



## Invoices and Revenue Recognition Part 2—Contract and Service Billing Invoices

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**E1** Editor's Note: This article is the follow up to Part 1 that discussed the setup and processing for Accounts Receivable Invoices and Sales Order Invoices. In this article, we will lay out the details necessary for Contract and Service Billing Invoices as well as updating information in Oracle's July updates for Accounts Receivable in 9.2 not yet published for Part 1.

### Introduction

The latest buzz for accountants is the FASB and IASB ruling that states that “revenue is only to be recognized at the point in time that the performance liability has been fulfilled”. Translating from legalize to JDE, it means that the creation of the revenue entries at the time of posting an Invoice to the Accounts Receivable module is no longer acceptable across the board, nor is it solely a United States company issue – it's all companies in the world!

Additionally, rather than manually changing to direct entries to a suspense account and then reposting them to the correct revenue and COGS (Cost of Goods Sold) account, there must be a framework in place to:

- a. Map which customers and/or transactions need to be directed to an alternative.
- b. Exclude those customers and/or transactions that do not need to be alternatively managed.
- c. A means to track the alternative transactions.
- d. A means to choose at what point in time and what amount is recognized for each of the Revenue and COGS entries.

Revenue Recognition is Oracle's response to this. Regardless of whether the revenue comes from an Accounts Receivable Invoice, a Sales Order Invoice, or a charge generated from Job Cost, Contract, or Service Billing, the framework to handle all these types of transactions has been added to Release 9.2, and retrofitted for Release 9.1, in the Accounts Receivable Module, three Financial Automatic Accounting Instructions (AAI) and one Distribution and Manufacturing Automatic Accounting Instruction.

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## AAI and DMAAI (Financial and Distribution/Manufacturing Automatic Accounting Instructions)

### AAI

In addition to the AAIs discussed in Article One, RP and RQ, there was another added, RO, that rounds out the set. So, for a little review and update; RP directs the accounting instructions for the Revenue PLA, or Performance Liability Account, entries, RQ is used to map the COGS Performance Liability Adjustment Account, and the new one, RO, directs the accounting for the Revenue PLA Adjustments. This is where monies are posted when the Revenue Recognized is not equal to the amount generated by the Invoicing transaction wherever it originated. COGS Performance Liability Account is defined in the Distribution and Manufacturing AAI (DMAAI).

Rules for setting up RO, RP and RQ:

- Must be set up for Company 00000
- Can also be set up for Company-specific entries
- Must use sequence 3.560 for RO
- Must use sequence 3.550 for RP
- Must use sequence 3.551 for RQ
- Can append suffix of the G/L Offset from the Customer Master
- Business Unit is an optional field – if none is entered, the G/L Distribution Business Unit will be used

Figure 1 shows some sample settings for RO, RP and RQ.

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