

**Quick Reference
to
SAP Revenue Recognition**

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Revenue Recognition

1. Abstract

This document would help to understand the concepts of the Revenue recognition, along with its definition in various accounting concepts and practices. It also provides information on how to activate the Revenue Recognition in SAP and various methods or ways in which the Revenue Recognition can be implemented in SAP. Also illustrates an example of Transaction & Month end posting for a one method of Revenue Recognition and provides information on enhancement options available in SAP for Revenue Recognition.

Revenue Recognition

2. Introduction

2.1 Revenue

REVENUE is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in an increase in equity, other than increases relating to contributions from equity participants.

The income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of the organization before any costs or expenses are deducted. Revenue is shown usually as the top item in an Income (profit and loss) Statement from which all charges, costs, and expenses are subtracted to arrive at the income.

2.2 Revenue Recognition

REVENUE RECOGNITION is the process of recording revenue, under one of the various acceptable methods, in the accounting period. In each period of revenue recognition, all related expenses should be matched to revenue. The most common method of recognizing revenue is at the time of sale or provisioning of service.

An accounting principle under Generally Accepted Accounting Principles (GAAP) that determines the specific conditions under which income becomes realized as revenue. Generally, revenue is recognized only when a specific critical event has occurred and the amount of revenue is measurable.

The matching principle of GAAP dictates that revenues must be matched with expenses. Thus, income and expenses are reported when they are earned and incurred, even if no cash transaction has been recorded.

3. Revenue Recognition

3.1 Revenue-Recognition Principles

SFAS 5 specifies that two conditions must be met for revenue recognition to take place:

1. Completion of the Earnings Process

This means the company has provided all or virtually all of the goods and services for which it is to be paid. Furthermore, it means the company can measure the total expected cost of providing the goods and services, and the company must have no significant remaining obligations to its customers. Both must be true for this condition to be met.

2. Assurance of Payment

There must be a quantification of the cash or assets that will be received for realized goods and services. Furthermore, the company must be able to accurately estimate the reliability of payment. Both must be true for this requirement to be met.

3.2 Financial Statements - Revenue Recognition Methods and Implications

a. Sales-basis Method

Under the sales-basis method, revenue is recognized at the time of sale, which is defined as the moment when the title of the goods or services is transferred to the buyer. The sale can be made for cash or credit. This means that, under this method, revenue is not recognized even if cash is received before the transaction is complete.

For example, a monthly magazine publisher receives \$240 a year for an annual subscription will recognize only \$20 of revenue every month (assuming that it delivered the magazine).

Implication: This is the most accurate form of revenue recognition.

b. Percentage-of-completion method

This method is popular with construction and engineering companies, who may take years to deliver a product to a customer. With this method, the company responsible

Revenue Recognition

for delivering the product wants to be able to show its shareholders that it is generating revenue and profits even though the project itself is not yet complete. A company will use the percentage-of-completion method for revenue recognition if two conditions are met:

- a. There is a long-term legally enforceable contract.
- b. It is possible to estimate the percentage of the project that is complete, its revenues and its costs.

Under this method, there are two ways in which revenue recognition can occur:

1. Using milestones - A milestone can be, for example, a number of stories completed, or a number of miles built for a railway.
2. Cost incurred to estimated total cost- Using this method, a construction company would approach revenue recognition by comparing the cost incurred to date by the estimated total cost.)

Implication: This can overstate revenues and gross profits if expenditures are recognized before they contribute to completed work.

c. Completed-contract method

Under this method, revenues and expenses are recorded only at the end of the contract. This method must be used if the two basic conditions needed to use the percentage-of-completion method are not met (there is no long-term legally enforceable contract and/or it is not possible to estimate the percentage of the project that is complete, its revenues and its costs.)

Implication: This can understate revenues and gross profit within an accounting period because the contract is not accounted for until it is completed.

d. Cost-recoverability method

Under the cost-recoverability method, no profit is recognized until all of the expenses incurred to complete the project have been recouped.

For example, a company develops an application for \$200,000. In the first year, the company licenses the application to several companies and generates \$150,000. Under this method, the company recognizes sales of \$150,000 and expenses related to the development of \$150,000 (assuming no other costs were incurred). As a result, nothing would appear in net income until the total cost is offset by sales.

Revenue Recognition

Implication: This can understate gross profits initially and overstate profits in future years.

e. Installment method

If customer collections are unreliable, a company should use the installment method of revenue recognition. This is primarily used in some real estate transactions where the sale may be agreed upon but the cash collection is subject to the risk of the buyer's financing falling through. As a result, gross profit is calculated only in proportion to cash received.

For example, a company sells a development project for \$100,000 that cost \$50,000. The buyer will pay in equal installments over six months. Once the first payment is received, the company will record sales of \$50,000, expenses of \$25,000 and a net profit of \$25,000.

Implication: This can overstate gross profits if the last payment is not received.

Revenue Recognition

4. Revenue Recognition US GAAP Vs IFRS

4.1 Similarities

Revenue recognition under both US GAAP and IFRS is tied to the completion of the earnings process and the realization of assets from such completion.

Under IAS 18 *Revenue*, revenue is defined as “the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity other than increases relating to contributions from equity participants.”

Under US GAAP (which is primarily included in ASC 605 *Revenue Recognition*), revenues represent actual or expected cash inflows that have occurred or will result from the entity’s ongoing major operations. Under both US GAAP and IFRS, revenue is not recognized until it is both realized (and realizable) and earned.

Basically, both GAAPs states that revenue recognition is on the transfer of risks and attempt to determine when the earnings process is complete.

4.2 Significant differences

Despite the similarities, differences in revenue recognition may exist as a result of differing levels of specificity between the two GAAPs.

There is extensive guidance under US GAAP, which can be very prescriptive and often applies only to specific industries. For example, under US GAAP there are specific rules for the recognition of software revenue and sales of real estate, while comparable guidance does not exist under IFRS.

In addition, the detailed US rules often contain exceptions for particular types of transactions. Further, public companies in the US must follow additional guidance provided by the SEC staff. Conversely, a single standard (IAS 18) exists under IFRS, which contains general principles and illustrative examples of specific transactions. Exclusive of the industry-specific differences between the two GAAPs, following are the major differences in revenue recognition.

Revenue Recognition

	US GAAP	IFRS
Sale of goods	Public companies must follow SAB 104 Revenue Recognition, which requires that delivery has occurred (the risks and rewards of ownership have been transferred), there is persuasive evidence of the sale, the fee is fixed or determinable, and collectability is reasonably assured.	Revenue is recognized only when risks and rewards of ownership have been transferred, the buyer has control of the goods, revenues can be measured reliably, and it is probable that the economic benefits will flow to the company.
Rendering of services	Certain types of service revenue, primarily relating to services sold with software, have been addressed separately in US GAAP literature. Application of long-term contract accounting ASC 605-35 <i>Construction-Type and Production-Type Contracts</i> , (formerly SOP 81-1), is not permitted for non-construction services.	Revenue may be recognized in accordance with long-term contract accounting, including considering the stage of completion, whenever revenues and costs can be measured reliably, and it is probable that economic benefits will flow to the company.
Multiple elements	Public Specific criteria are required in order for each element to be a separate unit of accounting, including delivered elements that must have standalone value, and undelivered elements that must have reliable and objective evidence of fair value. If those criteria are met, revenue for each element of the transaction can be recognized when the element is complete.	IAS 18 requires recognition of revenue on an element of a transaction if that element has commercial substance on its own; otherwise the separate elements must be linked and accounted for as a single transaction. IAS 18 does not provide specific criteria for making that determination.
Deferred receipt of receivables	Discounting to present value is required only in limited situations.	Considered to be a financing agreement. Value of revenue to be recognized is determined by discounting all future receipts using an imputed rate of interest.
Construction contracts	Construction contracts are accounted for using the percentage-of-completion method if certain criteria are met. Otherwise completed contract method is used.	Construction contracts are accounted for using the percentage-of-completion method if certain criteria are met. Otherwise, revenue recognition is limited to recoverable costs incurred. The completed contract method is not permitted.
	Construction contracts may be, but are not required to be, combined or segmented if certain criteria are met.	Construction contracts are combined or segmented if certain criteria are met.

5. Business Benefits from Accurate Revenue Recognition

Recognizing Revenue, Realizing Business Benefits:-

With revenue recognition analytics, your organization can quickly access revenue metrics and manage information transparently to comply with regulations.

- **Improve your bottom line in a tough economic environment** by accurately predicting deferred revenue streams and capitalizing on opportunities to recognize revenue as early as possible.
- **Minimize the risk of noncompliance** by making decisions based on validated revenue data.
- **Gain unique perspectives on the market** by combining risk and strategy management.
- **Reduce costs and increase productivity** by eliminating manual processes and speeding the amount of time required to access revenue numbers.
- **Enhance the decision-making process** with KPIs and analytics drawn from multiple sources to overcome the obstacles posed by information silos.
- **Gain a holistic view of revenue positions** by combining data from multiple sources.
- **Maximize the value of existing** investments by leveraging data you already have.

6. Activation of Revenue Recognition in SAP

6.1 Introduction

In order to comply with the latest bookkeeping principles and current regulations, like Generally Accepted Accounting Principles (US-GAAP), International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS), SAP provides some general recommendations and best practices for customers using SAP R/3 revenue recognition in the Sales and Distribution component (SD).

1. To use the revenue recognition functionality in the productive environment, the implementation must be subject to a pre go-live assessment to avoid a negative impact on the financial statement.
2. As revenue recognition provides a data stream into the financial system, the setup of the function is not only an SD task. FI consultants with experience in the area of Balance Sheet and P&L customizing have to setup the account assignment and need to review the processes that are customized in the SD area.
3. Program modifications in a revenue recognition relevant process are discouraged because they may have unexpected effects and may result in an incorrect data stream for FI. Any modifications made must be very closely monitored to prevent any negative impacts to the revenue recognition process. Additionally modifications have to be reviewed to check whether they are still in line with legal finance guidelines and regulations.
4. If the revenue recognition functionality is activated once in the productive system landscape, a deactivation has to be declined due to the direct impact to the accounting and the danger of data inconsistencies.

Revenue Recognition

6.2 Minimum System Requirements

- ECC 6.0 :- at least Support Package 12
- ECC 5.0 :- at least Support Package 19
- R/3 4.7 :- Release is outside the 'Mainstream Maintenance'. 'Extended maintenance' is required and you must have imported Support Package 30.
- R/3 4.6C :- Release is outside the 'Mainstream Maintenance'. 'Extended Maintenance' is required and you must have imported Support Package 56.
- There is no support for older releases from SAP.

6.3 Steps to Activate Revenue Recognition in SAP ECC 6.0

Below provided are steps to activate Revenue Recognition

Step 1:- Call transaction SE38

Step 2:- Enter L0800F0F as the program name and choose "Display".

Step 3:- In the module, MODULE SET_STATUS OUTPUT, place the cursor on the statement GET PARAMETER and double-click the ID RR_USER.

Step 4:- A dialog box is then displayed, that ask whether you want to create the user parameter. Choose "Yes".

Step 5:- Enter "Customizing for Revenue Recognition" as the short text.

Revenue Recognition

Step 6:- Assign the new object R3TR PARA RR_USER to the development class or package VFE.

Step 7:- Save and activate your entries.

Step 8:- Use transaction SU3 to insert the new user parameter with the parameter value "A" into the profile of the user who is to maintain the Customizing for revenue recognition. It is strongly recommended to assign the user parameter for selected users, those who can understand the impact of Revenue Recognition.

7. Setting up Revenue Recognition in SAP

Various methods of Revenue Recognition in SAP are mentioned below

- Revenue recognition at the point of billing (standard method)
- Time-related revenue recognition (the revenues are realized between specific set dates)
- Service-related revenue recognition (the revenues are realized on the basis of a specific event, e.g. the goods issue for a delivery)
- Credit/Debit memo request with reference to preceding document
- Service based revenue recognition, billing related (only for IS-M solution)

This document would explain in detail about Time-related revenue recognition's configuration and Master Data settings and also illustrates a scenario including month end activities. For the setup of the Revenue Recognition process, below are few preliminary steps that need to be followed

- FI G/L accounts and their settings
- SD item categories and their settings
- Account determination

Let us see in detail regarding the pre steps that need to be followed

7.1 G/L Account Settings

Below provides list of G/L accounts that are required for the Revenue Recognition and few basic settings that to be strictly followed

- Revenue account (recognized revenues)
- Receivables account (customer account)
- Revenues to be deferred (deferred revenue account or D/R account)
- Unbilled receivables (unbilled receivables account or U/R account)

Revenue Recognition

I. Revenue account

Transaction	FS00
Path	Financial Accounting → General Ledger Accounting → G/L Accounts → Master Records → G/L Account Creation and Processing → Edit G/L Account (Individual Processing) → Edit G/L Account Centrally

II. Deferred Revenue Account:-

Transaction	FS00
Path	Financial Accounting → General Ledger Accounting → G/L Accounts → Master Records → G/L Account Creation and Processing → Edit G/L Account (Individual Processing) → Edit G/L Account Centrally

III. Unbilled Receivables

Transaction	FS00
Path	Financial Accounting → General Ledger Accounting → G/L Accounts → Master Records → G/L Account Creation and Processing → Edit G/L Account (Individual Processing) → Edit G/L Account Centrally

Revenue Recognition

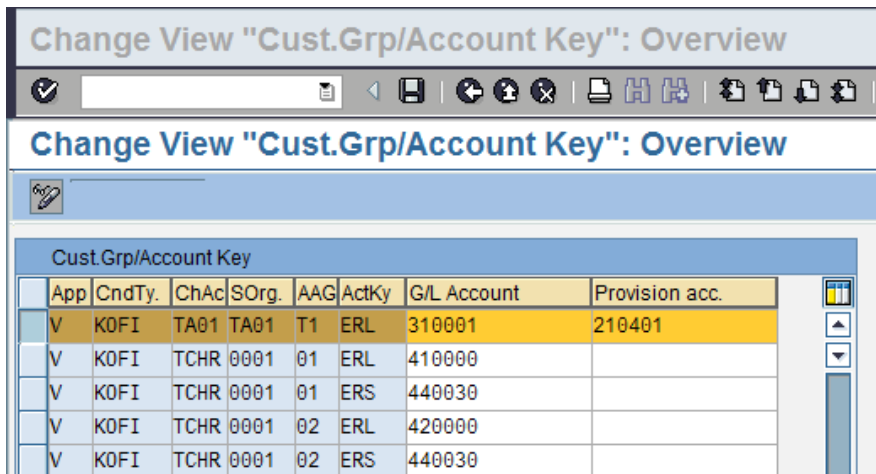
7.2 Account Determination Settings

Below settings would help for Revenue Account determination

I. G/L Accounts for Revenue & Deferred Revenue

Transaction	VKOA
Path	Implementation Guide Sales and Distribution → Basic Functions → Account assignment / Costing → Revenue Recognition → Maintain Account Determination

In the SD module both the revenue account and the account for deferred amounts must be maintained in revenue account determination. The Deferred account is maintained on the Provision acc. column against each revenue account.



The screenshot shows the SAP 'Change View Cust.Grp/Account Key' interface. The title bar reads 'Change View "Cust.Grp/Account Key": Overview'. Below the title bar is a toolbar with various icons. The main content area displays a table with the following data:

	App	CndTy.	ChAc	SOrg.	AAG	ActKy	G/L Account	Provision acc.
	V	KOFI	TA01	TA01	T1	ERL	310001	210401
	V	KOFI	TCHR	0001	01	ERL	410000	
	V	KOFI	TCHR	0001	01	ERS	440030	
	V	KOFI	TCHR	0001	02	ERL	420000	
	V	KOFI	TCHR	0001	02	ERS	440030	

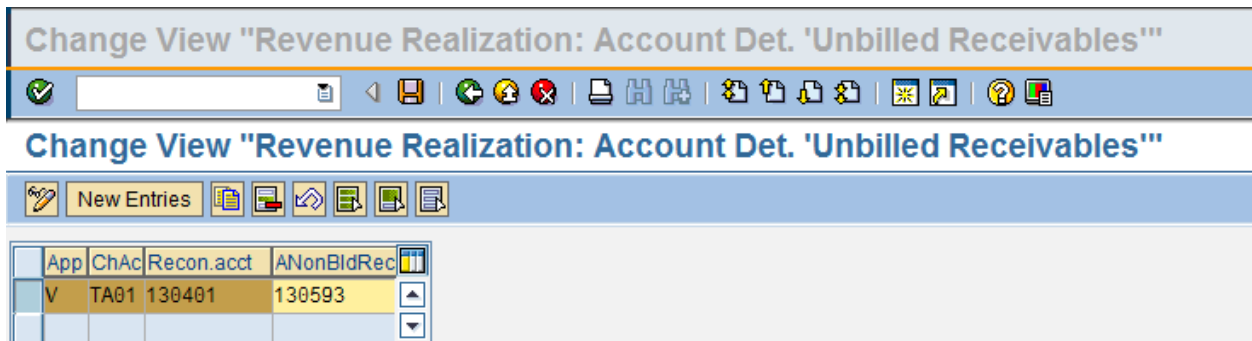
II. Determination for Unbilled account

Transaction	OVUR
Path	Implementation Guide Sales and Distribution → Basic Functions → Account assignment / Costing → Revenue Recognition → Maintain Account Determination

In the customizing we need to maintain the account for Unbilled Receivables (U/R account) depending on the reconciliation account and the associated chart of accounts. The

Revenue Recognition

Reconciliation Account must be similar to the one maintained in the Customer Master record of the payer.



7.3 Item Category settings

This is important configuration where we define the method of Revenue Recognition that need to be used, details are given below

Transaction	<i>OVEP</i>
Path	<i>Implementation Guide Sales and Distribution → Basic Functions → Account assignment / Costing → Revenue Recognition</i>

Revenue Recognition: - Determines the method of the Revenue Recognition to be used.

Accrual Period Start: - Determines the start of the period in which revenues should be recognized

Revenue distribution type: - Distribution gives the possibility of linking the distribution of revenues over the posting periods in the revenue lines to the value distribution of the billing plan dates. This means that each individual billing plan date is represented in terms of its time period and billing plan value on the relevant posting periods in the revenue lines.

Revenue event: - The event is relevant for third-party business transactions where the revenues are allowed to be recognized after the incoming invoice has arrived.

Revenue Recognition

8. Transactions & Month End Posting in SAP

Based on the above transaction let us see few transactions posting and Month End posting that are made in SAP

8.1 Transaction Posting

Step 1 :- Creation of Contract

Revenue Recognition

Create Contract: Initial Screen

Contract Type Service Contract

Organizational Data

Sales Organization	<input type="text" value="TA01"/>	Tagrus Pvt Ltd
Distribution Channel	<input type="text" value="TD"/>	Distribution
Division	<input type="text" value="TS"/>	Service
Sales Office	<input type="text"/>	
Sales Group	<input type="text"/>	

Step 2 :- Creation of Sales Contract Line item

Create Service Contract: Overview

Service Contract Net value USD

Sold-to party Hyundai Motors // NY

Ship-to party Hyundai Motors // NY

PO Number PO date

Sales | Item overview | Item detail | Ordering party | Procurement | Shipping | Reason for rejection

Description

Contract start Contract end 08

Billing block Pricing date

Order reason

Sales area Tagrus Pvt Ltd, Distribution, Service

Master contract

Shipping Cond.

Business Area

Item	Material	Target quantity	U...	Description	Customer Material Numb	Mc...	gLvlt	Order Quantity
	10SM_TA_01		1 EA	Service Material 01		ZT01		

Ensure proper Item category is populated

Step 3:- Check the Billing Document tab

Revenue Recognition

Create Service Contract: Item Data

Sales Document Item: 10 Item category: ZT01 Service Item
 Material: SM_TA_01 Service Material 01

Payer: 1100 Hyundai Motors // NY

Delivery and Payment Terms
 Incoterms: Fixed val. date: Add. value days: Payment Terms: 0001 Pay immediately w/o deduction

Billing
 Billing block: Invoicing dates: Billing Date: 08.11.2011 Serv. rendered: Tax classific.: 0 SubstInvProcess:

Accounting
 Acct asgmt grp: TS Service Goods Payment Method: Posting period: 0 Exch. rate-acct.: Dunning Key: Dunning Block: Freed for dunning

Rev. recog: A Revenue Dist.: A
 Acc. start: B Revenue Event:

Risk Management
 Paym. guar. proc.: PaytGuarFm: Ret.: 0,00 %
 Financ. doc. no.: Deprec.: Financial Doc.:

Ensure correct settings are reflected

Step 4 :- Assign appropriate Billing type (Quarterly Billing)

Create Service Contract: Item Data

Sales Document Item: 10 Item category: ZT01 Service Item
 Material: SM_TA_01 Service Material 01

Net value: 21.600,00 USD

Billing plan
 BillingPlanType: T1 Periodic T2 Quarterly Billing InAdvance:
 Start date: 01.11.2011 Contract Start (Contract header) Dates from: 01.11.2011 11
 End date: 31.10.2012 Contract Ende (Contract header) Dates until: 31.10.2012 09
 Horizon: 30.11.2012 52 Horizon 1 Year Hdr: Corr: Cal-Id:

Settlement	To	Billing date	Bill. value	Crcy	Block	BillSt	Man.	Cor	PayT	DCat	Billing Type	Price calc.
01.11.2011	31.01.2012	01.11.2011	5.400,00	USD	T1	A	<input type="checkbox"/>			T1	ZTFV	
01.02.2012	30.04.2012	01.02.2012	5.400,00	USD	T1	A	<input type="checkbox"/>			T1	ZTFV	
01.05.2012	31.07.2012	01.05.2012	5.400,00	USD	T1	A	<input type="checkbox"/>			T1	ZTFV	
01.08.2012	31.10.2012	01.08.2012	5.400,00	USD	T1	A	<input type="checkbox"/>			T1	ZTFV	
<input checked="" type="checkbox"/>							<input type="checkbox"/>					
<input checked="" type="checkbox"/>							<input type="checkbox"/>					
<input checked="" type="checkbox"/>							<input type="checkbox"/>					
<input checked="" type="checkbox"/>							<input type="checkbox"/>					
<input checked="" type="checkbox"/>							<input type="checkbox"/>					

Conditions Create Dates

Revenue Recognition

Step 5 :- Remove the Billing Block to create billing for the first period.

Create Service Contract: Item Data

Sales Document Item: 10 Item category: ZT01 Service Item
 Material: SM_TA_01 Service Material 01

Net value: 21.600,00 USD

Billing plan

BillingPlanType: T1 Periodic T2 Quarterly Billing InAdvance

Start date: 01.11.2011 13 Contract Start (Contract header Dates from): 01.11.2011 11
 End date: 31.10.2012 14 Contract Ende (Contract header Dates until): 31.10.2012 09
 Horizon: 30.11.2012 52 Horizon 1 Year Hdr Corr Cal-Id

Dates

Settlement	To	Billing date	Bill.value	Crcy	Block	BillSt	Man.	Cor	PayT	DCat	Billing Type	Price calc.
01.11.2011	31.01.2012	01.11.2011	5.400,00	USD	A		<input type="checkbox"/>			T1	ZTFV	
01.02.2012	30.04.2012	01.02.2012	5.400,00	USD	T1	A	<input type="checkbox"/>			T1	ZTFV	
01.05.2012	31.07.2012	01.05.2012	5.400,00	USD	T1	A	<input type="checkbox"/>			T1	ZTFV	
01.08.2012	31.10.2012	01.08.2012	5.400,00	USD	T1	A	<input type="checkbox"/>			T1	ZTFV	

Step 6:- Update price based on the contract terms & save the Contract


Create Service Contract: Item Data

Sales Document Item: 10 Item category: ZT01 Service Item
 Material: SM_TA_01 Service Material 01

Qty: 1 EA Net: 1.800,00 USD Tax: 0,00

Pricing Elements

N	CnTy	Name	Amount	Crcy	per	U...	Condition value	Curr.	Status	NumC	OUn	CCon.	Un	Condition value	CdCur	Stat
		PPSV Service Price Item	1.800,00	USD		1EA	1.800,00 USD			1EA		1EA		0,00		<input type="checkbox"/>
		Gross Value	1.800,00	USD		1EA	1.800,00 USD			1EA		1EA		0,00		<input type="checkbox"/>
		Discount Amount	0,00	USD		1EA	0,00 USD			1EA		1EA		0,00		<input type="checkbox"/>
		Net Value for Item	1.800,00	USD		1EA	1.800,00 USD			1EA		1EA		0,00		<input type="checkbox"/>
		MWST Output Tax	0,000	%			0,00 USD			0		0		0,00		<input type="checkbox"/>
		Total	1.800,00	USD		1EA	1.800,00 USD			1EA		1EA		0,00		<input type="checkbox"/>
		SKTO Cash Discount	0,000	%			0,00 USD			0		0		0,00		<input checked="" type="checkbox"/>

 Service Contract 300000002 has been saved

Step 7:- Create Billing Document

Revenue Recognition

Create Billing Document

Default data

Billing Type	<input type="text"/>	Serv.rendered	<input type="text"/>
Billing Date	<input type="text"/>	Pricing date	<input type="text"/>

Docs to be processed

Document	Item	SD document categ.	Processing status	Bill
0000000002				

Display Billing Document

Billing document Edit Goto Environment System Help

Accounting overview (F6)

Billing document

More Search Criteria

Document Number	<input type="text"/>
Company Code	<input type="text"/>
Fiscal Year	<input type="text"/>
Reference	<input type="text"/>

Revenue Recognition

Display Document: Data Entry View

Display Document: Data Entry View

Data Entry View

Document Number: 9000000002 Company Code: TA01 Fiscal Year: 2011
 Document Date: 01.11.2011 Posting Date: 01.11.2011 Period: 11
 Reference: 9000000002 Cross-CC no.:
 Currency: USD Texts exist: Ledger Group:

C.	itm	P	S	Account	Description	Amount	Curr.	Tx	G/L Account	Amount in LC	Cost Center	Segment	Profit Center	TTY	TTY
TA01	1	01		1100	Hyundai Motors	5.400,00	USD	ZC	130401	5.400,00					
	2	50		210401	Deffered Income	5.400,00-	USD	ZC	210401	5.400,00-		1000	NY01		

Invoice is posted with Deferred Income A/C

8.2 Month End Transactions

Transaction	VF44
Path	Sales and Distribution → Shipping and Transportation → Billing → Revenue Recognition → Edit Revenue List

This transaction is used to Recognize Revenue in the Month End. This transaction is executed by Company Code and it provides complete list of documents that are applicable for revenue posting.

Step 1:- Post Revenue in Transaction VF44

Revenue Recognition

Revenue Recognition Edit Goto System Help

Revenue Recognition: Post Revenue

Accounting Data
Company Code TA01 to

SD Document Data
Sales Document Type ZTC to
Sales document number to
Item Number to
Subsequent Document Number to
Subsequent Item Number to

Rev. Recognition Data
Posting Period/Year 11 2011 to

Cust. Data
Sold-To Party to

Process Control
Posting Level

Default Data
Posting Date 30.11.2011

Revenues to be Recognized
 Blocked Revenues

Revenue Recognition: Post Revenue

Revenue Recognition: Post Revenue

Revenues

Status	Sales Doc.	Item	Year/Per	FollOn doc	Subst	Crcy	G/L acct	Per. Rev.	AccDefRev	Accr. rev.	ANonBidRec	Rec.Not.Fa	RD status	Pstng Date	Group	Created on	Time
▲	3000000002	10	2011/011			USD	310001	1.800,00	210401	0,00	130593	0,00	A			08.11.2011	05:03:11
▲	3000000003	10	2011/011			USD	310001	2.000,00	210401	0,00	130593	0,00	A			08.11.2011	05:07:41

Revenue Recognition: Post Revenue

Revenue Recognition: Post Revenue

Revenues

St.	Sales Doc.	Item	Year/P.	FollOn doc	Subst	Crcy	G/L acct	Per. Rev.	AccDefRev	Accr. r.	ANonBidRec	Rec.Not.Fa	RD status	Pstng Date	Group	Created on	Time
■	3000000002	10	2011/011			USD	310001	1.800,00	210401	1.800,00	130593	0,00	C	30.11.2011	10000	08.11.2011	05:08:55
■	3000000003	10	2011/011			USD	310001	2.000,00	210401	0,00	130593	2.000,00	C	30.11.2011	10000	08.11.2011	05:07:41

Accounting

Control Lines

Sales Doc.	Item	Crcy	Tot. acc. value	Recog.R.	Unrec.Rev.	Inv. Rev.	AccDefRev	Accrued Revenue	Accr. rev.	ANonBidRec	Receivables Not Invoiced	Rec.Not.Fa	RD status	Rev
3000000000	10	USD	21.600,00	1.800,00	19.800,00	5.400,00	210401	1.800,00	3.600,00	-130593	0,00	0,00	A	A

Revenue Recognition

Once the documents are posted the status turns green, then select a document and click on Accounting in the Control Line tab

Document List						
CoCd	DocumentNo	Year	Type	Doc. Date	Posting Date	
TA01	9000000004	2011	RV	08.11.2011	30.11.2011	
	9000000005	2011	RV	08.11.2011	30.11.2011	

Accounting document generated:-

Display Document: Data Entry View															
Data Entry View															
Document Number	9000000004		Company Code	TA01	Fiscal Year	2011									
Document Date	08.11.2011		Posting Date	30.11.2011	Period	11									
Reference	1000000534		Cross-CC no.												
Currency	USD		Texts exist	<input type="checkbox"/>	Ledger Gr										
C	Itm	P	S	Account	Description	Amount	Curr.	Tx	G/L Account	Amount in LC	Cost Center	Segment	Profit Center	TTy	TTy
TA01	1	50		310001	Revenue Account	1.800,00-	USD	ZC	310001	1.800,00-		1000	NY01		
	2	40		210401	Deferred Income	1.800,00	USD	ZC	210401	1.800,00		1000	NY01		

Revenue is recognized in the Month End

Transaction	VF45
Path	Sales and Distribution → Shipping and Transportation → Billing → Revenue Recognition → Revenue Report

This report provides information of deferred revenues, unbilled receivables, billed and realized amounts on the level of a sales document item.

Revenue Recognition

Revenue Recognition: Overview

Accounting Data
 Company Code: TA01

SD Document Data
 Sales Document Type: [] to []
 Sales Document: 3000000002 to []
 Sales Document Item: [] to []

Customer Data
 Sold-to party: []

Rev. Recognition Data
 Unblocked Revenues
 Blocked Revenues

Revenue Recognition: Overview

Control Lines

Sales Doc.	Item	Crcy	Total val.	AccDefRev	Accr. rev.	A/NonBldRec	Rec.NotFa	Recog.Rev.	Unrec.Rev.	Inv. Rev.	RD status	Rev. recog
3000000002	10	USD	21.600,00	210401	3.600,00-	130593	0,00	1.800,00	19.800,00	5.400,00-	A	A

Revenues and Billing Docs

Sales Doc.	Item	GL Acct	Year/P.	Crcy	Accr. rev.	Rec. Not Invoiced	Recog.Rev.	Unrecognized Revenue	Inv. Rev.	FollOn doc	Sub.	Group	RD status	Pstng Date
					USD	3.600,00-	0,00	1.800,00	19.800,00	5.400,00-				
3000000002	10	310001	2011/011	USD	5.400,00-	0,00	0,00	0,00	5.400,00-	900000000	10		C	01.11.2011
3000000002	10	310001	2011/011	USD	1.800,00	0,00	1.800,00	0,00	0,00			10000	C	30.11.2011
3000000002	10	310001	2011/012	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/001	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/002	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/003	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/004	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/005	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/006	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/007	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/008	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/009	USD	0,00	0,00	0,00	1.800,00	0,00				A	
3000000002	10	310001	2012/010	USD	0,00	0,00	0,00	1.800,00	0,00				A	

Transaction	VF48
Path	Sales and Distribution → Shipping and Transportation → Billing → Revenue Recognition → Compare Report

Transaction VF48 is a report that compares the FI and SD values on the accrual accounts. This means that transaction VF48 determines the balance on the accrual accounts from FI side (all postings to the accrual account) and from SD side

Revenue Recognition

Compare Report for Revenue Recognition

Account

Company Code: TA01
 G/L Account: 210401

Period

Posting Period/Year: 11 2011 To: 11 2011

Control

Only Uncleared Documents

Compare Report for Revenue Recognition

Balances Account 210401

Currency USD

- Balance from Revenue Recognitions 1.800,00
 - Balance from Billing Documents 13.500,00
 - Balance from Other Postings 0,00

Total Balance 11.700,00-

Sales Document	Item	Crcy	Billed Revenues	Recognized Revenues	Total Accrual Value	Balance
3000000002	10	USD	5.400,00-	1.800,00	21.600,00	3.600,00-
3000000002		USD	5.400,00-	1.800,00	21.600,00	3.600,00-
		USD	5.400,00-	1.800,00	21.600,00	3.600,00-

9. Customer Enhancements & SAP Notes

9.1 Customer Enhancements

Revenue Recognition

There can be functions required that are not included in the R/3 standard revenue recognition functionality. In such cases SAP provides different options with predefined interfaces where additional functions can be included by the customers itself.

For the revenue recognition functionality the option for customer enhancements is the use of Business Transaction Events (BTEs). Here is a short description on how to use the user exit solution defined via BTE implementation:

1. You can use transaction SPRO. Then go to Sales and Distribution -> System modifications -> Use business transaction events. Alternatively you can use transaction FIBF directly.
2. Select Environment: Info System (P/S), enter into the selection Attrib. field 'SD-ER' and execute.

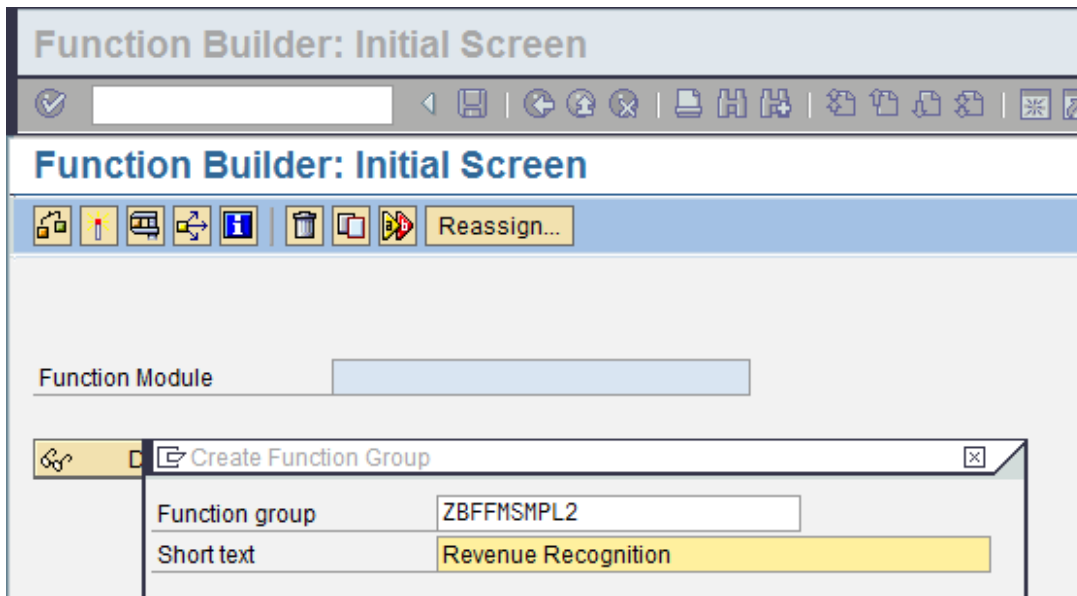
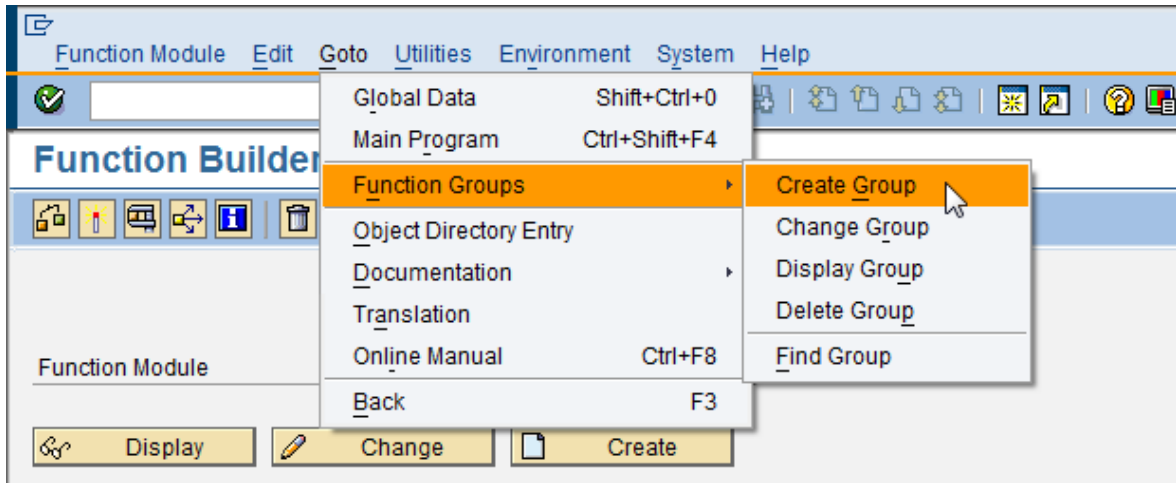
You will get a list of all BTEs predefined for the revenue recognition functionality.

Event	Text
503101	Revenue realization: Copy conditions
503102	Revenue realization: Start/end of selection period
503103	Revenue realization: Determine selection period
503104	Revenue realization: Billing <-> FI document VF47
503105	Revenue realization: Forecast revenue lines
503106	Revenue realization: Revenue amount adjustment
503107	Revenue realization: Det. Acct Non-Billed Receiv.
503108	Revenue realization: Display variants
503109	Revenue realization: Enter split criterion
503110	Revenue realization: Change accounting data
503111	Revenue realization: Change document date/type
503113	Revenue Realization: Status Change
503114	Revenue Realization: Addnl Value/Quantity Fields
503115	Revenue Realization: Set Exchange Rate Date
503116	Revenue Realization: Compression Data SD/FI

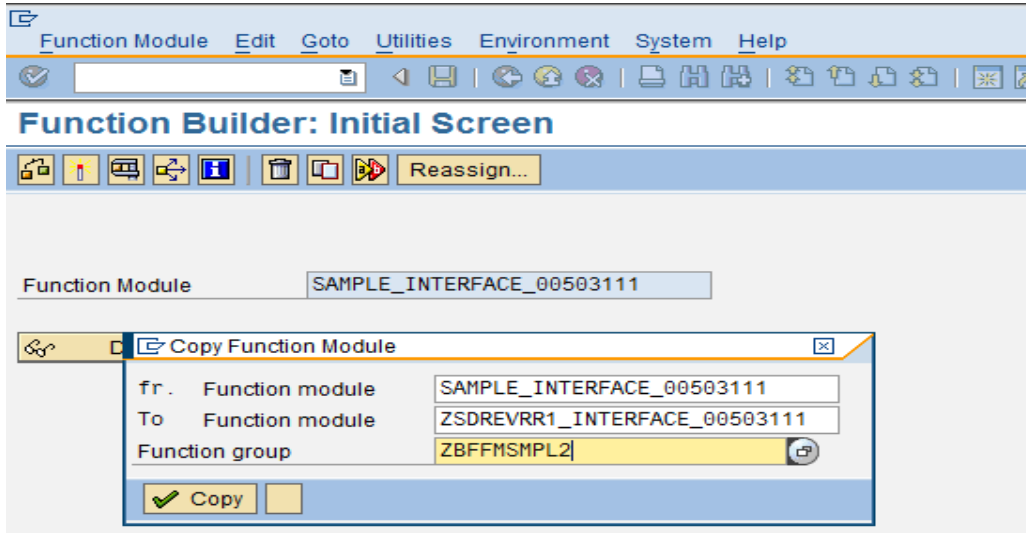
3. For implementing a BTE please proceed as follow: Select the needed BTE e.g. 0503111 Revenue realization: Change Document Type and then go to details. You will get the Sample Function Module e.g. SAMPLE_INTERFACE_00503111

Revenue Recognition

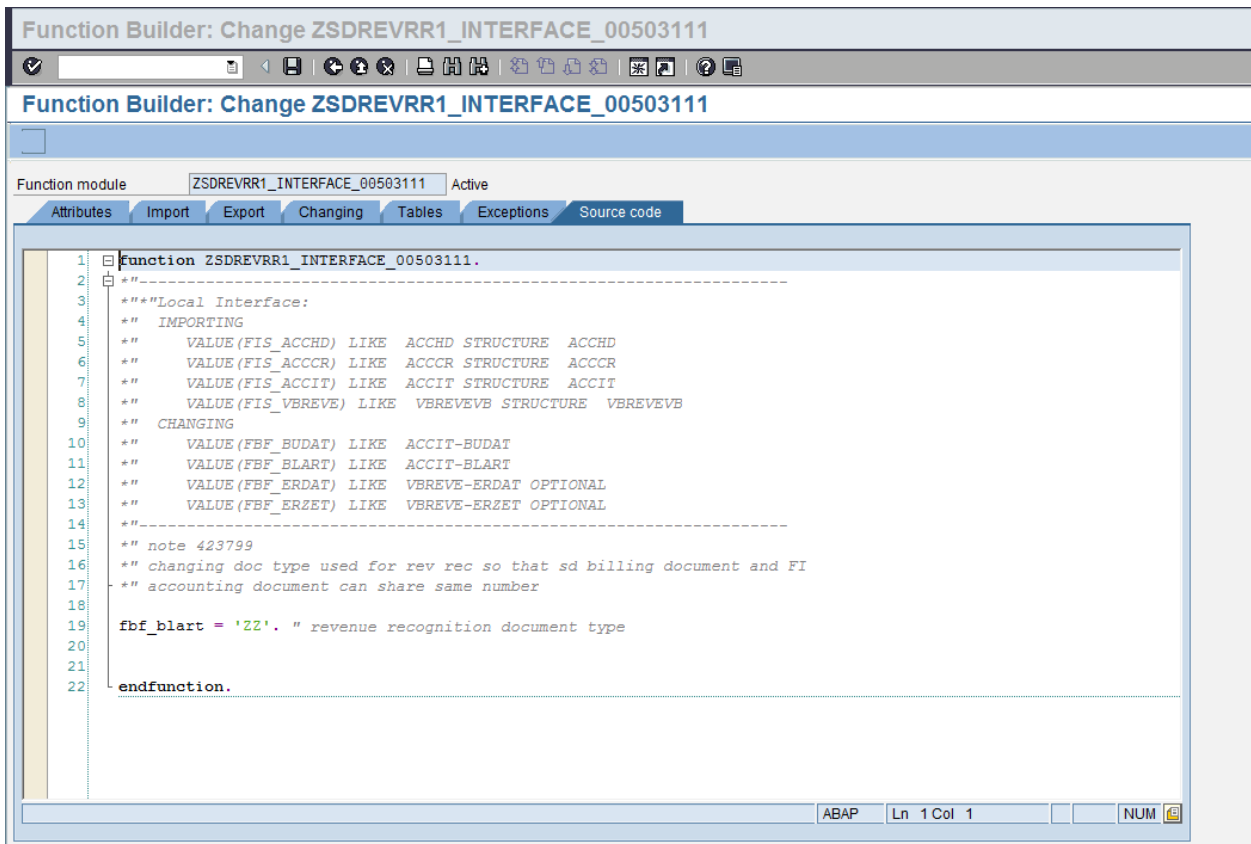
4. You have to use this sample function for creating your own function module. Use transaction VF37 and copy the sample function into your own function. Use ZZ* for your own function module e.g. ZZ_INTERFACE_00503111 and enter your own coding there.



Revenue Recognition

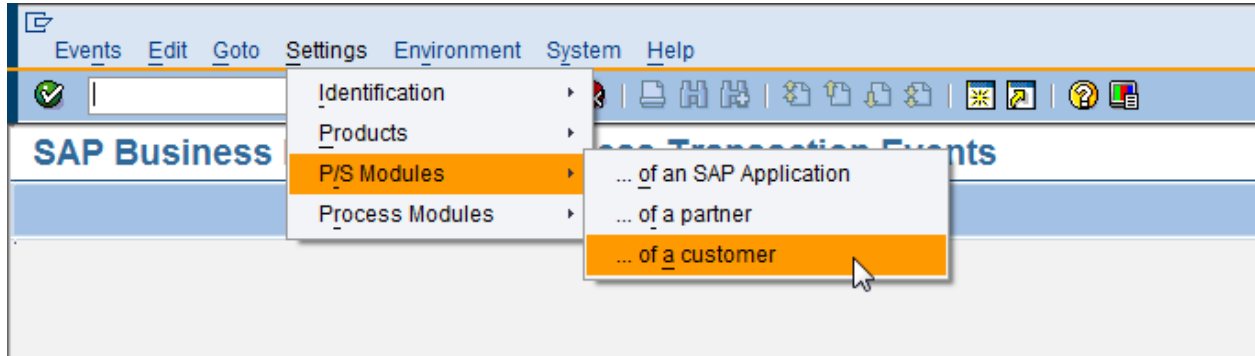


Addition of the required code change in the functional Module created



Revenue Recognition

5. After you have implemented the coding into your own function module, go back to the initial screen of transaction FIBF. Select the settings: P/ S Modules: ... of a customer. Make a new entry there for the selected event. Event 00503110 and assign the name of your own function Z_INTERFACE_00503110)



Change View "Publish&Subscribe BTE: Customer Enhancements": Overview

Change View "Publish&Subscribe BTE: Customer Enhancements": Overview

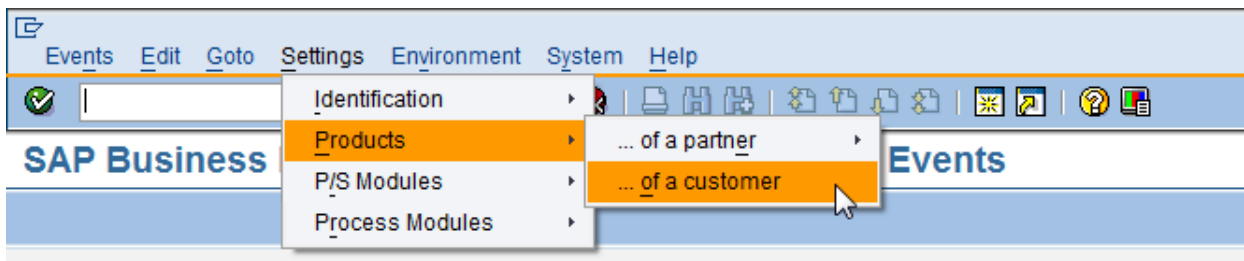
New Entries

Event	New Entries (F5)	Function Module
00001025	R0D2	ZSAMPLE_INTERFACE_00001025
00001030	ZDOCHEAD	ZSAMPLE_INTERFACE_00001030
00001060	ZPROD	ZSAMPLE_INTERFACE_00001060
00001110	Z1110	YSAMPLE_PROCESS_00001110
00001110	ZPROD_WF	Z_FM_WF
00001120	ZPROD1	ZZSAMPLE_PROCESS_00001120
00001320	ZCUSCRT	Z_FSP_WF_CUSTOMER_CREATE
00001340	SEDUNN SE	SAMPLE_INTERFACE_00001340
00001650	RFPOS	LINE_ITEMS_GET_GKONT
00001650	RFPOSX	LINE_ITEMS_GET_GKONT
00001650	ZFI FI-FI	ZFI_SAMPLE_INTERFACE_00001650
00001705	SEDUNN SE FI-FI	SE_DUNN_START
00001710	SEDUNN SE FI-FI	SE_DUNN_END
00001720	SEDUNN SE FI-FI	SE_DUNN_LOOP
00002213	ZALI	ZSAMPLE_INTERFACE_00002213
00002218	ZALI2	ZSAMPLE_INTERFACE_00002218
00002810	SEDUNN SE FI-FI	SE_DUNN_EB_PREP
00506002	ZTEST_NK	

Revenue Recognition

Event	Product	Ctr	Appl.	Function Module
00503111	SAPLZSDR			ZSDREVR1_INTERFACE_00503111
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

6. After the assignment is done please go back to the initial screen of transaction FIBF again. Select Settings: Products: ... of a customer. Define a product and set the 'Active' flag.



Product	Text	RFC destination	A
SAPLZSDR	Revenue Recognition		<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>			<input type="checkbox"/>
<input checked="" type="checkbox"/>			<input type="checkbox"/>
<input checked="" type="checkbox"/>			<input type="checkbox"/>

Revenue Recognition

9.2 SAP Notes

List of few SAP notes related to Revenue Recognition

Number	Short Text
820417	Implementation Guide for revenue recognition
782758	Prerequisites for using the Revenue Recognition
777996	Account settings for revenue recognition process
678260	Revenue recognition: Functional constraints
1172799	New version of Best Practices for Revenue Recognition
1747127	Activated Customizing for SAP SD revenue recognition
1000830	Revenue recognition through incoming invoice (third-party)
1120297	Revenue recognition by acceptance date
1025066	Revenue recognition by proof of delivery (POD)
1125456	Revenue recognition due to customer-specific event
1109406	Revenue lines incorrect in POD standard
1166848	Revenue recognition: Customizing settings 1025066

10. DO's & Dont's

Do's

- In order to implement of revenue recognition functionality, customers have to request an assessment of their system landscape from SAP to avoid a negative impact on the financial statement.
- The functionality should be implemented by SAP-certified SD- and FI-Consultants.
- The consultants will setup the accounts and other settings in the Implementation
- It is important to understand the business scenarios that are supported by SAP for revenue recognition.
- It is necessary to continuously monitor the data created by revenue recognition functionality. The programs and reports for monitoring are introduced in detail in this document.

Don't

- NEVER perform the following actions:
- Never change the revenue recognition category for item categories that have already been productively used and under which SD documents have already been entered in the system.
- If you want to change the revenue recognition category, create a new, separate item category.
- Never remove the revenue recognition relevancy for item categories that have already been productively used and under which documents have already been created.
- To deactivate the revenue recognition, you must take special measures in the SD and FI area to ensure that data remains consistent. Usually, this task can only be performed by experienced revenue recognition consultants.
- Never change the accounting period for categories already that are already productively used.