

Labour Recovery V1.0

Labour Recovery

The labour recovery account on Protean is used for the corresponding entry for labour costs when labour costs are added to WIP.

The account entered here will receive the credit posting for the notional cost of labour from jobs with the corresponding debit entry coming from the job type labour cost field.

A notional labour cost is recorded against jobs primarily for reporting purposes, but these postings can be configured in a number of ways depending on your treatment of your payroll journal. How you decide to treat these postings is at your discretion, the two most common options have been outlined below.

These are the postings made relating to the job labour costs:

Add Labour to Job	Labour Recovery	Work In Progress
	DR	CR
	100.00	100.00
Complete Job (non-charge) Invoice Job (charge)	Labour Cost	Work In Progress
	DR	CR
	100.00	100.00

Option 1 – Netting off

- This is suitable for companies that already split their payroll journal between their engineer costs and their admin costs, or don't wish to split these costs.
- Set Labour Recovery & Labour Cost (determined on Job Types) to the same code
- Requires no change to current payroll process.
- Labour recovery accounts should be a balance sheet account.
- Balance of labour recovery account will equal value of current Labour WIP
- Can be reconciled to WIP report if needed

Option 2 – Use labour recovery to post engineers costs as a cost of sale

- This is suitable if you don't (or will change process to not) split your payroll journal and wish for engineers costs to be considered a cost of sale.
- This will mean the engineer labour costs effect Gross Profit (above the line) on the P&L report rather just the Net Profit (below the line).
- Labour recovery and labour cost accounts would be P&L accounts.
- Set the labour recovery account as an expense (Typically in the 6000 range in sage 50).
- Set the labour cost account on each job type as a cost of sale account (Typically in the 5000 range in sage 50).
- *Option 2a)* have one cost of sale account used on all job types
- *Option 2b)* have different cost of sale accounts for different job types
- E.g. 5005 for Call Out Labour / 5006 for Service Labour / 5007 for non-charge labour
- If your payroll journal is all being posted to expenses (Typically 6000 upwards) then you can credit out your direct labour using the Labour Recovery CR posting to that nominal range and post it to COS (5000 range) using the Labour Job Cost DR posting.