Amortization Guide

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Amortization: Expense Recognition

NetSuite offers both revenue and expense recognition features. For information about current revenue recognition features, see Advanced Revenue Management.

The Amortization feature manages expense recognition. It lets you record expenses independently from receiving bills and making payments, so you can defer expenses and spread their impact across multiple future time periods. When amortization is enabled, you create amortization templates that use standard or custom amortization methods and associate these templates with items or transactions.

When a NetSuite user enters a purchase transaction, an amortization schedule is generated to recognize expenses based on the template associated with the item or transaction. The schedule enables you to post the appropriate journal entries to the general ledger to record expenses in future periods. For example, if your company must pay for an annual software license before the license period begins, you can spread recognition of the license expenses throughout the following year.

This guide contains the information you need to use the Amortization feature.

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Expense Amortization

The Amortization feature enables you to record the general ledger impact of item purchases and expense charges across multiple future periods. The Accounting Periods feature must be enabled before the Amortization feature can be enabled.

The process for amortizing expenses is similar to, and may be used in conjunction with, deferred revenue recognition methods. For more information, see the help topics Using Revenue Recognition and Advanced Revenue Management (Essentials) and (Revenue Allocation).

When Amortization is enabled, NetSuite automatically adds a default account with a type of Deferred Expense to the Chart of Accounts because at least one account of this type is required for the feature. NetSuite does not differentiate between prepaid expense and deferred expense. Accounts of the type Deferred Expense are included as Other Current Assets on the balance sheet. You can create additional Deferred Expense accounts as needed. For more information about enabling this feature and setting associated preferences, see Setup for Amortization.

> ⚠️ **Important:** When the Amortization feature is enabled, you should make change to expenses on purchase transactions by using vendor credits rather than changing the original transaction. This preserves your historical data and audit trail. See Vendor Credit Amortization Example and Setting an Amortization Template on a Vendor Credit Line Item.

After Amortization has been enabled, you can create amortization templates that indicate how to post expenses from associated items and expenses. 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. See Amortization Templates.

To amortize costs for an item on a bill or bill credit, an amortization template must be associated with the item and a deferral account must be specified on the item record or on the template. You can set an amortization template on an item record. This template becomes the default for the item on all bills and credits. You also can associate an amortization template with an item on the item line of bill or credit to apply only to that specific item purchase. See Configuration for Amortization.

To amortize costs for an expense, an amortization template must be associated with the expense line item on the transaction record, and a deferral account must be specified on the account record or on the template used. See Associating Amortization Templates with Expenses.

Amortization schedules are generated for vendor bills and credits containing items or expenses that have associated amortization templates. Each schedule indicates for an item sale the posting periods in which expenses should be recognized and the amount to be recognized in each period. See Amortization Schedules.

Amortization schedules provide a basis for the generation of journal entries that record the impact of amortized items and expenses. When you enter a vendor bill, the bill item amounts post directly to an expense account except for items associated with amortization templates. For information about vendor bills without amortization, see the help topic Vendor Bills. When an amortization template is linked, the expense amount is deferred by posting to a deferred expense account. The amount is later recognized as an expense by moving it out of the deferral account and into a regular expense account using general journal entries at scheduled intervals. NetSuite provides a user interface where you can generate all journal entries required for amortization for a selected posting period. See Amortization Journal Entries.

You can also link an amortization template to a manual journal entry to create an amortization schedule for the journal entry. For instructions to do this, see the help topic Making Journal Entries.

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

In U.K. editions, use a foreign currency amortization schedule to amortize the foreign currency amounts of transactions rather than the base currency amounts. Create journals using the historical transaction exchange rates. See Foreign Currency Amortization.

NetSuite provides amortization reports. See Amortization Reports.

Setup for Amortization

Complete the following tasks to set up the Amortization feature:

- Enabling the Amortization Feature
- Setting Amortization Preferences
- Enabling Auto-Numbered Amortization Schedules
- Specifying Deferral Accounts for Amortization

After you have set up the Amortization feature, the next step is to create the amortization templates used to generate amortization schedules for item purchases. See Amortization Templates.

Enabling the Amortization Feature

To use the Amortization feature, the Accounting Periods feature must be enabled because accounting periods are used for amortization schedules. Accounting periods must be set up for the complete range of time covered by your amortization schedules. In addition, amortization requires one ore more deferred expense accounts.

The Amortization feature also may be used in conjunction with the Revenue Recognition feature and other revenue features.

To enable amortization:

1. Go to Setup > Company > Setup Tasks > Enable Features (Administrator).
2. Click the **Accounting** subtab, ensure the **Accounting Periods**, **Amortization**, and any other desired feature boxes are checked, and click **Save**.
3. Ensure that one or more deferred expense accounts are set up as needed.

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

   To view the automatically created account or to create additional accounts, go to Lists > Accounting > Chart of Accounts.
4. Ensure that accounting periods are set up for the range of time your amortization schedules will cover, at Setup > Accounting > Manage Accounting Periods.

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

Setting Amortization Preferences

After the Amortization feature has been enabled, you can set amortization preferences.

To set the amortization accounting preferences:

1. Go to Setup > Accounting > Accounting Preferences.
2. Click the General subtab.
3. Set the following preferences as desired:

   In the Revenue Recognition section:

   - **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.

     If you clear this box, you must enter the percentage of project completion for amortization manually 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.

   In the Amortization section:

   - **Allow Users to Modify Amortization Schedule** – Check this box to allow changes in the total amount on an amortization schedule after it is initially created. The total amount of the schedule must always equal the purchase amount of the related line item. Only amounts that have not yet been recognized can be changed.

     Clear this box if you prefer that amortization schedules not be changed after they are created.

   - **Allow Foreign Currency Amortization Schedules** – (Available only in NetSuite U.K. editions) Check this box to be able to create amortization schedules using the foreign currency amounts instead of base currency amounts. For information about foreign currency amortization, see Foreign Currency Amortization.

   - **Default Amortization Journal Date To** – Set the default posting date of amortization journal entries on the Create Amortization Journal Entries page as follows:

     - **Last Day of Period** – The date defaults to the last day of the period you select in the Posting Period field.
     - **Current Date** – The date defaults to the current date.

     Default Amortization Journal Entry Form – Select the journal entry form to use for amortization journal entries. The options are Standard Journal Entry plus any custom journal entry forms created during implementation.

   - **Number of Short-Term Expense Periods** - Enter the number of short-term expense periods to include in the Deferred Expense Waterfall report. Integers from 0 through 52 inclusive are valid values. The default is 12.

4. Click **Save**.

Enabling Auto-Numbered Amortization Schedules

When you use the Amortization feature, you can choose to automate the numbering of amortization schedules. This enhances your ability to audit deferred and forecasted expenses.

To enable auto-numbering for revenue recognition schedules:

1. Go to Setup > Company > Setup Tasks > Auto-Generated Numbers.
2. Click the **Schedules** subtab.
3. Check the **Enable** box next to **Amortization Schedule**.
4. Enter the appropriate information in each column:

- Prefix
- Suffix
- Minimum Digits
- Initial Number
- Current Number

When auto-generated numbering is enabled, amortization 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.

Specifying Deferral Accounts for Amortization

Deferred expenses must be posted to a deferral account until they are shifted to an expense account by amortization journal entries based on the amortization schedule. Without a deferral account specified, amortization is not possible. Accounts of the type Deferred Expense are included as Other Current Assets on the balance sheet.

For an item, a deferral account must be specified either on the item record or on the associated template record. Costs for this item on a vendor bill or credit can then be amortized if the item has an associated amortization template on the item record or transaction line.

For an expense charge, a deferral account must be specified on the expense account record or the associated template record. Costs for an expense line on a vendor bill or credit can then be amortized if the expense has an associated amortization template on the transaction line.

> ⚠️ **Important:** The deferral account specified in an amortization template takes precedence over a deferral account specified in an item record and over a deferral account specified in an expense account record.

If you change the deferral account, the change applies only to new amortization schedules. Existing amortization schedules and amortization journal entries do not change.

> ℹ️ **Note:** Use GL Impact to view the deferral account posted for a transaction line. On the transaction, the expense line displays the target account.

Specifying a Deferral Account on an Amortization Template

For information about specifying a deferral account in an amortization template, see Amortization Template Term Reference and Creating Amortization Templates.

Specifying a Deferral Account on an Item Record

You can specify a deferral account on an item record in the Deferred Expense Account field on the Accounting subtab. Only the following types of items support amortization:

- Non-inventory Item for Purchase/Resale
- Other Charge for Purchase/Resale
- Service for Purchase/Resale

To specify the deferral account on an 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 in the **Deferred Expense Account** field.
3. Click **Save**.

For other steps required to configure an item for amortization, see Setting an Amortization Template on an Item Record.

Specifying a Deferral Account on an Expense Account

You can specify a deferral account on Expense, Other Expense, and Cost of Goods Sold types of general ledger accounts.

To set up a general ledger account for amortization expense:

1. Go to Lists > Accounting > Accounts.
2. In the Chart of Accounts page, click **Edit** next to the account you want to set up.
3. In the **Deferral Account** field, select the deferred expense account you want to use.
4. Click **Save**.

Now, when this expense account is used, amounts are deferred to the appropriate account.

Amortization Templates

After the Amortization feature has been enabled, you can create multiple templates to define expense deferral terms. These templates are used to generate amortization schedules that determine how costs from associated items and expenses should be posted.

The Lists permission Amortization Schedules controls access to amortization templates. For more information, see the help topic Access Levels for Permissions.

- For details and examples of the choices available for templates, see Amortization Template Term Reference.
- For steps for creating a new template, see Creating Amortization Templates.

After templates have been created, you can associate them with items and expenses.

- You can select a default amortization template for an item on its item record. You also can associate an amortization template with an item for a specific transaction only by selecting it on the transaction item line. See Configuration for Amortization.
- You can associate an amortization template with an expense for a specific transaction by selecting it on the transaction expense line. See Associating Amortization Templates with Expenses.

Amortization Template Term Reference

Amortization templates provide the basic terms used to generate amortization schedules. You should review the following descriptions to get a good understanding of amortization terms before you begin to define them:

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- [Amortization Template Types](#)
- [Amortization Methods](#)
- [Amortization Term Source](#)
- [Amortization Accounts](#)
- [Amortization Period](#)
- [Amortization Period Offset and Start Offset](#)
- [Amortization Residual](#)
- [Amortization Initial Amount](#)

You set these terms on the Amortization Template page at Lists > Accounting > Amortization Templates > New. All amortization templates are public templates.

For steps to follow to create each amortization template, see Creating Amortization Templates.

For information about how amortization posting occurs, see Amortization Schedules.

Amortization Template Types

Two types of templates are available:

- **Standard** – Select this type for most templates. This type requires you to enter a recognition Method and Term Source for the template.

- **Variable** – Select this type to use this template for percent-complete expense recognition for service items that are part of projects. A variable amortization schedule amortizes 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 Amortization for Projects.

> **ⓘ Note:** If you select a type of Variable, you cannot set the following template fields: Method, Term Source, Amortization Period, Period Offset, Start Offset, and Initial Amount. Variable amortization scheduled do not include forecast amounts.

Amortization Methods

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

Straight-Line Amortization Methods

The following straight-line methods are available:

- **Straight-line, by even periods** – amortizes expenses evenly for each period. Currency 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** – amortizes 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 –** amortizes 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 expenses based on the proportional period amount.

For examples of how expenses are recognized using straight-line methods, see Straight-Line Amortization Method Examples.

Custom Amortization Methods

If you select a Method of Custom, you can define amortization terms that can include uneven periods, amounts, and multiple expense accounts.

For example, a custom schedule may be defined as:

- 1st period – 40% of expense posts to expense account 6000, 10% to account 6001
- 2nd period through 6th period – 10% of expense to posts to account 6002

When you select Custom in this field, you define amortization terms by entering information in the columns at the bottom of the page:

- **Account** – the expense account you want to post deferred expenses into.
- **Period Offset** – the number of periods to postpone the start of the amortization schedule for this line. The first period to recognize has an offset of zero.

  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 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 expense amount to recognize as a percentage or a currency value.

Amortization Term Source

The Term Source controls how the amortization period is determined. Select from the following:

- **Transaction Date** – sources the date specified in the originating transaction, such as a vendor bill.
- **Receipt Date** – sources the receipt date on bills associated with an item receipt, using the receipt date as the amortization start date. The receipt date is used generally for fixed assets entered on vendor bills.

  For example, you could set up the following term source amortization:

  - On 1/1/2006, you enter a bill for a $3600 computer. You set an amortization period of 36 months and a period offset of 1 month. Amortization start or end dates are ignored.
  - On 2/1/2006, the computer on the purchase order is received into inventory.
  - On 3/1/2006, amortization begins.

  > ⓘ **Note:** If you select Receipt Date as the term source for a template but no receipt exists, for example when billing in advance, then NetSuite uses the transaction date to determine the amortization period.

Amortization Accounts

The following types of accounts are used for amortization:

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- **Deferral Account** - the Deferred Expense type account used to post the prepaid expense to be amortized or the initial cost of an asset to be depreciated. If you leave this field blank on a template, the deferred expense account specified on the transaction is used. See Specifying Deferral Accounts for Amortization.

  If you select a GL account, NetSuite overrides the expense account shown on the transaction and posts to the account selected on the template.

- **Contra Account** - the account that accumulates amortized balances. This account is used most often for depreciated expenses.

- **Target Account** - the account used to record amortized expenses over time. If you leave this field blank on a template, the expense account specified on the transaction is used. Select a specific GL account on the template to override the expense account shown on the transaction or item record.

Amortization Period

The Amortization Period is the number of periods over which the amount should be amortized. For example, you can enter 60 to amortize the amount over 60 periods starting from the amortization start date.

The starting period is specified by the amortization start date on the transaction. If no amortization start date is specified, the posting date of the transaction is the amortization start date.

If an amortization end date is indicated on the transaction, you do not need to complete this field.

Amortization Period Offset and Start Offset

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

- **Period Offset** moves the entire amortization period ahead by the number of periods you specify, 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 expenses. This can be useful for services you purchase that have a probationary or trial period.

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

  To use a start offset, you specify the number of periods to skip before the start of the amortization 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.

  For example, to begin amortization in the third month of a 12–month schedule, enter 2 for the Start Offset. The number of periods in the schedule is reduced by the start offset value.

Amortization Residual

The residual is the amount or percentage to remain in the deferral account and not be amortized. A residual amount generally represents the salvage value of a fixed asset.

For example, you entered a $1400 bill for a new computer. The computer is set to amortize the expense as follows:

- Method = Straight-line, by even periods
- Amortization period = 12 months
- Residual = $200

This results in the following amortization schedule:

Period	Amortization Amount	Deferral Account Balance (Fixed Asset)	Debit Target Account Balance (Depreciation Expense)	Credit Contra Account (Accumulated Depreciation Expense)	Credit Contra Account Cumulative Balance
1		1400			
2	100	1300	100	100	100
...	...	...	...	...	...
12	100	200 (residual)	100	100	1200

> **Note:** A residual amount entered on a transaction overrides a residual amount entered on an item record.

Amortization Initial Amount

The initial amount is a percentage or fixed currency amount to be amortized in the first amortization period. After the initial amount, the remainder to be amortized is recognized according to the amortization schedule.

For example, you have contracted with a vendor who will recognize 25% of a $1200 item immediately.

- Initial amount = 25%, or $300.
- Method = Straight-line, by even periods
- Amortization period = 12 months

The amortization of the remaining $900 is recognized at $75 per period over the remainder of the schedule:

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

Straight-Line Amortization Method Examples

When a straight-line method is used, purchase expenses are amortized over the scheduled term based on the start date, end date, and method chosen. The start date and end date are included in the amortization term.

Amortization examples in this section are based on a vendor bill that shows following:

- Amortization start date 20 August

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- Amortization end date 19 December of the same year
- Four items purchased for $400.00 each, for a total bill of $1,600
- Each item line has a different amortization template associated with it, but the start and end dates are the same.

Saving the vendor bill creates four amortization schedules, each to amortize $400.00 over full four periods from August through December inclusive. When you count the number of periods that have amortization amounts, the total is five periods, but two are partial periods. The method set on the amortization template for each line determines the amounts amortized during each period.

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

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

Straight-line, by even periods

This method divides the expense from the purchase amount evenly across all periods, even partial periods. Amounts are not prorated based on the number of days in any period.

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

Straight-line, prorate first & last period

This method amortizes 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.

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

Period	Expense	Calculation
August	$39.34	12 ÷122 × $400 = $39.45
September	$99.45	$298.35 ÷ 3 = $99.45
October	$99.45	$298.35 ÷ 3 = $99.45

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Period	Expense	Calculation
November	$99.45	$298.35 ÷ 3 = $99.45
December	$62.31	19 ÷122 × $400 = $62.31
Total	$400.00	

> ⓘ **Note:** If rounding is required for amounts when using the Straight-line, prorate first & last period method, then the rounding difference is added to the next to the last period.

Straight-line, using exact days

This method amortizes 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 full amortization period is 122 days, which is $3.278689 per day.

- The first partial period is prorated for 20 August through 31 August, 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 partial period is prorated for 1 December through 19 December, or 19 days.

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

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

This method determines the full number of periods in the schedule and allocates expenses based on the proportional period amount. The example has four full periods, and the amount per period is $100.

Period	Note	Calculation	Expense
August	12 is the number of days from 20 August to 31 August inclusive.	12 days ÷ 31 days × $100	$38.71
September			$100.00
October			$100.00
November			$100.00
December	19 is the number of days from 1 December through 19 December inclusive	19 days ÷ 31 days × $100	$61.29

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Period	Note	Calculation	Expense
Total			$400.00

Creating Amortization Templates

An amortization template defines the terms of the amortization schedule created by the purchase of an item. For information about the fields in an amortization schedule, see Viewing an Amortization Schedule.

For details and examples of the choices available for templates, see Amortization Template Term Reference.

The Lists permission Amortization Schedules controls access to amortization templates. For more information, see the help topic Access Levels for Permissions.

To define an amortization template:

1. Go to Lists > Accounting > Amortization Templates > New.
2. On the Amortization 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** (used for most templates) or **Variable** (used for percent-complete recognition when the Project Management feature is enabled).
4. In the **Method** field, select a method to set the terms to post the expense from the net purchase amount.

   - For descriptions of the available methods, see Amortization Methods.
   - For examples of how straight-line methods work, see Straight-Line Amortization Method Examples.
   - If you select **Custom**, you must manually specify accounts, posting periods and amounts in the columns at the bottom of the page.

     1. **Account** – select the target expense account to which you want to post deferred expenses.
     2. **Period Offset** – specify the number of periods to postpone the start of the amortization schedule for this line. The first period to amortize has an offset of zero.
     3. **Amount** – enter the expense amount to recognize, as a percentage or a currency value.
     4. Click **Add**.
     5. Repeat these substeps to define additional terms for this custom method.

     These fields are accessible only if you select **Custom** in the **Method** field.
5. Select a **Term Source** to control how the amortization period is determined.

   For information about the choices for **Term Source**, see Amortization Term Source.
6. Check the **Use Transaction Currency** box if you want to use the foreign currency of a transaction, not your base currency, to generate the amounts on the amortization schedule. This box is part of foreign currency amortization and is available only in NetSuite U.K. editions.

   For information about foreign currency amortization, see Foreign Currency Amortization.
7. In the **Deferral Account** field, select a Deferred Expense type account for posting.

   Deferral accounts also can be specified in item and expense account records. See Specifying Deferral Accounts for Amortization.

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8. In the **Contra Account** field, select the account that accumulates amortized balances. This account is most often used for depreciation schedules.

9. In the **Target Account** field, select the account where the expense is amortized over time. Select **Default** to use the expense account indicated on either the transaction or item record.

10. In the **Amortization Period** field, enter the number of periods over which the amount should be amortized. For example, you can enter **60** to amortize the amount over 60 periods starting from the amortization start date.

    For examples of how the amortization period value works, see Amortization Period.

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

    - **Period Offset** moves the entire amortization 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 amortization. This changes the number of periods and keeps 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, see Amortization Period Offset and Start Offset.

12. In the **Residual** field, enter an amount or percentage to remain in the deferral account and not be amortized. A residual amount generally represents the salvage value of a fixed asset.

    A residual amount entered on a transaction overrides a residual amount entered on an item record.

13. 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.

    For more information, see Amortization Initial Amount.

14. 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 > Amortization Templates, and check the **Show Inactives** box.

15. All amortization templates are public templates which means they are available to all users, items, and expenses.

16. Click **Save**.

Now, this template can be used to defer expenses by associating the template with an item you purchase. This can be done on an item record or on a purchase transaction. See Configuration for Amortization.

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

Configuration for Amortization

Amortization templates can be used to generate amortization schedules for items purchased based on the association of templates with items.

You can associate an amortization template with the following item types:

- Non-Inventory for Purchase/Resale
- Other Charge for Purchase/Resale
- Service for Purchase/Resale

You can associate an amortization template with an item on the item record to make it the default on all transactions. When the item is entered on a purchase transaction, the associated template autofills on the transaction line. The template can be changed as necessary for specific transactions. See Setting an Amortization Template on an Item Record.

Amortization is supported for the following types of transactions:

- **Vendor Bill** – Item lines on a bill can use the default amortization templates from item records, or you can select templates on the bill transaction. See Setting an Amortization Template on a Vendor Bill Line Item.
- **Vendor Credit** – Item lines on a credit can use the default amortization templates from item records or can inherit the amortization templates from the bill that generates the credit. You can also select templates on the credit transaction. Setting an Amortization Template on a Vendor Credit Line Item.

To amortize the costs of an item, a deferral account must be specified on the item record or amortization template record. If both records have deferral accounts, the template's deferral account is used. See Specifying Deferral Accounts for Amortization.

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

- **Expenses are deferred** – The expense amount is posted to a deferred expense account, not to a standard expense account.
- **An amortization schedule is created** – Expense amounts are scheduled to be recognized across periods based on the terms defined by the template.

⚠️ **Important:** A deferred expense account must be specified for amortization to be supported. Deferral accounts can be specified in item records, amortization templates, and expense account records. See Specifying Deferral Accounts for Amortization.

Setting an Amortization Template on an Item Record

You can set an amortization template on an item record. This template becomes the default for all purchases of the item.

To set up amortization on an item record:

1. Go to Lists > Accounting > Items, and click **Edit** next to an item.

   Only the following types of items can use amortization: Non-Inventory for Purchase/Resale, Other Charge for Purchase/Resale, and Service for Purchase/Resale.

2. In the item record, click the **Accounting** subtab, and select an account in the **Deferred Expense Account** field.

   This enables the purchase amount to be posted to a deferred expense account instead of a standard expense account.

   Deferral accounts also can be specified in amortization template records. See Specifying Deferral Accounts for Amortization.

3. Click the **Revenue Recognition / Amortization** subtab and complete the following fields:

   a. Select a template in the **Amortization Template** list.

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This template is used by default on transactions. You can select a different template when you create the transaction.

b. In the **Residual** field, enter an amount or percentage to remain in the deferral account and not be amortized. A residual amount generally represents the salvage value of a fixed asset.

A residual amount entered on a transaction overrides a residual amount entered on an item record.

c. In the **Amortization Period** field, enter the number of periods over which the purchase amount should be amortized. For example, enter **60** to amortize the amount over 60 periods starting from the amortization start date.

The starting period is specified by the amortization start date on bills. If no amortization start date is specified, the posting date of the bill is the amortization start date.

4. Click **Save**.

The item defaults to use the assigned template to generate an amortization schedule when it is billed or credited. You can change the amortization template on individual transaction lines. See Setting an Amortization Template on a Vendor Bill Line Item and Setting an Amortization Template on a Vendor Credit Line Item.

Setting an Amortization Template on a Vendor Bill Line Item

When you enter a vendor bill, you can select amortization templates for items. You can modify the default template set in the item record or select a template when no default is available.

You cannot select an amortization template for a vendor bill line derived from purchase order line with an accrual. The amortization settings are disabled for these lines on the vendor bill.

To associate an amortization template with an item on a vendor bill:

1. Go to Transactions > Payables > Enter Bills.
2. Under Primary Information, select values for the fields as needed.
3. On the **Items** subtab, select an item.
4. In the **Amort. Schedule** column, select the appropriate template from the dropdown list.

   A deferral account must be specified on either the template or the item record. See Specifying Deferral Accounts for Amortization.

   If you select a variable template, you must also select the associated project in the **Customer** column dropdown list.
5. Enter an amortization start and end date, if needed.

   You must create accounting periods for the range of time your amortization schedules will cover, or an error will occur when you save the transaction. See the help topic Accounting Period Management.

   You also will encounter an error if the start or end date is before the posting period selected for the transaction.
6. Enter the residual amount not to be recognized if needed.
7. Enter additional information as needed for this line item.
8. Click **Add**.
9. Repeat the steps on the **Items** subtab for additional items as needed.
10. Click **Save**.

The item on the bill associated with an amortization template posts to a deferred expense account instead of a regular expense account.

You can customize a transaction form to use a specific template for all items on the transaction. To do so, click **Customize** on the form.

Setting an Amortization Template on a Vendor Credit Line Item

To create a vendor credit, you can enter an individual vendor credit transaction or generate a credit from an existing vendor bill. You can select amortization templates for items when you enter a credit.

On a generated credit, items inherit amortization templates from the related bill; these inherited templates cannot be edited. You can add templates for items that did not have them on the bill, and add items with templates, to a generated credit.

> ⚠️ **Important:** When using amortization, you should change expenses on purchase transactions using vendor credits rather than changing the original transaction. This preserves your historical data and audit trail. For an example, see Vendor Credit Amortization Example.

To associate an amortization template with an item on a vendor credit:

1. Go to Transactions > Purchases/Vendors > Enter Vendor Credits.
2. Under Primary Information, select values for the fields as needed.
3. On the **Items** subtab, select an item.
4. In the **Amort. Schedule** column, select the appropriate template.

   A deferral account must be specified one either the template or the item record. See Specifying Deferral Accounts for Amortization.

   If you select a variable template, you must also select the associated project in the Customer column dropdown.
5. Enter an amortization start and end date, if needed.

   An error occurs if either of these dates is in an accounting period that is not yet set up. You must create accounting periods for the range of time your amortization schedules will cover. See the help topic Accounting Period Management.

   An error also occurs if either of these dates is before the posting period selected for the transaction.
6. Enter the residual amount not to be recognized if needed.
7. Enter additional information as needed for this line item.
8. Click **Add**.
9. Click **Save**.

Now, the item is associated with the amortization template for this vendor credit. When the transaction is saved, an amortization schedule is created.

A vendor credit created from an existing bill retains the bill's amortization settings and posts to accounts appropriately. The deferred expense is debited, the expense account is credited and the amortization dates from the bill autofill on the vendor credit.

To generate a credit directly from an existing vendor bill:

1. To generate a credit from a bill, go to Transactions > Purchases/Vendors > Enter Bills > List, and click **View** beside a bill

2. In the vendor bill record, click **Credit**.

3. Verify that an amortization template appears in the **Amort. Schedule** column for the line and other information is correct.

4. Click **Save**.

> (i) **Note:** If amounts are set to be posted to periods that have closed between the posting date of the vendor credit and the **Amortization Start Date**, these amounts post to the oldest open period.

Vendor Credit Amortization Example

When using amortization, you should change expenses on purchase transactions using vendor credits rather than changing the original transaction. This preserves your historical data and audit trail.

When an item on a vendor credit is associated with an amortization template, expense recognition that has occurred is backed out of deferral accounts and expense accounts according to the schedule.

For example, a bill is created for $1200 and spans 12 amortization periods. $1200 posts to the deferred expense account when the vendor bill posts. Then, after the first period is over, $100 is removed from the deferred expense account and moved to the appropriate expense account.

Next, you enter a vendor credit for the $1100 that is still deferred and not yet posted to the expense account. The $1100 credit spans the remaining 11 amortization periods from the original bill.

In the second amortization period, the $1100 is backed out of the deferred expense account. For the remainder of the bill term, one time each period an amortization journal entry debits and credits the expense account for $100, with a net effect of $0.

Associating Amortization Templates with Expenses

Amortization templates can be used to generate amortization schedules for expenses, based on the association of templates with expense lines on vendor bills and credits.

You can select amortization templates for expense lines on vendor bill and vendor credit transactions. To amortize an expense line, a deferral account must be specified on the expense account record or the amortization template record. If both records have deferral accounts, the template's deferral account is used. See Specifying Deferral Accounts for Amortization.

To associate an amortization template with a transaction expense line:

1. Do one of the following:
   - For vendor bills, go to Transactions > Payables > Enter Bills.
   - For vendor credits, go to Transactions > Payables > Enter Vendor Credits.

2. Under Primary Information, select a **Vendor**, and select values for other fields as needed.

3. On the **Expenses** subtab, select an expense account and an amount.

4. In the **Amort. Schedule** column, select the appropriate template.

   A deferral account must be specified one either the template or the item record. Since expense lines do not include items, be sure to select an amortization template that specifies a deferral account. See Specifying Deferral Accounts for Amortization.

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

5. Enter an amortization start and end date, if needed.

   An error occurs if either of these dates is in an accounting period that is not yet set up. You must create accounting periods for the range of time your amortization schedules will cover. See the help topic Accounting Period Management.

   An error also occurs if either of these dates is before the posting period selected for the transaction.

6. Enter the residual amount not to be recognized, if needed.

   The following screenshot of a portion of a vendor bill shows the required fields to associate an amortization template with an expense line. The layout of a vendor credit is similar.

7. Enter additional information as needed for this line item.

8. Click **Add**.

9. Repeat steps 3-8 for additional items as needed.

10. Click **Save**.

> **Note:** This process is basically the same when you generate a credit directly from a vendor bill, except that any amortization information set for expense lines on the bill is inherited by the credit and cannot be changed.

Amortization Schedules

After the Amortization feature has been set up, amortization schedules are generated for purchase transactions containing items or expense lines that have associated amortization templates. Each schedule indicates the posting periods in which expenses should be recognized, and the amount to be recognized in each period.

An amortization schedule is generated when the purchase transaction is saved. If you are using approval routing for vendor bills, the amortization schedule is not created until the bill is approved. The only way to delete an amortization schedule is to remove the line that has an amortization schedule from the transaction.

> **Note:** You cannot delete a schedule that has associated journal entries. If you need to delete a schedule that has posted journal entries associated with it, you must delete the journal entry before you can delete the schedule.

The amortization schedule is not a transaction and does not post to the general ledger. The schedule details the expense amounts that will post and when they will post to recognize deferred expenses over time. The amortization posting occurs when you generate amortization journal entries. See Amortization Journal Entries.

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You cannot generate an amortization schedule for a vendor bill line derived from a purchase order line with an accrual. The amortization settings are disabled for these lines on the vendor bill.

Amortization schedules determine the journal entries that need to be generated to record the impact of purchased items and expenses. For each posting period, NetSuite provides a list of journal entries required to recognize expenses. See Amortization Journal Entries.

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

The Lists permission Amortization Schedules controls access to amortization schedules. For more information, see the help topic Access Levels for Permissions.

See the following for information about working with amortization schedules:

- Reviewing the Amortization Schedules List
- Viewing an Amortization Schedule
- Editing an Amortization Schedule
- Mass Updating Amortization Schedules

Reviewing the Amortization Schedules List

The Lists permission Amortization Schedules controls access to amortization schedules. For more information, see the help topic Access Levels for Permissions.

To view a list of amortization schedules:

Go to Lists > Accounting > Amortization Schedules.

The Amortization Schedules page lists all active amortization 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 amortization status can be one of the following:
  - **Not Started** – No expenses have yet been recognized.
  - **In Progress** – Some expenses have been recognized, but not all.
  - **Complete** – All expenses have 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** – 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 Amortized** – 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:

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- **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.

You can select filters to limit the schedules showing in the list. Filter the list by the following:

- Posting Period
- Status
- Transaction Type

Viewing an Amortization Schedule

You can view detailed information for each amortization schedule.

The Lists permission Amortization Schedules controls access to amortization schedules. For more information, see the help topic Access Levels for Permissions.

To view an amortization schedule:

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

> **ⓘ Note:** You can also view an amortization schedule from the purchase transaction that created it. On the transaction, on the **Expenses** or **Items** subtab, in the **Amort. Schedule** column, click **View** to open the schedule.

When you view an individual schedule, this header information applies to all lines:

- **Name** – Shows the name of the schedule. This is the same as the template name by default, but can be changed.
- **Created From** – Shows the transaction type that the schedule was created from.

  If you click this link to open the transaction, the line that generated the schedule is highlighted.
- **Template** – Shows the name of the template that created the schedule.
- **Type** – Identifies whether the schedule is Standard or Variable.
- **Method** – Identifies the method used to set amortization terms for the expense.
- **Term Source** – Shows how the recognition period is determined, from either the transaction date or the receipt date.
- **Start Date** – Shows the date expense recognition begins for this schedule.

  The starting period is specified by the recognition start date on bills. If no recognition start date is specified, the posting date of the bill is the recognition start date.

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- **End Date** – The end date entered for this schedule appears here.
- **Status** – The amortization status can be one of the following:
  - **Not Started** – No expense has yet been recognized.
  - **In Progress** – Some expense has been recognized, but not all.
  - **Complete** – All expense is recognized for this schedule.
- **Period Offset** – Specifies the number of periods to postpone the start of recognition for the entire schedule.
- **Start Offset** – Specifies the number of periods to postpone the start of the recognition for a schedule.
- **Residual** – Shows the amount or percentage to remain in the deferral account and not be amortized.
- **Initial Amount** – The percentage or amount to be recognized in the first recognition period.
- **Remaining Deferred Balance** – Shows the amount on the schedule which has not yet been recognized.
- **Total Amortized** – Shows the amount on the schedule which has already been recognized to date.
- **Amount** – Shows the total amortization amount for the schedule, including amounts already recognized and amounts yet to be recognized.
- **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** – The expense account that this line's expense amount is recognized to.

  This defaults to show the item's expense account.
- **Posting Period** – The period this line is scheduled to be recognized in.

  If the Start Date of a schedule is in a closed period, the amount that would have been recognized in that period is posted to the oldest open period.
- **Is Recognized** – A check box to specify that this amount has been recognized by a manual entry.

  If this box is checked, the schedule is not included on the Create Amortization Journal Entry page for the certain period.
- **Date Executed** – The date of the journal entry that posts the amount.
- **Journal** – The number of the journal entry that posts the amount.

  You can click this number to view the journal entry.
- **Amount** – The amount to be recognized for this line of the schedule.
- **Total Amortized** – Shows the cumulative amount already recognized on the schedule to date.

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

- **Project** – Shows a link to the associated project record.
- **% Amort. In Period** – Shows the amount of the schedule that has been amortized in that period.
- **% Total Amort** – Shows the percentage of the schedule already recognized for all periods.

Editing an Amortization Schedule

Depending on your setting for the preference Allow Users to Modify Amortization Schedules, you can change schedules after they are created. See Setting Amortization Preferences.

You can change the name of the schedule and the account, posting period, and amount for existing schedule lines. Changing other values and adding lines to the schedule are not supported.

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The Lists permission Amortization Schedules controls access to amortization schedules. For more information, see the help topic Access Levels for Permissions.

To edit an amortization schedule:

1. Go to Lists > Accounting > Amortization Schedules.

2. Choose a period in the **Posting Period** dropdown list to filter the list.

3. Click **Edit** for the schedule you want to change.

4. Click the line you want to change.

   You can edit the account, posting period, and amount for that line.

5. When you finish changing the line, click **OK**.

6. Repeat steps 5 and 6 for any other lines you need to change.

   The total of the schedule line amounts must equal the Amount of the amortization schedule.

7. Click **Save**.

Mass Updating Amortization Schedules

NetSuite provides a mass update for amortization schedules that you can run to update multiple records at one time. You can update the Is Recognized field on many amortization schedules at one time 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.

Mass updates to set amortization schedule status can be used to migrate data where an opening balance approach is used and 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 are marked as recognized.

To complete an Update Is Recognized Flag mass update:

1. Go to Lists > Mass Update > Mass Updates.

2. Click **Amortization 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**.

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

Amortization Journal Entries

Amortization schedules provide the information required to amortize expenses, but you must generate the amortization journal entries to post expenses to the general ledger. This step is required even if you use cash basis reporting. For instructions, follow the links to these topics:

- Generating Amortization Journal Entries
- Editing an Amortization Journal Entry
- Approving an Amortization Journal Entry

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■ Setting Up a Reminder for Amortization Journal Entries

> (i) **Note:** For information about journal entries that recognize expenses based on the percentage of project work completed, see Using Percent-Complete Amortization for Projects.

Generating Amortization Journal Entries

After expense and item amounts from bills and bill credits have posted to deferred expense accounts, these amounts need to be recognized and moved to expense accounts at appropriate intervals.

Amortization schedules provide a basis for the generation of journal entries to post this impact to the general ledger. You can use the Create Amortization Journal Entries page to create journal entries that post deferred expenses. This page lists amounts from all schedules that are due to post. Amortization journal entries for vendor bills typically debit expense accounts and credit deferred expense accounts.

To recognize a deferred expense:

1. Go to Transactions > Financial > Create Amortization Journal Entries.

   You can also get to this page directly from your dashboard. This navigation is available when you set up the Amortization Entries Pending reminder. See Setting Up a Reminder for Amortization Journal Entries.

2. Select a posting period to display the schedules with unposted amortization journal entries for that period.

3. In the **Journal Entry Date** field, set the transaction date of amortization journal entries you are creating.

   You can set the default date that shows in this field by setting a preference at Setup > Accounting > Accounting Preferences. Select a date in the **Default Revenue Recognition Journal Date to** field.

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. Select values for the following required filters if they appear in your account:

   ■ **Subsidiary** – This required filter appears only on NetSuite OneWorld implementations.

   ■ **Accounting Book** – This required filter appears only when the Multi-Book Accounting feature is enabled.

6. Use the other filters at the top of the page to limit the list of amortization schedules displayed for this period. The filters you select become your default for this page.

   ■ **Transaction Type** – The type of source transaction.

   ■ **Name** – Name of the entity associated with the schedule.

   ■ **Type** – The type of amortization schedule.

   ■ **Item Type** – The type of item.

   ■ **Original Account** – On this page, the original account is the same as the deferral account.

   ■ **Target Account** – The expense account used to record amortized expenses over time.

   ■ **Deferral Account** – The Deferred Expense type account used to post the prepaid expense or the initial cost of an asset to be depreciated.

   ■ **Transaction Date**, **From** and **To** – When you select a date range in the **Transaction Date** field, the **From** and **To** fields are automatically populated. If you enter or select dates directly in the **From** and **To** fields, the **Transaction Date** field displays **(Custom)**.

7. In the **Select Individual Schedules** field:

   - Check the **Select Individual Schedules** box to create only one journal entry. After you have filtered the list to show specific schedules, you can check the box in the **Select** column next to each schedule you want to include in the journal entry. When you click **Create Journal Entries**, you create **one** journal entry for all schedules that you marked.

     If there are multiple segment or pages of schedules, 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 have filtered the list to show particular schedules, when you click **Create Journal Entries**, you create multiple journal entries for all schedules that show in the list including all segments or pages of the list. 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 schedule for the period selected, even if there are hundreds of schedules, or more.

     The maximum number of entries for schedules that can be created at one time 10,000.

8. Click **Create Journal Entries**.

9. On the Create Journal Entries Status page, do the following:

   a. Click **Refresh** to update the status.

   b. When **Percent Complete** is 100.0%, in the **Status** column, click **Complete**.

   c. On the Processed Schedules page, in the **Journal** column, click the links to view individual journals.

Editing an Amortization Journal Entry

You can edit journal entries created from amortization schedules. These changes do not alter the amortization schedule. Journal entries that you edit remain linked to the amortization schedule that generated the original entry. For information about editing amortization schedules, see Editing an Amortization Schedule.

Some edits, however, may introduce inaccuracies in the amortization reports. For this reason, you cannot change accounts, amounts, segments, and some other information on amortization journals. For example, if you set the class, location, or department for a source transaction, and then change those settings on the amortization journal entry, your deferred expense balances would be classified differently than your expense balances.

If you want to edit the fields on a 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 amortization reports.

To edit a journal entry created from an amortization schedule:

1. Go to Lists > Accounting > Amortization Schedules.

2. Click **View** next to the amortization schedule with the journal you want to edit.

3. Click a link in the **Journal** column to display a journal entry record.

4. Click **Edit**, and change the available fields on the original journal entry.

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5. Click **Save**.

Approving an Amortization Journal Entry

If you use the standard journal entry form for your amortization journal entries, you have the same two approval options as other types of journal entries. Accounting preferences determine which option your account uses. For details, see the help topic Journal Entry Approval Overview.

To approve an amortization journal entry, do one of the following:

- Check the Approved box when creating an amortization journal entry. Go to Transactions > Financial > Create Amortization Journal Entries.
- Check the Approved box on an existing amortization journal entry.
- Use the Approve Journals page. Go to Transactions > Financial > Approve Journal Entries.

If your account uses an approval routing workflow for your journal entries, you can exclude system-generated amortization journal entries from the workflow by creating a custom form for them. The accounting preference Default Amortization Journal Entry Form enables you to select a custom form. Your administrator can exclude your custom form from approval workflows.

Setting Up a Reminder for Amortization Journal Entries

You can also recognize deferred expenses directly from your dashboard. You can set up a reminder on your Home page to notify you when amortization journal entries are due to post.

To set up a reminder for amortization:

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

When amortization 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.

Using Percent-Complete Amortization for Projects

If you have a projects based business, you can amortize expenses based on the percentage of completed project work by using variable amortization schedules. You can coordinate the recognition of deferred expenses with the completion of stages for your projects.

You can set up items and expense accounts to be associated with a variable amortization template and with projects you track. Then purchases of these items or expenses charged to these accounts generate amortization schedules based on the template and the linked project completion.

> ⓘ **Note:** Variable amortization schedules do not include forecast amounts.

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

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> ⚠️ **Important:** This feature is available only if you use Project Management.

To amortize expenses based on project completion:

1. Enable the Amortization feature. See Setup for Amortization.
2. Create a variable type amortization template. See Creating Amortization Templates.
3. Associate the variable type amortization template with items and expense accounts used for the project. See Configuration for Amortization, and Associating Amortization Templates with Expenses.

See the following topics for more details:

- System Percentage of Completion Preference
- Percent-Complete Based Amortization Journal Entries
- Variable Schedule Amortization Example

System Percentage of Completion Preference

You can set a preference for NetSuite to automatically determine the percentage of a project that has been completed.

To automatically calculate the percent completion for a project:

1. Go to Setup > Accounting > Accounting Preferences.
2. Click the **General** subtab.
3. Check the **Use System Percentage of Completion For Schedules** box.
4. Click **Save**.

If you do not enable this preference, you must enter the percentage of project completion manually on project records in the Percent Complete field.

Percent-Complete Based Amortization Journal Entries

The Create Amortization Journal Entries page includes expense amounts due to post from variable schedules based on project completion.

For the period you select, NetSuite determines the amount due to be amortized 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 expense due to post.

A variable schedule does **not** show in the list if:

- It has a zero balance to amortize for the selected period.
- It has already amortized an amount for the selected period.

Amortization journal entries typically credit a deferred expense account and debit an expense account. In some cases, however, a journal entry may decrease the expense recognized. In these cases, the amortization journal entries debit a deferred expense account and credit an expense account. For an example of this case, see the Variable Schedule Amortization Example.

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Variable Schedule Amortization Example

Variable schedules are used to amortize expenses associated with projects. Time logged against the project toward completion determines the percentage complete. Then the percent complete figure determines the amount amortized that period.

In the example below, vendor bills and payroll amounts contribute to the total cost for a project. The % Complete column shows the status of the project at the end of each period. The amount to be amortized is shown in the Amortization Period column.

Period	% Comp.	Bills	Pay-roll	Total costs	Amortization Periods					
					1	2	3	4	5	6
1	25%	1000	160	**1160**	290	580	348	580	812	1160
2	50%	200	160	**360**	180	180	108	180	252	360
3	30%	300	160	**460**	138	230	138	230	322	460
4	50%	250	160	**410**	205	205	123	205	287	410
5	70%	230	200	**430**	301	215	129	215	301	430
6	100%	600	180	**780**	780	390	234	390	546	780
Total		**2580**	**1020**	**3600**	**1894**	**1800**	**1080**	**1800**	**2520**	**3600**

Sometimes when projects are reassessed after they begin, the percentage complete can regress. An example of this is shown in Period 3 above, where the completion changes to 30%, down from 50% in Period 2.

To continue this example, the chart below shows the net amount, rather than the total amount, to be amortized per period.

	Amortization Periods						Total
	1	2	3	4	5	6	
Amortized Balance	290	580	348	580	812	1160	
Amortized Portion per Period	290	290	(232)	232	232	348	**1160**
Amortized Balance		180	108	180	252	360	
Amortized Portion per Period		180	(72)	72	72	108	**360**
Amortized Balance			138	230	322	460	
Amortized Portion per Period			138	92	92	138	**460**
Amortized Balance				**205**	**287**	**410**	
Amortized Portion per Period				205	82	123	**410**
Amortized Balance					301	430	
Amortized Portion per Period					301	129	**430**
Amortized Balance						780	
Amortized Portion per Period						780	**780**

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Foreign Currency Amortization

You can amortize the foreign currency amounts rather than the base currency amounts of transactions. For example, your base currency is USD. You purchase five laptops for your London office and pay for them in British pounds (GBP.). You want to amortize the prepaid assets in GBP, the foreign currency. You use a foreign currency amortization schedule to calculate the amortization amounts based on the foreign currency rather than the base currency.

> ⓘ **Note:** Foreign currency amortization is available only in NetSuite U.K. editions.

With foreign currency amortization schedules you can:

- Amortize balances in any transaction currency, including transactions denominated in a currency other than the functional or base currency of a subsidiary.
- Create journal entries using the historical transaction exchange rates.
- Associate foreign currency amortization schedules on vendor bills, bill credits, and journals.

For more information about working with foreign currency amortization and how it differs from standard amortization, see:

- Setting Up Foreign Currency Amortization
- Using Foreign Currency Amortization
- Foreign Currency Amortization Examples

Setting Up Foreign Currency Amortization

The Allow Foreign Currency Amortization Schedules preference controls whether you can generate amortization schedules based on foreign currency amounts. You must also have the Amortization and Multiple Currencies features enabled.

> ⓘ **Note:** Foreign currency amortization is available only in NetSuite U.K. editions.

Before enabling the preference for foreign currency amortization, complete the tasks described in Setup for Amortization to set up the amortization feature.

To enable foreign currency amortization:

1. Go to Setup > Accounting > Preferences > Accounting Preferences.
2. In the Amortization section of the **General** subtab, check the **Allow Foreign Currency Amortization Schedules** box.
3. Click **Save**.

Using Foreign Currency Amortization

> ⓘ **Note:** Foreign currency amortization is available only in NetSuite U.K. editions.

Use the same process to work with foreign currency amortization that you use to amortize expenses in a single currency. The basic amortization process involves these steps:

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- **Create templates.** For information, see Creating Amortization Templates . .
- **Associate amortization templates with item and expense records.** See Configuration for Amortization and Associating Amortization Templates with Expenses.
- **Generate amortization schedules.** Amortization Schedules.
- **Create amortization journal entries.** See Generating Amortization Journal Entries. .
- **View amortization reports.** See Amortization Reports.

Although the general process is the same, each part of the process has additional elements specific to foreign currency amortization.

Amortization Templates

The Amortization Template displays the Use Transaction Currency check box. This check box controls whether the template calculates the amortization schedule amounts in a foreign currency or in the base currency. You must check this box when creating a foreign currency template to generate amortization schedules in a foreign currency. You cannot specify a currency when you create a template. The template always refers the transaction to determine the currency for amortization.

Use a naming convention for amortization templates so you can distinguish foreign currency amortization templates from standard amortization templates. For example, add the currency code to the template name, such as Even Periods - USD and Even Periods - Foreign.

If you associate a foreign currency template on a base currency transaction line, it creates an amortization schedule for the item using the base currency, which is a standard amortization schedule. This has the same result as if you use an amortization template where the Use Transaction Currency box is not checked. Depending on your business needs, you may be able to use foreign currency templates to amortize amounts for both foreign and base currency transactions.

If you check the Use Transaction Currency box for a template and populate the Initial Amount or Residual fields, the amortization schedule created from the template assumes or uses the currency of the transaction. For example, on a foreign currency amortization template, you enter 100 in the Initial Amount field. You associate the template on a transaction recorded in GBP. On the amortization schedule, the 100 represents 100 GBP.

Foreign Currency Amortization Schedules

The foreign currency amortization schedule displays the base currency and the foreign currency amortization amount information in the following fields. You can add these fields to your amortization searches, lists, and reports.

- **Foreign Currency** – indicates if the schedule is a foreign currency schedule
- **Currency** – indicates the currency used in the schedule to calculate amounts. This is the transaction currency.
- **Base Amount** – the amortization amount converted to the base currency (the foreign currency amount for the period multiplied by the transaction exchange rate)
- **Amount** – the amount to be recognized for a line of the schedule
- **Total Amortized** – shows the cumulative amount already recognized on the schedule to date

The currency of the transaction determines the currency for the amortization schedule amounts. The transaction currency becomes the amortization schedule currency. Amounts to be amortized are shown in the Amount column. The base amount shows the foreign currency amount for period multiplied by the transaction exchange rate on the transaction.

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> **ⓘ Note:** The total amortization amount in the **Base Amount** column may be slightly different from the total base currency amount on the related transaction due to rounding. You may want to journal out these rounding differences periodically.

Foreign Currency Amortization Journals

Create foreign currency amortization journals the same way you create standard amortization journals. Foreign currency journals use the exchange rate on the transaction to determine the foreign currency journal amounts.

NetSuite segregates journals by currency type. You will have, at a minimum, one journal per currency per currency exchange rate. For example, you have four amortization schedules:

- Schedule 1 using USD, your base currency
- Schedule 2 using GBP and transaction exchange rate 2.1
- Schedule 3 using GBP and transaction exchange rate 2.2
- Schedule 4 using EUR and transaction exchange rate 1.1

NetSuite creates four amortization journals, one for each amortization schedule.

> **ⓘ Note:** If Schedule 2 and Schedule 3 in the example use the same exchange rate, then NetSuite creates only three amortization journals.

Foreign Currency Amortization Reports

You must customize the standard amortization reports to display foreign currency amortization information. The amortization reports are:

- Amortization Forecast Summary
- Amortization Forecast Detail
- Deferred/Capitalized Expense

To customize amortization reports for foreign currency amortization:

1. Go to the amortization report and click **Customize**.
2. On the Report Builder (or Financial Report Builder), click **Edit Columns**.
3. In the Add Fields pane, select **Amount (Foreign Currency)** and **Schedule Currency**.
4. In the Report Preview pane, leave the default heading or enter a new heading for each column. Reorder columns as needed.
5. Click **Save**.

Foreign Currency Amortization Forecast Reports

The Amortization Forecast reports display the forecasted value of the amounts to be amortized or the amounts that have already been amortized based on the related amortization schedules. When it is customized for foreign currency, the Amortization Forecast reports display the foreign currency amortization amounts and currency in addition to the amortization amount in the base currency.

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> **ⓘ Note:** An Amortization Forecast report displays amortization amounts for all currencies. When the report has amounts in more than one currency, the total amortized amount is not a meaningful number. Filter the report by currency to view accurate amortization total amounts.

Foreign Currency Deferred/Capitalized Expense Report

The Deferred/Capitalized Expense report displays the total amortized and deferred expenses for a set of transactions over a period and the recognized portion of those expenses, if any. When it is customized for foreign currency, the report shows the base amount and foreign currency amounts for Amortized Expense, Deferred/Capitalized Expense, and Total. The report does not include any revaluation related to the original transactions or related journals.

- **Amortized Expense Amount** – the amortized expense amounts converted to the base currency for the transaction or transaction line.
- **Amortized Expense Amount (Foreign Currency)** – the amortized amount in the foreign currency related to the amortization journals for the transaction or transaction line. For base currency transactions with standard amortization schedules, the amounts in this column are the same as the Amortized Expense Amount column. The sum of this column does not tie to the general ledger because there may be more than one foreign currency.
- **Deferred/Capitalized Expense Amount** – the capitalized expense amounts in the base currency for all amortization journals related to the transaction or transaction line. The total of this column ties to the Balance Sheet for the appropriate period.
- **Deferred/Capitalized Expense Amount (Foreign Currency)** – the capitalized expense amounts in the foreign currency related to the amortization journal for that transaction or transaction line. For base currency transactions with standard amortization schedules, the amounts in this column are the same as the amounts in the Deferred/Capitalized Expense Amount column. The sum of this column does not tie to the general ledger because there may be more than one foreign currency.
- **Total Amount** – total of amortized and capitalized amounts in the base currency.
- **Total Amount (Foreign Currency)** – total of amortized and capitalized amounts in the foreign currency.

Foreign Currency Amortization Examples

- Foreign Currency Amortization Schedule (Standard) Example Foreign Currency Amortization Schedule (Standard) Example
- Foreign Currency Amortization Schedule (Variable) Example Foreign Currency Amortization Schedule (Variable) Example

Foreign Currency Amortization Schedule (Standard) Example

> **ⓘ Note:** Foreign currency amortization is available only in NetSuite U.K. editions.

The following is an example of amortizing prepaid assets denominated in a foreign currency using a foreign currency amortization schedule. This example assumes:

- Foreign currency transactions are recorded in local currency using the exchange rate in effect on the date the transaction occurred.
- The company's base currency is GBP.

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- The effect of hedging transactions is not considered in the analysis.

Recording the Bill and Payment

Vendor bill (invoice) is recorded and paid at same exchange rate in single accounting period.

On February 1, a bill is received from a USD vendor for services to be rendered from 2/1/2010 to 4/30/2010. The bill is fully paid when received at the same exchange rate. The exchange rate on February 1 is 1.50 USD to 1.00 GBP (600 / 1.50 = 400).

Accounting for bill:

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Prepaid Services	USD	600	400
Accounts Payable	USD	(600)	(400)

Accounting for bill payment:

Description/Account	Transaction Currency	Amount DrR (CR)	GPB Home Value
Accounts Payable	USD	600	400
Cash	USD	(600)	(400)

Since the bill is settled, there will be no revaluation of the transaction for A/P purposes at month-end.

Amortization Schedule

Because this prepayment represents services to be rendered evenly over three months, straight-line amortization method is used. The prepaid asset will be amortized to the Service Expense account. (Prepaid Services is the deferral/capitalization account).

The following amortization schedule is created:

Period	Deferral Account	Destination Account	Transaction Currency	Foreign Amount*	Base Amount**
Feb 2010	Prepaid Services	Service Expense	USD	200	133.33
Mar 2010	Prepaid Services	Service Expense	USD	200	133.33
Apr 2010	Prepaid Services	Service Expense	USD	200	133.33

*The foreign amount is based on the foreign amount of the transaction.

**The base amount is foreign amount divided by the rate on the transaction (200/1.5 = 133.33)

> **(i) Note:** The total amortization amount in the **Base Amount** column may be slightly different from the total base currency amount on the related transaction line due to rounding. In this example, the total transaction base currency amount is $400, but the base currency amount amortized is $399.99. You may want to journal out these rounding differences periodically

Creation of Amortization Journal Entries

At the end of each period, amortization journal entries are created for the period using historical rates.

Journal posted on February 28, currency rate 1.50 USD to 1.00 GBP (200/1.50 = 133.33):

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Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Services Expense	USD	200	133.33
Prepaid Services	USD	(200)	(133.33)

Journal posted on March 31, currency rate 1.50 USD to 1.00 GBP (200/1.50 = 133.33):

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Service Expense	USD	200	133.33
Prepaid Services	USD	(200)	(133.33)

Journal posted on April 30, currency rate 1.50 USD to 1.00 GBP (200/1.50 = 133.33):

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Prepaid Services	USD	600	400
Accounts Payable	USD	(600)	(400)

Foreign Currency Amortization Schedule (Variable) Example

In this example, the vendor bill (invoice) is recorded and paid at same exchange rate in single accounting period. The bill represents services that will be completed over several months and tracked as a project. Expenses is to be amortized based on the percentage of project completion. This example assumes:

- Foreign currency transactions are recorded in local currency using the exchange rate in effect on the date the transaction occurred.
- The company's base currency is GBP.
- The effect of hedging transactions is not considered in the analysis.

Recording the Bill and Payment

On February 1, a bill is received from a USD vendor for services to be rendered. The bill is fully paid when received at the same exchange rate. The exchange rate on February 1 is 1.50 USD to 1.00 GBP (600 / 1.50 = 400). The project associated with this bill for computer maintenance is created and associated with this line on the bill.

Accounting for bill, currency rate, 1.50 USD to 1.00 GBP (600/1.50 = 400):

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Prepaid Services	USD	600	400
Accounts Payable	USD	(600)	(400)

Accounting for bill payment, currency rate 1.50 USD to 1.00 GBP (600/1.50 = 400):

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Accounts Payable	USD	600	400
Cash	USD	(600)	(400)

Because the bill is settled, there is no revaluation of the transaction for A/P purposes at month-end.

Amortization Schedule

The amortization schedule is created without lines because the amount to amortize is based on the percentage of project completion and not known at this point.

The project work is completed as follows:

- February - 25% complete (25% total)
- March - 50% complete (75% total)
- April - 25% complete (100% total)

The amortization schedule calculated the following amounts:

Period	Deferral Account	Destination Account	Transaction Currency	% Amortized	Total Amortized	Foreign Amount*	Base Amount**
Feb 2010	Prepaid Services	Service Expense	USD	25%	25%	150 (25% of 600)	100 (25% of 400)
Mar 2010	Prepaid Services	Service Expense	USD	50%	75%	300	200
Apr 2010	Prepaid Services	Service Expense	USD	25%	100%	150	100

*The foreign amount is based on the foreign amount of the transaction.

**The base amount is foreign amount divided by the rate on the transaction (300/1.5 = 200)

Creation of Amortization Journal Entries

At the end of each period, amortization journal entries are created for the period using historical rates.

Journal posted on February 28, currency rate 1.50 USD to 1.00 GBP (200/1.50 = 133.33):

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Services Expense	USD	150	100
Prepaid Services	USD	(1500)	(100)

Journal posted on March 31, currency rate 1.50 USD to 1.00 GBP (300/1.50 = 200.00):

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Service Expense	USD	300	200
Prepaid Services	USD	(300)	(200)

Journal posted on April 30, currency rate 1.50 USD to 1.00 GBP (200/1.50 = 133.33):

Description/Account	Transaction Currency	Amount DR (CR)	GPB Home Value
Prepaid Services	USD	150	100
Accounts Payable	USD	(150	(100)

Amortization Reports

The following expense amortization reports are available from the Reports > Financial menu and the Financial group on the Reports page:

- Amortization Forecast Summary
- Amortization Forecast Detail
- Deferred/Capitalized Expense
- Deferred Expense Waterfall Summary Report
- Deferred Expense Waterfall Detail Report
- Deferred Expense Rollforward Report

Amortization Forecast Summary

The Amortization Forecast Summary report shows the total deferred expense amounts at the transaction level. When you set the Column report footer to Accounting Period, expense amounts to be amortized are displayed for each period of the date range you select.

You can use this report to view the total deferred expense for each transaction and when that expense is scheduled to be recognized.

> ℹ️ **Note:** Amortization reports can only be run by period. If you set the **Report by Period** preference to **Never**, the setting is ignored when running this report.

You must have the Reports permission Amortization Reports to view this report.

For information about using Report Builder to customize this report, see the help topic Report Customization.

To view this report:

1. Go to Reports > Financial > Amortization Forecast.
2. Select a value in the **Period** filter.

   The **From** and **To** values update automatically.
3. Use these additional filters as needed:
   - If you have a OneWorld account, select a value in the **Subsidiary Context** filter to access different subsidiaries.
   - If you are using multi-book accounting, select a value in the **Accounting Book** filter to access different accounting books.
   - In the **Column** list, select **Accounting Period** to add columns showing the amounts planned for each period in your date range.
   - To show forecast amounts, clear the **Is Recognized** box. If the **Is Recognized** box is not visible, click ⌃ MORE to show the box.
4. Click **Refresh** to apply your filters.

Amortization Forecast Detail

The Amortization Forecast Detail report shows the deferred expense amounts at the line item level. When you set the Column report footer to Accounting Period, expense amounts to be amortized are displayed for each period of the date range you select.

You can use this report to view the total deferred expense at the line item level and when that expense is scheduled to be recognized.

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> **Note:** Amortization reports can only be run by period. If you set the **Report by Period** preference to **Never**, the setting is ignored when running this report.

You must have the Reports permission Amortization Reports to view this report.

For information about using Report Builder to customize this report, see the help topic Report Customization.

To view this report:

1. Go to Reports > Financial > Amortization Forecast > Detail.
2. Select a value in the **Period** filter.

   The **From** and **To** values update automatically.
3. Use these additional filters as needed:
   - If you have a OneWorld account, select a value in the **Subsidiary Context** filter to access different subsidiaries.
   - If you are using multi-book accounting, select a value in the **Accounting Book** filter to access different accounting books.
   - In the **Column** list, select **Accounting Period** to add columns showing the amounts planned for each period in your date range.
   - To show forecast amounts, clear the **Is Recognized** box. If the **Is Recognized** box is not visible, click ⌃ MORE to show the box.
4. Click **Refresh** to apply your filters.

Deferred/Capitalized Expense

Use the Deferred/Capitalized Expense report to view the total deferred and amortized expenses for a set of transactions over a certain period and to see the recognized portion of those expenses, if any.

The balances shown are based on the reporting dates selected and the amortization schedules for the account. Schedule details are shown at the line-level rather than at the transaction-level.

The Deferred/Capitalized Expense report includes the following:

- **Amortized Expense** – the total amortized amount on the schedule
- **Deferred/Capitalized Expense** – the remaining deferred balance on the schedule

From each transaction line on the report you can drill down to the associated transaction, vendor record, and the amortization schedule.

> **Note:** Amortization reports can only be run by period. If you set the **Report by Period** preference to **Never**, the setting is ignored when running this report.

You must have the Reports permission Amortization Reports to view this report.

For information about using Report Builder to customize this report, see the help topic Report Customization.

To see a Deferred/Capitalized Expense report:

Go to Reports > Financial > Deferred/Capitalized Expense.

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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.

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