Top 17 Payroll Interview Questions & Answers

1) Mention what is Payroll?

Payroll is the term used for the compensation a business must pay to its employees for a set period of time or on a given date.

2) Mention what are the methods to manage Payroll?

The methods to manage Payroll includes,

1. Doing it yourself by hand
2. Using employee payroll software
3. Outsourcing payroll
4. Assisted payroll

3) Mention what all functions are involved in Payroll?

Functions involved in Payroll involves,

- Balancing and reconciling payroll data
- Delivers payroll checks
- Depositing and reporting taxes
- Wage deductions
- Record keeping and verifying the reliability of pay data
- Maintains compliance with tax laws
- Records paperwork for new hires
- Edits existing employee files.
- Calculating reimbursements, bonuses, overtime and holiday pay

4) Mention what are the employer paid benefits?

Employer paid benefits include,

- Holidays
- vacations
- sick days
- insurance (health, dental, vision, life, disability)
- retirement plans
- profit-sharing plans

5) Mention what is a Payroll System? Give an example.

A payroll system is a software which organizes all the tasks of employee payment and the filing of employee taxes. These tasks can include,

- Tracking employees working hours
- Calculating wages
- Withholding taxes and deductions
- Printing and delivering checks
- Paying employment taxes to the government

SAP provides one such Payroll System.

6) Mention how to set up Payroll for small business?

To set up Payroll for small business, follow below steps

1. Identify your payroll responsibilities,

   - Employees payment details
   - Pay taxes
   - File forms

2. Choose the payroll system that suits your business
3. Pay employees properly
4. Pay payroll taxes and file tax forms

7) Mention what you need to do in order to pay a new employee?

In order to pay new employee,

- Fill employee Information form, bank confirmation slip and get your employee to complete a tax form.
- Send all forms to Payroll department at least three working days before your employee's first timesheet is due to be sent for payment.

8) Mention what is CTC?

CTC stands for Cost to Company. It includes all the costs related to an employment contract and covers all compulsory deductibles including deductions for provident fund, medical insurance, etc. These deductibles form a part of your compensation structure, but you do not get them as a part of the in-hand salary.

9) Mention what are the common mistakes happen during Payroll process?

Common mistakes happen during Payroll process,

- Setting up Payroll Incorrectly
- Paying or deducting more money to employees account
- Forgetting to Record Paper Checks
- Submitting Deposits Late or Incorrectly
- Ignoring to run payroll on time.

10) Mention what is withholding tax?

Withholding tax also known as retention tax is the income withheld from employee's wages and paid directly to the government by the employer.

11) Mention what all people involve in Payroll Processing?

- **Timekeeper:** Responsible for ensuring that attendance and time is submitted by the reporting deadline. The employee acts as the timekeeper in the case of web time entry
- **Approver:** Responsible for ensuring that time and attendance are approved and submitted by the reporting deadline.
- **Proxy:** In the absence of approver's, authorized time and attendance
- **Department Administrator**: Responsible for certifying that the process for gathering and maintaining the data needed, along with completing and reviewing the payroll report.
- **Financial Manager:** Responsible for monitoring and verifying the accuracy of the payroll.

12) Mention what is Payroll source documents?

Payroll source documents are those documents which gives all the details required for the generation of the salary of an employee. It includes,

- Time sheets
- Job sheets
- Time recorders
- Payroll registers
- Pay-in-slip (pay slip)

13) Mention what all detail must be checked before vouching of wages?

Before vouching of wages, following details are considered.

- Checking Of Internal System
- Checking for proper Calculations
- Checking Of Wages Sheet
- Verifying computing Paying System
- Nature Of Payment
- Same Cash Paid And Drawn
- Checking Of Names
- Checking for authorized Signature
- Unpaid Wages
- Deductions

14) How to avoid Payroll errors?

To avoid Payroll errors, try following things

1. Ensure that all employees details are correct
2. Track leave start and end dates. calculate at the end of employment for holidays accrued
3. Review your reporting process- for instance filling up your annual reconciliation form
4. Remain updated with changes and new rule in payroll tax rules
5. Don't ignore payroll requirement deadlines- for instance paying withholding, payment summaries to the employee, etc.
6. Make sure the correct employer premiums are taken out if insurance is covered.

15) Mention what to look for when selecting a Payroll Service Software?

When selecting a Payroll Service Software check for following things,

1. For security reason, the system should offer the necessary data encryption, disaster recovery plans, and back up
2. Easy integration with other software like HR or Accounting Software
3. Does system have notification provision where the error occurs?
4. How long does it take to fix an error? Does system have notification provision when an error occurs?
5. Is your Payroll Service Scalable- (allow to adapt according to employees strength)
6. Does your Payroll Service supports mobile as well as cloud technology
7. Does your Payroll Service have built-in benefits management system?
8. Support reporting functionality such as tax reports, deduction analysis, gross-to-net payroll register, compensation analysis, and so on.

16) Mention what comes under Non-taxable wages?

Health or retirement benefits that are paid before taxes known as Non-taxable wages.

17) When to Outsource Payroll?

Payroll should be outsourced when,

- A small company where the owner does payroll.
- You don't come across last minute changes that frequently
- You don't want to invest in in-house system and infrastructure
- You have to pay at multiple locations

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