Subject: Compensation

Classroom Activity: Employee Compensation Sheet

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You have recently joined XYZ Corporation as a trainee recruiter. Your responsibilities in recruitment include making out compensation sheet to be included as part of the offer letter to selected candidates.

Your senior who was expected to give you guidance and training on preparing the compensation sheet during your induction phase has absented herself from work unexpectedly. Your colleague in the recruitment team has approached you, in the absence of your senior to urgently make out a compensation break up sheet that needs to be included to a job offer letter. She needs it in the next 15 minutes.

The compensation break up sheet is for the position of Lead Engineer, Job Grade 7, at Bangalore, with a Gross compensation of Rs.1,000,000 (Rs. Ten Lakhs). The expected date of joining is the first working day of next month.

You have little or no idea of how the compensation break-up sheet looks. Your own offer letter does not include the details as you have joined as trainee at a fixed 'stipend'.

You are not able to locate any file or documentation detailing the compensation structure for a Lead Engineer at XYZ Corporation. However, you have the bright idea to refer to the past offers made to other candidates the pattern you observe is as follows:

Earnings:

- If Gross Compensation is X, then BASIC PAY is 0.45X
- HRA is 50% if BASIC PAY
- Medical Allowance is Rs.15,000 PA and paid monthly on a pro-rata basis. Employee are exempted from tax if they submit medical bills for the total amount at the end of the financial year
- Telephone reimbursement is Max. Rs. 2500/- PM (and is treated as a business expense)
- Conveyance expense is reimbursed @ Rs. 5000/- PM and non-taxable
- There is Taxable Allowance that, appears to be a balancing amount after taking out all other components
- The gross compensation also includes Employer Contribution of Provident Fund (PF) as per statutory requirements

Deductions:

- ESI – you find that some cases show a deduction, especially when the salary is around or below Rs.300,000 PA. You notice on salary sheet with gross compensation of Rs. 500,000 that does not show this deduction.
- Employee Contribution of Provident Fund is shown under deductions
- There is also a deduction of Rs.60 PA @ Rs.5 PM as Labour Welfare Fund Contribution

(1) Based on the available info, please prepare a compensation structure sheet in the preferably in the following format:
(2) Prepare an XL formula driven sheet in the below format, that can used for any Gross Compensation number

Company Name

Candidate Name			
Designation, Job Grade			
Location			
Date of Joining			
Salary Break up			
Gross Compensation			
Component	**Per Annum**	**Per Month**	**Taxable / Non-taxable**
Earning 1			
Earning 2			
Earning 3			
Earning 4			
Earning 5			
Earning 6			
Earning 7			
Total Earnings			
Deduction1			
Deduction2			
Deduction3			
Deduction4			
Total Deductions			
Net Salary Per month			

Notes: