

Revenue Recognition Procedure

Section 1 - Purpose

(1) This Procedure supports the [Accounting Policies Policy](#) and [Accounting Policies Register](#) by establishing requirements for revenue recognition assessment and month-end processing across the University Group to deliver revenue reporting in accordance with requirements of the [Accounting Policies Register](#).

(2) Revenue recognition criteria for the University and its Controlled Entities are defined in the [Accounting Policies Register](#).

Scope

(3) The Procedure applies to all officers and directors, members, employees, consultants and contractors of Macquarie University and its Controlled Entities (collectively referred to as the University Group) with responsibilities or accountabilities for revenue recognition assessment and month end revenue processing for all entities in the University Group.

Section 2 - Policy

(4) Refer to the [Accounting Policies Policy](#) and [Accounting Policies Register](#) for accounting policies governing revenue recognition.

Section 3 - Procedures

Accountability

(5) The Director, Financial Operations, Tax and Treasury has overall accountability for ensuring adherence to this Procedure across the University Group, and thereby ensuring revenue recognition and reporting in accordance with the [Accounting Policies Register](#). The Director, Financial Operations, Tax and Treasury is supported by the Financial Operations Revenue Manager (with responsibilities for the University) with the Financial Operations Controlled Entities Manager (with responsibilities for Controlled Entities).

(6) The Director, Group Financial Control is available for consultation on complex revenue assessments where significant judgments are required.

Changes to revenue Accounting Standards

(7) A series of new revenue accounting standards came into effect from 1 January 2019 (for all revenue except research income) and 1 January 2020 (for research income).

(8) AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities (“the Revenue Standards”) introduced a new revenue recognition model. Group Accounting Policy requirements covering these two Revenue Standards are detailed in the [Accounting Policies Register](#). The Accounting Policies Register contains:

- a. General Policy statements covering:
 - i. Conceptual concepts of income;
 - ii. Overview of the Revenue Standards - AASB 15 and AASB 1058 and;
 - iii. Principal versus Agent scenarios involving income.
- b. Specific Policy Statements covering:
 - i. Contributions and Grants received from State and Commonwealth governments, including:
 - Teaching and Other Education Grants: including CGS, HELP, Indigenous Student Success Program, Access and Participation Fund, Disability Performance Fund.
 - Research: including Research Training and Support Plans, and Research Revenue (including Australian Research Council [ARC], National Health Medical Research Council [NHMRC]).
 - ii. Contract research and consultancy income;
 - iii. Capital grants;
 - iv. Fee & Charges income: including non-govt teaching income and student-related services income;
 - v. Interest, dividend, royalty and rental income;
 - vi. Donations and Bequests;
 - vii. Non-academic services income including food, childcare, retail, hotel and sports facilities, medical services;
 - viii. Distributions from controlled entities and third-party investments;
 - ix. An Appendix detailing specific Revenue Recognition guidance for material revenue streams, where a particular recognition rule can be applied to all cases of a particular revenue stream; and
 - x. An Appendix with Illustrative Examples of revenue recognition.

University - Non-Teaching Revenue Allocation Model

(9) In response to the requirements of the new Revenue Standards, several operational changes were made to Finance One:

- a. Additional meta-data recording capabilities (the “Revenue Selection Codes”) were added to Finance One, enabling assignment of specific revenue recognition attributes for each Natural Account in Finance One to delineate the required timing of revenue recognition for revenue coded to each income Natural Account, or in the case of identified liabilities, the removal of all coded revenue to the Balance Sheet. Appendix Two contains a list of the Revenue Selection Codes in Finance One and their purpose. In summary the Codes delineate between the following types of revenue recognition.

Revenue Recognition	Description
Revenue Upfront	Revenue is recognised immediately when invoices are raised, or cash is received by the University.
Revenue Over Time	Revenue is recognised over the life of the contract period as services are delivered, typically in line with the actual expenses incurred to deliver the good or service.
Revenue Point in Time	Revenue is recognised upon completion of the performance obligation identified (delivery of good or service to customer) in the contract.
Capital Grants	When the contract mandates the specifications of the capital asset, revenue is recognised over time in line with the expenses incurred for the purchase or construction of a capital asset(s).

Revenue Recognition	Description
Financial Liability	<p>No revenue is recognised for cash received if the terms of the contract stipulate that the University is contractually obligated to deliver this cash to an identified recipient. Funds received are recognised as a financial liability, which is extinguished from the balance sheet as the funds are transferred to the identified recipient.</p> <p>Examples include:</p> <ul style="list-style-type: none"> Funds received for forwarding to students as scholarships or stipends. Funds received for forwarding to non-lead research partners in a Multi-Institutional Agreement.

- b. A new Non-Teaching Revenue Allocation Model in Finance One (“the Model”) was scoped, built, tested and launched, which enabled deferral (or in the case of liabilities, removal) of certain revenues, dependent on the Natural Accounts used for initial coding of the income invoicing transactions, and the Revenue Selection Codes assigned to those Natural Accounts.
- c. New Natural Accounts were created to record unearned revenue and contra income and expense amounts computed by the Non-Teaching Revenue Allocation Model in Finance One. The use of these additional Natural Accounts for the deferral process allows for reporting under both the new Revenue Standards, and also for reporting of results as initially coded (“Cash Accounting”).

(10) Detailed Business Requirements, and the Systems Solution Design for the Model are included in Appendices Four, Five and Six. Refer to these Appendices for a detailed understanding of the aims and business rules of this Model. In summary, the Model works as follows:

- a. Revenue Selection Codes group income Natural Accounts into five categories, as detailed above; and
- b. the Model calculates deferral of revenue for contracts identified as ‘Revenue Over Time’ and ‘Capital Grants’ by identifying and deferring the net surplus of all Major Accounts where income has been recorded against Natural Accounts with either of these Revenue Selection Code types.

(11) Successful use of the Model therefore depends heavily on the accurate usage of the General Ledger, specifically:

- a. Use of the appropriate Natural Account for initially coding revenue.
- b. For external revenue contracts e.g. research grants and scholarship funding, use of separate Accounts for each revenue source, with all income and expenses relating to the activity of contract be recorded in the same Account in order to enable the calculation of a net surplus and thereby unearned revenue.
- c. Use of all other key parameters of the Project and Operations Ledgers as articulated in the [Project and Operations Ledger Account Policy](#) and [Project and Operations Ledger Account Procedure](#). Including, in particular, the specified usage of all Selection Codes and sub-groups.

(12) In recognition of the criticality of accurate usage of the General Ledger to the effectiveness of the Model, monthly quality reviews are completed to ensure the General Ledger usage is materially accurate.

(13) This Model is executed monthly, in accordance with the month-end timetable issued by the Director, Financial Operations, Tax and Treasury.

(14) The Financial Operations Revenue Manager is the operational owner of the Model, including its business requirements, and is responsible for ensuring the accurate processing of the Model each month.

(15) The integrity and stability of the Model is critical to revenue recognition compliance. Changes to the business rules of the Model, and changes to any Selection Codes critical for functioning of the Model, require written approval of the Director, Financial Operations, Tax and Treasury, on recommendation from both the Financial Operations Revenue Manager and the Director, Group Financial Control . Any proposed changes to the Finance One Chart that impede the ability of the Model to run will not be approved.

(16) The Non-Teaching Revenue Allocation Model is called this because, whilst all teaching income Natural Accounts are identified (with the Revenue Selection Code REVTEACH) the Model does not adjust any income in these Natural Accounts. Deferral of teaching revenue is managed via a separate manual journal process.

University research income: risk base sampling methodology for assessing bespoke research contracts

(17) Certain types of research contracts from particular funding bodies have a consistent revenue recognition treatment, and a particular revenue Natural Account is always used to record the initial revenue transaction from these contracts. These types of contracts commonly have an umbrella master agreement which defines contractual parameters (including information sufficient to determine revenue recognition) for all subsequent 'child' contracts, and as such all such 'child' contracts follow a common revenue recognition protocol. ARC and NHMRC contracts fall into this category of contract with an 'umbrella' master agreement. Revenue Recognition for ARC and NHMRC research income was assessed by the Financial Control team during implementation planning for the Revenue Standards, and recognition criteria for these two funding bodies are defined in the [Accounting Policies Register](#) Appendix A.

(18) Other research contracts require individual assessment of the contract to determine the appropriate recognition criteria, and therefore the appropriate Natural Account to use for recording of the revenue from these contracts. A sampling, risk-based, assessment approach is undertaken to determine the appropriate revenue criteria for non-ARC/NHMRC contracts.

Identify 100% Liabilities

(19) All instances of liabilities in all research contracts are identified during project initiation and set-up in the Project Ledger, and appropriate Natural Accounts (those with a Financial Liability Revenue Selection Code) are used for such funds to ensure removal of this income for all instances of contracts containing this scenario.

Initial assumed revenue recognition

(20) The initial assumed recognition for funds meeting the criteria as revenue (i.e. not a liability) is 'Revenue Over Time', and a revenue Natural Account with that Revenue Selection Type is used for coding the revenue invoicing transaction, resulting in recognition of revenue as related expenses are incurred to deliver the obligations of the contract. This assumption is both:

- a. the most common type of revenue recognition for non ARC/NHMRC contracts, and;
- b. a conservative assumption that reduces risk of recognizing revenue too early.

Perform revenue recognition assessment on material contracts

(21) The Director, Financial Operations, Tax and Treasury will determine the parameters on which research contracts are subject to assessment on project account set up stage. These parameters will be typically based on the total awarded amount and the HERDC category. This assessment is subject to periodic assessment (at least annually).

(22) For those new research contracts deemed in scope for assessment, Finance will assess the revenue recognition by reference to the contract information stored in PURE. The assessment and rationale will be documented and stored in Finance One. The timing of this assessment is typically on account set up in Finance One.

(23) The Director, Group Financial Control will determine the parameters on which research contracts are subject to a quality review of the assessments. These parameters will be typically based on the total awarded amount and the HERDC category. This assessment is subject to periodic assessment (at least annually).

Retain evidence of assessments

(24) Evidence of the assessments made will be attached into Finance One (at the project account chart level) as evidence of completion and to aide with any subsequent validation checks by other interested parties, including Internal and External Auditors.

University: monthly assessments of Model functionality and General Ledger revenue results

(25) As part of routine month-end protocols, the following activities are completed by assigned members of the Financial Operations Revenue team, in accordance with the published month-end timetable, for review and approval by the Financial Operations Revenue Manager. All activities are documented in detail in Blackline, with evidence of the activities retained in Blackline each month as evidence of completion and review:

- a. The Completion of a 'Desktop Analysis Report' which includes:
 - i. an Assessment of income Natural Accounts:
 - an Assessment of whether income sources have been invoiced/journaled to the correct Natural Account: as noted above, this is essential for the functioning of the Model. This assessment includes validating if all research contracts are using the Natural Account expected for that contract type (e.g. are all ARC/NHMRC contracts using the expected ARC/NHMRC Natural Accounts).
 - ii. an Assessment of Major accounts:
 - with Deficit balances – this may be a legitimate result of a temporarily faster expenditure profile than income profile, or it may indicate a mis-coding of either income or expenses requiring correction.
 - that have a remaining surplus but are flagged with the Selection Code “inactive”: these Major Accounts are excluded from the Model. The reason for the flag requires review.
 - that have exceeded their Project End Date: depending on whether all contractual deliverables have (or have not) been met, the Project End Date may require adjustment, or an assessment may be required of the timing of recognition of any remaining deferred revenue.
 - Timely review and clearance of all revenue clearing accounts, which may temporarily hold income received from a funding body until a bespoke Major Account is created for each contract.
 - iii. an Assessment of other Project Ledger Parameters:
 - Quality review of attributes of the Project Ledger chart to ensure ongoing adherence to required usage as defined in the [Project and Operations Ledger Account Policy](#) and [Project and Operations Ledger Account Policy](#), including, but not limited to correct usage of all Selection Codes (including but not limited to HERDC categories) and sub-groups.

(26) The review and approval of deferred balances on the Balance Sheet is created by the Model. Balance Sheet Account Reconciliations related to deferred revenue are performed in accordance with requirements of the [General Ledger Governance Policy](#) and [General Ledger Governance Procedure](#).

(27) Additionally, review and analysis of revenue is performed by other members of Finance, including Finance Business Partners and the Financial Planning and Analysis team, to provide analysis and commentary of the revenue results to senior management of the Faculties and Offices and the Budget and Capital Review Committee of the University.

(28) At year-end, the Financial Operations team completes the following additional review and adjustments (if necessary) to ensure appropriate revenue recognition:

- a. Identification of any research Chief Investigators that have contractually committed to leave the University in the following year and transfer to a new research institution and have contractually agreed with a funding body to novate unspent research funds from that funding body to the new institution. Any such unspent funds will be

manually deferred, if the Model has not already deferred such funds.

b. Manual accruals for:

- i. Accrued income [DR Accrued Income (B/S), CR Research Revenue (P&L)]: revenue that is contractually entitled to be invoiced, but invoices have yet to be raised against the funding body/customer, i.e. recognizing accrued income, and;
- ii. Contract assets [DR Contract Asset (B/S), CR Research Revenue (P&L)]: revenue that is permitted to be recognized as revenue under AASB 15, as the performance obligation has been satisfied, but there is no contractual entitlement to be invoice the funder/client until the completion of a subsequent event (example: customer quality validation of clinical trials).

University - teaching revenue

(29) For the purposes of this document, teaching revenue is defined as all Natural Accounts with the Revenue Selection Code REVTEACH. Refer to Appendix Three for the current listing.

(30) Accounting Policy requirements for the treatment of teaching revenue (received both from government sources and directly from students) is included in the [Accounting Policies Register](#). Recognition of these revenue streams, including any necessary deferral of revenue, is processed via manual journal (rather than any automated script/model). Journals are documented in accordance with the requirements of the [General Ledger Governance Procedure](#).

(31) The Financial Operations Revenue Manager is responsible for ensuring that teaching revenue streams for the University are accounted for in accordance with the [Accounting Policies Register](#).

(32) The 'Department of Education Income Statement Reconciliation' is a key monthly review activity performed by the Revenue Operations Team, in accordance with the published timetable. This reconciliation compares cash funds received from the Federal Government for various revenue streams (CGS, Block Grants etc) to income recognized in the Income Statement for these same revenue streams. It then assesses whether the difference between 'cash' and 'income' is fully explained by movements in Balance Sheet Accounts used to record revenue accruals or deferrals for the same revenue streams. Unexpected differences require investigation and resolution within the month. Balance Sheet Account Reconciliations related to Department of Education deferred or accrued revenue are performed in accordance with requirements of the [General Ledger Governance Policy](#) and [General Ledger Governance Procedure](#).

Controlled Entities revenue procedures

(33) Guidance on the treatment of all major recurring revenue streams for all controlled entities is included in the [Accounting Policies Register](#).

(34) The Controlled Entities Finance Manager is responsible for ensuring that all revenue streams in all controlled entities are accounted for in accordance with the [Accounting Policies Register](#).

(35) Recognition of these revenue streams, including any necessary deferral or accrual of revenue, is processed via manual journals (rather than any automated script/model). Journals are documented and executed in accordance with the requirements of the [General Ledger Governance Policy](#) and [General Ledger Governance Procedure](#).

(36) One-off contracts may require individual assessment of the contract to determine the appropriate recognition criteria. Evidence of assessment of such contracts, and the resulting revenue recognition decisions, will be completed by the Controlled Entities Finance Manager using the Revenue Recognition Checklist detailed in Appendix One, for approval by the Director, Financial Operations, Tax and Treasury with evidence of approvals attached into the General Ledger chart.

Supporting documents

(37) Further supporting documents to implement this procedure are linked below:

Appendix	Description
Appendix 1 - Revenue Recognition Procedure	Research Revenue Recognition Assessment Guide
Appendix 2 - Revenue Recognition Procedure	Finance One Selection Codes for Revenue Recognition - University only
Appendix 3 - Revenue Recognition Procedure	Current application of Revenue Recognition Selection Codes to the University Chart - as at 31 August 2021
Appendix 4 - Revenue Recognition Procedure	Non-Teaching Revenue Allocation Model - Business Requirements Documents - version 0.8.2 approved 4 December 2018
Appendix 5 - Revenue Recognition Procedure	Non-Teaching Revenue Allocation Model - Business Requirements Documents Addendum - version 0.8.3 approved 18 June 2019
Appendix 6 - Revenue Recognition Procedure	Non-Teaching Revenue Allocation Model - Systems Solutions Document - version 2.0 approved Jan 2019

Section 4 - Guidelines

(38) Nil.

Section 5 - Definitions

(39) Definitions specific to this Procedure are contained within the following documents:

- a. [General Ledger Governance Policy](#) and [General Ledger Governance Procedure](#);
- b. [Project and Operations Ledger Account Policy](#) and Procedure; and
- c. [Accounting Policies Policy](#) and [Accounting Policies Register](#).

Status and Details

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Effective Date	17th October 2024
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Responsible Executive	Robin Payne Vice-President, Finance and Resources
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