

# Employee Salary Related Accounting Effects

When creating employee-wise accounts for payroll and advance salary transactions, each employee will have their own set of accounts to track their individual salary, advances, and deductions. This approach provides detailed tracking and management of employee-specific transactions. Here's how you can structure this:

## **Employee-Wise Account Setup**

### **1. Advance Salary Account (Current Asset)**

- **Purpose:** Track advances given to each employee.
- **Account Name:** Advance Salary - [Employee Name]
- **Type:** Current Asset

### **2. Salary Expense Account**

- **Purpose:** Track the total salary expense for each employee.
- **Account Name:** Salary Expense - [Employee Name]
- **Type:** Expense

### **3. Tax Payable Account (Liability)**

- **Purpose:** Track tax deductions for each employee.
- **Account Name:** Tax Payable - [Employee Name]
- **Type:** Current Liability

### **4. Provident Fund Payable Account (Liability)**

- **Purpose:** Track provident fund deductions for each employee.
- **Account Name:** Provident Fund Payable - [Employee Name]
- **Type:** Current Liability

### **5. Salaries Payable Account (Liability)**

- **Purpose:** Track accrued salaries payable to each employee.
- **Account Name:** Salaries Payable (Accrued) - [Employee Name]
- **Type:** Current Liability

## **Example Transactions with Employee-Wise Accounts**

### 1. Paying an Advance to an Employee

Example for John Doe:

Date	Voucher No.	Account Head	Debit (Dr)	Credit (Cr)	Type
2024-09-15	JV001	Advance Salary - John Doe	1,000		Current Asset
		Cash/Bank		1,000	Current Asset

### 2. Salary Accrual for an Employee

Example for John Doe:

Date	Voucher No.	Account Head	Debit (Dr)	Credit (Cr)	Type
2024-09-30	JV002	Salary Expense - John Doe	5,000		Expense
		Tax Payable - John Doe		500	Liability
		Provident Fund Payable - John Doe		300	Liability
		Advance Salary - John Doe		1,000	Current Asset
		Salaries Payable (Accrued) - John Doe		3,200	Liability

### 3. Payment of Salary to an Employee

Example for John Doe:

Date	Voucher No.	Account Head	Debit (Dr)	Credit (Cr)	Type
2024-10-05	PV001	Salaries Payable (Accrued) - John Doe	3,200		Liability
		Cash/Bank		3,200	Current Asset

### Summary

- **Advance Salary - [Employee Name]:** Records advances given as a current asset.
- **Salary Expense - [Employee Name]:** Records total salary expenses.
- **Tax Payable - [Employee Name]:** Records tax liabilities.
- **Provident Fund Payable - [Employee Name]:** Records provident fund liabilities.
- **Salaries Payable (Accrued) - [Employee Name]:** Records accrued salaries payable.

Each employee's account allows detailed tracking of advances, salary expenses, and related deductions, making payroll management more organized and transparent.

Would you like more details on any specific aspect of this setup?