

Understanding Biweekly Payroll Accruals

As part of the payroll posting process, the UCPATH system estimates the remaining salary and benefit amounts that biweekly employees will earn in the current month but will not post as an expense to the General Ledger until the following month. An accrual journal entry is created to record this estimated amount on the General Ledger; this estimate is automatically reversed when the actual payroll expense posts in the following month.

The use of accruals for biweekly payroll is a standard accounting practice. The goal of this guide is to explain the biweekly payroll accrual process in greater detail, including how to identify biweekly payroll accrual transactions within financial reports.

What is the Biweekly Payroll Accrual?

The pay periods for employees who are paid biweekly do not always fall within one discrete accounting period (e.g., a single calendar month).

This biweekly pay period runs from 8/28 – 9/10

| August | | | | |
|-----------|---------|-----------|----------|--------|
| Monday | Tuesday | Wednesday | Thursday | Friday |
| 1 | 2 | 3 | 4 | 5 |
| 8 | 9 | 10 | 11 | 12 |
| 15 | 16 | 17 | 18 | 19 |
| 22 | 23 | 24 | 25 | 26 |
| 29 | 30 | 31 | | |
| September | | | | |
| Monday | Tuesday | Wednesday | Thursday | Friday |
| | | | 1 | 2 |
| 5 | 6 | 7 | 8 | 9 |

When this occurs, an accrual journal entry is created to estimate the payroll expenses that have been incurred in one period and are not expected to post until the following period.

| August | | | | |
|-----------|---------|-----------|----------|--------|
| Monday | Tuesday | Wednesday | Thursday | Friday |
| 29 | 30 | 31 | | |
| September | | | | |
| Monday | Tuesday | Wednesday | Thursday | Friday |
| | | | 1 | 2 |
| 5 | 6 | 7 | 8 | 9 |

The actual payroll expense for this pay period will not post to the General Ledger until the **September** accounting period.

An **accrual journal entry** is created and posted to the General Ledger in the **August** accounting period to estimate the August expenses that will not post until September.

A reversal of the accrual amount will be posted to the General Ledger at the same time as the actual payroll expenses in the next biweekly payroll journal.

Accrual entries are financial transactions recorded on the General Ledger. They can be viewed in HR and Payroll reports, such as the Distribution of Payroll Expense (DPE) Report.

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The Biweekly Payroll Accrual Calculation

The accrual calculation is generated in UCPath during month-end payroll processing and is calculated as follows:

$$\begin{array}{c} \text{accrual base} \\ \text{amount} \end{array} \times \left(\frac{\text{accrual period}}{10} \right) = \text{accrual amount}$$

this is referred to as the **accrual factor**

The **accrual base amount** is derived from current pay recorded for the last biweekly pay cycle ending in the month.

Certain pay transactions are *not considered current pay* and are excluded from the accrual base amount. These include:

- prior period pay transactions (e.g., retroactive adjustments)
- one-time pay transactions for accrued leave payouts and incentives
- expense transfers
- certain benefit premiums paid in advance for the month

In addition, *future pay changes* expected during the accrual period are not factored into the accrual base amount. For example, a pay rate increase scheduled to begin during the accrual period will not be factored into the base amount for the accrual period.

The **accrual factor** represents the portion of the next biweekly pay cycle that falls partially in the current month.

The **accrual period** is the remaining number of work days in the month after the last biweekly pay cycle. A standard divisor of 10 represents the number of work days in each biweekly pay cycle. UCSF Health business units use a divisor of 14, representing a 7-day work week, which also includes weekends in the numerator.

The **accrual amount** is posted at the full chartstring level at the employee level.

Example:

Scenario: Karl Fog is paid biweekly at a rate \$31.32 per hour. For the pay period 8/14-8/27, Karl worked 74 hours and his current pay for this pay period was \$2,317.68.

1. For the biweekly pay period 8/28 - 9/10, there are three days that fall in August. An accrual journal entry will be created to estimate the August portion of the pay period (also known as the **accrual period**). This entry will be posted to the General Ledger in the August accounting period.
2. The **accrual factor** to be used in the calculation is 3/10 (three days in the accrual period divided by a total of ten days for the entire biweekly pay period).

| August | | | | |
|-----------|---------|-----------|----------|--------|
| Monday | Tuesday | Wednesday | Thursday | Friday |
| 29 | 30 | 31 | | |
| September | | | | |
| Monday | Tuesday | Wednesday | Thursday | Friday |
| | | | 1 | 2 |
| 5 | 6 | 7 | 8 | 9 |

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3. To determine the **accrual base amount**, UCPath will look back to the gross salary and gross benefits (with exclusions applied) from the last biweekly pay period ending in the month (8/14 - 8/27). Karl's current pay for this period was \$2,317.68.
4. In Karl's case, the accrual amount that will be generated as part of the August biweekly payroll processing will be:

$$\text{\$2,317.68} \quad \times \quad \left(\frac{3}{10} \right) \quad = \quad \text{\$695.30}$$

5. An expense accrual of \$695.30 will be posted to the General Ledger as part of the August biweekly payroll journal.
6. A reversal of the expense accrual and the actual payroll expenses will be posted to the General Ledger in the following biweekly payroll journal.

Notes:

For simplicity's sake, this example demonstrates an accrual calculation for salary expenses only. Accruals for biweekly payroll will also be generated to estimate corresponding benefit expenses; the calculation methodology is the same as described above.

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Identifying Biweekly Payroll Accrual Transactions

Biweekly payroll accrual journal transactions will post monthly to the General Ledger as part of the final biweekly payroll journal in the month.

For each unique chartstring carrying a biweekly payroll accrual, accrual journal transactions will post to the following Accounts:

| | Account | Alt Account (used in Health reports) |
|--------------------------|-------------------------|---|
| Salary expense accruals | 50432 – Salary accrual | 61xxx |
| Benefit expense accruals | 50518 – Benefit accrual | 62084 |

Accrual and reversal transactions posting in the same month will be posted in separate journal lines. These transactions can be easily viewed in the **Distribution of Payroll Expense Report (DPE)** in MyReports. Accrual expenses display an **A** (Accrual) in the Accrual column. Reversals of the prior month's accrual expenses display an **R** (Accrual Reversal) in the Accrual column.

- Campus users can run the report using accounts 50432 and 50518, or can specify a DeptID or employee, then sort or filter on the Accrual column to see accruals and reversals.
- Health users can run the report on the desired DeptID or employee and then sort or filter on the Accrual column to see the relevant accruals and reversals.

| Distribution of Payroll Expense (DPE) by Account Report | | | | | | | | | | | | | | | | | | | | |
|---|-------------------|----------|------|---------|---------|-----------|---------|-----------|---------|--------------|----------------|----------------|---------------------|--------------|-------|-------|---------|-------------|-----------|------------|
| Fiscal Year | Accounting Period | Bus Unit | Fund | Dept ID | Project | Flexfield | Account | Employee | HR Dept | UCSF Empl ID | UCPath Empl ID | Job/Title Code | Pay Period End Date | ERN/DOS Code | Hours | Rate | Accrual | Amount Type | Amount | |
| Amount Type: Salary | | | | | | | | | | | | | | | | | | | | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50432 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/21/21 | CON | 0.00 | 36.27 | A | Salary | 406.22 | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50403 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/21/21 | REG | 64.00 | 36.27 | | Salary | 2,321.28 | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50411 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/21/21 | CON | 16.00 | 36.27 | | Salary | 580.32 | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50432 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/21/21 | REG | 0.00 | 36.27 | A | Salary | 1,624.90 | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50403 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/7/21 | REG | 40.00 | 36.27 | | Salary | 1,450.80 | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50403 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/7/21 | REG | 40.00 | 36.27 | | Salary | 1,450.80 | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50432 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/7/21 | REG | 0.00 | 36.27 | R | Salary | -1,160.64 | |
| 2022 | 2 | SFCMP | 5011 | 301008 | 1111111 | PEDOD | 50432 | FOG, KARL | 301001 | 021234567 | 10345678 | 009196 | 8/7/21 | CON | 0.00 | 36.27 | R | Salary | -290.16 | |
| TOTAL - Amount Type:Salary | | | | | | | | | | | | | | | | | | | | \$6,383.52 |

Transactions can also be identified using the **Transaction Detail Report (TDR)** in MyReports. Accruals and reversals are identified in the **Account Description** column:

| Transaction Detail | | | | | | | | | | | | | | | |
|--------------------|-------------|----------|---------|-----------------------|------|---------|---------|-----------|-------------------------|--------------|--------------|--------|------|-----------|--------------|
| Transaction Type | Source Code | Bus Unit | Account | Account Description | Fund | Dept ID | Project | Flexfield | Transaction Description | Ref / Inv ID | Journal Date | Budget | Lien | Actual | ERN/DOS Code |
| Payroll | 536 | SFCMP | 50432 | Salary accrual | 5011 | 301008 | 1111111 | PEDOD | Fog, Karl | 021234567 | 8/7/21 | 0.00 | 0.00 | -1,450.80 | REG |
| Payroll | 536 | SFCMP | 50432 | Salary accrual | 5011 | 301008 | 1111111 | PEDOD | Fog, Karl | 021234567 | 8/21/21 | 0.00 | 0.00 | 2,031.12 | REG |
| Payroll | 536 | SFCMP | 50518 | Benefit accrual-staff | 5011 | 301008 | 1111111 | PEDOD | Fog, Karl | 021234567 | 8/7/21 | 0.00 | 0.00 | -609.34 | |
| Payroll | 536 | SFCMP | 50518 | Benefit accrual-staff | 5011 | 301008 | 1111111 | PEDOD | Fog, Karl | 021234567 | 8/21/21 | 0.00 | 0.00 | 853.07 | |

For more information about identifying payroll transactions in MyReports, see [Understanding Payroll Transactions on the TDR and DPE Reports](#).