

Method 2 - FP Revenue Recognition and Forecasting - "% Complete"

Title: FP Revenue Recognition and Forecasting - % Complete

Brief description:

This step-by-step guide outlines which project management and billing & revenue posting processes to follow on Fixed Price projects when you are using the % Complete revenue recognition method. It includes different processes depending on whether you are allowing Unanet to drive the % Complete calculation or manually managing the % Complete rates. It also describes the implication of revenue calculations on Project Accounting reports when you reporting on Plans and Assignments/Budgets within Unanet. The overall scenario is that you are recognizing revenue at the Project rather than Task level (though it would work similarly at the task level).

If your particular process is not covered in this guide, the [Help Docs - System Generated Report Estimates](#) describes all cases of how the system calculates revenue when the % Complete, Budget, ETC, Estimated Total fields are entered or left blank (system calculated).

What's covered in this document:

- [Understanding How Fixed Price Revenue Calculates on Project Accounting Reports](#)
 - [Example Spreadsheet](#)
- [Option 1: Allowing Unanet to Calculate the % Complete Based on Hours, Labor Cost, or Total Cost](#)
 - [Option 1 - Project Inception & Planning](#)
 - [Option 1 - Project Execution](#)
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Understanding How Fixed Price Revenue Calculates on Project Accounting Reports

Revenue calculations may vary depending on whether you are running Project Accounting reports based on Actuals, Budgets, or Plans. This directly impacts how you will forecast and report on your project throughout its lifecycle.

For more information see [Help Docs - Report Calculations](#).

Fixed Price Revenue calculated as the sum of the following components:

- Calculated based on the FP item's revenue recognition method
 - *Recognized on Custom Schedule* - The report sums up revenue from all schedules within the reporting date range.
 - *Recognized When Billed* - The value of the item is placed into the reporting date range that includes:
 - The item's Bill Date (when the item has not been included in an invoice). Otherwise, the Post Date of the invoice is used.
 - *Recognized on % Complete* - The report will attempt to locate (or estimate, if necessary) the % Complete of the WBS item associated with the FP item, and apply it to the FP amount to calculate the revenue.
 - When reporting on *Actuals*:
 - If revenue for this FP item has been previously posted, the report will use the difference between the posted value and the calculated value as the revenue for the reporting date range.
 - Unposted revenue will be calculated using % Complete supplied in the WBS item profile. If % Complete was not supplied, Estimate At Completion (or Estimated Total) will be used as the basis for the % Complete calculation.
 - When reporting on *Budgets* (i.e., people assignments and expense budgets):
 - Revenue will always be calculated using estimated % Complete. Estimate At Completion (or Estimated Total) will be used as the basis for the % Complete calculation.
 - When reporting on *Plans*:
 - Revenue will always be calculated using estimated % Complete. Budget will be used as the basis for the % Complete calculation.

Note: If either Estimated Total or Budget values above were not provided, they will also be estimated based on the rules outlined in [Report Calculations](#).

Note: Only consider items falling within the INCLUDE ACTUALS THROUGH date range (i.e., ignore any revenue that has been posted into the *Forecast* range).

If you are using Plans to represent your baseline/proposal/contract budget (you do not modify your plans), and you only update Assignments/Expense Budgets during project execution:

- In order to keep the original plan revenue amounts static, you should not modify the budget fields on your **Project Profile > Budget** tab throughout the course of the project. Instead, you will need to regularly update either the Estimated Total or Estimate At Completion (EAC) fields in the project *Profile* tab (Method 1 within the options described below).
- This will allow you to run a Project Accounting Report, such as the *Cost Summary & Status* report, and compare the original Plans against the Actuals + Budgets during the project lifecycle without having the planned revenue amounts recalculate across the months.

As an example, calculating the total forecasted revenue where % Complete is being auto-calculated based on Labor Cost:

- Calculates total labor cost on actuals through today and budgets (assignments) in the future. You can see the direct labor costs in a *Project Periodic Forecast* report.
- Calculates the % Complete, typically (actuals + assignment budget) / project or task Labor Cost \$ Estimated Total amount.
- Applies the % Complete to the sum of the FP items (Bill Date is ignored).
- Sum the amounts, which will show up in the ACTUALS & ALLOCATED and TO-DATE columns of the *Cost Summary and Status* report.
- To calculate monthly forecasted revenue, let's say March: it takes the forecasted budget (assignments) for March, calculates what % Complete of the Estimated Total those March budgets (assignments) represent, and multiplies that with the sum of the FP items for the project or task.

Example Spreadsheet

You can download the attached Excel spreadsheet to browse different examples and the formulas used to calculate values: [FP Percent Complete Calculations - Examples.xlsx](#).

Option 1: Allowing Unanet to Calculate the % Complete Based on Hours, Labor Cost, or Total Cost

Option 1 - Project Inception & Planning

1. On a new FP Project, populate the Fixed Price Items to add up to the total funded value, choosing *% Complete* as the revenue recognition method. The Bill Dates should be based on the actual invoicing schedule (they can be independent from the revenue recognition schedule).

Projects – Fixed Price Item List for CUSTOMER-1 20.STUDY-X (Phase III followup for asbestos exposure)

+ Fixed Price Item + Fixed Price Billing Schedule

TASK	BILL DATE	DESCRIPTION	AMOUNT	REVENUE REC DATE	REVENUE REC AMOUNT
1. Protocol and ICF Review	10/1/2016 †	Requirements	\$10,000.00	% Complete	\$10,000.00
1. Protocol and ICF Review	12/29/2017 †	Deliverable	\$250,000.00	When Billed	\$250,000.00
2. Study Preparations	12/13/2016	Fixed Price Billing % Complete	\$10,000.00	% Complete	\$10,000.00
2. Study Preparations	12/31/2016 †	Requirements	\$10,000.00	% Complete	\$10,000.00
4. IRB Documents	4/15/2019 †	Big Deliverable	\$250,000.00	When Billed	\$250,000.00
5. Investigator Meetings	3/15/2019 †	Testing Complete	\$300,000.00	When Billed	\$300,000.00
Total Rows: 70			\$2,970,000.00		\$2,970,000.00

Default values and Items without a Recognition Date are displayed in light gray text.
† Indicates item is posted.

Projects – Add Fixed Price Item for CUSTOMER-1 20.STUDY-X (Phase III followup for asbestos)

ADD FIXED PRICE ITEM FOR CUSTOMER-1 20.STUDY-X

Task: <No Task> Date indicates Task's Completed or Revised End Date

*Description:

*Bill Date: Bill On Completion Link to task/project (Completed or Revised End Date)

*Bill Amount:

*Revenue Recognition Method: When Billed % Complete Custom Schedule

2. Enter your People and Expense Plans prior to beginning work on the projects.
3. Run the *Cost Summary & Status* report on Plans to confirm the associated Hours Budget, Labor Cost \$ Budget, and Expense Cost \$ Budget amounts.
4. Populate these amounts on the **Project Profile > Budgettab**, and establish whether the COMPLETED PERCENT will be based on Hours, Labor Cost, or Total Cost (dropdown menu).
5. Follow your processes for converting the Plans into Assignments (or make blanket assignments) so project activities can begin.

If you are using plan sets, you may refer to the [KC - Quick Topic - Fixed Price Revenue Budgeting and Locking](#) to find out how you may lock FP revenue on a locked plan set.

Option 1 - Project Execution

Every month (or period), before you recognize revenue on a FP project based on % Complete:

1. Ensure the project team has updated the people assignments and expense budgets (or people plans and expense plans, depending on your process) going forward for the remainder of the project.
2. Run the *Cost Summary & Status* report with Actuals up to the previous month (the period for which you are recognizing revenue), and with either:
 - a. Budgets going forward (Actuals Combined with Budgets) - if you are updating people assignments/expense budgets on an ongoing basis.
 - b. Plans going forward (Actuals Combined with Plans) - if you are updating people plans/expense plans on an ongoing, forward-looking basis.

Notice that the calculated Revenue amount no longer adds up to the total Revenue.

3. Update the **Project Profile > Budgettab** with data from the ACTUALS & ALLOCATED column.
 - a. Method 1 - If you are using plans for your baseline/proposal/contract budget and regularly forecasting using assignments/expense budgets, populate the *Est. Total* fields with the latest totals.
 - i. Hours *Est. Total* (necessary if choosing Estimate from Hours COMPLETED PERCENT method).
 - ii. Labor Cost \$ *Est. Total* (necessary if choosing Estimate from Labor Cost or Total Cost COMPLETED PERCENT methods).
 - iii. Expense Cost \$ *Est. Total* (necessary if choosing Estimate from Total Cost COMPLETED PERCENT method).

The screenshot displays the 'Budget' tab of a software interface. At the top, there are navigation tabs: Profile, Budget (selected), Accounting, Access, Time, Expense, Item, Alerts, and Other. Below the tabs, there is a 'COMPLETED DATE' field with a calendar icon and a date '12'. To the right are links for 'Audit Trail' and 'ETC Wizard'. The main area is divided into several sections:

- COMPLETED PERCENT:** Includes a text input field, 'Estimate from' dropdown (set to 'Hours'), and a dropdown menu.
- PROJECT DATES:** Includes 'Original Dates' and 'Revised Dates' with 'Begin' and 'End' sub-sections, each with a date picker. There is also an 'Enforce Project/Task Dates' checkbox.
- MISCELLANEOUS:** Includes a 'Project Probability Percent' field set to '100'.
- HOUR BUDGETS:** A table with columns 'Budgeted', 'ETC', and 'Est. Total' (highlighted in yellow) and a row for 'Hours'.
- LABOR BUDGETS:** A table with columns 'Budgeted', 'ETC', and 'Est. Total' (highlighted in yellow) and rows for 'Bill \$', 'Cost \$', and 'Burdened Cost \$'.
- EXPENSE BUDGETS:** A table with columns 'Budgeted', 'ETC', and 'Est. Total' (highlighted in yellow) and rows for 'Bill \$', 'Cost \$', and 'Burdened Cost \$'.

At the bottom, there is a legend '* Indicates required field' and two buttons: 'Save' and 'Cancel'.

When you run the *Cost Summary & Status* report on Plans on one row, and Actuals + Budgets on another row, you can see that the revenue calculation for the original Plans remains spread out over the months. You can also see that the BUDGETED column still shows the original budgeted amounts on the project.

- a. Method 2 - If you are using blanket assignments/expense budgets at project inception and regularly updating plans throughout the project execution, replace the *Budgeted* fields with the latest totals. Note that this will also redistribute revenue across the months, so reports on cumulative revenue will be more meaningful than periodic revenue.
 - i. Hours *Budgeted* (necessary if choosing Estimate from Hours COMPLETED PERCENT method).
 - ii. Labor Cost \$ *Budgeted* (necessary if choosing Estimate from Labor Cost or Total Cost COMPLETED PERCENT methods).
 - iii. Expense Cost \$ *Budgeted* (necessary if choosing Estimate from Total Cost COMPLETED PERCENT method).

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

COMPLETED DATE: [Audit Trail](#) [ETC Wizard](#)

COMPLETED PERCENT
 Estimate from **Hours** ▼

PROJECT DATES
 Begin End
 Original Dates:
 * Revised Dates:
 Enforce Project/Task Dates:

MISCELLANEOUS
 Project Probability Percent: 100

HOURLY BUDGETS
 Hours: **Budgeted** ETC Est.Total

LABOR BUDGETS
 Bill \$: **Budgeted** ETC Est.Total
 Cost \$:
 Burdened Cost \$:

EXPENSE BUDGETS
 Bill \$: **Budgeted** ETC Est.Total
 Cost \$:
 Burdened Cost \$:

* Indicates required field

Save Cancel

If you replace these fields, your monthly revenue calculation on the original plans will change. The BUDGETED column on the reports will also change.

- Run the Billing & Revenue Post process as usual ([KC - I&P GUIDE - Billing & Revenue Post](#)).

Option 1 - Project Completion

- When all activities on the project are complete, you should delete any remaining assignments/budgets for the project.
- Run the *Cost Summary & Status* report and update the **Project Profile > Budgettab** with final data from the ACTUALS & ALLOCATED column. This will ensure that the forecasted revenue amounts for months/periods is updated as well.
- If you have remaining revenue to post at the end of the project, you should populate the COMPLETED PERCENT field with 100 (and update the COMPLETED DATE if *Bill On Completion* is selected for any of the fixed price items). This will also ensure any remaining fixed price items are available to include on your final invoice.

Option 2: Manually Providing the % Complete

This option will work for either scenario whether using Assignments/Budgets or Plans for forecasting. The difference from the above method is you are manually entering the COMPLETED PERCENT amounts on the project rather than letting the system calculate the % Complete. This may be because how you calculate % Complete and revenue on FP projects is different from the automated options currently available in Unanet.

Option 2 - Project Inception & Planning

- On a new FP Project, populate the Fixed Price Items to add up to the total funded value, choosing *% Complete* as the revenue recognition method. The Bill Dates should be based on the actual invoicing schedule (they can be independent from the revenue recognition schedule).
- Enter your People and Expense Plans prior to beginning work on the project.
- Run the *Cost Summary & Status* report on Plans only to confirm the associated Hours Budget, Labor Cost \$ Budget, and Expense Cost \$ Budget amounts.
- Populate these amounts on the **Project Profile > Budgettab**, and establish whether the COMPLETED PERCENT will be based on Hours, Labor Cost, or Total Costs (dropdown menu).
- Follow your processes for converting the Plans into Assignments (or make blanket assignments) so project activities can begin.

If you are using plan sets, you may refer to the [KC - Quick Topic - Fixed Price Revenue Budgeting and Locking](#) to find out how you may lock FP revenue on a locked plan set.

Option 2 - Project Execution

Every month (or period), before you recognize revenue on a FP project based on % Complete:

1. Ensure the project team has updated the people assignments and expense budgets (or people plans and expense plans, depending on your process) going forward for the remainder of the project.
2. Run the *Cost Summary & Status* report with Actuals up to the previous month (the period for which you are recognizing revenue), and with either:
 - a. Budgets going forward (Actuals Combined with Budgets) - if you are updating people assignments/expense budgets on an ongoing basis.
 - b. Plans going forward (Actuals Combined with Plans) - if you are updating people plans/expense plans on an ongoing, forward-looking basis.

Notice that the calculated Revenue amount does not add up to the total expected Revenue.

3. Update the **Project Profile > Budgettab** with latest data from the ACTUALS & ALLOCATED column:
 - a. Method 1 - If you are using plans for your baseline/proposal/contract budget and regularly forecasting using assignments/expense budgets, populate the *Est. Total* fields with the latest totals.
 - i. Hours Est. Total (necessary if choosing Estimate from Hours COMPLETED PERCENT method).
 - ii. Labor Cost \$ Est. Total (necessary if choosing Estimate from Labor Cost or Total Cost COMPLETED PERCENT methods).
 - iii. Expense Cost \$ Est. Total (necessary if choosing Estimate from Total Cost COMPLETED PERCENT method).

The screenshot shows the 'Budget' tab in a software interface. At the top, there are navigation tabs: Profile, Budget (selected), Accounting, Access, Time, Expense, Item, Alerts, and Other. Below the tabs, there's a 'COMPLETED DATE' field with a calendar icon. To the right are 'Audit Trail' and 'ETC Wizard' links. The main form area is divided into several sections:

- COMPLETED PERCENT:** A text input field followed by 'Estimate from' and a dropdown menu currently set to 'Hours'.
- PROJECT DATES:** 'Original Dates' with 'Begin' and 'End' pickers. Below it, 'Revised Dates' with similar pickers. A checkbox for 'Enforce Project/Task Dates' is present.
- MISCELLANEOUS:** 'Project Probability Percent' with a text input field containing '100'.
- HOUR BUDGETS:** A table with columns 'Budgeted', 'ETC', and 'Est. Total' (highlighted in yellow) and a row for 'Hours' with corresponding input fields.
- LABOR BUDGETS:** A table with columns 'Budgeted', 'ETC', and 'Est. Total' (highlighted in yellow) and rows for 'Bill \$', 'Cost \$', and 'Burdened Cost \$'.
- EXPENSE BUDGETS:** A table with columns 'Budgeted', 'ETC', and 'Est. Total' (highlighted in yellow) and rows for 'Bill \$', 'Cost \$', and 'Burdened Cost \$'.

At the bottom left, there's a note: '* Indicates required field'. At the bottom center, there are 'Save' and 'Cancel' buttons.

- b. Method 2 - If you are using blanket assignments/expense budgets at project inception and regularly updating plans throughout the project execution, replace the *Budgeted* fields with the latest totals. Note that this will also redistribute revenue across the months, so reports on cumulative revenue will be more meaningful than periodic revenue.
 - i. Hours Budgeted (necessary if choosing Estimate from Hours COMPLETED PERCENT method).
 - ii. Labor Cost \$ Budgeted (necessary if choosing Estimate from Labor Cost or Total Cost COMPLETED PERCENT methods).
 - iii. Expense Cost \$ Budgeted (necessary if choosing Estimate from Total Cost COMPLETED PERCENT method).

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

COMPLETED DATE:   

COMPLETED PERCENT
 Estimate from **Hours** ▼

PROJECT DATES
 Begin End
 Original Dates:  
 * Revised Dates:  
 Enforce Project/Task Dates:

MISCELLANEOUS
 Project Probability Percent:

HOURLY BUDGETS
 Budgeted ETC Est.Total
 Hours:

LABOR BUDGETS
 Budgeted ETC Est.Total
 Bill \$:
 Cost \$:
 Burdened Cost \$:

EXPENSE BUDGETS
 Budgeted ETC Est.Total
 Bill \$:
 Cost \$:
 Burdened Cost \$:

* Indicates required field

Save Cancel

In either case, when you refresh/run the same *Cost Summary & Status* report with the **Project Profile > Budgettab** fields, the total Revenue amount will now be reflected in the ACTUALS & ALLOCATED column.

However, if you follow Method 1 of updating the Estimated Totals, you can retain the original Plans revenue calculation across the months when running a comparative view of the report:

- Before running the Billing & Revenue Post, populate the amount in the COMPLETED PERCENT field (as a number, not a percent (EX: 6.45% = 6.45)).

COMPLETED DATE: 

COMPLETED PERCENT
 Estimate from **Hours** ▼

Note: If you do populate the COMPLETED PERCENT amount and run the same report again, the Actuals revenue amount will appear as \$0 until you have completed the Billing & Revenue Post.

- Run the Billing & Revenue Post process as usual ([KC - I&P GUIDE - Billing & Revenue Post](#)).
- Once you have completed the Billing & Revenue Post process for the given month, you will see the Actual revenue amount as it was posted.

If you leave the COMPLETED PERCENT amount populated in the project profile after your Billing & Revenue Post, this amount will appear in reports showing the % Complete, such as the *Project Status* report, until the next time you update the COMPLETED PERCENT field.

Project Status

Run Date: 2/13/2020
 Including Actuals Through: 2/13/2020
 Including Pending Adjustments
 Including Adjustments using Worked Date within range
 Including Expense Reports using Completion Date within range
 Calculating Project Metrics from Project Budgets
 Suppressing Inactive Projects and Tasks
 Suppressing Completed Projects and Tasks

Project Organization: CUSTOMER-1

PROJECT	PROJECT SCHEDULE				
	DATE RANGE	BUS. HOURS	% ELAPSED	% COMPL.	FUNDED VALUE
● 20.STUDY-X Condition: Green Status: 2-Open Type: BILLABLE	5/1/2018 - 6/30/2020	4,528.00	83%	6.45%	2,950,000.00

Alternatively, if you clear out the COMPLETED PERCENT amount after your Billing & Revenue Post, the system calculated amount will reappear in reports.

Project Status

Run Date: 2/13/2020
 Including Actuals Through: 2/13/2020
 Including Pending Adjustments
 Including Adjustments using Worked Date within range
 Including Expense Reports using Completion Date within range
 Calculating Project Metrics from Project Budgets
 Suppressing Inactive Projects and Tasks
 Suppressing Completed Projects and Tasks

Project Organization: CUSTOMER-1

PROJECT	PROJECT SCHEDULE				
	DATE RANGE	BUS. HOURS	% ELAPSED	% COMPL.	FUNDED VALUE
● 20.STUDY-X Condition: Green Status: 2-Open Type: BILLABLE	5/1/2018 - 6/30/2020	4,528.00	83%	* 89.12281%	2,950,000.00

You will be able to see the previous % Complete amounts entered (or any changes made to the project budget or task budget profile) when running the *Audit Trail*.

Profile	Budget	Accounting	Access	Time	Expense	Item	Alerts	Other
COMPLETED DATE: <input type="text"/>				Audit Trail		ETC Wizard		

Option 2 - Project Completion

1. When all activities on the project are complete, you should delete any remaining assignments/budgets for the project.
2. Run the *Cost Summary & Status* report and update the **Project Profile - Budget** tab with final data from the ACTUALS & ALLOCATED column.
 This will ensure that the forecasted revenue amounts for months/periods is updated as well.

3. If you have remaining revenue to post at the end of the project, you should populate the COMPLETED PERCENT field with 100 (and update the COMPLETED DATE if *Bill On Completion* is selected for any of the fixed price items). This will also ensure any remaining fixed price items are available to include on your final invoice.

Requirements

1. Ensure your team is regularly updating assignments (or plans) to reflect true expected activity on projects (or tasks).
2. Ensure you are communicating with your PM team so you are aligning the project/task updates with your billing and revenue process.
 - a. If your timing does not align, you may modify your Billing & Revenue Post to exclude FP projects that may not be updated (or process the billing separate from revenue recognition).
3. Ensure project has a Cost Structure so costs are appropriately burdened with indirect costs in the Project Accounting reports.
4. Ensure you have set up FP items and chosen the Revenue Recognition method of *% Complete*.
5. The Bill Date is ENTIRELY IGNORED for purposes of revenue recognition on *% Complete*. Billing is separate from Revenue.

Additional Information

[Help Docs - Report Calculations](#)

[Help Docs - Project Billing - Fixed Price](#)

[Help Docs - System Generated Report Estimates](#)

[KC - I&P GUIDE - Billing & Revenue Post](#)

[KC - Quick Topic - Fixed Price Revenue Budgeting and Locking](#)

[KC - Quick Topic - Methods for Forecasting Fixed Price Revenue](#)