Attendance and Payroll Procedures

What is Payroll

Payroll is a list of employees who receive salaries from the company. The payroll also indicates the total amount the employer pays the employees. As a business, it includes:

- Development of the organization's payment policy includes flexible benefits, leave disbursement policy, etc.

- Define payment components such as Primary and Variable Payment, HRA and LTA

- Collect other payroll inputs (for example, an FAO food seller may provide information about the amount that will be recovered from staff for consuming meals)

- Actual calculation of gross salary, legal and illegal deductions and access to net wages

- Paying the employee's salary

- Deposit of receivables such as TDS, PF, etc. with the relevant authorities and return returns

In short, we can say that the payroll process involves access to what is due to employees also called "net remuneration" after adjusting the necessary taxes and other deductions.

Stages to processing payroll

A payroll officer needs to do careful planning. There are always ongoing tasks that need attention and a constant need to monitor changes to withholdings, contribution to social security funds, etc. following are the steps involved in payroll processing-

Step 1: Determine your employer identification number

The first step that you need to take in processing your payroll is to determine your employer identification number (EIN), and to determine state and local tax IDs. The government will use these tariffs to track your company's payroll taxes and ensure that you meet the requirements. If you do not know your EIN, or if you do not have a Personal Identification Number, you can visit the IRS website to set it up. For state and local tax IDs, you will have to go through state and municipality.

Step 2: Collect relevant employee tax information

Before you start processing payroll, you will have to ask your employees to fill in different tax forms in order to calculate allowances and other tax details. These models include W-4, I-9 (if new employee), and W-2. There are many government and local models that you must provide, but these depend on where your company operates. If you have contract employees, you will have to submit 1099s.

Step 3: Choose the payroll

Once you have the relevant tax and legal information to prepare your payroll, you can choose a schedule that works best for your business. There are four main schedules: monthly, bi-monthly, bi-weekly and weekly. It is important to understand the complete division of each plan before deciding which option is best for your business. Once you choose a schedule, set up a calendar with pay days and write down the days when you will have to process the payroll for your workers to get paid for that specific day. Build quarterly tax dates, holidays, and annual tax returns. Note that you will have to do this at the beginning of each year. You will also need to select the preferred delivery method for each employee. Many companies offer paper checks and direct deposit options, for example.

Step 4: Calculate the gross wage

Now that you have set your payroll and work schedule, you can start processing your first payroll. To do this, you must calculate the total wage for each employee. The employee's total wage is the sum of the number of working hours that the employee works in a specific payment period multiplied by his hourly wages. Start by counting the number of employee hours worked in a specific payment period, and note the overtime hours. Extra time must be paid at a higher rate consistent with federal law. If the worker consumes every hour more than 40 hours per week, you will have to pay half and time, or the employee's hourly wages in addition to half of that wage.

Step 5: determining deductions for each employee

Collect information from employees' W-4s, federal requirements, state requirements, insurance requirements, and benefit requirements to determine employee discounts. This is where the legal procedures for handling your company's payroll come in. Each state is different and takes different taxes from small businesses, so you will have to research your state policies before completing this step. Here is a basic list of some of the default requirements:

- Federal taxes

- social Security

- State taxes

- Local taxes

- Medicare

- Labor compensation contribution

- Other benefits

Step 6: Calculate the net wages and pay your employees

Take the total wages for each employee and subtract their deductions from this amount. What remains is the net wage of the employee, or taking home wages. This is what you will have to pay each employee via direct deposit or paper check, depending on what your workers prefer and what you can offer. The deductions you'll have to hold and pay with your payroll taxes each month or quarter, depending on the schedule you establish.

Once you determine the net wage for each employee, you can pay your workers on the specified payday.

Step 7: Maintain payroll records and adjust to errors

While processing payroll, it is important to keep your transaction records for tax and compliance purposes. If an employee objects to the payment, or if the IRS needs some kind of documentation in the future, you must have records ready. Especially in the event that an employee objects to a paycheck, it is important to keep records, including payment to date, so that you can resolve any problems that may arise.

Step 8: Other considerations

Note that you must submit your business taxes on a quarterly and annual basis. It is important to consult with an accountant to understand how your payroll taxes are appropriate for this aspect of your operations. It is also important to remember that you will have to report any new appointments that you make. Working with a payroll or accountant solution means that this is not your responsibility.

Payroll Procedures

1. Manual operation

If you have a few employees, then the payroll and manual attendance system may work for you. With this system, everything is done by hand. The staff will complete the weekly time sheets, and you can calculate the time and check it manually. While processing payroll, you can manually set pay and deductions and write salary. Related duties, like keeping records and reporting salary tax, are also done manually. This system is subject to errors. If you decide to apply it, the standard perforated watch for timekeeping can be of great help.

2. Automated system

The automated or computerized time clock allows employees to enter and exit via scroll badges, watch cards, fingerprint, or handprint, depending on the type of system. It also computes business hours and time round-up and down to comply with federal rounding rules and state laws. Managers and supervisors track the time of their employees via the automated system and make the necessary adjustments before the time comes to the payroll for processing. This system enables you to transfer time to the payroll program, which is used to process the payroll. Payroll software reduces manual accounts, generates paychecks and payment payments, and allows direct deposit and annual W-2 processing. It also stores payroll records and limits the keeping of paper copies.

3. Providing external payroll

If the payroll service provider deals with payroll issues, you can still track your employees 'hours within the company, but you will use the supplier's payroll system. For example, the supplier may request that your employees' hours be faxed or emailed. Then he processes and sends you checks on payday. Alternatively, by logging in with a unique login and password, you can upload business hours into the online reseller system, and print payroll checks and payroll reports to your own printer. The supplier can help you with your payroll tax issues and solve complex payroll problems.

Attendance Procedures

1. Manual Method:

Under this method the attendance time of employees are recorded either by the time keeping officer or by employees themselves.

The manual methods of time keeping are as follows:

a) Attendance Register Method:

Under this method, an attendance register is maintained for recording the attendance time. This method is followed in small sized concerns. This method is more suitable for recording the attendance time of clerical staff and other staff officers. Under this method two separate columns are maintained corresponding to the names of every employee.

One column is to record arrival time and second column for recording departure time. The attendance time can be marked by the time keeping officer by calling out the name of every employee or alternatively the attendance register may be signed by every employee.

Merits:

(1)   It is simple to maintain attendance register.

(2)   It is an economical method in comparison to other methods.

Demerits:

(1)   This method is not suitable for medium and large sized businesses.

(2)   Where the attendance is marked by calling out the names of employees, there will be hold- ups near the factory gate.

(3)   Dishonest employees may mark the attendance of absentee employee.

(4)   Time keeping officer may show step motherly treatment to his friends and this will defect the purpose of time keeping.

(5)   It involves additional work for posting the entries into the individual working record.

b) Token or Disk Method:

Under this method, each worker is allotted an identification number and that number is suitably painted on engraved on a round metal to ken (or disk) with the hole in it. All such token are hung in a serial order on a board at the factory gate.

As the worker arrives he takes his token from the board and puts it in a box kept nearby, which is specially kept for this purpose. After the fixed time the second board is removed. Those coming

late have to hand over their token personally at the time office so that exact time of their arrival can be noted.

The time office records attendance on the basis of token in the box. The absentees are indicated by the missing tokens. Similar procedure is followed at the departure time in the evening.

Merits:

(1) It is simple to operate.

(2) It does not involve heavy investment.

(3) It suits to a factory which employs more number of employees.

Demerits:

(1) Dishonest practice of inserting a disc of an absentee worker by another employee may take place.

(2) It involves more clerical work to prepare an attendance record with the help of disc, where any mistake is committed in recording attendance time on the basis of disc and in case of any disputes between an employee and time keeping officer, disc cannot offer any proof.

2. Mechanical Method:

In modern age, mechanical methods of time keeping are used to save time and ensure greater accuracy. The machines record the exact time of the arrival and departure of employees. Thus, they avoid possible disputes and difference of opinions between employees and time keeping officers. Mechanical methods are used in medium and large sized industries as small sized concerns cannot afford to invest more capital on such equipment.

Following are the important mechanical methods of time recording:

a) Dial Time Recorder:

This method consists of a large dial on which there are about 150 holes corresponding to the number of workers. A clock is fitted within the circles of the dial together with a dial arm which operates from the centre of the circle.

The worker while entering into the gate turns the dial arm. He then presses the button corresponding to his clock number. The time of his arrival is recorded on a sheet of paper kept inside the machine.

The same procedure is followed before the employee leaves the factory gate.

Merits:

(1)   Time is recorded strictly according to pay roll order.

(2)   Provision can also be made out not only to record time but also to calculate wages.

Demerits:

(1)   A worker can record the time of an absentee worker.

(2)   Time of arrival and departure and separated out in two different sheets of paper which require additional clerical work.

(3)   A worker cannot see the time he has booked and disputes may arise afterwards.

b) Card Time Recorder:

This is a machine which is fitted with a clock on each side of which there is an 'in' and 'out' rack which contains the cards of the employees. The worker who enters the gate takes his and from the 'in' rack, inserts it in the machine.

On pressing a lever the time of arrival is recorded on the card. Then the card is placed in the 'out' rack. At the time of departure from the factory the worker removes his card, inserts it in the machine to record the time of departure and finally places it in the 'in' rack.

Merits:

(1)   For each and every worker's time is recorded individually.

(2)   The absence of worker can be checked by a mere look at the 'out' rack.

(3)   This can be taken as a basis for wage calculation.

Demerits:

(1)   An employee can record the time of absentee worker.

(2)   Controlling and checking of cards becomes difficult.

c) Autograph or Signature Type Time Recorder:

This type of machine is most commonly used in small sized business enterprise where supervision for time recording does not arise.

Its features can be summarized as follows:

(1)   It is a machine which is fitted with a clock and is connected to a printing mechanism on a roll of paper.

(2)   To operate the machine, the employee opens the shutter by pressing a lever which is at the side of the machine. This enables to uncover a small signature window.

(3)   The employee signs in this signature window and as he signs, the day and time is automatically recorded.

(4)   When the lever is released, the paper roll inside the machine is advanced, the shutter slides back over the signature window, and the machine is ready for the signature of the next worker.

Merits:

(1)   Recording of time is automatic and accurate.

(2)   Employees cannot see the recorded time.

Demerits:

(1)   The worker's name does not appear as per the pay roll order.

(2)   Breakdown in the machine leads to stoppage in the recording of attendance time.