



Automatic revenue recognition

Revenue recognition with or without TimeLog EVM

TimeLog EVM

The overall functionalities

Get an overview of when automatic revenue recognition occurs in TimeLog Project, with or without the extension TimeLog EVM.

Choose the best solution for your company.





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3. edition
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1 Introduction

This document describes when automatic revenue recognition occurs in TimeLog Project, and what is shown in the **Booked as revenue** column.

Automatic revenue recognition first depends on whether the [TimeLog EVM](#) extension is activated. This document is therefore divided into two parts – one that describes the functionality without TimeLog EVM, and one that describes the functionality with TimeLog EVM.

The general functionality can be briefly described as follows:

1.1 Automatic revenue recognition without TimeLog EVM

If you do not have TimeLog EVM, automatic revenue recognition occurs in the following way:

1. When you invoice time for tasks that are calculated by time & material, the same number and amount is recognized as revenue as is invoiced. For manually created **Product** type invoice lines, the same amount is recognized as revenue as is invoiced. When crediting this type of post, the invoiced amount is automatically booked as revenue for the reverse amount.
2. When you close an accounting period, the work that was completed in the periods for tasks that are settled by fixed price is booked as revenue. The work is booked as revenue for the estimated value. If the accounting period is opened again, the revenue recognition is cancelled.
3. When a fixed price element ends, any remaining value of the fixed price is booked as revenue – meaning, that part of the contracted amount that is not already booked as revenue. A fixed price element can either be a fixed price task or a series of tasks with a **Fixed price project** settlement type. A fixed price task ends when its status is changed to **Completed**. A fixed price project ends when all tasks with a **Fixed price project** settlement type have a **Completed** status. If the status changes so that the fixed price element is no longer completed, the revenue recognition is automatically cancelled.





1.2 Automatic revenue recognition with TimeLog EVM

If you have TimeLog EVM, automatic revenue recognition only occurs when you invoice or credit registrations by time & material, which are not already booked as revenue manually, and when you invoice or credit **Product** type invoice lines what do not come from a manually-created revenue recognition statement. Registrations for tasks that are settled by fixed price must always be booked as revenue manually.

The tables on the following pages can be used to predict the consequences of various actions in relation to revenue recognition. The tables are grouped according to the different settlement types.

Figure 1

Table of revenue recognition without TimeLog EVM

Time & material

Action	What is booked as revenue	Reason
Invoice time registrations	The invoiced amount.	Time & material is automatically booked as revenue when billed.
Crediting time registrations	The opposite amount of what was booked as revenue when posting the invoice to be credited.	The revenue recognition that occurs during invoicing of posts for time & material is automatically cancelled by crediting the original invoice.
Closing accounting periods	Nothing.	Time & material is booked as revenue only when invoiced.
Credit note bookkeeping	The opposite amount of what was booked as revenue when posting the original invoice.	Time & material is automatically booked as revenue when the invoice for the used time is credited.
The task status is set to Completed (also as a result of the project's completion)	Nothing.	Time & material is only booked as revenue when invoiced. The completion of a task that is settled by time & material only indicates that further hours need to be registered.





Figure 1 - continued

Table of revenue recognition without TimeLog EVM

Fixed price task

Action	What is booked as revenue	Reason
Invoicing/crediting of fixed-price rates	Nothing.	Booked revenue reflects the task's progress, not how much has been invoiced. This means that even though you have invoiced the full amount prior to project start, nothing should be posted, as value has not yet been created. As there is no booking as revenue with invoicing, there must not be a negative posting with crediting.
Closing accounting periods	The estimated value of time registrations with a date within the closed period (this would be 0 if there is no registered time).	At the close of a period you reach a periodic revenue recognition, so that you continuously book the value that has been created since the last period as revenue, rather than booking the whole amount as revenue at the task's completion.
Reopening the accounting period	The income voucher that was created at the close of the accounting period is deleted. The original revenue recognition is cancelled as well.	As the period is no longer closed, fixed-price work should no longer be booked as revenue.
The task status is set to Completed (also as a result of the project's completion)	The fixed-price task's remaining amount (the difference between the fixed price task's contracted amount and what has already been booked as revenue). If there is no not-booked-as-revenue time registrations for the task, the amount is booked as revenue on a non-time related booked as income line, and the amount will now figure in the category Other instead of the category Time.	The completion of a fixed price task is considered a completed delivery, and the total amount should be recognized as income.
The task changes status from Completed to another status	Any voucher that was created when the task changed to Completed is deleted. This will cancel the revenue recognition.	As the status is no longer Completed, the delivery is no longer considered completed, and the ending booking as revenue should be cancelled.





Figure 1 - continued

Table of revenue recognition without TimeLog EVM

Fixed price project

Action	What is booked as revenue	Reason
Invoicing/crediting of fixed-price rates	Nothing.	Booked revenue reflects the task's progress, not how much has been invoiced. This means that even though you have invoiced the full amount prior to project start, nothing should be posted, as value has not yet been created. As there is no booking as revenue with invoicing, there must not be a negative posting with crediting.
Closing accounting periods	The estimated value of time registrations with a date within the closed period (this would be 0 if there is no registered time).	At the close of a period you reach a periodic revenue recognition, so that you continuously book the value that has been created since the last period as revenue, rather than booking the whole amount as revenue at the task's completion.
Reopening the accounting period	The income voucher that was created at the close of the accounting period is deleted. The original revenue recognition is cancelled as well.	As the period is no longer closed, fixed-price work should no longer be booked as revenue.
The task's status is set to Completed, but there are other tasks with a Fixed-price project settlement type that have another status.	Nothing.	The completion of a single task within a fixed-price project does not signify that the project is a completed delivery. When all tasks are finally complete, the work is considered complete, and any remaining amount must be booked as revenue.
Completion of the last active task with the settlement type Fixed price project	The fixed-price task's remaining amount (the difference between the fixed price task's contracted amount and what has already been booked as revenue). If there is no not-booked-as-revenue time registrations for the task, the amount is booked as revenue on a non-time related booked as income line, and the amount will now figure in the category Other instead of the category Time.	When all tasks in the fixed price project are completed, the delivery is considered to be complete, and any remaining amount must be booked as revenue.
Previously, all tasks with the settlement type Fixed-price project have had the status of Completed, but now one or more tasks are changed to another status.	Any voucher that was created when the fixed-price project was completed is deleted. Booked income is also cancelled.	Since all tasks in the fixed price project no longer are completed, the delivery is not considered complete, and any remaining amount booked as revenue must be cancelled.





Figure 1 - continued

Table of revenue recognition without TimeLog EVM

Other

Action	What is booked as revenue	Reason
Invoicing of invoice lines with the type Product	The invoiced amount.	Invoice lines with the type Product are automatically booked as revenue for the invoiced amount.
Crediting of invoice lines with the type Product	The invoiced amount.	Invoice lines with the type Product are automatically booked as revenue when invoiced, and the reverse amount is booked as revenue when this type of invoice line is credited.

Figure 2

Table of revenue recognition with TimeLog EVM

Time & material

Action	What is booked as revenue	Reason
Invoice bookkeeping	For the entries that have not already been taken to income, the invoice amount serves that purpose. For the entries that have already been taken to income, no further revenue recognition occurs – not even if you bill the entries to a different amount from the one taken to income.	This method ensures that all entries are taken to income and that there is no need to do this separately for the entries you know to be billable at full value in the current period.
Credit note bookkeeping	For those entries not already recognised as income when the original invoice was posted, the original invoice amount is used with an inverted sign. For the entries taken to income manually before the original invoice was booked, no further revenue recognition takes place. If you wish to cancel the revenue recognition of these entries you have to credit the voucher on which the entries are booked.	The revenue recognition performed due to the booking of the original invoice is cancelled.
Closing accounting periods	Nothing.	With TimeLog EVM, automatic revenue recognition only occurs when you invoice records related to Time & material, which have not been taken to income manually.
Revenue recognition statement bookkeeping	The amount specified on the voucher.	
Completion of task (also as a result of the project's completion)	Nothing.	With TimeLog EVM, automatic revenue recognition only occurs when you invoice records related to Time & material, which have not been taken to income manually.





Figure 2 - continued

Table of revenue recognition with TimeLog EVM

Fixed price task/Fixed price project

Action	What is booked as revenue	Reason
Invoicing of fixed-price rates	Nothing.	Taken to income reflects the progress of the task – not the amount invoiced. This means that even if you invoice the full amount before the start of the project, nothing needs to be booked as no value has yet been created.
Crediting of revenue recognition statements	The reverse amount of what was taken to income on the original voucher.	
The task status is set to Completed (also as a result of the project's completion)	Nothing.	With TimeLog EVM, automatic revenue recognition only occurs when you invoice records related to Time & material, which have not been taken to income manually.
Closing accounting periods	Nothing.	With TimeLog EVM, automatic revenue recognition only occurs when you invoice records related to Time & material, which have not been taken to income manually.

Other

Action	What is booked as revenue	Reason
Invoicing invoice lines with the type Product	For lines that are not derived from a manual voucher the invoiced amount is taken to income. For lines that originate from a manual voucher, no further income recognition occurs – not even if you invoice a different amount than the one originally taken to income.	This method ensures that all product lines are recognised as revenue and that there is no need to do this separately for the entries you know to be billable at full value in the current period.
Crediting invoice lines with the type Product	For lines of this type that are not derived from a manual voucher, the originally invoiced amount is recognised as revenue with the opposite sign. For lines derived from a manual voucher, no further revenue recognition takes place. If you want to cancel the revenue recognition for these lines, you must credit the voucher the invoice lines are booked on.	This method ensures that all product lines are recognised as revenue and that there is no need to do this separately for the entries you know to be billable at full value in the current period.

