



Project Partners LLC

Whitepaper

**Leverage the Power of Billing Extensions
in Oracle Projects**

By Randal B. Martin, CPA

2008

Leverage the Power of Billing Extensions in Oracle Projects

By Randal B. Martin, CPA

There are a number of billing requirements that continually go unsolved that force billing personnel to manually work around Projects system limits. This paper will illustrate five very specific and common examples of problems that are easily solved with some creative use the Oracle provided Billing Extension and Labor Billing Extension functionalities.

Lump Sum Billing at the Lowest Task Level

Seeded functionality within Oracle Project Billing using the Cost based distribution rule allows you to recognize revenue and bill on a financial percent complete. This is limited to Project or Top Task level assignment. This is a significant limitation for Projects where revenue recognition and billing methods change at the lowest task level. A common example of this requirement is Lump Sum plus Reimbursable type contracts where labor is billed at a percent complete but expenses are billed as incurred.

To implement this extended functionality requires the use of a Billing Extension. The Billing Extension is assigned at the Project Type level. A Descriptive Flexfield is utilized on the Task to indicate the revenue recognition method. L is used to indicate Lump Sum as shown in Figure A.

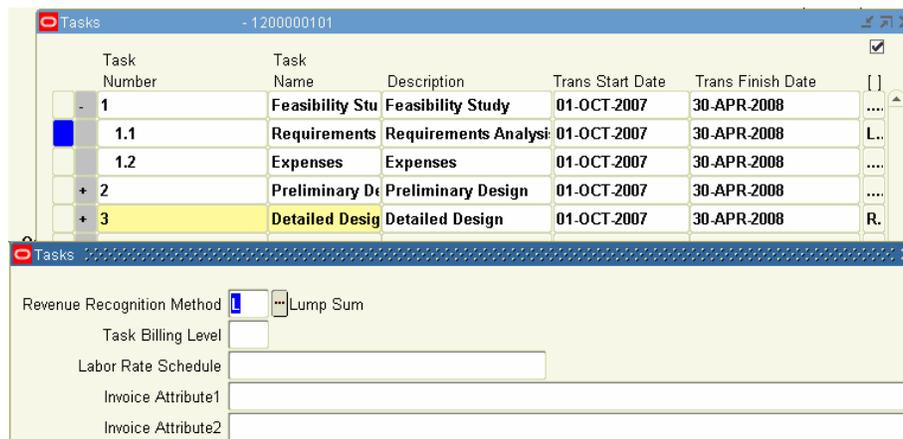


Figure A.

During Revenue and Invoice generation the extension is coded to only look at tasks where the revenue recognition method is set to L. The extension performs three actions,

- Marks ALL expenditure items on these tasks as non billable during the pre process. This prevents any work based revenue/billing calculations on these tasks.
- Calculate percent complete at task level based on Actual Cost / Budget Cost.
- Record Event and reference lowest task number on Event Attribute1 (Descriptive Flexfield).

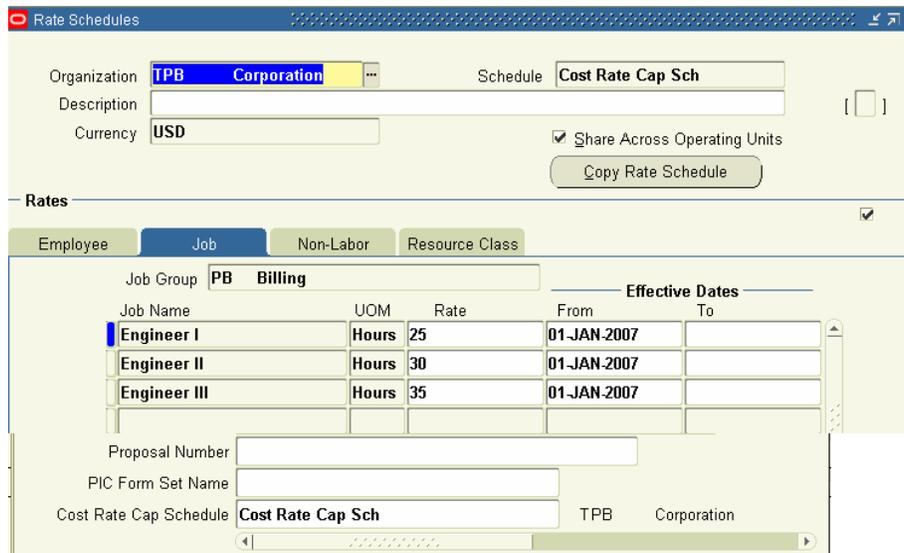
The reference to the lowest task on the Event attribute1 allows reporting of revenue/billing by lowest task bypassing the restriction of Top Task only events in Oracle.

Billing Labor Capped at a Maximum Cost Rate

Multiplier contracts are a common form of labor billing where labor is billed at a multiplier of raw labor cost. However, some contracts limit the cost rate that can be paid by job title. For example, the client specifies that they will not pay more than \$30/hr X multiplier for an Engineer II.

This requirement can be solved using the Labor Billing Extension, a Descriptive Flexfield on the Project and defining cost rate limits with a standard Rate Schedule.

The standard rate schedule is used as you would with any bill rate schedule by defining rates by Job or Employee. However, in this case the rates you are providing will be cost rates. An example is shown in Figure B. below.

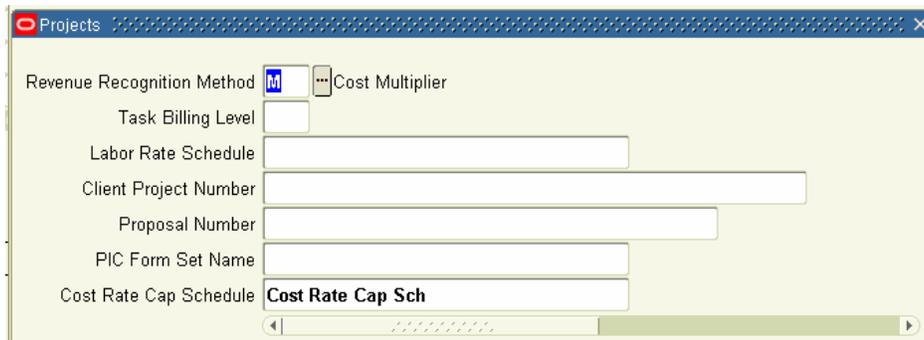


The screenshot shows the 'Rate Schedules' window in Oracle. The 'Organization' is 'TPB Corporation' and the 'Schedule' is 'Cost Rate Cap Sch'. The 'Currency' is 'USD'. There is a 'Copy Rate Schedule' button. The 'Rates' section is active, showing a table with columns for Job Name, UOM, Rate, From, and To. The table contains three rows for Engineer I, II, and III, all with a UOM of 'Hours' and a 'From' date of '01-JAN-2007'. Below the table are fields for 'Proposal Number', 'PIC Form Set Name', and 'Cost Rate Cap Schedule' (set to 'Cost Rate Cap Sch').

Job Name	UOM	Rate	From	To
Engineer I	Hours	25	01-JAN-2007	
Engineer II	Hours	30	01-JAN-2007	
Engineer III	Hours	35	01-JAN-2007	

Figure B.

This standard schedule is then assigned to the project by referencing it on a descriptive Flexfield on the project as shown in Figure C.



Projects

Revenue Recognition Method Cost Multiplier

Task Billing Level

Labor Rate Schedule

Client Project Number

Proposal Number

PIC Form Set Name

Cost Rate Cap Schedule

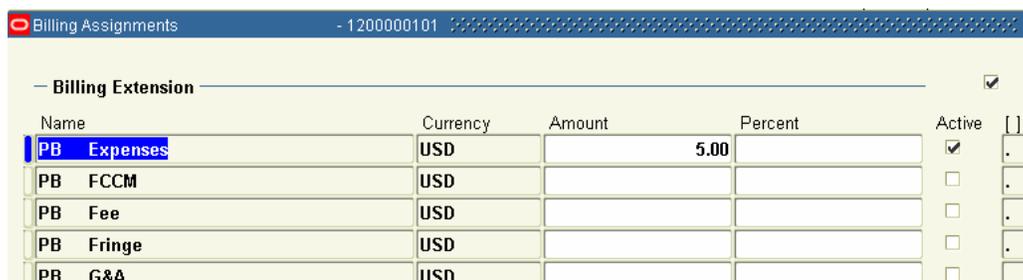
Figure C.

During Revenue generation the labor billing extension calculates revenue by comparing the actual cost rate of the labor transaction to the cost rate defined on the Cost Rate cap schedule.. The lesser of the Actual or Cap Cost rate is then multiplied times the standard labor multiplier.

Labor Add On Billing

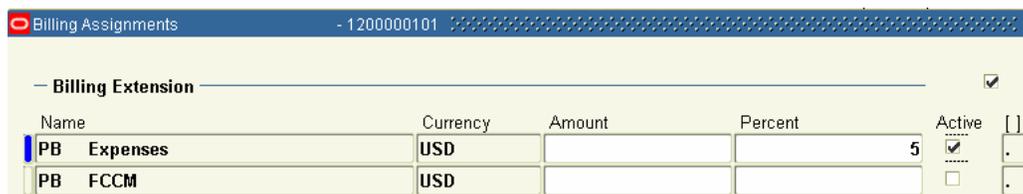
Another common billing requirement involves billing an additional amount per labor hour or an additional amount as a percentage of the labor amount billed. An example of this requirement is where clients accept billing for expenses as a standard percentage of labor billed (i.e., 5% of Labor is billed in lieu of billing detailed expenses)

A billing extension is defined. When assigned to the Project or Top Task the user specifies either a Percentage or Amount to indicate whether to calculate using a percentage of labor billed or amount per labor hour billed. See Figures D and E.



Billing Extension					
Name	Currency	Amount	Percent	Active	
PB Expenses	USD	5.00		<input checked="" type="checkbox"/>	
PB FCCM	USD			<input type="checkbox"/>	
PB Fee	USD			<input type="checkbox"/>	
PB Fringe	USD			<input type="checkbox"/>	
PB G&A	USD			<input type="checkbox"/>	

Figure D (Amount per labor hour billed)



Billing Extension					
Name	Currency	Amount	Percent	Active	
PB Expenses	USD		5	<input checked="" type="checkbox"/>	
PB FCCM	USD			<input type="checkbox"/>	

Figure E (Percentage of labor amount billed)

During revenue and invoice generation the extension calculates the sum of labor amount/hours in that generation. An event is created automatically for the add on amount. In this particular example the event is created using an Event Type called Expense to drive revenue recognition to Expenses since the Event represents a recovery of direct expenses.

Revenue Recognition Deferred Until Payment Received

Conservative accounting principals can often require deferred recognition of revenue where the credit worthiness of the client is in question or where a notice to proceed has been provided by the client but a contract hasn't been signed. Oracle standard Work based revenue/billing requires recognition of revenue before billing can take place. The requirement is to produce an invoice for work completed and to defer revenue until the invoice has been paid.

To solve this requirement we need to allow revenue recognition to take place at the transaction level and handle the deferral of revenue recognition by automatically creating and reversing revenue write-down events to initially reverse revenue recognized at the transaction level. Once cash payment is received/applied to invoices then the events are reversed and revenue is recognized equivalent to the cash received.

A Billing Extension is assigned at the Project Type level. This extension is "Activated" by changing the status of the Project to 'Cash Only'. During revenue generation the extension determines how much cash has been received to date against the projects invoices. This is compared to the amount of revenue calculated to date. If the standard revenue calculated exceeds the cash received then an event is created to "write-down" revenue for the difference. Subsequently, when cash is collected the revenue generation process will determine that cash received is higher than revenue recognized to date and reverse previously written down revenue events.

Another important element of this solution is that events are created by organization so that revenue is proportionately written down across those organizations that recognized revenue at the transaction level.

Revenue Hard Limits Enforced at the Lowest Task Level

Oracle Projects offers Revenue Hard limits at the Agreement level. However, in some cases Project Managers may want to restrict revenue recognition at the lowest task level. An example of this is where multiple organizations are participating in a Project and you don't want an organization that overruns their budget to get revenue credit beyond the limit agreed upon.

In this scenario you have a revenue budget defined at the lowest task level. Soft limits are set on the Agreement. Revenue is allowed to fully accrue at the expenditure item level. During revenue generation the Billing Extension compares the revenue accrued at the lowest task level to the task revenue budget. Any excess revenue over the task revenue budget is written down by using a write-down revenue event. The lowest task number is referenced on the Event attribute1 so that lowest task revenue can be accurately tracked. This avoids the limitation Oracle has wherein events can only be recorded at the Top Task level not lowest task level.

Subsequently if you increase the revenue budget of a task that previously exceeded its budget then the extension will reverse the write-down up to the new limit of the task.

An additional feature of this extension is to place expenditure items on hold at the task level during invoice generation where a task has exceeded its budget. This feature is optional and is only used where the client has provided strict limits by task.

About the Author

Randal B. Martin, CPA, is a Practice Director with Project Partners LLC. Mr. Martin has worked with and implemented the Oracle E-Business Suite Financials and Projects applications for approximately fifteen years. He delivers both functional and technical expertise and has programmed numerous application interfaces and client extensions for Oracle Applications. Mr. Martin is a CPA and former Accounting Manager and has experience across many industries.

About the Company

Project Partners, LLC is a privately held firm headquartered in Half Moon Bay, California, offering consulting services and software products to project-driven firms. Founded in 1997 by Randy Egger, the former chief architect of Oracle's Projects Applications, Project Partners has grown to include many talented people, including some of the original Oracle Projects® developers, support specialists and implementation consultants. Over 275 firms around the world have selected Project Partners for expert services and products that extend the Oracle E-Business Suite Projects Applications, to increase productivity and reduce operating costs. A Primavera Technology Partner, Oracle Certified Partner and an Oracle Projects user, Project Partners has executed global implementations for clients managing tens of thousands of projects, thousands of users, multiple languages and currencies.

Project Partners' OP3™ product combines Primavera activity and resource scheduling tools with Oracle Projects Applications' financial functionality to provide a complete, seamless, bi-directional solution that addresses both the financial and operational aspects of successful project management.

Project Information Center (PIC)™ is an easy-to-use, web-based composite application for project-centric businesses.

PIC Reporting™ provides complex reporting that spans multiple projects and operating units, and detailed project and task reporting. More significantly, PIC's Financial Statement Generator easily creates complex financial reports, like Profit and Loss Statements, at various levels of flexible hierarchies, across heterogeneous systems.

PIC Invoicing™ delivers custom invoice formats integrated with Oracle Project Billing, Oracle Receivables and Oracle XML Publisher, to enable you to bill your customers in their preferred form, independent of WBS.

PIC User Interface™ provides easy-to-use, easily tailored Oracle application User Interfaces for Microsoft® Excel or a Web browser. PIC User Interface enables customers to quickly build user-friendly and flexible front-end applications that meet their business needs while seamlessly integrating with Oracle security and business logic. It also provides business users an intuitive way to accomplish complex tasks using a familiar yet powerful tool: Microsoft Excel.

More information about Project Partners can be found at www.ProjectP.com.