

Payment plans

Invoicing by payment plans in TimeLog Project



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TimeLog Project 5.0 introduces new advanced options for controlling how and when projects should be invoiced.

TimeLog Project provides a range of options for controlling how a project should be invoiced – including invoicing based on time and material or based on a fixed price and also when each part of the project should be paid.

Furthermore, the TimeLog Project offers a flexible invoicing process where the level of detail can be adjusted to match the needs of the customer. The general overview is increased by using headlines and subtotals, and each amount can be adjusted to match what is in fact billable.

This document explains fundamental concepts used in the payment plans and invoicing in TimeLog Project. Furthermore, it describes how to create projects that support the most common invoicing models, and how they influence the invoicing process.

The descriptions require that the reader is familiar with the creation of projects, task plans and budgeting in TimeLog Project.

Setting up payment plans

In TimeLog Project a project's task plan enables comparison between budgeted and actual income – they can also be combined with a payment plan which decides which parts of the project should be invoiced when and at what price.

TimeLog Project supports payment plans in three ways:

- Fixed price projects.
- Fixed price tasks.
- Invoicing by time and material.

It is possible to combine the three different methods on the same project depending on your needs.

Fixed price project

The fixed price project is used when a price has been set for the entire project regardless of how much time is spent on it.

In a fixed price project a payment plan is constructed of one or more instalments which together add up to the project's price.

The payment plan can control e.g. that invoicing will be done in three instalments of which the first one is of €1,000 at the start of the project, while a further €2,000 can be invoiced when certain goals have been reached and the remaining €1,000 when the project has been delivered and completed. This gives a total price of €4,000.

Any number of tasks can be included in the project's total price and these tasks are invoiced as a fixed price project according to the project's payment plan.

Fixed price tasks

Fixed price tasks are useful for invoicing individual tasks at a fixed price.

Unlike in a fixed price project where several tasks are invoiced using the same payment plan, invoicing by fixed price tasks has an instalment per task. This enables each task to be invoiced at different times and based on various criteria.

The difference between a fixed price project and a fixed price task is that the fixed price

Invoicing by payment plans

1st edition

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“ The difference between a fixed price project and fixed price task is that the fixed price project allows you to track time on various tasks that are all covered by the project's fixed price, and this can be invoiced over several instalments. ”

project allows you to track time on various tasks that are all covered by the project's fixed price, and this can be invoiced over several instalments. This gives a more detailed time tracking and allows you to control the invoicing.

The fixed price tasks only allow you to track time on one task and invoice in one instalment. Fixed price tasks are therefore well suited for situations where the original fixed price project is expanded with extra services at a fixed price.

Invoicing by time and material

Invoicing by time and material is used when the price depends on time consumption.

Time and material is not invoiced in instalments. Instead it is based on the time consumption through out the project, and invoicing takes place on a regular basis.

Invoicing can take place any number of times, and each time registration on the tasks can be treated individually in the invoice module.

Example 1: Setting up the payment plan for a project

Task plan

A project contains the following tasks:

Task	Settlement type
FPP1	Fixed price project
FPP2	Fixed price project
FPP3	Fixed price project
FPT1	Fixed price task
FPT2	Fixed price task
TMT1	Time and material
TMT2	Time and material

Fixed price project

In the project's payment plan a number of instalments can be set up to make out the entire fixed price and for all tasks in the category fixed price project the instalments are:

Instalment	Invoicing date	Amount
25 % at project start	01/10/2009	2,500
50 % after 45 days	15/11/2009	5,000
25 % at the end of the project	12/02/2010	2,500
Total		10,000

Fixed price tasks

For each fixed price task the payment plan automatically has one instalment. The amount equals the budget of the task. If the budget is updated the instalment amount is changed and vice versa:

Instalment	Task	Invoicing date	Amount
Starting on FPT1	FPT1	01/10/2009	400
Delivery of FPT2	FPT2	15/12/2009	800
Total			1,200

Time and material

For each time and material task there is an instalment in the payment plan:

Task	Amount
TMT1	Same as consumption
TMT2	Same as consumption

Fixed price tasks can be combined with fixed price projects if the original project is expanded with extra services where the price is dependent on the time consumption or in cases where parts of the project are invoiced by time and material. Entire projects can also be invoiced solely on time and material.

Separate payment plan and task plan

The fixed price project's task plan and payment plan can be set up independently of one another.

If there is an agreement before project start concerning payments then the person responsible for the finances of the project can set up the payment plan before the project manager sets up the task plan.

In this way the project management is divided into work activities and finances. It allows the project manager to focus on allocating the project into relevant activities on which to track time without having to worry about how the tasks are invoiced.

Invoicing by payment plans

When invoicing a project posts are manually chosen from the customer's invoicing potential and added to the invoice.

The invoicing potential can include instalments from fixed price projects or fixed price tasks, or time registrations on tasks that are invoiced by time and material. Furthermore, it can include travel and expenses. By using the extension TimeLog Help Desk even support activities can be included.

In the window where the invoice is built the customer's invoicing potential is shown. Thus posts are selected and added to the invoice as invoice lines.

By selecting a date interval the user can restrict the list of items in the invoicing potential to include only posts from the selected time period. When selecting the date interval, instalments and time and material tasks are shown differently in the invoice potential:

- Instalments for fixed price projects/tasks: Fixed price projects and fixed price tasks will show one invoice line per instalment within the selected time period.
- Time and material will show one invoice line per time registration made within the selected time period.

Ready for invoicing

Frequently, the invoicing of a task or a project is dependent on a delivery having taken

Example 2: Invoicing a project

Time tracking

On the project from example 1 the following time registrations have been made:

Date	Task	Hours
22/10/2009	FPT2	9
25/10/2009	TMT2	6
27/10/2009	FPP1	5
27/10/2009	FPP1	4
27/10/2009	FPP2	2
27/10/2009	TMT2	5
31/10/2009	FPP3	6
14/11/2009	TMT1	3
15/11/2009	TMT2	4
21/11/2009	FPT1	7
22/11/2009	FPT1	6

New invoice draft

An invoice draft is created and the date interval 01/10/2009 to 31/10/2009 is selected.

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In the invoicing potential the following lines are shown:

Instalments on fixed price project

Instalment	Invoicing date	Amount
25 % at project start	01/10/2009	2,500

Instalments on fixed price tasks

Instalment	Task	Invoicing date	Amount
Starting on FPT1	FPT1	01/10/2009	200

Time and material

Date	Task	Amount
25/10/2009	TMT2	6
27/10/2009	TMT2	5

Only one invoice line is shown for each instalment on the fixed price project and the fixed price tasks regardless of how many time registrations have been made on the tasks within the selected time period. Notice that the instalment "Starting on FPT1" is included in the invoicing potential although no time registration has been made on the task in the selected time period. Conversely, the task "FPT2" is not included in the invoice potential although time has been tracked during the selected time period. This is because the invoicing date for the instalment is not set within the date interval.

The tasks TMT1 and TMT2 are settled by time and material. The invoicing potential therefore includes an invoice line for each of the registrations made within the selected time period. Since two time registrations have been made on TMT2 within the selected time period they are shown in the invoice potential, whereas the registration of 15/11/2009 on TMT2 is not shown. TMT1 is not shown in the invoice potential as the time registration on this task lies outside the selected time period (14/11/2009).

“ In the payment plan the project manager can mark instalments as well as time and material tasks as approved for invoicing as conditions for invoicing are met. ”

place, or the project work having reached a certain point. Having reached the invoicing date for an instalment is therefore not always equivalent with it being billable.

In the payment plan the project manager can therefore mark instalments as well as time and material tasks as approved for invoicing as conditions for invoicing are met.

This signal is shown in the invoicing module, where the person responsible for the invoicing can limit the invoicing potential to include only those tasks that are ready for invoicing. It is a simple and efficient way to ensure communication between the project manager and the responsible for invoicing.

If a fixed price project is to be invoiced in three instalments (25% at the start, 50% halfway and 25% at the end of the project) the project manager can continuously signal when the conditions for each instalment have been met, and indicate that they are ready for invoicing.

Time and material tasks can also be approved and marked as ready for invoicing. By default,

time and material tasks are set as ready for invoicing so that they can be invoiced throughout the duration of the project.

However, it is also possible that time and material should not be invoiced before the task has been completed. The project manager can then remove the indication that time and material is ready for invoicing.

When the time and material work has been completed, the project manager can signal that it is ready for invoicing by changing the red indicator to a green one.

If fixed price tasks should be ready for invoicing when the invoicing date is reached, and time and material should be invoiced through out the duration of the project, it is not necessary to set the instalments as ready for invoicing. Instead the person responsible for invoicing can choose to set the invoice potential to disregard whether the posts have been set as ready for invoicing.

Examples

Use of fixed price projects, fixed price tasks and time & material

In the following section we go through several project and pricing models, and look at how to set up task plans that support the needs for invoicing of each project.

Example 1: Intranet development at a fixed price

A customer wants an intranet solution developed which includes technical work, programming and consultancy services.

A fixed price of € 8,000 for the solution is offered, where 25% of the fixed price is invoiced at the project start and the rest when it has been completed.

In addition to the configuration of the intranet solution, it is agreed that when the solution is ready 10 hours of support at €50 per hour will be available.

Task plan

Tasks

						EUR	Work (h.)		
WBS	Task	Start date	End date	Settlement type	Active	Budget	Budget	Alloc.	Reg.
1	Programming and test	08/12/2008	15/12/2008	Fixed price project	X	0	0	0	0
2	Technical configuration	08/12/2008	15/12/2008	Fixed price project	X	0	0	0	0
3	Consultancy services/implementation	04/01/2009	12/01/2009	Fixed price project	X	0	0	0	0
4	Support up to 10 hours	01/02/2009	31/12/2009	Time and material	X	0	0	10	0
Total						0	0	10	0

Payment plan

Instalments on fixed price project

Instalment	Amount	Invoicing date	Comment	Invoiced
• 25% at project start	2,000.00	08/12/2008		
• 75% at the end of the project	6,000.00	01/02/2009		
Total	8,000.00			

Time and material

Task	Amount	Comment	Invoiced
• Support up to 10 hours	0.00		
Total	0.00		

Example 2: Expansion of example 1 with an extra module

After work has begun on the project in example 1, it becomes evident that the customer needs an extra module not covered by the original specification of the project.

The development of this module is offered at a fixed price of € 450 (in addition to the current project price).

Task plan

Tasks

WBS	Task	Start date	End date	Settlement type	Active	EUR	Work (h.)		
						Budget	Budget	Alloc.	Reg.
1	Programming and test	08/12/2008	15/12/2008	Fixed price project	X	0	0	0	0
2	Technical configuration	08/12/2008	15/12/2008	Fixed price project	X	0	0	0	0
3	Consultancy services/implementation	04/01/2009	12/01/2009	Fixed price project	X	0	0	0	0
4	Extra module	15/01/2009	01/02/2009	Fixed price task	X	450	0	0	0
5	Support up to 10 hours	01/02/2009	31/12/2009	Time and material	X	0	0	10	0
Total						0	0	10	0

Payment plan

Instalments on fixed price project

Instalment	Amount	Invoicing date	Comment	Invoiced
• 25% at project start	2,000.00	08/12/2008		
• 75% at the end of the project	6,000.00	01/02/2009		
Total	8,000.00			

Instalments on fixed price tasks

Instalment	Task	Amount	Invoicing date	Comment	Invoiced
• Development of new module	Extra module	450.00	01/03/2009		
Total		450.00			

Time and material

Task	Amount	Comment	Invoiced
• Support up to 10 hours	0.00		
Total	0.00		

Example 3: Operating project with extra purchased service

A customer subscribes to a one year IT service at a fixed quarterly price. The subscription covers server maintenance, network maintenance, hardware installation, and regular needs assessments. As an extra service the customer buys back-up capacity at a hosting system that the company makes available. This costs €15 per month and is settled each month.

Task plan

Tasks

WBS	Task	Start date	End date	Settlement type	Active	EUR		Work (h.)		
						Budget	Budget	Alloc.	Reg.	
F268	Hardware installation	01/01/2009	31/12/2009	Fixed price project	X	0	0	0	0	0
F269	Regular needs assessments	01/01/2009	31/12/2009	Fixed price project	X	0	0	0	0	0
F270	Network maintenance	01/01/2009	31/12/2009	Fixed price project	X	0	0	0	0	0
F271	Server maintenance	01/01/2009	31/12/2009	Fixed price project	X	0	0	0	0	0
F305	Backup-hosting, January	31/01/2009	31/01/2009	Fixed price task	X	15	0	0	0	0
F306	Backup-hosting, February	28/02/2009	28/02/2009	Fixed price task	X	15	0	0	0	0
F307	Backup-hosting, March	31/03/2009	31/03/2009	Fixed price task	X	15	0	0	0	0
F308	Backup-hosting, April	30/04/2009	30/04/2009	Fixed price task	X	15	0	0	0	0
F309	Backup-hosting, May	31/05/2009	31/05/2009	Fixed price task	X	15	0	0	0	0
F310	Backup-hosting, June	30/06/2009	30/06/2009	Fixed price task	X	15	0	0	0	0
F311	Backup-hosting, July	31/07/2009	31/07/2009	Fixed price task	X	15	0	0	0	0
F312	Backup-hosting, August	31/08/2009	31/08/2009	Fixed price task	X	15	0	0	0	0
F313	Backup-hosting, September	30/09/2009	30/09/2009	Fixed price task	X	15	0	0	0	0
F314	Backup-hosting, October	31/10/2009	31/10/2009	Fixed price task	X	15	0	0	0	0
F315	Backup-hosting, November	30/11/2009	30/11/2009	Fixed price task	X	15	0	0	0	0
F316	Backup-hosting, December	31/12/2009	31/12/2009	Fixed price task	X	15	0	0	0	0
Total						180	0	0	0	0

Payment plan

Instalments on fixed price project

Instalment	Amount	Invoicing date	Comment	Invoiced
• IT service subscription Q1	1,000.00	01/01/2009		
• IT service subscription Q2	1,000.00	01/04/2009		
• IT service subscription Q3	1,000.00	01/07/2009		
• IT service subscription Q4	1,000.00	01/10/2009		
Total	4,000.00			

Instalments on fixed price tasks

Instalment	Task	Amount	Invoicing date	Comment	Invoiced
• Backup-hosting, January	Backup-hosting, January	15.00	31/01/2009		
• Backup-hosting, February	Backup-hosting, February	15.00	28/02/2009		
• Backup-hosting, March	Backup-hosting, March	15.00	31/03/2009		
• Backup-hosting, April	Backup-hosting, April	15.00	30/04/2009		
• Backup-hosting, May	Backup-hosting, May	15.00	31/05/2009		
• Backup-hosting, June	Backup-hosting, June	15.00	30/06/2009		
• Backup-hosting, July	Backup-hosting, July	15.00	31/07/2009		
• Backup-hosting, August	Backup-hosting, August	15.00	31/08/2009		
• Backup-hosting, September	Backup-hosting, September	15.00	30/09/2009		
• Backup-hosting, October	Backup-hosting, October	15.00	31/10/2009		
• Backup-hosting, November	Backup-hosting, November	15.00	30/11/2009		
• Backup-hosting, December	Backup-hosting, December	15.00	31/12/2009		
Total		180.00			

Example 4: Development of web design by time and material

A customer wants a new web design. The work includes meetings with the customer, as well as graphic design and art design. The work is price as follows: €125 per hour for consultancy/meetings, €120 for art direction and €105 per hour for graphic design.

Task plan

Tasks

						EUR	Work (h.)		
No.	Task	Start date	End date	Settlement type	Active	Budget	Budget	Alloc.	Reg.
F154	Graphic design	08/12/2008	15/12/2008	Time and material	X	0	0	0	0
F155	Art direction	08/12/2008	15/12/2008	Time and material	X	0	0	0	0
F156	Consultancy/meetings	12/01/2009	31/01/2009	Time and material	X	0	0	0	0
Total						0	0	0	0

Payment plan

Time and material

Task	Amount	Comment	Invoiced
• Graphic design	0.00		
• Art direction	0.00		
• Consultancy/meetings	0.00		
Total	0.00		