



Revenue Recognition Part 1—

AR Invoices and SO Invoices

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E1 Editor's Note: With E1 9.2, Oracle has provided some new functionality to address the evolution of regulations regarding the point at which revenue can be recognized. This article covers the functionality regarding Accounts Receivable and Sales Order invoicing. A follow-up article will address Contract and Service Billing invoicing.

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.

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:

1. Map which customers and/or transactions need to be directed to an alternative
2. Exclude those customers and/or transactions that do not need to be alternatively managed

3. A means to track the alternative transactions
4. 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 amount of revenue comes from an Accounts Receivable Invoice, a Sales Order, or a charge generated from Contract or Service Billing, the framework to handle all these types of transactions has been added to Release 9.2 in the Accounts Receivable Module, two Financial Automatic Accounting Instructions, and one Distribution and Manufacturing Automatic Accounting Instruction.

This article discusses the setup and processing for Accounts Receivable Invoices and Sales Order Invoices. A follow-up article will continue the discussion for Contract and Service Billing Invoices.

Setup

There are new AAls, applications, and a Universal Batch Engine (UBE) to handle this requirement.

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

There are two new AAls; RP and RQ. RP directs the accounting instructions for the Revenue PLA, or Performance Liability Account, entries and RQ is used to map the COGS Performance Liability Adjustment Account.

Rules for setting up RP and RQ:

- Must be set up for Company 00000
- Can also be set up for Company-specific entries
- 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 used, the G/L Distribution Business Unit will be used

Figure 1 shows some sample settings for RP and RQ.

Seq No.	Item No.	Description Line 1	Description Line 2	Co	Bus Unit	Obj Acct	Sub	Insta Syst
3.550	RP	PLA		00000		4041		
3.550	RP	PLA for Company 00001		00001		4041		
3.550	RP	PLA for Company 00200		00200		200 4041		
3.550	RPBASE	PLA for Company 00001		00001		4041		
3.551	RQ	COGS PLA Adjustment		00000		4043		
3.551	RQ	COGS PLA Adjustment BASE		00001		4043		
3.551	RQ	COGS PLA Adjustment		00200		200 4043		
3.551	RQBASE	COGS PLA Adjustment BASE		00001		4043		

Figure 1 - Sample Settings for RP and RQ

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