ERP SD Revenue Recognition

Purpose

The purpose of this page is to provide an overview about ERP SD Revenue Recognition functionality.

Overview

In the following sections, you will find information about the available documentation, customizing, description of core business processes and handling of revenue recognition data.

Description

Many companies require that revenues are posted according to a time period. This means that the revenues must be realized in the posting period in which the service was carried out, and not in the posting period in which the billing document was set up.

The revenue recognition function in the SAP ERP system helps you to fulfill these requirements and separates the revenue recognition process from the billing process. The ERP system offers a flexible solution to companies using various methods of revenue recognition.

Revenue Recognition assessment

If customers want to use the revenue recognition functionality in their production environment, the implementation must be subject to a pre go-live assessment to avoid a negative impact on the financial statement. This assessment is completely free of charge. In other words, the customer will have to ask explicit permission from SAP in order to use this functionality (detailed information is provided in SAP-notes 768561, 779366 and 820417).

For this purpose, create a message under the component SD-BIL-RR containing the following information:

<table>
<thead>
<tr>
<th>Short text/title:</th>
<th>Request for activation key for RR installation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long text:</td>
<td>We have opened this customer message to request the release of Revenue Recognition Customizing. We have read and met the conditions/information provided in Notes 678260, 782758, 820417, 1166848, and 1172799.</td>
</tr>
<tr>
<td></td>
<td>[...]</td>
</tr>
</tbody>
</table>

IMPORTANT!

Please note that the new solution SAP Revenue Accounting und Reporting is available as of SAP ERP 6.0 EHP 5 and SAP S/4HANA. You can use this to comply with the accounting principles as per IFRS 15/ASC 606.

We recommend implementing the solution “SAP Revenue Accounting and Reporting” instead of “SAP ERP SD Revenue Recognition” if one of the following prerequisites applies:

- You use the latest accounting principles according to IFRS 15/ASC 606 (revenues from contracts with customers) or are planning to use them in the near future.
- Plan to migrate to S/4HANA in the near future.

For more information, see SAP Notes 1960535, 2050214, 2175281, and 2254366.

Documentation

The latest version of the Revenue Recognition Best Practices document is attached to SAP-note 1172799.

- Necessary Customizing settings
- Supported processes and scenarios
- Limitations and restrictions placed on the solutions offered
- Recommendations for monitoring the revenue recognition process
- A guide for implementation
In addition to the ‘Best Practice’ document, an eLearning course for the SAP ERP SD Revenue Recognition function is available with the following title:

- SCM653: Sales and Distribution Revenue Recognition
- SCM654: Advanced Revenue Recognition

These eLearning courses can be found under www.sap.com/education.

Available methods

- 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)

Customizing

For the setup of revenue recognition processes you have to customize:

- FI accounts and their settings
- SD item categories and their settings
- Revenue recognition category on item category level
- Account determination

The following accounts are needed for the representation of the revenue recognition process:

- 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 category on item category level

Transaction: OVEP

Set Revenue Recognition category for Item Categories:

<table>
<thead>
<tr>
<th>Item category: ZMVN RR AB, Cntr, pbil, Orl</th>
</tr>
</thead>
</table>

Business data
Rev. recognition A Time-related revenue recognition

Possible entries for the field “Rev. recognition” are:

<table>
<thead>
<tr>
<th>Rev. recognition</th>
<th>Short text</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Standard revenue recognition</td>
</tr>
<tr>
<td>B</td>
<td>Time-related revenue recognition</td>
</tr>
<tr>
<td>D</td>
<td>Service-related revenue recognition</td>
</tr>
<tr>
<td>E</td>
<td>Billing-related, time-related revenue recognition</td>
</tr>
<tr>
<td>F</td>
<td>Billing-related, service-related revenue recognition (IS-M)</td>
</tr>
<tr>
<td></td>
<td>Credit/Debit Memos with reference to predecessor</td>
</tr>
</tbody>
</table>

Account determination

Transaction: VKOA

Assign G/L accounts for revenues and deferred revenues:
### Cust.Crp/Account Key

<table>
<thead>
<tr>
<th>App</th>
<th>CndTy.</th>
<th>ChAc</th>
<th>SOrg</th>
<th>AAG</th>
<th>ActKy</th>
<th>G/L Account</th>
<th>Provision acc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>V</td>
<td>K0FI</td>
<td>INT</td>
<td>0001</td>
<td>01</td>
<td>ERL</td>
<td>8000000</td>
<td>99000</td>
</tr>
<tr>
<td>V</td>
<td>K0FI</td>
<td>INT</td>
<td>0001</td>
<td>01</td>
<td>ERS</td>
<td>8890000</td>
<td>98000</td>
</tr>
<tr>
<td>V</td>
<td>K0FI</td>
<td>INT</td>
<td>0001</td>
<td>02</td>
<td>ERL</td>
<td>8010000</td>
<td>99000</td>
</tr>
<tr>
<td>V</td>
<td>K0FI</td>
<td>INT</td>
<td>0001</td>
<td>02</td>
<td>ERS</td>
<td>8890000</td>
<td></td>
</tr>
</tbody>
</table>

- G/L account no. (SAKN1): revenue account
- Provision acc. (SAKN2): D/R account

**Transaction:** OVUR

<table>
<thead>
<tr>
<th>App</th>
<th>ChAc</th>
<th>Recon.acct</th>
<th>ANonBldRec</th>
</tr>
</thead>
<tbody>
<tr>
<td>V</td>
<td>INT</td>
<td>140000</td>
<td>159200</td>
</tr>
<tr>
<td>V</td>
<td>INT</td>
<td>140010</td>
<td>159202</td>
</tr>
</tbody>
</table>

Account for unbilled receivables (U/R account) has to be maintained depending on the reconciliation account and the associated chart of accounts:

- **NonBldRec.:** U/R account

### Description of Core Business Processes

**Process 1: Standard Revenue Recognition at time of billing**
Process 1: standard revenue recognition at time of billing

Process 2: Time based with VF44 as first
Process 2: time based with VF44 as first (A')

- **REV REC tables**
  - Create control lines, create revenue lines
  - Update control lines, update revenue lines
  - Create reference lines, update control lines

- **SD**
  - Create contract (with billing plan)
  - Realize revenue for selected period **VF44**
  - Create invoice
  - Release **invoice** to accounting
  - Repeat if applicable

- **FI**
  - Create accounting document:
    - **DR**: unbilled, **CR**: revenue

---

Process 3: Time based with invoice as first
Process 3: time based with invoice as first ('A')

REY REC tables
- Create control lines, create revenue lines
- Create reference lines, update control lines
- Update control lines, update revenue lines

SD
- Create contract (with billing plan)
- Create invoice
- Release invoice to accounting
- Realize revenue for selected period VF44
- Repeat if applicable

FI
- Create accounting document: DR: receivables, CR: deferred
- Create accounting document: DR: deferred, CR: revenue

Process 4: Service based with VF44 as first
Process 8: Time based & billing related ('D')
Process 9 – time based / service based with VF44 as first
Process 10 – time based / service based with VF44 as first

Process 9: credit/debit memo request with VF44 as first (‘A’, ‘B’)
For a detailed explanation of all available processes, please refer to Revenue Recognition Best Practices document attached to SAP-note 1172799.

Handling of revenue recognition data

Revenue realization processes

- Revenue recognition run (transaction VF44). With transaction VF44 the revenues are posted and financial accounting documents are created.
- The posted revenues can be cancelled by using transaction VF46, e.g. if revenues have been realized in error.
- In certain cases - for example, when you change condition values - revenue lines of the related sales document have to be updated. Transaction VF42 can be used to update revenue recognition data.
- Transaction VF45 shows deferred revenues, un-billed receivables, billed and realized amounts on the level of a sales document item.
- The report of VF47 shows inconsistencies between the revenue recognition tables VBREVK, VBREVE and VBREVR and the appropriate sales documents. Only development support may run it in update mode.

Related Documents

SAP Library path:

SAP ERP Central Component -> Logistics -> Sales and Distribution (SD) -> Billing (SD-BIL) -> Revenue Recognition

http://help.sap.com/saphelp_46c/helpdata/en/46/74a073b4e411d199bc0000e8a5bd28/content.htm

http://help.sap.com/saphelp_470/helpdata/en/2d/bdd69ad9b411d199d80000e8a5bd28/content.htm
Related SAP Notes

SAP Note 1172799: New version of Best Practices for revenue recognition