How to Process Payroll Manually?

The actual payroll calculation process may vary somewhat from the flow mentioned below, since there may be differences between organizational rules, computerized, or outsourced payroll processing solutions. The most likely procedure and responsibilities of handling payroll process follows below mentioned:

1. **Collect / Maintain Employee Master Records / File**

   The Employer or payroll clerk should main all basic details of employees like employee name, designation, their basic salary, payable allowance types with allowance amount. Keep this information up to date whenever any worker's wages are incremented or changed. One should also take care of given cash advance to employees. You need to maintain updated payroll records for each employee. While some companies keep spreadsheet records, you can operate more efficiently by using payroll software

2. **Calculate gross wages for each worker**

   When you reach the end of a pay period, compute the gross wages owed for all of your employees. You need to take Basic Salary of an employee, add allowances amount assigned to the employee. This calculation need to perform for each employee under your payroll.

3. **Calculate Over Time Amount**

   Calculate the total over time hours, each employee worked in the month. This Overtime hours are generally divided in to two categories. Normal over time and Friday overtime (weekend). The general formulas to calculate overtime rate for normal days is (Salary/30 days/8 hours) * 1.25 and for weekend (Salary/30 days/8 hours)*1.5. You should further multiple number of OT hours to the respective formula to get OT Amount for normal days and Fridays to add in to Gross Salary for each employee. You may further consider OT rate calculation based on basic salary or gross salary. Calculating OT salary amount is a tedious task when you are calculating manually, better to use a software which offers different overtime formulas and calculate everything automatically.

4. **Additional Allowances:**

   For many employees, you may need to pay extra allowances for the month. For example, sales commission for the month, car expenses or bonus etc. So add any extra allowances to employee's salary for that particular month.

5. Salary Deductions:

There might be various kind of deductions you may need to make from employee salaries. There might be absents taken by employees or any kind of fines/violations, you may need to deduct from employee's salaries. You can calculate absent deduction amount from the salary as (Salary/Days in Month) * absent days. You may choose here salary to be basic or gross, depends upon the rule followed by your company.

6. Create Pay slips and Salary statement:

You should prepare a summary report called salary statement with all the salary components like basic salary, allowance, deductions, overtime and absents etc. This report helps you to maintain record of paid salaries for each month. You need to prepare pay slips for all employees. Pay slip is a document which describes all the calculations of salary for the employee which can be given to employee for his record and clarification. Creating manual pay slips is a difficult and very time consuming task.

7. Create WPS File

You are almost done with payroll calculations but an important task is still pending and that is to create a salary transfer file called sif file or wps sif file. Wps sif file format is defined by MOL and followed by almost all banks and exchanges in UAE. However some exchanges ask to present their custom defined format. This SIF file is used to transfer salaries employee's bank or exchange accounts. We have another separate article on how to create a wps sif file.