

## Chapter 5 – Banked Vacations

### **Authoritative Sources**

[48 CFR 9904.408](#) (CAS 408)  
Accounting for Costs of  
Compensated Personal  
Absence

[48 CFR 9904.415](#) (CAS 415)  
Accounting for the Cost of  
Deferred Compensation

This chapter addresses the following topics:

### **5-1 General**

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The term "banked vacations" refers to a situation where contractors have policies that allow employees to carry

forward and accumulate (bank) all or a portion of vacation time not taken within the year in which entitlement is earned. The banked vacation can be taken at a later date or not taken at all, in which case payment for the amount of banked vacation time is usually made when the employee terminates employment. Sometimes contractors write up the vacation liability on the books to reflect employees' pay raises received subsequent to the periods in which vacation was earned.

CAS 408 does not address the practice of banking vacations, nor does CAS 415 specifically apply to compensated absences. Therefore, auditors should not issue CAS 408 or CAS 415 noncompliances because of problems with the contractors' policies/practices regarding banked vacations.