Revenue from Contracts. Is it Unbilled, Billed, Asset, Paid, or Liability?

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Many things are changing under the new GAAP and IFRS guidelines—known as ASC 606 and IFRS 15—but the *billed, unbilled and paid* designations of revenue from contracts deserve special mention and analysis.

Let me start by defining those terms under the current standards in the simplest possible way.

Accountants are expected to record an asset for **unbilled** accounts receivable in cases where some work of the contract has been completed but hasn't been billed yet. This may happen, for example, when the terms of the contract establish a future billing date.

Then, the unbilled receivable is transferred to a **billed** account receivable when the corresponding invoice is sent to the client. And, when the customer pays the invoice, the designation of the revenue changes to **paid.**

Things are much more complex under the new standard. If you have read the guidelines you will agree that the terms are not always easy to follow. So, I will do my best to explain the changes to unbilled and billed revenue in simple English.

Under the new standard, if the work or service is provided before the client pays for it, the corresponding revenue amount is recorded as an **unbilled** receivable only if the payment terms are set by the billing dates agreed in the contract. But if the payment terms are set by something that is not time—like performance—then the revenue should be recorded as a **contract asset**.

As before, the unbilled receivable becomes billed when the corresponding invoice is issued.

On the other hand, if the client makes a payment for work done, the amount is recorded as **paid**. But if the client pays an amount (or owes some money per the terms of the contract) before the work is done, that amount is recorded as a **contract liability**.

Is your head spinning yet? I know! If determining the billed, unbilled and paid designations of revenue from contracts was complex before, the new standards do not make things any easier.

Fortunately, there are accounting solutions like Intacct that are here to ease our pain.

Contract Revenue Management, a solution for ASC 606 and IFRS 15

Contract and Revenue Management is an Intacct module that provides an automated solution for the effects of ASC 606 and IFRS 15. And it takes care of the various designations—contract asset, unbilled receivable, billed receivable, paid, or contract liability—of revenue from contracts. It also has built-in reports that show you, billed and unbilled revenues based on both current and new guidelines.

But that's not all! Intacct Contract Management also provides dual-reporting capabilities so you have visibility over the impact of the new standards on your financial results.

And you won't have to secure IT resources to make changes to your systems so you comply with the new guidelines. All changes are already coded in the Contract Management module. You just setup your contract and revenue policies. The module also provides flexible templates that you can customize to reflect your current allocation and amortization methods.

Contact us if you want to learn more about billed and unbilled designations and how they are affected by the new standard, or if you want to see how Intacct Contract Management takes care of the pain of transitioning to ASC 606.