INSTITUTE OF ACCOUNTANTS AND BOOKKEEPERS

Qualification Specification

IAB Level 2 Award in Payroll for Business

Qualification Number: 603/3408/3

Reviewed: August 2026

iab.org.uk

Document history

Version/date	Changes	Owner	Authorised by
v2.0 August 2026	Review, minor revisions made and reformatted	AO Director	Professional Standards Committee (PSC)
v1.2 November 2024	Qualification review	Chief Examiner	Chief Executive Officer
v1.1 Feb 2023	Revised format	AO Manager	Chief Executive Officer
v1.0 July 2018	Document created	Head of Awarding	Chief Executive Officer

Contents

Introduction 4

Purpose of the qualification 4

Target learners 5

Entry requirements 5

Progression 5

Qualification size, level and structure 6

- Qualification size 6
- Qualification level 7
- Qualification structure 7

Assessment, achievement and grading 8

- Methods of assessment 8
- Delivering assessments 8
- Marking and moderation 8
- Achievement and grading 8

Certification 9

Reasonable adjustment 9

Results enquiries and appeals 9

Unit specifications 9

Sample assessments 17

Delivering IAB qualifications 17

- Staffing and physical resource requirements for centres 17
- Quality assurance 17
- IAB policies and procedures 17
- Equality and diversity 18

Contact us 18

Introduction

The objective of this Qualification Specification is to provide an overview of the IAB Level 2 Award in Payroll for Business.

This document includes the aim, size, level, structure and content, including learning outcomes and assessment criteria.

There is guidance relating to the centre approval requirements, delivery and assessment for this qualification, and details of grading criteria and the grading of units.

Purpose of the qualification

The Level 2 Award in Payroll for Business aims to provide learners with a comprehensive range of knowledge and the practical skills that they will be able to use as a payroll processor for a variety of businesses.

On successful completion of the qualification the learner will have the knowledge and skills to:

- Accurately process the payroll under Real Time Information (RTI) regulations
- Keep accurate payroll records keeping; giving the learner the necessary skills to record financial payroll transactions in a both a manual and computerised environment
- Assess their own competence in carrying out a range of day-to-day payroll routines and activities in both manual and computerised payroll system. The activities will include the calculation of pay data and processing of that data using day-to-day payroll processing skills.
- Assess the implications when accuracy is not maintained
- Understand the importance of security and confidentiality in performing all payroll task

Learners successfully completing the qualification will have a knowledge and understanding of the services, advice and guidance that can be offered to businesses by HMRC, NICO and other payroll agencies i.e. pension providers. They will also have the skills required to prepare, check and use source documents from which the payroll is processed using computerised payroll systems as required under Real Time Information requirements.

As learners progress through the course of study, they will develop skills that will enable them to gather the required information in order to prepare an employee payroll record using commercially available payroll software. They will further acquire the skills necessary to calculate the gross pay due to employees from a range of information sources and for a variety of pay periods. The learner will be able to process the payroll accurately producing the net pay due to the employee and updating all internal payroll records. Furthermore, they will be able to produce a range of internal and external reports detailing payroll information.

Target learners

The Level 2 Award in Payroll for Business qualification has been designed to appeal to learners:

- who wish to further their studies of payroll and gain a qualification at level 2 on the Register of Regulated Qualifications, either from a point of no previous knowledge, or having already achieved the IAB Level 1 Award in Payroll for Business
- who already have some practical knowledge and skills and wish to gain an accredited qualification in the subject of payroll
- who are considering a career as a self-employed practitioner; and
- businesses owners who would like to be actively involved in the gathering and processing of payroll data and keeping of payroll records for their business.

Entry requirements

The entry requirements below are for guidance only as applicants may apply with various backgrounds and qualifications.

Approved IAB Centres are responsible for checking applications against the following entry requirements and ensuring learners can fulfil the demands of the qualification before registration.

There are no formal entry requirements for the Level 2 Award in Payroll for Business qualification. However, it is recommended that prospective learners have acquired basic skills in both numeracy and literacy prior to starting their studies in this subject area.

Progression

Holders of the Level 2 Award in Payroll for Business qualification may progress to another qualification at:

- Level 2 carrying with them credits for units achieved to expand their knowledge and skills in the subject area
- a higher level, thereby developing their knowledge and skills in the subject area.

Qualification size, level and structure

The Office of Qualifications and Examinations Regulation (Ofqual), and CCEA regulate qualifications, examinations, and assessments in England, and Northern Ireland. The IAB Level 2 Award in Payroll for Business is a vocationally-related qualification on the Ofqual and CCEA Register of Regulated Qualifications.

Qualification size

The Total Qualification Time (TQT) and Guided Learning Hours (GLH) for this qualification are as follows:

Total Qualification Time (TQT)	Guided Learning Hours (GLH)
100 hours	50 hours

TQT, including GLH, is calculated by considering the different activities that learners would typically complete to achieve and demonstrate the learning outcomes of the qualification.

Individual learners' requirements and individual teaching styles mean there may be variation in the actual time taken to complete a qualification.

Values for TQT, including GLH, are estimates.

Some examples of activities that can contribute to TQT include:

- independent and unsupervised research/learning
- unsupervised e-learning
- unsupervised e-assessment
- unsupervised coursework
- watching a pre-recorded podcast or webinar
- unsupervised work-based learning
- all GLH.

Some examples of activities that can contribute to GLH include:

- classroom-based learning supervised by a teacher
- work-based learning supervised by a teacher
- live webinar or telephone tutorial with a teacher in real time
- e-learning supervised by a teacher in real time
- all forms of assessment that take place under the immediate guidance or supervision of a teacher, supervisor, tutor or other appropriate provider of education or training.

Qualification level

This qualification is at Level 2 on the Register of Regulated Qualifications in England and Northern Ireland.

IAB qualifications comply with level descriptors set by Ofqual, which are divided into two categories:

- knowledge and understanding
- skills.

The descriptors below set out the generic knowledge and skills associated with the typical holder of a qualification at that level.

Knowledge descriptor The learner:	**Skills descriptor** The learner can:
• has knowledge and understanding of facts, procedures and ideas in an area of study or field of work to complete well-defined tasks and address straightforward problems • is aware of a range of information that is relevant to the area of study or work • can interpret relevant information and ideas.	• select and use relevant cognitive and practical skills to complete well-defined, generally routine tasks and address straightforward problems. • identify, gather and use relevant information to inform actions • identify how effective actions have been.

Qualification structure

The qualification is made up of two mandatory units. The structure, units, sizing information and assessment types for the IAB Level 2 Award in Payroll for Business are set out in the following table.

Unit title	GLH	Assessment method
Principles of employment legislation and payroll processing	20	Online knowledge test (1 hour)
Computerised payroll processing	30	Online examination (2.5 hours)
Total	50	

Assessment, achievement and grading

Methods of assessment

The assessments for each unit are delivered online via the IAB Education platform. Pilot assessments are provided for the purposes of practice and revision. Pilot assessments are not timed and can be undertaken as many times as the learner chooses. Once the pilot assessment is passed, the learner can attempt the live assessment. Live assessments are timed.

The live online examination must be completed under controlled conditions.

Non-programmable calculators are required to complete the assessments.

Please note that mobile phones cannot be used to sit these assessments as some required functionality will not be available.

Delivering assessments

The IAB 'Assessment Delivery Policy' applies to all IAB qualifications and assessments and must be followed by approved centres to ensure that IAB assessments are delivered in accordance with the requirements.

A copy of this policy is made available to centres upon approval. The policy can also be requested from the IAB Awarding Organisation team at ao@iab.org.uk.

Marking and moderation

All marking is completed automatically by the IAB Education platform against the relevant assessment criteria and mark scheme. Moderation is a process undertaken following the marking of assessments prior to a result being released to learners. Moderation acts as a filter, which ensures that an assessment outcome (for example a mark and / or grade) is fair, valid, and reliable. Moderation ensures that the mark scheme was applied correctly, all parts of the assessment were marked and that the marks were totalled and recorded correctly

Achievement and grading

To achieve the qualification, learners must take and pass the assessments for the two mandatory units of which the qualification is comprised. To pass an assessment, the learner must achieve:

70% or above for the online knowledge test

60% or above for the online examination.

There are no grade scales – learners will receive either a pass or a fail result.

Certification

Upon confirmation of achievement of the two mandatory units, the learner will receive an IAB Level 2 Award in Payroll for Business certificate. The certificate will carry the full name of the learner as registered.

Reasonable adjustment

As an Awarding Organisation, the IAB has a duty not to discriminate against individuals in relation to conferring qualifications regarding the protected characteristics set out in the Equality Act 2010. The IAB will take steps when developing specifications, identifying the assessment criteria, and drafting assessment content to minimise the impact on individuals with differing protected characteristics.

The duty of the IAB to make a reasonable adjustment will apply where assessment arrangements would put a learner who has a disability or learning need at a substantial disadvantage compared to a learner who does not have a disability or learning need. In such circumstances, the IAB must take steps to mitigate that disadvantage.

Please refer to the Centre Area of the IAB website www.iab.org.uk for a copy of the policy and associated procedure.

Results enquiries and appeals

Please refer to the Centre Area of the IAB website www.iab.org.uk for further information about the process, procedures and policies for making a results enquiry and/or an appeal.

Unit specifications

The unit specifications (see below) indicate the content, in terms of learning outcomes and assessment criteria, of each of the two mandatory units within the Level 2 Award in Payroll for Business qualification.

All the learning outcomes and assessment criteria must be covered by providers when delivering the qualification. Each live assessment covers a selection of the unit learning outcomes and assessment criteria and full coverage is achieved across the live assessment variations for each unit.

The content of the assessments is subject to ongoing review by the IAB and changes periodically.

Unit	Principles of employment legislation and payroll processing		
Level	2		
GLH	20	TQT	40

Learning Outcomes	Assessment Criteria
1 Understand the principles of legislation relating to the processing of the payroll	1.1 Know employment legislation relevant to employees and processing of the payroll: • preparing and issuing a pay advice • holiday entitlement • school leaving age • sickness pay • maternity pay and leave • paternity pay and leave • adoption pay and leave • school leaving dates • working time and time off from work • entitlement to a company pension • protection from discrimination • flexible working hours • rest periods • auto enrolment 1.2 Understand the general principles of the Asylum and Immigration Act in relation to the preparation and processing of the payroll 1.3 Identify a legal document which must be kept by the employer as proof of identity and entitlement to work 1.4 Outline the main responsibilities of the employer in relation to: • protection from discrimination • flexible working hours • rest periods • auto enrolment 1.5 Identify the legislative requirements in relation to income tax and NIC for employees
2 Understand the information required to prepare an employee payroll record	2.1 Know what information is required to prepare an employee payroll record 2.2 Know the purpose of a National Insurance Number and the employee's responsibility to retain their NI number 2.3 Know the procedure for checking or obtaining a National Insurance Number 2.4 Define the procedure you should follow for a new employee: • with a P45 or leavers statement

	• without a P45 or leavers statement
3 Understand additional elements that constitute gross pay	3.1 Define what is meant by positive and negative payrolls 3.2 Understand what additional payments may constitute gross pay from the following payments: • unsocial hours and shift payments • productivity payments • piece rates • lump sum payments 3.3 Know what constitutes temporary and permanent changes to rates of pay e.g. pay scales, cost of living rises, performance enhanced pay, promotion, changes in working situations 3.4 Know how to calculate and apply retrospective changes to rates of pay ensuring accuracy in calculating back-pay
4 Understand the principles of Statutory Additions to, and deductions from pay	4.1 Define the employment and earnings conditions and criteria that an employee must satisfy to be eligible to receive the following Statutory Additions to Pay: • Statutory Sick Pay (SSP) • Statutory Maternity Pay (SMP) and Maternity Leave (ML) • Statutory Adoption Pay (SAP) and Adoption Leave (AL) • Statutory Paternity Pay (SPP), Paternity Leave (PL) and Shared Paternity Leave (ShPL) 4.2 Understand the terminology related to each of the Statutory Additions to Pay 4.3 Understand the need to record and reconcile statutory additions to pay 4.4 Know where to find guidance on the appropriate rates and criteria relating to the Statutory Additions to Pay 4.5 Know how to calculate standard Statutory Additions to Pay, that they are an element of gross pay and therefore the tax and NIC implications for employee and employer 4.6 Describe the purpose of Attachment of Earnings Legislation and why the orders may be issued 4.7 Distinguish between Priority and Non-Priority DEO 4.8 Define the concept of Protected Earnings 4.9 Know the implication of not processing a AEO/DEO
5 Understand the principles of PAYE and NIC legislation	5.1 Understand the use and application of standard and non-standard tax codes including:

and other statutory obligations when processing the payroll	• Codes with an L suffix • NT • 0T • D0 • D1 • K • Prefix S 5.2 Understand that the liability to pay NIC fall into four Classes: • Class 1 • Class 2 • Class 3 • Class 4 5.3 Define when you would use the following NI Categories within Class A contributions: • Category A • Category C • Category H • Category M 5.4 Know how to calculate and apply pension contributions for both the employee and employer according to given information 5.5 Know the principles of processing payments and contributions when notified as eligible for salary sacrifice
6 Understand the principles of repaying student loans through the payroll.	6.1 Understand the basis of calculation of student loan repayments 6.2 Know the authority required to start and stop student loan deductions 6.3 Know who student loan deductions are paid to
7 Understand the procedures to adopt when dealing with a leaver	7.1 Know what payments might constitute a leavers final Gross Pay 7.2 Know what deductions might be made from a leaver's Net Pay 7.3 Know what procedures are required to finalise a leaver's employment and the entries to be made on a leaver's payroll record
8 Understand the requirements for processing and submitting payroll information	8.1 Be aware of the procedures for submitting payroll data at each pay period 8.2 Know the importance of ensuring that commercially available payroll software is updated in line with any changes required by the tax authority or software

	company 8.3 Know the purpose of, and when to submit: • Employer Alignment Submission (usually submitted through the first FPS) • Full Payment Submission • Employment Payment Summary 8.4 Understand why a submission may fail and how a successful submission can be achieved
9 Understand the need to complete period end payroll procedures within given timescales	9.1 Understand the need to reconcile payments and deductions made from employees pay, with internal records 9.2 Appreciate the advantages and disadvantages of various methods of making payments of net pay to employees

Unit	Computerised payroll processing		
Level	2		
GLH	30	TQT	60

Learning Outcomes	Assessment Criteria
1 Be able to set up and maintain company, pension and employee records using commercially available payroll software	1.1 Set up and maintain company and employee information in line with statutory, non-statutory and organisational requirements 1.2 Complete the records for a leaver, producing reports and forms as required 1.3 Update records for: • PAYE bandwidths and rates • tax codes • national insurance rates and parameters • non-statutory deductions • pay rates including hourly rates and annual salaries • overtime rates • net payments • changes to employment status i.e. promotions, leavers • salary sacrifice with respect to pension contributions
2 Be able to determine gross pay for different payroll periods	2.1 Determine gross pay for weekly and monthly paid employees from given information 2.2 Determine gross pay for non-standard periods i.e. daily, fortnightly, four weekly 2.3 Determine unsocial hours, shift payments and advanced holiday pay from given Information 2.4 Apply temporary changes to rates of pay and salaries including lump sum payments 2.5 Apply any permanent changes in rates of pay from given organisational information e.g. pay scales, cost of living rises, performance enhanced pay, promotion, changes in working situations, age in relation to the National Living Wage 2.6 Apply retrospective changes to rates of pay ensuring accuracy in calculating back-pay 2.7 Apply given statutory pay information to an employee's pay when entitlement has been established including: • statutory sick pay • statutory maternity pay • statutory adoption pay

	• statutory paternity pay 2.8 Determine the final gross pay for a leaver ensuring that all relevant payments are taken into consideration, including: • weekly pay from given information • salary • bonus payments • commission payments • shift allowances • unsocial hours payments • piece rates • lump sum payments • statutory payments • back-pay • holiday pay
3 Be able to process payroll accurately for a variety of pay periods using organisational procedures and timescales	3.1 Update all employee records prior to the payroll being run 3.2 Process the payroll, in accordance with statutory and organisational requirements ensuring the processing date is correct, amending it if necessary: • for a range of pay periods • for employees • for a starter • for a leaver 3.3 Input and process all necessary authorised data and information including: • basic pay including overtime, bonuses and commission • holiday pay and advanced holiday pay • back-pay and retrospective back-pay • lump sum allowances • shift payments • statutory additions to pay • expenses • pre-tax and post-tax voluntary deductions • student loans • pensions contributions for employees and employers • attachment to earnings orders and deductions from earnings order • salary sacrifice for pension contributions
4 Be able to produce statutory and non-statutory reports	4.1 Produce relevant and required reports ensuring they are completed in a timely manner 4.2 Produce a range of internal period end returns, in

	accordance with all relevant timescales 4.3 Produce the relevant statutory and non-statutory reports relating to a leaver 4.4 Determine total cost of wages
5 Be able to back up and restore data when required	5.1 Make a permanent back-up and store this safely according to organisational guidelines 5.2 Restore previous pay period data from a back-up 5.3 Print a back-up and restore report

Sample assessments

The IAB has deliberately not included sample assessment questions within this qualification specification. Pilot assessments for the knowledge tests, assignments and final exam are provided on the IAB Education platform for the purposes of practice and revision. Pilot assessments are not timed and can be undertaken as many times as the learner chooses.

Delivering IAB qualifications

Staffing and physical resource requirements for centres

The IAB, in line with regulatory requirements, has a Centre Agreement in place which covers the two-way obligations between the IAB as the Awarding Organisation and each centre delivering our qualifications. A key section of this agreement is to ensure a professional approach to the delivery of teaching, learning and assessment, leading to the best learner experience.

Each centre engaged with the IAB is required to ensure viable levels of staffing, managerial and financial resources are in place to enable it to effectively and efficiently deliver the qualifications as required by the Awarding Organisation.

Quality assurance

Any centre approved to offer IAB qualifications is subject to a rigorous quality assurance regime to ensure compliance with the requirements set out in the Centre Agreement and any regulatory conditions. This regime includes, but is not limited to, policy and procedure review, performance review, on-site monitoring visits and virtual interviews to assess how well that centre operates in delivering IAB qualifications.

IAB policies and procedures

Policies and procedures are in place to provide a framework and outline the IAB's approach and objectives for key areas along with defined processes to be followed. These documents ensure credibility, compliance, consistency, and quality in the design, delivery, and awarding of qualifications. Relevant policies are issued to approved centres alongside Centre Agreements. These can also be accessed by contacting our awarding organisation team via ao@iab.org.uk

Examples of the Policies that can be found include, but are not limited to:

- Adverse Effects
- Anti-Bribery and Anti-Corruption
- Assessment Delivery
- Complaints
- Conflict of interest

- Contingency Plan
- Enquiries and appeals
- Equality, Diversity and Inclusion
- Malpractice and Maladministration
- Plagiarism, Collusion and Cheating
- Reasonable Adjustments
- Recognition of Prior Learning
- Results and Certification
- Sanctions
- Special Considerations
- Withdrawal of approval

Centres delivering IAB qualifications should refer to the relevant policy for guidance as appropriate.

Equality and diversity

The IAB is committed to ensuring an inclusive, safe and welcoming environment for all learners undertaking its qualifications. Our Equality, Diversity and Inclusion Policy requires all learners to have equal opportunity to access our qualifications and assessments, and our qualifications to be awarded in a way that is fair to every learner.

Approved centres delivering IAB qualifications must have a policy relating to equal opportunities, diversity and inclusion to ensure a positive learning environment is provided to all learners. This is reviewed and assessed as part of our monitoring process which may include on-site inspections.

Contact us

Registered Office:
33 Queen Street,
London,
EC4R 1AP,
United Kingdom.

Website: www.iab.org.uk

Email: ao@iab.org.uk

Telephone: +44 (0) 208 187 8888

This document is published by the Institute of Accountants and Bookkeepers, trading as IAB.

This publication may not be reproduced, stored or transmitted in any form or by any means except with the prior permission in writing of the publisher or the case of reprographic reproduction following the terms and licences issued by the Copyright Licensing Agency.