



## **National Unit specification: general information**

**Unit title:** Handling Wages and Salaries (SCQF Level 5)

**Unit code:** FN17 11

**Superclass:** AK

**Publication date:** August 2011

**Source:** Scottish Qualifications Authority

**Version:** 02

### **Summary**

The purpose of this Unit is to provide candidates with the Knowledge and Skills to calculate gross and net pay from a range of pay elements. Candidates will gain an understanding of statutory and non-statutory deductions from pay and complete commonly used Pay As You Earn (PAYE) forms.

This is a mandatory Unit within the National Certificate in Accounting (SCQF Level 5) but is also available as a freestanding Unit. This Unit is suitable for school leavers and adult returners pursuing a career in financial administration or accounting. This Unit should provide candidates with underpinning knowledge for the HN Unit Payroll (F86W 34) and for those candidates wishing to go on to further study at HNC/D.

### **Outcomes**

- 1 Calculate gross and net pay from a range of pay elements and statutory and non-statutory deductions in accordance with current legislation
- 2 Complete commonly used PAYE forms using current Her Majesty's Revenue and Customs (HMRC) documentation

### **Recommended entry**

While entry is at the discretion of the centre, candidates would normally be expected to have attained one of the following: Standard Grade Maths at 1–3, or Intermediate 1 Maths; or have equivalent experience.

## **General information (continued)**

**Unit title:** Handling Wages and Salaries (SCQF Level 5)

### **Credit points and level**

1 National Unit Credit at SCQF Level 5 (6 SCQF points at SCQF level 5\*)

*\*SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

### **Core Skills**

Achievement of this Unit gives automatic certification of the following Core Skills 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 this Unit specification.

## **National Unit specification: statement of standards**

**Unit title:** Handling Wages and Salaries (SCQF Level 5)

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**

Calculate gross and net pay from a range of pay elements and statutory and non-statutory deductions in accordance with current legislation

#### **Performance Criteria**

- (a) Gross pay is correctly calculated from a range of pay elements
- (b) Statutory deductions are correctly calculated in accordance with current legislation
- (c) Non-statutory deductions are correctly calculated
- (d) Net pay is correctly calculated

### **Outcome 2**

Complete commonly used PAYE forms using current Her Majesty's Revenue and Customs (HMRC) documentation

#### **Performance Criteria**

- (a) Payroll records are correctly prepared for new and existing employees
- (b) Payroll records are maintained and completed accurately
- (c) Employee payslips are completed correctly
- (d) Employee leaving documentation is completed accurately
- (e) Year-end documentation is completed accurately

## **National Unit specification: statement of standards (continued)**

**Unit title:** Handling Wages and Salaries (SCQF Level 5)

### **Evidence Requirements for this Unit**

Evidence is required to demonstrate that the candidates have achieved all of the Outcomes and Performance Criteria.

The evidence for Outcome 1 and Outcome 2 must be obtained under controlled, supervised conditions.

Assessment of this Unit should be generated under open-book conditions and candidates should be provided with relevant tax and national insurance contribution tables and current HMRC forms/documentation.

It is recommended that Outcome 1 and Outcome 2 be assessed together.

### **Outcome 1: Written and/or oral evidence**

Evidence must be provided to demonstrate the candidate's Knowledge and Skills by showing that they can:

- ◆ Calculate gross pay from pay elements including: basic pay or salary, overtime, bonus, commission for a minimum of four employees
- ◆ Calculate non-statutory deductions: pension contributions; trade union dues; for a minimum of one employee
- ◆ Calculate statutory deductions: Income Tax; National Insurance Contributions (Contracted out and not-contracted out) in accordance with current legislation for a minimum of four employees
- ◆ Identify the correct sequence required to perform these calculations
- ◆ Calculate net pay for a minimum of four employees

### **Outcome 2: Written and/or oral evidence**

Evidence must be provided to demonstrate the candidates Knowledge and Skills by showing that they can:

- ◆ Complete and maintain payroll records for a minimum of four employees
- ◆ Complete payslip details for a minimum of four employees
- ◆ Complete PAYE form P45 documentation for a leaver
- ◆ Complete form P60, year-end employee PAYE documentation

## National Unit specification: support notes

### Unit title: Handling Wages and Salaries (SCQF Level 5)

This part of the Unit specification is offered as guidance. The support notes 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

This Unit is a mandatory Unit within the National Certificate in Accounting (SCQF Level 5), but can also be taken as a free-standing Unit.

This Unit is aligned to the following Financial Services Skills Council National Occupational Standard (NOS) Units:

- ◆ P-1 Create and Maintain Employee Records
- ◆ P-2 Calculate Pay

In this Unit candidates are required to calculate gross and net pay, complete manual payroll records and use HMRC forms/documentation.

The Unit should provide candidates with an opportunity to develop the following skills for life, learning and work:

- ◆ Employability

Candidates will have the opportunity to develop skills in the problem solving, application of numeracy and application of Information Technology components of employability.

**Outcome 1** covers the calculation of gross and net pay

- ◆ Process pay to include: basic pay or salary, overtime, bonus, commission
- ◆ Calculate net pay after non statutory deductions i.e. pension contributions; trade union dues
- ◆ Calculate statutory deductions i.e. income tax and national insurance contributions in accordance with current legislation
- ◆ Candidates should gain knowledge and understanding of tax codes: how they are calculated by HMRC; how they are used to calculate income tax due for a period (both cumulative and non-cumulative tax codes)

Candidates would benefit from having knowledge and/or skills in arithmetic/numeracy which could be evidenced by achievement of Standard Grade Maths at 1-3 or Intermediate 1 Maths or equivalent experience.

**Outcome 2** covers commonly used PAYE forms using current HMRC documentation

- ◆ Produce and maintain manual payroll records for employees using form P11
- ◆ Produce employee payslip detailing gross and net pay, and statutory deductions
- ◆ Complete PAYE forms including P45, P60

## **National Unit specification: support notes (continued)**

**Unit title:** Handling Wages and Salaries (SCQF Level 5)

### **Guidance on learning and teaching approaches for this Unit**

In Outcome 1, candidates should be introduced to payroll and given a brief overview of the PAYE system. This should be teacher/lecturer led using appropriate handouts/ presentations and could include items such as: description of tasks carried out by the payroll office; advantages and disadvantage of the PAYE system; payments to which PAYE applies, personal allowances, tax codes (cumulative and non cumulative), rates of tax, tax bands; National Insurance contribution letters, National Insurance earnings limits, National Insurance rates and National Insurance bands

Candidates should be provided with copies of Income Tax and National Insurance Contribution tables and given an overview of how these are used to perform payroll calculations.

As most organisations are moving forward from the traditional paper based method of recording payroll calculations, the use of information technology should be encouraged.

Candidates should be introduced to the percentage method of Tax and National Insurance calculations and appropriate software such as spreadsheet software or similar, could be used to record and perform the calculations.

Candidates could be provided with a workbook containing: rates and allowances worksheet, template P11 worksheet, and a template payslip worksheet. Candidates should use the P11 and payslip worksheet to record payroll calculations and would benefit further from the introduction of formulas to assist with calculations.

In Outcome 2, candidates could be introduced to active learning by working in small groups to identify commonly used HMRC forms/documentation via the internet before being provided with the relevant forms/documentation necessary to carry out the tasks within this Outcome.

Realistic materials and documentation should be used throughout and a thematic approach adopted. Current forms should be used; however, if actual forms cannot be used for reasons of practicality, pro-forma documentation that replicates HMRC forms may be used.

The ability to use resource and reference material effectively are integral to work in an office environment and due emphasis should be placed on these aspects.

The importance of confidentiality and security should also be stressed, with appropriate reference to the legal aspects of data protection, copyright and health and safety.

## **National Unit specification: support notes (continued)**

**Unit title:** Handling Wages and Salaries (SCQF Level 5)

### **Opportunities for developing Core Skills**

In this Unit, candidates will calculate gross and net pay from a range of pay elements. Candidates will gain an understanding of statutory and non-statutory deductions from pay and complete commonly used Pay As You Earn (PAYE) forms.

Candidates will:

- Demonstrate their skills by applying a range of numerical skills to practical tasks.
- Identify the sequence required for calculations of gross to net pay.
- Use the internet to identify commonly used HMRC forms/documentation.

Produce electronic versions of payslips and forms P11 using an appropriate software package.

This Unit has the Numeracy component of Using Number embedded in it, so when candidates achieve this Unit their Core Skills profile will be updated to show they have achieved Using Number at SCQF Level 5. In addition, as candidates are doing this Unit they will be developing aspects of the Core Skills in Using Information Technology.

## **National Unit specification: support notes (continued)**

**Unit title:** Handling Wages and Salaries (SCQF Level 5)

### **Guidance on approaches to assessment for this Unit**

It is recommended that Outcome 1 and Outcome 2 be assessed together. The assessment should be presented as a single case study which covers both Outcomes within this Unit.

The case study should provide candidates with the necessary information to produce P11 forms for 3 existing members of staff. Using further information from the case study with regards to pay elements and statutory/non-statutory deductions, candidates should process payroll for weeks 50, 51, and 52 ensuring form P11 and payslip are completed for each employee.

In week 51 an employee will leave the payroll and form P45 should be completed. In week 52 a new employee will join the payroll. After the processing of week 52 payroll, form P60 should be produced for all existing employees.

Time should be allowed for any necessary re-assessment.

### **Opportunities for the use of 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 e-checklists. Centres which wish to use e-assessment must ensure that the national standard is applied to all candidate evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. Further advice is available in *SQA Guidelines on Online Assessment for Further Education (AA1641, March 2003)*, *SQA Guidelines on e-assessment for Schools (BD2625, June 2005)*.

### **Disabled candidates and/or those with additional support needs**

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements)

## History of changes to Unit

Version	Description of change	Date
02	Core Skills Component Using Number at SCQF level 5 embedded.	08/08/2011

© Scottish Qualifications Authority 2011

This publication may be reproduced in whole or in part for educational purposes provided that no profit is derived from reproduction and that, if reproduced in part, the source is acknowledged.

Additional copies of this Unit specification can be purchased from the Scottish Qualifications Authority. Please contact the Customer Contact Centre, telephone 0845 279 1000.