

Chapter 12: Revenue

This chapter covers Revenue. In this chapter you will learn:

- How revenue is recognized in SAP.
- How to determine the billing rule and payment method on grants in SAP.
- How to identify deficit and surplus cash balances from reports in BW.

Revenue Postings in SAP

Prior to SAP implementation, Johns Hopkins recognized revenue on grants at the time an expense was incurred. Sponsored revenue in SAP can be recorded with 3 types of entries. The first type of entry is by generating an invoice document. This applies primarily to G/L 420101, *sponsored billed revenue*. The second and third entries are made by custom programs. Automatic Revenue Recognition (ARR) posts as G/L 420141, *sponsored unbilled revenue*. Distributed revenue posts as G/L 420102, *sponsored billed revenue allocation*. Grants with an award type of fixed fee or clinical trial are not impacted by ARR.

Revenue Postings from Invoice Documents

Revenue is posted to sponsored projects when an invoice document/receivable is opened. Invoice documents can be opened using a variety of methods:

- After a resource related billing, when the sponsor is sent an invoice by Accounts Receivable Shared Services (ARSS).
- After ARSS approves a document parked by the department.
- When a payment is due from a sponsor with a billing plan, payment methods direct pay or scheduled billing.
- When the Letter of Credit program is run.

Sponsored Billed Revenue is posted with G/L 420101.

Revenue Postings from Automatic Revenue Recognition

The Automatic Revenue Recognition (ARR) program runs on a monthly basis to post unbilled revenue to grants as an accrual entry using G/L 420141. This accrual will be reversed at the beginning of the following month. ARR compares total revenue to the lesser of expense or revenue budget and records the delta as unbilled revenue. ARR will realize unbilled revenue up to the amount of the revenue budget.

For an example of a grant with an unbilled revenue posting, see Example #4 starting on page 12-6 below.

Revenue Postings from Distributed Revenue

Ultimately, the budget, revenue and expense should balance on each sponsored program in SAP. A custom program called Distributed Revenue runs frequently throughout the month to move revenue between sponsored programs within a grant. The amount of revenue posted should not exceed the budget for a particular sponsored program. As expenses are moved on or off sponsored programs, the distributed revenue program will process transfers to move the associated revenue between sponsored programs. Distributed revenue is posted with G/L 420102.

Important GL accounts relating to Revenue

- 420101 Sponsored Revenue
- 420102 Distributed Revenue
- 420141 Sponsored Unbilled Revenue

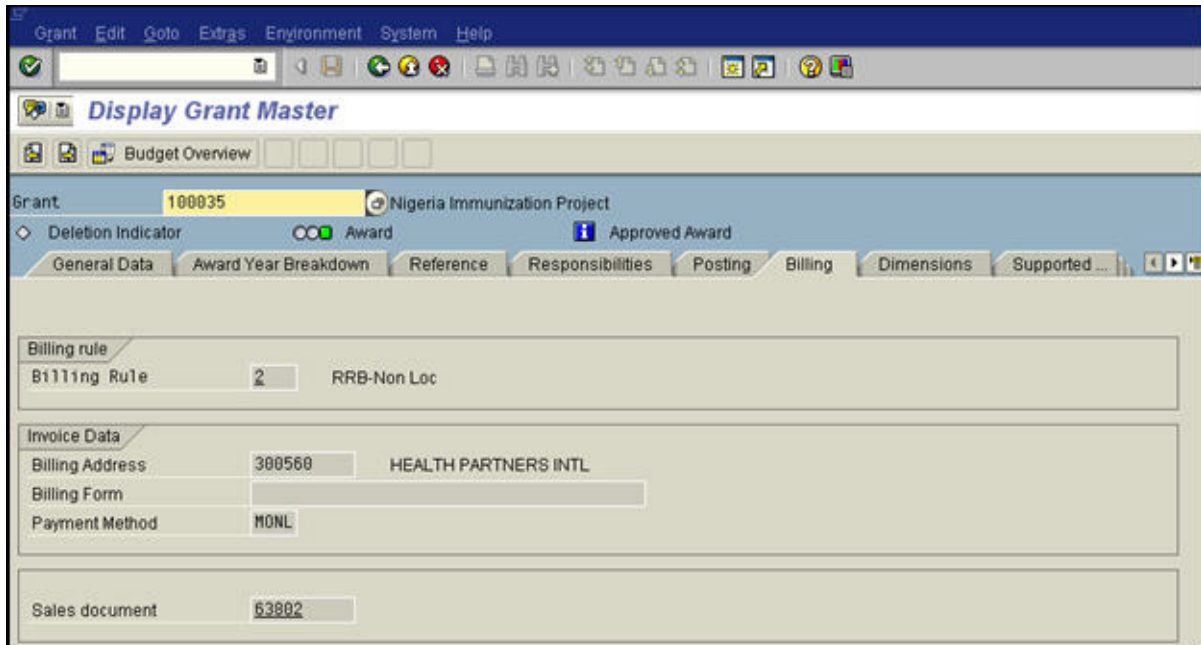
Reviewing Revenue as Part of the Reconciliation Process

Being proactive and reviewing cash balances as part of the monthly reconciliation process is an important step in identifying errors or potential problems. For example, a cash deficit could indicate the Sponsor needs to be invoiced, or there is a problem with the Letter of Credit draw. Or if there is a cash deficit and the billing rule is direct pay, the Sponsor could be withholding payment because they are waiting on a technical report from the Principal Investigator. In order to understand the Deficit Cash balance report in BW, it is helpful to identify the billing rule and payment method.

Identifying the Billing Rule on Sponsored Projects

To determine the billing rule and payment method on the grant being reconciled, type GMGRANTD in the ECC command box. Next, type in the grant number and hit enter. The master data attributes of the grant will be displayed.

Click on the billing tab, and you will see the billing rule and payment method for the grant.



Display 12-1. Viewing the Billing Rule and Payment Method Master Data

Billing Rule Options:

- 0001 RRB-Letter of Credit
- 0002 RRB-Non Loc
- 0005 Direct Pay-Variou Amounts
- 0006 Direct Pay-Like Amounts (discontinued)
- 0007 Manual Billing
- 0008 Pre-Award
- 0009 Scheduled Billing

Overview of Billing Rules

Rule 0001: Resource Related Billing - Letter of Credit

Resource related billing is a cost reimbursable billing method. We are reimbursed as expenses are incurred for work performed according to our agreement with the sponsor. Under a Letter of Credit agreement, expenses are summarized multiple times a week in SAP by sponsored class and an invoice is created.

Rule 0002: Resource Related Billing - Non-Letter of Credit

This billing rule is also cost reimbursable. An invoice is produced in SAP that summarizes all expenses by category and is submitted to the sponsor for payment. Once the invoice is prepared, an open item or receivable is created.

Rules 0005 & 0006: Direct Pay Agreement

A direct pay agreement states the sponsor will pay Johns Hopkins a specified payment amount on a specified date. Sponsored Projects Shared Services creates a billing plan which is reflective of the agreement. Unless stated in the agreement, no invoice is sent to the sponsor. SPSS creates and maintains the billing schedule as part of grant master data. Bill method 0006 was discontinued shortly after conversion to SAP. All new grants with direct payment methods will use Rule 0005.

Rule 0007: Manual Billing

A manual billing is performed in SAP for a sponsored award when no other billing method is appropriate. For example, in some cases ARSS and the department need to collaborate on an invoice, or the sponsor requires invoices at the beginning of the project. The manual billing rule gives ARSS the greatest flexibility for unusual situations.

Rule 0008: Pre-Award Billing

This billing method is used while awards are in pre-award status. No billings are generated for grants with this billing rule and no revenue should be received. The billing rule will be updated by SPSS when the award is fully executed.

Rule 0009: Scheduled Billing

A scheduled billing occurs when the sponsor has an agreement with Johns Hopkins to pay a specific amount on a specified schedule of dates. This billing rule differs from direct pay because an invoice must be sent to the sponsor to prompt the payment.

Reviewing the Deficit/Cash Balance Report in BW

The recommended report to view cash collected in BW is the Deficit/Cash Balance Report for Grants. This report is located under *Sponsored Projects > Award*. From the variable screen the only inputs required are fiscal year period and grant number.

Run the report based on the month you are reconciling. The month should be closed when you run the report in BW and any cost sharing accounts (internal orders beginning with 98) should be excluded. Since the month is closed, the Automatic Revenue Recognition (ARR) program has run. Once the ARR program runs, the balance of unbilled expenses will be posted to the grant to the unbilled revenue G/L 420141. The report includes a column called Cash Collected.

Examples of the Deficit/Cash Balance Report in BW for Grants are below:

Example #1- This grant that has been billed in full and paid in full. There is no deficit balance. The budget exceeds the expense, so this award is not fully spent.

Ideally, your Deficit/Cash Balance would look like this example. You have not exceeded Budget, Revenue equals Expense and there is no Unbilled.

Grant	Budget Revenue	ITD Revenue	Unbilled Revenue	ITD Expense	Deficit Balance	Open Balances	Cash Balance	Cash Collected
105088 SDSS III, Program Ma	\$ -649,035.00	\$ -487,034.38	\$ 0.00	\$ 487,034.38	\$ 0.00	\$ 0.00	\$ 0.00	\$ -487,034.38

Display 12-2. Revenue Example- Revenue Equals Expenses

Example #2- This example shows a grant with a surplus balance. While we have recognized revenue up to the budget revenue amount, and collected cash in the amount of \$28,635.00, we have only spent \$6,857.04. The Deficit Balance is a credit indicating a surplus.

A credit balance in the Deficit Balance column indicates the grant is in a surplus.

Grant	Budget Revenue	ITD Revenue	Unbilled Revenue	ITD Expense	Deficit Balance	Open Balances	Cash Balance	Cash Collected
110427 Comparing the Dust E	\$ -28,635.00	\$ -28,635.00		\$ 6,857.04	\$ -21,777.96	\$ 0.00	\$ -21,777.96	\$ -28,635.00

Display 12-3. Example of Grant in a Surplus

Example #3- The following example shows a grant with a deficit cash balance of \$82,501.73, meaning our expense exceeds our budget revenue. We know that to close this grant, we will need to use a cost share account.

Our Expense exceeds our Budget and we have a Deficit Balance of \$82,501.73.

Grant	Budget Revenue	ITD Revenue	Unbilled Revenue	ITD Expense	Deficit Balance	Open Balances	Cash Balance	Cash Collected
101353 SHOES-Supernovae, HO	\$ -464,025.00	\$ -464,025.00	\$ 0.00	\$ 546,526.73	\$ 82,501.73	\$ 0.00	\$ 82,501.73	\$ -464,025.00

Display 12-4. Grant with Deficit Cash Balance

The deficit balance is the expense minus the revenue

$$(\$546,526.73 - \$464,025.00 = \$82,501.73)$$

If the Deficit Balance is a positive number, the grant is overspent, or in a deficit.

Example #4- The following example shows a grant with unbilled revenue and an open balance.

Unbilled Revenue indicates Expense exceeds Revenue and an invoice should be generated.

Open Balances indicate invoices that have not yet been collected.

Data Analysis		Graphical display	Info					
Deficit/Cash Balance Report for Grants								
Toggle Nav Block Variable Screen Printing Bookmark No. of Rows No. of Columns EMail New Window Exceptions/Conditions								
Grant	Budget Revenue	ITD Revenue	Unbilled Revenue	ITD Expense	Deficit Balance	Open Balances	Cash Balance	Cash Collected
110540 FORMATION OF THE DRO	\$ -513,590.00	\$ -279,209.70	\$ -26.04	\$ 279,209.70	\$ 0.00	\$ 2,473.62	\$ 2,499.66	\$ -276,710.04

Display 12-5. Example of a Grant with an Unbilled Amount and Open Balance

Here, the unbilled revenue of -\$26.04, makes revenue equal to expense. In BW, unbilled revenue displays with commitment item 420141.

The Open Balance of \$2,473.62 indicates the amount of open invoices on the grant. This number will display as 420101, Sponsored Billed Revenue.

In reviewing our formulas for the Deficit/Cash Balance, we see the following:

- Cash Balance reflects ITD Expense less Cash Collected, so \$279,209.70 minus \$276,710.04 is equal to our Cash Balance amount of \$2,499.66.
- Cash Collected is equal to ITD Revenue (\$279,209.70) less Unbilled Revenue (\$26.04), less Open Balances (\$2,473.62), and so our Cash Collected is \$276,710.04.

Additional Resources

Links to additional resources you may find helpful:

Accounts Receivable Shared Services Website

<http://ssc.jhu.edu/accountsreceivable/index.html>

ARSS Billings & Receivables FAQ

http://ssc.jhu.edu/accountsreceivable/faq_bill.html