

REVENUE RECOGNITION

The Revenue Recognition process is run by Research Accounting on a weekly basis, and again at the close of fiscal periods. This process runs on active cost centers with 5XXX fund codes and project ID numbers that begin with F or G.

The process determines the total project-to-date expenses (accounts 50000 to 59999) and total project-to-date revenues (accounts 40000 through 49999 except for 43303 and 43500) in each active cost center that meets the fund and project ID criteria. If the total project-to-date balance for expense and revenues is not equal, the process posts revenue and an accounts receivable in the cost center, limited by the available revenue budget (REVEST_BD budget nodes B4000 through B4999). Because the revenue recognition process is controlled by the revenue budget, it is critical that expense and revenue budgets be equal on 5XXX cost centers with F or G project IDs. T-Accounts of journal entries for a project with a total revenue budget of 1,000 are below:

| TOTAL PROJECT BUDGET: \$1,000 | | | | | | |
|--------------------------------------|--|--------------|-----------------|----------------|--------------|--------------|
| Timing | Transaction | 12116 (AR) | 20100 (AP)/Cash | Revenue | 50000-59999 | Cash Balance |
| Wk 1 | Expenses post within the total revenue budget (800 expense, budget 1,000) | | (800) | | 800 | (800) |
| Wk 1 | RevRec runs; posts revenues and AR equal to expense because not over budget. | 800 | | (800) | | 0 |
| Wk 2 | Expenses post that go over the total revenue budget (expense 1,200, budget 1,000) | | (400) | | 400 | (400) |
| Wk 2 | RevRec runs; posts revenue and AR up to revenue budget only (1,000) | 200 | | (200) | | (200) |
| Wk 3 | Expenses reverse, now total expenses are below revenue budget and posted revenue (1,000) | | 300 | | (300) | 100 |
| Wk 3 | RevRec reverses revenues and AR to current expense level (900) | (100) | | 100 | | 0 |
| Wk 4 | Expenses post within the total revenue budget (1,000 expense, budget 1,000) | | | | 100 | (100) |
| Wk 4 | RevRec runs; posts revenues and AR equal to expense because not over budget. | 100 | | (100) | | 0 |
| TOTAL | | <u>1,000</u> | <u>(1,000)</u> | <u>(1,000)</u> | <u>1,000</u> | |

If spending exceeds the expenditure budget (which is equal to the revenue budget), the Revenue Recognition process will not recognize revenue. As a result, the cost center will have a cash deficit.

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Revenue accounts used by the process are based on the fund code of the project:

| FUND | ACCOUNT | FUND/ACCOUNT TYPE |
|-------|---------|-----------------------------------|
| 5013 | 41600 | Federal |
| 5016 | 42201 | State |
| 5019 | 42500 | Local Govt |
| 5014 | 41950 | Pass Thru Fed Grt from State Agcy |
| 5015 | 41951 | Pass Thru Fed Grt from State Univ |
| 5017 | 42401 | Pass Thru St Grt from State Agcy |
| 5018 | 42450 | Pass Thru St Grt from State Univ |
| Other | 43103 | Private and Other |