



Microsoft Dynamics AX 2012 R3 CU8

Regular Rate of Pay

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Table of Contents

COURSE OVERVIEW	1
MODULE 1: REGULAR RATE OF PAY	2
Lesson 1: Regular Rate of Pay	3
Background.....	3
Create Work Cycles and Periods	3
Add the Work Cycle to a Position.....	6
Create a Regular Rate of Pay Earning Code	7
Creating a Regular Rate of Pay Earnings Statement Line	9
Lesson Review	10
Glossary and Additional Background Content.....	10

Course Overview

This course explains and introduces the payroll Regular Rate of Pay feature.

Audience

This course is intended for Microsoft Support Professionals, Consultants, Human Capital Management (HCM) Administrators and managers, and IT Professionals.

Before You Begin

Before starting this course, you should:

- Complete [80538](#): Human Resource Management in Microsoft Dynamics AX 2012.
- Complete [80541](#): Payroll in Microsoft Dynamics AX 2012.

What You Will Learn

After completing this course, you will be able to:

- Describe how to create Regular Rate of Pay Earning Codes.
- Describe how to use Regular Rate of Pay Earning Codes in worker Earnings Statements.

Module 1: Regular Rate of Pay

This module explains and introduces the payroll Regular Rate of Pay feature.

Estimated time to complete this module: 60 minutes

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Lesson 1: Regular Rate of Pay

This lesson explains and introduces the payroll Regular Rate of Pay feature.

What You Will Learn

After completing this lesson, you will be able to:

- Describe how to create and set up work cycles and periods.

Background

The Fair Labor Standards Act (FLSA) provides a framework for US companies to pay overtime to workers. One part of FLSA is focused on the proper calculation of premium portion of an overtime payment. In order to properly pay FLSA overtime premiums, it is necessary to aggregate hours and payments using a pre-defined “work period” to calculate the Regular Rate of Pay that is then used to determine the premium amount.

This process focuses on the following processes.

- Creating Regular Rate of Pay Earning Codes.
- Creating work cycles and work periods and identifying them on positions.
- Creating overtime premium earnings statement lines using the Regular Rate of Pay Earning Code.

When paying overtime to a worker who also has non-productive, non-discretionary earnings, the premium portion of the overtime must be calculated on all earnings. Failure to do so can open the company and its management team up to significant fines and penalties. By using Regular Rate of Pay Earning Codes to pay Overtime Premiums (instead of a standard 1.5x or 2.0x overtime code) the premium calculation will be made according to the FLSA rules.

Create Work Cycles and Periods

Create Work Cycles and Periods

In order to calculate the Regular Rate of Pay, it is necessary to define work periods. According to the FLSA, a work period is a consecutive 168 hours (that is, 7 days). Work Periods can be setup to synchronize with pay periods but it is not required.

Period Start Date

To create work cycles and periods, follow these steps:

1. Click **Payroll**, click **Setup**, and then click **Pay Cycles and Pay Periods**.
2. Click to select your **Pay cycle**. Write down the **Period start date** of the first pay period (that is, **12/31/2012**).
3. Click **Close**.

Period start date	Period end date	Default payment date	Status	Comments
12/31/2012	1/6/2013	1/11/2013	Open	
1/7/2013	1/13/2013	1/18/2013	Open	
1/14/2013	1/20/2013	1/25/2013	Open	
1/21/2013	1/27/2013	2/1/2013	Open	
1/28/2013	2/3/2013	2/8/2013	Open	
2/4/2013	2/10/2013	2/15/2013	Open	
2/11/2013	2/17/2013	2/22/2013	Open	
2/18/2013	2/24/2013	3/1/2013	Open	
2/25/2013	3/3/2013	3/8/2013	Open	

Figure 1: Period Start Date for Weekly Pay Cycle

Work Cycles and Pay Periods

To set up work cycles and periods, follow these steps:

1. Click **Payroll**, click **Setup**, and then click **Work cycles and periods**.
2. Click **New**. In the **Work cycle** Field, enter **Weekly 7 days**. In the **Description** field, enter **Weekly 7 days**. In the **Days per period** field, enter **7**. Save the record.

Work cycles and periods (1)

File New Delete

Work cycle	Description
Weekly 7 Days	Weekly 7 Days

Work cycle: Weekly 7 Days

Description: Weekly 7 Days

Days per period: 7

Generate periods Delete

Period start date	Period end date	Comments

The number of days in each work period

Close

Figure 2: Work Cycle set up for Weekly 7 days

Generate Periods

To generate periods for the work cycle, follow these steps:

1. Click the **Generate Periods** button.
2. In the **First work period start date** field, enter the start date of the first pay period of your Pay cycles and pay periods. (e.g., 12/31/2012).
3. In the **Number of work periods**, enter **156**. (156 work periods are 3 years' worth of pay periods.) Click **Create**.

Enter work period details

First work period start date: 12/31/2012

Number of work periods: 156

Create

Figure 3: Generate Periods for Weekly Pay Cycles

Add the Work Cycle to a Position

Position Assignment

To add the work cycle to a position, follow these steps:

1. Click **Payroll**, click **Common**, click **Workers** and then click **Workers**.
2. Select the worker you wish to add the work cycle to. (e.g., **Grant Culbertson** in the USMF dataset).
3. In the **Position assignment** group, click **Worker Position Assignments**.
4. Click the **Position** number in this form to navigate to the position.

Position assignments (1) - Name: Grant Culbertson, 000507

File New Edit End

Current records

000066 : Grant Culbertson

Position	Description	Assignment start	Assignment end	Primary position
000066	Machine Opera...	1/2/2009 12:00:00 am	Never	No

Unique identification of position

Close

Figure 4: Position Assignment for Grant Culbertson in the USMF dataset.

Maintain Versions

To maintain versions, follow these steps:

1. On the **Position**, in the **Versions** Group, click **Maintain Versions**.

2. Click the **Payroll** Tab and click **Edit**.
3. In the **Work cycle** field, select **Weekly 7 Days** work cycle.
4. Click **Close** to close the **Maintain Versions** form.
5. Click **Close** to close the **Position** form.
6. Click **Close** to close the **worker position assignment** form.

**Note:**

The steps using Maintain Versions were necessary to allow the Regular Rate of Pay calculation in the past for this data set. If you are adding this feature for future use only, then the work cycle can be added directly on the **Position** form on the **Payroll** FastTab.

The screenshot displays the 'Maintain position versions (1)' window. The 'Payroll' tab is active. On the left, a table lists version details with columns for 'Effective' and 'Expiration'. The main area contains various configuration fields: 'Effective' is 1/1/2005, 'Expiration' is Never, 'Pay cycle' is w, 'Work cycle' is Weekly 7 Days, 'Paid by' is USMF, 'Annual regular hours' is 2,080.00, 'Generate salary' is unchecked, 'Generate earnings from schedule' is checked, 'Earning code' is Regular, and 'Schedule' is Payroll. There are also fields for 'Pay period overtime hours' (0.00), 'Insurance benefit' (Plan), and 'Organizational officer' (unchecked).

Figure 5: Work Cycle added to the Position

Create a Regular Rate of Pay Earning Code

Regular Rate of Pay Earning Code

To calculate the overtime premium, it is necessary to create an earning code that uses the Regular Rate of Pay Rate basis. To do this, follow these steps:

1. Click **Payroll**, click **Setup**, click **Earnings**, and then click **Earning Codes**.
2. Click **New**. In the **Earning code** field, enter **Overtime Premium**. In the **Description** field, enter **Overtime Premium**. In the **Include in payment run type**, select **Primary and additional**.

General FastTab

On the **General** FastTab, enter the following information:

1. In the **Rate basis** field, select **Regular Rate of Pay**.
2. In the **Amount or multiplier** field, enter **1.50**.
3. In the **Basis earning code group** field, select **Regular Rate of Pay**.



Note:

If you do not have this **Earning Code Group** set up, you will want to set it up before you can select the **Basis Earning Code Group**.

Accounting FastTab

In the **Accounting** FastTab, under the **Posting rules** section, click **Add**. Click to select a main account to be associated with this earning code.



Note:

If you want to have this Regular Rate of Pay Earning code available in the Past, click **Maintain Versions** and change the effective date.

The screenshot shows the 'Earning codes (1)' window. The left pane lists various earning codes, with 'Overtime Premium' selected. The main area is divided into two tabs: 'General' and 'Accounting'.

General Tab:

- Earning code:** Overtime Premium
- Description:** Overtime Premium
- Unit of measure:** Each
- Base earnings component:** ☐
- Include in payment run type:** Primary and additional
- Productive:** ☐
- Rate calculation rule:**
 - Rate basis:** Regular rate of pay
 - Amount or multiplier:** 1.50
 - Basis earning code group:** Regular Rate of Pay
 - Retroactive earnings:** ☐
- Tax rule:**
 - Tax method:** Regular
 - Fringe benefit type:** Not applicable
- Related earning codes:**
 - Retroactive earning code:**
 - Gross up earning code:**
- Administration:**
 - Allow editing of earning statement rates:** ☐
 - Reduce remaining FMLA time:** ☐
 - Base definition:** Not applicable

Accounting Tab:

- Legal entity:** usmf
- Project category:**
- Distribution template:**
- Default financial dimensions:**
 - BusinessUnit:** No default
 - CostCenter:** No default
 - Department:** No default
 - ItemGroup:** No default
 - Project:** No default
- Posting rules:**
 - Add** **Remove**
 - | Main account | Department | Job | Worker |
|--------------|------------|-----|--------|
| 602100 | | | |

The status bar at the bottom indicates: 'The main account the accounting rule will post to'.

Figure 6: Earning Code Setup for Overtime Premium

Creating a Regular Rate of Pay Earnings Statement Line

Create an Earnings Statement

To create an Earnings Statement, follow these steps:

1. Click **Payroll**, click **Common**, click **Earnings Statements**, and then click **Earnings Statements**. In the **New** group, click **Earnings Statement**.
2. Enter the following information:
 - In the **Worker** field, select the worker (e.g., **Grant Culbertson**).
 - In the **Pay cycle** field, select what you have set up for the worker. (e.g., **W**).
 - In the **Pay period** field, select the pay period (e.g., **12/31/2012 – 1/6/2013**).

Earnings Statement Lines

Enter the days worked for each line. Enter the following information:

1. In the **Earning code** field, enter **Regular**.
2. In the **Quantity** field, enter **10**.
3. Repeat the process for all the days of the week the worker worked.



Note:

The employee worked 50 hours in the week. Although all 50 hours are coded as Regular, 10 of those hours should be considered Overtime.

Overtime Premium Earning Code

1. Enter the **Overtime Premium Earning code** to the **Earnings statement lines**.
2. Click **Add Line**. Enter the following information:
 - In the **Earning code** field, select **Overtime Premium**.
 - In the **Quantity** field, enter **10**. (This is the amount of hours beyond 40 hours.)

Result

The Overtime Premium rate was calculated using the FLSA definition of Regular Rate of Pay. It combined all non-discretionary earnings and divided the total by the productive hours. It then used this adjusted “Regular Rate of Pay” pay rate to determine the Overtime Premium.

Earnings statement (1 - usmf) - Earnings statement number: USMF-00002489, Grant Culbertson

File Earnings statement

Edit Delete Earnings statement New Earnings statement lines Generate Premium earnings Release earnings statement Hold earnings statement Pay statement Process View distributions Accounting Calculate Salary Refresh Export to Microsoft Excel List Attachments Attachments

USMF-00002489 : 000507 - Grant Culbertson

Earnings statement header

Worker: Grant Culbertson Earnings statement number: USMF-00002489

Pay cycle: w Note:

Pay period: 12/31/2012 1/6/2013

Earnings statement lines 000066

Add line Remove Distribute earnings Release lines for payment Hold lines for payment

Earnings date	Position	Tax region	Earning code	Description	Quantity	Unit type	Rate	Amount	Payment status
12/31/2012	0000...	DC - Washington	Regular	Regular	10.0000	Hours	18.1100	181.10	None
1/1/2013	0000...	DC - Washington	Regular	Regular	10.0000	Hours	18.1100	181.10	None
1/2/2013	0000...	DC - Washington	Regular	Regular	10.0000	Hours	18.1100	181.10	None
1/3/2013	0000...	DC - Washington	Regular	Regular	10.0000	Hours	18.1100	181.10	None
1/4/2013	0000...	DC - Washington	Regular	Regular	10.0000	Hours	18.1100	181.10	None
1/4/2013	0000...	DC - Washington	Overtime ...	Overtime ...	10.0000	Each	9.0550	90.55	None

Line details

The number of units worked or produced. For example, t... (7) USD USR Model usr usmf initial admin 10/24/2014 MicrosoftDynamicsAX Close

Position assignment

Position: 000066
Title: Machine Operator
Description: Machine Operator
Job: Machine Operator
Start: 1/2/2009
End: Never
Primary position: No
1 of 1 More

Worker earnings

Worker earning totals

Pay statements

Figure 7: Earnings Statement with 50 hours of earnings and Overtime Premium calculated based off of Regular Rate of Pay.

Lesson Review

Topics covered in this lesson include the following:

- Creating and assigning work cycles and periods.
- Creating Earning Codes using the new Regular Rate of Pay basis
- Using the earning codes to create an Overtime Premium line that calculates according to the formula defined by FLSA.

Glossary and Additional Background Content

Regular Rate of Pay

The calculated hourly pay rate for a given work period when all productive hours and non-discretionary earnings are considered.

Overtime Premium

The Premium portion of an overtime payment. For example: If your company pays overtime at a rate of 1.5x hourly pay, the additional .5 is the premium. The FLSA requires that the overtime premium is paid at the regular rate of pay for the work period.

Work Period

With certain exceptions, the FLSA defines a work period as a consecutive 168 hours (7 days). In Microsoft Dynamics AX 2012 R3 CU8, work periods are defined in days.

Work Cycle

A group of consecutive work periods.

Documentation of FLSA

Documentation of the Fair Labor Standards Act can be found on the US Department of Labor website at: <http://www.dol.gov/compliance/laws/comp-flsa.htm>