Deferred Income Overview

Your Deferred Income is automatically tracked when recurring invoices are posted. Income that is generated for a future accounting period is tracked in a special account identified in the system as the "Deferred Income" account. For each accounting period thereafter the appropriate amount of income will be generated, and the Deferred Income will be properly lowered. When a batch of cycle invoices is posted, each line item on the invoice contains a service period. The application uses the service period being invoiced to determine how to break down the future income into the appropriate month is should be earned. All cycle invoices post into the Deferred Income account regardless of the billing cycle.

The only Cycle Invoice Items that will not post to the Deferred Income account are invoice items that are flagged not to defer in SedonaSetup.

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There a two choices for the manner in which Deferred Income will post to the General Ledger when the Deferred Income Process is run. This is controlled by a setup option in SedonaSetup/Setup Processing (AR)/ Group Deferred Revenue By. The two options are by GL Account or by Item Type. If the option by GL Account is selected, when cycle invoices are posted, the Deferred Income to be earned will be group by unique Income Accounts assigned to the Invoice Items on the invoice. The other option of by Item Type provides more detail on how the Deferred Income will be grouped, by unique Invoice Items listed on the invoice.
Continue on to the next pages for examples of the Deferred Income using each grouping method.

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Deferred Income Example:
On September 20th, a quarterly monitoring invoice is generated for $75.00 for the service period of October – December. The invoice will post to Accounts Receivable as of the Invoice Date and the deferred income will be divided between the accounting months for the service period invoiced. Each month a portion of the Invoice will be earned when the Deferred Income Process is run.

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If a Cycle Invoice is credited off, the application will post a credit amount to the Deferred Income account for each month in service period for the invoice. Basically a Cycle Invoice Credit is spread out over the service period of the original invoice. The next effect will be zero to the G/L since the original invoice and the credit memo will be recognized in the same month thus canceling each other out. If the invoice being credited off contains a service period where the Deferred Income has already been recognized and the Accounting Period has been closed, the credit will be earned in the current open accounting period.
Each Customer Explorer record displays a list of Deferred Income yet to be earned as well and income earned in prior periods.

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