

# Accruals & Pre-Payments Manual

## TEMPLACMS

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# SYSTEM CONTROL

## Accounts

The following accrual options are available on the Accounts menu on System Control:

The screenshot shows the 'System Control - Accounts' window. The 'General' tab is active, displaying several configuration options:

- Journal administrator: Jill Scott
- Recurring jnl alert advance: 5 (days)
- Aged debt overdue bucket: Current-3
- Allow x-company purchase inv. cashbook and journal?:
- Retrieve purchase invoice settlement discount?:
- Purchase settlement discount cost type: (empty field)
- Record settlement discount on payment date?:
- Scanned purchase invoice attachment type: (empty field)
- Prevent duplicate PI references?:
- Accrue timesheet budgets: Never
- Unused holiday accrual task type: (empty field)
- Default 'Owned' contact type: Accounts
- Workbill cost accrual %: 0.00%

*Accrue timesheet budgets* – options are:

- Never - default option.
- When date is zero – with this selected the generation of payroll cost accruals examines each date of the timesheet in turn, building up the accrual based on the costs for dates in the accrual period. For any date where *zero costs* exist across all employees on the timesheet, the process will extract the portion of the budget relating to the date and use this value for the accrual instead of zero

*Unused holiday accrual task type* – as holiday transactions are not held at contract task level the task type for each holiday transaction cannot be derived from the transactions. The *Unused holiday accrual task type* is used on all *Unused holiday cost accruals*. If the task type has not been defined on System Control, the accrual batch cannot be saved.

*Workbill cost accrual %* - when a workbill has been created with no supplier budget defined, if the workbill cost accrual percentage has been entered and a sales price exists, for the purpose the accrual the defined percentage of the sales price will be accrued.

# Billing

The following accrual options are available on the Billing menu on System Control:

The screenshot shows the 'System Control - Billing' window. The 'General' tab is active. The 'Billing' section contains the following settings:

- Invoice production: Accounts (dropdown)
- Proforma document style: Format1 (dropdown)
- Summary invoice document style: Format1 (dropdown)
- Annualisation weeks per year: 52.00000 (text input)
- Send summary invoices to accounts:
- Accrue revenue to prior periods?: Yes (dropdown)
- Default suppress in non-working periods:
- Manage billing reviews:
- Inter-company billing method: No inter-company (dropdown)
- Enable daily billing rate:
- Allow rebate accrual:

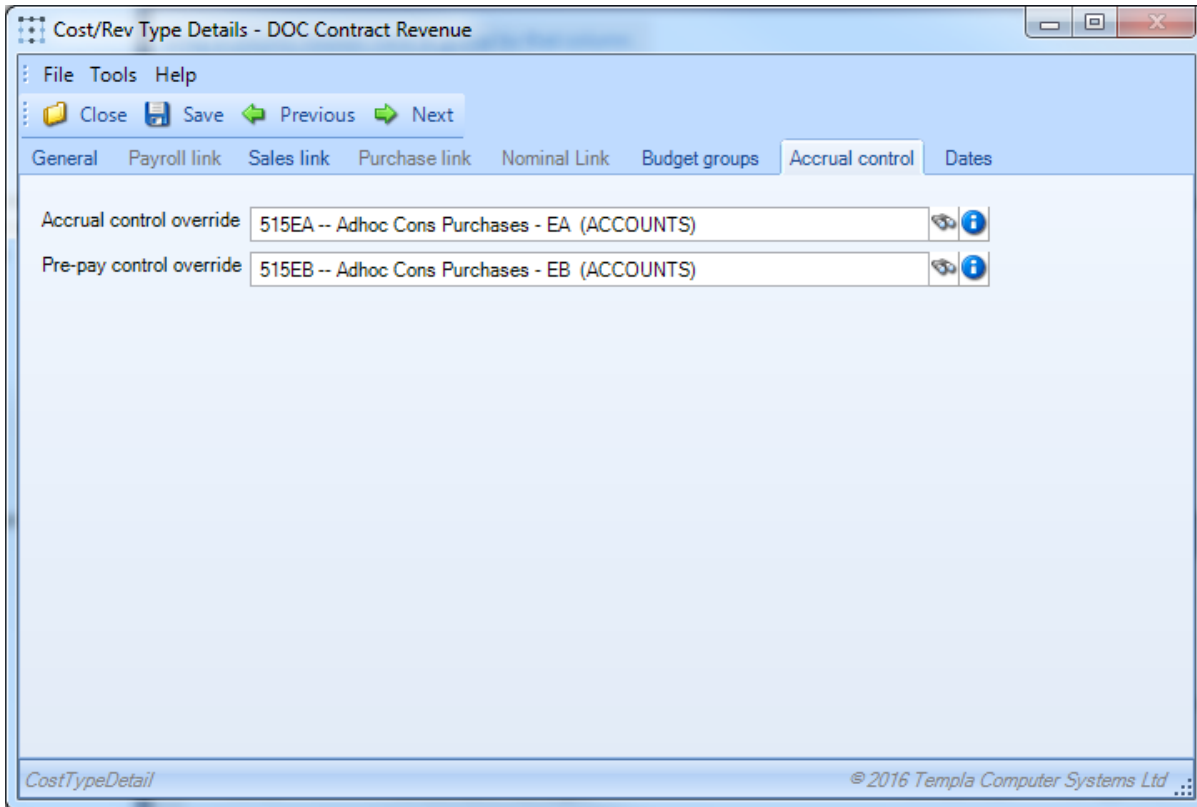
*Accrue revenue to prior periods?* - options are:

- No
- Yes
- Optional – when selected, where a prior period revenue batch is created, (i.e. the prior nominal period is not yet closed and revenue in the invoice batch relates to it, the user is prompted on posting of the invoice batch as to whether accruals should be created or not.

*Allow rebate accrual?* - for accounting purposes, it may be required to hold a proportion of revenue against a different cost type and nominal account rather than the original profit and loss account. These modifications allow a proportion of invoicing revenue to be moved to a second account as required. For further information on how this works please see the TemplaCMS billing manual.

# MAINTENANCE

The *Accrual control* option available on the *Cost/Revenue types* from the Maintenance menu allows a user to define an 'override' nominal account on the Cost/Revenue type. Revenue types also allow a *Pre-pay control override* nominal account to be specified.



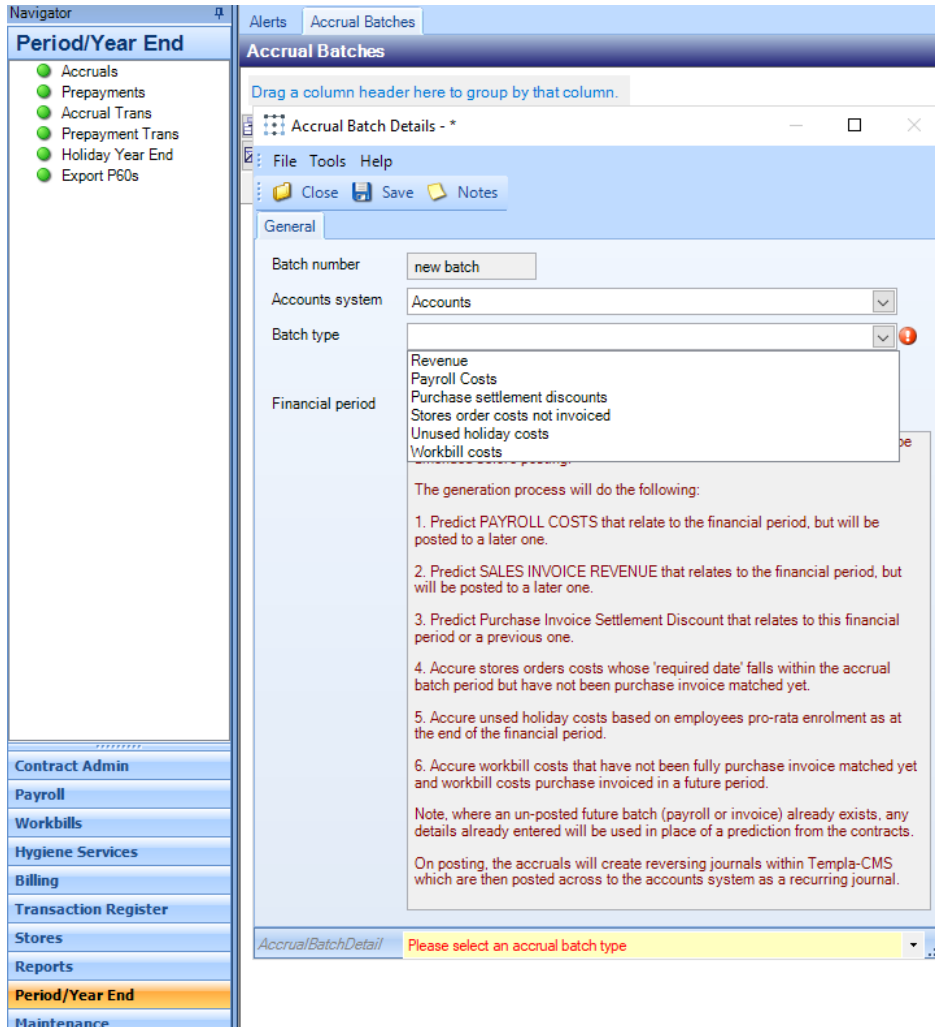
When an *accrual batch* is posted, for each cost type in use on an accrual item within the batch, if the cost type has an accrual control override account specified the override account will be used for the control posting.

When a *pre-payment batch* is posted, for each cost type in use on a pre-payment item within the batch, if the cost type has a pre-pay control override account specified the override account will be used for the control posting.

# ACCRUALS

Accruals options be accessed from the Period/Year End menu. To create an Accruals batch click on New, select the relevant Accounts System, Financial period and one of the following Batch types:

- Revenue
- Payroll Costs
- Purchase settlement discounts
- Stores order costs not invoiced
- Unused holiday costs
- Workbill costs



## Revenue

This option is used for the revenue apportionment of invoicing in advance or in arrears of the current financial period.

## Payroll Costs

This process looks at employee contracted pay from all the payroll batches which have timesheet dates falling within the accounting database's financial period selected in order to determine the accrual.

Any extra whose extra date falls within the wage accrual batch period will also be included. As many extras may exist on the same site, these are rolled together into a single accrual item per site / task type / cost type.

Note that where extra types share cost types in use on other payroll sub-natures, the accruals will be rolled together. For a fuller audit, the accrual item description shows a distinct list of all extra types which make up the accrual.

The *Payroll cost* accrual process also allows for the accrual of daily wage budget costs on zero-hour contracts – *this process ignores the accrual of budget values on zero days for timesheets that have been completed and approved via workflow*. All other timesheets that are still being entered or are awaiting approval will continue to be accrued.

## ACCRUALS FOR RELATED COSTS

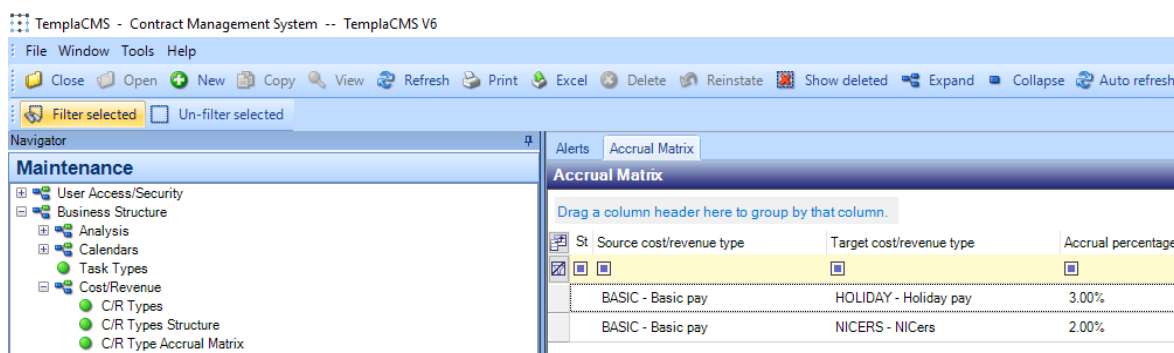
When accruing payroll costs, the process predicts the value of pay that relates to the period, but that will post into the following period. If possible, this prediction is taken from the next period’s timesheet batch, where one exists, and if not, it is derived directly from the contracts and any employee plans that may exist.

A mechanism has also been put in place to accrue for other costs – for example, employers NIC, holidays, pensions – all of which should be calculated as a percentage of the ‘basic pay’ accrual.

## Accrual Matrix

The *Cost/Rev type accrual matrix* option is available from the *Maintenance > Business structure menu*. By clicking on *New* the user can define any number of relationships between cost types, where each entry on the matrix has the following details:

- Source cost/revenue type
- Target cost/revenue type
- Accrual percentage (positive or negative)



The accrual batch generation process will refer to the *Accrual matrix* once it has completed the standard predictions. Any accruals in the batch relating to the source cost/revenue type of an entry in the matrix will therefore trigger the creation of an additional accrual to the target cost/revenue type, at the nominated percentage.

## Inter-Company Accruals

Where payroll cost accruals are generated, the accrual batch is created for a selected ‘accounts datasource’ (company). The process examines all payroll batches for payrolls linked to the accounts datasource, where the payroll batch relates at least in part to the period of the accrual but will not be (or has not been) posted until a subsequent period.

In an inter-company scenario, the cost accrual will occur in the accounts datasource that owns the site, and not that which owns the pay batch (and therefore the employee).

The generation of payroll costs accruals will rather than examining only those pay batches linked to the accounts datasource of the accrual batch, also examine all pay batches, but focus only on those sites that belong to the accrual batch accounts datasource.

## Purchase Settlement Discounts

When generating accruals for *Purchase settlement discounts*, the process identifies purchase invoices that are posted with an invoice date on or before the accrual financial period, that are not already paid (or part paid), and where settlement discount could apply (i.e. posted with non-zero discounted settlement terms).



For each purchase invoice, the predicted settlement discount value will be used to generate an accrual.

Note, where a purchase invoice is unpaid for multiple periods, therefore, it will continue to accrue period on period until such time as payment or part payment actually occurs.

Once the accrual batch is generated the user is free to amend the details prior to posting.

A new nominal cost type must be set up with a sub-nature of *Accrued purchase settlement discount* to define the control account for the accrual batch post.

## Stores Order Costs Not Invoiced

On selection of the *Stores order costs not invoiced* option, the background batch generation process examines all posted stores order lines whose 'required date' falls within the accrual batch period and values an accrual based on the quantity ordered but not yet matched to a purchase invoice (be it posted or not) and the unit cost from the stores order line. The result of the calculation is an accrual line within the accrual batch for the site, cost type, task type (determined from the purchase type) and the appropriate value.

In addition to the above *multi-site Stores Orders* will also be accrued when considering orders whose 'required date' falls within the accrual period but which have not been purchase invoice matched yet.

Any stores order line quantity matched to a purchase invoice is not accrued, regardless of whether the purchase invoices is posted or not. Should a purchase invoice be subsequently un-matched or deleted this could mean that an accrual that should have occurred will not, unless the accrual batch is regenerated.

The accrual process for stores order costs also takes *staged billing products* into consideration. Rather than accruing the total order value for a staged billing product, the process accrues the amount of the order which should have been purchase invoiced as at the batch date, less the amount already invoiced by purchase invoices as at the accrual batch period.

Prior to batch generation if any un-posted purchase invoices matched to stores orders are found that relate to the batch period the user is warned of this but may continue regardless.

Once a batch is fully generated users are free to amend and delete lines prior to posting.

A new nominal cost type must be set up with a sub-nature of *Accrued stores costs* to define the control account for the accrual batch post.

## Unused Holiday Costs

The *Unused holiday costs* option is used to accrue costs for the unused pro-rata entitlement of holidays for employees.

When an accrual batch is generated for unused holiday costs, the generation process determines the **holiday year** relevant to the financial period of the accrual batch (note that there may be two holiday years relevant to a single financial period if there is a difference between financial and holiday years).

Having determined the holiday year(s), pro-rata balances as at the period end date are calculated for each employee and site; and valued using the relevant average daily pay rate in the same way as the holiday monitoring list valuation.

Where holiday is under used, (i.e. a positive pro-rata balance), the valuation of the pro-rata balance is added as a positive accrual line to the batch. Where holiday is over used, a negative valuation is calculated.

As holiday transactions are not held at contract task level the task type for each holiday transaction cannot be derived from the transactions. The System Control option for *Unused holiday accrual task type* is used on all accrual lines in the batch. If the task type has not been defined on System Control, the accrual batch cannot be saved.

Once a batch is fully generated users are free to amend and delete lines prior to posting.

When the batch is posted a control posting is generated to the cost/revenue type flagged as 'Accrued payroll costs' as per the existing payroll costs accrual.

## Workbill Costs

The *Workbill costs* accrual process allows for the accrual of workbill supplier costs based on a workbill's supplier budget.

When a workbill cost accruals type batch is saved, supplier assigned workbills are extracted where one of the below two scenarios is met:

- None or only some of the suppliers' costs have been received (matched by purchase invoice)
- Some or all of the suppliers' costs have been received and are in a later financial period to the accrual batch

*The accrual batch process works as per the below example:*

Workbill created with a supplies budget of £200 with a scheduled to date in financial period 2017-01.

One purchase invoice has been matched to the workbill for £50 in financial period 2017-01.

When the accrual batch is generated for financial period 2017-02, the workbill is retrieved to be accrued with a cost of £150 made up of the original £200 supplies budget, minus the £50 already invoiced in a previous financial period.

The calculation used for the accrual is detailed within the accrual item text and the user can drilldown into the workbill from which the accruals cost was sourced.

Whilst a workbill may have been created with a supplies budget of £200, in practise supplier costs of only £150 may ever be paid. To prevent the permanent accrual of the £50 which will never be paid, a flag for 'All supplier costs received?' is visible on posted supplier assigned workbills. When flagged, the workbill will be excluded from future accrual batch generations. If purchase invoice costs relate to a future period, these costs will be accrued regardless of the new workbill flag.

Where an accrual cost exists in a generated but un-posted batch and the user flags the workbill as all supplier costs received, they must manually update the accrual item per their requirements.

A nominal cost type must be set up with a sub-nature of *Accrued workbill costs* to define the control account for the accrual batch post.

## PRE-PAYMENTS

The pre-payment journal generation process examines all sales invoices posted to the selected period and determine where revenue relates to future periods. The generated journal will remove the revenue from the selected period and post it forward to the relevant future periods.

***The Pre-payment option be accessed from the Period/Year End menu. To create a Pre-payment batch, click on New, select the relevant Accounts System and Financial period.***

Pre-payment Journal Batch Details - \*

File Tools Help

Close Save Notes

General

Batch number: new batch

Accounts system: Accounts

Financial period: 2014 / 10

The pre-payment journals process generates a batch of possible pre-payments that can then be amended before posting.

The generation process will examine all SALES INVOICES posted to the selected period and determine where REVENUE relates future periods. A journal is then created to remove the revenue from the selected period, and post it forward into the relevant future periods.

On posting, the pre-payments will create journals within Templa-CMS which are then posted across to the accounts system.

AdvBillingJournalBatchDetail © 2017 Templa Computer Systems Ltd

# RESOLVING ERRORS

The *Journal Summary* view (which can be accessed from the batch header windows) provide columns for the *Cost type* used as well as *All errors*.

Financial year and per	Line text	Cost type	Value	Site	All errors	W/L account
2015-12	accrued workbill costs - batch 103		-£1,476,904.00			XIB - XIB -- Accrued Income
2015-12	Actual for 01/01/2013 to 01/01/2013	COMPEQ - Computer Equip	£3.00	AMH001/5 - Aerials Ltd		970CE - 970CE -- IT Consum
2015-12	Actual for 01/01/2014 to 01/01/2014	COMPEQ - Computer Equip	£10.00	CSM001/2 - a		970CE - 970CE -- IT Consum
2015-12	Actual for 01/02/2015 to 01/02/2015	COMPEQ - Computer Equip	£28.00	JMBI01/001 - 1 KNIGHTSBRIDGE		970CE - 970CE -- IT Consum
2015-12	Actual for 01/02/2015 to 01/02/2015	SC - Sub-contracted periodic	£29.00	ABUD01/066 - 1 KNIGHTSBRIDGE	Client is not in the same accounts system as the journal	510vB - 510vB -- Contract I
2015-12	Actual for 01/02/2016 to 01/02/2016	PURC - Purchased Consum	£150.00	UOC001/6 - Pfizer Information Servic		510EA - 510EA -- Contract C
2015-12	Actual for 01/02/2016 to 01/02/2016	PURC - Purchased Consum	£150.00	UOC001/6 - Pfizer Information Servic		510EA - 510EA -- Contract C

The *All errors* column will show details of any problems on each journal line (e.g. 'invalid nominal code'). For easy identification of the errors, a toolbar toggle has also been provided.

# POSTING AND PROCESSING IN ACCESS DIMENSIONS

Once a batch is fully generated users are free to amend and delete lines prior to posting.

On posting the journal batches will be created in Access Dimensions as follows:

- Accrual batches – these will appear as *Reversing journals* in the *Financials -> Post batch -> Recurring* option in Access Dimensions. The *batch reference* will be *CMSA#*, where # is the batch number.
- Pre-payment batches – these will appear as *journals* in the *Financials > Post batch Journals* option in Access Dimensions. The *batch reference* will be *CMPP#*, where # is the batch number



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