Royalty report message formats
'Strawman' outline of content and logic

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1. Purpose

The purpose of this document is to outline the data content that may be required for computer-to-computer royalty report messages, and the logic by which the content should be structured.

No assumptions are made or conclusions drawn about the nature of the format or formats which may be derived at the next stage of this work – eg spreadsheet, flat file, XML. The inclusion of elements in this document should *not* be taken to mean that they will necessarily be part of the message format for a particular pilot project. As has been noted elsewhere, a pilot format should not be over-engineered. However, it is crucial to the orderly development of a standard that every effort should be made to ensure that the underlying data models are correct, so that early implementations will not have to be redesigned in order to accommodate later requirements.

Throughout the document a 'component' means a block of data elements having a particular function within a report message, while a 'data point' means a single logical data item (although in a message format some such items may be expressed as composite elements). ('Element' on its own may mean either or both.) Components are shaded in the tables on successive pages; data points are unshaded, with shading on the left to indicate when they are part of a specified component.

2. Reports and payments

The relationship between royalty reports and payments is complex and variable. The message format must reflect this. At the broadest level, a message could have the following components:

Header	A header identifying the sender and addressee, possibly with other detail applicable to the message as a whole	1
Earnings statement	A statement of the amounts earned under a specified rights agreement during the reporting period, excluding advances or bonus payments. The earnings statement shows the calculation of sales royalties and subsidiary earnings for the reporting period, and indicates which amounts are eligible to be offset against overall advances under the agreement.	0-n
Amount payable statement	A statement of any advances or bonus payments due, and of the amount payable after any offsets of current earnings against unearned balances arising from prior advances.	0-n
Payment summary	A summary indicating the total amount, date and method of a payment which is to be made, listing the individual amounts which are included in the payment.	0-n

It is the clear intention that each message should normally be complete in itself, carrying all components required to show the calculations behind a payment as well as the amount, date and method of the payment itself. However, the approach is flexible enough to allow a message to

carry (a) earnings and/or amount payable statements without any payment summary; or (b) earnings and/or amount payable statements with one or more payment summaries (the recommended practice); or (c) one or more payment summaries without any earnings and/or amount payable statements (in the event that the latter have already been sent separately). It would probably be very unusual to send two or more payment summaries at the same time, but there is no obvious reason not to permit it.

Any message header would be very simple, and can be detailed as part of the next stage of format development.

3. Earnings statement

3.1 Components of an earnings statement

An earnings statement may include some or all of the following components:

Earnings statement reference	An identifier of the earnings statement, unique within the trading relationship, to be used in an amount payable statement to identify individual amounts carried forward.	1
Agreement detail	Elements which identify an agreement to which the earnings statement relates (see 3.2, and Table 3.2).	1
Title detail	Elements which identify a work which is included in an agreement (see 3.3, and Table 3.3).	1-n
Sales royalty detail	Elements which specify sales royalties due in respect of a specified work (see 3.4, and Table 3.4).	0-n
Subsidiary earnings detail	Elements which specify amounts due from subsidiary earnings in respect of a specified work (see 3.5, and Table 3.5).	0-n
Earnings statement subtotals	Subtotals to be carried forward from the earnings statement to be used in an amount payable statement (see 3.6 and Table 3.6)	1

The logic of this approach is that an earnings statement covers a single agreement, which usually covers a single title, but may sometimes cover two or more titles. The earnings statement details royalties due from sales and from any subsidiary earnings during the reporting period. These are then carried forward to an amount payable statement, either to be offset against advances or to be paid as they stand.

3.2 Agreement detail

'Agreement detail' could include some or all of the data points in Table 3.2, both identifying the agreement and carrying information which applies to the earnings statement as a whole, such as currencies and reporting period dates. Clearly, the systematic processing of royalty reports will be much simpler and more secure if licensor and licensee use an agreement identifier assigned in the first instance by one or other party.

With regard to currency, the working assumption is that two cases need to be covered:
- A simple case in which the whole of the statement is expressed in a single currency, which is also the currency in which any advances were expressed, and in which payment will be sent.
- A more complex case in which the detail of the earnings statement is in a licensee's currency ('calculation currency'), while payment is made in the licensor's currency ('payment currency').

In the latter case, it is understood that it is usual for advances and any offsetting of earnings against advances to be specified in the calculation currency, ie before conversion to the payment currency. The strawman, however, has been designed to cover either of two possibilities, where advances and offsets are calculated in the licensee's currency, or where they are calculated in the licensor's currency. This is achieved by requiring three currencies to be defined in the message:

calculation currency 1 (earnings), *calculation currency 2* (advances and offsets), and *payment currency*. In practice, at least two of these, and possibly all three will be the same.

3.3 Title detail

By far the largest part of an earnings statement is the detail which relates to a licensed work or 'title' and various types of earnings associated with the work: see Tables 3.3, 3.4 and 3.5. In most cases, where an agreement is for a single work, it follows that the title detail component will be non-repeating. Where one agreement covers several works, there will be a separate 'title detail' component for each work. For convenience, 'sales royalty detail' and 'subsidiary earnings detail' have been broken out as separate sections 3.4 and 3.5.

3.4 Sales royalty detail

The sales royalty detail component aims to support most of the different ways in which royalties are customarily calculated. However, at this stage details of physical stock, as opposed to units sold have not been included. Some paper royalty reports include this data, but there is not much evidence that it is used. Similar, cases where sales reports for a specified title are broken down by territory and price are not fully covered. (For example, some major UK publishers recalculate their GBP equivalents of sales prices in Australia and New Zealand at frequent intervals during each reporting period, to take account of exchange rate fluctuations; and they show up as separate lines for each GBP equivalent price in their royalty reports.) This additional breakdown poses issues which it has not yet been possible to analyse. Consequently, these two possible requirements are represented only by placeholders.

3.5 Subsidiary earnings detail

'Subsidiary earnings' here means any earnings from sources other than royalties on sales of products published by the licensee from a licensed work. Typically, these sources might include the sub-licensing of rights to a third-party for (eg) a book club or large-print edition, or the grant of permission to publish an extract in a collection or anthology.

 Such subsidiary earnings may be reflected in one-time payments, or they may involve a combination of an advance payment and royalties. This means that there needs to be a 'Sales royalty detail' component at subsidiary earnings level, which will follow an almost, but not completely, identical pattern to that shown in 3.4. This is represented by a placeholder in the table, rather than being spelt out in full.

'Primary' sales earnings must be capable of being offset against agreement-level advances (referred to for convenience as 'advances {1}'). Some types of subsidiary sales earnings must be capable of being offset against specific advances relating only to the subsidiary sale in question ('advances {2}'). Additionally, subsidiary sales earnings may or may not sometimes be treated as offset against agreement-level advances. The 'strawman' covers all of these cases by including an eligibility indicator against each type of earnings.

Where there are specific advances for a subsidiary earnings deal ('advances {2}'), they must be specified here, and any offset calculation must be performed before an amount is carried forward to be included in the total payable to the licensor or beneficiary.

In principle, any subsidiary earnings deal must itself be the subject of an agreement between the licensee and sub-licensee, and presumably notified to the licensor or beneficiary, whether or not requiring the latter's explicit approval. The 'Subsidiary earnings detail' component therefore includes a placeholder for such an agreement to be identified. In practice, samples seen to date generally show the sub-licensee's name and a concise indication of the type of rights sub-licensed.

3.6 Earnings statement subtotals

The final section of an earnings statement lists subtotals for different categories of earnings. If required, currency conversion takes place at this point, and subtotals are carried forward in the payment currency to be offset against advances or to be paid direct.

Table 3.2: agreement detail

1	Earnings statement reference	An identifier of the earnings statement, unique within the trading relationship.	1
2	Agreement detail	Elements which identify an agreement to which the earnings statement relates (see 3.2, and Table 3.2).	1
3	Licensor's agreement identifier	An identifier of a rights agreement assigned to it by the licensor or the licensor's agent.	0-1
4	Licensee's agreement identifier	An identifier of a rights agreement assigned to it by the licensee.	0-1
5	Agreement date		0-1
6	Licensor or beneficiary		1
7	Licensee		1
8	Calculation currency 1 (earnings)	The currency in which earnings are calculated: ISO code. *Calculation currency 1* may or may not be the same as *calculation currency 2* (advances and offsets) and/or the *payment currency* – see Table 4.3.	1
9	Reporting period start	The start date of the reporting period.	1
10	Reporting period end	The end date of the reporting period	1

Table 3.3: title detail

11	Title detail	Elements which identify a work covered by the agreement, and which specify associated earnings, charges, advances etc for the reporting period.	1-n
12	Work identifier	International Standard Text Code, when available.	0-1
13	Identifier of licensor's product	If the licensor is a publisher, the 13-digit ISBN, or other identifier, of a licensor's product derived from the licensed work may be used as a surrogate for a work identifier. (In any format based on the strawman, identifier elements should be composites including an identifier type code and an ID value.)	0-1
14	Licensor's title for the work	Mandatory	1
15	Author(s) of work		0-n
16	Licensee's title for the work		0-1
17	Language of rights	ISO language code	0-1
18	Territory of rights	ISO country codes (?)	0-1
19	Sales royalty detail	Elements which specify sales royalties due in respect of a specified work – see Table 3.5.	0-n
20	Subsidiary earnings detail	Elements which specify amounts due from subsidiary earnings in respect of a specified work – see Table 3.6.	0-n

Table 3.4: sales royalty detail

21	Sales royalty detail	Elements which specify sales royalties due in respect of a specified work. All monetary amounts in Table 3.4 are expressed in *calculation currency 1*.	0-n
22	Identifier of licensee's product	The 13-digit ISBN or other agreed identifier of the licensee's product. (Composite element including an identifier type code and an ID value.)	0-1
23	Format	A controlled value indicating the format of the product.	0-1
24	Format note	Free text for additional explanation of format.	0-1
25	Sales type	A controlled value indicating a type of sale, eg regular, special.	0-1

26	Eligible for offset {1}	A yes/no indicator showing whether reported sales are to be offset against agreement-level advance(s).	1
27	Units sold to beginning of period	Cumulative net units sold to end of last reporting period.	0-1
28	Units sold	The number of units sold this period.	0-1
29	Units returned	The number of units returned this period.	0-1
30	Net units sold	The number of units sold net of returns (may be negative).	0-1
31	Units sold to end of period	Cumulative net units sold to the end of this reporting period.	0-1
32	*Units printed / in stock etc*	*Several examples of current royalty report formats include provision for details of opening and closing stock levels, units manufactured, units destroyed etc. However, there is little evidence so far that this data is used; and it is therefore not listed in detail. It could readily be added if required.*	?
33	*Sales breakdown by territory and/or price*	*Placeholder for elements which would allow the sales detailed above to be broken down by territory and/or price, with sub-totals contributing to the royalty calculations which follow.*	?
34	Royalty basis	A controlled value specifying the basis on which royalties are calculated, eg % of list price excluding tax, % of net unit price received, % of total net receipts, fixed sum per unit sold.	1
35	Royalty rate	Elements specifying a royalty rate and the lower limit from which it applies. This enables different rate bands to be specified in relation to cumulative units sold.	1-n
36		From sales quantity	The cumulative number of units sold from which a royalty rate is effective: omitted if a single rate applies to all sales.	0-1
37		Royalty %	If the royalty is specified as a percentage.	0-1
38		Unit royalty amount	If the royalty is specified as a fixed sum per unit sold.	0-1
39	Royalty calculation	Elements detailing the calculation of royalties due, repeatable if more than one royalty rate band applies.	0-n
40		Net units at specified royalty rate	The number of units sold net of returns to which the royalty rate specified below applies (may be negative).	0-1
41		Net unit price	The net unit price (if this price is the basis of royalty calculation).	0-1
42		List price excluding tax	The list price excluding tax (if this price is the basis of royalty calculation).	0-1
43		Net total value	The net total value of sales at the specified royalty rate.	1
44		Royalty %	Royalty rate applicable to these sales	0-1
45		Royalty per unit sold	In calculation currency 1: fixed amount if royalty is based on a fixed sum per unit sold; or may be calculated from royalty %.	0-1
46		Sales royalty sub-total	The sub-total of royalties due at the specified rate (may be negative).	1
47	Reserve withheld	The amount of a reserve withheld this period against future returns.	0-1
48	Reserve released	The amount of a previous reserve released this period.	0-1
49	Sales royalty due	In calculation currency 1: the sum of royalties due from reported sales for a specified product, less any reserve withheld, plus any reserve released.	1
50	Licensor or beneficiary share %	Percentage of royalties payable to the licensor or beneficiary.	1
51	Sales royalty payable	The amount of sales royalties payable.	1

Table 3.5: subsidiary earnings detail

52	Subsidiary earnings detail	Elements which specify royalties due from subsidiary earnings in respect of a specified work. All monetary amounts in Table 3.5 are expressed in *calculation currency 1*.	0-n
53	Subsidiary earnings type	A controlled value specifying the type of subsidiary earnings being reported	1
54	Eligible for offset {1}	A yes/no indicator showing whether subsidiary earnings are to be offset against agreement-level advance(s).	1
55	Subsidiary earnings note	Free text for added explanation of a subsidiary earnings type.	0-1
56	Agreement detail	Placeholder for an identifier and possibly other detail (eg sub-	0-1

57	Fixed payment detail		Elements which specify a fixed payment received by the licensee from a sub-licensee, eg an advance in respect of a large print edition.	0-n
56 prev		licensee) of a sub-licensing agreement under which subsidiary earnings arise.		
58		Fixed payment type	A controlled value indicating the type of a fixed payment, eg advance for sub-licensed publication or one-time payment for a permission.	1
59		Add to unearned advances {2}	A yes/no indicator showing whether the payment is to be added to unearned advances against which eligible sales will be offset.	1
60		Payment type note	Free text for additional explanation of fixed payment.	0-1
61		Amount	The amount of a fixed payment.	1
62	Sales royalty detail		Elements which specify sales royalties due.	0-n
63		Eligible for offset {2}	A yes/no indicator showing whether reported sales are to be offset against advance(s) at subsidiary sales level.	1
64			Other detail substantially as in section 3.5	
65	Unearned advance(s) {2} brought forward: [A]		The unearned balance of any applicable advance(s), brought forward from the previous reporting period.	0-1
66	Amount of new advance(s) {2} this period: [B]		The amount of new advance(s) payable this period.	0-1
67	Earnings sub-total for offset {2}: [C]		The total amount of reported earnings eligible for offset against applicable advance(s).	0-1
68	Amount payable in respect of earnings eligible for offset {2}: [D]		[C] - [A] - [B] (if positive); otherwise zero.	0-1
69	Unearned advance(s) {2} carried forward		[A] + [B] - [C] (if positive); otherwise zero.	0-1
70	Earnings sub-total not offset: [E]		The total amount of reported earnings not eligible for offset against advance(s) {2}.	0-1
71	Amount earned		[D] + [E]: the amount earned by the licensee this period in respect of a specified subsidiary earnings type.	1
72	Licensor or beneficiary share %		The percentage of specified subsidiary earnings payable to the licensor or beneficiary.	1
73	Amount payable			1

Table 3.6: earnings statement subtotals

74	Earnings statement subtotals	Subtotals to be carried forward from the earnings statement.	1
75	Non-offset royalty subtotal (calculation currency)	The sum of any sales royalty amounts not eligible for offset against agreement-level advance(s) {1}.	0-1
76	Royalty subtotal eligible for offset (calculation currency)	The sum of any sales royalty amounts eligible for offset against agreement-level advance(s) {1}.	0-1
77	Non-offset subsidiary earnings (calculation currency)	The sum of any subsidiary earnings amounts not eligible for offset against agreement-level advance(s) {1}.	0-1
78	Subsidiary earnings eligible for offset (calculation currency)	The sum of any subsidiary earnings amounts not eligible for offset against agreement-level advance(s) {1}.	0-1
79	Total non-offset	In *calculation currency 1*.	0-1
80	Total for offset	In *calculation currency 1*.	0-1

4. Amount payable statement

The amount payable statement has two functions: to specify the amount of any advance or bonus payment which is payable in the current reporting period; and to calculate a net total amount payable after eligible earnings for the reporting period have been offset against unearned agreement-level advances, and taking into account (i) earnings which are not offset against advances , (ii) any new advance or bonus payment, and (iii) agent commissions or other deductions.

4.1 Components of an amount payable statement

An amount payable statement may include some or all of the following components:

Amount payable statement reference	An identifier of the amount payable statement, unique within the trading relationship, to be used in a payment summary to identify amounts payable (see 5).	1
Advance/bonus payment	Elements which specify an advance or bonus payment (if any) due in the current reporting period (see 4.2 and Table 4.2).	0-n
Amount payable detail	Elements showing unearned advances brought forward, earnings offset for this period, and the net total amount payable for the period (see 4.3, and Table 4.3).	0-n

The logic of this approach is that an 'agreement-level' advance usually covers a single agreement. In this case the 'Earnings eligible for offset' brought forward as part of the 'Amount payable detail' will all derive from the one agreement.   There are, however, occasions where 'cross-collateralization' takes place across two or more agreements, so that they are covered by a single shared advance.   In such cases the proposed structure will allow earnings from more than one agreement to be offset against the shared advance.

4.2 Advance/bonus payment

The advance/bonus payment component follows the mandatory amount payable statement reference if and only if a new advance or bonus payment is due for the current reporting period. Required data elements are a coded indication of the payment type, an indicator value to show whether the payment is to be added to the balance of unearned advances, and the amount in the payment currency. There is an optional free text element for further explanation of the payment.

Table 4.2: advance/bonus payment

1	Amount payable statement reference	An identifier of the amount payable statement, unique within the trading relationship	1
2	Advance/bonus payment	Elements which specify an advance or bonus payment due in the current reporting period under an agreement.	0-n
3	Payment type	A controlled value indicating the type of an advance or bonus payment, eg advance on signature, renewal advance, bonus advance, bonus payment.	1
4	Add to unearned advances {1}	A yes/no indicator showing whether the payment is added to unearned advances for offset against sales.	1
5	Payment type note	Free text for additional explanation of an advance or bonus.	0-1
6	Amount	The amount of an advance or bonus payment in payment currency.	1

4.3 Amount payable detail

The 'Amount payable detail' elements bring together any new advance or bonus payment, the unearned balance of any previous advances, and the amounts payable from earnings reported this period. Any required offset calculations against agreement-level advances {1} are performed here.   All amounts brought forward from earnings statements will be in the calculation currency,

so that if this is not the payment currency, any necessary conversions must be carried out, and the exchange rate specified.

Provision has been made for the possibility of carry-over from one period to the next, independently of unpaid balances of advances, to cover cases where the calculated amount due is negative or where it is considered 'too small to pay'.

Table 4.3: amount payable detail

7	Amount payable detail			Elements showing unearned advances brought forward, earnings offset for this period, and the net total amount payable for the period. All amounts in Table 4.3 are expressed in *calculation currency 2* (advances and offsets).	0-n
8	Calculation currency 2 (advances and offsets)			The currency in which advances and offsets are calculated: ISO code. *Calculation currency 2* may or may not be the same as *calculation currency 1* (earnings) and/or the *payment currency*.	1
9	Exchange rate			The exchange rate between *calculation currency 1* and *calculation currency 2*, if applicable.	0-1
10	Unearned advances opening balance				1
11		Unearned advance(s) {1} brought forward: [A]		The unearned balance of any agreement-level advance(s) {1}, brought forward from the previous reporting period.	1
12		Amount of new advance(s) {1} this period: [B]		The amount, if any, of new advance(s) {1} (eg a renewal advance) payable this period – from 4.2.	0-1
13		Opening balance: [C]		[A] + [B] The amount of any unearned advance(s) {1} including any new advance(s) payable this period.	1
14	Earnings				0-n
15		Earnings statement reference		The earnings statement from which amounts eligible for offset are derived.	1
16		Earnings eligible for offset [D_n]		From Table 3.6, converted if necessary at the specified exchange rate.	0-1
17		Earnings not eligible for offset: [E_n]		From Table 3.6, converted if necessary at the specified exchange rate.	0-1
18	Amount payable in respect of earnings eligible for offset: [F].			[ΣD_n] - [C] (sum of eligible earnings this period less opening balance of advances), if positive; otherwise zero.	0-1
19	Unearned advance(s) carried forward to next period			[C] - [ΣD_n] (opening balance of advances less sum of eligible earnings this period), if positive; otherwise zero.	0-1
20	Earnings sub-total not offset: [G]			[ΣE_n]; the sum of reported earnings not eligible for offset against agreement-level advance(s).	0-1
21	Deduction detail			Detail of any deduction (other than agency charges) taken from amount due (eg taxes or sundry charges)	0-n
22		Deduction type		A controlled value specifying a deduction type.	1
23		Deduction amount		The amount of a deduction.	1
24	Amount due this period			The amount due from the licensee: {B} + [F] + [G], less any other deductions.	1
25	Amount brought forward from last period			If last period showed a negative amount due, or an amount 'too small to pay'.	0-1
26	Amount carried forward to next period			If the amount due, taking into account any amount brought forward, is negative or 'too small to pay'.	0-1
27	Amount payable this period			The amount payable before agency deductions: may be zero, but not negative.	1
28	Agency commission rate			The percentage of any agency commission.	0-1
29	Commission charged			The amount deducted by an agency.	0-1
30	Transfer charge			A charge made by an agency in connection with the transfer of funds.	0-1
31	Net amount to be paid			The net amount to be paid, to be carried forward to the payment summary: may be zero, but not negative.	1
32	Licensor / beneficiary tax status			The tax status of the beneficiary in the country of the licensee.	0-1

5. Payment summary

The payment summary is simple. Its function is to list all of the amounts brought forward from amount payable statements which are covered by a single payment; and to specify the method and date of payment. All amounts in   A payment summary could carry the following components and data points:

1	Payment summary type		A controlled value indicating whether the payment summary is notifying a payment which has been or will be made, or whether an invoice is requested, or whether nothing is payable. All amounts in Table 5 are expressed in the *payment currency*.	1
2	Amount payable statement summary		Elements which identify an amount payable statement, and the corresponding amount; repeatable for each statement covered by the payment.	1-n
3		Amount payable statement reference	See 4.1	1
4		Payment currency	The currency in which payment is made: ISO code. The *payment currency* may or may not be the same as *calculation currency 2* (advances and offsets).	1
5		Exchange rate	The exchange rate between *calculation currency 2* (advances and offsets) and the *payment currency*, if applicable.	0-1
6		Beneficiary		0-1
7		Amount payable	From Table 4.3, converted if necessary at the specified exchange rate: may be zero, but not negative	1
8	Total amount payable		The total amount payable in respect of the listed statements: may be zero, but not negative.	1
9	Date of payment		The date on which a payment was or will be sent.	0-1
10	Method of payment		A controlled value specifying a payment method, eg cheque, EFT.	0-1
11	Payment reference		If possible, a reference which will identify the payment when received.	0-1