

Quick Topic - Invoicing a Fixed Priced Contract Based on Hours Worked (via TM Billing Type)

Title: Invoicing a Fixed Priced Contract Based on Hours Worked (via TM Billing Type)

Brief description:

Unanet's FP Invoicing process typically involves identifying a fixed dollar amount and invoicing that total by period. Unanet can support invoicing FP (FP LOE) contracts based on hours worked, or level of effort, using our TM Invoicing process. This document outlines the process and considerations for utilizing this feature.

This would typically address contracts where you have a fixed ceiling. You might even refer to it as "Fixed Priced," but it differs since you bill as hours are worked up to that ceiling. It is not truly based on a % Complete in the traditional sense (i.e., manufacturing).

What's covered in this document:

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Project Setup

Although the contract may be Fixed Priced, in order to bill the project based on hours worked, Unanet must designate the Project or Task where the labor is recorded with the Billing Type TM. Customers may choose between designating the entire project as TM, or may designate the project as FP and create a labor task that has the Billing Type of TM.

Setting up the Bill Rate

All hours must be associated with a Bill Rate to reflect the billable amount to include on the Invoice. Bill Rates can be set up using multiple methodologies. Please see the [Quick Video - How do you determine the source of a Bill Rate?](#) for assistance with establishing the appropriate Bill Rate.

Posting Labor Hours

As with any TM billing in Unanet, all hours worked must be in a LOCKED or EXTRACTED timesheet status in order to be included in the Billing Post process. Unanet does not provide a mechanism to invoice labor hours on TM billing types if the hours are not fully approved and locked.

Considerations

Revenue Recognition

Revenue recognition for the hours worked will be posted during the Billing-Post process based on Work Date or Posted Date (whichever is set for "Labor Posting" in **Admin > Setup > Posting Options**).

Enforcing the Ceiling Limit

As hours worked are included on the invoice you will work up to the total Fixed Priced amount over time. Once that amount is exceeded, an Additional Item may be added to the invoice to reverse the excess amount over the limit, or the excess will be posted to the General Ledger based on the setup of your posting groups. This is enforced in the project setup screens, *Accounting* tab (*Total Value \$* and *Funded Value \$* fields).

In this example, the project has a fixed priced value of \$10,000. This value should be included in the *Total Value \$* field on the **Project Profile > Accounting** tab. In addition, you will need to check the boxes to *Limit Billing To Funded Value Less Fixed Fee* and *Limit Revenue To Funded Value Less Fixed Fee* as noted below.

Projects – Profile for CUSTOMER-2 30.10.2345.777 (CSD Solution)

Profile Budget **Accounting** Access Time Expense Item Alerts Other

ACCOUNTING

Billing Type:

Posting Group:

Cost Structure:

External System Code:

PROJECT VALUE

Total Value \$:

Funded Value \$:

Limit Billing To Funded Value Less Fixed Fee

Limit Revenue To Funded Value Less Fixed Fee

FEE(S)

	CALCULATION METHOD	FACTOR TYPE	FACTOR	FIXED FEE AMOUNT
1	▼	Percent ▼	<input type="text"/>	<input type="text"/>

Please note that any funding cap adjustments (amounts over the Total/Funded value) will be recorded in the account specified in your posting groups. If you do not wish to have the overage recorded there, you can uncheck the *Limit Billing To Funded Value Less Fixed Fee* and *Limit Revenue To Funded Value Less Fixed Fee* boxes above and adjust it manually.

For a manual adjustment on the invoice, you would add an Additional Item to the draft invoice to remove the excess. In this case, (1,428.50) was added to the invoice total to reduce the billed amount to \$10,000.

INVOICE			
Description			Amount
Personnel			
	<u>Hours</u>		
*Project Manager User, Carmine	34.00	\$	4,428.50
*QA Auditor User, Eleanor S.	40.00	\$	7,000.00
	Total for Personnel:	\$	11,428.50
Additional Items			
Fixed Price Billing Ceiling		\$	(1,428.50)
	Total for Additional Items:	\$	(1,428.50)
	Total Amount Due This Invoice:	\$	10,000.00

Capping Further Billed Amounts

In order to ensure that further hours are not billed against the project, but to allow for additional hours to be worked and costs to be incurred, Unanet recommends that the Project Type for the Project and all associated Tasks is changed to a non-billable project type. Unanet administrators can see which Project Types are considered Billable or Non-Billable by reviewing the Project Type list in the **Admin > Setup** menu.

Admin Setup – Project Types

[+ Project Type](#)

PROJECT TYPE	DESCRIPTION	ADMINISTRATIVE	BILLABLE	ACTIVE
   ADMIN	General and Administrative	✓		✓
   B&P	Bid And Proposal	✓		✓
   BILLABLE	Direct Billable		✓	✓
   BRIEF	Contract Brief	✓		✓
   FA	Fixed Asset	✓		✓
   NON-BILL	Direct Non-Billable			✓
   PROPOSAL	Solic. responses & other props			✓
   PTO-LEAVE	Paid Time Off/Leave			✓
   R&D	Research and Development			✓
   TEMPLATE	Template for setup copying			✓

Total Rows: 10

Expense Considerations

If your project is set up for TM Billing, all labor and expenses will be included in the final invoice. If your intention is to only bill the labor based on hours worked and not include any expenses in the invoice, you will need to set up an alternate location for these expenses to be recorded. Unanet recommends creating a Task specifically for the collection of Expenses that has a Project Type of "FP" or "NB." Use "FP" if there is a fixed fee amount that you do need to bill to cover the costs of any expenses. Use "NB" if the ODCs and Expenses are recorded as costs on the project and should not be included in the invoice at all.

Projects – Task List for CUSTOMER-2 30.10.2345.777 (CSD Solution)

Search **List** [Save Criteria](#)

ALL	ALL	NAME	ACTIVE	REV. BEGIN DATE	REV. END DATE	BILLING TYPE
     		1. 001-Admin Mod-Extended	Y	3/31/2018	1/4/2019	TM
     		2. 002-Increase Funding	Y	5/3/2018	10/3/2018	TM
     		3. 003-Admin Mod		1/1/2018	4/30/2018	TM
     		4. 004-Admin Mod		1/1/2018	1/2/2018	TM
     		5. 005-Increase Fund & POP	Y	1/1/2018	5/12/2018	TM
     		6. 006-Increase Funding	Y	3/1/2018	2/12/2019	TM
     		7. 007-Decrease Funding	Y	3/1/2018	2/12/2019	TM

Total Rows: 7

If the Project should not have any expenses recorded against it for any purposes, deselect the *Allow Expense Reporting* check box on the *Expense* tab of the Project Profile.

Additional Information

[KC - Quick Video - How do you determine the source of a Bill Rate?](#)

[KC - Video - Set up for Billing, Invoicing, and Revenue Recognition](#)