

# **Surtel Technologies**

- Case Study -

Creative, Low Cost Approach for  
Implementing Project Billing



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## Solution Summary

Implementing JD Edwards ERP modules such as Job Costing, Service or Contract Billing typically fulfills the business requirements associated with project billing. Surtel implemented a creative approach for project billing without the expense of configuring other billing modules.

## Solution Profile

Surtel implemented the JD Edwards ERP system for a leading global manufacturer of cleaning, hygiene, operational efficiency and appearance enhancing products and equipment, and related services for the institutional and industrial cleaning and sanitation markets. The implementation involved replacing a division's legacy system and improving processes through system automation with the client's global model. The key JD Edwards modules (Manufacturing, Procurement, Distribution and Finance) were implemented to process the client's unique business requirements. Unlike the other divisions, there was a requirement for project billing, which was not configured in the global model. This Case Study documents the process used for tracking project expenses and billing customers for the equipment built under a project. This was accomplished without the overhead of configuring the Job Cost, Service or Contract Billing Modules.

Surtel has been a preferred JD Edwards vendor for this client for 8 years. Surtel has always catered to unique and complicated client requirements and always delivered solutions on time and within budget. Surtel provided a solution for the client's requirements using existing non-stock items and the current sales order process without configuring Job Costing, Service or Contract Billing Modules. The requirements were:

1. All the expenses related to the project should be tracked to a project expense account.
2. The equipment built under the project could either be sold or loaned to the Customer. Each of these scenarios will process differently.
  - a. When the equipment is loaned all the expenses needed to be taken out of the project expense account and charged to non-billable capital project account before closing the project.
  - b. When the Equipment was sold to the Customer the billing needed to be done in three stages:

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- Issuance of the Purchase Order: This billing needs to be done when the project starts. The customer is invoiced for a fixed percentage as agreed upon with the customer. No revenue should be recognized as product is not yet shipped.
- Equipment Shipped: This billing needs to be done when the equipment is shipped to the customer. The customer is invoiced for a fixed percentage as agreed upon with the customer. Revenue needs to be recognized for this billing as well as the 'Issuance of the Purchase Order' step. The expense from project expense account will be moved to the cost of goods sold account.
- Final Billing: When the project ends the final billing percentage is invoiced to the customer and any expense left in the project account is moved to the cost of goods sold account.

One of the major drawbacks of the legacy system was the need to make manual journal entries to move the expense from the project expense account to the cost of goods sold account. This made it difficult for the client to do reporting because the cost of goods sold and revenue entries belong to different document types.

The solution developed Surtel required for a new business unit to be created for each project. Also a specific set of accounts must be added to the business unit based on whether the equipment is sold or loaned. The inventory or services (expenses) used to complete the project can be acquired in two ways:

- **Non-Stock Items:** For this scenario, a non-stock purchase order process was set up in which the project expense account is specified when the order is entered. This method was also used for any outside service required to complete the project.
- **Stock Items:** For this scenario, a price adjustment for each project is created. The price adjustment will zero out the price on the sales order and accrue the standard cost of the item into the project expense account. The cost of goods sold account is used as a clearing account. Price adjustment and rebate payable DMAAI were set up specifically for the project and achieved the desired result.

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To attain the complex billing requirements we created seven non-stock items and used the G/L class codes from the item master. Also, the revenue and A/R trade DMAAI were used to create the required accounting transactions. A suspense account was used to avoid recognizing revenue in 'Issuance of the Purchase Order' step of billing.

By using this method the client was able to attain their goal using the JDE feature they already had configured and were currently using. The key benefits of this approach developed by Surtel are:

- No user training required on new modules
- No set up required for new modules
- Eliminated manual journal entries to book the cost of goods sold
- Improved reporting by incorporating the cost of goods sold and revenue into the same document type
- The amount billed to the customer in each of the three stages of billing can be easily modified. This new feature increased flexibility and provided multiple billing options available (40%, 30%, 20% or 10%, 30%, 60% etc).
- Embedded compliance of the audit policy which prevented sales order prices from being overridden during the process of expensing stock inventory to the project.

## **Distinguishing Feature**

Surtel strives to provide their clients with a strong return on investment when implementing customized solutions. We deliver custom configured solutions for every client, incorporating software modifications for strategic process gaps only. Our JD Edwards knowledge, proven methodologies and business solutions enable our clients to be successful. We are experts at training, mentoring, and knowledge transfer. Our goal is to implement quickly, provide knowledge transfer and turn over support to our client's staff.

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