Accrual and Deferral Process in Flexible Real Estate Management (RE-FX)

Applies to:
Any organization wishing to implement the Flexible Real Estate Management in SAP. For more information, visit the Enterprise Resource Planning homepage.

Summary
This article explains the process of Accrual / Deferral for customer contracts with amounts, received in advance to be deferred to the next periods, in SAP Flexible Real Estate Management.

Author: Subrahmanyam Rachapudi
Company: Intelligroup Asia Pvt. Ltd.,
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Author Bio
Subrahmanyam Rachapudi is working as a Sr. Consultant with Intelligroup and has been part of FICO competency since February 2004.
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Introduction

Accruals / Deferrals are used in RE-FX for adjusting the income over a period of time. This facility is available from MySAP 2004.

Accrual / Deferrals program is run at period end to recognize revenues posted for more than a period (e.g.: yearly/ half yearly/ quarterly). The program calculates the income for the period and posts the amount during the period. This article gives an insight into the Accrual / deferral process in RE-FX.

Objective

The objective of this article is to explain the business process involved in the Accrual / Deferral accounting methodology in SAP Flexible Real Estate Management Module

Business Requirement

The business requires that the amounts collected from customers in advance or in arrears can be adjusted and accounted in the correct periods so that the periodic income reports are reflected correctly. Also business wanted to track the amounts transferred to the Liability account, the periodic recognition amounts and the balance amount to be recognized need to be tracked for each Real Estate contract.
Solution

In RE-FX, Real Estate contracts are created and the condition amounts are periodically posted using transaction RERAPP. The amount could be Yearly amount / half yearly amount / Quarterly amount, and the mode of income could be in advance or in arrears. Depending upon the case, there might be few scenarios where the income, if received in advance has to be deferred to the next periods. If the income is received in arrears, the income needs to be accrued from the initial period onwards till the end of the Contract. The Accrual engine precisely carries out the function using transaction RERAALCN.

In this article, we have demonstrated the process for customer contracts with amounts received in advance.

Fig 1 displays the Real estate contract 2000864 with validity for 3 months from 01.01.2008 to 31.03.2008.

Fig 1: Real Estate contract – 2000864
The amount of the contract is 36000 AED (see fig 2)

![Image](image.png)

**Condition amounts in the RE contract 2000864.**
In fig 3, we execute the periodic posting program to account for the income from customer.

**Periodic Posting: Contracts**

**Contract Selection**
- Company Code: 1000
- Contract: 2000864
- Contract Type: 
- BE for Contract: 
- Object Selection Active: 

**Period/key date**
- Contract Validity: 

**Filter**
- Status Selection Active: 
- Person Responsible: 

**Period**
- Month for Posting Run: 1
- Year for Posting Run: 2008
- Due date: 31.01.2008
- Calculation Date To: 

**Posting**
- Document Header Text: Per.Posting: JAN 08
- Posting Date: 01.01.2008
- Document Date: 01.01.2008
- Posting Period: 1

**Posting Period**
- Posting Run Mode: Update Run
- Type of Posting Run: Periodic Posting + Transfer

Fig 3: Periodic posting programme for REC 2000864.
The following screen of fig 4 & fig 5 shows the output created and accounting documents generated after executing the Periodic posting.

**Periodic Posting: Contracts**

<table>
<thead>
<tr>
<th>Doc #</th>
<th>Contract ID</th>
<th>Object ID</th>
<th>Object Type</th>
<th>Object Name</th>
<th>From Date</th>
<th>To Date</th>
<th>Period</th>
<th>Net Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1000 BP01</td>
<td>10005000064</td>
<td>basic rent</td>
<td>ZAFARI ENTERPRISE</td>
<td>01.01.2008</td>
<td>36,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1000 BP01</td>
<td>10005000064</td>
<td>basic rent transfer</td>
<td>ZAFARI ENTERPRISE</td>
<td>01.01.2008</td>
<td>36,000.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 4: Output created after Periodic posting of Contract 2000864

**Data Entry View**

- Document Number: 100038427
- Company Code: 1000
- Fiscal Year: 2008
- Document Date: 01.01.2008
- Posting Date: 01.01.2008
- Period: 1
- Reference: 000002212008REPP

<table>
<thead>
<tr>
<th>C</th>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>1 01</td>
<td>500000</td>
<td>ZAFARI ENTERPRISE</td>
<td>36,000.00</td>
<td>AED</td>
</tr>
<tr>
<td>2</td>
<td>50</td>
<td>600400</td>
<td>Income from Contract</td>
<td>36,000.00</td>
<td>AED</td>
</tr>
</tbody>
</table>

Fig 5: Accounting Document generated in Periodic posting.

Now we have completed the periodic posting for the Real Estate contract 2000864. Subsequently, we need to execute the Accrual / Deferral program at the end of every Period i.e. in this case, end of every month.
**Accrual / Deferral**

Fig 6 shows the Accrual / Deferral input screen for 1st period (Jan 2008) for Real Estate Contract (REC) 2000864

**Accrual/Deferral: Contracts**

**Contract Selection**
- Company Code: 1000
- Contract: 2000864
- Contract Type
- BE for Contract
- Object Selection Active

**Period/key date**
- Contract Validity

**Filter**
- Status Selection Active
- Person Responsible

**Posting**
- Mode for Accr./Def. Run: Update Run
- Text: Accrual/Def. 31.01.2008

Fig 6: Accrual deferral runs for contract 2000864.

In the output screen (Fig. 7) notice that the system has recognized "I "entry and “P” entry. “I” entry indicates the transfer of the income to the Liability account and the “P” entry signifies the Periodic recognition of the Income for the Jan month.

**Accrual/Deferral: Contracts**

<table>
<thead>
<tr>
<th>CoC</th>
<th>Year</th>
<th>Accrual Object</th>
<th>Accrual Subobject</th>
<th>Accr Type</th>
<th>Accr Po</th>
<th>Posted</th>
<th>Entry</th>
<th>Key Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>REC</td>
<td>1000</td>
<td>REC 1000/2000864</td>
<td>TRRVN</td>
<td>IAS</td>
<td>0.00</td>
<td>36,000.00</td>
<td>AED</td>
<td>1</td>
</tr>
<tr>
<td>REC</td>
<td>1000</td>
<td>REC 1000/2000864</td>
<td>TRVGCRD</td>
<td>IAS</td>
<td>0.00</td>
<td>36,000.00</td>
<td>AED</td>
<td>1</td>
</tr>
<tr>
<td>REC</td>
<td>1000</td>
<td>REC 1000/2000864</td>
<td>TRRVN</td>
<td>IAS</td>
<td>0.00</td>
<td>12,263.74</td>
<td>AED</td>
<td>P</td>
</tr>
<tr>
<td>REC</td>
<td>1000</td>
<td>REC 1000/2000864</td>
<td>TRVGCRD</td>
<td>IAS</td>
<td>0.00</td>
<td>12,263.74</td>
<td>AED</td>
<td>P</td>
</tr>
</tbody>
</table>

Fig 7: Output after executing the Accrual / Deferral run.
Entry generated by system:

Debit: Income Deferred account (P&L Account)  -36000
Credit: Accrued Income Account (Balance Sheet Account) – 36000
(Being the transfer of Income to Accrued income account – Liability)

Debit: Accrued Income Account (Balance Sheet Account) – 12,263.74
Credit: Income from Rent (P&L Account)  -12,263.74
(Being periodic amount recognized for Jan’08. Since Jan’08 contains 31 days and the total no. of days from 01.01.2008 to 31.03.2008 is 91 days. Hence system calculated on exact day’s basis for Jan’08)

Fig 8: Accounting document generated for “I” entry for accrual / deferral run.

Fig 9: Accounting document generated for “P” entry for accrual / deferral run for 1st Period.
Accrual / Deferral run for the 2\textsuperscript{nd} period, only periodic recognition amounts (P) are posted. See fig. 10 for Accrual / Deferral run and see fig. 11 for accounting documents for the 2\textsuperscript{nd} period.

Debit: Accrued Income Account (Balance Sheet Account) – 11,472.52
Credit: Income from Rent (P&L Account) -11,472.52
(Being the income recognized for the second period)

### Accrual/Deferral: Contracts

<table>
<thead>
<tr>
<th>CoCd</th>
<th>Year</th>
<th>Accrual Object</th>
<th>Accrual Subobject</th>
<th>Account Type</th>
<th>SAP Cumulative</th>
<th>Posted</th>
<th>Crca</th>
<th>TCE Trans</th>
<th>Key Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>2008</td>
<td>REG 1000/20000064</td>
<td>REG 1000/20000064</td>
<td>TFRNY0</td>
<td>145</td>
<td>12,263.74</td>
<td>11,472.52</td>
<td>P</td>
<td>29.02.2008</td>
</tr>
<tr>
<td>1000</td>
<td>2008</td>
<td>REG 1000/20000064</td>
<td>REG 1000/20000064</td>
<td>TFRNY0</td>
<td>145</td>
<td>12,263.74</td>
<td>11,472.52</td>
<td>P</td>
<td>29.02.2008</td>
</tr>
</tbody>
</table>

Fig 10: Output created after Accrual / Deferral run for 2\textsuperscript{nd} Period.

### Data Entry View

<table>
<thead>
<tr>
<th>Document Number</th>
<th>Company Code</th>
<th>Fiscal Year</th>
<th>Post Date</th>
<th>Posting Date</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>602002079</td>
<td>1000</td>
<td>2008</td>
<td>29.02.2008</td>
<td>29.02.2008</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reference</th>
<th>Cross-CC no.</th>
<th>Currency</th>
<th>Texts exist</th>
<th>Ledger Group</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>C.</th>
<th>Itm</th>
<th>PK</th>
<th>S</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Curr.</th>
<th>Tx</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>1 40</td>
<td>310352</td>
<td></td>
<td>Defferal Income</td>
<td></td>
<td>11,472.52</td>
<td>AED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 50</td>
<td>800407</td>
<td></td>
<td>Rentfrom R0</td>
<td></td>
<td>11,472.52</td>
<td>AED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 40</td>
<td>699999</td>
<td></td>
<td>Rental Object Adjust</td>
<td></td>
<td>11,472.52</td>
<td>AED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 50</td>
<td>699999</td>
<td></td>
<td>Rental Object Adjust</td>
<td></td>
<td>11,472.52</td>
<td>AED</td>
<td></td>
</tr>
</tbody>
</table>

Fig 11: Accounting documents created after A/D run for 2\textsuperscript{nd} Period
Now we need to execute the last periodic recognition for the contract # 2000864. Please see below screens for details;

Fig 12 shows the A/ D run for the 3rd period.

**Accrual/Deferral: Contracts**

![Selection via Sets](Image)

**Contract Selection**

- Company Code: 1000
- Contract: 2000864
- Contract Type
- BE for Contract
- Object Selection Active: Yes

**Period/key date**

- Contract Validity

**Filter**

- Status Selection Active
- Person Responsible

**Period**

- Key Date: 31.03.2008

**Posting**

- Mode for Accr./Def. Run: Simulation
- Text: Accrual/Def 31.03.2008

Fig 12: Accrual / Deferral run for 3rd period

Since the contract expires on 31.03.2008, the system reverses all the earlier Accrual / Deferral documents. This is a SAP standard behavior.

Fig 13 shows that the Reversal of the documents posted initially and Periodic posting.

**Accrual/Deferral: Contracts**

<table>
<thead>
<tr>
<th>Good Year</th>
<th>Accrual Object</th>
<th>Accrual Subobject</th>
<th>Accr1 Type</th>
<th>Hkop</th>
<th>Cumulative</th>
<th>Posted</th>
<th>Ccy</th>
<th>A/C Trans</th>
<th>Key Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000 2008</td>
<td>REC 1000/2000864</td>
<td>REC 1600/2508684</td>
<td>TRAVEN</td>
<td>IAS 35,000.00</td>
<td>35,000.00</td>
<td>AED</td>
<td>U</td>
<td>31.03.2008</td>
<td></td>
</tr>
<tr>
<td>1000 2008</td>
<td>REC 1000/2000864</td>
<td>REC 1000/2000864</td>
<td>TRAVEN</td>
<td>IAS 35,000.00</td>
<td>35,000.00</td>
<td>AED</td>
<td>U</td>
<td>31.03.2008</td>
<td></td>
</tr>
<tr>
<td>1000 2008</td>
<td>REC 1000/2000864</td>
<td>REC 1600/2508684</td>
<td>TRAVEN</td>
<td>IAS 23,736.26</td>
<td>23,736.26</td>
<td>AED</td>
<td>F</td>
<td>31.03.2008</td>
<td></td>
</tr>
<tr>
<td>1000 2008</td>
<td>REC 1000/2000864</td>
<td>REC 1600/2508684</td>
<td>TRAVEN</td>
<td>IAS 23,736.26</td>
<td>23,736.26</td>
<td>AED</td>
<td>F</td>
<td>31.03.2008</td>
<td></td>
</tr>
</tbody>
</table>

Fig 13: Output created after the A/D run for 3rd period
The accrual / Deferral process therefore recognizes the revenues by posting adjustment accounts in the relevant period.

**Note:** In case the Periodic posting is not done, the amounts will not be reversed in the Last Period. It will be reversed only when the PP is done. Also, if the contract is renewed, it will not be reversed, otherwise it will be reversed.
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