

GENERAL INFORMATION

Payroll Records & Procedures, Fifth Edition, is designed to provide well-rounded yet practical instruction in how to do payroll work. Although payroll accounting is included in this course (Unit 11), the focus is on the clerical activities associated with routine payroll work—calculating, recording, and transferring data. Students are also instructed in the management aspects of payroll—when state and federal tax reports and payments are due, which forms to use, and how to complete them. The program consists of a coordinated text-workbook and practice set, as well as an electronic disk that permits students to complete a computerized payroll project using a microcomputer. The practice set and text-workbook are available either separately or as a packaged set. This *Instructor's Manual and Key* provides support for the instructor and students.

TEXT-WORKBOOK

The text-workbook is divided into 11 units, each of which covers a major area of payroll instruction. Topics are logically organized so that related material is presented together, rather than scattered throughout the book. Abundant illustrations provide graphic reinforcement of the major concepts and procedures being discussed. To ensure effective learning, each unit includes several types of problem material.

CONTENTS

The book starts with a brief introduction that discusses the nature of payroll work, the various types of payroll systems used in business, and the many different kinds of jobs that involve payroll activities. Unit 1 provides a foundation for the course by explaining the major laws that influence payroll procedures. Unit 2 covers new employee records, and Unit 3 discusses time and work records. Unit 4 shows students how to calculate gross earnings according to the most widely used pay plans, and Unit 5 introduces the techniques for determining payroll deductions. Units 6 and 7 discuss the procedures for maintaining essential payroll records—the payroll

register and the employee earnings record. Unit 8 describes the various methods that are used to pay employees. Units 9 and 10 give students an understanding of the techniques for computing, paying, and reporting federal and state payroll taxes. Unit 11 covers accounting entries for payroll. After completion of these units, students should have a sound, practical knowledge of payroll work that they can easily apply in the business world.

PERFORMANCE OBJECTIVES

Students are given a list of Unit Objectives at the beginning of each unit. The objective statements clarify what skills students should have mastered when they successfully complete the unit; they can also serve as a study guide.

LEARNING THROUGH PRACTICE EXERCISES

Practice sections appear at intervals within each of the 11 units of the text-workbook. These Practice sections refer students to the Learning Through Practice Exercises that are found at the end of the text-workbook. These exercises provide immediate practice and reinforcement of the important principles and procedures taught in a unit and allow students to verify their understanding before moving on to new material. Working papers are provided for all the Learning Through Practice Exercises.

END-OF-UNIT APPLICATION ACTIVITIES

Each unit has a Study Questions section that helps students review key points. Some units also have Discussion Questions, which are designed to stimulate students' thinking about payroll principles and issues, and many units contain Review Exercises that test skills covered in the unit. Wherever appropriate, the end-of-unit activities also included problems that integrate a broad range of payroll skills and concepts.

SPECIAL FEATURES

The text-workbook contains many special features designed to enrich the learning experience for students.

Cases Cases at various points within the text-workbook present on-the-job problems that relate to payroll work. These cases deal with human relations, business ethics, communications techniques, and other areas that are important to the overall development of a successful business employee. A brief discussion follows each case so that students immediately understand the main points presented in the case.

Point of Interest Interesting payroll-related facts are discussed in brief sections that appear at various points in the text. These sections are called “Point of Interest,” and they present information that will not only add interest to the course but will also alert students to salient points that will add to their global understanding of payroll-related issues.

Illustrations The illustrations in the text allow students to become familiar with a wide variety of payroll records, documents, and tax forms, as well as the business equipment used to process payroll data. To ensure that students gain full value from these illustrations, they are discussed thoroughly in the text.

Wage-Bracket Tables Selected state and federal wage-bracket tax schedules, which students will use to complete various problems, are provided in the text-workbook appendix.

Glossary Important terms presented throughout the text are grouped together in a helpful glossary. This glossary is designed to be a ready reference for students as they work through *Payroll Records & Procedures, Fifth Edition*.

Index An extensive index of terms is located in the back of the text-workbook. The index is complete with page references where the various terms can be located within the text.

ANNUAL UPDATE

Tax laws and regulations at both the federal and state level go through almost continual change. For this reason, each year a brief update is prepared and is available

on the textbook website. Although this cannot hope to cover all changes, it will present major modifications, particularly any adjusted tax rates and maximums against which various taxes are levied.

PRACTICE SET

Ingram Heating and Cooling: A Payroll Practice Set to Accompany Payroll Records & Procedures, Fifth Edition, provides a culminating activity for the course. It takes the students through four weekly payroll periods, end-of-quarter activities, and end-of-year activities for a small business with 14 employees. As they work with the practice set, students are completely in charge of the firm’s payroll records and must prepare all the required federal and state tax forms and reports. Accounting entries for payroll are included, but are optional.

INSTRUCTOR’S MANUAL AND KEY

Instructor’s Manual and Key is intended to provide a handy resource for instructors using *Payroll Records & Procedures*. The manual contains the following items:

- Teaching Suggestions.
- Testing and Grading Procedures.
- Tests. The three review tests, alternative test, and one final test may be duplicated for class use during the course. Or they may serve as a bank of test questions from which instructors can select items for inclusion in instructor-prepared examinations.
- One application test has been included for use by instructors who wish to verify student skills in the application of basic payroll procedures.
- Keys to the tests.
- Keys to the end-of-unit activities (Study Questions, Discussion Questions, Review Exercises, and Problems) and Learning Through Practice Exercises.

TEACHING SUGGESTIONS

The brief suggestions presented here are intended to help instructors make the most effective use of *Payroll Records & Procedures*. The suggestions are necessarily general in nature and should be modified to meet the

special needs of each group of students and each particular teaching environment.

1. *Widely Used Records and Procedures.* Advise students that the text-workbook will expose them to the types of records and procedures that are widely used in payroll operations, whether these operations involve purely manual systems or highly automated systems. Explain the need for payroll employees to understand the structure of the entire payroll system, even though they may be working in only one small segment of it.
2. *Tax Rates.* Make students aware that tax rates and regulations change frequently. If a change affecting payroll taxes occurs during the course, inform the students. However, it is recommended that you continue to have your students work with the tax rates given in the text-workbook and the practice set. Not only will the use of different rates make it difficult to check student work with the answer key, but it can also be confusing to the students. The general theory and procedures are the same regardless of the rates, and building competency in payroll records and procedures is the overriding purpose of the course.
3. *State Laws.* The unit on state payroll taxes and tax returns in the text-workbook draws examples from California. Since the tax situation varies from state to state, supplement this material with information from your home state. Obtain tax forms and tax guides from your state and let your students become familiar with them. Similarly, if your city or county has an income tax or other payroll tax, make your students aware of it and show them any relevant tax forms and tax guides.
4. *Students' Goals.* Find out the vocational goal of each student. The students in each class may have diverse career objectives. By knowing these objectives, you will be able to make examples and class discussion relate more closely to your students' needs.
5. *Working Techniques.* Inform students which parts of their work they may complete in pencil and which parts they must complete in pen or with the use of a typewriter. Because of the availability and accuracy of electronic calculators, it is recommended that students be encouraged to use them when solving payroll problems and when completing the practice set. However, students should also

understand the manual method of computing problems as presented in the text.

6. *Group or Individual Instruction.* *Payroll Records & Procedures* may be used either for group or individual instruction. If it is used in a group situation, assignments can be made on a daily or weekly basis and students can progress through the material in unison. Because the program has three major components—the text-workbook, the practice set, and the automated application—an alternate teaching strategy is available that combines features of both group and individual instruction. Students can work as a group in the text-workbook and individually on the practice set, for example. When they are learning the material in the text-workbook, they will have the benefit of reinforcement from the instructor and from each other. However, to permit students the important experience of working on their own, you can assign them the task of completing the practice set independently by some specific date. Check the records they prepare for the practice set of each payroll period and for the end-of-quarter and end-of-year activities in order to ensure that all students are progressing appropriately.

Because the reading level is controlled and the instruction is presented in short units with frequent reinforcement exercises, students can work independently on *Payroll Records & Procedures*. If the students are allowed to progress entirely on their own, they should be informed of the procedures that you will use to check their work periodically and to give tests. If you plan to have the students verify their own daily work in the answer key, let them know how they may have access to the key. In addition, advise the students how, when, where, and from whom they can get any special assistance that they may need.

TESTING AND GRADING PROCEDURES

Three review tests, a final theory test, and an application test have been developed for use with *Payroll Records & Procedures, Fifth Edition*. The review tests cover Units 1 through 4, 5 through 8, and 9 through 11. The final test covers all the instructional theory presented in

the text-workbook. Each test includes both objective questions (true-false and completion questions) and problems that involve payroll computations. The performance test involves use of the wage-bracket tables provided in the back of the text-workbook, completion of a payroll register, and posting of amounts to the individual employee records. An alternate test, which may be used as an extra exercise, is also given.

Grading procedures and philosophies vary greatly among instructors and schools. Although this manual makes no attempt to set exact standards for assigning grades, the following suggestions may be helpful.

- No matter what grading procedure you plan to use, inform the students of your standards at the beginning of the course. In this way, they will know what they must do to earn a certain grade.
- Place percentage values on the various parts of *Payroll Records & Procedures*. The following grade breakdowns serve as a guide.

Grading System Excluding

Performance Test and the Computer Activity	Percent of Grade
Daily Lessons, Units 1–2	5%
Daily Lessons, Units 3–4	5%
Test for Units 1–4	10%
Daily Lessons, Units 5–6	5%
Daily Lessons, Units 7–8	5%
Test for Units 5–8	10%
Daily Lessons, Units 9–10	5%
Daily Lessons, Units 11	5%
Test for Units 9–11	10%
Practice Set	25%
Final Test, Units 1–11	15%
Total	100%

- It is important to be specific about the criteria you plan to use in grading the practice set. The criteria chosen might include accuracy and neatness of the payroll records for each pay period. You might also wish to emphasize these criteria for the end-of-quarter and end-of-year forms, in addition to the quality of the answers to the discussion questions and the completeness and timeliness of all lesson assignments.
- Emphasize neatness and promptness as well as accuracy throughout the course. Accuracy involves choosing

Grading System Including

Performance Test and Computer Activity	Percent of Grade
Daily Lessons, Units 1–2	4%
Daily Lessons, Units 3–4	4%
Test for Units 1–4	8%
Daily Lessons, Units 5–6	4%
Daily Lessons, Units 7–8	4%
Test for Units 5–8	8%
Daily Lessons, Units 9–10	4%
Daily Lessons, Unit 11	4%
Test for Units 9–11	8%
Practice Set	17%
Final Test, Units 1–11	15%
Performance Test	10%
Computerized Activity	10%
Total	100%

and implementing correct procedures and performing computations correctly. Concern over neatness and promptness may seem petty to the students, but inform them that employers want legible records that can be easily used, and they require that payroll work be completed on schedule. Similarly, students who submit incomplete records should be penalized. Some students may never finish a project on time, yet what they do complete is of high quality. Under the criteria suggested here, these students would lose points for incompleteness but could still earn an acceptable, though lower, grade because of the accuracy and neatness of their records. A well-rounded grading system not only makes students aware of their weaknesses but also rewards them for their achievements.

- One practice that some instructors have found to be very successful is to announce at the beginning of the course that each student will have an individual evaluation conference at selected points in the course — upon completion of Unit 5 and Unit 10, for example. During these private sessions you can point out areas where the student can improve, such as handwriting, calculations, timeliness, and so on. These brief but important individual student conferences improve instructor-student rapport in addition to providing insight into individual abilities and weaknesses.

TEST FOR UNITS I-4

GENERAL DIRECTIONS *Your instructor will advise you of the time allowed for the test and let you know whether you may use a calculator. Read and follow all directions carefully.*

SECTION I: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

ANSWER

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|---|-----------|
| 1. New employees are usually asked to complete a lengthy ____ form. | 1. _____ |
| 2. The official form where an employee lists his or her number of dependents is the IRS Form ____. | 2. _____ |
| 3. A complete record of all employees' earnings, deductions, and net pay is the ____. | 3. _____ |
| 4. In a small business, it is common to not use a time clock; rather a ____ is used. | 4. _____ |
| 5. When a sales employee is paid based on the dollar value of sales he or she makes, that person is working on a ____. | 5. _____ |
| 6. Laws dealing with federal income tax are established by the U.S. ____. | 6. _____ |
| 7. Under the quarter-hour time system, an employee can be up to ____ minutes late and still collect full pay. | 7. _____ |
| 8. The Fair Labor Standards Act established a(n) ____ wage and overtime rate for most employees. | 8. _____ |
| 9. To find the hourly pay rate of a salaried employee earning \$600 for a 40-hour week, you would divide ____ by ____. | 9. _____ |
| 10. During a week when Joyce Allen produced 1,500 items at \$0.18 per item and 300 items at \$0.28 per item, she had gross earnings of \$____. | 10. _____ |
| 11. ____ laws forbid discrimination in employment on the basis of race, color, religion, national origin, age, or sex. | 11. _____ |
| 12. Two types of records that employers use to keep track of the time worked by employees are ____ and ____. | 12. _____ |
| 13. Overtime work is generally paid at the rate of ____ times the regular rate of pay. | 13. _____ |
| 14. ____ laws are designed to protect employees against losses from accidents or illnesses that occur on the job. In some states, losses from accidents that are not job-related are covered under state ____ benefit laws. | 14. _____ |
| 15. Old-age, survivors, and disability insurance is provided under the federal ____ program. | 15. _____ |
| 16. Regular earnings plus overtime earnings equal ____. | 16. _____ |
| 17. When employees start a new job, they must file Form ____ with their employer to report the number of withholding allowances they claim for federal income tax purposes. | 17. _____ |
| 18. Gross earnings minus total deductions equal ____. | 18. _____ |

19. For each sum withheld from an employee's earnings for social security tax and Medicare tax, an equal amount is contributed by the _____. 19. _____
20. Biweekly payroll periods occur _____ times during a year, but semimonthly payroll periods occur _____ times during a year. 20. _____

SECTION 2: TRUE-FALSE For each of the following statements, write *T* in the Answer column if the statement is true or *F* if the statement is false.

ANSWER

1. The Internal Revenue Service (IRS) specifies the exact system that businesses must use in keeping payroll records. 1. _____
2. A constitutional amendment ratified in 1919 allowed Congress to impose a federal income tax on individuals and corporations. 2. _____
3. Employers are not required by the IRS to keep information on employee names, addresses, and periods of employment. 3. _____
4. The primary purpose of the Social Security Act was to provide medical insurance coverage to the aged. 4. _____
5. The Federal Insurance Contributions Act (FICA) was passed by Congress to finance the social security program. 5. _____
6. Only a very small number of states have a tax on income. 6. _____
7. Under the Federal Unemployment Tax Act (FUTA) employees are not required to contribute to the federal unemployment compensation system. 7. _____
8. The Fair Labor Standards Act of 1938 applies to any firm that is involved in the manufacturing or processing of goods. 8. _____
9. The law regarding special rates for overtime work is part of the Fair Labor Standards Act. 9. _____
10. States are not allowed to establish a minimum wage that is higher than the federal minimum wage. 10. _____
11. Most states have laws requiring employers to provide employees with workers' compensation insurance. 11. _____
12. The federal form called the Employee's Withholding Allowance Certificate is commonly identified as Form W-3. 12. _____
13. Some managers and supervisors are exempt from the overtime pay requirements of the Fair Labor Standards Act. 13. _____
14. An employee who has a regular workweek of 40 hours and a salary of \$500 is working at an hourly rate of \$12.50. 14. _____
15. In a profit-sharing plan, employees may receive only cash. No other type of payment is permitted under the law. 15. _____
16. Both employers and employees pay FICA tax. 16. _____
17. Under the Current Tax Payment Act of 1943, employers can decide whether or not they will withhold federal income tax from the earnings of their employees. 17. _____
18. The Age Discrimination in Employment Act of 1967 prohibits discrimination on the basis of age for employees who are over the age of 40. 18. _____
19. The overtime pay requirement of the Fair Labor Standards Act does not apply to any salaried employees. 19. _____
20. The commission plan and the piece-rate plan are known as incentive pay plans because they encourage employees to be more productive. 20. _____

21. It is unnecessary to keep records of the hours worked by piece-rate employees because their pay is based on production. 21. _____
22. Workers' compensation laws do not protect employees from loss of income for illnesses or injuries that are not job-related. 22. _____
23. The Civil Rights Act of 1964 does not affect employment practices. 23. _____
24. An employee can choose not to have any withholding allowances for federal income tax. 24. _____
25. An employee paid on a straight commission plan may find that earnings vary greatly from one payroll period to another. 25. _____
26. It is all right for payroll clerks to talk about various employees' wages within the company as long as they don't mention this topic outside the company. 26. _____
27. Employees are paid gross earnings minus withholding taxes and other deductions. 27. _____
28. It is not legal to pay an employee more than time-and-one-half for overtime work. 28. _____
29. Employees who are paid on a piece-rate plan earn according to the amount of goods they produce. 29. _____
30. Prior to the 1913 constitutional amendment regarding income tax on earnings, most people were paid in cash. 30. _____

SECTION 3: PAYROLL COMPUTATIONS Complete each of the problems given in this section by performing the necessary computations. Write your answers in the Answer column.

ANSWER

1. Gary Anderson has a regular hourly rate of \$14. He receives time-and-a-half for overtime. What is his overtime rate of pay? 1. _____
2. Sharon Wells is paid a regular hourly rate of \$9. She receives time-and-a-half for all hours worked beyond 40 in a week unless the overtime hours occur on a Sunday or a holiday, in which case she is paid double time. During one week, she worked 40 hours from Monday through Friday and 6 hours on Sunday. What was the amount of her gross earnings? 2. _____
3. Stanley Roth sells furniture. He is paid a salary of \$250 per week plus a 6 percent commission. Last week he sold \$15,000 worth of furniture. What was the amount of his gross earnings? 3. _____
4. Maria Lopez worked the following schedule one week: Monday, 8 hours; Tuesday, 11 hours; Wednesday, 9 hours; Thursday, 5 hours; and Friday, 12 hours. Her regular hourly rate is \$12, and she receives time-and-a-half for all hours beyond 40 in a week or beyond 8 hours in a day. 4. _____
 - a. How many regular hours did she work?
 - b. How many overtime hours did she work?
 - c. What were her gross earnings for the week?
5. Peter McDonald is paid \$6 an hour at his part-time job. During one week, he worked 6 $\frac{3}{4}$ hours. What were his gross earnings that week? 5. _____
6. Joanne Collins, a nurse, has a regular hourly rate of \$28 and receives time-and-a-half for any hours worked beyond 40 hours in a week or beyond 8 hours in a day. On Monday of one week she worked on an emergency case for 18 hours but was away from her job the rest of the week. What was the amount of her gross earnings for 18 hours? 6. _____
7. One day Eric Janson arrived at his job at 7:58 in the morning and left for lunch at 12:02. He returned to work at 12:29 and left for the day at 5:32. How many hours did he work? 7. _____

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| <p>8. Lisa Gallo is paid \$0.19 for each of the first 1,000 units she produces during a week, \$0.22 for each of the next 500 units, and \$0.30 for each additional unit. One week she produced 1,650 units. What was the amount of her gross earnings for the week?</p> <p>9. Paul King has a salary of \$100 per week and an 8 percent commission on all sales that he makes above his weekly quota of \$2,500. Last week his sales were \$14,300. What was the amount of his gross earnings?</p> <p>10. Carol Morgan, a sales manager, has a monthly salary of \$1,800. She also receives a 5 percent commission on all of her sales and a 1.5 percent commission on the sales of the staff she supervises. In June her sales were \$6,200, and the sales of her staff were \$38,000. What was the amount of her gross earnings for June?</p> | <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> |
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TEST FOR UNITS 5–8

GENERAL DIRECTIONS *Your instructor will advise you of the time allowed for the test and let you know whether you may use a calculator. Read and follow all directions carefully.*

SECTION I: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

ANSWER

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| 1. ____ are required by law to withhold certain taxes from employee earnings. | 1. _____ |
| 2. Gross earnings minus ____ equal take-home pay or net pay. | 2. _____ |
| 3. Wage-bracket ____ are available for determining federal income tax deductions for daily, weekly, biweekly, semimonthly, monthly, and miscellaneous payroll periods. | 3. _____ |
| 4. To compute an employee's income tax withholding, it is necessary to know the length of the payroll period, the employee's gross earnings, number of ____ and ____. | 4. _____ |
| 5. Wage-bracket tax tables for federal income tax are available in a booklet called The Employer's Tax Guide, ____. | 5. _____ |
| 6. From time to time, income tax rates are changed by ____. | 6. _____ |
| 7. Social security tax and ____ are now separate taxes. | 7. _____ |
| 8. The funds needed to provide income for jobless workers comes from the ____ and ____ taxes. | 8. _____ |
| 9. Deductions from employee earnings to pay for overdue debts is called ____. | 9. _____ |
| 10. Medical insurance premiums and charitable donations are two types of ____ deductions. | 10. _____ |
| 11. To change the number of withholding allowances for federal income tax purposes an employee must fill out a new copy of Form ____. | 11. _____ |
| 12. Information about the earnings deductions and net pay of employees is transferred from the payroll register to the ____. | 12. _____ |
| 13. An employee who receives a percentage of sales is paid on a(n) ____ basis. | 13. _____ |
| 14. An employee whose earnings are based on how many units he or she produces is paid according to the ____ plan. | 14. _____ |
| 15. The total of the Total Earnings column of the payroll register minus the total of the Total Deductions column must equal the total of the ____ column. | 15. _____ |
| 16. The most common pretax deduction for retirement is a ____. | 16. _____ |
| 17. To meet legal requirements, a business must keep its payroll registers and employee earnings record for a period of up to ____ years. | 17. _____ |
| 18. The ____ provides a summary of payroll information about one employee for all pay periods in a year. | 18. _____ |

19. Any pretax deduction is subtracted from gross earnings ____ calculating the income tax deduction. 19. _____
20. A payroll check with a tear-off section that contains information about earnings and deductions is called a(n) ____ check. 20. _____
21. When using the IRS tax table to determine an employee's tax, one must locate his/her tax bracket, then read across the chart and select the amount in the column showing the number of ____ claimed. 21. _____
22. When payroll is paid in cash, the employees must sign a _____. 22. _____
23. Employees may sign up for ____ such as insurance, retirement savings, savings bonds, and so forth. 23. _____
24. The _____ contains a complete history of an employee's earnings, deductions, and net pay. 24. _____
25. The final line of data on a payroll register has the ____ of all earnings, withholdings, voluntary deductions, and net pay for all employees. 25. _____

SECTION 2: TRUE-FALSE For each of the following statements, write *T* in the Answer column if the statement is true or *F* if the statement is false.

- | | ANSWER |
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| 1. An employee may choose not to have deductions made for federal income tax throughout the year but simply to pay the total amount due at the end of the year. | 1. _____ |
| 2. As withholding allowances increase, income tax deductions also increase. | 2. _____ |
| 3. To find the federal income tax deduction for an employee who earned exactly \$210, it is necessary to use the wage-bracket that is labeled "At least \$210 but less than \$220." | 3. _____ |
| 4. For an employee who is paid every two weeks, the amount of income tax to be deducted is found in the semimonthly wage-bracket table. | 4. _____ |
| 5. A payroll clerk can determine the number of withholding allowances for an employee by referring to Form W-2. | 5. _____ |
| 6. Social security tax is not deducted from workers who are over 65 years of age. | 6. _____ |
| 7. Employees with a large number of withholding allowances pay less medicare tax than do employees with a few withholding allowances. | 7. _____ |
| 8. In some states, state disability insurance taxes are paid entirely by employees. | 8. _____ |
| 9. In most states, state unemployment compensation taxes are paid solely by employers. | 9. _____ |
| 10. A business should obtain a signed authorization from each employee who wishes to have voluntary deductions made. | 10. _____ |
| 11. The design of the payroll register is the same for all businesses because of government regulations. | 11. _____ |
| 12. Deductions can be made without written authorization. | 12. _____ |
| 13. It is not necessary to record the hours worked by employees who are exempt from the overtime pay provisions of the Fair Labor Standards Act. | 13. _____ |
| 14. When an employee receives a raise, it is necessary to change the pay rate listed in the heading of the person's employee earnings record. | 14. _____ |
| 15. Employee earnings records must be totaled at the end of each quarter and at the end of the year. | 15. _____ |
| 16. There are still many businesses that pay their payroll with cash. | 16. _____ |
| 17. When a direct-deposit payroll plan is used, employee earnings are deposited directly into their bank accounts. | 17. _____ |

18. A business with a fairly large payroll will often set up, and use, a special bank account just for payroll. 18. _____
19. A business must offer a 401-K retirement plan for employees. 19. _____
20. A single person with two withholding allowances will pay the same amount of federal income tax as the married person with two withholding allowances. 20. _____
21. An employee's address may be found by referring to the Employee Earnings Record. 21. _____
22. A cafeteria plan means the business offers free lunch meals to employees. 22. _____
23. Direct deposits of workers' payroll checks are seldom used by businesses today. 23. _____
24. It is a wise decision to pay workers in cash. 24. _____
25. Tips which are given to employees are generally not taxable. 25. _____

SECTION 3: PAYROLL COMPUTATIONS Complete each of the problems given in this section by performing the necessary computations. Write your answers in the Answer column.

ANSWER

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| <ol style="list-style-type: none">1. <ol style="list-style-type: none">a. Scott Peters earned \$500 this week. What amount will be withheld from his earnings for social security tax? Use 0.062 percent as the social security rate.b. Ann DeMaio earned \$680 one week. She works in a state that has a 1.6 percent disability insurance tax. What deduction will be made from her gross earnings for this tax?c. Robert Jackson owes \$558 to a furniture store. A court has ordered that his salary be garnished for this debt, and the store is to receive 18 equal payments. How much should Mr. Jackson's employer deduct each pay-day for this purpose?d. Susan Todd's gross earnings for one week were \$327.50. Her deductions were \$24 for federal income tax, \$20.32 for social security, \$4.75 for Medicare, \$6.85 for health insurance, \$3.50 for union dues, and \$3 for United Way. What was her net pay for the week?e. Brian O'Neal has a regular hourly rate of \$18.60 and receives time-and-a-half for all hours beyond 40 in a week. One week he worked 58 hours, and his total deductions were \$68.80. What was his net pay for the week?2. The Atlantic Data Processing Service pays its four salaried employees monthly at the end of each month. The annual salaries of these employees is shown below.<ol style="list-style-type: none">a. Joseph DeVito, \$88,000b. Mary Lucas, \$49,400c. David Swan, \$38,480d. Linda Torres, \$90,000 | <ol style="list-style-type: none">I. <ol style="list-style-type: none">a. _____b. _____c. _____d. _____e. _____ |
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Compute the amount of social security tax to be withheld from each employee's wages for the year. Assume a social security rate of 0.062 percent and a maximum taxable earning of \$87,900.

Employee	Annual Salary	S. S. Payment
a. Joseph DeVito	\$88,000	_____
b. Mary Lucas	49,400	_____
c. David Swan	38,480	_____
d. Linda Torres	90,000	_____
Total		_____

3. Payroll data about four employees of The Video Shop are given below. All of these employees receive 1 1/2 times their regular hourly rate for hours worked beyond 40 hours in a week. Salaried employees are not paid an overtime rate, but are paid their regular rate for all hours worked. Compute the regular, overtime, and gross earnings for each employee.

EMPLOYEE	REGULAR PAY RATE	HOURS WORKED	REGULAR EARNINGS	OVERTIME EARNINGS	GROSS EARNINGS
a. James Evans	\$10.90 per hr.	46	_____	_____	_____
b. Carl Claus	12.50 per hr.	36	_____	_____	_____
c. Lucinda Potts	14.50 per hr.	38	_____	_____	_____
d. Julie Sasher	560.00 per wk.	44	_____	_____	_____

TEST FOR UNITS 9–11

GENERAL DIRECTIONS *Your instructor will advise you of the time allowed for this test and let you know whether you may use a calculator. Read and follow all directions carefully.*

SECTION I: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

ANSWER

- | | |
|---|-----------|
| 1. If the federal tax deposit of income tax withheld and the social security and Medicare is less than \$____ at the end of a quarter, the employer need not deposit the sum but can pay it directly to the IRS when Form 941 is filed. | 1. _____ |
| 2. A Wage and Tax Statement, Form _____, must be prepared at the end of the calendar year for each employee who has been paid wages during the year. | 2. _____ |
| 3. By the last day of the month of _____ each year, employees should receive their Wage and Tax Statement for the previous year from their employers. | 3. _____ |
| 4. Form _____ is filed quarterly by employers to report all federal income tax withheld and all social security and Medicare taxes owed (both employee and employer shares). | 4. _____ |
| 5. Employers report the total federal income tax and total social security and Medicare tax deducted from all employees' earnings during the year on Form _____. | 5. _____ |
| 6. Form _____ is filed annually by employers to report the federal unemployment tax owed for the year and the deposits made. | 6. _____ |
| 7. In almost every state SUTA tax is paid only by the _____. | 7. _____ |
| 8. Form _____ must accompany deposits by the employer of federal unemployment tax, federal income tax withheld, and social security and Medicare taxes withheld. | 8. _____ |
| 9. The lookback period begins on _____ and ends on _____. | 9. _____ |
| 10. A business reporting \$50,000 or less of taxes during the lookback period is a _____ depositor. | 10. _____ |
| 11. A business reporting more than \$50,000 of taxes during the lookback period is a _____ depositor. | 11. _____ |
| 12. A _____ is a day-by-day listing of business transactions. | 12. _____ |
| 13. A payroll register, employee paychecks, and an updated payroll master file produced by a computer system are all examples of _____. | 13. _____ |
| 14. In a _____ accounting system, at least two accounts are affected by each transaction. | 14. _____ |
| 15. Businesses located in states that have an income tax must _____ and _____ the tax. | 15. _____ |
| 16. When a business deposits the FUTA tax that it owes, the entry for the transactions includes a(n) _____ to the Federal Unemployment Taxes Payable account. | 16. _____ |
| 17. When the payroll is recorded, the _____ account is debited for the total gross earnings of the employees. | 17. _____ |

- | | |
|--|-----------|
| 18. When checks are issued to pay the employees, the _____ account is debited and the Cash account is credited for the total net pay. | 18. _____ |
| 19. Before payroll entries can be posted to the various ledger accounts, they must first be recorded in a(n) _____. | 19. _____ |
| 20. When the entry is made to record deductions for health insurance from employee earnings, the Health Insurance Premiums Payable account is _____ for the total amount withheld. | 20. _____ |

SECTION 2: TRUE-FALSE For each of the following statements, write *T* in the Answer column if the statement is true or *F* if the statement is false.

- | | ANSWER |
|---|---------------|
| 1. The employer pays social security and Medicare taxes at the same rate and on the same tax base as the employee. | 1. _____ |
| 2. The employer is not required to match social security tax or Medicare tax for any tips that an employee receives unless the tips have been credited toward the minimum wage. | 2. _____ |
| 3. At the end of each quarter, employers must report the exact amount of federal income tax, social security tax, and Medicare tax withheld from their employees. | 3. _____ |
| 4. Employers use Form 940 to make the quarterly report of federal income tax, social security tax, and Medicare tax withholdings. | 4. _____ |
| 5. If an employee works for several employers during the year, the employee will receive a Form W-2 from each employer. | 5. _____ |
| 6. A business does not need to issue Form W-2 to any employees who left during the year. | 6. _____ |
| 7. Every state has an unemployment insurance program. | 7. _____ |
| 8. The cost of operating state unemployment insurance programs is covered entirely by a tax deducted from employee earnings. | 8. _____ |
| 9. If the FUTA tax owed at the end of a quarter exceeds \$100, it must be deposited. | 9. _____ |
| 10. The SUTA tax rate varies from state to state. | 10. _____ |
| 11. Employers who provide steady work for their employees are permitted to pay a lower SUTA rate than employers who have less favorable employment records. | 11. _____ |
| 12. A few states require that employees as well as employers pay SUTA tax. | 12. _____ |
| 13. Both FUTA and SUTA taxes are normally computed and paid on a quarterly basis. | 13. _____ |
| 14. Every state unemployment compensation system has exactly the same eligibility standards and pays exactly the same benefits. | 14. _____ |
| 15. In a state with a disability insurance program, an employee who is injured in an accident that is not job-related is eligible for benefits. | 15. _____ |
| 16. Workers' compensation insurance provides benefits for job-related injuries, illness, or death. | 16. _____ |
| 17. If an employee is paid \$32,000 during the year, unemployment taxes are paid on \$32,000. | 17. _____ |
| 18. Most states have an income tax that must be withheld from employee earnings. | 18. _____ |
| 19. The gross earnings of employees are considered an operating expense for a business. | 19. _____ |
| 20. The amounts that an employer withholds from employee earnings for taxes are considered assets until they are paid to the appropriate government agencies. | 20. _____ |
| 21. Payroll amounts are usually posted to the ledger before they are recorded in a journal. | 21. _____ |
| 22. The SUTA tax owed by a business would be debited to the payroll Tax Expense account and credited to the State Unemployment Taxes Payable account. | 22. _____ |

23. No accounting entries are needed for amounts withheld from employee earnings for voluntary deductions such as savings bonds and health insurance. 23. _____
24. The account Employee State Income Taxes Payable is a liability account. 24. _____
25. A separate accounting entry is made to record the earnings, deductions, and net pay for each employee at the end of a payroll period. 25. _____

SECTION 3: PAYROLL COMPUTATIONS Complete the problems given in this section by performing the necessary computations. Write your answers in the Answer column.

ANSWER

1. Craig Bell had gross earnings of \$365 one week. How much social security tax did his employer deduct for that week? Use 0.062 percentage for the social security rate. 1. _____
2. Joan Myers earned \$56,500 last year. How much social security tax did she pay for the year, assuming a rate of 0.062 and a tax base of \$87,900? 2. _____
3. The Form 941 prepared at the Lee Advertising Agency for the first quarter of one year shows that the firm had paid wages of \$26,465, all of which were subject to social security tax. What was the total amount of the social security tax owed by both the employees and the employer for the quarter? Use a rate of 0.062 percent to determine the amount. 3. _____
4. During the month of January, the employees of the Wayne Printing Company had gross earnings of \$55,300. What is the amount that the firm owes to the government on this amount of payroll for FUTA tax (at a rate of 0.8 percent)? The taxable employee earnings are \$45,000. 4. _____
5. Wayne Printing Company is subject to a SUTA tax of 2.3 percent. What amount does the firm owe for this tax on its January payroll of \$55,300? All earnings are taxable. 5. _____
6. For the week ending February 7, the payroll register of the Pizza Shack shows gross earnings of \$1,480. The entire sum is subject to the following payroll taxes: social security at 6.2 percent, Medicare at 1.45 percent, FUTA tax at 0.8 percent, and SUTA tax at 2.5 percent. What is the total of the employer's payroll taxes for the period? 6. _____
7. The Homestyle Baking Company purchases its required workers' compensation insurance from a private insurance company. Coverage for truck drivers and plant workers costs \$1.05 per \$100 of gross earnings. Coverage for the office employees costs \$0.46 per \$100 of gross earnings. The actual earnings last year were \$284,500 for the drivers and plant workers and \$92,400 for the office employees. The company paid an estimated premium of \$3,395 at the beginning of the year. What is the balance owed to the insurance company? 7. _____
8. Last year Paul Novak, a student, worked part time for the Bay Area Delivery Service and earned \$4,500. His employer must pay a SUTA tax of 2.7 percent on the first \$7,000 earned by each employee during a calendar year. How much SUTA tax did the firm owe on Novak's earnings last year? 8. _____
9. Ralph Diaz has a monthly salary of \$7,500. On November 30, his employee earnings record showed that he had earned \$82,500 for the first 11 months of the year. How much social security tax will be deducted from his December salary? Assume a social security rate of 6.2 percent and a maximum taxable earnings of \$87,900. 9. _____
10. During the fourth quarter of one year, the Olympic Sporting Goods Company paid wages of \$4,930 that were subject to FUTA tax at a rate of 0.8 percent. The firm also owed FUTA tax of \$86.75 from the third quarter. What amount of FUTA tax was it necessary for Olympic to deposit at the end of the fourth quarter? 10. _____

SECTION 4: ACCOUNTING ENTRIES Analyze the payroll transactions listed below. Then write the numbers of the accounts to be debited and credited in the Answer column. Some accounts may not be used at all. Others may be used more than once.

Accounts

101 Cash
 221 Employee Federal Income Taxes Payable
 222 Social Security Taxes Payable
 223 Medicare Taxes Payable
 224 Employee State Income Taxes Payable
 225 State Disability Insurance Taxes Payable
 226 Federal Unemployment Taxes Payable
 227 State Unemployment Taxes Payable
 228 Health Insurance Premiums Payable
 229 Savings Bonds Payable
 230 Salaries and Wages Payable
 518 Payroll Taxes Expense
 519 Salaries and Wages Expense

ANSWER

- | | |
|---|-----------------|
| <p>1. Record the weekly payroll of the Roma Company. The deductions from gross earnings include federal income tax, social security tax, and Medicare tax.</p> | <p>1. _____</p> |
| <p>2. Record the employer's payroll taxes of the Roma Company, which consists of social security tax, Medicare tax, FUTA tax, and SUTA tax.</p> | <p>2. _____</p> |
| <p>3. The Roma Company issued paychecks to its employees.</p> | <p>3. _____</p> |
| <p>4. The Roma Corporation made a deposit of FUTA tax.</p> | <p>4. _____</p> |
| <p>5. The Roma Corporation issued a check to pay the premium on its group health insurance policy. The total amount was previously withheld from employee earnings.</p> | <p>5. _____</p> |

FINAL TEST

GENERAL DIRECTIONS *Your instructor will advise you of the time allowed for the test and let you know whether you may use a calculator. Read and follow directions carefully.*

SECTION I: TRUE-FALSE For each of the following statements, write *T* in the Answer column if the statement is true or *F* if the statement is false.

	ANSWER
1. A business that has a semiweekly payment schedule must pay payroll taxes twice each week.	1. _____
2. The employee earnings records are used as the basis for writing payroll checks.	2. _____
3. States are prohibited by federal law from having a minimum wage that is higher than the federal minimum wage.	3. _____
4. Social security tax is paid by employees but not by employers.	4. _____
5. Generally, the company president or other managers are exempt from the overtime payment provisions of the Fair Labor Standards Act.	5. _____
6. A business is not required to keep a record of the hours worked by piece-rate employees because their earnings are determined strictly on the basis of production.	6. _____
7. Benefits for unemployed workers are financed from funds collected under FICA.	7. _____
8. Form W-4 is the Employee's Withholding Allowance Certificate.	8. _____
9. Earnings may vary greatly from one payroll period to another for employees who are paid on the commission plan.	9. _____
10. A semimonthly wage-bracket table would be used to find the amount of federal income tax to be deducted from an employee who is paid every two weeks.	10. _____
11. Almost all payroll clerks today use computers to process the payroll.	11. _____
12. Employees must give written approval before their earnings are subject to garnishment.	12. _____
13. An employee who is proven to have committed theft will not be able to collect unemployment benefits.	13. _____
14. When the payroll register is proved, the total of the Net Pay column plus the total of the Total Deductions column should equal the total of the Total Earnings Column.	14. _____
15. An employee earnings record is kept for every employee who is on the company payroll during the year, even if the person's employment lasts only a few days.	15. _____
16. A new year-to-date earnings record for an employee is found by adding the gross earnings for the current pay period to the previous year-to-date earnings.	16. _____
17. Marital status and number of withholding allowances affect the amount of social security or Medicare tax deducted from an employee's earnings.	17. _____
18. The sums that an employer withholds for federal income tax, social security tax, and Medicare tax must always be deposited within 15 days after the end of a payroll period.	18. _____
19. Employees must receive their Wage and Tax Statement for a year on or before January 31 of the following year.	19. _____
20. Form W-3 is the Wage and Tax Statement.	20. _____

21. State unemployment insurance programs are financed primarily by deductions from employee earnings. 21. _____
22. By law, employees have the right to decide whether they want deductions made from their earnings for federal income tax. 22. _____
23. The payroll records of an employee who leaves a company can be discarded within one year. 23. _____
24. Some businesses pay double time for work done on Sundays and holidays. 24. _____
25. A firm that makes all payments of SUTA tax on time is not required to pay FUTA tax. 25. _____
26. Form 8109 is used to accompany deposits of withholdings for federal income tax, social security tax, and Medicare tax. 26. _____
27. The Age Discrimination in Employment Act of 1967 prohibits discrimination on the basis of age against employees who are over 40 years of age. 27. _____
28. All businesses must pay at the overtime rate for any hours worked beyond eight hours per day. 28. _____
29. Some of the totals from the payroll register are used for payroll entries in the firm's accounting records. 29. _____
30. Different federal income tax tables are used for single employees and married employees. 30. _____

SECTION 2: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

ANSWER

- | | |
|---|-----------|
| 1. An employee who works 40 hours a week and has a weekly salary of \$380 per week earns ____ per hour. | 1. _____ |
| 2. A company that pays its employees on the first and fifteenth of each month has a(n) ____ payroll period. | 2. _____ |
| 3. The Tax Reform Act of 1986 requires taxpayers to obtain social security numbers for all persons claimed as ____ on their income tax forms. | 3. _____ |
| 4. A piece-rate employee who is paid \$0.75 per unit produced would earn \$____ by producing 500 items. | 4. _____ |
| 5. Whenever an employee's withholding allowances change, he or she should file a new Form ____. | 5. _____ |
| 6. A company that pays its employees on a biweekly basis has ____ payroll periods during a year. | 6. _____ |
| 7. Gross earnings less total deductions equal ____ ____. | 7. _____ |
| 8. Federal income tax rates are changed by ____ from time to time. | 8. _____ |
| 9. A payroll deduction for savings bonds is a(n) ____ deduction. | 9. _____ |
| 10. Employees who receive a percentage of the sales they make are paid on a(n) ____ basis. | 10. _____ |
| 11. The ____ ____ provides a summary of the earnings, deductions, and net pay of all employees of a firm for a payroll period. | 11. _____ |
| 12. A running total of an employee's year-to-date earnings is kept in the ____ ____. | 12. _____ |
| 13. Under the quarter-hour system, an employee who arrives at work at 8:24 is assumed to have started work at ____. | 13. _____ |
| 14. Employees are required to sign a receipt when they are paid in ____. | 14. _____ |

15. A payroll check with an earnings statement attached is called a(n) ____ check. 15. _____
16. Form ____, the Wage and Tax Statement, must be prepared at the end of the year for each employee. 16. _____
17. Contributions to the federal unemployment system are made only by _____. 17. _____
18. Some states have ____ insurance programs that provide benefits to employees for accidents, injuries, and illnesses that are not job-related. 18. _____
19. Many businesses ____ their personal computers to share programs. 19. _____
20. Most accounting software programs contain a ____ module. 20. _____
21. Until it is paid, state income tax withheld from employee earnings is considered to be a(n) ____ in the accounting records of the employer. 21. _____
22. All columns of the payroll register are totaled at the end of each _____. 22. _____
23. At the end of each payroll period, the Salaries and Wages Payable account is ____ to record the total net pay owed to the employees. 23. _____
24. Form ____ summarizes the information contained in all the Forms W-2 issued by an employer for a year. 24. _____
25. The IRS requires very large firms to ____ deposit payroll taxes. 25. _____
26. Before transactions are posted to the ledger accounts, they are first recorded in a(n) _____. 26. _____
27. Workers' compensation insurance is paid for by ____ in most states. 27. _____
28. Under the Fair Labor Standards Act, most employees receive ____ pay for work beyond 40 hours in a week. 28. _____
29. A payroll ____ program simplifies computations for the payroll department. 29. _____
30. To help manage the payroll job, it is wise to have a payroll ____ to refer to. 30. _____

SECTION 3: PAYROLL COMPUTATIONS AND RECORDS Complete the following payroll computations and records. Enter your solutions in the forms or answer spaces provided.

1. Payroll information about four employees of the Sanchez Company is given below. Determine the regular, overtime, and total earnings of these employees. They receive time-and-a-half for all hours worked beyond 40 in a week. The salaried employees who work for this company are not paid for time worked beyond 40 hours per week.

EMPLOYEE NAME	REGULAR RATE	HOURS WORKED	REGULAR EARNINGS	OVERTIME EARNINGS	TOTAL EARNINGS
Donna Davis	\$9.00 per hr.	46	_____	_____	_____
Mark Jacobs	9.20 per hr.	43	_____	_____	_____
Gail Smith	680.00 per wk.	42	_____	_____	_____
Allen Webb	550.00 per wk.	40	_____	_____	_____

2. A partially completed payroll register for the Houston Bookstore is given below. Determine the social security tax, Medicare tax, state income tax, total deductions, and net pay for each employee. Then total and prove the payroll register. Use 6.2 percent as the social security rate, 1.45 percent as the Medicare rate, and 2 percent as the state income tax rate. All earnings are taxable.

PAYROLL REGISTER FOR THE WEEK ENDING FEBRUARY 7, 2005


EARNINGS				DEDUCTIONS					
EMP. NO.	REG.	OT	TOTAL	FED. INC. TAX	SOC. SEC. TAX	MEDICARE TAX	STATE INC. TAX	TOTAL DED.	NET PAY
1.	\$485.60	48.20	\$533.80	\$49.00	_____	_____	_____	_____	_____
2.	416.00		416.00	31.00	_____	_____	_____	_____	_____
3.	503.75	62.30	566.05	53.00	_____	_____	_____	_____	_____
Totals	_____	_____	_____	_____	_____	_____	_____	_____	_____

3. Janet Reed is a salesperson at the Gift Mart. She has a salary of \$425 per week and is also paid a commission of 2.5 percent on her sales. During the week ending January 28, she worked 40 hours and her sales totaled \$4,500. Determine her earnings, deductions, and net pay for the week, and record them in the voucher section of the following payroll check located opposite on p. 21. Her social security number is 423-01-0779.

Then write the check (leave the signature line blank). The date of the check should be January 31 of the current year. Mrs. Reed had the following deductions: federal income tax, \$71; social security tax, \$33.33 (use 6.2 percent as the rate); Medicare tax, \$7.79 (use 1.45 as the rate); state income tax, \$5.38 (use 1 percent as the rate); SDI tax, \$6.72 (use 1.25 percent as the rate). She has one voluntary deduction: health insurance for \$11.

Employee's social security number		PERIOD ENDING		HOURS WORKED Reg. _____ O.T. _____		EARNINGS						NET PAY					
						Regular		Overtime or Comm.		Total							
DEDUCTIONS																	
Federal Inc. Tax		Social Security Tax		Medicare Tax		State Inc. Tax		SDI Tax		I.R.A		Savings Bonds		OTHER		Total	

Statement of Earnings and Deductions Detach and retain for your records. Gift Mart



PAYROLL CHECK

No. 90-306
1222

 Date _____ 20 ____

Pay to the order of _____ \$ _____

_____ Dollars

SPECIMEN CHECK ONLY

Central Industrial Bank
 39496 Imperial Way
 Los Angeles, CA 90068

⑆ 1222 ⑆ 0306 ⑆ 01018 ⑆ 057223 ⑆

For Test Question 3.

4. The Des Moines Smelter and Foundry is a small company that makes iron, aluminum, and brass castings. This is very heavy work and the five men in the foundry are paid on a piece-rate basis. At the foundry it is the policy for the supervisor, Joe Heinz, to calculate the gross pay for the five foundrymen each Friday and to send that report to the payroll department early Monday mornings.

On one particular job the piece-rate was \$1.26 with a bonus rate of \$1.58 for each piece produced beyond 385 in a week. When a defective casting is made by a worker, the casting is deducted from his production. Here are the records for the workers for the week ending March 16. You are to compute the net production and gross earnings for each worker for the week.

WORK SUMMARY, WEEK OF _____, 20 ____									
UNITS PRODUCED									
Employee	Mon.	Tues.	Wed.	Thurs.	Fri.	Total Prod.	Less Rejects	Net Prod.	Gross Earnings
C. Pointer	92	86	98	102	106		7		
D. Avion	88	78	94	82	95		16		
M. Wasser	79	84	91	73	81		2		
T. Simms	103	101	98	105	103		11		
D. Costa	98	83	94	98	89		9		
Totals									

Production Supervisor _____

APPLICATION TEST

GENERAL DIRECTIONS *Your instructor may have you do this project as a test or simply as an extra exercise. If it is given as a test, your instructor will advise you of the time allowed for the test and whether you may use a calculator. You may be asked to do various sections during different class periods or even on different days.*

You will need to use both the California and federal wage-bracket tables from the back of your text-workbook. Obtain those materials now. You may also wish to use the Medicare and social security wage-bracket tables; otherwise, you will have to calculate these taxes. The Medicare tax rate is 1.45 percent and the social security tax rate is 6.2 percent. The rate for State Disability Insurance (SDI) tax is 1.25 percent.

YOUR JOB

You will be doing payroll work for the Loop Road Brick and Sand Company located in Los Angeles, California. The company sells sand, gravel, bricks, cement, construction steel, fencing, and similar products. It is a small company with 10 people on the payroll. The company workforce consists of an owner/manager, two office employees, three employees who work in the yard, and four truck drivers. All employees are paid time-and-one-half for hours worked beyond 8 hours per day or 40 hours per week. For example, an employee who worked 10 hours on Monday and was off the rest of the week would be paid 8 hours at the regular pay rate plus two hours of overtime pay.

WORK RECORD

Mr. Hoover, the owner, uses the employee sign-in sheet to keep track of the hours worked by employees. As is common in a small business, employees are expected to work specific hours each day. Here, the employees work from 8:00 a.m. until 4:30 p.m., with one-half hour for lunch. The employees arrive at the company a few minutes early each day so they are ready to begin work

promptly at 8:00. They take their lunch break from 12:00 until 12:30 and are not required to sign in and out for lunch. There is no rigid schedule of coffee breaks. Rather, when employees feel they need a brief break, they take one. As long as this privilege is not abused, such a system works very well.

You will be working on the payroll for the first week of the year, ending January 7. The headings of the Employee Earnings Records from last year have been copied onto a new set for you. These are located on pages 26 through 30. You will need to refer to these records as you set up the Payroll Register.

ASSIGNMENT 1

Your first task is to set up the Payroll Register on pages 24 and 25. The employee names have already been entered on the Payroll Register in alphabetic order. Copy onto the Payroll Register (from the Employee Earnings Records) the marital status, number of withholding allowances, and regular pay rates for each employee.

Later, when you are determining the deductions for each employee, you will need to refer to the Employee Earnings Records again to find the voluntary deductions for each employee.

ASSIGNMENT 2

On page 24 you will find the list of employees, with regular and overtime hours worked, which Mr. Hoover has given to you. Notice that the names are not in alphabetic order. Transfer this information about hours worked to the Payroll Register. Put the names in alphabetic order.

ASSIGNMENT 3

Complete the earnings section of the Payroll Register. Total the earnings columns. Prove that the earnings section is correct.

ASSIGNMENT 4

Complete the deductions entries on the Payroll Register. Use the wage-bracket tables to determine federal income tax, state income tax, social security tax (0.062 percent), and Medicare tax (0.0145 percent). Calculate the State Disability (SDI) tax by using the rate of 1.25 percent.

Refer to the Employee Earnings Records to determine the voluntary deductions for each employee.

Figure the total deductions and net pay for each employee.

ASSIGNMENT 5

Total the columns in the deductions section of the Payroll Register. Total the Total Deductions column and the Net Pay columns. Prove the payroll register.

ASSIGNMENT 6

Post the Payroll Register information for the week ending January 7 to the Employee Earnings Records. Make the entries in the Year-to-Date Earnings column.

PAYROLL											
For the Period Beginning <u>January 1</u> , 20 <u>05</u> and Ending <u>January 7</u> , 20 <u>05</u>											
EMPLOYEE DATA				HOURS		EARNINGS					
	Name	Marital Status	No. of With. Allow.	Regular Rate	Regular	Overtime	Regular	Overtime or Commission	Total Earnings		
1	Richard Case										
2	Wayne Cosco										
3	Olive Engle										
4	Sylvia Harper										
5	Frank Hudson										
6	David Kendale										
7	Nowell Powers										
8	Linda Sanders										
9	Orvil Taylor										
10	Lucille Watson										
11											
12											

For Assignments 1 through 3.

(continued)

WORK RECORD FOR WEEK ENDING <u>Jan. 7</u> , 20 <u>05</u>		
HOURS WORKED		
Employee Name	Regular Hours	Overtime Hours
Kendale, David	40	2
Engle, Olive	32	3
Taylor, Orvil	36	0
Cosco, Wayne	40	1
Hudson, Frank	40	0
Harper, Sylvia	40	0
Watson, Lucille	40	2
Case, Richard	32	0
Powers, Nowell	40	0
Sanders, Linda	40	3

For Assignment 2.

REGISTER

Date Paid _____, 20____

DEDUCTIONS															NET PAY			
Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total Deductions	Amount	Check No.									
																		1
																		2
																		3
																		4
																		5
																		6
																		7
																		8
																		9
																		10
																		11
																		12

For Assignments 4 through 5, continued.

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Wayne Cosco Marital Status ☒ M ☐ S ☐ No. of Withholding Allowances 1
 Address 7732 Davis Street Regular Rate \$10.80 per hour
Los Angeles, CA 90063
 Social Security No. 470-61-2275 Voluntary Deductions:
 Job Title Office Clerk IRA
 Date Employed Sept. 28, 19 -- U.S. Savings Bonds
 Date Terminated

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS								NET PAY	YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O. T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions		
1st Quarter																
1																
2																

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Richard Case Marital Status ☐ M ☒ S ☐ No. of Withholding Allowances 1
 Address 5610 Central Ave. Regular Rate \$16.60 per hour
Los Angeles, CA 90075
 Social Security No. 165-55-3727 Voluntary Deductions:
 Job Title Truck Driver IRA \$10.00 per week
 Date Employed May 16, 19 -- U.S. Savings Bonds
 Date Terminated

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS							NET PAY	YEAR-TO-DATE EARNINGS	
Week	Ending Date	Reg.	O. T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions		
1st Quarter																
1																
2																

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Olive Engle
 Address 8829 Via Verde Apt. #18
Los Angeles, CA 90036
 Social Security No. 965-88-9605
 Job Title Truck Driver
 Date Employed Sept. 26, 19 --
 Date Terminated _____

Marital Status M ☐ S ☒

No. of Withholding Allowances 1

Regular Rate \$15.60 per hour

Voluntary Deductions: _____

IRA _____

U.S. Savings Bonds \$18.00 per week

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS							NET PAY	YEAR-TO-DATE EARNINGS	
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions		
1st Quarter																
1																
2																

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Sylvia Harper
 Address 2724 Highland Ave.
Los Angeles, CA 90012
 Social Security No. 333-71-8055
 Job Title Office Manager
 Date Employed March 16, 19 --
 Date Terminated _____

Marital Status M ☒ S ☐

No. of Withholding Allowances 1

Regular Rate \$19.80 per hour

Voluntary Deductions: _____

IRA _____

U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS								NET PAY	YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O. T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions		
1st Quarter																
1																
2																

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Frank Hudson Marital Status ☒ M ☐ S ☐

Address 3172 Dakota Street Apt. #6
Los Angeles, CA 90086

Social Security No. 751-66-8191

Job Title Owner-Manager

Date Employed Sept. 18, 19 --

Date Terminated _____

No. of Withholding Allowances 4

Regular Rate \$22.00 per hour

Voluntary Deductions: _____

IRA \$10.00

U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS							NET PAY	YEAR-TO-DATE EARNINGS	
Week	Ending Date		Reg. O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions		
1st Quarter																
1																
2																

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name David Kendale Marital Status ☒ M ☐ S ☐

Address 88072 17th Street
Los Angeles, CA 90001

Social Security No. 717-28-5564

Job Title Truck Driver

Date Employed Dec. 14, 19 --

Date Terminated _____

No. of Withholding Allowances 2

Regular Rate \$15.90 per hour

Voluntary Deductions: _____

IRA \$20.00 per week

U.S. Savings Bonds \$10.00 per week

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS							NET PAY	YEAR-TO-DATE EARNINGS	
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions		
1st Quarter																
1																
2																

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Nowell Powers
 Address 4404 18th Ave.
Los Angeles, CA 90007
 Social Security No. 404-81-6114
 Job Title Yard Equipment Operator
 Date Employed Sept. 14, 19 --
 Date Terminated _____

Marital Status M ☐ S ☒
 No. of Withholding Allowances 1
 Regular Rate \$11.70 per hour
 Voluntary Deductions: _____
 IRA _____
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS				DEDUCTIONS						NET PAY	YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions	
1st Quarter															
1															
2															

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Linda Sanders
 Address 276 Beach Court
Los Angeles, CA 90068
 Social Security No. 672-36-5205
 Job Title Yard Equipment Operator
 Date Employed Nov. 2, 19 --
 Date Terminated _____

Marital Status M ☒ S ☐
 No. of Withholding Allowances 3
 Regular Rate \$15.30 per hour
 Voluntary Deductions: _____
 IRA \$10.00 per week
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS				DEDUCTIONS						NET PAY	YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions	
1st Quarter															
1															
2															

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Orvil Taylor Marital Status ☐ M ☒ S

Address 2075 1/2 Dinty Ave. No. of Withholding Allowances 2

Los Angeles, CA 90047 Regular Rate \$18.60 per hour

Social Security No. 570-20-3011 Voluntary Deductions: _____

Job Title Yard Equipment Operator IRA \$5.00 per week

Date Employed February 4, 19 -- U.S. Savings Bonds \$10.00 per week

Date Terminated _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS						NET PAY		YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions	
1st Quarter															
1															
2															

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Lucille Watson Marital Status ☒ M ☐ S

Address 4781 Bravo Road No. of Withholding Allowances 2

Los Angeles, CA 90007 Regular Rate \$15.90 per hour

Social Security No. 502-63-2722 Voluntary Deductions: _____

Job Title Truck Driver IRA _____

Date Employed Jan. 10, 19 -- U.S. Savings Bonds _____

Date Terminated _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS						NET PAY		YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions	
1st Quarter															
1															
2															

Name _____ Date _____

TEST FOR UNITS 1-4

GENERAL DIRECTIONS Your instructor will advise you of the time allowed for the test and let you know whether you may use a calculator. Read and follow all directions carefully.

SECTION 1: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

- | | ANSWER |
|---|--------------------------------------|
| 1. New employees are usually asked to complete a lengthy _____ form. | 1. <u>job application</u> |
| 2. The official form where an employee lists his or her number of dependents is the IRS Form _____. | 2. <u>W-4</u> |
| 3. A complete record of all employees' earnings, deductions, and net pay is the _____. | 3. <u>employee earnings record</u> |
| 4. In a small business, it is common to not use a time clock; rather a _____ is used. | 4. <u>time sheet</u> |
| 5. When a sales employee is paid based on the dollar value of sales he or she makes, that person is working on a _____. | 5. <u>commission basis</u> |
| 6. Laws dealing with federal income tax are established by the U.S. _____. | 6. <u>Congress</u> |
| 7. Under the quarter-hour time system, an employee can be up to _____ minutes late and still collect full pay. | 7. <u>7</u> |
| 8. The Fair Labor Standards Act established a(n) _____ wage and overtime rate for most employees. | 8. <u>minimum</u> |
| 9. To find the hourly pay rate of a salaried employee earning \$600 for a 40-hour week, you would divide _____ by _____. | 9. <u>\$600 by 40</u> |
| 10. During a week when Joyce Allen produced 1,500 items at \$0.18 per item and 300 items at \$0.28 per item, she had gross earnings of \$_____. | 10. <u>354</u> |
| 11. _____ laws forbid discrimination in employment on the basis of race, color, religion, national origin, age, or sex. | 11. <u>Fair Employment time card</u> |
| 12. Two types of records that employers use to keep track of the time worked by employees are _____ and _____. | 12. <u>time sheet</u> |
| 13. Overtime work is generally paid at the rate of _____ times the regular rate of pay. | 13. <u>1 1/2 Workers'</u> |
| 14. _____ laws are designed to protect employees against losses from accidents or illnesses that occur on the job. In some states, losses from accidents that are not job-related are covered under state _____ benefit laws. | 14. <u>Comp. disability</u> |
| 15. Old-age, survivors, and disability insurance is provided under the federal _____ program. | 15. <u>Social Security</u> |
| 16. Regular earnings plus overtime earnings equal _____. | 16. <u>gross earnings</u> |
| 17. When employees start a new job, they must file Form _____ with their employer to report the number of withholding allowances they claim for federal income tax purposes. | 17. <u>W-4</u> |
| 18. Gross earnings minus total deductions equal _____. | 18. <u>net pay</u> |

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Test for Units 1-4 5

- | | |
|--|---------------------|
| 19. For each sum withheld from an employee's earnings for social security tax and Medicare tax, an equal amount is contributed by the _____. | 19. <u>employer</u> |
| 20. Biweekly payroll periods occur _____ times during a year, but semimonthly payroll periods occur _____ times during a year. | 20. <u>26; 24</u> |

SECTION 2: TRUE-FALSE For each of the following statements, write *T* in the Answer column if the statement is true or *F* if the statement is false.

- | | ANSWER |
|--|--------------|
| 1. The Internal Revenue Service (IRS) specifies the exact system that businesses must use in keeping payroll records. | 1. <u>F</u> |
| 2. A constitutional amendment ratified in 1919 allowed Congress to impose a federal income tax on individuals and corporations. | 2. <u>F</u> |
| 3. Employers are not required by the IRS to keep information on employee names, addresses, and periods of employment. | 3. <u>F</u> |
| 4. The primary purpose of the Social Security Act was to provide medical insurance coverage to the aged. | 4. <u>F</u> |
| 5. The Federal Insurance Contributions Act (FICA) was passed by Congress to finance the social security program. | 5. <u>T</u> |
| 6. Only a very small number of states have a tax on income. | 6. <u>F</u> |
| 7. Under the Federal Unemployment Tax Act (FUTA) employees are not required to contribute to the federal unemployment compensation system. | 7. <u>T</u> |
| 8. The Fair Labor Standards Act of 1938 applies to any firm that is involved in the manufacturing or processing of goods. | 8. <u>F</u> |
| 9. The law regarding special rates for overtime work is part of the Fair Labor Standards Act. | 9. <u>T</u> |
| 10. States are not allowed to establish a minimum wage that is higher than the federal minimum wage. | 10. <u>F</u> |
| 11. Most states have laws requiring employers to provide employees with workers' compensation insurance. | 11. <u>T</u> |
| 12. The federal form called the Employee's Withholding Allowance Certificate is commonly identified as Form W-3. | 12. <u>F</u> |
| 13. Some managers and supervisors are exempt from the overtime pay requirements of the Fair Labor Standards Act. | 13. <u>T</u> |
| 14. An employee who has a regular workweek of 40 hours and a salary of \$500 is working at an hourly rate of \$12.50. | 14. <u>T</u> |
| 15. In a profit-sharing plan, employees may receive only cash. No other type of payment is permitted under the law. | 15. <u>F</u> |
| 16. Both employers and employees pay FICA tax. | 16. <u>T</u> |
| 17. Under the Current Tax Payment Act of 1943, employers can decide whether or not they will withhold federal income tax from the earnings of their employees. | 17. <u>F</u> |
| 18. The Age Discrimination in Employment Act of 1967 prohibits discrimination on the basis of age for employees who are over the age of 40. | 18. <u>T</u> |
| 19. The overtime pay requirement of the Fair Labor Standards Act does not apply to any salaried employees. | 19. <u>F</u> |
| 20. The commission plan and the piece-rate plan are known as incentive pay plans because they encourage employees to be more productive. | 20. <u>T</u> |

6 Test for Units 1-4

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21. It is unnecessary to keep records of the hours worked by piece-rate employees because their pay is based on production. 21. F
22. Workers' compensation laws do not protect employees from loss of income for illnesses or injuries that are not job-related. 22. T
23. The Civil Rights Act of 1964 does not affect employment practices. 23. F
24. An employee can choose not to have any withholding allowances for federal income tax. 24. T
25. An employee paid on a straight commission plan may find that earnings vary greatly from one payroll period to another. 25. T
26. It is all right for payroll clerks to talk about various employees' wages within the company as long as they don't mention this topic outside the company. 26. F
27. Employees are paid gross earnings minus withholding taxes and other deductions. 27. T
28. It is not legal to pay an employee more than time-and-one-half for overtime work. 28. F
29. Employees who are paid on a piece-rate plan earn according to the amount of goods they produce. 29. T
30. Prior to the 1913 constitutional amendment regarding income tax on earnings, most people were paid in cash. 30. T

SECTION 3: PAYROLL COMPUTATIONS Complete each of the problems given in this section by performing the necessary computations. Write your answers in the Answer column.

- | | ANSWER |
|---|--|
| 1. Gary Anderson has a regular hourly rate of \$14. He receives time-and-a-half for overtime. What is his overtime rate of pay? | 1. <u>\$21.00</u> |
| 2. Sharon Wells is paid a regular hourly rate of \$9. She receives time-and-a-half for all hours worked beyond 40 in a week unless the overtime hours occur on a Sunday or a holiday, in which case she is paid double time. During one week, she worked 40 hours from Monday through Friday and 6 hours on Sunday. What was the amount of her gross earnings? | 2. <u>\$468</u> |
| 3. Stanley Roth sells furniture. He is paid a salary of \$250 per week plus a 6 percent commission. Last week he sold \$15,000 worth of furniture. What was the amount of his gross earnings? | 3. <u>\$1,150</u> |
| 4. Maria Lopez worked the following schedule one week: Monday, 8 hours; Tuesday, 11 hours; Wednesday, 9 hours; Thursday, 5 hours; and Friday, 12 hours. Her regular hourly rate is \$12, and she receives time-and-a-half for all hours beyond 40 in a week or beyond 8 hours in a day.
a. How many regular hours did she work?
b. How many overtime hours did she work?
c. What were her gross earnings for the week? | a. <u>37</u>
b. <u>8</u>
c. <u>\$588</u> |
| 5. Peter McDonald is paid \$6 an hour at his part-time job. During one week, he worked 6 3/4 hours. What were his gross earnings that week? | 5. <u>\$40.50</u> |
| 6. Joanne Collins, a nurse, has a regular hourly rate of \$28 and receives time-and-a-half for any hours worked beyond 40 hours in a week or beyond 8 hours in a day. On Monday of one week she worked on an emergency case for 18 hours but was away from her job the rest of the week. What was the amount of her gross earnings for 18 hours? | 6. <u>\$644</u> |
| 7. One day Eric Janson arrived at his job at 7:58 in the morning and left for lunch at 12:02. He returned to work at 12:29 and left for the day at 5:32. How many hours did he work? | 7. <u>9 hours</u> |

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8. Lisa Gallo is paid \$0.19 for each of the first 1,000 units she produces during a week, \$0.22 for each of the next 500 units, and \$0.30 for each additional unit. One week she produced 1,650 units. What was the amount of her gross earnings for the week? 8. \$345
9. Paul King has a salary of \$100 per week and a 8-percent commission on all sales that he makes above his weekly quota of \$2,500. Last week his sales were \$14,300. What was the amount of his gross earnings? 9. \$1,044
10. Carol Morgan, a sales manager, has a monthly salary of \$1,800. She also receives a 5 percent commission on all of her sales and a 1.5 percent commission on the sales of the staff she supervises. In June her sales were \$6,200, and the sales of her staff were \$38,000. What was the amount of her gross earnings for June? 10. \$2,680

8 Test for Units 1–4

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Name _____ Date _____

TEST FOR UNITS 5-8

GENERAL DIRECTIONS Your instructor will advise you of the time allowed for the test and let you know whether you may use a calculator. Read and follow all directions carefully.

SECTION 1: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

1. _____ are required by law to withhold certain taxes from employee earnings.
2. Gross earnings minus _____ equal take-home pay or net pay.
3. Wage-bracket _____ are available for determining federal income tax deductions for daily, weekly, biweekly, semimonthly, monthly, and miscellaneous payroll periods.
4. To compute an employee's income tax withholding, it is necessary to know the length of the payroll period, the employee's gross earnings, number of _____ and _____.
5. Wage-bracket tax tables for federal income tax are available in a booklet called The Employer's Tax Guide, _____.
6. From time to time, income tax rates are changed by _____.
7. Social security tax and _____ are now separate taxes.
8. The funds needed to provide income for jobless workers comes from the _____ and _____ taxes.
9. Deductions from employee earnings to pay for overdue debts is called _____.
10. Medical insurance premiums and charitable donations are two types of _____ deductions.
11. To change the number of withholding allowances for federal income tax purposes an employee must fill out a new copy of Form _____.
12. Information about the earnings deductions and net pay of employees is transferred from the payroll register to the _____.
13. An employee who receives a percentage of sales is paid on a(n) _____ basis.
14. An employee whose earnings are based on how many units he or she produces is paid according to the _____ plan.
15. The total of the Total Earnings column of the payroll register minus the total of the Total Deductions column must equal the total of the _____ column.
16. The most common pretax deduction for retirement is a _____.
17. To meet legal requirements, a business must keep its payroll registers and employee earnings record for a period of up to _____ years.
18. The _____ provides a summary of payroll information about one employee for all pay periods in a year.

ANSWER	
Employers	1. _____
deductions	2. _____
tax tables	3. _____
withholding allowances and marital status	4. _____
Circular E	5. _____
Congress	6. _____
Medicare	7. _____
FUTA and SUTA	8. _____
garnishment	9. _____
voluntary	10. _____
W-4	11. _____
employee earnings record	12. _____
commission	13. _____
piece rate	14. _____
Net Pay	15. _____
401-K contribution	16. _____
three	17. _____
employee earnings record	18. _____

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Test for Units 5-8 9

19. Any pretax deduction is subtracted from gross earnings _____ calculating the income tax deduction.
20. A payroll check with a tear-off section that contains information about earnings and deductions is called a(n) _____ check.
21. When using the IRS tax table to determine an employee's tax, one must locate his/her tax bracket, then read across the chart and select the amount in the column showing the number of _____ claimed.
22. When payroll is paid in cash, the employees must sign a _____.
23. Employees may sign up for _____ such as insurance, retirement savings, savings bonds, and so forth.
24. The _____ contains a complete history of an employee's earnings, deductions, and net pay.
25. The final line of data on a payroll register has the _____ of all earnings, withholdings, voluntary deductions, and net pay for all employees.

SECTION 2: TRUE-FALSE For each of the following statements, write *T* in the Answer column if the statement is true or *F* if the statement is false.

- | | | |
|---|---------------|-----------|
| 1. An employee may choose not to have deductions made for federal income tax throughout the year but simply to pay the total amount due at the end of the year. | ANSWER | 1. _____ |
| 2. As withholding allowances increase, income tax deductions also increase. | | 2. _____ |
| 3. To find the federal income tax deduction for an employee who earned exactly \$210, it is necessary to use the wage-bracket that is labeled "At least \$210 but less than \$220." | | 3. _____ |
| 4. For an employee who is paid every two weeks, the amount of income tax to be deducted is found in the semimonthly wage-bracket table. | | 4. _____ |
| 5. A payroll clerk can determine the number of withholding allowances for an employee by referring to Form W-2. | | 5. _____ |
| 6. Social security tax is not deducted from workers who are over 65 years of age. | | 6. _____ |
| 7. Employees with a large number of withholding allowances pay less medicare tax than do employees with a few withholding allowances. | | 7. _____ |
| 8. In some states, state disability insurance taxes are paid entirely by employees. | | 8. _____ |
| 9. In most states, state unemployment compensation taxes are paid solely by employers. | | 9. _____ |
| 10. A business should obtain a signed authorization from each employee who wishes to have voluntary deductions made. | | 10. _____ |
| 11. The design of the payroll register is the same for all businesses because of government regulations. | | 11. _____ |
| 12. Deductions can be made without written authorization. | | 12. _____ |
| 13. It is not necessary to record the hours worked by employees who are exempt from the overtime pay provisions of the Fair Labor Standards Act. | | 13. _____ |
| 14. When an employee receives a raise, it is necessary to change the pay rate listed in the heading of the person's employee earnings record. | | 14. _____ |
| 15. Employee earnings records must be totaled at the end of each quarter and at the end of the year. | | 15. _____ |
| 16. There are still many businesses that pay their payroll with cash. | | 16. _____ |
| 17. When a direct-deposit payroll plan is used, employee earnings are deposited directly into their bank accounts. | | 17. _____ |

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Test for Units 5-8

18. A business with a fairly large payroll will often set up, and use, a special bank account just for payroll. **18. T**
19. A business must offer a 401-K retirement plan for employees. **19. F**
20. A single person with two withholding allowances will pay the same amount of federal income tax as the married person with two withholding allowances. **20. F**
21. An employee's address may be found by referring to the Employee Earnings Record. **21. T**
22. A cafeteria plan means the business offers free lunch meals to employees. **22. F**
23. Direct deposits of workers' payroll checks are seldom used by businesses today. **23. F**
24. It is a wise decision to pay workers in cash. **24. F**
25. Tips which are given to employees are generally not taxable. **25. F**

SECTION 3: PAYROLL COMPUTATIONS Complete each of the problems given in this section by performing the necessary computations. Write your answers in the Answer column.

1. a. Scott Peters earned \$500 this week. What amount will be withheld from his earnings for social security tax? Use 0.062 percent as the social security rate. **1. a. \$31**
- b. Ann DeMaio earned \$680 one week. She works in a state that has a 1.6 percent disability insurance tax. What deduction will be made from her gross earnings for this tax? **b. \$10.88**
- c. Robert Jackson owes \$558 to a furniture store. A court has ordered that his salary be garnished for this debt, and the store is to receive 18 equal payments. How much should Mr. Jackson's employer deduct each pay-day for this purpose? **c. \$31**
- d. Susan Todd's gross earnings for one week were \$327.50. Her deductions were \$24 for federal income tax, \$20.32 for social security, \$4.75 for Medicare, \$6.85 for health insurance, \$3.50 for union dues, and \$3 for United Way. What was her net pay for the week? **d. \$265.08**
- e. Brian O'Neal has a regular hourly rate of \$18.60 and receives time-and-a-half for all hours beyond 40 in a week. One week he worked 58 hours, and his total deductions were \$68.80. What was his net pay for the week? **e. \$1177.40**

2. The Atlantic Data Processing Service pays its four salaried employees monthly at the end of each month. The annual salaries of these employees is shown below.

- a. Joseph DeVito, \$88,000
b. Mary Lucas, \$49,400
c. David Swan, \$38,480
d. Linda Torres, \$90,000

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Test for Units 5-8 11

Compute the amount of social security tax to be withheld from each employee's wages for the year. Assume a social security rate of 0.062 percent and a maximum taxable earning of \$68,400.

Employee	Annual Salary	S. S. Payment	REGULAR PAY RATE	HOURS WORKED	REGULAR EARNINGS	OVERTIME EARNINGS	GROSS EARNINGS
a. Joseph DeVito	\$88,000	\$5,449.80	\$10.90 per hr.	46	\$436.00	\$98.10	\$534.10
b. Mary Lucas	49,400	3,062.80	12.50 per hr.	36	450.00	—	450.00
c. David Swan	38,480	2,385.76	14.50 per hr.	38	551.00	—	551.00
d. Linda Torres	90,000	5,449.80	560.00 per wk.	44	616.00	—	616.00
Total		\$16,348.16					

3. Payroll data about four employees of The Vitco Shop are given below. All of these employees receive 1 1/2 times their regular hourly rate for hours worked beyond 40 hours in a week. Salaried employees are not paid an overtime rate, but are paid their regular rate for all hours worked. Compute the regular, overtime, and gross earnings for each employee.

12 Test for Units 5-8

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Name _____ Date _____

TEST FOR UNITS 9-11

GENERAL DIRECTIONS Your instructor will advise you of the time allowed for this test and let you know whether you may use a calculator. Read and follow all directions carefully.

SECTION 1: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

- | | |
|--|--------------------------------|
| 1. If the federal tax deposit of income tax withheld and the social security and Medicare is less than \$_____ at the end of a quarter, the employer need not deposit the sum but can pay it directly to the IRS when Form 941 is filed. | ANSWER
2,500 |
| 2. A Wage and Tax Statement, Form _____, must be prepared at the end of the calendar year for each employee who has been paid wages during the year. | W-2 |
| 3. By the last day of the month of _____ each year, employees should receive their Wage and Tax Statement for the previous year from their employers. | January |
| 4. Form _____ is filed quarterly by employers to report all federal income tax withheld and all social security and Medicare taxes owed (both employee and employer shares). | 941 |
| 5. Employers report the total federal income tax and total social security and Medicare tax deducted from all employees' earnings during the year on Form _____. | W-3 |
| 6. Form _____ is filed annually by employers to report the federal unemployment tax owed for the year and the deposits made. | 940 |
| 7. In almost every state SUTA tax is paid only by the _____. | employer |
| 8. Form _____ must accompany deposits by the employer of federal unemployment tax, federal income tax withheld, and social security and Medicare taxes withheld. | 8109 |
| 9. The lookback period begins on _____ and ends on _____. | July 1, June 30 |
| 10. A business reporting \$50,000 or less of taxes during the lookback period is a _____ depositor. | monthly |
| 11. A business reporting more than \$50,000 of taxes during the lookback period is a _____ depositor. | semi-weekly |
| 12. A _____ is a day-by-day listing of business transactions. | journal |
| 13. A payroll register, employee paychecks, and an updated payroll master file produced by a computer system are all examples of _____. | output |
| 14. In a _____ accounting system, at least two accounts are affected by each transaction. | double entry |
| 15. Businesses located in states that have an income tax must _____ and _____ the tax. | withhold, deposit |
| 16. When a business deposits the FUTA tax that it owes, the entry for the transactions includes a(n) _____ to the Federal Unemployment Taxes Payable account. | debit |
| 17. When the payroll is recorded, the _____ account is debited for the total gross earnings of the employees. | salaries and wages exp. |

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Test for Units 9-11 13

- | | |
|--|---------------------------------------|
| 18. When checks are issued to pay the employees, the _____ account is debited and the Cash account is credited for the total net pay. | 18. salaries and wages payable |
| 19. Before payroll entries can be posted to the various ledger accounts, they must first be recorded in a(n) _____. | 19. Journal |
| 20. When the entry is made to record deductions for health insurance from employee earnings, the Health Insurance Premiums Payable account is _____ for the total amount withheld. | 20. credited |

SECTION 2: TRUE-FALSE For each of the following statements, write *T* in the Answer column if the statement is true or *F* if the statement is false.

- | | |
|---|------------------------------|
| 1. The employer pays social security and Medicare taxes at the same rate and on the same tax base as the employee. | ANSWER
1. T |
| 2. The employer is not required to match social security tax or Medicare tax for any tips that an employee receives unless the tips have been credited toward the minimum wage. | 2. T |
| 3. At the end of each quarter, employers must report the exact amount of federal income tax, social security tax, and Medicare tax withheld from their employees. | 3. T |
| 4. Employers use Form 940 to make the quarterly report of federal income tax, social security tax, and Medicare tax withholdings. | 4. F |
| 5. If an employee works for several employers during the year, the employee will receive a Form W-2 from each employer. | 5. T |
| 6. A business does not need to issue Form W-2 to any employees who left during the year. | 6. F |
| 7. Every state has an unemployment insurance program. | 7. T |
| 8. The cost of operating state unemployment insurance programs is covered entirely by a tax deducted from employee earnings. | 8. F |
| 9. If the FUTA tax owed at the end of a quarter exceeds \$100, it must be deposited. | 9. T |
| 10. The SUTA tax rate varies from state to state. | 10. T |
| 11. Employers who provide steady work for their employees are permitted to pay a lower SUTA rate than employers who have less favorable employment records. | 11. T |
| 12. A few states require that employees as well as employers pay SUTA tax. | 12. T |
| 13. Both FUTA and SUTA taxes are normally computed and paid on a quarterly basis. | 13. T |
| 14. Every state unemployment compensation system has exactly the same eligibility standards and pays exactly the same benefits. | 14. F |
| 15. In a state with a disability insurance program, an employee who is injured in an accident that is not job-related is eligible for benefits. | 15. T |
| 16. Workers' compensation insurance provides benefits for job-related injuries, illness, or death. | 16. T |
| 17. If an employee is paid \$32,000 during the year, unemployment taxes are paid on \$32,000. | 17. F |
| 18. Most states have an income tax that must be withheld from employee earnings. | 18. T |
| 19. The gross earnings of employees are considered an operating expense for a business. | 19. T |
| 20. The amounts that an employer withholds from employee earnings for taxes are considered assets until they are paid to the appropriate government agencies. | 20. F |
| 21. Payroll amounts are usually posted to the ledger before they are recorded in a journal. | 21. F |
| 22. The SUTA tax owed by a business would be debited to the payroll Tax Expense account and credited to the State Unemployment Taxes Payable account. | 22. T |

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Test for Units 9-11

23. No accounting entries are needed for amounts withheld from employee earnings for voluntary deductions such as savings bonds and health insurance. **23.** _____ **F**
24. The account Employee State Income Taxes Payable is a liability account. **24.** _____ **T**
25. A separate accounting entry is made to record the earnings, deductions, and net pay for each employee at the end of a payroll period. **25.** _____ **F**

SECTION 3: PAYROLL COMPUTATIONS Complete the problems given in this section by performing the necessary computations. Write your answers in the Answer column.

- | | ANSWER |
|---|-----------------------------------|
| 1. Craig Bell had gross earnings of \$365 one week. How much social security tax did his employer deduct for that week? Use 0.062 percentage for the social security rate. | 1. _____ \$23.25 |
| 2. Joan Myers earned \$56,500 last year. How much social security tax did she pay for the year, assuming a rate of 0.062 and a tax base of \$87,900? | 2. _____ \$3,503 |
| 3. The Form 941 prepared at the Lee Advertising Agency for the first quarter of one year shows that the firm had paid wages of \$26,465, all of which were subject to social security tax. What was the total amount of the social security tax owed by both the employees and the employer for the quarter? Use a rate of 0.062 percent to determine the amount. | 3. _____ \$3,281.66 |
| 4. During the month of January, the employees of the Wayne Printing Company had gross earnings of \$55,300. What is the amount that the firm owes to the government on this amount of payroll for FUTA tax (at a rate of 0.8 percent)? The taxable employee earnings are \$45,000. | 4. _____ \$360 |
| 5. Wayne Printing Company is subject to a SUTA tax of 2.3 percent. What amount does the firm owe for this tax on its January payroll of \$55,300? All earnings are taxable. | 5. _____ \$1,271.30 |
| 6. For the week ending February 7, the payroll register of the Pizza Shack shows gross earnings of \$1,480. The entire sum is subject to the following payroll taxes: social security at 6.2 percent, Medicare at 1.45 percent, FUTA tax at 0.8 percent, and SUTA tax at 2.5 percent. What is the total of the employer's payroll taxes for the period? | 6. _____ \$162.06 |
| 7. The Homestyle Baking Company purchases its required workers' compensation insurance from a private insurance company. Coverage for truck drivers and plant workers costs \$1.05 per \$100 of gross earnings. Coverage for the office employees costs \$0.46 per \$100 of gross earnings. The actual earnings last year were \$284,500 for the drivers and plant workers and \$92,400 for the office employees. The company paid an estimated premium of \$3,395 at the beginning of the year. What is the balance owed to the insurance company? | 7. _____ \$17.29 |
| 8. Last year Paul Novak, a student, worked part time for the Bay Area Delivery Service and earned \$4,500. His employer must pay a SUTA tax of 2.7 percent on the first \$7,000 earned by each employee during a calendar year. How much SUTA tax did the firm owe on Novak's earnings last year? | 8. _____ \$121.50 |
| 9. Ralph Diaz has a monthly salary of \$7,500. On November 30, his employee earnings record showed that he had earned \$82,500 for the first 11 months of the year. How much social security tax will be deducted from his December salary? Assume a social security rate of 6.2 percent and a maximum taxable earnings of \$87,900. | 9. _____ \$334.80 |
| 10. During the fourth quarter of one year, the Olympic Sporting Goods Company paid wages of \$4,950 that were subject to FUTA tax at a rate of 0.8 percent. The firm also owed FUTA tax of \$86.75 from the third quarter. What amount of FUTA tax was it necessary for Olympic to deposit at the end of the fourth quarter? | 10. _____ \$126.19 |

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Test for Units 9–11 **15**

SECTION 4: ACCOUNTING ENTRIES Analyze the payroll transactions listed below. Then write the numbers of the accounts to be debited and credited in the Answer column. Some accounts may not be used at all. Others may be used more than once.

Accounts

- | | |
|-----|--|
| 101 | Cash |
| 221 | Employee Federal Income Taxes Payable |
| 222 | Social Security Taxes Payable |
| 223 | Medicare Taxes Payable |
| 224 | Employee State Income Taxes Payable |
| 225 | State Disability Insurance Taxes Payable |
| 226 | Federal Unemployment Taxes Payable |
| 227 | State Unemployment Taxes Payable |
| 228 | Health Insurance Premiums Payable |
| 229 | Savings Bonds Payable |
| 230 | Salaries and Wages Payable |
| 518 | Payroll Taxes Expense |
| 519 | Salaries and Wages Expense |

ANSWER

- | | |
|--|--|
| 1. Record the weekly payroll of the Roma Company. The deductions from gross earnings include federal income tax, social security tax, and Medicare tax. | 1. _____ Debit 519
Credit 221
Credit 222
Credit 223
Credit 230 |
| 2. Record the employer's payroll taxes of the Roma Company, which consists of social security tax, Medicare tax, FUTA tax, and SUTA tax. | 2. _____ Debit 518
Credit 222
Credit 223
Credit 226
Credit 227 |
| 3. The Roma Company issued paychecks to its employees. | 3. _____ Debit 230
Credit 101 |
| 4. The Roma Corporation made a deposit of FUTA tax. | 4. _____ Debit 226
Credit 101 |
| 5. The Roma Corporation issued a check to pay the premium on its group health insurance policy. The total amount was previously withheld from employee earnings. | 5. _____ Debit 228
Credit 101 |

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16 Test for Units 9–11

Name _____ Date _____

FINAL TEST

GENERAL DIRECTIONS Your instructor will advise you of the time allowed for the test and let you know whether you may use a calculator. Read and follow directions carefully.

SECTION I: TRUE-FALSE For each of the following statements, write **T** in the Answer column if the statement is true or **F** if the statement is false.

	ANSWER
1. A business that has a semiweekly payment schedule must pay payroll taxes twice each week.	F
2. The employee earnings records are used as the basis for writing payroll checks.	F
3. States are prohibited by federal law from having a minimum wage that is higher than the federal minimum wage.	F
4. Social security tax is paid by employees but not by employers.	F
5. Generally, the company president or other managers are exempt from the overtime payment provisions of the Fair Labor Standards Act.	T
6. A business is not required to keep a record of the hours worked by piece-rate employees because their earnings are determined strictly on the basis of production.	F
7. Benefits for unemployed workers are financed from funds collected under FICA.	F
8. Form W-4 is the Employee's Withholding Allowance Certificate.	T
9. Earnings may vary greatly from one payroll period to another for employees who are paid on the commission plan.	T
10. A semi-monthly wage-bracket table would be used to find the amount of federal income tax to be deducted from an employee who is paid every two weeks.	F
11. Almost all payroll clerks today use computers to process the payroll.	F
12. Employees must give written approval before their earnings are subject to garnishment.	T
13. An employee who is proven to have committed theft will not be able to collect unemployment benefits.	T
14. When the payroll register is proved, the total of the Net Pay column plus the total of the Total Deductions column should equal the total of the Total Earnings Column.	T
15. An employee earnings record is kept for every employee who is on the company payroll during the year, even if the person's employment lasts only a few days.	T
16. A new year-to-date earnings record for an employee is found by adding the gross earnings for the current pay period to the previous year-to-date earnings.	T
17. Marital status and number of withholding allowances affect the amount of social security or Medicare tax deducted from an employee's earnings.	F
18. The sums that an employer withholds for federal income tax, social security tax, and Medicare tax must always be deposited within 15 days after the end of a payroll period.	F
19. Employees must receive their Wage and Tax Statement for a year on or before January 31 of the following year.	T
20. Form W-3 is the Wage and Tax Statement.	F

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Final Test 17

21. State unemployment insurance programs are financed primarily by deductions from employee earnings.	F
22. By law, employees have the right to decide whether they want deductions made from their earnings for federal income tax.	F
23. The payroll records of an employee who leaves a company can be discarded within one year.	F
24. Some businesses pay double time for work done on Sundays and holidays.	T
25. A firm that makes all payments of SUTA tax on time is not required to pay FUTA tax.	F
26. Form 8109 is used to accompany deposits of withholdings for federal income tax, social security tax, and Medicare tax.	T
27. The Age Discrimination in Employment Act of 1967 prohibits discrimination on the basis of age against employees who are over 40 years of age.	T
28. All businesses must pay at the overtime rate for any hours worked beyond eight hours per day.	F
29. Some of the totals from the payroll register are used for payroll entries in the firm's accounting records.	T
30. Different federal income tax tables are used for single employees and married employees.	T

SECTION 2: COMPLETION In the Answer column, supply the missing word or words needed to complete the following statements.

1. An employee who works 40 hours a week and has a weekly salary of \$380 per week earns _____ per hour.	ANSWER	1. \$9.50
2. A company that pays its employees on the first and fifteenth of each month has a(n) _____ payroll period.	2. semimonthly	
3. The Tax Reform Act of 1986 requires taxpayers to obtain social security numbers for all persons claimed as _____ on their income tax forms.	3. exemptions	
4. A piece-rate employee who is paid \$0.75 per unit produced would earn \$ _____ by producing 500 items.	4. \$375	
5. Whenever an employee's withholding allowances change, he or she should file a new Form _____.	5. W-4	
6. A company that pays its employees on a biweekly basis has _____ payroll periods during a year.	6. 26	
7. Gross earnings less total deductions equal _____.	7. net pay	
8. Federal income tax rates are changed by _____ from time to time.	8. Congress	
9. A payroll deduction for savings bonds is a(n) _____ deduction.	9. voluntary	
10. Employees who receive a percentage of the sales they make are paid on a(n) _____ basis.	10. commission	
11. The _____ provides a summary of the earnings, deductions, and net pay of all employees of a firm for a payroll period.	11. payroll register	
12. A running total of an employee's year-to-date earnings is kept in the _____.	12. employee earnings record	
13. Under the quarter-hour system, an employee who arrives at work at 8:24 is assumed to have started work at _____.	13. 8:30	
14. Employees are required to sign a receipt when they are paid in _____.	14. cash	

18 Final Test

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15. A payroll check with an earnings statement attached is called a(n) _____. **voucher**
16. Form _____, the Wage and Tax Statement, must be prepared at the end of the year for each employee. **W-2**
17. Contributions to the federal unemployment system are made only by _____. **employers**
18. Some states have _____ insurance programs that provide benefits to employees for accidents, injuries, and illnesses that are not job-related. **disability**
19. Many businesses _____ their personal computers to share programs. **network**
20. Most accounting software programs contain a _____ module. **payroll**
21. Until it is paid, state income tax withheld from employee earnings is considered to be a(n) _____ in the accounting records of the employer. **liability**
22. All columns of the payroll register are totaled at the end of each _____. **quarter**
23. At the end of each payroll period, the Salaries and Wages Payable account is _____ to record the total net pay owed to the employees. **credited**
24. Form _____ summarizes the information contained in all the Forms W-2 issued by an employer for a year. **W-3**
25. The IRS requires very large firms to _____ deposit payroll taxes. **electronically**
26. Before transactions are posted to the ledger accounts, they are first recorded in a(n) _____. **journal**
27. Workers' compensation insurance is paid for by _____ in most states. **employers**
28. Under the Fair Labor Standards Act, most employees receive _____ pay for work beyond 40 hours in a week. **overtime**
29. A payroll _____ program simplifies computations for the payroll department. **software**
30. To help manage the payroll job, it is wise to have a payroll _____ to refer to. **calendar**

SECTION 3: PAYROLL COMPUTATIONS AND RECORDS Complete the following payroll computations and records. Enter your solutions in the forms or answer spaces provided.

1. Payroll information about four employees of the Sanchez Company is given below. Determine the regular, overtime, and total earnings of these employees. They receive time-and-a-half for all hours worked beyond 40 in a week. The salaried employees who work for this company are not paid for time worked beyond 40 hours per week.

EMPLOYEE NAME	REGULAR RATE	HOURS WORKED	REGULAR EARNINGS	OVERTIME EARNINGS	TOTAL EARNINGS
Donna Davis	\$9.00 per hr.	46	\$360.00	\$81.00	\$441.00
Mark Jacobs	9.20 per hr.	43	\$368.00	\$41.40	\$409.40
Gail Smith	680.00 per wk.	42	\$680.00	-0-	\$680.00
Allen Webb	550.00 per wk.	40	\$550.00	-0-	\$550.00

2. A partially completed payroll register for the Houston Bookstore is given below. Determine the social security tax, Medicare tax, state income tax, total deductions, and net pay for each employee. Then total and prove the payroll register. Use 6.2 percent as the social security rate, 1.45 percent as the Medicare rate, and 2 percent as the state income tax rate. All earnings are taxable.

PAYROLL REGISTER FOR THE WEEK ENDING FEBRUARY 7, 2005

EMP. NO.	EARNINGS				DEDUCTIONS				TOTAL DED.	NET PAY
	REG.	OT	TOTAL	FED. INC. TAX	SOC. SEC. TAX	MEDICARE TAX	STATE INC. TAX			
1.	\$485.60	48.20	\$533.80	\$49.00	\$33.10	\$7.74	\$10.68	\$100.52	\$433.28	
2.	416.00		416.00	31.00	\$25.79	\$6.03	\$58.32	\$71.14	\$344.86	
3.	503.75	62.30	566.05	53.00	\$35.10	\$8.21	\$11.32	\$107.63	\$458.42	
Totals	\$1405.35	\$110.50	\$1515.85	\$133.00	\$93.99	\$21.98	\$30.32	\$279.29	\$1236.56	

3. Janet Reed is a salesperson at the Gift Mart. She has a salary of \$425 per week and is also paid a commission of 2.5 percent on her sales. During the week ending January 28, she worked 40 hours and her sales totaled \$4,500. Determine her earnings, deductions, and net pay for the week, and record them in the voucher section of the following payroll check located opposite on p. 21. Her social security number is 423-01-0779.

Then write the check (leave the signature line blank). The date of the check should be January 31 of the current year. Mrs. Reed had the following deductions: federal income tax, \$71; social security tax, \$33.33 (use 6.2 percent as the rate); Medicare tax, \$7.79 (use 1.45 as the rate); state income tax, \$5.38 (use 1 percent as the rate); SDFI tax, \$6.72 (use 1.25 percent as the rate). She has one voluntary deduction: health insurance for \$11.

Employee's social security number 4283-01-0779	PERIOD ENDING Jan. 28, 2005	HOURS WORKED Reg. 40 O.T. _____	EARNINGS Regular 425 Overtime or Comm. 112		NET PAY 402.28
DEDUCTIONS		Total 537.50			
Federal Inc. Tax 71.00	Social Security Tax 35.53	Medicare Tax 7.79	State Inc. Tax 5.38	SDI Tax 6.72	OTHER 11.00
Total 155.22					

Statement of Earnings and Deductions Detach and retain for your records.

GIFT MARY

PAYROLL CHECK No. 873 Date **January 31, 2005**

Pay to the order of **Janet Reed** \$ **402.28**

Four hundred two and 00/100 Dollars

SPECIMEN CHECK ONLY

Central Industrial Bank
39496 Imperial Way
Los Angeles, CA 90068

⑆ 1222 ⑆ 0306 ⑆ 01018 ⑆ 057223 ⑆

For Test Question 3.

4. The Des Moines Snelter and Foundry is a small company that makes iron, aluminum, and brass castings. This is very heavy work and the five men in the foundry are paid on a piece-rate basis. At the foundry it is the policy for the supervisor, Joe Heinz, to calculate the gross pay for the five foundrymen each Friday and to send that report to the payroll department early Monday mornings.

On one particular job the piece-rate was \$1.26 with a bonus rate of \$1.58 for each piece produced beyond 385 in a week. When a defective casting is made by a worker, the casting is deducted from his production. Here are the records for the workers for the week ending March 16. You are to compute the net production and gross earnings for each worker for the week.

Employee	UNITS PRODUCED							Net Prod.	Less Rejects	Gross Earnings
	Mon.	Tues.	Wed.	Thurs.	Fri.	Total Prod.				
C. Pointer	92	86	98	102	106	484	7	477	\$ 650.46	
D. Avion	88	78	94	82	95	437	16	421	\$ 541.98	
M. Wasser	79	84	91	73	81	408	2	406	\$ 518.28	
T. Simms	103	101	98	105	103	510	11	499	\$ 655.22	
D. Costa	98	83	94	98	89	462	9	453	\$ 592.54	
Totals						2301	45	2,256	\$2,948.48	

Production Supervisor _____

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Final Test 21

ASSIGNMENT 4

Complete the deductions entries on the Payroll Register. Use the wage-bracket tables to determine federal income tax, state income tax, social security tax (.062 percent), and Medicare tax (.0145 percent). Calculate the State Disability (SDI) tax by using the rate of 1.25 percent.

Refer to the Employee Earnings Records to determine the voluntary deductions for each employee.

Figure the total deductions and net pay for each employee.

ASSIGNMENT 5

Total the columns in the deductions section of the Payroll Register. Total the Total Deductions column and the Net Pay columns. Prove the payroll register.

ASSIGNMENT 6

Post the Payroll Register information for the week ending January 7 to the Employee Earnings Records. Make the entries in the Year-to-Date Earnings column.

For the Period Beginning January 1, 20 05 and Ending January 7, 20 05 **PAYROLL**

	EMPLOYEE DATA			HOURS			EARNINGS	
	Marital Status	No. of With. Allow.	Name	Regular Rate	Regular	Overtime	Regular	Total Earnings
1	S	1	Richard Case	16.60	32	—	531.20	531.20
2	M	1	Wayne Cosco	10.80	40	1	432.00	16.80 448.80
3	S	1	Olive Engle	15.60	32	3	499.20	70.20 569.40
4	M	1	Sylvia Harper	19.80	40	—	792.00	792.00
5	M	4	Frank Hudson	22.00	40	—	880.00	880.00
6	M	2	David Kendale	15.90	40	2	636.00	47.70 683.70
7	S	1	Mowell Powers	11.70	40	—	468.00	468.00
8	M	3	Linda Sanders	15.30	40	3	612.00	68.85 680.85
9	S	2	Orvil Taylor	18.60	36	—	669.60	669.60
10	M	2	Lucille Watson	15.90	40	2	636.00	47.70 683.70
11							6,186.00	250.65 6,406.65
12								

For Assignments 1 through 3.

(continued)

Employee Name	HOURS WORKED	
	Regular Hours	Overtime Hours
Kendale, David	40	2
Engle, Olive	32	3
Taylor, Orvil	36	0
Cosco, Wayne	40	1
Hudson, Frank	40	0
Harper, Sylvia	40	0
Watson, Lucille	40	2
Case, Richard	32	0
Powers, Mowell	40	0
Sanders, Linda	40	3

For Assignment 2.

24 Application Test

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REGISTER

Date Paid _____, 20

DEDUCTIONS										NET PAY		Check No.	
Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total Deductions	Amount					
57 00	32 93	7 70	11 51	6 64	10 00	—	125 78	405 42					1
23 00	27 79	6 50	3 94	5 60	—	—	66 83	381 37					2
61 00	35 30	8 26	13 91	7 12	—	18 00	143 59	425 86					3
73 00	49 10	11 48	14 48	9 90	—	—	157 96	634 04					4
60 00	54 56	12 76	11 38	11 00	10 00	—	189 70	720 30					5
48 00	42 39	9 91	6 54	8 55	20 00	10 00	145 39	538 31					6
46 00	29 02	6 79	8 27	5 85	—	—	95 95	372 07					7
39 00	42 21	9 87	4 96	8 51	10 00	—	114 55	566 30					8
67 00	41 52	9 71	19 45	8 37	5 00	10 00	161 05	508 55					9
48 00	42 39	9 91	6 54	8 55	—	—	115 39	568 31					10
522 00	397 21	92 89	100 98	80 09	55 00	38 00	1,286 17	5,120 53					11
													12

For Assignments 4 through 5, continued.

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Wayne Cosco
 Address 7732 Davis Street
Los Angeles, CA 90063
 Social Security No. 470-61-2275
 Job Title Office Clerk
 Date Employed Sept. 28, 19--
 Date Terminated _____

Marital Status M ☒ S ☐
 No. of Withholding Allowances 1
 Regular Rate \$10.80 per hour
 Voluntary Deductions: _____
 IRA _____
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS						DEDUCTIONS								NET PAY	YEAR-TO-DATE EARNINGS								
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions													
1st Quarter																											
1		40	1	432	00	16	20	448	20	23	00	27	79	6	50	3	94	5	60	—	—	66	83	381	37	448	20
2																											

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Richard Case
 Address 5610 Central Ave.
Los Angeles, CA 90075
 Social Security No. 165-55-3727
 Job Title Truck Driver
 Date Employed May 16, 19--
 Date Terminated _____

Marital Status M ☐ S ☒
 No. of Withholding Allowances 1
 Regular Rate \$16.60 per hour
 Voluntary Deductions: _____
 IRA \$ 10.00 per week
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS								NET PAY	YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions		
1st Quarter																
1		32	—	531 20	—	531 20	57 00	32 93	7 70	11 51	6 64	10 00	—	125 78	405 42	531 20
2																

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Olive Engle
 Address 8829 Via Verde Apt. #18
Los Angeles, CA 90036
 Social Security No. 965-88-9605
 Job Title Truck Driver
 Date Employed Sept. 26, 19 --
 Date Terminated _____

Marital Status M ☐ S ☒
 No. of Withholding Allowances 1
 Regular Rate \$15.60 per hour
 Voluntary Deductions: _____
 IRA _____
 U.S. Savings Bonds \$18.00 per week

PAYROLL PERIOD		HOURS		EARNINGS						DEDUCTIONS												NET PAY	YEAR-TO-DATE EARNINGS					
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission		Total Earnings		Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions												
1st Quarter																												
1		32	3	499	20	70	20	569	40	61	00	35	30	8	26	13	91	7	12	—	18	00	143	59	425	86	569	40
2																												

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Sylvia Harper
 Address 2724 Highland Ave.
Los Angeles, CA 90012
 Social Security No. 333-71-8055
 Job Title Office Manager
 Date Employed March 16, 19 --
 Date Terminated _____

Marital Status M ☒ S ☐
 No. of Withholding Allowances 1
 Regular Rate \$19.80 per hour
 Voluntary Deductions: _____
 IRA _____
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS										NET PAY	YEAR-TO-DATE EARNINGS									
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions													
1st Quarter																											
1		40	—	792	00	—	792	00	73	00	49	10	11	48	14	48	9	90	—	—	157	96	634	04			
2																											

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Frank Hudson
 Address 3172 Dakota Street Apt. #6
Los Angeles, CA 90086
 Social Security No. 751-66-8191
 Job Title Owner-Manager
 Date Employed Sept. 18, 19 --
 Date Terminated _____

Marital Status M ☒ S ☐
 No. of Withholding Allowances 4
 Regular Rate \$22.00 per hour
 Voluntary Deductions: _____
 IRA \$10.00
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS										NET PAY	YEAR-TO-DATE EARNINGS	
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions					
1st Quarter																			
1		40	—	880 00	—	880 00	60 00	54 56	12 76	11 38	11 00	10 00	—	159 70	720 30	880 00			
2																			

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name David Kendale
 Address 88072 17th Street
Los Angeles, CA 90001
 Social Security No. 717-28-5564
 Job Title Truck Driver
 Date Employed Dec. 14, 19 --
 Date Terminated _____

Marital Status M ☒ S ☐
 No. of Withholding Allowances 2
 Regular Rate \$15.90 per hour
 Voluntary Deductions: _____
 IRA \$20.00 per week
 U.S. Savings Bonds \$10.00 per week

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS										NET PAY	YEAR-TO-DATE EARNINGS											
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions															
1st Quarter																													
1		40	2	636	00	47	70	683	70	48	00	42	39	9	91	6	54	8	55	20	00	10	00	145	39	538	31	683	70
2																													

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Nowell Powers
 Address 4404 18th Ave.
Los Angeles, CA 90007
 Social Security No. 404-81-6114
 Job Title Yard Equipment Operator
 Date Employed Sept. 14, 19--
 Date Terminated _____

Marital Status M ☐ S ☒
 No. of Withholding Allowances 1
 Regular Rate \$11.70 per hour
 Voluntary Deductions: _____
 IRA _____
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS								NET PAY	YEAR-TO-DATE EARNINGS	
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions			
1st Quarter																	
1		40	—	468 00	—	468 00	46 00	29 02	6 79	8 27	5 85	—	—	95 93	372 07	468 00	
2																	

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Linda Sanders
 Address 276 Beach Court
Los Angeles, CA 90068
 Social Security No. 672-36-5205
 Job Title Yard Equipment Operator
 Date Employed Nov. 2, 19--
 Date Terminated _____

Marital Status M ☒ S ☐
 No. of Withholding Allowances 3
 Regular Rate \$15.30 per hour
 Voluntary Deductions: _____
 IRA \$10.00 per week
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS										NET PAY	YEAR-TO-DATE EARNINGS										
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions														
1st Quarter																												
1		40	3	612	00	68	85	680	85	39	00	42	21	9	87	4	96	8	51	10	00	—	114	55	566	30	612	00
2																												

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Orvil Taylor
 Address 2075 1/2 Dinty Ave.
Los Angeles, CA 90047
 Social Security No. 570-20-3011
 Job Title Yard Equipment Operator
 Date Employed February 4, 19--
 Date Terminated _____

Marital Status M ☐ S ☒
 No. of Withholding Allowances 2
 Regular Rate \$18.60 per hour
 Voluntary Deductions: _____
 IRA \$5.00 per week
 U.S. Savings Bonds \$10.00 per week

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS										NET PAY	YEAR-TO-DATE EARNINGS
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions				
1st Quarter																		
1		36	—	669 60	—	669 60	67 00	41 52	9 71	19 45	8 37	5 00	10 00	161 05	508 55	669 60		
2																		

EMPLOYEE EARNINGS RECORD FOR YEAR 20

Name Lucille Watson
 Address 4781 Bravo Road
Los Angeles, CA 90007
 Social Security No. 502-63-2722
 Job Title Truck Driver
 Date Employed Jan. 10, 19--
 Date Terminated _____

Marital Status M ☒ S ☐
 No. of Withholding Allowances 2
 Regular Rate \$15.90 per hour
 Voluntary Deductions: _____
 IRA _____
 U.S. Savings Bonds _____

PAYROLL PERIOD		HOURS		EARNINGS			DEDUCTIONS								NET PAY	YEAR-TO-DATE EARNINGS											
Week	Ending Date	Reg.	O.T.	Regular	Overtime or Commission	Total Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	SDI Tax	IRA	Savings Bonds	Total deductions													
1st Quarter																											
1		40	2	636	00	47	70	683	70	48	00	42	39	9	91	6	54	8	55	—	—	115	39	568	31	636	00
2																											