



### **Create a LSL payroll item:**

1. Lists > Payroll Item > Payroll Item > New > Wage >
  - a. Hourly Wages for employees paid by the hour;
  - b. Annual Salary for employees paid on salaryIf you use both methods for paying your employees you will need two LSL payroll items.
2. Select LSL in the Wages window.  
If you did not rename tabs in Payroll & Employee Preferences, select Other 1 or Other 2.
3. Give this payroll item a name – eg: LSL;
4. Select your Expense Account for LSL:
  - a. Direct: Payroll Expenses:LSL taken;
  - b. Liability: Provision for LSL;These accounts will be charged when LSL is actually taken.
5. Tax Tracking Type is Gross Payments;
6. Tick the appropriate taxes. Generally, both PAYG Tax and State Payroll Tax should be selected;
7. Tick Include in “Every hour worked” leave accruals.

### **Setup LSL accruals in the Employee Record**

You will need to check with the relevant Industrial Relations or Business bureaus in your State for LSL entitlements as these may vary. You will need:

- Rate of accrual;
- When LSL can be taken;
- Circumstances when LSL can be paid out or not paid out.

Generally, employees are entitled to 8 weeks paid leave for 10 years of continuous service. These lengths are considered natural time for full-time employees. Employees working less than full-time hours will be pro-rata'd. Please note that employees on an hourly pay rate will automatically account for any variations from full-time hours.

Assuming a 38-hour full-time week, an employee will be entitled to 304 hours of LSL after 19,760 hours of work.

- A weekly paid employee will be entitled to 0.58461 (304/520) hours per week;
- An hourly paid employee will be entitled to 0.01538 (304/19760) hours per hour worked.

In the Employee Record > Payroll & Compensation Info > Leave Details > LSL tab;

1. For new employees, Hours available and Hours used this year boxes should be 0:00;  
For existing employees, enter the amount of available leave at Hours available and the amount of LSL taken this financial year at Hours used this year;
2. Accrual period should be set to:
  - a. Every Pay for Salaried employees;
  - b. Every Hour for employees paid by the hour;

- Hours accrued per pay will be 0.58461 for Every Pay and 0.01538 for hourly paid employees:

Note: when display is set to show hours and minutes,

- 0.58461 will appear as 0:35;
- 0.01538 will appear 0:00:55;

You can change display preferences at Edit > Preferences > General > Company Preferences > Time Format.

- Tick the box Leave Liability to have Long Service Leave appear on the Leave Liability Report.

Leave Details for Jones, Norah

Personal Holiday **LSL** Other 2

Hours available as of 21/02/2013 0:00

Hours used this year 0:00

Accrual period Every hour

Hours accrued per hour paid 0:00:55

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

Reset hours each new year?

Year begins on January

Day 1

Begin accruing time on 22/06/2011

Leave Liability

OK Cancel Help

Your employee will now accrue LSL with each pay:

Review Or Change Payments

Employee Number Tax Code 2-TFT Pay Period 01/02/2013 - 07/02/2013

**Jones, Norah**

Earnings

Item Name	Rate	Hours	Customer:Job
Hourly Pay	30.00	20:00	

Total Hours: 20:00

Class

Class	Available	Accrued
Personal	0:40	0:40
Holiday	1:40	1:40
<b>LSL</b>	<b>0:18</b>	<b>0:18</b>
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	54.00	54.00

Employee Summary

Item Name	Amount	YTD
Hourly Pay	600.00	600.00
PAYG Tax	-56.00	-56.00
<b>Net Pay:</b>	<b>544.00</b>	

Next Save & Close Cancel Help

## Taking Long Service Leave

Simply add the LSL payroll item into the Earnings section when preparing the pay:

When you add the LSL item to a salaried employee, the usual salary amount will be split between the items:

Review Or Change Payments				
Jones, Norah				
		Employee Number		
		Tax Code	2-TFT	
Earnings				
Item Name	Rate	Hours	Customer:Job	
Salary	500.00			
LSL	500.00			

Add the appropriate number of hours for each item and the available number of hours will be adjusted.

Review Or Change Payments				
Jones, Norah				
		Employee Number		
		Tax Code	2-TFT	
		Pay Period	08/02/2013 - 14/02/2013	
Earnings				
Item Name	Rate	Hours	Customer:Job	
Salary	0.00	0:00		
LSL	1,000.00	38:00		
		Total Hours:	38:00	
Other Payroll Items				
Item Name	Rate	Quantity		
Super	9.0%			
Company Summary				
Item Name	Amount	YTD		
Super	90.00	144.00		
Employee Summary				
Item Name	Amount	YTD		
Salary	0.00	0.00		
LSL	1,000.00	1,000.00		
PAYG Tax	-178.00	-234.00		
Net Pay:		822.00		

When processed, the amount will appear in the Expense account nominated in the payroll item setup. When using the Liability Method, the item will appear in Provision for LSL account; the Direct Method will have an entry for Payroll Expenses:LSL taken:

**Clean Account QuickReport**  
All Transactions

Type	Date	Num	Name	Split	Amount	Balance
<b>Prov for LSL</b>						
Paycheque	14/02/2013		Jones, Norah	Bank	-1,000.00	-1,000.00
<b>Total Prov for LSL</b>					<b>-1,000.00</b>	<b>-1,000.00</b>
<b>TOTAL</b>					<b>-1,000.00</b>	<b>-1,000.00</b>

**Tracking Long Service Leave accrued**

You can view the amount of long service leave for any employee in the Leave Liability Report – Reports > employees & Payroll > Leave Liability Report:

**Clean Leave Liability Report**  
All Transactions

Employee	Hire Date	Hourly Rate	Salary	Personal Avail	Holiday Avail	Holiday \$	LSL Avail	LSL \$	Other 2 Avail	Other 2 \$
Jones, Norah	03/02/20...	26.32	52,000.00	11.51	23.00	605.36	123.10	0.00	0.00	0.00
Penny		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>							<b>605.36</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

For the time being QuickBooks does not calculate the value of the long service leave accrued. You can exit this report to Excel and use its functions to calculate the value:

Employee	Hire Date	Hourly Rate	Salary	Personal Avail	Holiday Avail	Holiday \$	LSL Available	LSL \$	Other 2 Available	Other 2 \$
Jones, Norah	03/02/2013	26.32	52,000.00	11.51	23.00	605.36	123.10	135.07	0.00	0.00
Penny		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>						<b>605.36</b>		<b>135.07</b>		<b>0.00</b>

To calculate the LSL \$:

1. LSL Available times Hourly Rate
2. In this example the formula for the first line is: **=Q3\*G3**
3. Copy the formula down for all employee
4. Create a total for LSL \$ - in this example the formula is **=sum(s1:s2)**

### Additional steps using the Liability Method

The idea of the liability method is to recognise the cost of Long Service Leave at the time the entitlement is incurred and show it as a liability on the Balance Sheet.

From time to time the Accountant will make a General Journal entry:

Debit: Payroll Expenses:LSL accrued;  
Credit: Provision for LSL account.

Account	Debit	Credit	Tax Item	Tax Amount	Memo	N...	Bl...	Class
Payroll Expenses:LSL accrued	1,000.00				Providing for LSL to 31/12/2012			
Provision for LSL		1,000.00						
Totals	1,000.00	1,000.00						

When LSL is taken it will be charged to the Provision for LSL account, as it has already been charged against Payroll Expenses.

It is not possible to determine the exact future LSL liability, as a number of employees who earn LSL entitlements will never take them. Also when LSL is taken, it will be paid at the employee's prevailing rate of pay and not the rate of pay at the time the entitlement was earned. Nevertheless, the business needs to make an assessment of its liability and update its provision for that amount.