



## Article # 1173

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### **Technical Note: How to Properly Set Up Employee Records when Initializing AccountMate Payroll in the Middle of a Tax Year**

**Difficulty Level:** Intermediate Level AccountMate User

**Version(s) Affected:** AccountMate 12 for SQL and Express  
AccountMate 11 for SQL and Express  
AccountMate 10 for SQL, Express, and LAN  
AccountMate 9 for SQL, Express, and LAN  
AccountMate 8 for LAN

**Module(s) Affected:** PR

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#### **DESCRIPTION**

This TechNote provides information to help you understand the appropriate procedures for recording employee beginning earnings after initializing AccountMate Payroll in the middle of a tax year. It also discusses the limitations of the **Post Employee Beginning Balance** function and provides information that will help you correct overstated or understated beginning earnings.

#### **SOLUTION**

##### ***Posting Employees' Beginning Earnings***

When a new AccountMate Payroll program is initialized and employee checks had been previously issued for the current tax year, that existing information must be entered into the new AccountMate program to help ensure that the financial reports are correct, taxation requirements are met, employee leave balances are properly tracked, and personal deduction information is correctly managed. AccountMate refers to this existing information as "beginning earnings."

Assuming that the new AccountMate Payroll module is successfully set up, you can start recording the employees' beginning earnings using the **Post Employee Beginning Balance** function. Use this function to record each employee's detailed beginning earnings information including the work hours, earnings, accrued leaves, accumulated deductions, and tax withholdings that were handled by the prior payroll software.

The **Post Employee Beginning Balance** function allows you to select the quarter in the current year to which you want to post beginning balances. For example, if you set up the Payroll module in July and employee checks have already been issued in January through June, you may perform either of the following:

- Post the quarter-to-date data (i.e., January through March data and April through June data) separately for each quarter.
- Sum up the data for January through June and post the total amounts for the second quarter only.

Refer to the AccountMate Online Help and/or Payroll Electronic Manual that provides information on the procedures for posting the employees' beginning balances.

### ***Limitations of using the Post Employee Beginning Balance function***

It is important to understand that using the **Post Employee Beginning Balance** function has certain limitations. These are as follows:

- To preserve the integrity of beginning earnings data, you can no longer record or amend the employee's beginning balance for a quarter of the current tax year when payroll transactions are recorded in AccountMate for that quarter.

For example, if you set up the Payroll module in July and you have recorded in AccountMate the payroll transactions for August; you can no longer post the employee beginning balance for the third quarter using the **Post Employee Beginning Balance** function. You may use the **Post After-the-Fact Payroll** function to post the employee beginning balance for the third quarter.

**Note:** Recording transactions using the **Post After-the-Fact Payroll** function automatically creates journal entries. If journal entries for the employee beginning balance information need to be manually posted in the General Ledger (GL) module, be sure to exclude those balances recorded using the **Post After-the-Fact Payroll** function; otherwise, the affected GL Account IDs will be overstated.

- Each quarter's employee beginning balance is considered a single transaction.
- AccountMate does not generate journal entries for employee beginning balance records; thus, you must manually record the appropriate journal entries in the General Ledger module. Failure to record the pertinent GL entries results in inaccurate payroll information in the financial statements and other related reports.
- The **Post Employee Beginning Balance** function is not designed for recording earnings and withholdings that new employees receive from other companies.
- The **Post Employee Beginning Balance** function is inapplicable for independent contractors.

### ***Amending Employees' Beginning Earnings***

There may be occasions when an error is discovered in the beginning balances information. Though this situation is easily remedied, the method of correction depends upon the state of the data when the error is discovered.

The procedure required to correct overstated or understated beginning earnings will depend upon whether payroll transactions are recorded for a particular quarter after the beginning earnings are posted for that quarter. Below are the ways to correct the beginning earnings.

- **Overstated Beginning Earnings**

If no transactions other than the beginning earnings were recorded for the employee for a particular quarter, you may correct the overstated beginning earnings by accessing the **Post Employee Beginning Balance** function and making the necessary changes for that quarter in the applicable tabs.

If transactions other than the beginning earnings (e.g., payments have been applied, checks have been issued, etc.) were recorded for the employee for a specific quarter, perform the following:

1. Void the recorded transactions. When voiding each check, be sure to choose the option not to keep the applied payment record.
2. Void the posted employee beginning balance in the **Post Employee Beginning Balance** function as well as the journal entries recorded in the General Ledger module, if any.
3. Record the employee beginning balance using the **Post After-the-Fact Payroll** function.
4. Record again the transactions you voided in step 1.

- **Understated Beginning Earnings**

If no transactions other than the beginning earnings were recorded for the employee for a particular quarter, you may correct the understated beginning earnings by accessing the **Post Employee Beginning Balance** function and making the necessary changes for that quarter in the applicable tabs.

If transactions other than the beginning earnings were recorded for the employee for a specific quarter and you wish to retain this information, perform the following:

1. You can record an additional transaction using the **Post After-the-Fact Payroll** function to correct the understated beginning earnings.
2. If it is feasible to void the recorded transactions, you may perform the following:
  - 2.1 Void the recorded transactions. When voiding each check, be sure to choose the option not to keep the applied payment record.
  - 2.2 Void the posted employee beginning balance in the **Post Employee Beginning Balance** function as well as the journal entries recorded in the General Ledger module, if any.
  - 2.3 Record the employee beginning balance using the **Post After-the-Fact Payroll** function.
  - 2.4 Record again the transactions you voided in step 1.

Initializing the AccountMate Payroll module in the middle of a tax year can be more smoothly accomplished by understanding the appropriate procedures to follow. The information presented in this TechNote can serve as a guide to assist you in the initialization process and to help you correct any mistakes made when recording beginning earnings.

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