

CHAPTER 1

InFocus

SETTING UP PAYROLL

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 add the course files folder to your **AccountRight** library
- ✓ learn how to open the data file
- ✓ learn how to activate a company file
- ✓ gain an understanding of company file activation
- ✓ 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 employer 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

ADDING FILES TO MY LIBRARY

AccountRight allows you to open company files that you have saved to your device previously if they are stored in **My Library**. **My Library** is accessible from the **Library Browser** window

that appears when you open AccountRight. In order to access files from My Library, you must first save them to the **My AccountRight Files** folder in File Explorer.

Try This Yourself:

Before starting this exercise you MUST ensure the File Explorer is displayed...

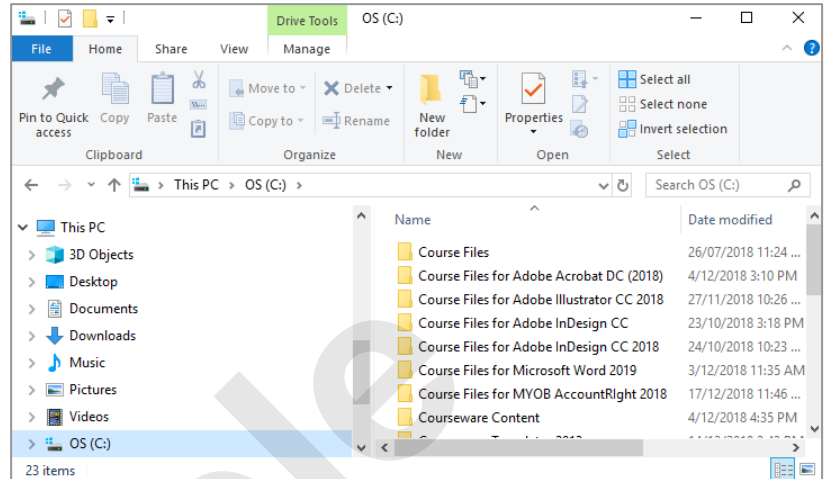
- 1 In the File Explorer, click on **This PC**, then click on **OS (C:)** as shown to display the contents of your C: drive
- 2 Click once on **Course Files for MYOB AccountRight 2018** to select this folder
- 3 Press **Ctrl** + **C** to copy the folder

We now need to paste this folder in the MYOB library...

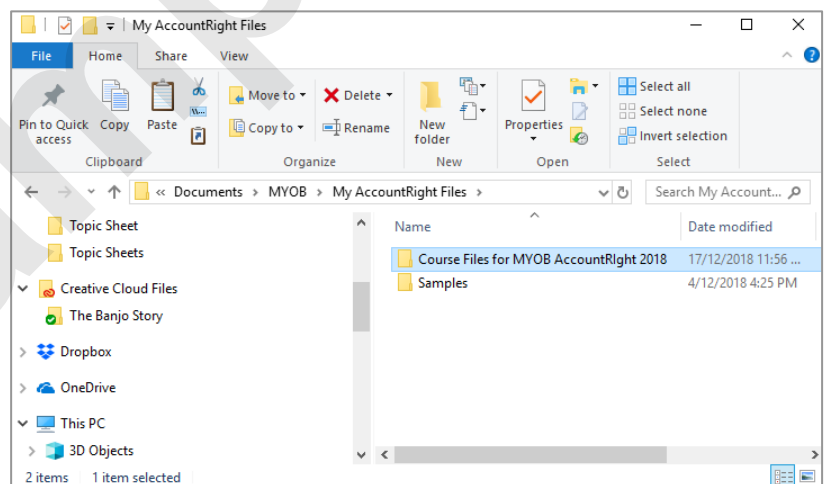
- 4 Click on **Documents** to display the contents of this folder

Notice there is a MYOB folder here that was created automatically when you installed MYOB AccountRight...

- 5 Double-click on the **MYOB** folder to display the contents
- 6 Double-click on **My AccountRight Files** to open this folder
- 7 Press **Ctrl** + **V** to paste the **Course Files for MYOB AccountRight 2018** folder



1



- 7 You can now access the course files from the Library browser window in AccountRight.

For Your Reference...

To **add files to My library**:

- Cut, copy or save the required file(s) or folder(s) to **Documents > MYOB > My AccountRight Files** on your C: drive

Handy to Know...

- You can change the location of **My Library** to another location on your C: drive. Simply open the **Windows Start** menu, navigate to **M**, expand the **MYOB** section, select **Set Library Location** then follow the steps to set a different location for your library.

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

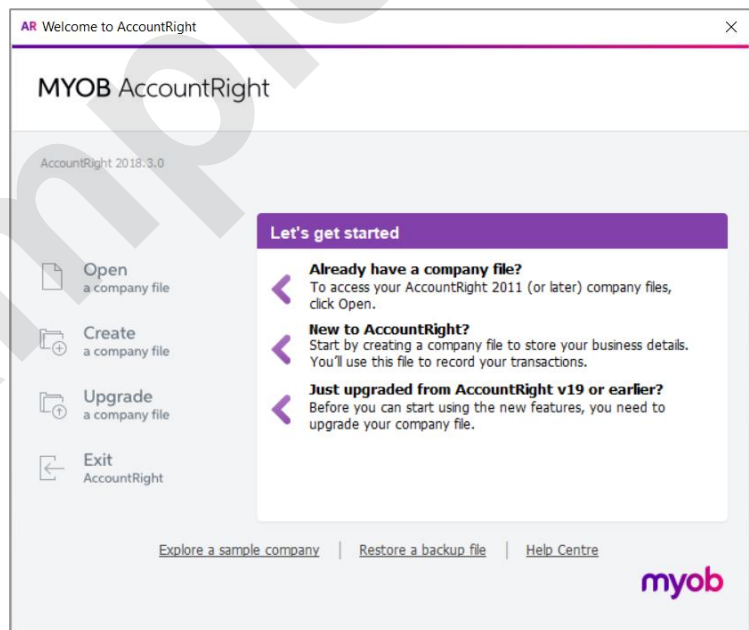
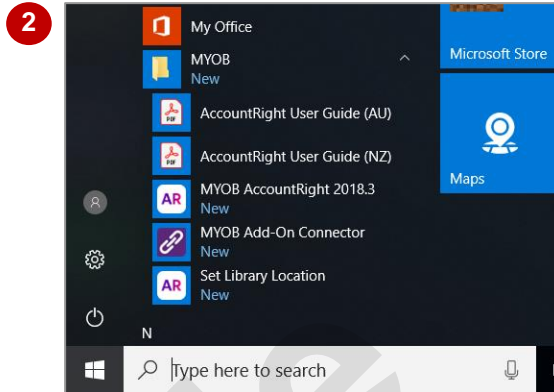
employees who are paid hourly. Before we can enter the payroll information for the employees, we must first open the appropriate data file for this case study.

Try This Yourself:

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

- 1 If there is no **AccountRight** icon in the taskbar at the bottom of the screen, click on the **Windows** icon in the taskbar to display the Windows **Start** menu
- 2 Scroll down the apps list until the **M** section is displayed
- 3 Click on the **MYOB** folder to display its contents
- 4 Click on **MYOB AccountRight 2018** to open **AccountRight** with the **Welcome to AccountRight** window displayed
- 5 Click on **Open** to display the **Library Browser** window and ensure **My Library** is selected
- 6 Double-click on the **Course files for MYOB AccountRight 2018** folder, select **Payroll – Setup.myox**, then click on **[Open]** to display the **Sign in** dialog box
- 7 Ensure **Administrator** appears in **User ID**, then click on **[OK]** to accept the settings

The Activation Assistant window will appear. Leave this open for the next exercise



- 5 If your Computer uses Windows 8, you must use a different method to start AccountRight. Instead click on the Windows Start button (it has the Windows logo on it), then click on the appropriate AccountRight program to display the Welcome screen.

For Your Reference...

To **open a data file**:

1. Click on the Windows icon in the taskbar, scroll to and click on the **MYOB** folder
2. Click on **MYOB AccountRight 2018**
3. Locate and click on a file and click on **[Open]**

Handy to Know...

- Once you have AccountRight loaded, you can also open files by selecting **File > Open** or by pressing **Ctrl + O**.

ACTIVATING A FILE

When you create a company file, the **Activation Assistant** window will display upon saving the company file. If you do not select an activation option, you will not be able to work with your

company file. You do not have to activate a company file if you are using a trial version.

Try This Yourself:

Same File

Continue using the previous file with this exercise...

- 1 Ensure the **Activation Assistant** window is displayed
If you have a serial number then select the first option and click on the drop-down option and select Activation Online, Activate by Phone or Activate Later.
We are using a trial version and so do not have a serial number, so we will not be activating the file...
- 2 Click on the last option to select it
- 3 Click on **[Next]** to display the **Information** window informing you of how many days left you have in the trial
- 4 Click on **[OK]** to display the **Command Centre** for the company file you created in the previous exercise

1 Introduction **Activate your company file**

2 Details

3 Conclusion

Activation verifies that you have a legal installation of MYOB AccountRight. You only need to activate a company file that you use to record your business transactions and information. [More about activation](#)

Select an option that matches how you use this company file.

☒ I use this company file to record or edit my business transactions. You have 29 days remaining before you need to activate.

Select an activation option:

☐ I only need to view my information in this company file (Read-Only access). You can view, export and print data from this company file, but you cannot record or edit transactions.

☐ I use this company file for practice, evaluation or study purposes. You can record transactions in this company file until the trial period expires. (29 days remaining) [More information](#)

Information myob

You have only 29 days left to Activate your company file.

Activating your company file authenticates you as the registered user of this software. If you do not activate your company file during this period, the file will become read-only.

In read-only mode you will be able to view information, print reports and export data. You will not be able to enter any new data until you activate the file.

OK

For Your Reference...

To **activate** a **company file**:

1. In the **Activation Assistant** window select an option
2. Click on **[Next]** then follow the prompts to activate your file

Handy to Know...

- Click on **More about activation** in the **Activation Assistant** window to display information and help about activating a company file in a new browser window.

COMPANY FILE ACTIVATION

In the full retail version of AccountRight you are required to activate a company file. MYOB have introduced this in an attempt to combat piracy and the illegal duplication of its software. When

you first create a company file you can use it for a period of 90 days without activation.

Company File Activation

Company file **activation** is an extra process that MYOB uses to ensure you have a legitimate copy of AccountRight – this is in addition to the fact that you have a serial number and that you should register your AccountRight and its serial number with MYOB when you install it.

The Activation Process

The activation process usually commences when you try to open a new company file the first time after creating it. When you attempt to open a company file that has not yet been activated you will receive a **Company File Activation** screen.

You have a number of options here. You can elect to have the file activated automatically over the internet. This takes only a few moments providing you have a working internet connection.

You can also activate your data file by ringing MYOB and doing it over the phone. This is an automated process.

If you have created a test company file you can also choose to activate it later. MYOB gives you 90 days grace to activate it from the date when you create a company file.

Things To Be Aware Of When Activating Company Files

There's a couple of things to be aware of with file activation:

1. You only get up to five company file activations with your copy of AccountRight – after that you need to make a special application to MYOB to receive more activations. This generally isn't a problem as you usually only have one file for your company. But the message here is don't waste your activations – only activate a file if you are going to be using it for transactions over a long period.
2. You'll need to confirm your activation one or more times per year – and if it happens at night time and you don't have internet access you'll have to wait till the next working day to ring them.

Company Files Used In This Courseware...

The company files you'll be using in this courseware have been created in a special Publisher's edition of AccountRight and can only be used with either the *Student Edition* or the *Education Edition* of AccountRight.

Do not use these files with the *Trial Edition* or a full *Retail Edition* of AccountRight – if you attempt to open one of the course files and if you are prompted to activate the file then you are not using the correct edition of AccountRight. *Do not activate these student files under any circumstances.*

SETTING UP BASIC PAYROLL INFORMATION

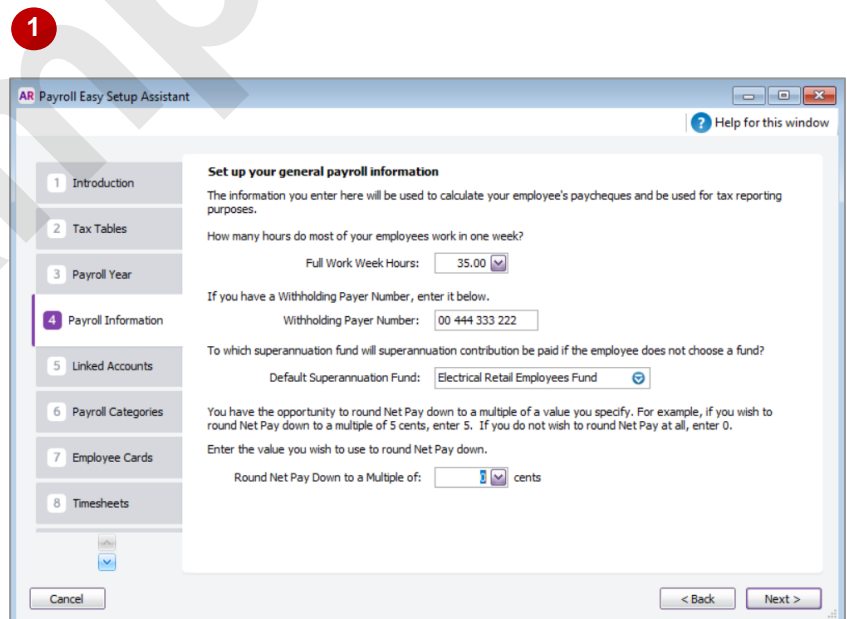
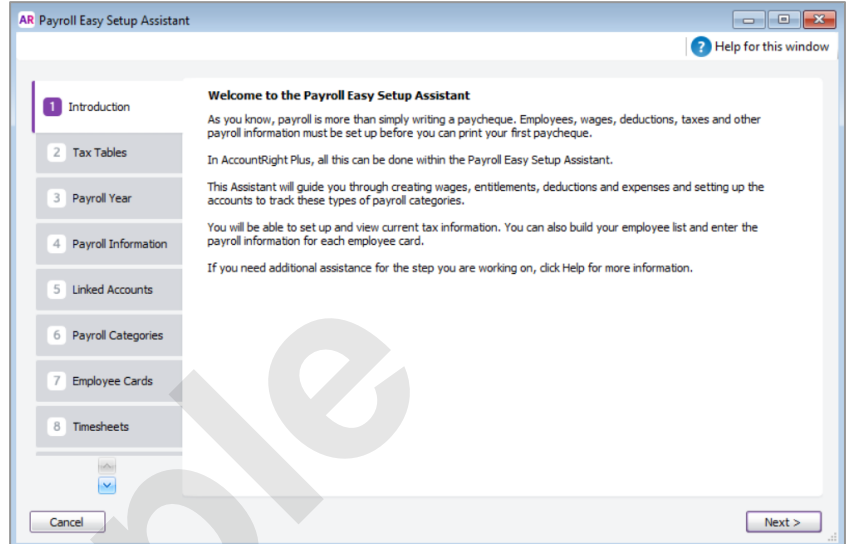
There are a number of steps involved in setting up your payroll in AccountRight and there is some core information that is fundamental to its operation. For instance, you need to know the

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:

Continue using the file *Payroll - Setup.myox* 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**, click on **[Load Tax Tables]**, then click on **[Load Tax Tables]** – note the creation date of the tables when done
- 3 Click on **[OK]**, click on **[Next]** and ensure that **Current Payroll Year** is set to **2019**, then click on **[Next]** 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**, then 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 **[Next]** until the **Conclusion** is displayed, click on **[Close]**, then click on **[Close]** to close the **Easy Setup Assistant**



- 5
- 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

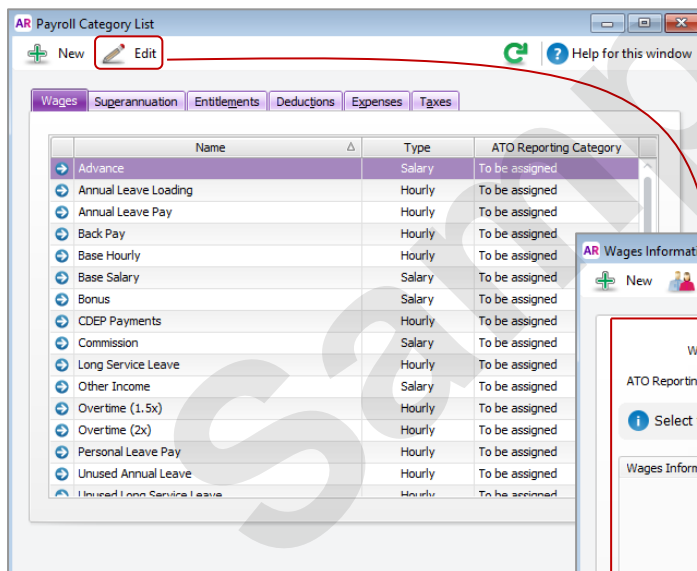
wages, entitlements, expenses and taxes. These categories can be quite simple or quite complex in the way that they are calculated.

Payroll Categories

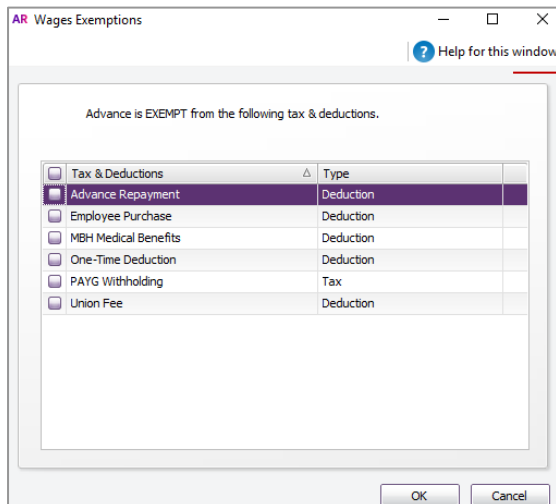
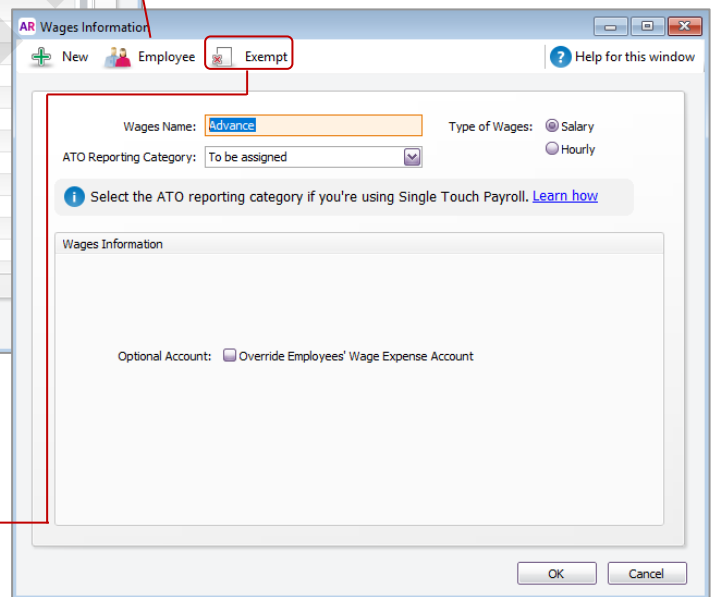
In **AccountRight** you can set up payroll categories for:

- **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, worker's 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**, then select **2-1410 Payroll Accruals Payable** in **Linked Payable Account**

- 5 In **Calculation Basis**, select **Equals... Dollars**, click in the value and type **20.75**, then press **Tab**

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]**

Name	Type	ATO Reporting Category
Advance Repayment	Percent	To be assigned
Employee Purchase	Fixed Dollar	To be assigned
One-Time Deduction	User-Entered	To be assigned
Union Fee	Fixed Dollar	To be assigned

Deduction Name: MBH Medical Benefits

Linked Payable Account: 2-1410 Payroll Accruals Payable

ATO Reporting Category: To be assigned

Select the ATO reporting category if you're using Single Touch Payroll. [Learn how](#)

Deduction Information

Calculation Basis: ☒ User-Entered Amount per Pay Period

☒ Equals 0.00 % Gross Wages

☒ Equals \$20.75 Dollars per Pay Period

Limit: ☒ No Limit

☐ Equals 0.00 % Percent of Gross Wages

☐ Equals \$0.00 Dollars per Pay Period

Name	Type	ATO Reporting Category
Advance Repayment	Percent	To be assigned
Employee Purchase	Fixed Dollar	To be assigned
MBH Medical Benefits	Fixed Dollar	To be assigned
One-Time Deduction	User-Entered	To be assigned
Union Fee	Fixed Dollar	To be assigned

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 the **Details** tab and select **N-T Not Reportable** in **Tax Code**, then click on **[OK]** to return to the **Accounts List** window
Now let's add an account to track superannuation...
- 5 Repeat the above steps to add the account **2-1440 SGC Superannuation Payable**
Both new accounts are listed...
- 6 Click on **[Close]** to close the **Accounts List** window

Account Number	Account Name	Type	Tax Code	Linked	Balance
2-0000	Liabilities	Liability			\$30,877.39
2-1100	Credit Cards	Liability			\$16,435.73
2-1110	Bankcard	Credit Card	N-T		\$0.00
2-1120	Diners Club	Credit Card	N-T		\$0.00
2-1130	MasterCard	Credit Card	N-T		\$0.00
2-1140	Visa	Credit Card	N-T		\$0.00
2-1200	Trade Creditors	Accounts Payable	N-T	✓	\$19,794.45
2-1210	A/P Accrual - Inventory	Other Liability	N-T	✓	\$463.64
2-1300	GST Liabilities	Liability			-\$1,605.36
2-1310	GST Collected	Other Liability	N-T		-\$2,873.75

1

Account Classification: Liability

Account Type: Other Liability

Account Number: 2-1430

Account Name: MBH Withholding Payable

Opening Balance: \$0.00

3

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 Account** to display a drop-down pane
- 4 Click on **2-1430 MBH Withholding Payable** to select this 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 ensure **PAYG Withholding** is linked to **2-1420 PAYG Withholding Payable**
- 8 Click on **[Close]** to close the **Payroll Category List** window

Deduction Name: MBH Medical Benefits

Linked Payable Account: 2-1410 Payroll Accruals Payable

ATO Reporting Category: To be assigned

Select the ATO reporting category if you're using Single Touch Payroll. [Learn how](#)

Deduction Information

Calculation Basis: ☐ User-Entered Amount per Pay Period

☐ Equals 0.00 % ☐ Gross Wages

☐ Equals \$20.75 Dollars per Pay Period

Limit: ☒ No Limit

☐ Equals 0.00 % Percent of Gross Wages

☐ Equals \$0.00 Dollars per Pay Period

Deduction Name: MBH Medical Benefits

Linked Payable Account: 2-1430 MBH Withholding Payable

ATO Reporting Category: To be assigned

Select the ATO reporting category if you're using Single Touch Payroll. [Learn how](#)

Deduction Information

Calculation Basis: ☐ User-Entered Amount per Pay Period

☐ Equals 0.00 % ☐ Gross Wages

☐ Equals \$20.75 Dollars per Pay Period

Limit: ☒ No Limit

☐ Equals 0.00 % Percent of Gross Wages

☐ Equals \$0.00 Dollars per Pay Period

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.

Sample