

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

An Investigation of the payroll policies and its effect on the financial performance. (A case study of United Builders Merchants, Harare)

BY

TAMIRIRASHE MUCHINGAMI

Reg. R11887G

The dissertation submitted in partial fulfilment of the requirements of the Bachelor of Commerce (Honours) Degree in Accounting, Department of Accounting at Midlands State University.

Gweru: Zimbabwe, November 2014

R111887G

MIDALANDS STATE UNIVERSITY

P Bag 9055

Telephone :(+263)54-2604/337/667

Gweru

Fax: (+263)54-260233/311

Zimbabwe

FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING

APPROVAL FORM

The undersigned certify that they have supervised the student, Tamirirashe Muchingami's dissertation entitled: **An investigation of the payroll policies and its effects on the financial performance**, a case study of United Builders Merchants, submitted in Partial fulfilment of the requirements of the Bachelor of Commerce Honours Degree in Accounting at Midlands State University.

.....

.....

SUPERVISOR

DATE

.....

.....

CHAIRPERSON

DATE

.....

.....

EXTERNAL EXAMINER

DATE

RELEASE FORM

NAME OF STUDENT: MUCHINGAMI TAMIRIRASHE
DISSERTATION TITLE: An investigation of the payroll polices and its effects on the financial performance.
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SIGNED:

ADDRESS: 6235 South view
Gwee Street
Gweru

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DEDICATIONS

I dedicate this dissertation to my wonderful and ever caring parents and to my colleagues forever cherish their support and encouragements they gave me.

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ABSTRACT

This research was prompted by the researcher's observations and experience during his time at United Builders Merchants. The research was centred at investigating the payroll policies and its effects on the financial performance, a case study of UBM. The problem over emphasis on the outward looking on payroll policies and services the employees receive from the entity for the determination of their salaries and wages in relation to their production capacities. The focus was on the implementation of favourable payroll services and policies which in turn imposing positive effect to employees' performance to increase the production capacity and therefore increasing the financial performance of the entity.

The literature was reviewed referring to the research to as to achieve the objectives of the study. The field research was carried out on a selected sample size drawn from United Builders Merchants. The techniques such as questionnaires and interviews were used in the data collection process of the research. The analysed data reflected the effects of the payroll services and policies to the productivity, profitability, thus financial performance of the entity. This study recommends the company to the implementations of effective payroll services to its employees that are compatible to the situation of UBM.

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CHAPTER 1

Introduction

This chapter covers the background of the study, which attracts attention to the area of the payroll policies problems in relation to the entity's performance, the statement of the problem which is the core of the study. It includes the objectives for conducting the research, the main research questions that the research seeks to answer. It contains the significance of study, research limitations and the delimitation of the study. It also gives the definition of terms that are regarded as material.

1. Background of the study

Organisational performance lies in the lead of employee's input in relation to their output in an organisation. Many employees count on regular compensation, so that the payroll forms part of the expenses that should get processed in time. Bragg (2014) asserts that the payroll management should have to reveal how to manage the payroll processing and the paying of workers. Bieg (2010) postulates that the compilation of correct member of staff payroll records to come up to accurate and acceptable reports and employee salaries which are to be charged against the company's profit. The staff morale will be also maintained and thereby makes it easier for an organisation to meets the required targets. The organisation has to maintain the good payroll policy of paying the employee's wages and salaries as when due commensurate with the output. Nelson (2010) argues that an organisation should have to ensure compliance to be guaranteed through certification. A good payroll policy ensures employees are paid in time and assuming that the production is not hindered, thus high volumes of finished goods to be passed to customers hence low equivalent units (Work In Progress) which lies idle in the inventory. If finished products are available then it results to increased sales and also increased profit to the organisation.

Zeynep Ton (2009) argued that retailers spend more than 10% of their revenue per annum and more than their inventory holding costs. He went further examining how the amount of labour workforce at the stores impact on profitability through service quality. Ton went on further analysing the key concepts of how labour affect profitability which include emphasis on payroll management which can also degrade employee morale and too much corporate on the payroll management which motivates managers to operate their stores with sufficient labour capacity that in turn degrades financial performance. Therefore payroll management

may motivate managers to operate with insufficient labour levels which in turn degrade profitability.

As highlighted by Hopp et al in Ton (2009), increasing the amount of labour allows employees to spend more time to customers. Fisher et al in Ton (2009) more labour that the retail stores is associated with high customer satisfaction and increased sales. Oliva and Sterman (2010) shows that the increasing amount of labour and thus reducing the workload per employee, thus reducing errors and increased service quality as well enhancing the financial performance of an organisation. Roth and Jackson (2011) becoming lean in terms of decreasing labour levels that has hidden to costs reduction. Lovejoy and Suthuam (2009) postulates that an increasing labour numbers result in errors leading to low quality problems, therefore leading to poor financial performance.

The research therefore looked into how the payroll strategy on employees at United Builders Merchants has affected the financial performance of the organisation. The organisation has the following departments namely Stores, Human Resource, Finance and Accounting and the Truss department which is the production department. So the poor payroll policy implemented has contributed to excessive in the rise of operating costs of the company ,that is salaries owed to employees as ,poor revenue performance, as well as continued operating losses since the workers were no longer contributing enough input for the organisation to meet the required targets. The following table to show the payroll policy affects to the financial performance of an organisation.

Table 1: Salary expenses and company's operations effect on Annual Profit schedule for the 2011, 2012 and 2013 financial years.

Years	2011	2012	2013
Revenue	\$2 152 68	\$1 561 984	\$973 547
Production Units	1 382	1021	753
Equivalent units	479	712	975
Salaries	\$1 682 632	\$1 906 864	\$2 215 806
Labor hours available	385.50 hrs	4025.50 hrs	4606.5 hrs
Labor hours claimed	3845.5 hrs	3934.24 hrs	4216.56 hrs
Total no. of employees	93	97	115
Net profit/ (Loss) for the year	(\$246 132)	(\$374 351)	(\$549 807)

Source: United Builders Merchants Annual Reports (2011, 2012, and 2013)

Considering the net losses suffered by the company, that is losses of \$246 132 in the year 2011, \$374 351 in the year 2012 and \$549 807 in the year 2013 clearly reflects a poor financial performance in an organization. With a good payroll strategy, employees will be paid their moneys when they come due, thus resulting in low salary costs thereby workers meet the required targets as well as increasing annual reported revenues and profits.

In trying to achieve its estimated targets UBM increased workers population thus 93 workers in the year 2011, 97 workers in the year 2012 and 115 workers in the year 2013. In other hand it resulted in increase in employee salary costs and finally reflecting poor payroll management in the organization. The operating profit decreased as employee costs increases and the equivalent units increased each financial year since employees failed to work as targeted mainly due to low staff morale. The revenue generated decreased yearly since less finished good like wooden doors, tables and chairs were passed to the customers.

The labor hours claimed by the employees were above the available hours thus resulting in some hours worked not paid. Employees were to clock in at 8 am and clock out at 4.30 pm and an hour of lunch time which implies that each worker has to work for 8 and half hours per day. In year 2013 available hours were 4606.50 and hours claimed by employees were 4216.56 the variance arises due to inefficiency of the employees. As highlighted by Bragg (2003), argued that there should be approved process for the overtime hours as well as negative deductions. The problem tracked back to the payroll policy of the organization resulting in eroding of the financial performance of the company.

The managing director commented on successive decrease in profitability due to decreasing revenues. Revenues figures were decreasing because of increase in equivalent units and decreasing production level in the organization. The financial director expressed concern over the increasing and accumulating salary costs due to unpaid arrears.

1. 1 Statement of problem

Garner (2012) finds that the maximum utilization of organizational policies will yield more to its performance. The payroll policies are to be well managed in an organization to cope with the challenges faced by the organization, the level of salary costs hindering the performance of the company. With increasing losses the company faced challenges of even to pay its suppliers when they are due, therefore no raw materials to support the production process. This study seeks to carry out an analysis on the payroll strategy in relation to organizational operations and performance.

1.2 Main Research Objective

To investigate the payroll management polices and its effects on financial performance.

1.3 Sub-research objective

- a) To what extents are employee cots affected a payroll policy in an organizational financial performance?
- b) What constitutes to payroll taxes in an organization?
- c) Are there any importance in labor cost control payroll strategy in an organization?
- d) How payroll ensures time keeping enhancing organizational performance.
- e) How does payroll pay affected with the payroll policies in an organization?
- f) Are payroll controls of much significance in an organization?

1.4 Main Research question

How to investigate the effect of payroll services on financial performance.

1.5 Sub-research questions

- a) What are payroll taxes in the payroll policies of an organization?
- b) Does a payroll policy importance to labor cost control in an organization?
- c) Is payroll time keeping policies justified in an organization?
- d) What are payroll pay polices and their effect in an organization?
- e) Can employees' performance affected by a payroll controls policy?

1.6 Significance of study

To the student

The research will be carried out in partial fulfillment of the requirements of the Bachelor of Commerce Accounting Honours Degree which the researcher is currently studying at Midlands State University. This research broadens the knowledge, skills, application and understanding of the payroll systems in an organization as well as a strategy tool in conducting tasks and performance at work. This study will provide a platform for the researchers' future. It will also sharpen the researcher's skill in research, identifying the payroll problems and recommending the possible solutions.

To The University

The research will provide literature for the university which may be used by other students and is expected to give an insight to the University on the applicability and importance of Bachelor of Commerce Accounting Honours Degree to Zimbabwean industry.

To United Builders Merchants

Recommendations from the research enable UBM to come up with an effective payroll transaction for the organization as well as increasing the entity's performance and pave the way to maximization of shareholder's wealth.

1. 7 Delimitation of the Research

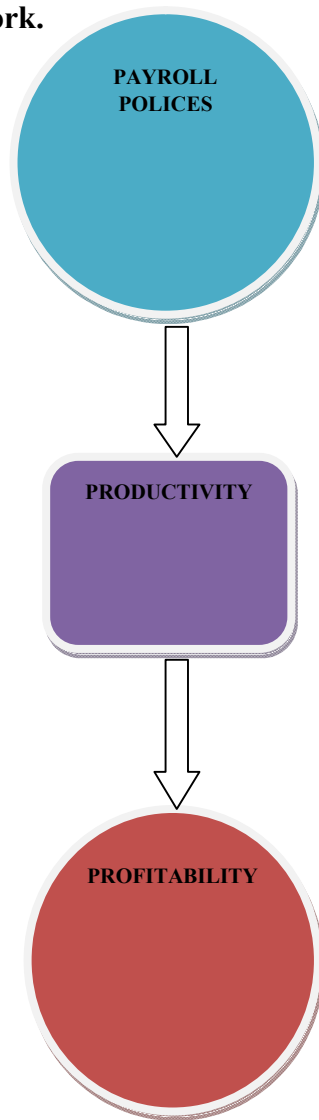
This study is in reference to local authorities with a geographical restriction to the city of Harare. It is covering the period 2011-2014 with more emphasis on the current situation.

1. 8 Conceptual framework

Bieg (2010) argues that the correct employee payroll records in an organization can come up with correct reports and employee salaries, hence leading to an effective policy increasing employees' morale, the production capacity and finally yields increased profits. The conceptual framework of this research lies upon the research variables which is the relationship between the payroll policies which the organization has implemented and put in place in relation to the productivity of the entity which is as a results of employee participation as affected by these payroll policies an entity can apply. Employee performance in turn has the effect on the final profitability of the entity. These variables will therefore reflect the interrelationship with the organizational financial performance.

The independent variable is the payroll policies which include the payroll audits, payroll time sheets, and clear pay slips whilst the dependent variable is profitability which include revenue figures as well as profit figures. The two variables are linked by the intermediate variable which is productivity, and this is to be illustrated in the diagram below.

Figure 1.1 Conceptual framework.



1. 9 Limitation to the Study

The research will be undertaken subject to the following constraints:

Finance

Limited financial resources reduced the material that could be accessed and other expenses such as travelling and due to this constraint the research is going to be limited in the amount of data to be collected. The researcher to find the most appropriate payroll policy strategy in which UBM should use to report in its compilation of employee's wages and salaries as well as providing enough financial performance to the entity without compromising the quality of the research. This can be done though gathering data and communicating, the use of emails

than travelling to a location. The researcher had to seek assistance to ensure successful completion of the project.

Confidentiality:

Some of the respondents to be unwilling to wide information that they felt is private and confidential thereby limiting the researcher. The researcher uses as much information and data as possibly collected and provided for the purposes of this research and reassured the parties involved those findings to be held in confidence and be used for academic purposes only.

Time:

The research project was being executed simultaneously with other course hence there might have been limited time to collect the data needed. The researcher prioritized his activities in order to come up with a commendable research through time management.

Deadlines:

The research is confined to a deadline and may not give adequate time needed to collect responses and draw meaningful actions and make recommendations, as the researcher may hurriedly doing things so as to meet the deadline.

1. 10 Definition of Terms

Payroll-is the sum of all financial records of salary for an employee wages, bonuses and deductions. Also refers to the amount paid to workers for services they provided certain period of time.

Salary-a fixed regular payment, typically paid on a monthly basis made by an employer to an employee.

Financial performance-is the subjective measure of how an organization operates from its primary mode and generates income.

Payroll policy- is the basic principles of paying employees which the organization must use.

UBM-United Builders Merchants.

1. 11 SUMMARY

This chapter covered background to the study that gives a brief reflection on the problem and thereby highlighting the statement to the problem, main topic, research questions answered,

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objectives of the research. It highlights the limitations to the research that were faced and the assumptions that have been made in the conduct of the research. It also highlights the area of study and the reason or justification of the study. The last section gives the definition of terms, the abbreviations used and the related summary.

CHAPTER 2

LITERATURE REVIEW

Introduction

This chapter explore the relevant related literature to enhance the research study. It involves the documentation of a comprehensive review of published and non-published work from secondary sources of data in the areas of specific interest to the research. It covers an analysis of evidence from other experts on the labour workforce management impact on financial performance. Major areas to be dealt with include finished goods, the production level, revenue figures, equivalent units; labour hours cost, salary costs, as well as the net profit. The chapter's outline is guided by the research objectives. The main thrust of this literature review is to find support or against the hypothesis under consideration.

2.1 Scope

In this literature review, the research is to investigate on the different payroll polices and services which the management of an entity may implement in the running of the business. The payroll management is to base on the employees' effect on the financial performance of the business. The problem over emphasis on the outward looking on payroll policies and services the employees receive from the entity for the determination of their salaries and wages in relation to their production capacities.

2.2 PAYROLL EMPLOYEE COSTS

2.2.1 Employee costs

Hadzima (2005) argues that are into several groups which are recruiting expenses, basic salaries employment taxes bursaries and scholarships and retirement reforms. To find a more technically, qualified personnel who can perfume effectively in a rapidly growth startup venture is much difficult. Most organizations economically and alternatively search for head hunting. This can make organizations to surely devote that their hire are close to the perfect as possible for the interest of the company since it can directly linked to the shareholders maximization through the yielding of high financial performance due to a well triggered

employee management personnel. Anything less will therefore drag the business, hence leading to the yielding of poor and sometimes negative output.

2.2.2. Basic salary

Hadzima went on further asserting that the basic salaries also forms part of the employee cost and these cost are to vary depending on the type and size of business under consideration and a variety of other factors. The data can be taken to help the organization to calibrate an appropriate base salary. The management of this type of employee cot basic salary implies that in most cases, there should not be great salary differentials between the early hired employees and late hired employees. So the risk of either early hire should made in the equate compensation.

2.3 EMPLOYEE PAYROLL TAXES IN AN ORGANISATION

2.3.1 Medical Aid

Bhattacharyya (2010:255), argues that many employees place high priority on health therefore organizations are to give greater performance which care for the employees health and that of their families. Moreover, it is well recognized that a health worker is an asset to the organization. Medical aid benefits for the employees are to be calculated exactly the same on the on payroll. In some cases employees who are 65 years and above will not be entitled to a deduction from remuneration but will instead entitle to a tax credit which will be exactly the same as the tax credits for the employees who are younger than 65 years. Employees are therefore taxed on the organizational contribution, unless if the employee has retired from that organization.

In the case of bursaries and scholarships, an open bursary has given to a person by the employer for the purpose of organizational studies or research, on such a condition there will be tax implication. If it is a closed bursary, such type will be exempted for tax purposes of the employee if the employee agrees to repay the funding to the organization. If the was not employed by the organization for the whole of the preceding year, the employee remuneration should calculated for the tax purposes.

2.4 Labor cost control policies in an organization

2.4 .1 Importance of labor cost control

Jain (2000) asserts that the accounting for labor cost within manufacturing entities requires the involvement of the three activities which include the time keeping, computation of payroll wages and salaries and the allocation of the total payroll costs. The time keeping in labor costing involves the accumulation of worked hours by each worker and the determination of labor hours that were spent for correct distribution of the labor costs to the cost records. Dutta (2008) asserts that the labor cost control within an organization is of much significance to its financial performance. The cost per unit of the finished goods is influenced in the major way by the labor cost. If poorly managed ,that is high labor cost are charged by the employees, this will implies that the final product cost or its price charged in the market will increase since the organization is to target profitability after recovering all the manufacturing costs. Therefore it will be less competitive in the market environment since the other competitors are to charge fewer prices, resulting in a decline in the market share as well as the revenue figures of an entity. Labor cost control is also important in the fact that labor it is a committed cost because of the existing labor laws which gives considerable protection to them.

In the case that if shortage of skilled personnel in an organization hence it is very important for the entity to recruit additional labor force though in other hand it will lead to increase in the cost of labor or to effectively utilize that scarce skilled labor which in turn yield high production capacity to be transferred to the customers and therefore increased revenue in turn. Dutta further on explains that a well managed recruitment of labor is needed for the accounting and control of labor cost in respect of the correct time keeping.

Bhattacharyya (2010) asserts that labor cost control is an important management function where an improvement in labor productivity results in the reduction of the fixed overheads. A case study: 100 workers were paid at a labor rate of \$40 per day submitted an increase in demand for pay to \$50 per day. The proposal was to lead to an increase in output to 5000 units per day from 4000 production level par day. Fixed overheads were \$4000 per day. The following analysis was done in deciding whether or not to agree with the demand of the employees.

	Present cost structure		Proposed cost structure	
Labor cost	100*\$40	\$4000	100*\$50	\$5000
Factory overheads		\$4000		\$4000
Output (units)		4000units		5000units
Labor cost per unit		\$4000/4000units		\$5000/5000units
		\$1 per unit		\$1 per unit
Fixed overheads per unit		\$4000/4000		\$4000/5000
		\$1		\$0.8
Conversion cost per unit		\$2		\$1.80

Although labor cost per unit will remain the same, the acceptance of the employees' demand will result to a decrease in the fixed overheads and the conversion costs also to decrease. The labor cost will not change because the proposed increase in the wage rate is in direct proportion to the expected employees. So the payroll management for employee time and costs is to maintain labor costs and conversion costs per unit at its minimum.

Bhattacharyya (2010) pointed out the importance of the labor cost control policies in an organization which include the reflection of the employee contribution to the production output. In other view the labor costs should be perceived as committed costs rather than like discretionary costs and the labor productivity directly influences the conversion cost per unit. The correct time keeping which uses the employee time worked and guarantees for effective manpower. The reports which indicate the productivity and the efficiency of employees are also enhanced.

2.5 Departments involved in the labor control

2.5.1 Time keeping department

Dutta argues that the time keeping department is the one which is responsible for maintaining the records that relate to arrival and departures of employees at the work place and also the development of the personnel.

2.5.2 Personnel department

This department in an organization is to formulate the human resource policy, manpower planning, head hunting personnel based on the recommendations of the departmental functions and the arrangements of those personnel training and development.

2.5.2 Engineering and work study department

The main responsibility of this department is for the preparation of each job specification, supervision of the production activities and the production planning.

2.5.3 Payroll department

This department deals with the calculation of the total and net earnings of each employee, the preparation of the payroll and the maintaining of the relevant records.

2.5.4 Cost and accounts department

This is responsible for the collection and analysis of labor cost data which is relevant pertaining to various jobs, the processing of the data and overall labor charged at the end of the production process.

2.6 PAYROLL TIME-KEEPING

2.6.1 Purposes of time keeping

Bragg (2009), points out that the cost of administering the company's direct labor time keeping system appeared to be in order high. An approximate of 50% of the entire cost accounting function was devoted to the collection and the interpretation of the data relating to direct labor. The following information relates to the employee time sheet:

Atlanta Facility Time Sheet			
Employee name :Mort Dulspice			
Date of time card:04/13/12			
Time In	Time out	Job	Work carrier
08.00	08.45	004712	Lithograph
08.46	09.12	004712	Etching
09.13	10.48	004712	Lamination
10.43	12.00	004712	Glue
01.00	02.10	004712	Lithograph
02.11	03.04	004799	Etching
03.45	03.17	004799	Lamination
03.18	04.24	004799	Glue
04.20	05.00	004799	Packaging

Employees are to write down on the time sheets the hours they have worked for each day and relating to a specific job as well as the work centers within which they worked on each job. Therefore it helps in the actual labor hours charged to employees relating to specific jobs rather than those complexities were an employee may overcharges hours worked which in turn results in highly charged labor cost to the entity.

The time sheet is handed to the payroll office for data entry and processing. The data relating to an employee is entered in the system and to track down for the corrections were possible of any missing information. The payroll process flowchart adopted from Bragg (2008) explains the following movements. Jain (2000) also argues that the time clocking cards are inserted for time clock by the workers that is upon arrival, taking a break, to lunch time and leaving for the day. The method will provide a reliable source for computing and the recording of payroll costs.

Fig 2.1 shows a time card.

Time Card								
Employee name.....				Department.....				
Employee/clock number.....				Week.....				
Shift.....								
Day	Regular (time)				Overtime		Hours	
	In	Out	In	Out	In	Out	Regular	Overtime
Total								

Justification and demerits of using employee time sheets in an organization include the setting out of employee's information is safely kept with little fault and if an individual wants to exports timesheets, this can be done at any preferred time. The method is very cheap to use, most work is clear without any confusion. The data can be changed and corrected if any mistake has been made, for an example if a person has selected the wrong activity, this can be mad it all right. The usage of the company codes and the projects codes is build in and the time sheets data can be exported and in what order can be adjusted by the user. Disadvantages include that to make it easy it can operate on ht e minimal number of activities, thus build one purpose only, keeping a time record. The method does not send to the user the timesheets automatically to the PC.

Many organizations are to use the methods of time tracking to all its staff members for the main purpose of utilizing the workforce and increasing the production output which in turn increase the company's revenue. For a firm to produce a good turnover and maintain its market share against its competitors and position in the society ,it has to look for the ways which improve itself the time management though an effective payroll policy within an organization. Therefore proper time management within an entity is of much significance and some time tracking software like time sheets are therefore needed. This usually increases in the work responsibility and the number of staff. Time tracking can provide convenience in the conduct of the ever increasing businesses to contribute to its smooth functioning.

Bhattacharyya (2008:188) asserts that the computerized payroll time keeping and payroll accounting does not automatically improve organizational productivity and argues that this can be enhanced by the managerial actions. Most of the organizations make use of the computerized payroll time keeping through the installation of time clocks and in turn this increases the accuracy in the preparation of the payroll. The data on the daily time sheets are

entered in the computer system which finally to produce the reconciliation statements and employee productivity reports for different periods.

There is also online times tracking facilities which delivers the data to the employee and are of very accurate and this helps to promote the business anywhere since the clocking is allowed to operate anywhere. This can reduce the cost for a company to install more devices which any require attendance, maintenance and the administration of the business. This is the most advantage of companies using online time tracking system since there is no any installation costs associated with the method. For example some equipment such as time cards, time sheets and time clocks.

2.7 PAYROLL PAY

2.7.1 Employee Remuneration

According to Shields (2008:33) the base pay forms the main component of the employee remuneration. This can be fixed according to the job or position occupied by the employee in an organization. Under this approach the employees are to increase their base pay through promotional hierarchies of their job grades, with each grade having different pay range from the other. The employees' performance usually to determine the promotional level and the job grade associated with the employee. Workers are to aim higher output level of performance as to aim those promotional chances which in turn makes the organization yield possible highly returns since there will be maximum utilization of human resources in the company. Position based base pay may take two different forms, that is the wages and salaries.

Jain (2009) states that the payroll department computes the total payroll including the gross amount earned and the net amount payable to the employees after deductions of taxes has been done. The total payroll costs are to be allocated on the basis of time cards and job tickets by the cost accounting department in an organization. Therefore the total payroll costs must be equal to the sum of the total labor cost. Waged remuneration is usually paid in fixed bases rate per hour, or a standard rate per day, week where a premium if there are any overtime hours worked by the employees. The executive, managerial and professional usually carries no upper limit of hours to be worked.

Bhattacharyya (2008:324) argues that sometimes the direct labor can be used as the bases for overhead absorption rate and expressed as a percentage of employees' wages that is the

factory overheads for the budget period expressed as percentage of the estimated labor costs for the normal output.

There are also two basic methods of labor remuneration which include the time rate system and the piece rate system. In the time rate system, employees are remunerated according to the time for which they work. Payment may be on hourly basis, daily basis or monthly basis. In this system, no consideration is given to the quantity or quality of work done. When payment is made on hourly basis, total wages payable are calculated as follows:

Wages = No. of hours worked x Rate per hour

A fixed rate per unit of production to be used and the wages are to be calculated using the formula: Wages = Rate per unit x No. of units produced. Employees also use the incentive plans where both the time rate system and piece rate system have their advantages and demerits. Most organizations may use the incentive plans as an attempt to combine the good points of both the systems. The main intention of an incentive plan is to persuade a worker to produce more to earn a higher wage. Naturally, producing more in the same period of time should result in higher pay for the worker. Because of greater number of units produced, it should also result in lower cost per unit for fixed factory cost and also for labor cost.

2.7.2 Overtime Pay

Hart (2004:45) states that the benefits associated with employees worked on overtime hours, highly output will be met by the employees in the production process and the organization will therefore relative increase profitability, but at the same time the company will be responsible for the payment of those overtime hours worked by the employees. All hourly paid non exempt employees for all hours worked. The employees of an entity are entitled to a payment of overtime if they have exceeded the normal working hours of that entity. According to Memphins (2011) states that there are two types of overtime namely the straight time overtime and the premium time overtime. The straight time overtime defined as the equal regular hourly rate and which is only applied for the excess hours which an employee has worked for, for example an excess of 37.5 hours and up to 40 hours in the same work sheet. The second type explained was the premium time overtime whereby there is equal one and one half times the regular hourly rate and this method is only to be applicable to the excess hours worked by the employee per week, for example 35 hours in the same worksheet.

Lambert (2009:27) asserts that all the employees within an organization must have the specified working hours per week and excess for that will be overtime work. The author went on further explaining that the overtime pay purposes will to include only the hours actually worked by the employee as well as paid holiday hours. Hours which are excluded for the calculation of overtime hours are annual leave hours and sick leave. Only approved regular schedules and overtime may be authorized only if appropriate budget arrangements have been made.

2.7.3 Exemption from overtime

The executives, administrators, professionals, and employees in other situations are provided to meet the test for exemption from overtime under the requirements of the Labor Act, Hadzima (2009). The employees are expected to dedicate at all the time which is required to complete their expected tasks and responsibilities. The Human Resources Department of an organization is to determine for each position if the test for exemption under the labour act has been met. Therefore, all monthly paid employees are exempt from overtime reporting requirements or compensation for hours worked in excess of the standard hours per week.

2.7.4 Holiday pay

Memphins (2011) asserts that employees who are required to work on a holiday have two options for their payments which include pay for regular number of hours accrued for holidays. The regular numbers of hours are to be taken off on another date, but within the same pay period. Normal work schedule will avoid confusion about how hours should be paid during a work week with one or more holidays. Regular part-time employees will be paid for designated company's holidays on a pro-rata basis. Employees should report only the number of holiday hours that are proportionate to the position. Employees on unpaid leaves of absence are not entitled to compensation for official holidays that occur during their unpaid leave.

Costs devoted to direct labor are very crucial to the company, they need to be well managed and charged from profits from the company's operations. Thus the nature of the time keeping system is driven not only by total cost of labor but also by the level of profitability of the business.

2.8 Revenue per employee

The revenue for employee is one of the measures of the monthly observed of all the performance measures. This is based on the assumption that all the employees in the

organization are at the focus of the entity's profitability. Some industry also uses it at a standard benchmarking.

The preparation and recording of payroll transaction as indicated by Puttick et al(2008), figures out that the clock cards which shows total number of hours worked are reviewed whilst the payroll staff is to capture the data into the payroll batch file those hours worked as they are shown on the clock card. The totals number of hours worked by each employee are shown on the clock card and compared to those numbers of total hours which are recorded in the batch file after input. The printout of the time is to be reviewed and then to be authorized to avoid any risks of the employees to overcharge their production working hours for the sake of claiming increased salaries.

Puttick (2008) explains that in the manufacturing entity, the total hours worked by an employee should have to be captured on the employee's job time ticket and to be transferred to the payroll department if they have been approved. It is the duty of the payroll department also to make comparisons between the totals hours to which the employees work and that information on the employee's time record, as well as those hours charged to work in progress. It ensures that all the hours worked by the employee during a specified period of time are to be accounted for before calculating the employee's salary and period end. This practice do away with queries from employees on the payment of salaries made to them.

Joe (2009:39) argues that organizations should have to practice the matching of employee performance and the financial variables at cooperate levels to confirm with that of the single gross measure derived from the income statement such as revenue, cost of sales, gross profit, expenses and the net profit. This aspect doesn't separate the effect of the human effort for the leverage of other assets like employee revenue is to be measured on the time the employee spent in generating a given amount of revenue.

The wage rate and any relevant deductions associated with an employee are obtained from the employee data master file. Individual pay slips, pay packets, the payroll costs distribution summary should be printed as the output from the payroll run an updated ledger. In a manufacturing company, the factory manager is usually the one who is responsible for the approval of the amount which is to be drawn in respect o wages. This process is done by signing the printout and the information is to be reviewed including the employee's net pay, hours worked, various jobs worked and thus limiting errors.

2.9 PAYROLL CONTROLS

2.9.1 Detection risks and substantive tests of payroll balances

Sandy et al (2008) argues that costs of the payroll balances are usually to be performed towards the end of the period. The recognition, measurement and the presentation and disclosure are in terms of International Accounting Standard 19 (IAS19), employee benefits which is also in respect of the payroll accruals and provisions. The author further explains that on this aspect an auditor should have to exercise caution and the audit team is to perfume and verify the procedures for the payroll liabilities and expenditure revenue balances at the end of the period.

Analytical procedures on the payroll include comparisons to the prior years or budgets, the ratio analysis, comparisons of both financial and non-financial information and the related business process of the organization. Internal and external events that occurred during a specified period like business expansion retrenching employees, wage agreements, as well as changes in the accounting policies and management. Attendance of a wage pay-out, usually the auditors to attend the payroll pay-out to come out with a reasonable assurance that controls over the wage cash payment to the workers is existing and have occurred in that actually occurred in that particular entity. According to Celare who wrote an article on payroll fraud explains that there is advance free fraud where by the fewer employees in and organization is to be remunerated in cash basis and increasingly the payroll to be handled by an external bureau. The changes are compromised and can lead to the payroll fraud. There is also corruption which can be set out by the employees who do not existed in the company, and in most cases are those employees who had left the organization in the past. The risk associated with it is that there may be cash payments of salaries and wages into their bank accounts.

There are other payroll frauds which include the inflated overtime claims, the use of incorrect hour time rates, the overpayment of expenses or underpayment of deductions. So organization should work with those computerized systems which do away with the weaknesses. When programmed efficiently any anomalies which might rise maybe easily detected, for example the system to detect the same employee name, with the same payment, same bank account.

2.10 Accrued payroll

Bert (2012) asserts that accrued payroll at the end of the period that is each month, there should be accurately maintained with respect of the internal financial statements. Since all employees receive their payments like on weekly basis, there are no material misstatements of the payroll that would arise. The author went further explains that the accrual of the payroll policy only to be done at the end of each quarter year end which ever as desired by the management itself.

2.11 SUMMARY

This chapter explores the literature which relates to the research question in a bid to meet the research objectives. This was done to show the previous studies and analyze the findings. The next chapter will look into the research design and the research methods that will be implemented to guide the carrying out of the research study.

CHAPTER 3

RESEARCH METHODOLOGY

Introduction

This chapter presents an overview of the research methods in general, outlines specific research methodology that was used to carry out the research study. It highlights on the techniques used to collect and analyses data, the questionnaire designs, and the administration of the questionnaire and the selection of the sample. This chapter is importance since it shows the validity of the research data, impact of the payroll policies on the financial performance of an entity, measures used in the data presentation and analysis. It also focuses on the justification of each method used.

3.1 Research Philosophy

Davies (2007) refers to a positivism approach application to the research study which mainly focuses on the facts found in the questionnaires. Collins (2010) asserts that the positivism approach can make use of the quantitative approach research method .that is observations used in the data gathering process and analysis.

3.2 Research Design

Kuada (2012) defines research as an action plan or blueprint of a research which should a logical sequence of activities that allows the researcher of the project to see the connection between the research questions that have posed in the introductory chapter of the research, the approach which has been used to develop in addressing the questions, underlying assumptions on the approach, how the data was collected, analyzed as well as findings and conclusions. Goddared argues that a research is not just a process of gathering information but about answering unanswered questions, expanding the boundaries of ignorance. Solutions of the research problems are derived from the research design.

3.2.1 Justification

The positivism approach gave room for broad problem solutions such as investigation or the effectiveness making it easy for the researcher to apply various method of investigation in many areas. The large amount of easily comparable data clear theoretical focuses for the research is encouraged.

3.3 Research design techniques

Kothari (2004) points out that there are basic types of research which include descriptive research, explanatory research, conceptual research and case study.

3.4 Descriptive research design

Kothari describes descriptive research as surveys and fact-finding enquiries of different kinds of the major aim of state of affairs as it exists at present. The main characteristics of this type of research is that the researcher has no control over the variables, only to report on the results or what is happening ,for example the frequency shopping, preferences of people or similar data. This research type also includes the assumptions by the researchers to discover cases, both controllable and non-controllable variables. Goddard further argues that descriptive research maybe used when the object of the research is complex. A descriptive survey is thus suitable case as it does not only rely on observing with the physical eye. It is both quantitative and qualitative as the research seeks to collect data following the descriptive of the characteristics of the phenomena and attempt to establish a relationship between factors being studied. The collected data may relate to the behavioral variables of respondents under the study or some situational variable.

3.4.1 Case study

According to Lyons and Coyle (2007) defines a case study as an emphasis details conceptual analysis of limited number conditions and their relationships.

3.5 Research approach

According to Kothari (2004) asserts that the research brings light and the fact that there are two basic research approaches, that is the quantitative and the qualitative approach. Johnson and Christenson (2008:33) added the mixed approach to the two basic research approaches. The characteristics of each research with a comparison to be briefly discussed below:

3.5.1 Mixed Approach

Lyons and Coyle (2007) referred to mixed approach as a combination of both the quantitative and qualitative research approach. The quantitative approach relies on the collection of numeric data and aimed in answering the questions which concerns the relationships between measured variables by explaining and predicting. The data is therefore to be summarized according to means, medians, correlations, and statistics.

Justification of the approach include that it allows for a large sample of respondents to be measured against a limited set of questions. This facilitates the comparison and statistical aggregation of the data collected.

Kothari (2004) defines qualitative approach to the research as an approach which is covered with the subjective of attitudes opinions of the research's insights and impressions. Such an approach to research guarantees results either non-quantitative form or not subject to rigorous qualitative analysis. Lyons and Coyle (2007) argues that in the qualitative approach there are three data collections methods used namely in-depth, open-ended interviews, direct observation and within documents. The data collected from interviews comprise of direct quotations about the experiences, opinions, feelings and knowledge of people being interviewed. The data obtained from observation include detailed descriptions of people's activities ,behaviors, actions ,interpersonal interactions and organizational processes through document analysis, data in the form of experts, quotations, publications, reports and open-ended written response to questioners and survey can be obtained.

The research was undertaken using the mixed approach since it was to strengthen the research study by comparing the outcomes of using both methods.

3.6 Appropriate Research Method

For the researcher to gain deeper understanding and fairly answer the questions raised at the beginning of the study, both the quantitative and qualitative approach was chosen. Both methods of the research approach were used. Johnson and Christanson (2008) pointed out that essentially open-ended questions provide qualitative data while the open-ended question provides the quantitative data.

3.7 Questionnaire Design

The nature of the topic in this study determines the use of a questionnaire survey as the primary research tool, and this are highlighted structured data collection techniques in which respondents asked the same set of questions. The questionnaire is divided into sections, section A which is made up of biographical questions in which the respondents were asked o indicate their job titles experience and qualifications. Section B comprise of questions which were designed to reach both general and specific aspects of the payroll policies of an entity. Questionnaire is mostly and widely used technique for data collection due to its ability that the researcher can collect the data beyond the physical reach of the researcher. It also provides the basis for comparison and measurement since each respondent is responding to the same questions as the others.

There are two types of questionnaire used that is the open-ended and structured questions so as to reduce bias and not influence respondents with the pre-stated response categories. Questions were submitted and administered on the staff shown on the organizational organogram.

Justification

Bells (1995.49) says that there are various advantages of using questionnaire method ,that respondents are given enough time to think deeply about their answers before finally answering ,thus, the method is cheaper as a means of extracting data. It is also convenient to a given large population. No influence in the data collection bounded with the questionnaires. The respondents are comfortable in remaining anonymous as they will be giving organogram. Some questionnaires may highlight issues not considered or information that need for interpretation quantitative data collected through other methods. It allows better comparability of the responses because of the confirmation in the questions that all respondents are asked. Questionnaires need a large proportion of the respondents who are geographically dispersed thereby acting as a cost cutting to the travelling costs of the researcher.

The disadvantages of using questionnaires include that the researcher scheduled the interviews should ensure that personal communication between the researcher and the respondents over the data collected. It may give rise to follow up and very ambiguous questions. Failure to interpret questions by the respondent gives rise to faulty data being collected. The researcher was to ensure that the demerits of this method did not distort the e research process.

3.8 Interviews

An interview is a conversation between two or more people where questions are asked from the interviewer to obtain information from the interviewee. Then can be divided to type that is interviews assessment and interview for information. The research was done through interviews as well so as to gather the data on various aspects relating to the payroll and the financial performance of an entity.

Justification

Interviews include that information obtained from interviews will be more comprehensive because clarification will be obtained and ambiguous questions could be explained. Face to face communication can yield more reliable and quality data than any other instruments. The

interviewer can rely on the response given by the interviewee and the process will therefore to produce a high response rate. Bell (1995:51) asserts that the method is also a way of confirming responses from the questionnaire method and to ensure the concurrent validity and reliability of data collected

Demerits of the method include that the interviewees do not have enough time to think over the question and because of such factor; they cannot come out with reasonable answers. The process is time consuming and the interviewers need some training in the conduct of the interviews. The researcher gives the interviewer the time to think over the questions by asking simple questions in the research questionnaires. Interviews scheduled were developed which ensures that each research subject was interviewed as per schedule thus saving time.

The research question were good that the researcher get valid and relevant data from interviews .Some respondents tend to be reluctant as they may not disclose the information regarded as confidential.

3.9 Types of Research Questions used

The type of the research questions were to offer a choice between the two options only, for example, “YES” or “NO”. Some open questions, those type of questions which provide pre-specified answers but they allow for open comments so that further clarification will be reached or probe the interviewee or questionnaire is reasoning. Open-ended questions allow respondents to give their response in their own words whilst freely expressing themselves. Respondents should shed more light on their answers and providing detailed explanations .Scaled –response questions is a method whereby details collected on the attitude and the perception of the respondent. They comprise of a scaled points, ranging from agree, strongly agree, disagree and strongly disagree, for the scale to determine the respondent’s level of agreement on a given subject.

The research questionnaires were grade into strongly agree, agree, strongly disagree, disagree and not sure and the following credits to be given to each question on a questionnaire, that is 5, 4, 3, 2 and 1 respectively.

3.10 Measurement of variables and validity of data

The research was undertaken under the two variables that are the financial performance and the payroll polices. The indicators for the financial performance include profitability,

productivity and employee performance. The table below shows the indicators for the variables. The research was undertaken on great value data

VARIABLE	MEASURE
Profitability	Revenue figures
	Net profit figures
Productivity	Meeting of the required targets
	Meeting the deadlines
	High volumes of finished products and less of equivalent units
Employee performance	Level of output
Payroll policies	Employee time sheets
	Payroll audits
	Clear payslips
	Overtime costs
	Employee costs
	Employee labour hours compilation

3.11 Regression Model

The research was undertaken using the regression model in the determination of the relationships between the dependent variable that is profitability and its key indicators which include the revenues, equivalent units’ inventory, finished goods inventory as well as net profit figures. The independent variable key indicators include the employee payroll costs, the employee overtime costs, and the direct labour hour’s costs. The regression was done using the Stata 11 software.

The regression equation

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Y is the Profitability

β_0 is the constant terms

β_1 is the employee costs

β_2 is employee overtime costs

β_3 is direct labour hours costs

E is the error term

3.12 Types of data

The research design is collected both using primary and secondary data. Primary data was gathered by researcher through the use of interviews. Johnson and Christenson define primary data as the raw data collected for the first time. It can be collected using the following techniques that is the observation method which is done through researchers own direct observation of relevant people's actions in a situation without asking from the respondent, Neel(2011). Survey method as an approach suited for data collection, usually supplements observation method to curb the disadvantages of the observation method

Primary data

This was collected through the use of email, personal interviews and this can be used to collect large amounts of data information, whilst personal interviews explore issues and as the situation requires, Dekker (2009).

Secondary data

Delker (2009) defines secondary data as the information which already been collected and analysed but someone else. Information such as minutes, financial statements and reports is analyzed.

Justification

Secondary data saves time which the researcher is to use in the collection of data and provides a large database. It provides a good basis for the research as they give a clear view of international best practices. Demerits include that the secondary data may not be designed for the current project and will raise problems therefore the data end up having some errors. The data can be absolute and may not suit the researchers' level of need to fully comprehend the whole research project. Some data was not specifically to the target population and was scarce the research was limited from the data sources.

3.13 Research Population

Population can be a group of people which are under a study. Johnson and Christensen (2008) has defined population as a group of individual which can be taken to represent the whole population and giving the number of people eligible to take part in the research. Target population is the entire group of individual objects that are relevant to the research to come out with a conclusion. Therefore population is the subset of the target population. The population of the researcher consists of members of staff from the various departments of United Builders Merchants such as the marketing department, human resources department and finance department. The population chosen in this research was management line and employees of United Builders Merchants.

3.14 Sampling Procedures

Sampling is a deliberate choice of data of a number of people who are to provide data from which the researcher will draw up the conclusion about some larger group to whom those people represents. Jankowicz (2005) asserts that sampling is aimed at in reducing the population size to be well manageable and maintain validity and credibility of the sample. Random sampling is based on the probability of the total population and the weakness of this is that its responses might not vary because they might come from the same group hence not giving expected responds to the researcher. The sample size comprises of the employees of the entity categorized into groups as to shown in the table below.

Table: 2 Sample size

Respondent	Population	Sample size	% Sample size	Data collection method
Management	13	9	69.2%	Questionnaires & interviews
Accountants	5	3	60%	Interviews
Production Dpt	19	10	52.6%	Questionnaires
Total	37	22	59.5%	

The selected accounted were interviewed, 4 top management level and 29 other employees issued with questionnaires.

After gathering of the necessary data information, the researcher analyzed both the qualitative and quantitative information. Results were to be represented by the use of bar graphs and pie charts.

3.15 Summary

The chapter underlines the purposes of the research and describes the difference between quantitative and qualitative research.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

Introduction

This chapter presents the findings from the respondents as well as in-depth analysis of the data collected in the questionnaire and interviews. Information collected in secondary sources of the data is also presented and analyzed then the results to be presented in the text and statistical form. To address the research of the objectives stated conducted through questionnaires and interviews in determining the impact of payroll services on the financial performance of UBM. The empirical findings of the study, which are presented with the aid of tables and figures, are based on the summaries of the questionnaires.

4.1 Questionnaire response rate

A total of 25 respondents were chosen and out of that number only 22 respondents were manages to be conducted due to absenteeism by the respondents and refusal to respond to the questionnaire. All the questionnaires were answered by the respondents who were conducted giving a 77.8% from the top management.

Trochim (2008) states that the population used for data collection process should be at least 70% and to present true information of the study. Therefore an 88% responded of the research is valid.

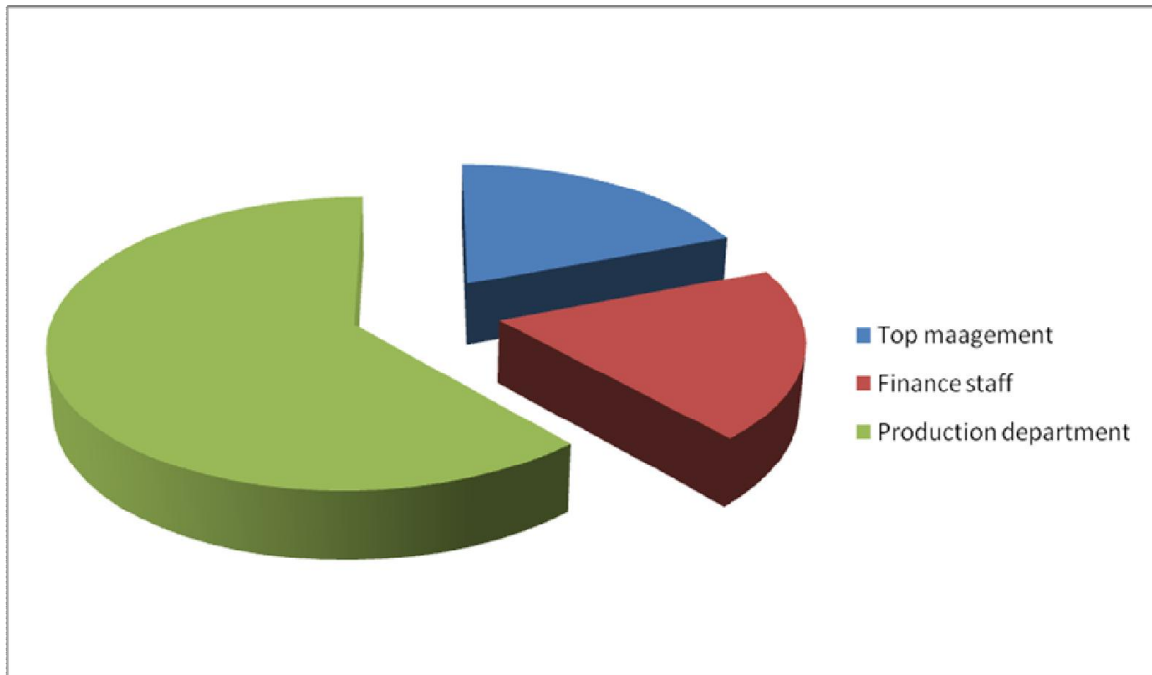
The section A of appendix 2 of the questionnaire contained four questions which are to provide the information from the respondents such as the job title as well as the position held, gender, the academic qualifications and the number of years the respondent has spent with the organisation.

Table 1 Respondents per department

Department	Targeted respondents	Number of respondents
Top management	9	7
Finance staff	8	7
Production department	8	8
Total	25	22

The information above reflects the departments from which the questionnaires were undertaken from which a total 7 out of 22 respondents giving a 31.2% responds from the finance department. The management gives a total respond of 31.2% for which a total of 7 out of 9 managers responded to the questionnaire. All the staff from the production department responded to the questionnaires giving a 100 % respond rate.

Fig 1 shows the responds per department



The diagram reflects the size of respondents who had participated from the top management, finance staff and the production department.

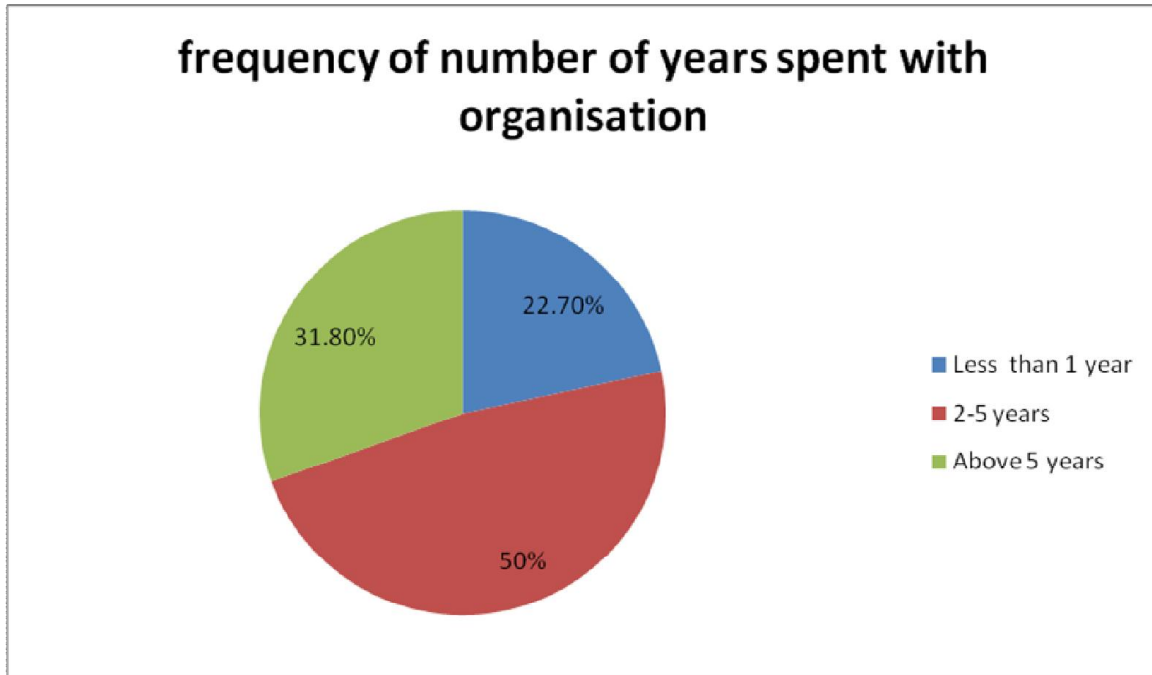
4.2 Time spent with the organisation

Table 2-The frequency on the number of years spent with the organisation

Period	Number of respondents
Less than 1 year	5
2-5 years	11
Above 5 years	7
Total	22

Figure 5 to show the distribution of respondents in relation to the time spent with the organisation. The highest responds of the respondents of 50% had been in the organisation for 2 to 5 years.

Figure 2: Frequency on the number of years spent with the organisation



The figure above shows the majority of the respondents had been with the organisation for 2 to 5 years which is being represented by 50% of the total respondents. Those who were with the organisation for less than one year are presented by a 22.7% whilst 31.8% represents those with the organisation for 5 years and above. Basing with the information above it shows that the obtained data through questionnaires was of high quality since the greater portion of the respondents had many years with the organisation. The basis of time spent with the organisation will reflect the reliability of the information obtained in the data collection process.

4.3 ANALYSIS OF QUESTIONNAIRE RESPONSES

Section B of the appendix 2 analysis the questionnaire regarding the researchers' main objectives and collaborates the discussions of the empirical findings for each objective.

4.4 Payroll policies and services have effect o employee performance

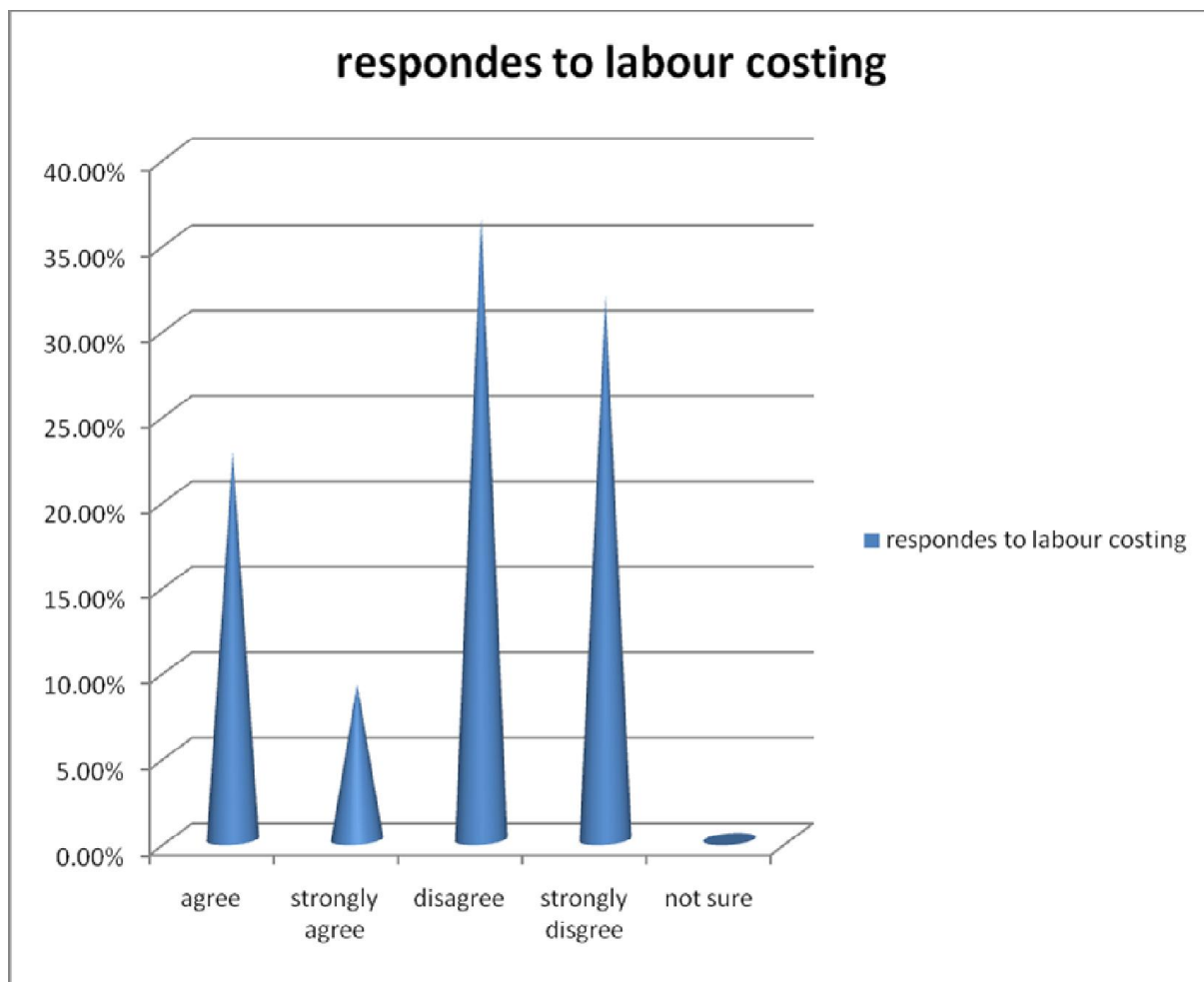
Option	Respondents	Percentage
Agree	6	27.3%
Strongly agree	13	59.1%
Disagree	1	4.6%
Strongly disagree	-	-
Not sure	2	9.1%
Total	22	100%

The results from this questionnaire showed that the payroll policy which United Builders Merchants implemented out of the 22 respondents, 6 respondents, thus 27.3% agree that the payroll policy may have effect on the employee's performance, 13 individuals that are 59.1% strongly agree that a payroll policy or a service really have a strong effect on the employee's performance. Only 1 individual disagree with the questionnaire and none of the respondents who had strongly disagree with the questionnaire. A 9.1% were not sure to their responses to confirm with the payroll policies and were from the production department as they might lack knowledge of the payroll services which an organisation may be provided to its employees. Therefore the information conclusively shows that there is a greater effect to employees' performance at United Builders Merchants.

The interview questions also showed that there was a strong effect on the payroll services which UBM was putting in place. Therefore regardless of other respondents who disagreed with the questionnaire.

The results from the questionnaire reflect that 5 individuals out of 22 has agreed that the labour costing system was accurate, only 2 respondents strongly agree that the system was accurate. Out of the total respondents, 36.4% shows that the labour costing system at the organisation was not accurate due to the way the payroll policies were implemented and conducted. 7 out of 22 strongly disagree with the accurate of the policies in the calculation of the labour costing method in the organisation.

Fig 3 questionnaire responds on labour costing from the policies implemented



Seven respondents strongly disagree thus showing a 31.8% of the total respondents reflect that the payroll policies implemented at United Builders Merchants has imposed incorrect labour costing for the employees. However no any individuals who were not sure since everyone was aware of the unfairness of some the payroll polices not coming up with correct costing of employees’ wages and salaries.

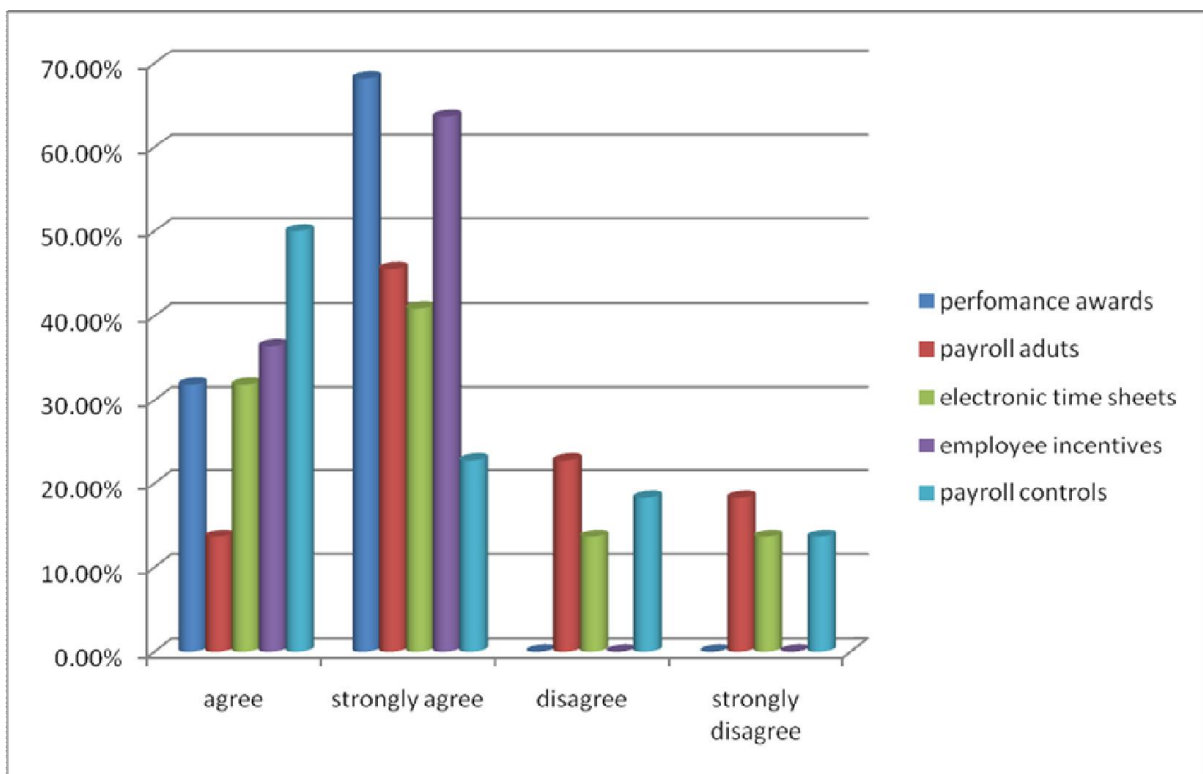
4.5 The adoption of actions to cope with financial performance

Possible action	Agree	Strongly agree	Disagree	Strongly disagree	Totals
Performance awards	7 (31.8%)	15 (68.2%)	-	-	22 (100%)

Payroll audits	3 (13.6%)	10 (45.5%)	5 (22.7%)	4 (18.2%)	22 (100%)
Electronic time sheets	7 (31.8%)	9 (40.9%)	3 (13.6%)	3 (13.6%)	22 (100%)
Employee incentives	8 (36.4%)	14 (63.6%)	-	-	22 (100%)
Payroll controls	11 (50%)	5 (22.7%)	4 (18.2%)	3 (13.6%)	22 (100%)

The figure below shows responds to the new actions to be implemented to improve the entity’s financial performance.

Figure 4



A total of 15 individuals out of 22 resulting to a 68.2% strongly agreed and 31.8% agreed with the questionnaire that the performance awards will increase the entity’s financial

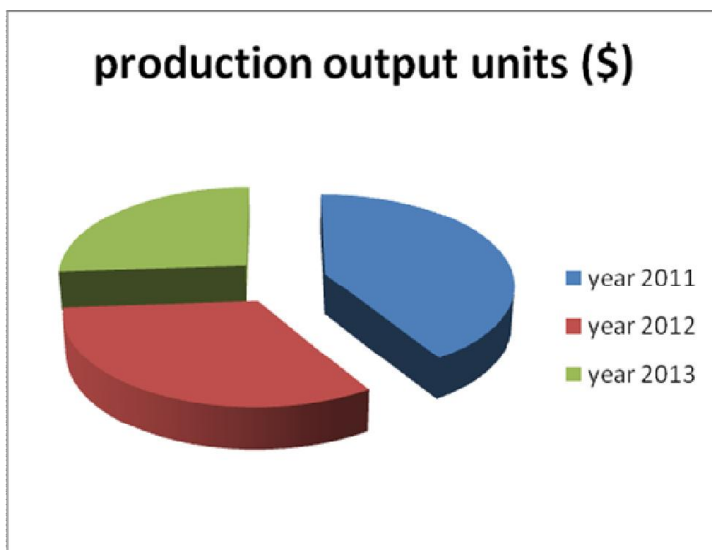
performance since employees will be motivated to yield the high productivity levels. Since this policy was not constantly implemented at UBM. None of the respondents disagree or strongly disagreed with the questionnaire. The questionnaire results shows that the organisation to implement this so as to yield high production capacity as well as improving the company's profitability. There were also a considerable number of respondents who strongly agreed payroll audits to be implemented in an organisation to increase the financial performance of an entity.9 respondents gives responses against the option of putting in place the payroll audits to cope with the performance of the company.

4.6 Production output capacities trend for 2011, 2012 and 2013

The interviews carried by the researcher to the finance department, obtained the information on secondary sources of data including the production trends reports for the 2011, 2012 and 2013 financial years. The assistance accounted provided the information pertaining to the production capacities for different years.

YEARS	PRODUCTION UNITS (\$)
2011	\$213 790
2012	\$178 553
2013	\$142 053

The results of the production trend above for the organisation is shown if the figure below



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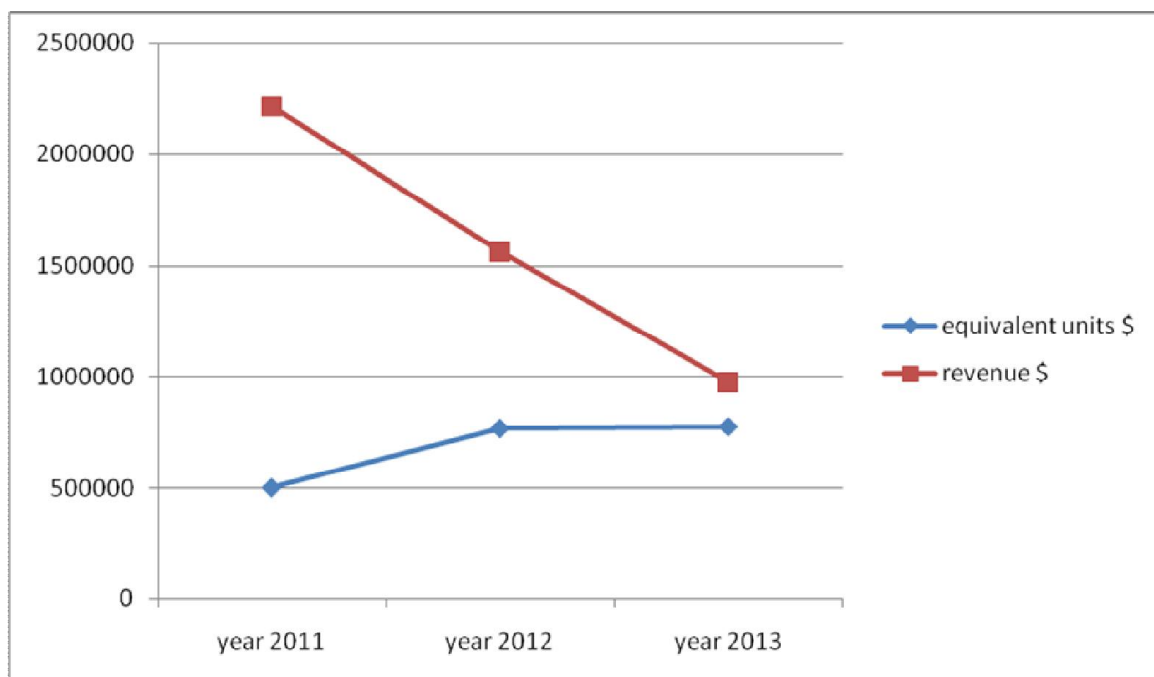
Given the information on productivity trends shows that the production capacity was decreasing from \$213 790 in the year 2011, to \$178 553 in the year 2012 and decreased to \$142 053 in the year 2013. Since the organisation was eliminating some of its effective payroll polices such as giving employees awards on the relating to the output decreased their motivation as well hindering the production process of the employees.

4.7 Equivalent units

Due to a reduction in the speeding up of the production process in the organisation, increased quantity of stock resulted, which in turn making lees stock to be transferred to the customers and reduced amounts of revenue for the entity. The table shows the equivalent and revenue trends from 2012 to 2013.

Year	Equivalent units \$	Revenue \$
2011	\$501 326	\$2 215 268
2012	\$767 860	\$1 561 984
2013	\$757 375	\$973 547

The information is shown in the figure below



R111887G

The equivalent units were tied up in the warehouse since the production output process was slowed down by the employees in the production process. The revenue figures for the years decreased due to the fact that only limited quantities were passed to the customers since the organisation was failing to meet the target market demand to its customers. An improvement in the payroll policies of an organisation by the management will therefore improve the quality of products to be produced by the workers. The ability to meet the required and favourable targets hence increased volumes of finished products with having less stock of work in progress. The revenues figures will therefore to rise which in turn increases the company's financial performance.

The company faces the challenges in the paying of its employees since some fraudulent activities were in existence like the claimed labour hours by the workers were exceeding the budgeted and available labour hours. This was due to some of the employees provide incorrect information on their labour hours for the sake of being paid more compensation for less job being done.

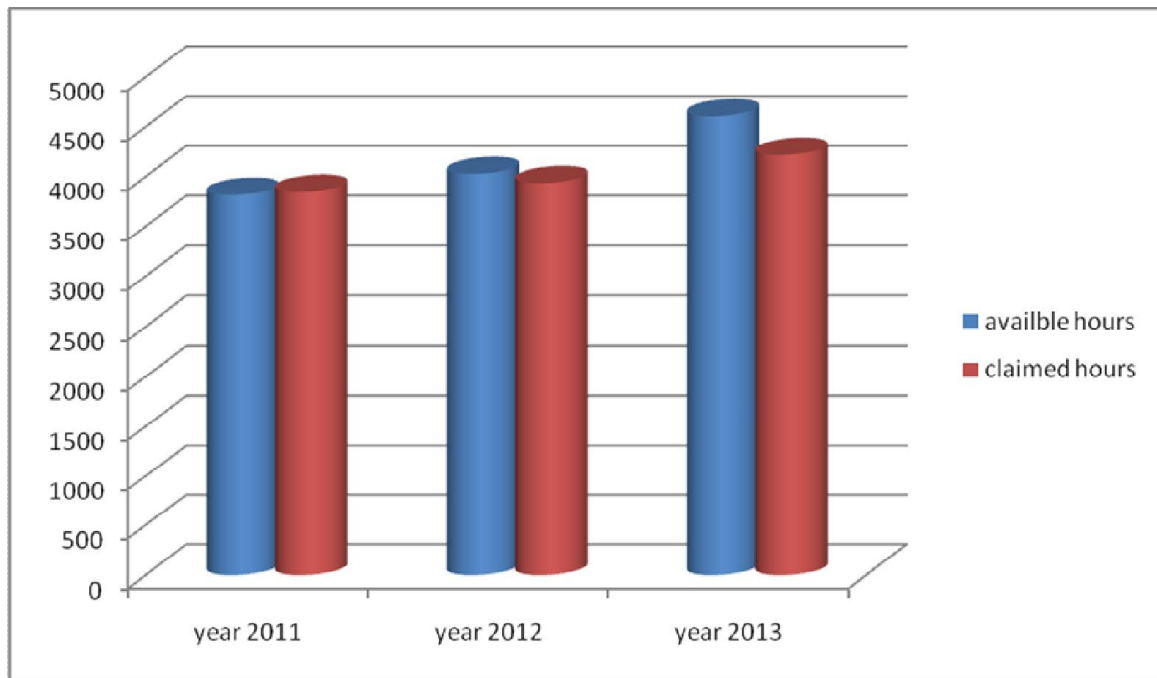
The finance department was able to provide the researcher with the following information pertaining the labour hours of the production department as shown in the reports for the year 2011, 2012 and 2013.

Years	Available hours	Claimed hours
2011	3815.50 hrs	3845.5 hrs
2012	4025.50 hrs	3934.4
2013	4605.5 hrs	4216.56

The labour hours claimed by the employees' increase each year since the employees were to charge the hours worked at their own will. The management was failing to cope with its polices to reduce the challenge due to the fact of not implementing the payroll policies such as the employee time sheets which will show clearly the hours worked by the employees and thus eliminating the possibilities of charging more hours to receive increased salaries.

4.8 The effect of the management's policy to the labour hours

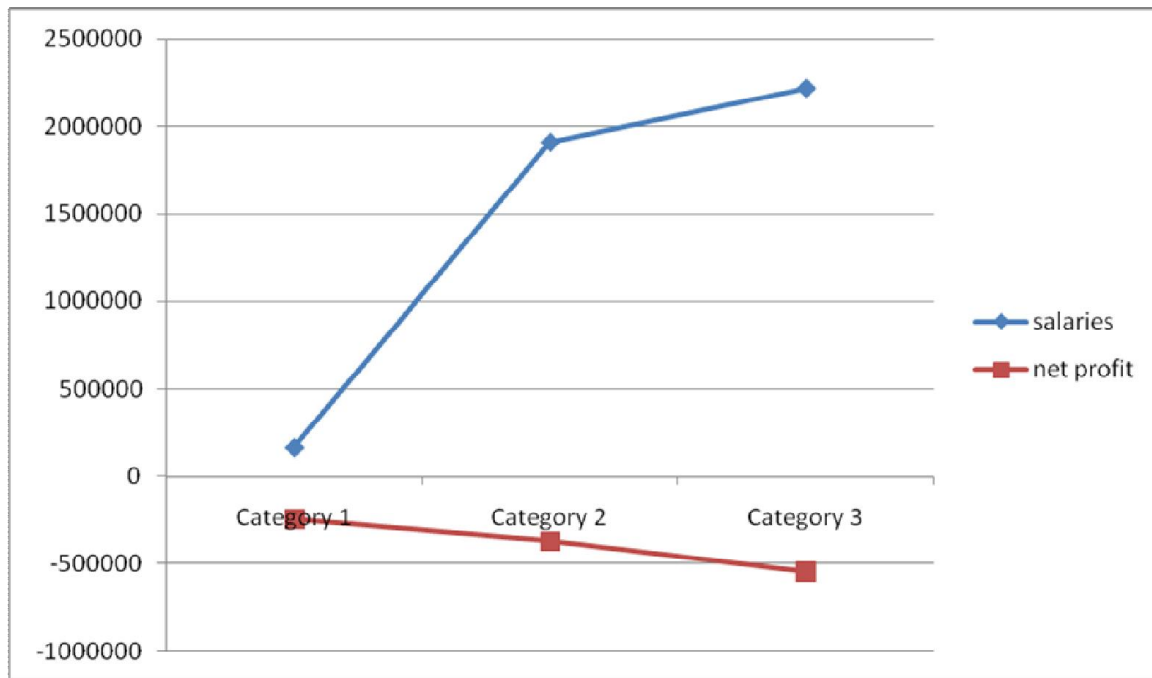
Figure 5



In some cases the production department absorbs its production overheads on the bases of the direct labour hours. Therefore employee working hours was to be correctly accounted for so as to come out with the correct cost measurement of the company.

The secondary information collected also shows that the management’s policies have affected the profitability of the company. The company faces successive losses from the year 2011 to year 2013 since the revenues were decreasing and employee salaries being claimed were also increasing. The table shows the net profit trends and salaries claimed form the employees for the period.

Year	Net profit trends	Salaries claimed
2011	(\$246 132)	\$ 482 632
2012	(\$374 351)	\$ 706 864
2013	(\$549 807)	\$ 915 807



The information obtained from the company's reports provides the data on the financial performance of the entity.

The variables such as profitability, labour hours worked, the production volumes were measured and compared against the implementation of the different payroll policies such as payroll audits, the introduction of employee time sheets within an organisation and their overall effect to the financial performance of the entity. The following regression table was computed to show the positive relationship between the variables, thus an increase in the implementation of the effective policies will improve productivity which in turn improves the financial performance of the entity.

4.9 The undertaken regression in the research

> _____		Coef.	Std. Err.	t	P> t	[95% Con
> pf						
> f. Interval]						
> _____						
> pp		.5	.22771	2.20	0.159	-.4797571
> 1.479757						
> pro		0	.1721326	0.00	1.000	-.7406268
> .7406268						
> _cons		2.7	.972968	2.78	0.109	-1.486343
> 6.886343						

Source: Sata 11

R111887G

The relationship between the variables is significantly related to each other, which is the value of (t) is on average above 2 considering the absolute value which is reflected in the regression table above.

Basing on the results obtained it shows that there is a positive relationship between the payroll polices like employee overtime costs, employee labour costs, payroll audits, employee time sheets, compilation of clear payslips ,if well implemented within an organisation will increase a well managed employee costs, employee motivation, creased productivity and finally increasing the company's financial performance.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

Introduction

In this chapter all the research findings outlined in the research objectives, literature review, research methodology, and data gathering and analysis are recapped reflecting the extent to which the research objectives have been met. Conclusions are to follow which are to base on the findings of the research study and recommend possible actions outlined for future references. The secondary data used in coming up with the conclusions is also analysed.

5.1 Chapter summaries

The first chapter dealt with the introduction of the research study focusing the background of study which gives a clear picture to the problem, the statement of problem which is to states the motives for carrying out the research, the research questions and the research objectives of the study which the research study is aimed to find out. The delimitation of the research study was also included in the first chapter, the limitations and the significance to the study.

The second chapter lied upon the related literature review in line with the research objectives and questions outlined in the first chapter. These research questions and answers are to be answered by the related case studies and literatures. The main objective was to find out on the payroll management policies which an organisation can implement and their effect on the financial performance. Different payroll policies such as payroll control, payroll time sheets and payroll audits were investigated. The stated objectives of the chapter one formed the headings in this chapter in an attempt to come up with an answer to the objectives using related literatures.

The third chapter was cantered on the research design and method which was used to carry out the research process. Main elements dealt with were the research design, the selection of the sample in a given population size, and that the use of the case study in the data gathering processing. The instruments used in the data collection process and analysis to be shown in this chapter. Questionnaires were used to collect the data for the research process.

Chapter 4 analyses the data collected in the data gathering in chapter 3, through the use of questionnaires. The results of the findings from the questionnaires are presented graphically, presented by charts and appropriate diagrams. The collected data was processed into meaningful information and the interpretive for which the relationships with the literature review was established.

5.2 Statement of objectives

The overall analysis of payroll policies impact on the organisational financial performance which UBM is currently implementing as reflected by the results in the questionnaires, shows that these two variables have a positive relationship and linked to each other, thus an increase in the implementation of the effective polices will directly lead to improved financial results of the entity. As indicated by Bragg (2003), that in the case of improved processes of employees working hours as well as the relevant negative employee deductions, and this will come out with the correct employee salaries without any queries raised from the workforce. The morale of the employees can be constantly maintained, which in turn makes it easy for the company to meets the required targets.

In addition, Fisher etal (2009), argued that an organisation may concentrate mostly on the recruiting policy of more workers since entities like manufacturing companies need to achieve high production levels, so by doing this it will makes it easy for the organisations to operate efficiently since high volume of finished products are to be available and transferred to customer, yielding increased profits to the organisation.

There considering Fisher's view, the payroll is to manage more employees so as to speed up the production process and high productivity being met. An argument against this was raised by Lovejoy and Subhuman (2008) emphasising on the cost reduction within an organisation stating that by increasing the employees will result in increased errors, increased supervision costs, thereby hindering the entity's financial performance. So for each and every policy the management is to implement should not negatively affect the financial performance of the company. The research objectives give a guideline in the assessment of the variables between payroll policies and the financial performance.

5.3 Conclusion

As from the research findings I therefore to conclude that the currently adopted payroll policies at United Builders Merchants does not perfectly speeds up the company's financial performance. This is because the majority of the employees are not motivated with the polices being implemented since on the aspect of salaries compilation limited information is used to come out with the employee's wages and salaries. The calculation of employee labour hours seems to be unfairly done since the claimed labour hours is more than the expected labour hours by the management. Therefore the more effective the payroll polices and systems are directly leads to fair and correct employee's salaries compilation, thus increasing employee's morale.

Regular supervision of employee time sheets by the management and to implement the controls over the payroll systems and services must also be maintained. The required production targets will be met through the maximum utilisation of production hours. This will enhance the company's productivity therefore an increase in its financial performance.

5.4 Recommendations

- 2The organization through an effective payroll policy should adequately provide its employees with clear pay slips showing clearly the breakdown of relevant deductions such as payroll taxes without building the sense of unfairness to the employees.
- To cope up with the problem of employees claiming more hours than those expected working hours by the management, the provision of employee time sheets should be implemented where each employee is to log on the time sheet the hours worked in regarding to the task which was undertaken. It can be of much easy in the compilation of the worked hours and coming out with the correct payment of wages and salaries to the employees.
- The organization to perfume timely payroll audits where any fraudulent activities like the payment of ghost workers by the management will be eliminated and any false additions in worked hours can be reduced.
- Employees' performance should be reviewed with the production capacities so that for any loop holes like ineffective labor force, the management will therefore to recruit those who are effective in the production capacity of the entity.

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APPENDIX 1
COVER LETTER



Midlands State University

Department of Accounting

Private Bag 9055

Gweru

.../09/2014

United Builders Merchants

Conner Kelvin Road South and Bosh off Drive

Granite side

Harare

To Whom It May Concern:

RE: QUESTIONNAIRE FOR DATA GATHERING

My name is Tamirirashe Muchingami, registration number (R111887G), a final year student at Midlands State University studying Bachelor of Commerce Accounting Honours Degree. I'm undertaking my dissertation on the investigation of the payroll services and policies on company's financial performance, a case study of United Builders Merchants.

For the research to be a success, I kindly request your assistance by responding to this questionnaire. The responses will only be used for the academic purposes a high level of confidentiality shall be maintained over the data collected. Any quires you may contact me on 0775 968 806, email muchitamm@gmail.com or the Midlands State University department of accounting.

In anticipation of your consideration and positive cooperation, I thank you.

Yours faithfully

Tamirirashe Muchingami.

APPENDIX 2

RESEACH PROJECT QUETIONNAIRE

TOPIC: AN INVESTIGATION OF THE PAYROLL SERVICES AND POLICIES TO FINANCIAL PERFORMANCE.

Instructions

Please do not write your name on the questionnaire

Please respond by ticking in the box in front of your choice and providing an explanation where appropriate.

Fill in the respective response space for open ended questions

RESEACH QUESTIONS

SECTION A

1. Position held in the organization.....
2. Highest academic qualifications attained

O' level A' level National Diploma Degree

Other (specify).....

3. Gender:

Male

Female

4. Time spent with the organization.

≥

2-5 years

Above 5 years

SECTION B

1. For how long you have been implementing the payroll systems and polices at your organisation.

≤

2-5 years

Above 5 years

2. Do payroll polices and services affect employee performance

	Agree	Strongly agree	Disagree	Strongly disagree	Not sure
Management					
Finance staff					
Other employees					

3. Accurate labour costing information is always available.

	Agree	Strongly agree	Disagree	Strongly disagree	Not sure
Accounts staff					
Production					
Management					

4. The organisation must adopt the following to improve its financial performance.

	Agree	Strongly agree	Disagree	Strongly disagree
Performance awards				
Payroll audits				
Use of electronic time sheets				

Employee incentives				
Payroll controls				

Other recommendations:

.....

5. Labor cost mainly form part of the production costs and to be well managed to increase the financial performance of an entity.

	Agree	Strongly agree	Disagree	Strongly disagree	Not sure
Production					
Finance					
Management					

6. Does payroll management have effect to employees' turnover?

	Agree	Strongly agree	Disagree	Strongly disagree	Not sure
Human resource					
Marketing					
Accounts					

7. Payroll management is essential in the employee motivation in an organization.

	Agree	Strongly agree	Disagree	Strongly disagree	Not sure
Procurement					

Production					
Marketing					

8. Have you studied the financial performance of your company? Yes No

9. Management has to change the current payroll polices and services. Yes NO

APPENDIX 3

INTERVIEW GUIDE QUESTIONS

1. What are the rationales behind the payroll polices and services in an organization?
2. Does a well managed payroll policy of much significance to the company's financial performance?
3. Does revenue figures and profit figures affected by employee performance in an organization?
4. Can employees' performance reflected by the results in the entity's financial statements?
5. Does labor cost information needed for the pricing of finished products?
6. How many labor hours claimed in the year 2011 and 2012?
7. What were your company's production output levels in the year 2011 and 2012?
8. How your monthly and annually productivity trends were varies?

Any comments

Question.....

Comment.....

THANK YOU