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Recognizing revenue on fixed price projects

There are many tiresome tasks required of the project or services manager at the end of each month. Among the more time consuming is calculating the revenue recognition figures for your fixed price projects.

At the beginning of a project this is quite easy; a simple division of the fixed price by the number of days planned for the project gives you the daily revenue that you can recognize. But as the project progresses, and the number of days work planned for the project starts to vary from the initial estimate, the calculation becomes more complex, and the prospect of a few late nights looms before you can get those revenue numbers approved.

- How many days are now in the plan?
- How much effort has been consumed so far?
- How much revenue have we recognized so far? And how much is there left?

All too often you are pouring over data from different sources, and combining it into a complex spreadsheet before you are able to produce your final figures with all their supporting data.

Resource Management Software

Implementing resource management software enables you to produce the figures in a fraction of the time. A flexible approach to planning the resource usage for your projects is essential in any Software, but it is only a small step from that, to adding those milestone billing points that enable you to forecast expected invoicing dates.

Of course getting the money in is only one side of the equation. Your Finance Director will also want to know when he can recognize the funds received as revenue, based on auditable progress with your project delivery.

We know that the right resource management software can help you keep track of your planned resource usage for the project, but if it also tracks actual work performed, using a timesheet module, you will have the data you need in one place. Having your planned and actual resource usage in a single source is a great step forward, but the revenue recognition calculation itself might still require you to transpose your data into a complex spreadsheet.

More comprehensive resource management software, such as that provided by Innate, enables you to handle any additional data that you need to complete your revenue recognition calculation, such as the contracted value of the project. It will calculate your revenue recognition figures and store them for reporting and auditing.

By choosing the right software, you will get a tool that helps you gain maximum efficiency from all your resources, because you have visibility of the total demand on your workforce. You can assign the right resources to the right tasks according to skill, and you can rebalance the workload as project scope or priorities change.

You can also improve the efficiency of your project and service managers, by freeing up the valuable time they spend gathering data, and preparing their monthly reports.

About the Author

Gordon Petitt is a senior sales executive with Innate Management Systems Ltd., the resource management software company. You can see more details about Innate's products and services at www.innate-management.com