Revenue Recognition Process and Flow

This article would help you to understand how the revenue recognition happens. What are the Concurrent Programs that are used, some standard table details, how the data flows into the GL and based on what rules and criteria the final revenue recognition is done in the systems.

To showcase how this happens, let us consider the start of the process or in other words the source of it would be creation of Blanket Sales Agreement (BSA). They could be several other sources, BSA is not the only way this process could initiate and happen.

Considering the BSA creation as the ignition for Revenue Recognition and how and where BSA is created.

Below are the steps which would guide you in creating a BSA then Creating a Release against the BSA, booking the Order, Standard tables that come in force and further processes.

**Note:** Considering that process is not having PICKING and SHIPPING and the data flows from BOOKING directly to the Invoice Stage and then further.

Navigation Responsibility would be “Order Management Super User”
This is how the BSA would look once created as below:

![BSA Image]

Table Details for BSA is as below:

```sql
-- Header Table
SELECT *
FROM oe_blanket_headers_all
WHERE order_number = '12375';

-- Line Table
SELECT *
FROM oe_blanket_lines_all
WHERE header_id = 1632135
```

Once the BSA is created using a Customer and providing the ITEM Details, the next step would be creation of a RELEASE for the existing BSA.

One way would be Click the **ACTIONS** button then select Create Releases from the LOV. The same can be used to view an existing release here by selecting View Releases from the LOV list.
If a Release is already created in past then another way to create Sales Release would be by directly hitting the **CREATE RELEASE** Button at the bottom of the form as highlighted below:

**Release Creation Screen:**

To Create the **SALES RELEASE** we need to provide the **Order Type** as defined in the System then SAVE. Later navigate to the **LINE** Tab provide the Ordered ITEM, Invoice Date and the BSA number for which this Release is created.
Invoice Date, Delivery Date, Estimate Rev Recognition Date can be changed based on which the Revenue would be recognized. For now I keep the Invoice date, Rev Recognition date and Delivery Date same as that of the Creation Date. Also associate the BSA number to the sales release.

**NOTE:** The details of the Delivery Date and Estimate Rev Recognition date is available as a DFF of the BSA as Additional Sales Agreement Line information.

Going forward initially the status of the Order Release would be **ENTERED**.
Table Details as below:

-- Header Table
SELECT *
    FROM oe_order_headers_all
WHERE order_number = '1022825';

-- Line Table
SELECT *
    FROM oe_order_lines_all
WHERE header_id = 1632157

Now we need to Book the order by clicking on the Button Book Order as shown below, the Status of the Sales Order would be **BOOKED**.

Considering that there is no Picking and Shipping stage in our Sales Order Cycle, once we submit the Workflow Background Process from the System Admin Responsibility. The Lines would be populated in the RA_INTERFACE_LINES_ALL table awaiting to be interfaced.

Table Details:

```
SELECT Ordered_Item,
    pricing_quantity,
    ordered_quantity,
    unit_list_price,
    unit_selling_price
    FROM oe_order_lines_all
WHERE header_id = 1632157
```

```
<table>
<thead>
<tr>
<th>ORDERED_ITEM</th>
<th>PRICING_QUANTITY</th>
<th>ORDERED_QUANTITY</th>
<th>UNIT_LIST_PRICE</th>
<th>UNIT_SELLING_PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>10010342-COMBO06</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
```
Navigate to **Receivables Manager** Responsibility.

The lines waiting for Invoice would be invoiced once we submit the **Autoinvoice Master Program**.

Once the above programs completes the same can be viewed using the Transaction Number that is created using the below navigation in Receivables Manager Responsibility:

Query for the TRANSACTION NUMBER (TRX_NUMBER) that was created and then click on the DISTRIBUTIONS Button at the bottom to view the transactions as below:
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Table Details:

-- Header Table
SELECT *
FROM RA_CUSTOMER_TRX_ALL
WHERE Attribute3 = 12375   -- BSA Number
    AND INTERFACE_HEADER_ATTRIBUTE1 = '1022825'; -- Sales Order Number

-- Line Table
SELECT *
FROM RA_CUSTOMER_TRX_LINES_ALL
WHERE customer_trx_id = '2543969';

Revenue Recognition can be done based on the below rules or in other way invoice line would be falling in the one of the 4 bucket based on the below defined rules

Based on these rules as defined below the Revenue Recognition is been derived.

1. **Billed Earned** → If Invoice Date is current/past and Revenue Recognition date is achieved.
2. **Billed Unearned** → Invoice Date is current/past so Bill it but Rev cannot be recognized as Available Date or Delivery Date is in Future.
3. **Unbilled Earned** → Revenue Recognition Date is Current/past but bill Date would be in Future.
   For this type the arrears line is created.
4. **Unbilled Unearned** → Invoice and Revenue Date are in Future.

Based on the Customer requirement the **BATCH SOURCE** would be defined and populated against the records for the Invoice. Say if the batch Source is defined as UBUE then these lines would not be recognized for revenue in the application.

Now in our case the Invoice Line has fallen into Billed Unearned bucket as the Rev Recognition has not achieved.

```
13 select * from AR_LINE_CONTS_ALL
14 where customer_trx_line_id=5747585
```

<table>
<thead>
<tr>
<th>CUSTOMER_TRX_LINE_ID</th>
<th>CONTINGENCY_CODE</th>
<th>EXPIRATION_DATE</th>
<th>EXPIRATION_DAYS</th>
<th>COMPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>5747585</td>
<td>1000</td>
<td>31-Dec-2020</td>
<td>2169</td>
<td>N</td>
</tr>
</tbody>
</table>

So to get the Lines Earned we need to edit the REV RECOGNITION date and run the Contingencies Program to update the Contingency rule and earn the revenue (I guess in Standard Application the Program “Revenue Contingency Analyzer” or “Contingency based Deferred Revenue” is used to
Revenue Recognition Process

update the EXPIRATION_DAYS for our client usage we have customized the process and created a custom program to update the rules or expiration days in AR_LINE_CONTS_ALL table so the lines get recognized.

Now to change the Rev Recognition dates navigate the Order Management Super User Responsibility, query for the BSA number and update Override Rev Rec Date (This is available in the DFF as shown earlier)

Once the Rec Recognition dates are updated and then the Contingency Program is submitted to change the rules for recognition.

Below are the updates, once notice the EXPIRATION_DAYS is 0

<table>
<thead>
<tr>
<th>CUSTOMER_TRX_LINE_ID</th>
<th>CONTINGENCY_CODE</th>
<th>EXPIRATION_DATE</th>
<th>EXPIRATION_DAYS</th>
<th>COMPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>5747585</td>
<td>1000</td>
<td>01-Jan-2015</td>
<td>0</td>
<td>N</td>
</tr>
</tbody>
</table>

To get the system updated with the transaction we need to submit a program “SUBMIT ACCOUNTING” in Receivables Manager Responsibility.

**Note:** If the Transaction lines fall in Unbilled Earned or Unbilled UnEarned criteria then the lines would sit in the Interface table and will not get Invoiced till Holds on the lines are removed and the transaction falls in the bucket Billed Earned or Billed UnEarned.
This program can be submitted to **Accounting Mode** (Final or Draft) if Final then the transaction would be posted to GL and GL Post date would be available for the Transactions, else GL Post Date would be blank. Create Accounting can be either YES or NO.

Once the program is completed with Accounting Mode as **DRAFT** so GL Post Date is blank

Below are the transactions that are created, here you could see the revenue is moved from Unearned to Earned Revenue.

We then re-submit the **SUBMIT ACCOUNTING** Program with Accounting Mode as **Final** to post the transactions to General Ledger.
Once this completes the Transaction is transferred to GL and the GL Post Date is updated based on the submission date of the program Submit Accounting.

Also note that Submit Accounting program will also trigger several other programs like Create Accounting, Journal Import, Accounting Program, Subledger Accounting Balances Update etc.

This ends the process of Revenue Recognition, hoping that the article is well documented. Your feedback is highly appreciated.

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************ END OF THE PROCESS  ****************************
*******************************  HAPPY LEARNING  ***********************************