

## **SQA Advanced Unit specification**

### **General information**

**Unit title:** Payroll

**Unit code:** HR17 47

**Superclass:** AK

**Publication date:** August 2017

**Source:** Scottish Qualifications Authority

**Version:** 02

### **Unit purpose**

This Unit introduces learners to basic payroll calculations and procedures and the processing of payroll using a commercially produced payroll software package.

The Unit is primarily intended for learners who expect to take up a career in financial administration or accounting. It is also relevant to those with appropriate work experience and who wish to formalise their skills in payroll operations.

### **Outcomes**

On successful completion of the Unit the learner will be able to:

- 1 Prepare payroll records for processing.
- 2 Process payroll using a commercial payroll software package.

### **Credit points and level**

1 SQA Credit at SCQF level 7: (8 SCQF credit points at SCQF level 7)

### **Recommended entry to the Unit**

Access to this Unit is at the discretion of the centre. However, learners would normally be expected to be competent in communication and numeracy at SCQF level 5 or have similar qualifications or experience.

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### Core Skills

Achievement of this Unit gives automatic certification of the following:

Complete Core Skill                      Information and Communication Technology at SCQF level 5

Core Skill component                    Using Number at SCQF Level 5

There are also opportunities to develop aspects of Core Skills which are highlighted in the Support Notes of the Unit Specifications for this Course.

### Context for delivery

If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

The delivery and assessment of this Unit should be updated annually to reflect current taxation rates.

The Assessment Support Pack (ASP) for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

### Equality and inclusion

This Unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

## **Unit specification: Statement of standards**

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Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

### **Outcome 1**

Prepare payroll records for processing.

#### **Knowledge and/or Skills**

- ◆ Payroll records
- ◆ Pay calculations
- ◆ Statutory deductions
- ◆ Statutory payments
- ◆ Preparation of payslips and payroll summaries

#### **Evidence Requirements**

Learners will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ calculate gross pay from basic pay, overtime, bonus and commission
- ◆ calculate Statutory deductions: Income Tax (including at least **one** employee at higher rate tax), Employer/Employee National Insurance Contributions
- ◆ calculate Statutory payments: Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP)
- ◆ complete a payroll summary and pay slips for **one** week for **six** employees

Learners should use current legislation and tax rates throughout.

The evidence should be generated under open-book supervised conditions.

Figures should be accurate within a tolerance of two arithmetic or computational errors with a maximum of two errors of principle.

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### Outcome 2

Process payroll using a commercial payroll software package.

#### Knowledge and/or Skills

- ◆ Payroll software
- ◆ Pay elements
- ◆ Statutory deductions
- ◆ Statutory payments
- ◆ Payroll returns and reports
- ◆ HMRC documentation
- ◆ Management and storage of data

#### Evidence Requirements

Learners will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ set up the company and create records for **four** employees (**three** weekly paid and **one** monthly paid)
- ◆ process records for an employee starting and an employee leaving
- ◆ process pay for months 11 and 12 (weeks 45 to 52) to include: the pay elements of basic pay, overtime, commission and bonus; statutory deductions
- ◆ process statutory payments to include Statutory Sick Pay (SSP) plus at least one from Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP)
- ◆ produce pay advices — BACS (or equivalent), payslips, payroll summary
- ◆ produce a P45 and P60s
- ◆ adhere to management and secure storage of data protocol

Learners should use current legislation and tax rates throughout.

The evidence should be generated under open-book supervised conditions.

Evidence must be accurate within a tolerance of four errors.

### Unit Support Notes

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Unit Support Notes are offered as guidance and are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

### Guidance on the content and context for this Unit

The Unit is primarily intended for learners who expect to take up a career in financial administration or accounting. It is also relevant to those with appropriate work experience and who wish to formalise their skills in payroll operations.

This Unit is designed to enable learners to maintain and operate payroll records and process payroll data using a commercially produced computer software package.

Learners will be introduced to basic manual payroll record keeping and to the calculation of income tax and national insurance using non electronic methods in Outcome 1 before progressing to processing the payroll using the software package. In practice, since Real Time Information (RTI) was introduced in April 2013, all processing must be done using a software package and submissions made electronically. However, an understanding of how the calculations would have been carried out manually is necessary if the learner is to fully understand how the Pay as you Earn (PAYE) system works and check the output from the software package. This knowledge should be gained from Outcome 1.

Candidates should be made aware that the Scotland Act 2016 provides the Scottish Parliament with the power to set all income tax rates and bands (except the personal allowance, which remains reserved) that will apply to Scottish taxpayers' non-savings, non-dividend income (i.e. employment salary, income from pensions, profits from self-employment and rental profits).

While the Scottish Parliament has the power to set Scottish income tax rates and bands, HMRC will continue to be responsible for its collection and management. Receipts from Scottish income tax will be collected by HMRC and paid to the Scottish Government (via HM Treasury). As such Scottish income tax remains part of the existing UK income tax system and is not a devolved tax.

Centres should update content annually to reflect legislative changes.

This Unit can stand alone or be used as an optional credit in the SQA Advanced Certificate in Accounting. It also contributes to the PDA in Bookkeeping at SCQF level 7.

Outcome 1 covers the underpinning knowledge required to understand payroll preparation.

- ◆ Learners should be able to calculate gross pay for a number of employees who are paid using different methods: hourly paid employees who have a basic rate and are paid different overtime rates for evenings and weekends, employees who are paid bonuses or commission.
- ◆ Learners should be able to calculate tax payable for an employee for any given week using their knowledge of tax codes to calculate free pay. They should also be able to

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calculate national insurance contributions for both the employer and the employee using knowledge of lower earnings limits and primary and secondary thresholds.

- ◆ Learners should be able to calculate the amount of Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay for an employee.
- ◆ Learners should be able to create payslips for employees and weekly or monthly payroll summary sheets for use in the financial records.

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Outcome 2 covers processing payroll using a commercial software package.

- ◆ Payroll software package — the package used should be one designed as a commercial payroll software package. The software package should be updated annually to reflect current legislation as it impacts on payroll.
- ◆ The learner should input the company details and create the employee records including the pay elements of gross pay.
- ◆ Pay should be processed for four employees covering the last two months of the tax year. The processing should cover an employee starting, an employee leaving, all statutory deductions and a minimum of two statutory payments.
- ◆ Payroll documentation should be produced: pay advices, BACS reports, payroll records, P60s, P45.

### Guidance on approaches to delivery of this Unit

In this Unit the delivery of knowledge and skills included in Outcome 1 should be delivered first. It must be remembered that this Unit, although most commonly delivered as part of the SQA Advanced Certificate in Accounting, can also be offered as a standalone Unit or as part of the PDA in Bookkeeping at SCQF level 7. The teaching of preparation of time records and calculation of gross pay is therefore an important part of this Unit although this is also taught in the *Cost Accounting* (HP5H 47) Unit to the SQA Advanced Certificate Accounting learners.

A good understanding of the tax code is essential and practice should be given on calculating income tax with only the week number, tax code and the previous week's pay and tax to date. National Insurance should also be calculated using knowledge only of pay and thresholds. This could be done using simple examples covering all ranges of pay. There is no requirement to process this information using P11s.

The teaching of statutory payments is probably best carried out by using a series of short case studies.

Once the basic underlying knowledge of payroll calculations has been mastered the learners would then be ready to move on to the processing which would need to be carried out using a commercial software package. Learners would need to be competent in carrying out all the tasks listed in the Evidence Requirements before being assessed.

Learners should be made aware of Real Time Information reporting although they will not be able to do this in practice. This could only be carried out with actual data for real employers.

### Guidance on approaches to assessment of this Unit

Both assessments should be conducted under supervised open-book conditions.

Outcome 1 could take the form of a case study of a firm with at least six employees whose computer has broken down on the morning that the payroll is due to be processed. The employees' pay has to be calculated manually. Between the six employees all the Evidence Requirements would need to be tested. The pay calculations would be required along with payslips for all six employees and a payroll summary form completed.

It is recommended that the assessment of this Outcome be completed with one and a half hours.

Outcome 2 could also be assessed as a case study which would require the learner to set up the company details and pay records for at least four employees and process the payroll for the last two months of the year producing printouts as required.

It is recommended that the assessment of this Outcome be completed within two hours.

Evidence can be generated using different types of assessment. The above are suggestions only. There may be other methods that would be more suitable to learners.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

### Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this Unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing Core and other essential skills

In this Unit learners will have opportunities in Outcome 1 and 2 to develop skills in the Using Number component of the Core Skill of *Numeracy* at SCQF level 5 and the Critical Thinking component of the Core Skill of *Problem Solving* at SCQF level 4. Learners apply a range of numerical skills to practical tasks. Learners will also be presented with information where they will have to apply critical thinking skills to arrive at a solution.



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In Outcome 2, learners will have opportunities, through using a computerised payroll software package, to develop the Accessing Information and Providing/Creating Information components of the Core Skill of *Information and Communication Technology* at SCQF level 5.

This Unit has the Core Skill of Information and Communication Technology embedded in it, so when candidates achieve this Unit their Core Skills profile will be updated to show that they have achieved Information and Communication Technology at SCQF Level 5.

This Unit has the Using Number component of Numeracy embedded in it. This means that when candidates achieve the Unit, their Core Skills profile will also be updated to show they have achieved Using Number at SCQF level 5.

## History of changes to Unit

Version	Description of change	Date
02	Guidance on Scottish and UK taxation legislation updated in “guidance on the content and context for this unit”	June 2018

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SQA acknowledges the valuable contribution that Scotland’s colleges have made to the development of SQA Advanced Qualifications.

**FURTHER INFORMATION:** Call SQA’s Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our [Centre Feedback Form](#).

### General information for learners

#### Unit title: Payroll

This section will help you decide whether this is the Unit for you by explaining what the Unit is about, what you should know or be able to do before you start, what you will need to do during the Unit and opportunities for further learning and employment.

This Unit is designed to enable you to gain knowledge and develop practical skills in basic payroll procedures. It should provide you with the knowledge to calculate gross and net pay manually and to process the payroll using commercially produced payroll software packages.

Outcome 1 covers the knowledge and skills required to prepare the basic payroll records ready for processing and to calculate tax, National Insurance and statutory payments without the use of a software package. You will learn how to complete payroll documentation to calculate gross pay from basic pay, overtime, bonus and commission and to calculate net pay from gross pay after applying statutory payments and deductions. You should gain knowledge of current legislation as it applies to employee remuneration, including rates of income tax, allowances, employer and employee National Insurance contribution rates and statutory payments.

Outcome 2 will introduce you to a commercially produced payroll package. You will gain the necessary knowledge and skills to process payroll using the software package. This will include creating employee records and pay elements and processing payroll for employees. You will learn how to back up data securely. You will become familiar with the basic payroll reports available on the software packages including pay advices, HMRC documentation, BACS payment reporting and end of year documentation. You will learn how to correct errors using the software package and securely manage and store data within the protocols of the software package. You will be aware of the need to report Real Time Information to HMRC.

This Unit may be assessed by two separate assessments to cover the knowledge and skills in each Outcome. The assessments will be carried out under open-book supervised conditions. This means that you will be able to bring with you to the assessment any software manual or notes or teaching materials. You may also access help menus during the assessment.

This Unit counts as 1 SQA Credit and can contribute to the options offered within the SQA Advanced Certificate in Accounting. Along with the Units *Using Financial Accounting Software* (HR10 47) and either *Recording Financial Information* (HP04 47) or *Recording Financial Transactions* (HP6F 46), it will give you a Professional Development Award (PDA) in Bookkeeping at SCQF level 7.

There will be opportunities to develop components of the Core Skills of *Numeracy* at SCQF level 5, *Problem Solving* at SCQF level 4 and *Information and Communication Technology (ICT)* at SCQF level 5 in this Unit.