EOSB Calculation upon Termination Using Actual Earnings in FirstBIT

End of Service Benefits (EOSB) Calculation upon Employee Termination in FirstBIT

1. General Calculation Logic

- In the **Termination** document, under the **End of Service Benefits End of Service Total Amount** tab, the EOSB amount is calculated automatically by the system.
- **FirstBIT uses the employee's actual earnings for the month preceding the termination month**, including all base salary components (basic salary, allowances, etc.).
- If no earnings exist for that month (e.g., salary or leave payments were not processed), the system uses **the data from the employment contract and its amendments** to calculate EOSB.

2. Why Actual Earnings Are Used

FirstBIT Software relies on actual earnings from the month preceding termination for EOSB calculation for the following reasons:

1. **Accrual-based Accounting Compliance**
    - Calculations are based on amounts actually earned by the employee to accurately reflect the company's liabilities and avoid overstatement or understatement of EOSB.
    - This approach complies with UAE accounting standards and legal requirements.
2. **Transparency and Fairness**
    - Using actual earnings captures any changes in salary, allowances, leave, and other base payments in the employee's final month.
    - This ensures a fair calculation reflecting the employee's real situation at the time of termination.
3. **Automation and Accuracy**
    - The system is designed to automatically consider actual amounts earned rather than relying solely on contract data.
    - This ensures correct calculation of the company's obligations for each employee, even if compensation conditions changed during employment.

If there are no earnings in the preceding month, the system uses the employment contract data to prevent missing the EOSB calculation and ensure correctness.

3. EOSB Calculation Algorithm

- **Daily salary** = Total actual base earnings for the month preceding termination ÷ 30
- If actual earnings are missing the system uses base salary and allowances from the employment contract and its amendments.
- Key excerpt from FirstBIT User Guide documentation:

"Daily salary is calculated as the earnings of all basic types during the preceding month divided by 30... If, by any reason, there is no data on the actual earnings of the previous month, the salary and other base accruals from the employment contract and its changes are used for calculation."
(Source: Overview of End-of-Service Benefit Processing)

4. Editable Field: End of Service Total Amount

- The **End of Service Total Amount** field in the Termination document is **editable**.
- Users can **manually adjust the amount** if the company's internal policy requires a different calculation method.
- This allows customization while maintaining the automated calculation based on actual earnings as a default.

5. Example EOSB Calculation

Parameter	Amount	Notes
Contractual Salary	1400 AED	Salary as per employment contract

Actual Earnings for September (preceding the termination month, October)	1120 AED	Days of absence or other adjustments included
Daily Salary for EOSB Calculation	1120 ÷ 30 ≈ 37.33 AED	Calculated based on actual earnings of the preceding month
EOSB (full employment period)	Calculated by the system based on daily salary × number of days	Reflects accurate employee entitlement

Key Takeaways:

- FirstBIT **uses actual earnings from the preceding month** to ensure a fair and accurate EOSB calculation.
- If no earnings exist, contract data is used to ensure the calculation is not missed.
- **The amount is editable**, allowing manual adjustments in line with company policy.

Thank you for being FirstBIT customer!