CHAPTER 1 SETTING UP PAYROLL

INFOCUS

Working with payroll is a little like painting your house – most of the effort is in the preparation and actually working with payroll is straightforward.

To make the best use of the payroll feature of AccountRight you will need to take some time to consider how your company's payroll works and then adapt and configure AccountRight accordingly.

You will need to nominate specific information such as the current payroll year, load up-to-date tax tables, nominate your working week and how many employees should be paid, possibly edit AccountRight's payroll categories and deductions, and finally link relevant accounts depending on how you pay employees. These steps must be taken before conducting your first pay run using AccountRight.

In this session you will:

- ✓ gain an understanding of payroll operations
- ✓ learn how to open the data file
- ✓ learn how to set up basic payroll information
- ✓ gain an understanding of payroll categories
- ✓ learn how to create a new deduction
- ✓ learn how to add payroll accounts
- ✓ learn how to link categories and accounts.

UNDERSTANDING ACCOUNTRIGHT PAYROLL

Accounting for payroll is a bit more intricate and involved than most other accounting matters. On the surface, ***payroll*** involves the simplistic payment of a salary or an hourly wage to an employee. However you will find that there are many things you must consider when paying employees.

PAYG Tax

As an employer, the government requires you to collect and then submit the tax that wage earners are obliged to pay. You need to calculate the employee's pay, deduct the appropriate tax, and then periodically (either monthly or quarterly), pay the tax that you have collected to the government. This ***PAYG*** (***Pay As You Go***) tax paid by the employee is sometimes referred to as a withholding tax because you, as an employer, are obliged to withhold it from the employee and submit it to the government.

In accounting terminology this tax that you are withholding from the employee is a liability to your accounts – it might still be in your bank account for a period of time, but eventually you will need to pay it to the tax office.

Superannuation

As an employee there is a statutory requirement for you to contribute on your employees' behalf to a ***superannuation*** fund. A certain percentage of an employee's gross wage needs to be paid into a superannuation fund on a regular basis. This is an ***expense*** to your company. It is not deducted from the employee's pay but is totally funded by your company.

Deductions

Your employees themselves may have specific deductions that they'd like you to make from their pay. For instance, if they are union members, they may ask you to deduct their union dues, or they may contribute to a health benefits scheme and ask you to deduct an amount from each pay. There are a myriad of deductions possible for employees. These are taken from the employees pay so there is no expense to your company. However, they must then be paid to the appropriate union or health fund and are therefore a liability on you.

Entitlements

Your employees will most likely be entitled to holiday leave and sick leave. These accrue over a period of time and you must be able to account for them. Unlike wages, taxes and deductions they do not have a monetary value other than one required for reporting purposes.

Payroll Accounting

Using normal double entry accounting the transactions associated with just one pay for an employee would look as follows:

	Debit	Credit
Gross Pay (expense)	$1,200	
PAYG Tax (liability)		$300
Deductions (liability)		$20
Net Pay (from cheque account)		$880
	$1,200	**$1,200**
Superannuation (expense)	$108	
Superannuation (liability)		$108
Total	**$1,308**	**$1,308**

In this example, the $1,200 paid to the employee actually ends up costing you $1,308 by the time you add superannuation into the figure. When the PAYG tax of $300 is deducted from the gross pay, and the $20 deduction (presumably the union dues or something similar), the employee is paid $880 from your cheque account. As an employer you then have to forward on the tax ($300), deductions ($20), and superannuation ($108) to the appropriate parties concerned – this is your liability

Opening The Data File

In our case study, we will be setting up the payroll system for the ***Bloggs' Appliance Centre***. Fred Bloggs has five employees; three on salaries and the other two are part-time employees who are paid hourly. Before we can enter the payroll information for the employees, we must first open the appropriate data file for this case study.

Try This Yourself:

Before starting this exercise you MUST ensure your computer is switched on…

1. Ensure the ***Windows Start*** screen is displayed

   Either click on the Windows button in the bottom left of the screen or press …

2. Begin typing **myob** into the ***Windows Start*** screen to display the ***Search*** pane on the right side of the screen with a list of results displayed

2. In the ***Search*** pane click on ***+ MYOB AccountRight Plus v19 ED + to display the Welcome screen***

   If a message appears asking if you want to allow the program to make changes to your computer, click on [Yes]…

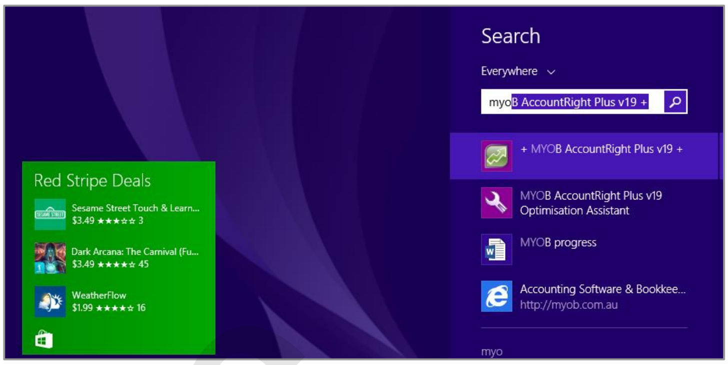
3. Click on ***Open your company file*** to display the ***Open*** dialog box

4. Under ***This PC***, click on ***OS(C:)***, then locate and double-click on ***Course Files for MYOB AccountRight v19***

5. Locate and click on ***Payroll – Setup.myo***, then click on **[Open]** to display the ***Sign-on*** dialog box

6. Ensure **Administrator** appears in **User ID**, then click on **[OK]** to accept the settings and open the file

   If a message appears asking if you wish to run a data verification on the file click on [Yes], then click on [OK]



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If your Computer uses Windows 7, you have to use a different method to start AccountRight as Windows 7 doesn't have a Start screen. Instead click on the Windows Start button (it has the Windows logo on it), click on All Programs, then click on MYOB AccountRight v19 to open AccountRight and display the Welcome screen.

For Your Reference…

To ***open*** a ***data file***:

1. On the ***Windows Start*** screen, start typing myob
2. Click on ***MYOB AccountRight Plus v19*** in the ***Search*** pane
3. Click on + ***MYOB AccountRight Plus v19 +, then click on [Open]***

Handy to Know…

- When opening a file in AccountRight, data verification may take a while if the file is particularly large.
- Once you have AccountRight loaded, you can also open files by selecting **File** > **Open File** or by pressing Ctrl + O.

SETTING UP BASIC PAYROLL INFORMATION

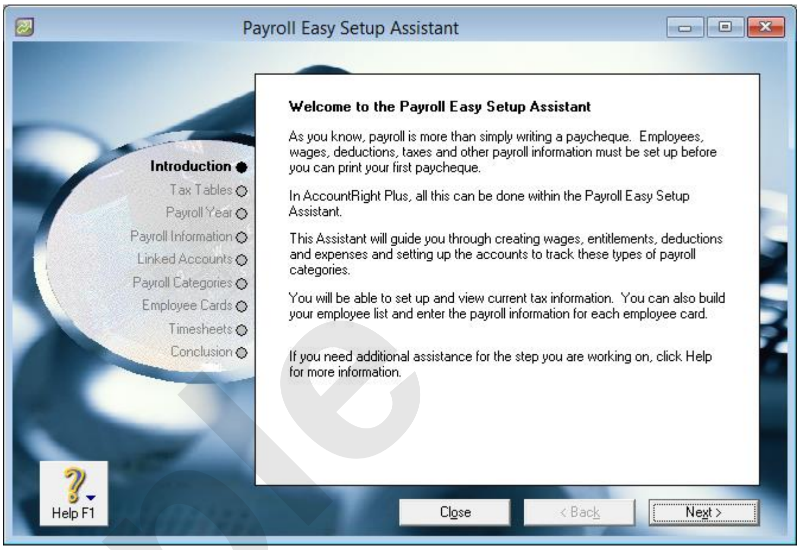
There are a number of steps involved in setting up your payroll in AccountRight and there is some core information that is fundamental to its operation. For instance, you need to know the payroll year, normal weekly operating hours and which account to withdraw pays from. The easiest way to enter this information is to use the ***Payroll*** settings of the ***Easy Setup Assistant***.

Try This Yourself:

Same File

Continue using the Payroll - Setup.myo file with this exercise...

1. In the menu bar select **Setup** > **Easy Setup Assistant**, then click on **[Payroll]** to display the setup assistant
2. Read the ***Introduction***, click on **[Next]** to display the ***Tax Tables***, then click on **[Load Tax Tables]** – note the creation date of the tables when done
3. Click on **[Next]** and ensure that ***Current Payroll Year*** is set to ***2014***, then click on **[Next]** twice to display ***Payroll Information***
4. Type **35** in ***Full Work Week Hours***, then press Tab and type **00 444 333 222** in ***Withholding Payer Number***
5. Click on the list arrow for ***Default Superannuation Fund***, type **Electrical Retail Employees Fund** and click on **[Easy-Add]** to add the fund
6. Ensure that ***Round Net Pay Down to a Multiple of*** is set to ***0***, then click on **[Next]** to view the ***Linked Accounts***
7. Click on **[Close]**, then click on **[Close]** again to close the ***Easy Setup Assistant***



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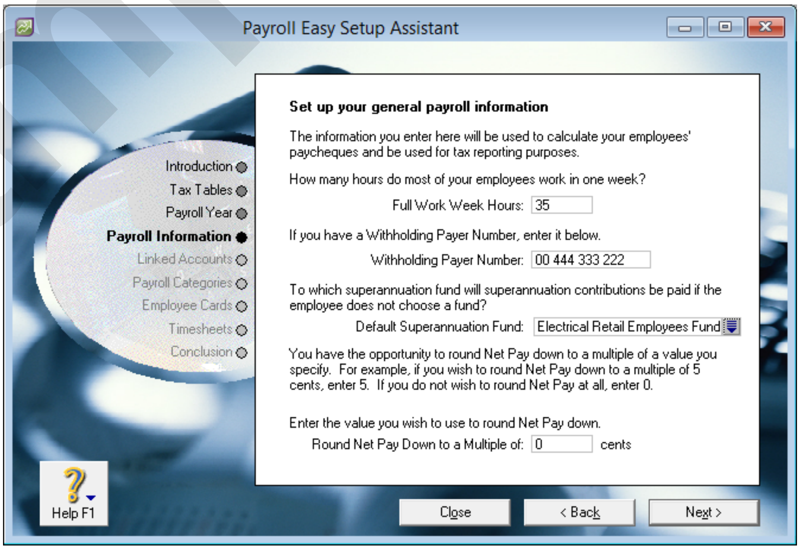

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6 *Fred pays some employees by cheque and others electronically straight into their accounts. The payment accounts listed are fine, as are the expense and liability accounts.*

For Your Reference…

To ***set basic payroll information***:

1. In the menu bar select **Setup** > **Easy Setup Assistant**
2. Click on **[Payroll]**
3. Complete the steps of the ***Payroll Easy Setup Assistant***, then click on **[Next]** to move through the steps

Handy to Know…

- We strongly recommend that you consult with your accountant regarding all matters pertaining to the setup of payroll before attempting to set up your own company's payroll.

UNDERSTANDING PAYROLL CATEGORIES

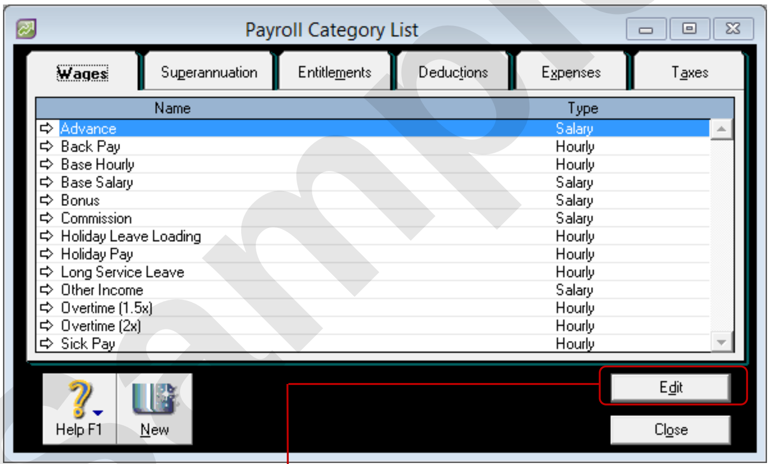
Payroll categories are items against which either payments or deductions are made. There are a number of various pay categories required when dealing with payroll matters, including wages, entitlements, expenses and taxes. These categories can be quite simple or quite complex in the way that they are calculated.

Payroll Categories

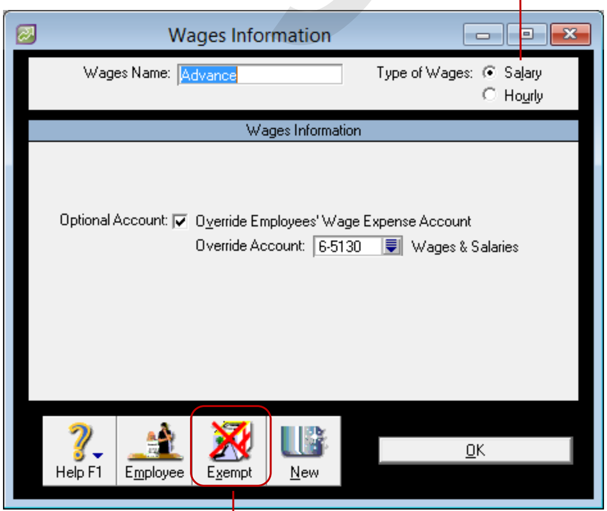
In ***AccountRight*** you can set up payroll categories for:

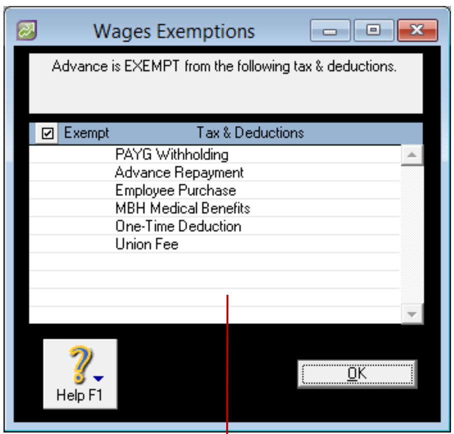
- ***Wages*** (e.g. hourly, salary, overtime, holiday, sick etc)
- ***Superannuation Guarantee*** contributions
- ***Entitlements*** (e.g. annual leave, sick leave etc)
- ***Deductions*** (e.g. union dues, health benefits etc)
- ***Expenses*** (e.g. superannuation, workers compensation etc)
- ***Taxes*** (e.g. PAYG, FBT etc)

If you have used a standard chart of accounts to set up your company in AccountRight, most of these categories and more will be provided for you. It is a good idea to understand where to locate them, how they are grouped and what can be done with them



To access the Payroll Category List dialog box, you need to click on [Payroll] in the Command Centre, then click on Payroll Categories.





Click on [Exempt] to display the exemptions for the selected item – in this case, the taxes and deductions from which this wage is exempted are displayed with a tick (i.e.none).

CREATING A NEW DEDUCTION

The ***Payroll Category List*** window can be used to create new categories. There shouldn't be a great need to do this often, but you might find that you have to create a new deduction category when you first set up your payroll to accommodate some of the more unique categories applicable to your industry or company. We will create a deduction for medical benefits cover.

Try This Yourself:

Continue using the previous file with this exercise...

1. Click on **[Payroll]** in the command centre window, then click on ***Payroll Categories*** to display the ***Payroll Category List*** window
2. Click on the ***Deductions*** tab to see the list of ***Deductions*** available
3. Click on **[New]** to display the ***Deduction Information*** window

Fred has negotiated a medical benefits package for his salaried employees. For $20.75 per pay period, any salaried employee will receive top-level hospital and medical benefits cover...

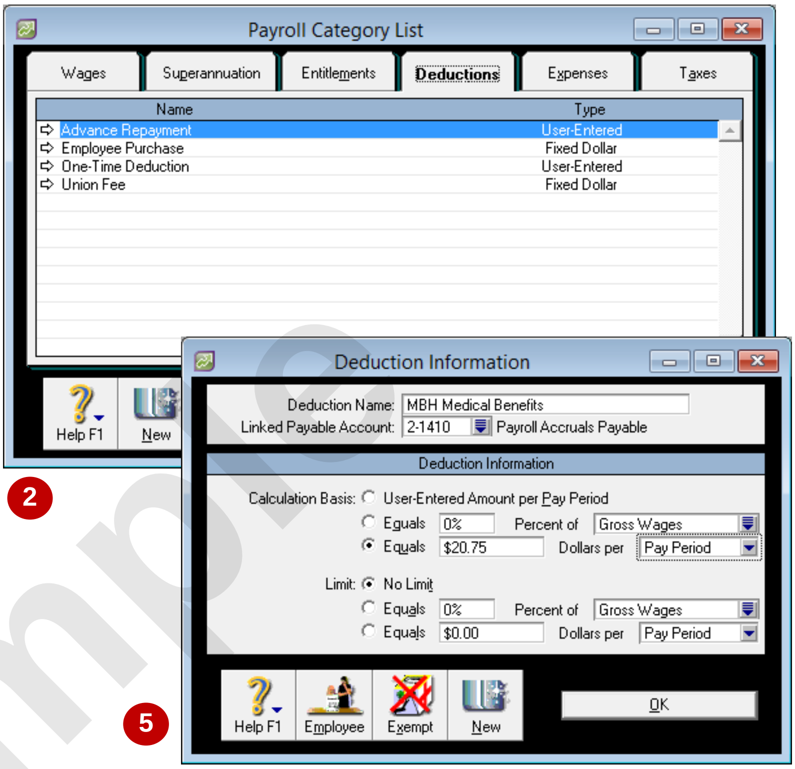
4. Type **MBH Medical Benefits** in ***Deduction Name***
5. Click on ***$0.00*** in ***Equals***, type **20.75**, then press Enter

This tells MYOB to deduct $20.75 every pay period...

6. Click on **[OK]** to return to the ***Payroll Category List*** window

Notice the new account is displayed…

7. Click on **[Close]**



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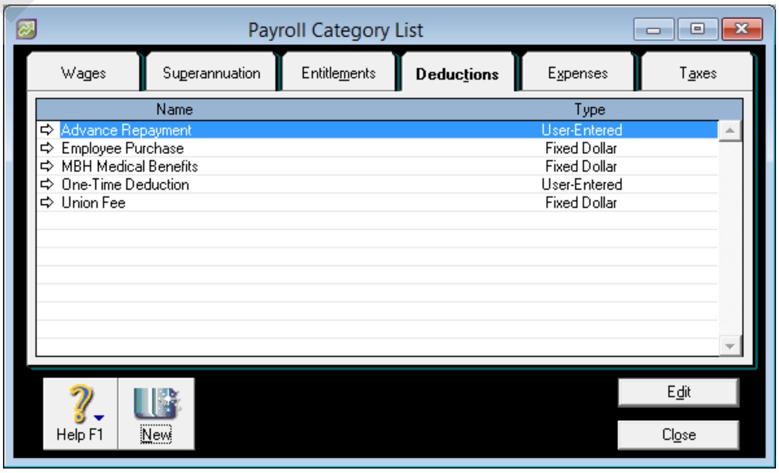

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For Your Reference…

To ***create*** a ***new deduction***:

1. Click on **[Payroll]** in the command centre window, click on ***Payroll Categories***, then click on the ***Deductions*** tab
2. Type a ***Name*** and specify the deduction calculation method
3. Click on **[OK]**

Handy to Know…

- On each page of the ***Payroll Category List*** window, items are listed by name. If you right-click on the ***Name*** heading, a shortcut menu is displayed and you can select various help topics for this window.

ENHANCING PAYROLL ACCOUNTS

If you have used a standard chart of accounts to create a company file, then chances are there are only two payroll liability accounts – ***2-1420 PAYG Withholding Payable*** (taxation deduction) and ***2-1410 Payroll Accruals Payable*** (all other deductions including superannuation). Fred currently has three liability types and has decided to add two more.

Try This Yourself:

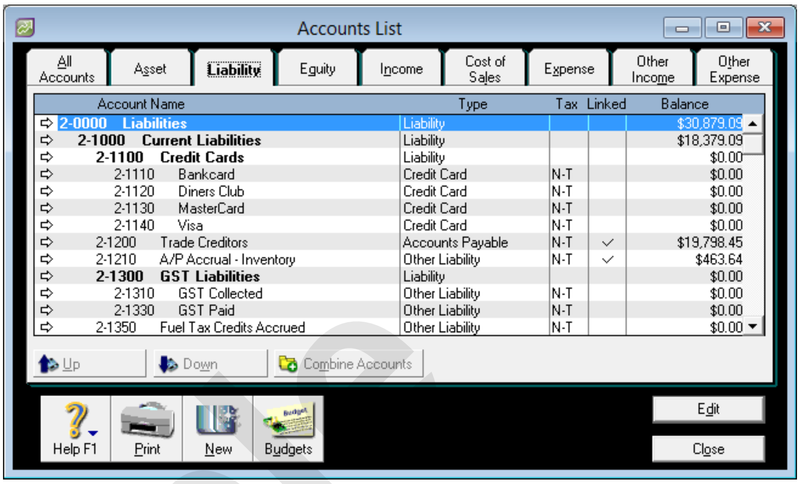
Continue using the previous file with this exercise...

1. Click on **[Accounts]** in the command centre window, click on ***Accounts List*** to display the ***Accounts List*** window, then click on the ***Liability*** tab
2. Click on **[New]** to display the ***Edit Accounts*** window

   First we'll add an account to track medical benefit withholdings...
3. Type **1430** in ***Account Number***, press Tab, then type **MBH Withholding Payable** in ***Account Name***
4. Click on **[OK]** to return to the ***Accounts List*** window

   Now let's add an account to track superannuation...
5. Click on **[New]**, type **1440** in ***Account Number***, press Tab, then type **SGC Superannuation Payable** in ***Account Name***
6. Click on **[OK]** to return to the ***Accounts List*** window

   Both new accounts are listed...
7. Click on **[Close]** to close the ***Accounts List*** window



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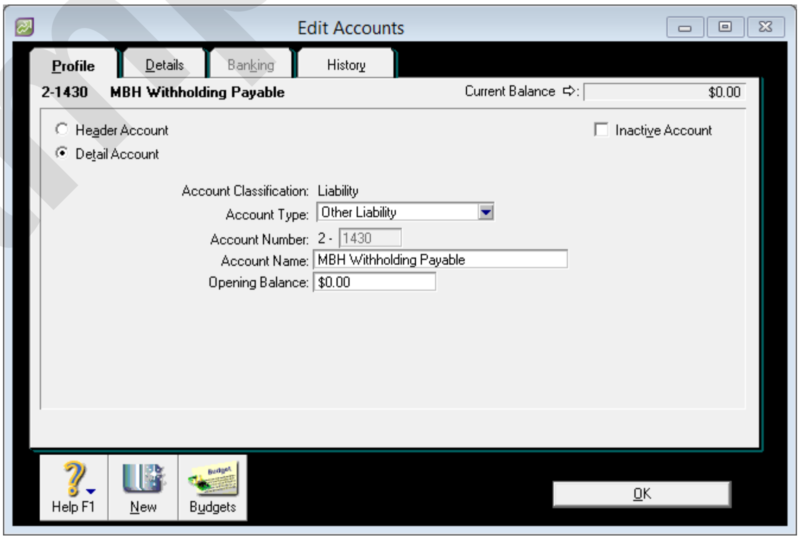

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For Your Reference…

To ***create payroll liability accounts***:

1. Click on **[Accounts]** in the command centre window, then click on ***Accounts List***
2. Click on the ***Liability*** tab, then click on **[New]**
3. Enter an ***Account Number*** and ***Name***, then click on **[OK]**

Handy to Know…

- If you are deducting, withholding or incurring any type of payroll liability, it pays in the long run to set up a separate liability account for each. This makes it much easier to account for the payment of these liabilities.

LINKING CATEGORIES AND ACCOUNTS

Once new liability accounts have been created, you will need to link them to the appropriate deduction category. For example, at present the ***MBH Medical Benefits*** deduction is linked to ***2-1410 Payroll Accruals Payable***. Ideally it should be linked to ***2-1430 MBH Withholding Payable***.

Try This Yourself:

Continue using the previous file with this exercise...

1. Click on **[Payroll]** in the command centre window, click on ***Payroll Categories***, then click on the ***Deductions*** tab
2. Click on ***MBH Medical Benefits***, then click on **[Edit]** to display the ***Deduction Information*** window
3. Click on the list arrow for ***Linked Payable Accounts*** to display the ***Select from List*** dialog box
4. Click on ***2-1430 MBH Withholding Payable*** and click on **[Use Account]**
5. Click on **[OK]** to return to the ***Payroll Category List*** window
6. Click on the ***Superannuation*** tab and repeat steps ***2*** to ***5*** to link ***Superannuation Guarantee*** to ***2-1440 SGC Superannuation Payable***
7. Click on the ***Taxes*** tab and repeat steps ***2*** to ***5*** to link ***PAYG Withholding*** to ***2-1420 PAYG Withholding Payable***
8. Click on **[Close]** to close the ***Payroll Category List*** window

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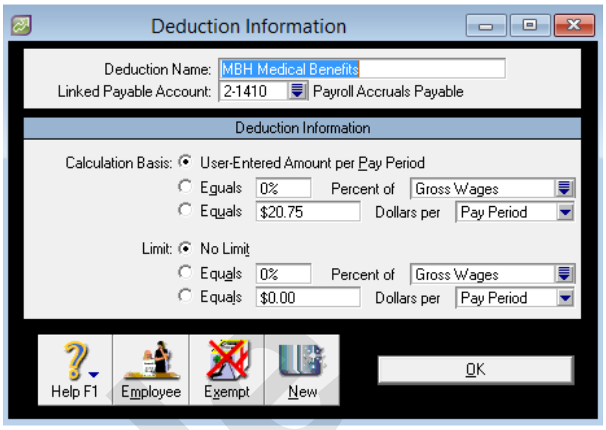

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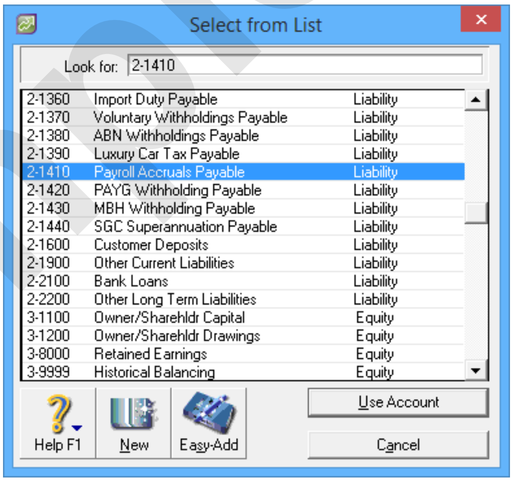


For Your Reference…

To ***link categories*** and ***accounts***:

1. Click on **[Payroll]** in the command centre window, click on ***Payroll Categories*** and locate the category
2. Click on **[Edit]**
3. Adjust the linked account as appropriate

Handy to Know…

- AccountRight's internals work through a series of linked accounts and categories. Be careful what you adjust and do it only after you are completely confident.

CHAPTER 2 SETTING UP EMPLOYEES

INFOCUS

Entering customer and supplier details into AccountRight may seem tedious but entering employee details is ten times worse. There is more detail to enter for employees, and because you are dealing with people's livelihood and also dealing with tax implications, you've got to make sure that what you do is correct.

In this session you will:

- ✓ gain an understanding of employees in ***AccountRight***
- ✓ learn how to create an employee card
- ✓ learn how to add personal details into an employee card
- ✓ learn how to add employee wages details
- ✓ learn how to add employee superannuation details
- ✓ learn how to add employee deductions and taxes
- ✓ learn how to add payroll details for hourly employees
- ✓ learn how to enter payroll details for hourly employees
- ✓ learn how to enter payroll history
- ✓ learn how to enter banking details for electronic payments
- ✓ learn how to split electronic payments across multiple accounts.

EMPLOYEES IN ACCOUNTRIGHT

Employees are entered into AccountRight's internal database (the ***Card File***) in a similar way to customers and vendors. The fundamental difference is that there are end-of-year considerations and requirements when dealing with employees. For instance you are legally obliged to provide employees with a statement of earnings at the end of each payroll year.

Overview of Employees

As well as being legally obliged to provide employees with an end of year statement of earnings (known as a ***PAYG Payment Summary***), there are also a number of other obligations associated with employees that you don't have with customers and vendors. These include things such as the need to inform ***AccountRight*** of any special deductions to make, any entitlements employees have, employees special tax scale and so on.

This therefore requires some special treatment on the part of employees in the ***Card File***. Generally there is quite a bit of information that needs to be entered for employees, including:

- ***profile details*** such as name and address
- ***payroll details*** such as method of pay (i.e. salary or hourly), rate of pay, tax scale, start date, tax file number and the like
- ***deduction details*** such as union dues
- ***superannuation details*** such as which fund the employee belongs to
- ***payroll history*** for the year to date (assuming that the payroll is not set up to commence at the start of the payroll year).

Employees in the Case Study

In our case study of Bloggs Appliance Centre there are five employees that will need to be entered into AccountRight's payroll feature.

Three of the employees are salaried. This means that they receive an annual salary which they are paid on a fortnightly basis. The three employees are Fred Bloggs (yes, even the business owner is deemed an employee), Wilma Bloggs and Sally Jones. They each work the equivalent of a thirty five hour week.

The pays for the salaried employees are processed every fortnight on a Thursday. Their salary is paid electronically directly into their nominated bank accounts.

The other two employees share a job and are paid on an hourly basis. Both of them work as sales assistants in the shop. One normally works on Monday and Tuesday, while the other works Wednesday, Thursday and Friday. Both employees are paid hourly wages based on the number of hours they work.

The shop is also open on Saturday for seven hours and on Sunday for six hours. Bill and Jayne work as required on alternate Saturdays and Sundays. For instance, in any given week Jayne will work Saturday and Bill on Sunday. The following week Bill will work on Saturday and Jayne on Sunday. When they work Saturday, they are paid time and a half and when they work on Sunday they are paid double time.

The two wages employees are paid weekly by cheque. Their pays are calculated on each Thursday and they are paid for the previous working week (Monday through to Sunday).

Even though you can nominate employees as *Salary* or *Hourly* in AccountRight, internally AccountRight still performs all calculations based on an hourly basis. For instance, if you nominate an employee as salaried, AccountRight will use the nominated salary and the hours in the pay period to internally create an hourly rate which is used for all calculations

Creating An Employee Card

The first task in creating a profile for an employee in AccountRight is to create the initial ***employee card*** file entry. The details are simply name and address and the same process is used for either salaried or wages (hourly) employees. In this example, we will start by entering just the new employee's profile details and then we will add payroll details in the following exercises.

Try This Yourself:

Open File

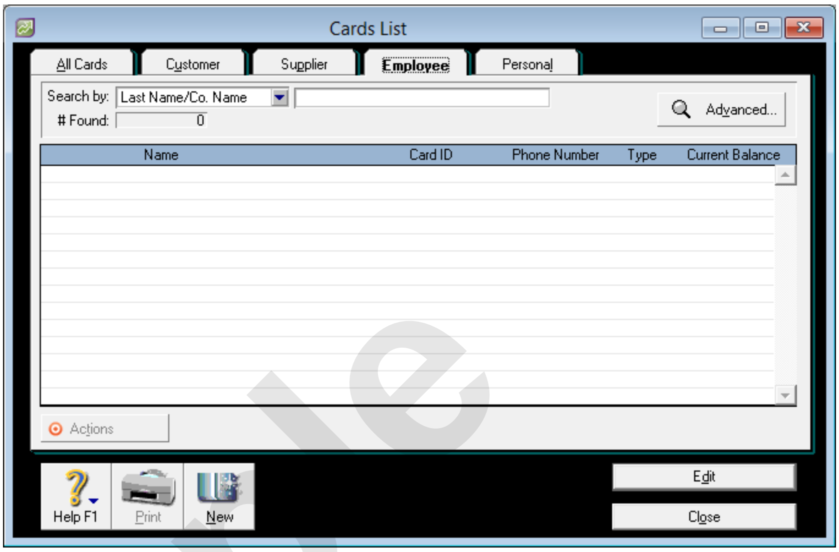
Before starting this exercise you MUST open the file Payroll - Employees.myo…

1. Click on **[Card File]** in the command centre window, click on ***Cards List***, then click on the ***Employee*** tab

   There are currently no employees listed...

2. Click on **[New]** to display the ***Profile*** tab of the ***Card Information*** window
3. Type **Bloggs** in ***Last Name***, then press Tab to display the other fields
4. Type **Fred** in ***First Name***, then press Tab
5. Type **EMP0001** in ***Card ID***, then press Tab twice
6. Complete the details as shown

   Leave this card open for the next exercise



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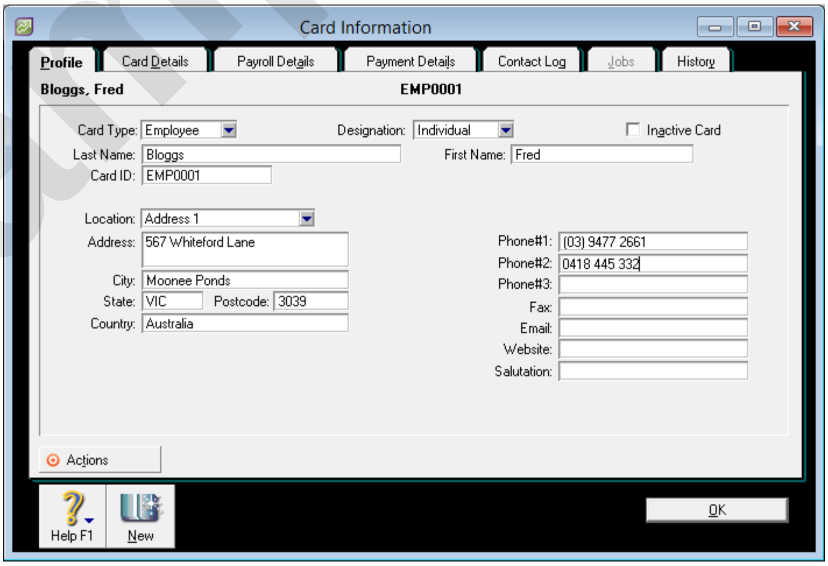

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For Your Reference…

To ***create*** an ***employee card***:

1. Click on **[Card File]** in the command centre, then click on ***Cards List***
2. Click on the ***Employee*** tab
3. Click on **[New]**, then enter the details
4. Click on **[OK]**

Handy to Know…

- As there are so many details that you can record for an employee, the ***Card Information*** window keeps all of these details neatly sectioned onto separate tabs for easier access.

ADDING PERSONAL DETAILS

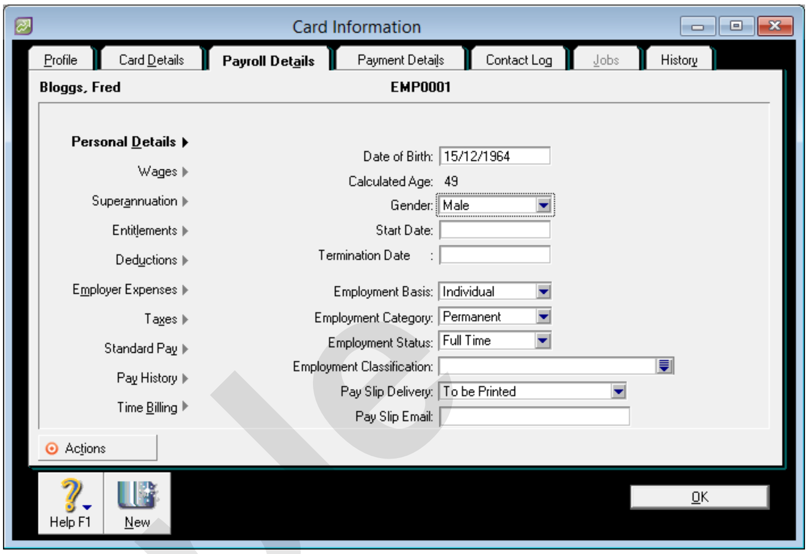
Once the core details for the employee have been added, you can then continue to enter the payroll details for that employee. These vary depending upon whether the employee is paid a salary or is paid on an hourly basis. The details involve items such as date of birth, gender, pay basis, tax scale, start date, superannuation details and the like. Here we will look at personal details.

Try This Yourself:

Continue using the previous file with this exercise...

1. Ensure that the ***Card Information*** window for ***Fred Bloggs*** is still open, then click on the ***Payroll Details*** tab
2. Click in ***Date of Birth***, type **15/12/64**, then press Tab
3. Click on the drop arrow for ***Gender***, then select **Male**
4. If necessary, click on the drop arrow for ***Employment Basis***, then select **Individual**
5. If necessary, click on the drop arrow for ***Employment Category***, then select **Permanent**
6. If necessary, click on the drop arrow for ***Employment Status***, then select **Full Time**
7. Click on the list arrow for ***Employment Classification*** to display the ***Select from List*** dialog box containing a list of available classifications
8. Type **Manager** in ***Look for***, then click on **[Easy-Add]**

Leave this card open for the next exercise



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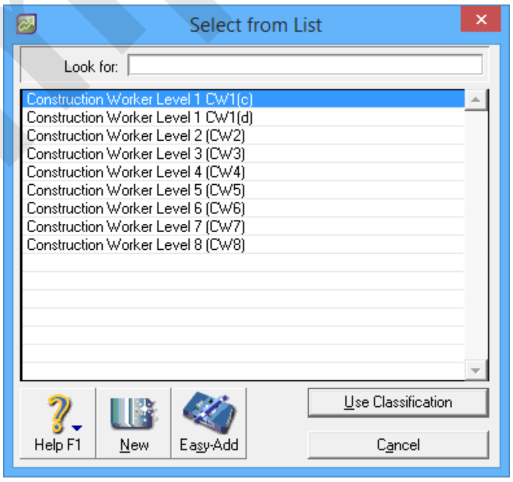

For Your Reference…

To ***add personal employee details***:

1. Open the relevant employee card
2. Click on the ***Payroll Details*** tab
3. Click on the ***Personal Details*** at the left
4. Enter the appropriate details into the fields

Handy to Know…

- The ***Payroll Details*** tab of an ***Employee*** card has a number of other settings at the left side. You need to work through several of these to complete the employee card to a point where it can be used for payroll purposes.