

Frequently Asked Questions
Minor Course under Vocational Education & Training:
Course Code: HRM3021

Chapter -1. HR Executive Role

1. What is the role of an HR Executive?

An HR Executive manages employee-related functions, including recruitment, payroll, training, compliance, and organizational development.

2. What skills are essential for an HR Executive?

Strong communication, problem-solving, organizational skills, knowledge of labor laws, and proficiency in HR software.

3. What is the difference between HR Executive and HR Manager?

An HR Executive focuses on execution, while an HR Manager is responsible for strategic HR planning and decision-making.

4. What are HR policies?

HR policies are guidelines that govern employee conduct, work conditions, and company procedures.

5. How does HR contribute to company culture?

HR fosters a positive work environment by ensuring employee engagement, fair policies, and professional development.

Payroll Management:

6. What is payroll processing?

Payroll processing involves calculating salaries, deductions, bonuses, and ensuring timely payments.

7. What is the importance of payroll compliance?

Compliance ensures adherence to labor laws, preventing legal issues and penalties.

8. What deductions are included in payroll?

Deductions include income tax, provident fund (PF), employee state insurance (ESI), and professional tax.

9. What is the difference between gross salary and net salary?

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Gross salary is before deductions, while net salary is the take-home pay after all deductions.

10. What is Form 16 in payroll?

Form 16 is a certificate issued by employers detailing tax deducted at source (TDS) for employees.

11. Organizational Structure & HR Functions What is an organizational structure?

It defines the hierarchy, roles, and reporting relationships within a company.

12. What are the different types of organizational structures?

Functional, divisional, matrix, and flat structures.

13. What is workforce planning?

It is the process of analyzing and forecasting workforce needs to align with business goals.

14. What is employee engagement?

Employee engagement refers to the level of motivation and commitment employees have toward their work.

15. What is performance management?

A system to evaluate and improve employee performance through feedback and appraisals.

16. External Agencies & Compliance What is EPF (Employees' Provident Fund)?

A retirement savings scheme where employees and employers contribute monthly.

17. What is ESI (Employees' State Insurance)?

A health insurance scheme for employees earning below a certain salary limit.

18. What are statutory compliances in HR?

Legal obligations like labor laws, minimum wages, gratuity, and maternity benefits.

19. What is the role of labor consultants?

They advise companies on compliance with labor laws and policies.

20. What are the key labor laws an HR Executive must know?

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The Factories Act, Payment of Wages Act, Employees' Provident Fund Act, and Shops and Establishments Act.

Employee Information Management

21. What is an employee database?

A system that stores employee details, payroll, performance, and training records.

22. Why is confidentiality important in HR?

To protect employee data and prevent misuse of sensitive information.

23. What is an HRMS (Human Resource Management System)?

A digital platform for managing HR tasks like payroll, attendance, and performance tracking.

24. What is the purpose of exit interviews?

To gather feedback from departing employees and improve HR practices.

25. What is an employee grievance policy?

A formal procedure for employees to report and resolve workplace issues.

Recruitment & Training

26. What is the recruitment process?

Identifying job requirements, sourcing candidates, conducting interviews, and hiring.

27. What is onboarding?

The process of integrating new employees into the organization.

28. What is succession planning?

Identifying and developing future leaders within the company.

29. Why is training important in HR?

To enhance employee skills, productivity, and job satisfaction.

30. What is HR analytics?

The use of data to improve HR decision-making and workforce planning.

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Chapter -2

Maintaining Employee Records for Compensation and Benefits Calculations (in India)

Maintaining employee records is crucial for ensuring accurate compensation and benefits calculations while complying with Indian labor laws. These records help in salary processing, tax deductions, and statutory compliance such as Provident Fund (PF), Employee State Insurance (ESI), and Income Tax (TDS).

31. Why is it important to maintain employee records in India?

Employee records ensure compliance with labor laws, assist in payroll processing, and provide documentation for audits and legal purposes.

32. What are the key employee details maintained for payroll processing?

Name, designation, date of joining, salary details, PAN, Aadhaar, bank details, and tax declarations.

33. What is the legal requirement for maintaining employee records in India?

Various labor laws such as the Factories Act, Payment of Wages Act, and Shops and Establishments Act mandate maintaining payroll and employment records for at least five years.

34. What are digital employee records?

Digital records include soft copies of employment details stored in HRMS (Human Resource Management System) or cloud-based HR software.

35. How long should payroll records be kept in India?

According to legal requirements, payroll records should be maintained for at least five years.

36. What components of salary are recorded for compensation purposes?

Basic salary, allowances (HRA, DA, travel allowance), bonuses, deductions, provident fund (PF), and taxes.

37. What is a salary slip, and why is it important?

A salary slip is an official document that details an employee's earnings, deductions, and net salary for a given month. It is required for tax filing, loan applications, and employment verification.

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38. How is the Provident Fund (PF) contribution recorded?

Employee and employer contributions (12% of basic salary each) are recorded in payroll software and reported to the Employees' Provident Fund Organisation (EPFO).

39. What are the tax-related records maintained for employees?

PAN details, Form 16, income tax declarations, and TDS (Tax Deducted at Source) records.

40. What is Form 16, and why is it issued?

Form 16 is a certificate issued by employers to employees detailing TDS deducted on salary income. It is used for income tax return filing.

41. What statutory benefits require record-keeping in India?

Employees' Provident Fund (EPF), Employees' State Insurance (ESI), gratuity, bonus payments, and professional tax.

42. What details are maintained for Employee State Insurance (ESI)?

Employee's gross salary, ESI number, and monthly contribution (1.75% employee, 4.75% employer) are recorded and submitted to the ESI Corporation.

43. What are professional tax records, and why are they required?

Professional tax is deducted based on state laws, and records must be maintained for audit purposes and government compliance.

44. How is gratuity calculated and recorded?

Gratuity = (Basic salary + DA) \times 15 / 26 \times Number of years worked. Records are maintained for eligibility tracking and payouts.

45. What is the minimum wage record, and why is it necessary?

Minimum wages vary by state and industry. Employers must maintain records to ensure compliance with the Minimum Wages Act.

46. Why should employers maintain attendance records?

Attendance records help in salary calculations, leave deductions, and statutory compliance with labor laws.

47. What types of leave records should be maintained?

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Earned leave (EL), sick leave (SL), casual leave (CL), and maternity/paternity leave.

48. What is the impact of leave on salary calculations?

Unpaid leave leads to deductions, while statutory leaves (maternity leave, paid leave) are processed per labor laws.

49. How does the leave encashment record work?

If an employee does not use their paid leave, companies may allow leave encashment, which is taxable. Records track leave balance and payouts.

50. Are attendance records mandatory under Indian labor laws?

Yes, under the Shops and Establishments Act and the Factories Act, maintaining attendance registers is mandatory.

51. What is the Payment of Bonus Act, and how does it affect records?

Employees earning less than ₹21,000 per month are eligible for a statutory bonus (8.33% to 20% of basic salary). Records must track bonus eligibility and payments.

52. What types of deductions are recorded in salary processing?

PF, ESI, professional tax, income tax, and loan repayments (if applicable).

53. How are performance-based incentives recorded?

Incentives are recorded separately from fixed salary components and are subject to income tax.

54. Are meal and travel allowances taxable?

Travel allowances are partially exempt under tax laws, while meal allowances may be taxable based on company policy.

55. How are deductions for salary advances and loans managed?

Loan repayments are deducted from salaries in installments and recorded in payroll software.

56. What records are maintained for an employee's exit?

Resignation letter, final settlement details, gratuity payment, PF withdrawal, and relieving letter.

57. How is the final settlement calculated?

It includes unpaid salary, leave encashment, bonus, gratuity (if applicable), and

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deductions.

58. How is the Full and Final Settlement (FnF) processed?

Employers calculate outstanding dues and process payments within 30-45 days of the employee's exit.

59. What documents are provided to employees after resignation?

Experience certificate, relieving letter, Form 16 (for TDS), and final salary slip.

60. What happens to PF and ESI after an employee exits?

Employees can transfer their PF to a new employer or withdraw it.

Chapter-3

Processing Statutory Entitlements for Finalizing Compensation

Statutory entitlements ensure employees receive legally mandated compensation and benefits such as Provident Fund (PF), Employee State Insurance (ESI), gratuity, and bonus. Employers must comply with these regulations to avoid penalties and ensure fair employee treatment.

General Compensation and Benefits Framework

61. What are statutory entitlements in India?

Statutory entitlements include legally mandated benefits such as Provident Fund (PF), Employee State Insurance (ESI), gratuity, and statutory bonus.

62. Why is compliance with statutory entitlements important?

Compliance ensures legal adherence, prevents penalties, and promotes fair employee compensation.

63. What are the key laws governing employee compensation in India?

The Payment of Wages Act, the Minimum Wages Act, the Employees' Provident Fund Act, and the Payment of Bonus Act.

64. What is the role of HR in processing statutory entitlements?

HR ensures accurate salary calculations, deductions, and deposits for PF, ESI, gratuity and bonuses as per legal requirements.

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65. How often do statutory benefits need to be processed?

Most benefits like PF and ESI are processed monthly, while gratuity and bonuses are calculated annually or at the time of an employee's exit.

Provident Fund (PF) and Employee Pension Scheme (EPS)

66. What is the Employee Provident Fund (EPF)?

EPF is a retirement savings scheme where both employer and employee contribute 12% of the employee's basic salary.

67. Who is eligible for EPF?

Employees earning up to ₹15,000 per month must contribute, while those earning above ₹15,000 can opt-in voluntarily.

68. How is PF contribution calculated?

Employees contribute 12% of basic salary, and employers contribute 12%, of which 8.33% goes to EPS and the rest to EPF.

69. What is the Employee Pension Scheme (EPS)?

EPS provides pension benefits to employees after retirement. Employers contribute 8.33% of an employee's basic salary (up to ₹15,000) towards EPS.

70. When can an employee withdraw their EPF balance?

Employees can withdraw PF after resignation, retirement, or after two months of unemployment. Partial withdrawals are allowed under certain conditions.

71. What is the Employees' State Insurance (ESI) scheme?

ESI provides medical, maternity, disability, and dependent benefits to employees earning up to ₹21,000 per month.

72. How is ESI contribution calculated?

Employees contribute 1.75% of their gross salary, and employers contribute 4.75%.

73. What benefits does ESI provide?

Free medical treatment, maternity benefits, disability benefits, and dependent benefits in case of an employee's death due to employment injury.

74. Can an employee avail of ESI benefits after resignation?

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Yes, ESI benefits continue for up to six months after resignation, provided contributions have been made for a minimum period.

75. How is ESI compliance ensured?

Employers must register employees under ESI, deduct contributions, and submit payments to the Employees' State Insurance Corporation (ESIC) monthly.

76. What is gratuity?

Gratuity is a lump sum amount paid to employees who have completed at least five years of continuous service.

77. How is gratuity calculated?

Formula: Gratuity = (Basic Salary + DA) \times 15 / 26 \times No. of years worked.

78. Who is eligible for gratuity?

Employees who have worked for at least five years in the same organization.

79. Is gratuity taxable?

Gratuity is tax-free up to ₹20 lakh for private sector employees.

80. What happens if an employee leaves before completing five years?

Gratuity is not payable unless the employee leaves due to death or disability.

Statutory Bonus:

81. What is the Payment of Bonus Act?

It mandates employers to pay bonuses to employees earning up to ₹21,000 per month if the company meets profitability criteria.

82. How is the statutory bonus calculated?

Employees are entitled to a minimum of 8.33% and a maximum of 20% of their basic salary as a bonus.

83. When is a statutory bonus paid?

Employers must pay the statutory bonus within eight months of the end of the financial year.

84. Is a statutory bonus mandatory for all employees?

Only employees earning up to ₹21,000 per month and working in eligible establishments are entitled to it.

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85. Is the bonus taxable?

Yes, a statutory bonus is considered part of salary and is subject to income tax.

86. What is the Minimum Wages Act?

It mandates that employees receive wages not lower than the prescribed minimum wages set by the government.

87. Do minimum wages vary across states in India?

Yes, each state determines its minimum wage based on skill level and industry type.

88. What are dearness allowance (DA) and house rent allowance (HRA)?

DA is provided to counter inflation, while HRA is an allowance for rental expenses.

89. Are travel and meal allowances taxable?

Travel allowances are partially tax-exempt, while meal allowances depend on company policy.

90. How does an employer ensure compliance with minimum wages?

By maintaining proper records and ensuring employees receive wages above the government-mandated minimum wage

Chapter -4

Processing Salary Packages in the Payroll System.

91. What is payroll processing?

Payroll processing is the calculation and distribution of salaries, wages, deductions, and net pay for employees in an organization.

92. What are the key components of salary in India?

Basic salary, dearness allowance (DA), house rent allowance (HRA), special allowances, performance bonuses, and statutory deductions (PF, ESI, TDS).

93. What is the basic salary?

It is the fixed part of an employee's salary, excluding allowances and deductions, and is usually 40-50% of the total CTC.

94. What are statutory deductions?

Statutory deductions include Provident Fund (PF), Employee State Insurance (ESI),

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Professional Tax (PT), and Tax Deducted at Source (TDS).

95. What is CTC (Cost to Company)?

CTC is the total amount a company spends on an employee, including salary, allowances, and benefits.

96. What is HRA (House Rent Allowance)?

HRA is an allowance paid to employees for house rent, which is partially exempt under Section 10(13A) of the Income Tax Act.

97. What is DA (Dearness Allowance)?

DA is a cost-of-living adjustment allowance paid to government employees and pensioners.

98. What are perquisites in salary?

Perquisites (perks) are non-cash benefits provided by employers, such as company cars, rent-free accommodation, or medical facilities.

99. What is a special allowance in salary?

It is an allowance provided to employees apart from basic salary, which is fully taxable.

100. What is LTA (Leave Travel Allowance)?

LTA is an allowance given for travel expenses incurred during leaves and is partially tax-exempt.

101. What is EPF (Employees' Provident Fund)?

EPF is a mandatory savings scheme where employees and employers contribute 12% of basic salary each month.

102. What is ESI (Employees' State Insurance)?

ESI is a social security scheme providing medical and financial benefits to employees earning ₹21,000 or less per month.

103. What is Professional Tax?

A state-imposed tax on salaried employees, with a maximum annual limit of ₹2,500.

104. What is Gratuity?

Gratuity is a lump sum paid to employees who have completed five years in an

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organization, as per the Payment of Gratuity Act, 1972.

105. What is TDS (Tax Deducted at Source)?

TDS is the tax deducted by employers on employees' salaries as per the Income Tax Act, based on applicable slabs.

106. What are the key steps in payroll processing?

- Collecting employee data
- Calculating earnings and deductions
- Processing payroll and generating salary slips
- Depositing payroll taxes
- Filing statutory reports

107. What is a salary slip?

A salary slip is a document that details an employee's earnings, deductions, and net salary for a particular month.

108. How is overtime calculated in payroll?

Overtime is calculated based on extra hours worked, usually at a rate of 1.5 to 2 times the normal hourly wage.

109. What is a payroll register?

A payroll register is a document that records salary details for all employees, including gross pay, deductions, and net pay.

110. What is a payroll cycle?

A payroll cycle is the time frame in which salaries are processed, such as monthly, bi-weekly, or weekly.

Technology and Payroll Software

111. What is payroll software?

Payroll software automates salary calculations, deductions, and compliance filings.

112. What are the advantages of using payroll software?

- Accuracy in calculations
- Compliance with tax laws

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- Automated salary processing
- Employee self-service portals

113. What are some popular payroll softwares in India?

Zoho Payroll, Saral PayPack, Keka, GreytHR, and ADP India.

114. Can payroll software integrate with accounting systems?

Yes, payroll software can integrate with accounting software like Tally, QuickBooks, and SAP.

115. What is cloud-based payroll?

A cloud-based payroll system allows online payroll processing, storage, and access from anywhere.

Legal and Compliance Aspects

116. What is the Payment of Wages Act, 1936?

It ensures timely payment of wages and prohibits unlawful deductions.

117. What is the Minimum Wages Act, 1948?

It mandates a minimum wage for workers based on industry and location.

118. What is the due date for TDS deposit?

TDS must be deposited by the 7th of the following month.

119. What happens if TDS is not deducted?

The employer is liable to pay interest and penalties for non-compliance.

120. What is a pay stub?

A pay stub is a document detailing salary breakdown, including earnings and deductions.

121. Can employees access payroll details online?

Yes, many companies provide employee self-service (ESS) portals.

122. How are bonuses taxed?

Bonuses are fully taxable under the "Income from Salary" head.

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123. What is salary restructuring?

Modifying salary components to optimize tax benefits and take-home pay.

124. How can an employee check their PF balance?

Through the EPFO website (www.epfindia.gov.in), UMANG app, or SMS service.

Chapter-5

Process payroll data:

125. What is payroll processing?

Payroll processing is the systematic process of calculating and distributing employee salaries, including earnings, deductions, and taxes.

126. What are the key components of payroll?

Basic salary, allowances (HRA, DA, etc.), bonuses, overtime pay, statutory deductions (PF, ESI, TDS), and net salary.

127. What is the payroll cycle in India?

The payroll cycle is typically monthly, but it can also be weekly or bi-weekly depending on company policies.

128. Who is responsible for payroll processing?

The HR and finance departments handle payroll, or it can be outsourced to payroll service providers.

129. What documents are required for payroll processing?

Employee attendance records, salary structure, tax declarations, bank details, and statutory compliance forms.

130. What is gross salary?

Gross salary is the total salary before deductions, including basic pay, allowances, and bonuses.

131. What is net salary?

Net salary (take-home salary) is the amount an employee receives after all deductions (PF, ESI, TDS, etc.).

132. What is the formula for calculating net salary?

Net Salary = Gross Salary – Deductions (PF + ESI + TDS + Professional Tax).

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133. .How is overtime pay calculated?

Overtime pay is usually calculated at 1.5 to 2 times the normal hourly rate, depending on labor laws.

134. .What is arrears in payroll?

Arrears are unpaid salary amounts due to revisions, increments, or delays in payment.

135. .What is EPF in payroll processing?

The Employees' Provident Fund (EPF) is a retirement benefit where 12% of basic salary is deducted from employees and matched by employers.

136. . What is ESI (Employees' State Insurance)?

ESI is a health insurance scheme for employees earning up to ₹21,000 per month, with contributions from both employees and employers.

137. . What is TDS (Tax Deducted at Source)?

TDS is the tax deducted by the employer before paying an employee's salary, based on applicable income tax slabs.

138. . How is professional tax calculated?

Professional tax is levied by state governments, with a maximum annual limit of ₹2,500.

139. What happens if payroll tax payments are delayed?

Employers face penalties, interest, and legal consequences for non-compliance with tax laws.

140. . What is payroll software?

Payroll software automates salary calculations, tax deductions, and compliance filings.

141. . What are the advantages of payroll software?

- Reduces errors
- Saves time
- Ensures tax compliance

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- Provides employee self-service portals

142. What is cloud-based payroll?

A cloud-based payroll system allows online payroll processing and access from anywhere.

143. Which payroll software is popular in India?

Zoho Payroll, GreytHR, Keka, ADP India, Saral PayPack.

144. Can payroll software integrate with accounting systems?

Yes, it can integrate with Tally, QuickBooks, and SAP.

145. What is the Payment of Wages Act, 1936?

It ensures timely wage payments and prohibits unauthorized deductions.

146. What is the Minimum Wages Act, 1948?

It mandates a minimum wage for workers based on industry and region.

147. What is the due date for TDS deposit?

The 7th of the following month.

148. What is payroll outsourcing?

Hiring external firms to manage payroll functions.

149. What is a salary slip?

A document that details an employee's earnings, deductions, and net salary.

150. What is a payroll register?

A document recording salary details for all employees.

151. What is LOP (Loss of Pay)?

Salary deduction for unpaid leave taken beyond allocated leave limits.

152. What are perquisites in payroll?

Non-cash benefits such as company cars, rent-free accommodation, and medical facilities.

153. How is bonus calculated in payroll?

Bonuses are taxable and calculated as a percentage of basic salary.

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154. What is a payroll audit?

A review of payroll processes to ensure compliance and accuracy.

155. What is a payroll reconciliation?

Matching payroll records with financial statements to verify accuracy.

156. What are payroll registers used for?

Tracking employee salary details and deductions.

157. What is the Income Tax Act's impact on payroll?

It governs TDS, tax slabs, and exemptions applicable to employee salaries.

158. What is Gratuity?

A lump sum paid after completing five years of service.

159. Can employees access payroll details online?

Yes, via Employee Self-Service (ESS) portals.

160. How are salaries transferred to employees?

Through direct bank transfers, cheques, or cash (rarely).

161. What is retroactive payroll?

Adjustments made to previously processed payroll due to errors or changes.

162. What is full and final settlement in payroll?

The final salary payment, including outstanding dues and benefits, upon an employee's exit.

163. What is the penalty for late payroll processing?

It varies by labor laws and may include fines and legal action.