

# Setting up Rostered Days Off (RDO) in Accounts Business

RDO entitlements were introduced to facilitate a reduction in “actual” hours worked for salaried staff with no reduction in salary while businesses still maintained their normal operating hours. Initially this measure reduced working hours from 40 hours per week to 38 hours, the difference being taken as a day off. Work practices have changed considerably since RDO entitlements were first introduced and there are now many variants.

The essential idea remains the same: The employee in an ordinary week will work more hours than s/he is paid. The additional hours are accumulated and then taken as a day off.

While in the past the RDO was seen as a monthly day off, with today’s varied arrangements it is easier to consider the issue of how much unpaid time is accumulated per pay period or hour worked. RDOs can then be taken at the employees choosing, subject to any conditions such as office convenience and not accumulating more than a certain number of days.

The two key factors you need to establish for the workplace are:

1. The ordinary hours of business that constitutes a normal working week for the employee.
2. The definition of the number of hours that constitutes a paid working week.

In this paper we will use the following information:

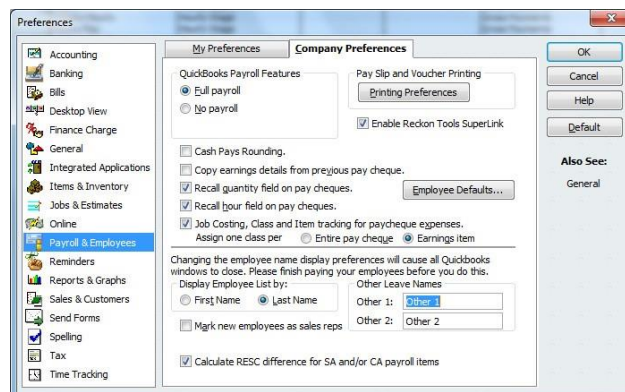
1. A full working day employee are required to be present at work is 8.30am to 5.30pm. This constitutes an 8-hour day or 40-hour week after allowing an hour a day for lunch and tea breaks.
2. Hours in the full working week are defined by the workplace agreement as 37.5 hours.
3. In a full working week an employee will work 2.5 hours longer than he is paid.
4. The extra hours are banked to be taken as a day off at a later stage.

## Setting up the RDO payroll item

RDOs are a form of Leave. In our example the employee accumulates 2.5 hours a week of RDO leave. Accounts Business has 4 leave items – Annual Leave, Personal Leave, Other1, Other2. You should use Other1 or Other2 as your RDO payroll item.

### To change Other1 to RDO:

- On the top menu line click on Edit, Preference, Payroll & Employees, Company Preferences;
- Under Other Leave Names, change the name for Other1 to RDO and click OK;



- Go to the Payroll Item List and right click on the Other 1 Salary item and select Edit Other Payroll Item;
- In the Name used in payments and payroll reports, change the name to RDO and click Next;
- On the Expense account screen, select your Payroll Expense: Salary & Wages account; click Next;
- Tax Tracking Type is Gross Payments; click next;
- Taxes – both PAYG and State payroll are applicable; click Next;
- Inclusions – for weekly/fortnightly pay this field is irrelevant, but for hourly pays leave this field blank (we do not want to accumulate RDOs on RDO hours); click Finish.
- You will need to check your Super payroll items and ensure the RDO is included for calculation for Super.



You now have a payroll item called RDO.

### **To configure RDO to accumulate the extra hours worked:**

- Go to the Employee Centre and double click on the employee and change tabs to Payroll and Compensation Info;
- Click on the Leave Tab and you should now see an RDO tab; click it;
- Set the Accrual Period as Every Pay and in the Hours accrued per pay enter 2.5 (2:30 in hours:mins) for a weekly pay and 5.0 (5:00) for a fortnightly pay. (See below for monthly pay calculations.)
- Complete other boxes as needed, tick the box Leave Liability to ensure RDOs are included on your Paid Time Off Report, and click OK.

You are now configured to accumulate RDOs.

Leave Details for Lennon, John

Personal Holiday **RDO** Other 2

Hours available as of 17/05/2010 7:30

Hours used this year

Accrual period Every pay

Hours accrued per pay 2:30

Maximum number of hours

(Leave blank if no limit on hours.)

☐ Reset hours each new year?

Year begins on September

Day 4

Begin accruing time on 04/09/2009

☒ Leave Liability

OK Cancel Help

## Taking an RDO

Taking an RDO is just like taking leave.

- Enter the RDO item in the Earnings box;
- Enter 8.0 (8:00) hours for RDO and 32.0 (32:00) for Salary for a total of 40 hours;
- Check other items on pay are correct. If Super is not calculating on the RDO, you will need to edit the Super payroll item to include RDO in its calculation.
- Save & Close/Next and continue with processing the pay run.

Review Or Change Payments

Lennon, John

Employee Number

Tax Code 2-TFT

Pay Period 18/05/2010 - 24/05/2010

Earnings

Item Name	Rate	Hours	Customer:Job	Class
Salary	800.00	32:00		
RDO	200.00	8:00		

Total Hours: 40:00

Available Accrued

Item Name	Available	Accrued
Personal	2:30	2:30
Holiday	0:00	0:00
RDO	9:30	2:30
Other 2	0:00	0:00

☐ Do not accrue time

☐ Advanced Hol.Payment

Other Payroll Items

Item Name	Rate	Quantity
Super	9.0%	

Company Summary

Item Name	Amount	YTD
Super	90.00	946.80

Employee Summary

Item Name	Amount	YTD
Salary	800.00	800.00
RDO	200.00	200.00
PAYG Tax	-188.00	-2,417.00

Net Pay: 812.00

Save & Close Cancel Help

Please note, that when you enter hours for RDO you are entering hours worked, not hours paid.

## **Paying Employees monthly.**

Paying monthly creates a problem as monthly periods vary between 20 and 23 working days per month. Some workplace arrangements will pay the same amount each month regardless of the number of working days and may assign an RDO per month. In most situations employees' pays are calculated on an hourly basis. The RDO accrual will need to be calculated on an hourly basis.

In our example the employee works 40 hours in the week, is paid 37.5 hours and accumulates 2.5 hours of RDO.

Therefore, for every hour worked the employee accumulates  $2.5/40.0 = 0.06250$  RDO hours.

If there were 20 days in a month then the employee works  $20 \times 8 = 160$  hours and therefore accumulates 10.00 hours of RDO, the same as the employee paid on a weekly basis.

## **Complex calculations**

RDO entitlements will be negotiated in workplace agreements, awards or collective agreements and may not neatly match the calculations in this paper. For instance, an agreement may allow for 4 RDOs per quarter. The user will need to consider the two elements in calculating RDOs:

- The ordinary hours of business that constitutes a normal working week/year for the employee.
- The definition of the number of hours that constitutes a paid working week/year. and work out the appropriate accrual rates for weekly, fortnightly and hourly pays.

Consider the example of 12 RDOs in a year. When the employee is on annual leave he is not in a position to work the extra hours to accumulate the RDO hours, so the accumulation must be over the actual working hours of the year.

In our example of a 40 hour working week we will need to do the following:

- |   |      |
|---|------|
| a) Working hours in the year ( $52 \times 40$ ) | 2080 |
| b) Less Annual Leave ( $4 \times 40$ )          | 160  |
| c) Individual hours worked                      | 1920 |
| d) Less 12 RDOs ( $12 \times 8$ )               | 96   |
| e) RDO hour per working hour (C / D)            | 0.05 |

From this calculation, an employee working a 40-hour week with 12 days RDO per year, will be paid for 38 hours every week. RDO accruals will be:

Weekly basis – 2.00 hours per pay

Fortnightly basis – 4.00 hours per pay

Hourly basis (for monthly pays) – 0.05 per hour worked.

Some arrangements may be better handled by a time-based accumulation. For instance, monthly pays may still assign a number of RDO per month. Where there are 4 RDOs per quarter (16 per year) based on a 40-hour working week, a monthly pay may assign 10.66664 RDO hours per pay, regardless of annual leave and working days in the month.

## **Other requirements:**

As RDOs are granted to reconcile hours paid with hours worked, they are not meant to be accumulated. Workplace agreements may stipulate that RDOs cannot be accumulated beyond a certain time. These

conditions may not be easily accommodated in the setup of the payroll item or on the employees file, so users will need to organize other methods to track those conditions.

You are best to check the company policy in relation to taking leave before settling on a method.

There are a couple of methods available in Accounts Business:

### 1. Assign RDOs at the start of the year and reset them each year.

- Set the Accrual period to Beginning of year;
- Set Hours Accrued... at the full number of hours for the year – eg 96:00 hours;
- Enter the beginning date of the year – this will usually be a date determined by the Company;
- Enter the Hours available on the day this record is being set;
- On the day of the new year the hours available will be reset to the full complement for the new year, regardless of the hours available on the last day of the year.

The screenshot shows a software window titled "Leave Details for Lennon, John" with a tabbed interface. The "RDO" tab is selected. The window contains the following fields and controls:

- Hours available as of 17/05/2010:** 96:00
- Hours used this year:** (empty field)
- Accrual period:** Beginning of year (dropdown menu)
- Hours accrued at beginning of year:** 96:00
- Maximum number of hours:** (empty field) with a note "(Leave blank if no limit on hours.)"
- ☒ **Reset hours each new year?**
- Year begins on:** January (dropdown menu)
- Day:** 1
- Begin accruing time on:** 01/01/2010 (calendar icon)
- ☒ **Leave Liability**
- Buttons: OK, Cancel, Help

### 2. Limit the number of hours that can be accumulated.

Company policy may be that employees can have no more than 1 full RDO accumulated at any time.

- Set the Accrual period – eg Every Pay;
- Set Hours Accrued – eg 2:30 hours;
- In maximum number of hours, enter the amount beyond which hours will not be accrued – eg 17:00;

Leave Details for Lennon, John

Personal Holiday **RDO** Other 2

Hours available as of 17/05/2010 10:30

Hours used this year

Accrual period Every pay

Hours accrued per pay 2:30

Maximum number of hours 17:00  
(Leave blank if no limit on hours.)

☐ Reset hours each new year?

Year begins on January

Day 1

Begin accruing time on 01/01/2010

☒ Leave Liability

OK Cancel Help

- When adding the accrual will take Hours Available above the maximum hours, the accrual will not be recorded.

You can monitor the levels of RDO taken by creating a memorised report for RDOs from the Employee Contact List which you can access via Reports > Lists.

You will need to modify this report to add the Other1 Available and Other1 Used and Other 1 Rate columns (the changing of Other1 to RDO does not feed into the reports). You can then delete unwanted columns to give you a customized report. Change the name of the report and memorize it for future reference.

Club120 Pty Ltd - QuickBooks Premier: Accountant Edition 2010-11

File Edit View Lists Accountant Company Customers Suppliers Employees Banking Reports Window Help

Home Customer Centre Supplier Centre Employee Centre Report Centre Online Banking Invoice Calculator Item

Employee Contact List Type a help question Ask How Do I?

Modify Report... Memorise... Print... Email... Export... Hide Header Refresh Sort By Default

4:16 PM 09/07/10

**Club120 Pty Ltd**

**RDO Entitlement Report**

Employee	Other 1 Rate	Other 1 Available	Other 1 Used
Mangione, Chuck	88:00	39:30	48:30
Tom, Scott	88:00	66:00	22:00