

Quick Topic - How does Unanet handle fixed fee retention (retainage) on Cost Plus projects?

Unanet would like to thank Liz Jimenez and JRC Integrated Systems, Inc. for documenting this method, which demonstrates how our customers are maximizing their use of Unanet.

Title: *How does Unanet handle fixed fee retention on cost plus projects?*

Brief description:

It is relatively common for a Cost Plus contract to include a fee retainage clause. For example, a contract may have a 5% fee but the contractor is required to retain, or not bill, 15% of that fee each billing period. Most often this retained fee is accounted for as revenue in the period earned and as an unbilled receivable. When the contract is complete and the contractor has performed up to contract standards, the retained fee may be billed.

What's covered in this document:

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Additional Item (Recommended Method)

This method handles the retention via additional items.

Initial Setup of "Additional Item" to be used on the invoices:

- In **Admin > Setup > Accounting > Additional Item Types**: Use Debit Account: *Billed*, Credit Account: *Unbilled*.

- Click on the *Add Accounts* icon by the Additional Item to set up the Line Item account for Category *Unbilled* being the line item you want to show the unbilled fee in (for example 1.01.03.05 – Fee Not Yet Billed). If instead you don't specify an account on the Category *Unbilled*, then it will simply post to the default Unbilled account.

NAME	DEBIT ACCOUNT	CREDIT ACCOUNT	ACTIVE
Additional Charge	Billed	Recognized Revenue	✓
Discount	Billed	Recognized Revenue	✓
Fixed Asset	Unbilled	Deferred Revenue	✓
Fixed Fee Billed	Billed	Unbilled	✓
Fixed Fee Recognized	Billed	Recognized Revenue	✓
Retainage/Fee withholding	Billed	Unbilled	✓
Tax	Billed	Tax	✓

CATEGORY	ACCOUNT — DESCRIPTION
Recognized Revenue	
Revenue Write-Off	
Tax	
Unbilled	10.03.01 - Unbilled

Every time an invoice is created:

- Add an additional item.
- Use the Additional Item Type created above.
- For the name, use something easy to remember like "Fee Retainage." You must call this item the exact same thing every time or you will get additional lines on your invoice. (See screenshot below showing headers on the invoice for Fee and Additional Items with name "Fee Retainage.")
- Calculate the amount which needs to be withheld (calculation performed outside Unanet).
- Enter the withholding amount as a *negative* number.



Reporting on the Fee Withheld:

- Fee not yet billed can be seen on the *Billing & Revenue Summary* report.
- The Fee may also be seen in the *GL Details* report for the line item account, selecting for that project and relevant time period.

On permission to bill final fee:

- Create an invoice for the project by selecting *Include projects without unbilled data* in the invoice creation area. (This is necessary even though the *Billing & Revenue Summary* report shows the amount as "Unbilled.") Add an additional item to the invoice:
 - Call it the exact same thing that you called the withholding amount.
 - Use the same "additional item" type as used above.

- This time enter as a positive number.

Reporting after final fee is billed:

- On invoice completion, this will show in both the *Billing & Revenue Summary* report and the *GL Details* report.

Special Note about Additional Items

Note: Additional items are not taken into account when calculating funding caps. As a result, you may consider reducing your funding cap amount by the retention amounts or additional item amounts.

Additional Information

[Help Docs - Project Profile \(see Accounting Tab\)](#)

[Help Docs - Additional Item Setup](#)

[KC - Quick Topic - How to handle the four general types of cost-reimbursement \(CP or Cost Plus\) contracts in Unanet](#)

[KC - FAQ - How can I recognize retained/unbilled fee revenue on a Cost Plus contract without impacting AR Aging or showing on the invoice until billed?](#)