

What You Should Know About Retained Earnings

During year end our support center is flooded with calls regarding what users need to do to get the P&L accounts to roll into the retained earnings account. This tech note will outline everything you should know about how Data Plus handles the Retained Earnings account.

During year end, the booking of Profit/Loss to Retained Earnings is automatically done by the system when the last period has been closed. If the year has been closed and adjusting entries need to be made to the previous year, you may post to EY and the system will automatically roll forward the balance into retained earnings.

How does the system know what accounts to roll into retained earnings?

The system uses the Account Classifications under File Maintenance > Chart of Accounts to determine which type of accounts to zero out and post to retained earnings. Below is a list of each Account Classification and an explanation of how accounts with each classification will be handled at the end of the year.

<i>Asset (A)</i>	<i>An account classified as 'Asset' will have its balance rolled forward at Close Year, and retained earnings will not be affected.</i>
<i>Balance Sheet (B)</i>	<i>An account classified as 'Balance Sheet' will have its balance rolled forward at Close Year, and retained earnings will not be affected.</i>
<i>Liability (L)</i>	<i>An account classified as 'Liability' will have its balance rolled forward at Close Year, and retained earnings will not be affected.</i>
<i>Expense (E)</i>	<i>An account classified as 'Expense' will have its balance zeroed out at Close Year, and the balance will be transferred to the Retained Earnings account.</i>
<i>Profit / Loss (P)</i>	<i>An account classified as 'Profit / Loss' will have its balance zeroed out at Close Year, and the balance will be transferred to the Retained Earnings account.</i>
<i>Revenue (R)</i>	<i>An account classified as 'Revenue' will have its balance zeroed out at Close Year, and the balance will be transferred to the Retained Earnings account.</i>
<i>Statistic (S)</i>	<i>An account classified as 'Statistic' will have its balance zeroed out at Close Year, but Retained Earnings will NOT be affected.</i>

Accounts with Classifications of 'A', 'B', 'L', or 'S' **will not** post to retained earnings. Accounts with Classifications of 'P', 'R', and 'E' **will** zero out and post to retained earnings.

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The system adds the total of the 'P', 'R', and 'E' class accounts to determine the profit or loss amount. It then books this amount to the Retained Earnings account specified in parameters. The offsetting entries are made to each account with classes of 'P', 'R' and 'E'. These entries bring the account balances to zero. All entries are posted into a period 'SY' (Start Year).

After closing the last period of the year, print the Closing Entries report under Yearly Reports to see the entries booked by the system.

NOTE: Entries to Profit/Loss, Revenue, or Expense accounts which are posted back into a year AFTER it has been closed automatically adjust the retained earnings account and keeps the starting value of the income/expense account at zero.

For further information on what other steps should be done during the close year process, view the technical note in the System Technical Note section of our website, entitled 'Checklist for End of Year'.

If you have further questions, please visit our website www.dphs.com OR contact Data Plus Support.