked. This setting ensures that NetSuite generates a revenue recognition schedule so that the revenue on the Sales Order is correctly billed on the bundle invoice.

For example, you enter the following sales order:

Item	Invoice price	VSOE Price	VSOE Allocation	Delivered?	Deferral
Software Product 201	$500	$400	$400	Yes	Defer Until Item Delivered
Support	$300	$200	$200	No	Defer Until Item Delivered
Software Product 301	$800	$1000	$800	Yes	Defer Until Item Delivered
Total	$1600	$1600	$1600		

When you invoice this order, a revenue recognition schedule is not created for the undelivered support item and the revenue of $200 is deferred indefinitely. After an invoice is created from a sales order, changes to the sales order can affect the VSOE settings and revenue recognition of the billed amount, even without any changes on the invoice.

When you make either of these changes to a sales order, the changes also affect the invoice:

- Changing the delivery status
- Changing the VSOE allocation

For example, in the order shown above, if you change the status of the support item to Delivered on the sales order, a revenue recognition schedule is created for the item, even though the invoice was not changed. This change is implemented either by saving changes to lines of the sales order or by clicking the Update VSOE button.

Note that the following changes **do not** affect the invoice:

- Removing or adding an item

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- Changing the delivery status for an item to Not Delivered after revenue has already posted from the related revenue recognition schedule for that line

To enter VSOE information on a sales order:

1. Go to Transactions > Sales > Enter Sales Orders.
2. For a line item, click the field in the **VSOE** column. The VSOE fields display.
   1. Enter information in the following fields as needed:
      - **VSOE Price**

        Enter the VSOE price for this item if it is known.

      - **VSOE Amount**

        As you sell bundles, it is the VSOE value of the items, not the sale value, that is the revenue amount recognized for the sale. Allocation is the process to determine the amount to be recognized for each item in a bundle. The total VSOE amount allocated always equals the sales amount of the bundle.

        Enter a manually calculated allocation amount, if needed.

        The VSOE allocation amount for a sale can be calculated automatically by checking the Auto-calculate VSOE box on a transaction.

      - **VSOE Allocation**

        This field holds the revenue value of the item. It may be automatically populated by selecting the Auto-calculate VSOE box on a transaction or manually entered. If you manually enter this value, the total VSOE amount allocated must equal the total sales amount of the bundle. Furthermore, no VSOE allocation may be negative.

      - **Deferral**

        Choose how to handle deferment when this item is sold as part of a bundle:

        Defer Bundle Until Delivered – Until this item is marked delivered, the revenue recognition of all items in the bundle is deferred. A typical use for this option is to identify items whose revenue recognition depends on the delivery of the item itself, in addition to the delivery of a separate service. For example, a specified upgrade would typically be marked Defer Bundle Until Delivered.

        Defer Until Item Delivered – Until this item is marked delivered, the revenue recognition of this item is deferred. This setting is the default for this field.

      - **Permit Discount**

        In the Permit Discount field, 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 if its status is Delivered when the VSOE allocation is performed. This is the default value for this field.

        Never – Does not allow a discount to be applied against this item when the VSOE allocation is performed. This selection would be common for a Specified Upgrade.

      - **Delivered**

        The VSOE delivery status is used to determine how the sales amount of the bundle is allocated to individual members based on their VSOE settings, and to specify that revenue recognition for the item can begin when the order has been billed.

        Check this box to mark the item as delivered. Clear this box to mark the item as not yet delivered.

   2. Click **Add**.

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3. Repeat step 2 to add other VSOE items.

4. Complete other sales order fields as needed.

5. Click **Save**.

Updating the VSOE Delivery Status on Items

You can bulk update the vendor-specific objective evidence (VSOE) delivery status for many items at one time using the Mark VSOE Delivered Status page. Only items that may have VSOE enabled are included on this page.

For VSOE, 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 VSOE delivery status is used in the following two ways:

▪ To determine how the sales amount of the bundle is allocated to individual members based on their VSOE settings.

▪ To specify that revenue recognition for the item can begin when the order has been billed.

To mark an item's VSOE delivery status:

1. Go to Transactions > Financial > Mark VSOE Delivered Status.

   This page shows all VSOE items not yet marked as Delivered. Use the filters at the top of the page to narrow the list of items displayed.

   For each source transaction, the transaction line number and item name are shown.

   You can click on the link in the **Source Transaction** column to open the originating transaction.

2. If you use NetSuite OneWorld, select a **Subsidiary** to associate with this status update.

3. Check the box in the **Select** column for all items you want to mark as delivered.

   > ⓘ **Note:** The accounting period for the transaction must be open to change the delivery status. Transactions in closed periods are skipped.

4. Click **Mark Delivered**.

When you click Mark Delivered, the Process Status page opens.

On the Process Status page:

▪ Click **Refresh** to update the submission status.

▪ Click the **Complete** link in the **Submission Status** column to go to the Processed Records page.

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The Processed Records page includes links to the source transactions for the items whose VSOE delivery status was updated.

You can also access the Process Status page directly from the navigation menu. Go to Transactions > Financial > Mark VSOE Delivered Status > Status to open this page.

Billing a VSOE Transaction

> ⚠ **Important:** After a vendor-specific objective evidence (VSOE) bundle is invoiced, the allocation amount cannot change. For example, you enter a sales order with three items. Only two of the items are marked delivered for VSOE and are eligible to have their allocated value recognized. After invoicing the sales order, you mark the third item delivered for VSOE. Marking the item delivered after invoicing does not impact the VSOE allocation. None of the VSOE settings impact the VSOE allocation after the order has been invoiced. Only the delivered flag may be checked after invoicing to start the revenue recognition process.

After values are allocated and billed to the customer, the VSOE allocation will not change. The delivery status at the time of billing and subsequent updates determine when the revenue recognition schedule is created and revenue recognized.

In this example, you bill a sales order marked Is VSOE Bundle. The order includes the following:

Item	Invoice price	VSOE Price	VSOE Allocation	Delivered?	Deferral
Installation Service 202	$1500	$1000	$1000	No	Defer Until Item Delivered
Software Product 101	$1500	$2000	$2000	Yes	Defer Until Item Delivered
Software Product 103	$2500	$2500	$2500	Yes	Defer Until Item Delivered
Total	$5500	$5500	$5500		

NetSuite does not create the revenue recognition schedule for the Installation Service 202 item at the time of billing because it is not delivered. When Installation Service 202 is marked Delivered, the revenue recognition schedule is created.

Using VSOE with Discount Items

Discount items can affect vendor-specific objective evidence (VSOE) allocation when they are added to a transaction.

> ⚠ **Important:** Use non-posting discount items to ensure that the net amount of each line and the transaction as a whole is amortized correctly.

For information about using VSOE with discount items, see:

- Rules for Discounts on VSOE Transactions
- VSOE Discount Example
- Implicit VSOE Discounts
- Implicit Discounts and the Residual Method

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Rules for Discounts on VSOE Transactions

When a discount is included on a transaction, the discount is applied in a particular way for VSOE processing and affects the amount of revenue recognized by each item. Discount effects on VSOE prices can be different than discount effects on sales amounts.

The following rules apply for discounts on all VSOE transactions:

1. Discounts are applied proportionately to lines based on their VSOE prices, except when the residual method is applied. See Implicit Discounts and the Residual Method.

2. A discount is applied to the entire bundle if the discount is added as a line item after an item group on a transaction.

3. If the Permit Discount field on an item record is set to **Never**, then discounts are not applied to the item, even when the residual method is used. This setting is typically used for specified upgrades.

   For more information about this field, read Setting Up VSOE on an Item Record.

4. If a discount is applied to an entire transaction, instead of a line item, then the transaction can contain a maximum of one bundle. The bundle can be either an item group bundle added as a line, or can be a transaction bundle. If multiple bundles are included on a discounted transaction, the VSOE allocation cannot be calculated.

NetSuite uses the VSOE settings of items and discounts associated with the bundle to calculate the VSOE allocation for the bundle.

VSOE Discount Example

For example, when a transaction meets the following requirements, the **post-discount** sales amount is allocated proportionately to each item based on the VSOE amount for each item:

- A discount has been applied to the entire bundle.
- All of the items have an assigned VSOE price.
- The total VSOE price of the bundle is greater than the total sales price.
- All items have been delivered.

In this example, the sales order is marked Is VSOE Bundle and includes the following:

Item	VSOE Price	Delivered?	VSOE %	Invoice price	Calculations	VSOE Allocation
Installation Service 302	$1,000	Yes	18.1817%	$0	(3,300 x .181817) = 605.45	$605.45
Software Product 401	2,000	Yes	36.3637%	$2200	(3,300 x .363637) =1210.91	1,210.91
Software Product 501	2,500	Yes	45.4547%	1,500	(3,300 x .454547) = 1513.64	1,513.64
Subtotal			100.00%	3,700		
10% transaction discount				(370)		
Total	$5,500		100.00%	$3,330		$3,330.00

> **(i) Note:** If a bundle includes a discount, but no member items permit a discount because they are not delivered or their permit discount setting is Never, then NetSuite does not calculate the VSOE allocation when Auto-allocate VSOE is set.

Implicit VSOE Discounts

VSOE bundle pricing can reflect a discount even if a transaction discount is not set or a line item discount added. These implicit discounts occur in cases that the total list price of all elements is less than the total VSOE price for the bundle.

For example, you enter a sales order that shows the following bundle items and a line item discount:

Item	Invoice price	VSOE Price
Product 1	$120	$120
Product 2	$120	$80
Product 3	$120	$160
Discount	($60)	
Total	$300	$360

The $60 line item discount causes the invoice price to be less than the VSOE price, and the discount is allocated to eligible member items, as follows:

Item	Invoice price	VSOE Price	VSOE Calculation	Allocation
Product 1	$100	$120	120/360 x 300	$100.00
Product 2	$100	$80	80/360 x 300	$66.67
Product 3	$100	$160	120/360 x 300	$133.33
Discount	allocated to items			
Total	$300	$360		$300.00

Next, you enter a sales order that shows the following bundle items, but the discount is implicit instead of added as a line item.

Item	Invoice price	VSOE Price
Product 1	$100	$120
Product 2	$100	$80
Product 3	$100	$160
Total	$300	$360

In this case, a discount is not specified for the transaction or for a line, but a discount of $60 is implicit because the total VSOE price is $60 greater than the invoice price ($360 - 300 = 60). Implicit discounts are allocated in the same way that line-item and transaction discounts are allocated.

Unless the Residual Method is being used, the discount of $60 is allocated to each bundle member, except members set as Permit discount = Never. The $60 implicit discount is allocated the same as the line-item discount, as follows:

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Item	Invoice price	VSOE Price	VSOE Calculation	Allocation
Product 1	$100	$120	120/360 x 300	$100.00
Product 2	$100	$80	80/360 x 300	$66.67
Product 3	$100	$160	120/360 x 300	$133.33
Total	$300	$360		$300.00

Implicit Discounts and the Residual Method

If the residual method is used, any discounts (implicit, transaction or line item) are applied only to items with a Delivered VSOE status.

For example, you enter a sales order that does not include a transaction or line-item discount. The difference between the VSOE price of the undelivered items ($240) and the total invoice price ($300) is allocated to the delivered item.

Item	Invoice price	VSOE Price	VSOE Allocation	Delivered
Product 1	$100	$?	300 - 240 = $60.00	Yes
Product 2	$100	$80	$80.00	No
Product 3	$100	$160	$60.00	No
Total	$300			

For more information on the residual method, read Using the Residual Method of Revenue Recognition.

Using VSOE with Markup Items

Markup items can affect vendor-specific objective evidence (VSOE) allocation when they are added to a transaction.

⚠️ **Important:** Use non-posting markup items to ensure that the net amount of each line and the transaction as a whole is amortized correctly.

When a markup item is included on a transaction, it affects the sales amount of an item, and may also affect the amount of revenue recognized. When a markup item is applied to a line item, it increases the invoice price of the item, which can increase the VSOE allocation amount of items in the bundle.

This type of line item markup affects the VSOE price of items only if the line-item is used to calculate the VSOE price using the residual method. For more information on the residual method, read Using the Residual Method of Revenue Recognition.

Resolving Undetermined VSOE Allocation

Allocation calculations usually occur at the time you enter the transaction and are based on the vendor-specific objective evidence (VSOE) settings at that time. However, in some cases, allocation cannot be performed because VSOE information is unavailable for an item and the correct allocation amount cannot be determined.

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For example, VSOE allocation cannot be performed when the correct VSOE allocation cannot be determined for an item, such as under these conditions:

- Items not marked Delivered do not have a VSOE price
- The transaction is not set to auto-calculate
- The transaction is set to auto-calculate the VSOE allocation AND any item in the bundle does not have a VSOE price (except when using the residual method)

If any of these conditions are met, NetSuite cannot determine the VSOE allocation amount and does not allow the transaction to be saved.

For example, a VSOE transaction bundle on a sales order includes the following:

0

Item	Invoice Price	VSOE Price	VSOE Allocation	Delivered?	Deferral
Software Product 101	$500	unknown	not determined	No	Defer Until Item Delivered
Software Product 201	300	unknown	not determined	No	Defer Until Item Delivered
Software Service	800	$500	not determined	No	Defer Until Item Delivered
Total	$1600				

The VSOE price is unknown for one or more undelivered items, and the VSOE allocation cannot be determined.

When the two items without a VSOE price are marked Delivered, the VSOE allocation can be determined using the Using the Residual Method of Revenue Recognition, as shown below:

Item	Invoice Price	VSOE Price	VSOE Allocation	Delivered?	Deferral
Software Product 101	$500	unknown	$687.50	Yes	Defer Until Item Delivered
Software Product 201	300	unknown	412.50	Yes	Defer Until Item Delivered
Software Service	800	$500	500	No	Defer Until Item Delivered
Total	$1600		1600		

If you cannot save a transaction because VSOE allocation cannot be performed, you can do the following to resolve the problem:

- Verify the VSOE settings of items on the transaction. When you save changes, NetSuite automatically recalculates the VSOE allocation.
- Clear the Transaction is VSOE Bundle box to be able to save the transaction. Later, you must re-check the Transaction is VSOE Bundle box and enter the VSOE price in order for the auto-calculation to be performed
- Allocate VSOE manually.

  To enable manual allocation of VSOE, go to Setup > Accounting > Accounting Preferences. Click the **General** subtab and clear the **Allow Users to Modify VSOE Values on Transactions** box.

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- Allocate VSOE using custom code. For more information, see the help topic Client Scripts.

When the bundle is billed, the allocated value of the bundle is recognized according to the associated recognition schedule.

Posting VSOE Revenue to the General Ledger

When revenue is recognized for items not sold as a vendor-specific objective evidence (VSOE) bundle, the invoice price is the amount that posts to the assigned deferred revenue account for each line that has a revenue recognition schedule. When revenue is recognized for a VSOE transaction, the VSOE allocation amount (not the sales amount) posts to the assigned deferred revenue account.

For example, you sell the following items:

- Service Item A1
    - Deferred revenue account = Deferred Revenue (Service)
    - Invoice price = $300
- Product Item B2
    - Deferred revenue account = Deferred Revenue (Product)
    - Invoice price = $600

When these items **are not** sold as a VSOE bundle, the desired general ledger impact is as follows:

> Accounts Receivable $900
>
> Deferred Revenue (Service) $300
>
> Deferred Revenue (Product) $600

On another transaction, the items **are** sold as a VSOE bundle. The VSOE allocation is as follows:

- Service Item A1
    - Deferred revenue account = Deferred Revenue (Service)
    - Invoice price = $300
    - VSOE allocation = $225
- Product Item B2
    - Deferred revenue account = Deferred Revenue (Product)
    - Invoice price $600
    - VSOE allocation = $675

When these items **are** sold as a VSOE bundle, the desired general ledger impact is as follows:

> Accounts Receivable $900
>
> Deferred Revenue (Service) $225
>
> Deferred Revenue (Product) $675

To achieve the desired general ledger impact and properly recognize VSOE amounts, NetSuite posts to the ledger as follows:

1. The sales amount posts to the deferred revenue account.

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2. The sales amount is reversed out of the deferred revenue account.

3. The VSOE allocation amount posts to the deferred revenue account.

Applying these steps to the previous examples, the VSOE sale would post to the general ledger a follows:

Accounts Receivable $900

- Deferred Revenue (Service) $300
- Deferred Revenue (Product) $600
- Deferred Revenue (Service) $300 [VSOE reversal]
- Deferred Revenue (Product) $600 [VSOE reversal]
- Deferred Revenue (Service) $225 [VSOE allocation]
- Deferred Revenue (Product) $675[VSOE allocation]

> **Note:** When you view the General Ledger Impact page for a VSOE transaction, you may see lines that show these reversal postings.

Using the Residual Method of Revenue Recognition

When a transaction includes an item with a vendor-specific objective evidence (VSOE) price that differs from its sales amount, VSOE prices are allocated to all items in the bundle. The allocation process uses the total sales amount of the transaction to assign a VSOE price to the bundle. The VSOE price allocated is the amount that is eventually recognized based on VSOE rules.

When VSOE prices are not known for one or more items in a bundle, the VSOE allocation may be determined if the bundle qualifies for the Residual Method of revenue recognition using SOP 98-9. SOP 98-9 amends part of SOP 97-2 and requires the recognition of revenue using the residual method in some circumstances.

The Residual Method can be used to determine the VSOE allocation for items if a bundle meets these conditions:

- All **undelivered** items **have** a VSOE price.
- One or more **delivered** items **do not have** a VSOE price.
- The total VSOE amount for undelivered bundle items is less than the total sales amount of the bundle.

For more information about using the residual method, see:

- Residual Method Calculation
- Discounts and the Residual Method
- Residual Method Examples

Residual Method Calculation

Using the residual method, the vendor-specific objective evidence (VSOE) allocation is calculated based on the fact that the total sales price of an item group must always equal the total VSOE allocation.

The formula used to calculate VSOE Allocation using the Residual Method is:

(total invoice amount of bundle - VSOE prices of **undelivered** items)

= amount to apply to delivered items lacking a VSOE Price in proportion to their invoice prices

When the total VSOE amount of a sale is known, NetSuite can calculate the VSOE value for qualifying individual items.

For example, you sell the following VSOE bundle:

Bundle Members	Invoice price	VSOE price	VSOE Allocation	Delivered
Software Product 099	$10,000	unknown	unknown	Yes
Professional Services (100 hours)	8,000	$10,000	unknown	No
Maintenance, 1 year	2,000	2000	unknown	No
Total	$20,000	unknown	$20,000	

The total sales amount of this transaction equals $20,000. Therefore, using the residual method, the VSOE allocation must equal $20,000 also.

When you apply the formula above, VSOE is calculated as follows:

total invoice amount of bundle ($20,000) - VSOE prices of **undelivered** items ($12,000)

= amount to apply ($8000)

Undelivered items have the same VSOE allocation as their VSOE price and the remaining amount of $8,000 becomes the VSOE allocation for the delivered software product, as follows:

Bundle Members	Invoice price	VSOE price	VSOE Allocation	Delivered
Software Product 099	$10,000	unknown	$8000	Yes
Professional Services (100 hours)	8,000	$10,000	10,000	No
Maintenance, 1 year	2,000	2000	2,000	No
Total	$20,000	unknown	$20,000	

If the bundle contains multiple items marked Delivered, the remainder is allocated proportionately to those items based on their sales prices.

Discounts and the Residual Method

When a discount is applied to a bundle, the discount may only be allocated to the delivered items in that bundle. Each delivered item must have an invoice price in order determine the allocation of the discount.

The Never flag can be used to prevent the allocation of discount to delivered items in the case of a specified upgrade. If the Permit Discount field on an item record is set to **Never**, then discounts are not applied to the item. For more information, read Setting Up VSOE on an Item Record.

> ⓘ **Note:** If a bundle includes both undelivered and delivered items and all delivered items have a **Permit Discount** setting of **Never**, the auto-calculation of VSOE allocation is not performed.

Residual Method Examples

The following examples illustrate the use of the residual method of revenue recognition to determine the vendor-specific objective evidence (VSOE) allocation.

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In the example below, the VSOE allocation is deferred for all items until the specified item is delivered. The items that are undelivered have a VSOE allocation equal to their VSOE price. The residual amount of $2000 becomes the VSOE allocation for the delivered product.

Item	Invoice price	VSOE Price	VSOE Allocation	Delivered	Deferral
Installation Service 202	$1500	$1000	$1000	No	Defer Bundle Until Delivered
Software Product 101	1500	2000	2000	Yes	Defer Until Item Delivered
Software Product 103	2500	not assigned	2500	Yes	Defer Until Item Delivered
Total	$5500		$5500		

NetSuite does not allocate the VSOE price any items, pending the delivery of the Installation Service 202 item, which is marked Defer Bundle Until Delivered. When Installation Service 202 is delivered, VSOE prices are allocated based on residual method calculations.

In the next example, a residual amount is allocated between more than one delivered item:

Item	Invoice price	VSOE Price	VSOE Allocation	Calculation	Delivered	Deferral
Installation Service 202	$1500	$1000	$1000.00	VSOE price =VSOE allocation	Yes	Defer Until Item Delivered
Software Product 101	1500	not assigned	1687.50	4500 x (1500/4000) = 1687.50	Yes	Defer Until Item Delivered
Software Product 103	2500	not assigned	2812.50	4500 x (2500/4000) = 2812.50	Yes	Defer Until Item Delivered
Total	$5500		$5500			Defer Until Item Delivered

In the next example, the residual amount is allocated between multiple delivered items for a bundle discounted 10%. None of the discount is applied to the undelivered item.

Item	Invoice price	VSOE Price	VSOE Allocation	Calculation	Delivered	Deferral
Installation Service 202	$1500	$1000	$1000.00	VSOE price =VSOE allocation	No	Defer Until Item Delivered
Software Product 101	1500	not assigned	1481.25	=1500/(1500+2500) x (4950-1000)	Yes	Defer Until Item Delivered
Software Product 103	2500	not assigned	2468.75	=2500/(1500+2500) x (4950-1000)	Yes	Defer Until Item Delivered
Subtotal	$5500					
10% Discount	(550)					

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Item	Invoice price	VSOE Price	VSOE Allocation	Calculation	Delivered	Deferral
Total	$4950		$4950			

In the next example, the residual amount is allocated between multiple delivered items. The bundle includes a 10% discount and one of the delivered items has a Permit Discount setting of Never.

Item	Invoice price	VSOE Price	VSOE Allocation	Calculation	Del.	Permit Discount	Deferral
Installation Service 202	$1500	$1000	$1000.00	VSOE price =VSOE allocation	No	As Allowed	Defer Until Item Delivered
Software Product 101	1500	not assigned	1137.50	1500 / (1500 + 2500) x 4500 – 550	Yes	As Allowed	Defer Until Item Delivered
Software Product 103	2500	not assigned	2812.50	2500 / (1500+ 2500) x 4500	Yes	Never	Defer Until Item Delivered
Subtotal	$5500						
10% Discount	(550)						
Total	$4950		$4950				

VSOE Revenue Recognition Examples

The following examples of vendor-specific objective evidence (VSOE) revenue recognition illustrate possible VSOE scenarios you are likely to come across in your usual workflows.

Each scenario includes examples of VSOE transactions with various VSOE settings, statuses, and pricing information for items, such as the following:

- various delivery statuses
- various deferral settings
- matching/non-matching VSOE and invoice pricing
- complete/incomplete VSOE prices
- complete/incomplete invoice prices

In this group of examples, all items on the sale have a VSOE price indicated.

VSOE Scenario 1

These transactions have the following attributes:

- All items have a VSOE price.
- The sales amount of the transaction equals the total VSOE amount.
- No discount items or specified upgrades are included.
- The invoice price is different than the VSOE amount, for some items.

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Item	Invoice price	VSOE Price	VSOE Allocation	Deferral	Delivered
Upgrade	$500	$400	$400	Defer Bundle Until Delivered	Yes
Support	300	200	200	Defer Until Item Delivered	Yes
Product 301	800	1000	1000	Defer Until Item Delivered	Yes
Total	$1600	$1600	$1600		

The Example 1 bundle has known VSOE prices for all items and the VSOE allocation amount is equal to the VSOE price. Because all items are marked delivered, revenue recognition schedules are created for all items.

Item	Invoice price	VSOE Price	VSOE Allocation	Deferral	Delivered
Upgrade	$500	$400	$400	Defer Bundle Until Delivered	Yes
Support	300	200	200	Defer Until Item Delivered	No
Product 301	800	1000	1000	Defer Until Item Delivered	Yes
Total	$1600	$1600	$1600		

The Example 2 bundle has known VSOE prices for all items and the VSOE allocation is equal to the VSOE price. Since the Support item is not delivered at the time of invoice, the $200 VSOE allocation amount for that item is deferred indefinitely and no revenue recognition schedule is created until it is marked delivered.

Item	Invoice price	VSOE Price	Allocation Amount	Delivered	Deferral
Software Product 099	$10,000	$8,000	unknown	Yes	Defer Until Item Delivered
Professional Services, 100 hours	8,000	8,000	unknown	No	Defer Bundle Until Delivered
Maintenance, 1 year	2,000	2000	unknown	No	Defer Until Item Delivered
Total	$20,000	$18,000	unknown		

The Example 3 bundle has known VSOE prices for all items, but the total invoice price of the bundle is $2,000 more than the VSOE total. Therefore, amounts are not yet allocated because the item Professional Services has a deferral setting of Defer Bundle Until Delivered. This means that the VSOE allocation of all items in the bundle is deferred, or on hold, until this item is marked delivered.

VSOE Scenario 2

These transactions have the following attributes:

- All of the items have a VSOE price.
- No items are marked Defer Bundle Until Delivered.

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- The total sales price of items is greater than the total VSOE price.

Item	Invoice price	VSOE Price	Delivered	Deferral
Service 202	$1500	$1000	No	Defer Until Item Delivered
Product 101	1500	2000	Yes	Defer Until Item Delivered
Product 103	2500	2500	Yes	Defer Until Item Delivered
Total	$5500	$5500		

In Example 1 above, the VSOE price is allocated for delivered items. Allocation is deferred for items not yet delivered.

Products 101 and 103 are marked delivered and a recognition schedule is generated. The schedule recognizes the allocated VSOE price of each item, not the sales amount.

The VSOE price of Service 202 is deferred pending delivery.

Item	Invoice price	VSOE Price	VSOE %	Calculate	VSOE Allocation
Service 202	$0	$1000	18.2%	(3700 x .182) = 672.73	$672.73
Product 401	2200	2000	36.4%	(3700 x .364) = 1345.45	1345.45
Product 501	1500	2500	45.5%	(3700 x .455) = 1681.82	1681.82
Total	$3700	$5500	100%		$3700.00

In example 2 above, NetSuite allocates the percentage of the sales amount to each bundle member item based on the VSOE price of an item.

VSOE Scenario 3

These transactions have the following attributes:

- All of the items have an assigned VSOE price.
- No items are marked Defer Bundle Until Delivered.
- The total VSOE price of the bundle is greater than the total sales price.
- All items are set to Defer Until Item Delivered and have been delivered.

Item	Invoice price	VSOE Price	VSOE %	Calculate	VSOE Allocation
Service 202	$0	$1000	.182	3700 x .182	$672.73
Product 401	2200	2000	.364	3700 x .364	1345.45
Product 501	1500	2500	.455	3700 x .455	1681.82
Total	$3700	$5500	100%		$3700

In Example 1 above, NetSuite allocates the appropriate percentage of the sales amount for each line item based on the VSOE amount for each item.

VSOE Scenario 4

These transactions have the following attributes:

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- All of the items have an assigned VSOE price.
- At least one item is marked Defer Bundle Until Delivered.

Item	Invoice price	VSOE Price	VSOE Allocation	Delivered?	Deferral
Service 202	$1500	$1000	$1000	No	Defer Bundle Until Delivered
Product 101	1500	2000	2000	Yes	Defer Until Item Delivered
Product 103	2500	2500	2500	Yes	Defer Until Item Delivered
Total	$5500	$5500	$5500		

In Example 1 above, Service 202's deferral status is Defer Bundle Until Delivered. The VSOE price is not allocated for any items until Service 202 is marked delivered.

- Service 202 is not allocated because it is not delivered
- Products 101 and 103 are not allocated even though they are delivered because Service 202 is not yet delivered

When Service 202 is marked delivered, NetSuite allocates the VSOE price of all items.

- Service 202 is allocated because it is delivered
- Products 101and 103 are allocated because they are delivered AND Service 202 is delivered

> **Note:** When an item in a bundle is marked **Defer Bundle Until Delivered** and that item's delivery status is Delivered, the revenue recognition of other items in the bundle depends on their individual delivered statuses.

If the delivery statuses of items in the above example are changed, the effect is as described below:

Delivered?	Deferral	Allocation
Service 202 = Yes Product 101 = No	Service 202 = Defer Bundle Until Delivered Product 101 = Defer Until Item Delivered	S202 = Revenue recognition begins based on the assigned schedule. P101 = Revenue recognition is deferred.
Service 202 = No Product 101 = No	Service 202 = Defer Bundle Until Delivered Product 101 = Defer Until Item Delivered	S202= Revenue recognition is deferred until S202 is marked delivered. P101 = Revenue recognition is deferred.
Service 202 = Yes Product 101 = Yes	Service 202 = Defer Bundle Until Delivered Product 101 = Defer Until Item Delivered	S202 = Revenue recognition begins based on the assigned schedule. P101 = Revenue recognition begins based on the assigned schedule.

VSOE Scenario 5

These transactions have the following attributes:

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- The transaction includes a bundle-level discount.
- All items are delivered.
- The Residual Method does not apply to the bundle.

In this case, a discount affects the VSOE allocation of each item in proportion to its VSOE price, or total VSOE amount for multiple items. This effect on the VSOE allocation, shown in example 1 below, is the same for transaction-level discounts.

Item	VSOE Price	Delivered?	VSOE %	Invoice price	Calculations	VSOE Allocation
Installation Service 302	$1000	Yes	.182	$0	(3300 x .182) = 605.45	$605.45
Software Product 401	2000	Yes	.364	$2200	(3300 x .364) =1210.91	1210.91
Software Product 501	2500	Yes	.455	1500	(3300 x .455) = 1513.64	1513.64
Subtotal			100%	3700		
10% transaction discount				(370)		
Total	$5500		100%	$3330		$3330.00

In example 2, there is an item-level discount on Software Product 401 and the Residual Method does not apply to the bundle. For sales or billing purposes, the discount applies to one specific item. However, for VSOE purposes, the discount is handled the same as a transaction-level or bundle-level discount. The discount affects the VSOE allocation of each item in proportion to their VSOE prices or VSOE amount.

Item	VSOE Price	Delivered?	VSOE %	Invoice price	Calculations	VSOE Allocation
Installation Service 302	$1000	Yes	.182	$0	(3480 x .182) = 632.73	$632.73
Software Product 401	2000	Yes	.364	$2200	(3480 x .364) =1265.45	1265.45
10% item discount				(220)		
Software Product 501	2500	Yes	.455	1500	(3480 x .455) = 1581.82	1581.82
Total	$5500		100%	$3480		$3480

> ⓘ **Note:** VSOE allocation cannot be automatically performed if a transaction contains multiple bundles and a transaction-level discount.

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EITF 08-01 Revenue Recognition Feature

EITF 08–01 Revenue Recognition is part of NetSuite classic revenue recognition. Classic revenue recognition features are not available in new NetSuite implementations. Classic revenue recognition (also called legacy revenue recognition) is still supported for customers who previously enabled it. NetSuite currently offers the Advanced Revenue Management (Essentials) and Advanced Revenue Management (Revenue Allocation) features to automate revenue deferral and recognition. For information about the current feature, see the help topic Advanced Revenue Management (Essentials) and (Revenue Allocation).

EITF 08-01 Revenue Recognition is a managed SuiteApp available from NetSuite. This SuiteApp automates the complex pricing calculation and revenue allocation processes required to comply with the new Financial Accounting Standards Board (FASB) rules for Emerging Issues Task Force (EITF) Rule 08-01. This rule requires companies selling products and services with multiple elements to report both recurring and non-recurring revenue items based on estimated selling prices.

> ℹ️ **Note:** EITF 08–01 is currently referred to as Accounting Standards Codification (ASC) 605–25.

With this feature you can set and track multiple selling prices by transaction line. Use EITF 08-01 Revenue Recognition to:

- Track multiple estimated selling prices.
- Establish a range of ESP prices for each item
- Calculate allocations based on item category formulas
- Support contingent revenue handling
- Use Emerging Issues Task Force Rule 08-01 and Statement of Position No. 97-2 pricing rules together
- Analyze price allocation with real-time data on your dashboard
- Generate EITF 08-01-compliant revenue recognition schedules

For a description of how the EITF 08-01 Revenue Recognition feature works, see Understanding EITF 08-01 Revenue Recognition.

> ℹ️ **Note:** The information presented in the EITF 08-01 topics provides an overview of the EITF 08-01 Revenue Recognition feature implemented in the EITF-08-01 Platform Feature SuiteApp (Bundle ID: 29321). For details about installing and using this feature for revenue recognition, contact NetSuite Professional Services for assistance.

Understanding EITF 08-01 Revenue Recognition

> ⚠️ **Important:** EITF 08-01 Revenue Recognition is a managed SuiteApp (Bundle ID: 29321).

EITF 08-01 Revenue Recognition stores multiple estimated selling prices (ESP) for each product or service you sell. It tracks an item price, and optionally, an upper and lower price range limit, for each combination of selling dimensions you identify. By default the price range limit for an ESP is 0. Price range limits are percent based and can be changed over time.

Using formulas linked to the categories of items being sold, EITF 08-01 Revenue Recognition allocates the ESP amount to transaction lines per dimension combination on sales transactions.

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For example, a company tracks sales by currency for EITF 08-01 reporting purposes. The Multiple Allocation Prices list stores an estimated selling price for each item for each sales dimension combination as shown below.

EDIT | VIEW	ID▲	ESP ITEM	ESP PRICE	ESP PRICE % LOWER LIMIT	ESP PRICE % UPPER LIMIT	ISVSOE	CLASS	LOCATION
Edit | View	101	Minor service item	23000	5.0%	10.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N
Edit | View	102	Minor service item	14045	5.0%	10.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N
Edit | View	103	Minor service item	22500	5.0%	10.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N
Edit | View	104	Minor service item	16185	5.0%	10.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N
Edit | View	105	24x7 support	14000	2.0%	5.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N
Edit | View	106	24x7 support	10000	3.0%	3.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N
Edit | View	107	24x7 support	10000	2.0%	3.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N
Edit | View	108	24x7 support	14500	3.0%	3.0%	No	IsVSOE_N_Within_N	IsVSOE_N_Within_N

On sales orders, the following fields identify whether items on the order require pricing allocation for EITF 08-01 Revenue Recognition. You can set the default values for these fields during implementation. Pricing allocations are shown in the VSOE field for a transaction line.

- **Transaction Is VSOE Bundle** – indicates if the transaction items on the order are related and bundled together for advanced revenue recognition purposes.
- **Auto Calculate VSOE Allocation** – indicates whether to calculate the allocation amount for items automatically when you save the sales order.
- **Transaction Is E81 Bundle** – indicates if revenue recognition for the transaction items on the order is allocated using estimated selling prices according to EITF 08-01 rules. This box must be checked to calculate EITF 08-01 allocations.

> ⚠️ **Important:** When a sales order or return authorization is enabled with revenue commitment, by default the EITF 08-01 rules for allocating revenue do not apply to sales invoices created from the sales order, or to credit memos from the return authorization. This means that the **Transaction is E81Bundle** preference on the invoice and credit memo transactions is turned off by default. You can apply this restriction to cash sales created from a sales order, and to cash refunds created from a return authorization, by manually deploying the appropriate EITF 08-01 scripts to the transaction forms. For the instructions, see Applying EITF 08-01 Scripts to Transaction Forms.

For more information on EITF 08-01 script deployment, see EITF 08-01 Script Deployment.

The EITF-08-01 functionality requires the NetSuite VSOE feature as a prerequisite. If you check the **Transaction is E81 Bundle** box on a sales order, the **Transaction is VSOE Bundle** box is also checked. If you clear the **Transaction is VSOE Bundle** box, the **Transaction is E81 Bundle** box is also cleared.

When you check **Transaction is E81 Bundle**, the **Auto Calculate VSOE Allocation** box is also checked. For transactions that comply only with VSOE requirements, Auto Calculate VSOE Allocation can be checked or cleared.

Price allocations for EITF 08-01 transactions can be calculated automatically or on demand as determined by the **Auto Calculate Revenue Allocation** preference. With the preference enabled, NetSuite calculates allocations for the VSOE field for transaction lines automatically when you edit a transaction. By default, this preference is checked. To improve performance, clear the **Auto Calculate Revenue Allocation** preference box. When you clear the preference, the **Auto Calculate VSOE Allocation** box on the sales order is also cleared. You can then use the **Allocate Multi-element Sales Revenue** button on the sales order to allocate revenue when needed.

> **Note:** If you clear the **Auto Calculate Revenue Allocation** preference, you can manually check the **Auto Calculate VSOE Allocation** box on sales orders.

Transaction lines on orders that must comply with EITF 08-01 reporting rules to display the estimated selling price allocation information in the VSOE Allocation field group, shown below.

- **Allocation Type** – default for this field is Normal
  - **Normal** – revenue recognition for the item follows EITF 08-01 rules.
  - **Exclude** – indicates the item is exempt from revenue allocation and the item selling price is used for revenue recognition.
  - **Software** – the item is software and both EITF 08-01 and SOP 97-2 revenue recognition rules apply for allocating revenue.

    > **Note:** Do not set **Allocation Type** to **Software** if you use the VSOE feature without the EITF bundle.

- **Estimate** – indicates that the item price is the estimated selling price from the Multiple Allocation Price List and the IsVSOE box is clear for the item. This value for this field defaults from the item record.
- **Allocation Price** – the estimated selling price for the item, referenced from the Multiple Allocation Prices list
- **Calculated Amount** – total estimated selling price (ESP) amount for the transaction line calculated using a pre-defined formula (for example, price x quantity) when you save the order
- **Allocation Amount** – revenue amount allocated to transaction line for revenue recognition purposes, based on item category formula and calculated when you save the order

Formulas

EITF 08-01 Revenue Recognition calculates price allocations according to a formula associated with item category of the product or service on the transaction line. When you set up EITF 08-01 Revenue Recognition, the following formulas are available:

- License - Perpetual
- License - Term
- Maintenance/Support
- Services
- Training
- Hardware
- Other

EITF 08-01 Revenue Recognition uses the estimated selling price data and the sales dimensions you specify. When you enter sales that must be reported on your books following the EITF 08-01 accounting

rules, the estimated selling price amount for each transaction line is allocated using the formula associated with the item category and revenue recognition schedules associated with the transaction line.

Add a saved search and portlet to your dashboard to view multiple allocation price information. Allocated price information is presented in real-time.

EITF 08-01 and VSOE Reporting Rules

With EITF 08-01 Revenue Recognition, you can apply both Emerging Issues Task Force Rule 08-01 (EITF) and Statement of Position No. 97-2 (VSOE) revenue recognition rules to items bundled on a single sales order. See Two-Step Revenue Allocation.

EITF 08-01 Script Deployment

The EITF 08-01 scripts are deployed to the following transaction types :

- Sales Order
- Invoice
- Return Authorization
- Credit Memo

This means that the EITF 08-01 rules for allocating revenue apply to these transaction types. On a return authorization, for example, allocation amounts are not sourced or carried over from a linked invoice and are instead recalculated automatically. Revenue allocation for partial returns are recalculated and only if processing a 100% return do the source invoice and return authorization show the same allocation amount .

On the other hand, by default the EITF 08-01 scripts are not deployed to Cash Sale and Cash Refund transactions. This means that the EITF 08-01 logic does not apply to transactions of these types. For example, on a cash sale created from a sales order that has revenue commitment enabled, the **Transaction is E81 Bundle** preference remains enabled. This is the same behavior on a cash refund created from a return authorization. On invoice and credit memo forms, to which the EITF 08-01 scripts apply, the **Transaction is E81 Bundle** box is turned off by default when the originating transactions (sales order and return authorization, respectively) have revenue commitment enabled.

> **Note:** Revenue commitment is enabled on a transaction when the Rev Rec on Rev Commit. box is checked.

If you want the EITF 08-01 logic to apply to cash sales and cash refunds, you must manually deploy the scripts to the transaction forms. For the steps, see Applying EITF 08-01 Scripts to Transaction Forms.

> **Note:** If you no longer use the EITF 08–01 scripts and you want to disable them, you should clear the **Deployed** box on the script deployment record to undeploy the script, instead of checking the **Inactive** box on the script record to inactivate it. When SuiteApps are updated, all script records are restored but script deployments are preserved.
>
> You can view the script deployment records at Customization > Scripting > Script Deployments.

EITF 08-01 Allocation Example

> ⚠ **Important:** EITF 08-01 Revenue Recognition is a managed SuiteApp (Bundle ID: 29321).

The chart below shows how EITF 08-01 Revenue Recognition allocates ESP amounts for revenue recognition.

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Order: 2323	Item	Qty	Order Amounts		VSOE (ESP) Amounts		Allocation Amounts		NetSuite
Tran Line 1	License	12	36000	76%	28800	74.3%	35071.21	74.3%	35071.21
Tran Line 2	Support	1	1200	3%	960	2.5%	1169.04	2.5%	1169.04
Tran Line 3	Services	1	10000	21%	9000	23.2%	10959.75	23.2%	10959.75
			47200		38760		47200		

In this example, the sales order has three typical items sold by a software company; a license for12 months, a support contract and a services contract for installation. The total order amount based on item prices is $47,200 and the three transaction items represent 76%, 3%, and 21% of the total order amount respectively.

Based on the estimated selling price for each item and the sales dimension combination identified for the order, the VSOE (ESP) amounts are $28,800, $960, and $9000 for the transaction lines. EITF 08-01 Revenue Recognition feature calculates the VSOE (ESP) amounts upon saving the order. It determines the ratio of each item to the total VSOE (ESP) amount of the order. The percentages are 74.3%, 2.5%, and 23.2%. These percentages are then used to allocate how much of the total sales price of the order is to be recognized on each transaction line. The Allocation Amounts column shows the allocated amount that will be recognize using the revenue recognition schedule associated with the order.

For information about using price ranges with EITF-08-01 Revenue Recognition, see Using Estimated Selling Price Ranges.

> **ⓘ Note:** If using the M/S as a % of License revenue model, Maintenance/Support transaction line items must always come after License - Term line items. For more information, see Implementing EITF 08-01 Revenue Recognition.

Contingent Revenue Handling

> **⚠ Important:** EITF 08-01 Revenue Recognition is a managed SuiteApp (Bundle ID: 29321).

The EITF 08-01 Revenue Recognition feature supports contingent revenue handling for professional service items. Contingent revenue handling stipulates that the allocated amount of revenue for delivered items cannot be contingent to the delivery of additional items or other specified performance issues. This prevents over-allocating revenue for recognition purposes and is determined by the ratio of the estimated selling price of professional services items on the sales order is greater than the ratio of the selling price of those items. When this occurs, the transaction is no longer considered a bundle and revenue must be recognized based on the sales price of the items.

In the example below, the sales order includes subscription items and professional services.

	Order Value	VSOE/TPE/ESP	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 VSOE/ ESP amount for professional services is 20% of the order (10,000 / 50,000). Using the VSOE/ESP ratio, the preliminary

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allocated revenue amount for professional services is $15,400. This amount exceeds the transaction amount of $12,000 and triggers contingent revenue handling. The transaction is no longer considered a bundle for revenue recognition and the final revenue allocation for professional service is based on the sales order amount, $12,000.

To use contingent revenue handling, enable the Allow Contingent Revenue Handling preference at Setup > Company > General Preferences > Custom Preferences.

When you enable Contingent Revenue Handling, sales order transactions display the following fields:

- **Contingent Revenue Handling Triggered** - is set to Yes when the ESP ratio of professional services is greater than the ratio of the selling price of those items. It indicates that the allocated value of the order is based on the sales order price to comply with contingent revenue handling rules.

- **Contingent Revenue Handling Run** - is set to Yes upon saving an order that contains professional service items. It indicates that the ratios have been calculated for sales prices and ESP prices.

In addition, NetSuite displays a message alerting you that contingent revenue handling has been triggered and clears the Transaction is VSOE Bundle check box.

Two-Step Revenue Allocation

EITF 08-01 Revenue Recognition supports recognizing revenue for multiple element sales where both the EITF 08-01(ESP) and SOP 97-2 (VSOE) accounting rules apply. By identifying the allocation type for each item on a sales order, you can then allocate revenue according to the appropriate recognition rule.

The allocation types are Excluded, Normal, and Software. You assign an allocation type on the item record but you can change the type when creating a sales order. For more information about allocation types, see Understanding EITF 08-01 Revenue Recognition.

To use this feature, you must enable the Two-Step Revenue Allocation preference. For more information, see Setting EITF 08-01 Preferences.

Two-Step Calculation Process

The two-step allocation calculation occurs when a sales order includes items with an allocation type of Normal and Software and the Two-Step Revenue Allocation preference is enabled.

Allocation price calculates as follows:

- **Step 1:** NetSuite allocates revenue for all items on a sales order using the ESP value and EITF 08-01 rules. This calculation is performed for items of type Normal and Software. The results are displayed in the Allocation Amount field in the VSOE column popup. When the VSOE price is available for an item, the VSOE price is used for the ESP value.

- **Step 2:** For items with an allocation type of Software, revenue allocation is recalculated using the SOP-97-2 rule and overwrites the value in the Allocation Amount field.

  - If the VSOE price is available for all software items, no recalculation is needed.

  - If the VSOE price is not available for some of the software items, NetSuite uses the residual method to reallocate according to SOP 97-2 rules.

  > ⓘ **Note:** Open the ESP Allocation popup for a line item to quickly identify whether an item has a VSOE price or not. If the **Estimate** box is checked, the VSOE price is not available for the item. This setting populates from the "IsVSOE" value for the item on the Multiple Allocation Price List.

  - All software items on a sales order are placed in one sub-group.

Two-Step Revenue Allocation Example

In this example, a multiple element sales order for $6,500 that includes items that follow different revenue allocation rules:

- **Excluded** - Registration Fee
- **Normal** - Hardware, Hardware Support - EITF 08-01 rules apply
- **Software** - Software, Software Support - SOP 97-2 rules apply

The table below shows the revenue allocation calculated for each step:

Item	Allocation Type	Sales Price	VSOE	ESP	Is VSOE	Esti-mate	%	Step 1 Allocation	Deliv'd	Step 2 Allocation
One time Registration Fee (non refundable)	Excluded	2,000.00	N/A	N/A	Yes	No	N/A	2,000.00	Yes	2,000.00
Hardware	Normal	1,000.00	1,500.00	1,500.00	Yes	No	27%	1,227.27	Yes	1,227.27
Hardware Maintenance	Normal	1,500.00	1,500.00	1,500.00	Yes	No	27%	1,227.27	Yes	1,227.27
Software	Software	1,000.00	N/A	1,000.00	No	Yes	18%	818.18	Yes	545.45
Software Support	Software	1,000.00	1,500.00	1,500.00	Yes	No	27%	1,227.27	No	1,500.00
Total		6,500.00		5,500.00				6,500.00	Yes	6,500.00

For Registration Fee, the sales price for the item is used for revenue recognition because this type of item is excluded from the revenue reallocation process. Based on the Multiple Allocation Price List, the VSOE (ESP) total amount for the remaining items is $5,500. The ratio of each of these items to the VSOE (ESP) total is 27%, 27%, 18%, and 27% respectively. NetSuite uses these percentages to calculate the revenue allocation amounts in the first step of the allocation. Then, the second calculation occurs for the software items. The revenue allocation amounts recalculate as $545.45 and $1500.00. These amounts are calculated using the residual method of revenue recognition. See Using the Residual Method of Revenue Recognition.

The Allocation Price for each item on the sales order now displays the amounts shown in Step 2 Allocation column in the table: $2,000.00, $1,227.27, $1,227.27, 545.45, and $1,500.00.

About Installing EITF 08-01 Revenue Recognition

⚠ **Important:** EITF 08-01 Revenue Recognition is a managed SuiteApp (Bundle ID: 29321).

Contact NetSuite Professional Services for assistance in installing EITF-08-01 Revenue Recognition.

After you install the EITF 08-01 Revenue Recognition feature:

- Determine the dimensions you will allocate prices by. You can define as many dimensions as you need to effectively track estimated selling prices, but each dimension you add increases the size of the pricing matrix. Use fewer dimensions to reduce the number of dimension combinations possible for each item and reduce the number of estimated selling prices that must be entered and maintained.
- Review your historical selling information to determine estimated selling prices. Then review that information with your auditors to determine the estimated selling prices by dimension combination to use to determine allocations for revenue recognition.

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> **ⓘ Note:** After you begin using EITF 08-01 Revenue Recognition, review your sales and estimated selling prices periodically to determine if you are accurately complying with EITF 08-01 reporting requirements. Adjust the estimated selling prices as needed. See Working with Estimated Selling Prices.

EITF 08-01 Revenue Recognition provides a setup assistant to guide you through the implementation steps. The setup assistant creates custom records and associates the item category allocation formulas with the records. These are used to calculate and track the estimated selling prices per transaction line item. You can access the EITF 08-01 Assistant only once.

The setup assistant creates three custom records:

- Multiple Allocation Prices
- EITF 08-01 Item Category Formulas
- EITF 08-01 Preferences

For information about changing formulas, dimensions, or preferences after implementation, see Modifying Implementation Settings.

Implementing EITF 08-01 Revenue Recognition

> **⚠ Important:** EITF 08-01 Revenue Recognition is a managed SuiteApp (Bundle ID: 29321).

Use the EITF 08-01 Assistant to set up the custom records used to calculate and track multiple estimated selling prices for items you sell. You also use the Assistant to establish the Multiple Allocation Prices list and to set the date you will begin calculating EITF 08-01 price allocations.

The EITF 08-01 Assistant guides you through the following setup areas:

- Multiple Allocation Price Definition
- Multiple Allocation Price Dimensions
- Formulas based on Item Categories
- EITF 08-01 Preferences
- Confirmation

To set up custom records for allocation:

1. Go to Setup > Custom > EITF 08-01Assistant.

2. By default, there are two mandatory dimensions for revenue allocation: ESP Item and ESP Price. Enter the number of additional dimensions you want to create. Enter at least one, and then click **Next**.

3. For each dimension you add, enter a label and a description. Select the type of dimension and specific list or record.

4. Set the item category formula for each calculation that you use. You can modify the seeded formula during setup or at any time.

   Formulas available are: License-Perpetual, License-Term, Maintenance/Support, Services, Training, Hardware, and Other. Click **Next**.

> **ⓘ Note:** Maintenance/Support is abbreviated as M/S in preferences and other settings.

5. Set the EITF 08-01 preferences. Enter the date to start calculating allocations.

   In the **Maintenance/Support** field, select the revenue model for Maintenance/Support items:

   - **Itemized M/S Price** – The revenue amount is calculated based on the unit price and the number of deliverable units.

     > **⚠ Important:** When the **Itemized M/S Price Model** is selected, by default the Maintenance/Support item category formula sets to the License - Term formula. You can change this formula in each custom record of the Maintenance/Support item category formulas after setup at Customization > Lists, Records & Fields > Record Types > EITF Item Category Formulas List > Edit EITF Item Category Formulas (see Modifying Implementation Settings). Note that {CUSTOME81MSPERCENT} is only valid for **M/S as a % of License** formulas.

   - **M/S as a % of License** – The revenue amount is calculated as a percentage of the license revenue. If selected, complete the following fields with the required values:

     - **M/S as a % of License File ID** – Enter the ID for the file used to calculate M/S as a % of License.

     - **M/S as a % of License Function Name** – Enter the name of the server-side function used to calculate M/S as a % of License.

     - **M/S as a % of License Client Function Name** – Enter the name of the client-side function used to calculate M/S as a % of License.

       If you use the percentage mode, contact NetSuite Professional Services for more information.

     > **⚠ Important:** When using the **M/S as a % of License** model, always place M/S transaction lines after License - Term line items. When transaction lines are ordered otherwise, the calculated amounts for the M/S transaction lines do not show in the VSOE field.

6. Click **Next**, and then review your selections.

7. Click **Finish** to save your settings.

After you complete the EITF 08-01 Assistant, you can enter estimated selling prices for your items. See Working with Estimated Selling Prices.

Modifying Implementation Settings

You can access the EITF 08-01 Assistant only once to set up EITF 08-01 Revenue Recognition. To change item category formulas, dimensions, and other preferences after using the assistant, you must modify the custom records that store this information.

To modify custom records:

1. Go to Customization > Lists, Records & Fields > Record Types.

2. Select a record type:

   - EITF Item Category Formulas
   - EITF-08-01 Preferences

■ Multiple Allocation Prices

3. Make the necessary changes. Click **Change ID** if you need to change the ID for the record.

> ⓘ **Note:** When changing formulas for the Maintenance/Support item category, note that {CUSTOME81MSPERCENT} is only valid for **M/S as a % of License** formulas.

4. Click **Save**.

Setting EITF 08-01 Preferences

To set preferences:

1. Go to Setup > Company > Preferences > General Preferences.

2. Click the **Custom Preferences** subtab.

3. Under EITF-08-01 Platform Feature, you can set the following preferences:

   ■ **Allow Contingent Revenue Handling** – Check this box to prevent over-allocating revenue when the ratio of the estimated selling price of professional services items on the sales order is greater than the ratio of the selling price of those items. When enabled, this preference adds the Contingent Revenue Handling Triggered and Contingent Revenue Handling Run fields to sales orders. For information, see Contingent Revenue Handling.

   ■ **Auto Calculate Revenue Allocation** – Check this box to calculate allocations for the VSOE field for transaction lines automatically when you edit a transaction. By default, this preference is checked. For more information, see Understanding EITF 08-01 Revenue Recognition.

   ■ **Apply Price Range** – Check this box to use a range of estimated selling prices to determine how to allocate revenue for an item. By default, this preference box is clear. See Using Estimated Selling Price Ranges.

   ■ **Always Calculate EITF-08-01** – Check this box to calculate the Allocation Price and Calculated Amount for information purposes only. Revenue for transaction items is not allocated. By default, this preference box is clear. See Previewing Allocation Information.

4. To set the **Two-Step Revenue Allocation** preference, go to Customization > Lists, Records & Fields > Record Types.

5. Click the **List** link for the EITF 08–01 Preferences record.

6. Click **Edit** next to Two-step Revenue Allocation.

7. In the **Preference Value** field, type **T** to enable Two-Step Revenue Allocation.

   Two-Step Revenue Allocation calculates revenue allocation amounts for multiple element sales where both the EITF 08-01(ESP) and SOP 97-2 (VSOE) accounting rules apply to items on a single sales order. The default Preference Value is F. For more information, see Two-Step Revenue Allocation.

8. Click **Save**.

Setting Roles and Permissions for EITF 08-01 Custom Records

Use roles and permissions to determine which users can access the custom records for item category formulas, multiple allocation prices, and EITF 08-01 preferences. Typically, full access is restricted to roles for accounting users and revenue managers who are entitled to create multiple element sales orders. You

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can also set the Revenue Management VSOE permission to determine which roles have permission to run scripts that update allocation amounts based on EITF 08-01 rules.

For more information about setting roles and permissions, see the help topics NetSuite Roles Overview and NetSuite Permissions Overview.

To set record permissions for EITF custom records:

1. Go to Customization > Lists, Records, & Fields > Record Types.
2. Click **EITF Item Category Formulas**.
3. Check the **Use Permissions** box.
4. On the **Permissions** subtab, add roles and set the permission level.
5. Click **Save**.

   Repeat the steps to set permissions for **EITF-08-01 Preferences** and **Multiple Allocation Price** records.

To set access permissions for roles:

1. Go to Setup > Users/Roles > Manage Roles.
2. Click **Edit** or **Customize** for a role.
3. On the **Permissions** subtab, go to **Custom Record** subtab.
4. Add the following custom records:
   - EITF Item Category Formulas
   - EITF-08-01 Preferences
   - Multiple Allocation Price

   For each record, in the Level column, set the level of permission for the role.
5. Click **Save**.

   Repeat the steps for other roles as necessary.

To show VSOE columns by role:

1. Go to Setup > Users/Roles > Manage Roles.
2. Click **Edit** or **Customize** for the role you want to allow view access.
3. On the **Permissions** subtab, click **Lists**.
4. Add **Revenue Management VSOE**, and then select the access level you want to assign to the role.
5. Click **Save**.

   Repeat the steps for other roles as necessary.

Applying EITF 08-01 Scripts to Transaction Forms

By default the EITF rules for allocating revenue do not apply to Cash Sale and Cash Refund transactions. The EITF 08-01 scripts must be manually deployed to apply the EITF logic to these transaction types.

To apply the EITF 08-01 ESP client script to the transaction forms:

1. Go to Customization > Scripting > Scripts.
2. On the Scripts page, click **View** next to EITF-08-01 ESP CS.

3. On the Script page, click **Deploy Script**.

4. On the New Script Deployment page, do the following:

    1. In the **Applies To** field, select **Cash Sale**.

    2. In the **ID** field, enter **_e81_cs_esp_cs**.

    3. Check the **Deployed** box.

    4. In the **Status** field, select **Released**.

    5. On the **Audience** subtab, check the **Select All** box for Roles, Employees, and Partners.

    6. Click **Save**.

        The Script Deployment page displays the deployment details. Note that the ID includes the customdeploy prefix.

5. Select **New** in the **More Actions** dropdown on the Script Deployment page.

6. On the New Script Deployment page, do the following:

    1. In the **Applies To** field, select **Cash Refund**.

    2. In the **ID** field, enter **_e81_cs_esp_cr**.

    3. Check the **Deployed** box.

    4. In the **Status** field, select **Released**.

7. On the **Audience** subtab, check the **Select All** box for Roles, Employees, and Partners.

8. Click **Save**.

To apply the EITF 08-01 ESP user event script to the transaction forms:

1. Go to Customization > Scripting > Scripts.

2. On the Scripts page, click **View** next to **EITF-08-01 ESP UE**.

3. On the Script page, click **Deploy Script**.

4. On the New Script Deployment page, do the following:

    1. In the **Applies To** field, select **Cash Sale**.

    2. In the **ID** field, enter **_e81_ue_esp_cs**.

    3. Check the **Deployed** box.

    4. In the **Status** field, select **Released**.

    5. In the **Log Level** field, select **Debug**.

    6. Set the **Execute as Role** field to **Administrator**.

    7. On the **Audience** subtab, check the **Select All** box for Roles, Employees, and Partners.

    8. Click **Save**. The Script Deployment page displays the deployment details.

    > ⓘ **Note:** The ID includes the customdeploy prefix.

5. Select **New** in the **More Actions** dropdown on the Script Deployment page.

6. On the New Script Deployment page, do the following:

    1. In the **Applies To** field, select **Cash Refund**.

    2. In the **ID** field, enter **_e81_ue_esp_cr**.

    3. Check the **Deployed** box.

    4. In the **Status** field, select **Released**.

    5. In the **Log Level** field, select **Debug**.

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6. Set the **Execute as Role** field to **Administrator**.

7. On the **Audience** subtab, check the **Select All** box for Roles, Employees, and Partners.

8. Click **Save**.

Working with Estimated Selling Prices

⚠️ **Important:** EITF 08-01 Revenue Recognition is a managed SuiteApp (Bundle ID: 29321).

You add or modify the estimated selling prices for an item on the item record.

To add or modify estimated selling prices:

1. Go to Lists > Accounting > Items.

2. Click **Edit** next to the item you want to modify.

3. Click the **Custom** subtab.

4. Select an **Item Category** for the item. Item categories determine how an item is sold and processed on new and renewal transactions.

   - Perpetual items, such as on-premise software installations, are not renewed and are paid in full up front. Examples of perpetual items include:

     - **License – Perpetual**
     - **Services**
     - **Training**
     - **Other**
     - **Hardware**

   - Term-based items have a start date and an end date. For it to be priced correctly on new and renewal transactions, term–based items must be set up with a monthly price based on the term in months of the transaction line. Examples of term-based items include:

     - **License – Term**
     - **Services**

   - Maintenance and Support (M/S) contracts are linked to licenses. M/S pricing can be calculated as a percentage of license or can be itemized and sold based on configuration. Both must also be set up with a monthly pricing rate.

     - **Maintenance – New** and **Maintenance - Renewal** – Maintenance contracts are linked to perpetual licenses and provide software updates and support for the software.
     - **Support – New** and **Support – Renewal** – Support contracts are linked to term licenses and provide support for the software.

   Take note of the following:

   - Items under Services or Training categories are evaluated for contingent revenue handling.
   - Services, Training, Other, and Hardware item categories do not consider renewals, unless customizations have been applied.

5. Select **Item Options**, if available.

6. To add new estimate prices by dimension combination:

   1. Click **New Multiple Allocation Price**.

2. On the New Multiple Allocation Price page, enter the ESP price and select the dimensions it applies to. Add notes or a description of the price source in the **Memo** field.

7. To modify existing estimated selling price, on the **Custom** subtab of the item, click **Edit** for the price you want to change and make changes as needed.

8. To add an existing estimated selling price to the item, on the **Custom** subtab, select a price ID from the **Multiple Allocation Price** list. Click **Attach** to add the price to the item.

9. Click **Save**.

Using Estimated Selling Price Ranges

With EITF 08-01 Revenue Recognition, you have the option to use a range of estimated selling prices to determine the item allocation price on a transaction. When you establish an estimated selling price range for an item, you define the limits for an allowable price variance. The sales order price on a transaction will be used for the allocation price if the sales order price falls within the specified range of the ESP price. If the sales order price is not within the ESP price range, then the ESP price becomes the allocation price on the order. Using price ranges can help reduce the number of ESP prices maintained on the Multiple Allocation Price List.

To establish price ranges, set the upper and lower price limits for an ESP item on the item record or the Multiple Allocation Price List. You can define range limits for ESP items as needed. You do not have to define a price range for all items as the default values for both the lower and upper limits are zero percent. The price range limits determine how much the sales order price for an item can vary from the item's estimated selling price and still be used as the allocation price for calculating revenue allocation. By using percentages rather than amounts to define the price range, you do not have to update the price range limits if you change the ESP Price for an item.

Estimated Selling Price Range Example

ABC Software sells software and related professional services to its customers. The Multiple Allocation Price List below shows the ESP pricing details for some of their products:

Multiple Allocation Price List					
ESP Item	ESP Price	ESP Price % Lower Limit	ESP Price % Upper Limit	IsVSOE	Currency
Hardware	310.00	5.0%	10.0%	No	USD
Tech Support	200.00	5.0%	10.0%	No	USD
Setup Services	500.00	5.0%	10.0%	No	USD
Software License	1000.00	10.0%	10.0%	Yes	USD
Software Upgrade	990.00	0.0%	0.0%	No	USD

On one sales order, Tech Support is billed at $210.00. On another order, the sales price is $175.00. Based on the Multiple Allocation Price List, the price range for Tech Support is $190.00 to $220.00. The Allocation Amount for the Tech Support items is shown in the table below:

	ESP Item	Sales Order Price	ESP Price Range	Allocation Price
Sales Order 1	Tech Support	210.00	190.00 to 220.00	210.00
Sales Order 2	Tech Support	175.00	190.00 to 220.00	200.00

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When the sales order price ($210.00) falls within the ESP Price Range, the Allocation Price is the sales order price, $210.00. When the sales order price ($175.00) is not within the ESP Price Range, the Allocation Price is the ESP Price, $200.00.

Setting Up ESP Price Ranges

To use price ranges, enable the **Apply Price Range** preference.

When you enable this preference, EITF 08-01 determines if the item sales price is within the defined ESP price range and sets the allocation price accordingly. If this preference is not enabled, the price ranges are ignored and the ESP price for the item is used for the allocation price. By default this preference is disabled.

To enable price ranges:

1. Go to Setup > Preferences > General Preferences.
2. On the **Custom Preferences** subtab, check the **Apply Price Range** box.

To enter price ranges:

1. Go to Lists > Accounting > Items, and then select an item.
2. On the **Custom** subtab, select an **ESP Price**.
3. In the **ESP Price % Lower Limit** field enter a percentage of the ESP Price amount to establish the lower limit price range. If the price entered on a sales order for this item is within the range limits, the sales order item price will be used for allocation.
4. In the **ESP Price % Upper Limit field**, enter a percentage.
5. Click **Save**.

Using IsVSOE

When you set up the multiple allocation price list for an item, check the IsVSOE box to use the VSOE price as the estimated selling price for the item. The VSOE price is available for specific sales dimensions. When IsVSOE is not checked, the Estimate box is checked in the VSOE Allocation field group, as shown below.

Previewing Allocation Information

In EITF 08-01 Revenue Recognition, you can generate allocation prices for information purposes without allocating the amounts by enabling the **Always Calculate EITF-08-01** preference. Set this preference if you want to be able to preview the allocation results generated from using the EITF 08-01 rules to

recognize revenue. When you save a sales order with this preference enabled, the **Allocation Price** and **Calculated Amount** fields are populated in the **VSOE** field for transaction lines, which allows you to preview the calculate amount values. The **Allocation Amount** field is blank indicating that the revenue has not been allocated for the transaction. By default, this preference is not enabled. Contact Professional Services for more information if you are interested in using this preference.

Setting Up Custom ESP

> ⚠️ **Important:** Contact Professional Services if you want to enable the Custom ESP functionality.

You can use a custom value for an item's ESP price instead of retrieving the ESP from the Multiple Allocation Price record for the item. The Custom ESP preference is indicated in the item record by the **Custom ESP** box on the Custom subtab.

Enabling the Custom ESP functionality requires a custom function that will determine the Custom ESP value.

To set up Custom ESP:

1. Add the custom function to an existing script file, or create a new script file and upload it to the file cabinet.

2. If you uploaded a new script file, create a client side script record.

   For more information, see the help topic Steps for Creating a Script Record.

3. Deploy the script to transaction records (Cash Sale, Invoice, Return Authorization, Sales Order).

   For more information, see the help topic Steps for Defining a Script Deployment.

4. Modify Custom ESP preferences:

   a. Go to Customization > Lists, Records, & Fields > Record Types.

   b. On the Record Types page, click the **List** link for **EITF 08–01 Preferences**.

   c. Edit and enter a preference value for the following:

      - **Custom ESP File ID** — Enter the internal ID of the script you uploaded to the file cabinet.

      - **Custom ESP Function Name** — Enter the name of the function that will run during server side operations, such as CSV Import, Web Service, and other non-UI contexts.

      - **Custom ESP Client Function Name** — Enter the name of the function that will run during client side operations, such as UI context.

   d. Click **Save**.

How Can I Get This Feature?

EITF 08-01 Revenue Recognition is a managed SuiteApp created by NetSuite. After you install this SuiteApp, NetSuite automatically upgrades the SuiteApp installed in your account when changes are available. For information about managed SuiteApps, see the help topic Using Managed Bundles.

Contact your account manager for information on how to purchase this feature. Professional Services can assist you with implementation.

If you are upgrading a previous EITF 08-01 bundle version, see Upgrading EITF 08-01 Bundle Version for instructions on how to correctly install the bundle.

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Upgrading EITF 08-01 Bundle Version

If you are upgrading from an earlier bundle version, your current bundle version determines what you need to do to install the latest EITF 08-01 Revenue Recognition SuiteApp (Bundle ID: 29321).

> ⚠️ **Important:** We strongly recommend that you work with NetSuite Account Management and Professional Services to guarantee a smooth upgrade.

- If your current EITF 08-01 installation consists of bundles 8406 and 8407, update bundle 8407 to install bundle 29321. See To install bundle 29321:

- If your current EITF 08-01 installation consists of bundles 9511, 8406, and 8407, complete the following to upgrade to EITF-08-01 Platform Feature Bundle 29321:
  - ▫ Uninstall bundle 9511. See To uninstall bundle 9511:
  - ▫ Upgrade bundle 8407 to bundle 29321. See To install bundle 29321:
  - ▫ Configure the following bundle components:
    - To add fields to the Multiple Allocation Price List:
    - To change preference name for Transaction is Allocation Bundle:
    - To add Quantity Internal ID preference:

To uninstall bundle 9511:

1. Go to Customization > SuiteBundler > Search & Install Bundle > List.
2. From the **Action** dropdown for bundle 9511, select **Uninstall**.
3. In the confirmation popup, click **OK**.

To install bundle 29321:

1. Go to Customization > SuiteBundler > Search & Install Bundle > List.
2. From the Action dropdown for bundle 8407, select **Update**.
3. On the Preview Bundle Update page, select **Update and Preserve Data** under Action for the following:
   - EITF 08-01 M/S Models
   - Item Categories [R]
4. Click **Install Bundle**.

To add fields to the Multiple Allocation Price List:

1. Go to Customization > Lists, Records, & Fields > Record Types.
2. Click **Multiple Allocation Price**.
3. On the **Fields** subtab, click **New Field** and add the **ESP Price % Lower Limit** field:
   1. Label: ESP Price % Lower Limit
   2. ID: custrecord_e81_esp_lower. **Note:** Type only '_e81_esp_lower', 'custrecord' is automatically generated.
   3. Type: Percent
   4. Check the **Store Value** and the **Show in List** boxes.

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5. On the **Validation & Defaulting** subtab, check the **Mandatory** box and enter 0.0% for Default Value.

6. Click **Save**.

4. Click **New Field** and add the **ESP Price % Upper Limit** field:

   1. Label: ESP Price % Upper Limit

   2. ID: custrecord_e81_esp_upper

   3. Type: Percent

   4. Check the **Store Value** and **Show in List** boxes.

   5. On the **Validation & Defaulting** subtab, check the **Mandatory** box and enter 0.0% for Default Value.

   6. Click **Save**.

5. Click **New Field** and add the **IsVSOE** field:

   1. Label: IsVSOE

   2. ID: custrecord_e81_esp_isvsoe

   3. Type: Check Box

   4. Check the **Store Value** and the **Show in List** boxes.

   5. On the **Validation & Defaulting** subtab, check the **Mandatory** box.

   6. Click **Save**.

To change preference name for Transaction is Allocation Bundle:

1. Go to Customization > Lists, Records, & Fields > Record Types.

2. Enable display for Preference Name:

   1. On the Record Types page, click **EITF-08-01 Preferences**.

   2. On the **Fields** subtab, click **Preference Name**.

   3. On the **Display** subtab, change Display Type to **Normal**.

   4. Click **Save**.

3. Change the preference name of Transaction is Allocation Bundle:

   1. On the Record Types page, click the **List** link for **EITF-08–01 Preferences**.

   2. Click **Edit** next to Transaction is Allocation Bundle.

   3. Change the Preference Name to **Transaction is EITF-08-01**.

   4. Click **Save**.

4. Disable display for Preference Name:

   1. On the Record Types page, click **EITF-08-01 Preferences**.

   2. On the **Fields** subtab, click **Preference Name**.

   3. On **Display** subtab, change Display Type to **Disabled**.

   4. Click **Save**.

To add Quantity Internal ID preference:

1. Go to Customization > Lists, Records & Fields > Record Types.

2. Enable display for **Preference Name**, **Preference Script ID**, and **Preference Field ID**:

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1. On the Record Types page, click **EITF-08-01 Preferences**.
2. On the **Fields** subtab, click **Preference Name**.
3. On the **Display** subtab, set Display Type to **Normal**, and then click **Save**.
4. Repeat the steps for **Preference Script ID** and **Preference Field ID**.

3. Add a new preference for EITF-08-01 Preferences:
   1. On the Record Types page, click New Record for **EITF-08-01 Preferences**.
   2. Add a new preference with the following information:
      - Preference Name: Quantity Internal ID
      - Preference Value: quantity
      - Preference Script ID: custscript_eitf81_cs_item_qty_id
      - Preference Field ID: custpage_eitf81_cs_item_qty_id
   3. Click **Save**.

4. Disable display for **Preference Name**, **Preference Script ID**, and **Preference Field ID**:
   1. On the Record Types page, click **EITF-08-01 Preferences**.
   2. On the **Fields** subtab, click **Preference Name**.
   3. On the **Display** subtab, set Display Type to **Disabled**, and then click **Save**.
   4. Repeat the steps for **Preference Script ID** and **Preference Field ID**.

5. Click **Save**.

Using Sales Order Revenue Forecasting

The Sales Order Revenue Forecasting feature enables you to forecast revenue based on sales order and return authorization amounts. A revenue forecast that uses sales orders gives a more complete picture because it includes all orders whether they are billed, unbilled, or use multiple invoices.

If you use the Sales Order Revenue Forecasting feature with the Project Management feature (formerly called Advanced Projects), you can forecast revenue from variable schedules, such as revenue from projects, on sales orders and return authorizations. See Forecasting Project Revenue.

This feature allows the inclusion of sales order and return authorization data in revenue forecast reports, enhancing visibility into future revenue streams. When this feature is enabled, the following additional reports are available:

- Sales Order Revenue Forecast Summary Report
- Sales Order Revenue Forecast Detail Report

Based on the information provided in these reports, your company could take corrective action before the end of an accounting period, such as adjusting marketing campaigns, sales compensation plans, and discount strategies. Because these reports provide transaction line detail, they also allow you to analyze sales activity by customer and product.

Note that the Revenue Recognition feature must first be enabled for Sales Order Revenue Forecasting to be available. For information about the Revenue Recognition feature, see Using Revenue Recognition. For information about enabling revenue features, see Enabling the Revenue Recognition Feature.

When the Sales Order Revenue Forecasting feature is enabled:

- The revenue recognition schedules list includes schedules from both posting transactions, such as invoices, and from non-posting transactions, such as sales orders and return authorizations.
- The same revenue recognition templates used for posting transactions can be used for non-posting transactions.
- Some fields that show on schedules for posting transactions do not appear on schedules for non-posting transactions, including: Journal, Date Executed, Is Recognized, Status, and Total Recognized.
- Sales order schedules do not appear on the Create Revenue Recognition Journal Entry page because they do not impact the general ledger and cannot be linked to a journal.

For general information about working with revenue recognition, see:

- Creating Revenue Recognition Templates
- Working with Revenue Recognition Schedules
- Working with Revenue Recognition Journal Entries

Forecasting Project Revenue

If you use the Sales Order Revenue Forecasting feature with the Project Management feature, you can forecast revenue from variable schedules, such as revenue from projects, on sales orders and return authorizations. Forecasting project revenue gives you insight into projected revenue that will be recognized in the future for each project.

For example, you want to view the revenue forecast for the current fiscal year. Some revenue is associated with variable schedules on Projects that are in various states of completion. By associating each project with a revenue recognition template, project revenue can be forecasted based on the schedule produced by the associated template.

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To forecast project revenue, each project must be associated with a standard revenue recognition template. Revenue can then be forecasted based on that schedule. See Associating a Revenue Recognition Forecast Template with a Project.

Associating a Revenue Recognition Forecast Template with a Project

To create a sales order forecast for a project, you must link a revenue recognition forecast template with a project and set the Estimated End Date or Actual End Date on the job record. The Calculated End Date that appears on the Standard Job Form is not used for revenue forecasts. To add fields for estimated or actual end dates, you customize the job form.

The Sales Order Revenue Forecasting and Project Management features must both be enabled.

To add an end date to a custom job form:

1. Go to Lists > Relationships > Jobs > 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**.
5. Clear the box for **Calculated End Date**, and click **Save**.

   This adds a **Custom Form** field to the Job 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 Job Form.

To associate a template with a project:

1. Go to Lists > Relationships > Jobs.
2. Click **Edit** next to the project.
3. On the project record, verify that the **Start Date** and **Estimated End Date** are entered.
4. Click the **Financial** subtab.
5. In the **Rev Rec Forecast Template** field, select the template to associate with this project.

   The template selected in this field is used to forecast revenue for the project.

   If the value selected in the **Billing Type** field is **Fixed Bid, Milestone**, some revenue recognition templates may not be suitable. Do **not** select a template that has either of these term sources: Billing Schedule, Transaction Date on Sales Order or Billing Schedule, Rev Rec Date on Sales Order.
6. Click **Save**.

To create a private forecast template:

You can now create a private revenue recognition forecast template on a project that is specific to that project only.

- When a project uses a **private** revenue recognition forecast template, you can modify the forecast template and affect the forecast for that specific project only.
- When changes are made to **public** templates, all projects associated with the template are affected if you mass update the schedules.

On a project record, click the ⊞ icon next to the Rev Rec Forecast Template field to create a new template in a new window. On the template, select one of the following:

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- Check the **Public** box to allow this forecast template to be used on any project. A public template appears on all projects.
- Clear the **Private** box to limit use of this forecast template to this project. A private template appears only on the project from which it is created.

You can also opt to use an existing public template. For more information on creating revenue recognition templates, read Creating Revenue Recognition Templates.

In order for a forecast schedule to be created for a project, all of the following conditions must be met:

- A project must be associated with the sales order, either in the header or on individual lines.
- Applicable sales order lines must be associated with variable revenue recognition templates.
- The associated project must have a template specified in the Rev Rec Forecast Template field.
- Both a start date and end date must be set on the project. These are the dates used for revenue forecasting, not the start and end dates entered on the sales order.

When these conditions are met, a revenue recognition schedule is created and appears only on sales order forecast reports. These schedules are non-posting and do not affect your general ledger.