

**Overview & Objective** – The purpose of this I M & U is to demonstrate the booking and reversal of Unearned Revenue. These procedures must be followed for the A/R Ledger and G/L to remain in balance.

**Framework** – A general framework for booking Unearned Revenue is as follows:

1. Unearned Revenues *are booked in the A/R Module* by use of a specified Account Label. (The Account Label is generic meaning that it is not recording any changes to specific revenue accounts –*the label only affects BS accounts*). The amount booked is the actual billing issued to the customer by invoice.
2. Unearned Revenues *are reversed in the G/L Module* by a Journal Entry. This occurs when performance on a contract is fulfilled or a product is shipped (I.E. the period the revenue is **earned**). Do not attempt to reverse Unearned Revenue in the A/R Module by use of Account Labels. Reversing transactions will either double count revenues or incorrectly reverse existing A/R ledger balances.

**Booking Unearned Revenue** – To book Unearned Revenues navigate to the Customer Invoice Screen (see I M & U “Recording A/R Invoices” for navigating to the Customer Invoice Screen and A/R Batches). The Unearned Revenue amount is entered into the Batch or monthly period **that the invoice is issued**. The title “Invoice” should appear in the upper left hand corner, entry as follows:

- **\*Date** – Enter the Date the Invoice is issued (generally not month-end date)
- **\*Account Label** – Select an Account Label that corresponds to “Unearned Revenue - ”
- **\*Amount** – Enter the amount that will appear on the customer issued Invoice

⇒ When all the Invoice items are entered click “**Save**” (upper right hand corner). Once saved, a transaction will be posted to the A/R and G/L Modules which will record the following entry:

A/R: Trade	DB	This entry records the proper A/R: Trade Amt.
Unearned Revenue	<CR>	with a liability offset to “Unearned Revenue.”

**Reversal of Unearned Revenue** – To Reverse Unearned Revenues and Record Revenue navigate to the General Ledger Module (see I M & U “Recording Journal Entries” for navigating to the General Ledger and posting entries). The Reversal of Unearned Revenue is entered into the G/L Journal “General Journal - Cash & Accrual.” The title “General Journal - Cash & Accrual - Transaction Edit” should appear in the upper left hand corner, entry as follows:

- **\*Date** – Enter the Date that corresponds to the period **the revenue is earned**
- **\*Description** – Enter a description that summarizes the recognition of revenue

⇒ The journal entry will record a decreases to the unearned liability account and an increase to a revenue account. When the journal entry is entered click “**Save**” (upper right hand corner). Once saved, a transaction will be posted to the G/L Module which will record the following entry:

Unearned Revenue	DB	This entry reduces the unearned liability amt.
Revenue	<CR>	and recognizes revenue in the period earned.

**Further Instruction & Use** – For further information regarding recording Unearned Revenue contact your Account Executive or call The NDH Group, Ltd. at 312.461.0505.