

# UNIT I

## STUDY QUESTIONS

1. The original minimum wage when the FLSA was passed in 1938 was \$0.25.
2. The Internal Revenue Service or a financial institution, such as a bank, authorized by the IRS receives the income tax collected by employers.
3. Old-age, survivors, and disability insurance (OASDI) and health and hospital insurance (Medicare) are the two main parts of the social security program.
4. FICA was passed to obtain funds needed to pay the following social security benefits: old-age, survivors, and disability benefits and health care benefits. Funds obtained under FUTA and state unemployment tax laws are used to pay unemployment benefits.
5. Both employees and employers pay social security and Medicare taxes. FUTA taxes are paid by employers.
6. An employer must keep a payroll record of the name, address, date of birth, and social security number for each employee; amount and date of each wage payment and period covered by the payment; amount of wages subject to FICA tax; amount of FICA tax withheld from the employee's pay; date and reason for the employee's termination.
7. The employee's share of FICA tax is deducted from his or her earnings. The employer's share of FICA tax is paid by the employer. Both amounts are sent to the IRS.
8. The FLSA sets a minimum wage and requires most employers to pay time-and-a-half for overtime work.
9. As of this writing, the FLSA minimum wage is \$5.15.
10.
  - a. Workers' compensation laws provide employees with protection against job-related accidents and illnesses.
  - b. Federal ERISA laws protect workers' pension funds.
11.
  - a. Workers' compensation benefits are financed by employer contributions to a state fund or by employer purchase of insurance coverage from a private insurance company.
  - b. In some states employees pay for protection; in others, both the employee and the employer share the cost.
12. The Civil Rights Act prevents discrimination in hiring on the basis of race, color, religion, national origin, age, or sex. Employers are required to follow fair practices in hiring, firing, and promoting employees.
13. Increasing either the tax rate or the wage base provides added funds for operation of these programs.
14. Only businesses that do not engage in interstate commerce may ignore the federal minimum wage.
15. The Family and Medical Leave Act requires employers to give employees up to 12 weeks' leave when adopting a child.
16. The current rate for social security tax is 6.2 percent.
17. The current rate of the Medicare tax is 1.45 percent.
18. All wage earnings are taxable under the Medicare tax.
19. Each year for the past five years has seen an increase in the amount of wage earnings subject to social security tax.
20. The law that prevents the firing of an employee over age 40 is the Age Discrimination in Employment Act.

## DISCUSSION QUESTIONS

1. Employers must deduct appropriate federal tax amounts from employee earnings. They must remit the sums withheld to the government. They must keep a record of earnings, federal income tax deductions, and other payroll information on all employees. They must file reports with the government showing employee income tax deductions and the dates when the sums were turned over to the government.
2. Answers will vary from state to state.
3. The federal minimum wage is adjusted in order to keep pace with changes in economic conditions. Over the years, price levels tend to rise; thus workers need higher wages to meet their living expenses.
4. Answers will vary from state to state.
5. The advantages of raising the minimum wage is that it improves the financial position of lower-paid

workers. It helps them cope with rising prices. The primary disadvantage is that it may lead to fewer job opportunities for people with limited skills. Some employers may elect to invest in labor-saving equipment rather than pay higher wages to low-skilled employees.

6. Employers must deduct appropriate FICA tax amounts from employee earnings. They must match the sum owed by employees. They must remit the employee contributions, and their own contributions, to the government. They must keep records of earnings, FICA tax deductions, and other payroll information. They must also file reports with the government showing employee and employer social security and Medicare contributions.
7. Taxes were put on a pay-as-you-go basis because some workers did not have the money on hand when it came time to pay their income taxes.
8. SUTA provides income to these workers so they can subsist until they find another job.
9. Workers' compensation laws protect workers from loss of earnings resulting from job-related accidents or injury.
10. Because penalties for hiring illegal immigrants are very severe, employers are careful to hire workers who are citizens or otherwise approved to hold jobs in this country.

## LEARNING THROUGH PRACTICE EXERCISES

### EXERCISE 1-1

1. B
2. H
3. K
4. J
5. F
6. I
7. G
8. A
9. D
10. C
11. E

### EXERCISE 1-2

1. No
2. Yes
3. No
4. Yes
5. No
6. No
7. No
8. No
9. Yes
10. No

## ALTERNATE LEARNING THROUGH PRACTICE EXERCISES

### EXERCISE 1-1A

1. F
2. J
3. A
4. D
5. C
6. K
7. B
8. G
9. E
10. I
11. H

### EXERCISE 1-2A

1. No
2. No
3. Yes
4. Yes
5. No
6. No
7. Yes
8. Yes
9. No
10. No

# UNIT 2

## STUDY QUESTIONS

1. The completed job application is used to check job qualifications. Skills, education, references, and job experience are also checked.
2. Name, address, telephone number, and social security number, as well as educational background (schools attended, types of studies, and degrees or certificates) and previous employment experience, are requested, as are personal references.
3. The job application form, employment test results, interview evaluations, and evaluations by supervisors; transfer and promotion information; and information on termination, including dates and reasons, are usually included in a personnel file.
4. Many personnel and payroll records are required by various laws. In addition, these files serve as important references for businesses should there ever be a question about an employee. Also, this file would be consulted if an employee were being considered for a significant job advancement.
5. The social security number is used when payroll-related reports are made to federal and state agencies. The SSN is also *very* important to the employee when he or she ultimately applies for benefits under social security or Medicare.
6. Replacement is necessary when there is a change in name or if the card is lost.
7. Some employees list "0" allowances when they are claimed as a dependent on another person's W-4—such as that of a spouse or parent.
8. It is a requirement of the IRS that the employer have written proof as to the withholding allowances claimed by each employee.
9. The general types of withholding allowances to which an employee may be entitled are:  
One allowance for the employee himself or herself.  
One additional allowance if:
  - The employee is single and has only one job, or
  - The employee is married, has only one job, and his or her spouse does not work, or

- The employee's wages from a second job or spouse's wage (or the total of both) are \$1,000 or less.

One additional allowance if the employee is married, if the spouse does not claim the exemption.

One additional allowance for each dependent who will be claimed on the employee's tax return.

One additional allowance if the employee will file as a head of household on the tax return.

One additional allowance if the employee has at least \$1,500 of child care or dependent care expenses for which the employee plans to claim credit.

One additional allowance for each child who will be eligible for child tax credit.

10. The W-4 form is used by the payroll department to determine the tax to withhold from each employee's earnings on each payroll check.
11. The employee earnings record contains the employee's name, address, social security number, date of birth, marital status, number of withholding allowances, and job title. The form also records pay, deductions, and net pay for each payroll period.

## DISCUSSION QUESTIONS

1. Answers to such questions give the interviewer insight into the applicant's general communication skills, personality, and attitude. In addition the interviewer can, to a degree, learn something about the applicant's planning, logic, and reasoning abilities and make some judgment about the person's creativity, activities, goals, and personal interests.
2.
  - a. The question is illegal because it may reveal the national origin, race, or color of the applicant.
  - b. The question is legal. Skill in a foreign language could be gained from study and not necessarily indicate country of birth.
  - c. This question is illegal. A name change has nothing to do with job qualifications.
  - d. The question is legal. Companies subject to Title VII of the Civil Rights Act of 1964 must ask applicants if they are citizens of the United States.
3. A business can use several procedures to protect the confidentiality of its personnel records:
  - a. Restrict information to only those persons listed on an authorization list.
  - b. Permit records to leave the personnel department only when they are logged out and the person using the records signs the log.
  - c. Give no personnel information to anyone over the telephone.

- d. Require that only selected, designated persons give out personnel information.
- e. Keep personnel records under lock and key.
- f. Require that computerized personnel files be accessed only by selected, authorized persons and that these persons know the access code.
- g. Keep personnel files removed for permanent storage under lock and key.
- h. Shred paper files that are to be destroyed before they are discarded.

4. Jack should contact the nearest social security office. Also, some post offices can provide this help for him as can some IRS offices.
5. The I-9 is used to establish one's identity and eligibility to work in the United States.

## REVIEW EXERCISES

1.
  - a. Kevin Daley is entitled to four withholding allowances: one for himself as a dependent, one because he is single and has only one job, one for his widowed mother as a dependent, and one because he is the head of a household.
  - b. Ruth Lenski is entitled to four withholding allowances: one for herself as a dependent; one because she is married, has only one job, and her spouse does not work; one for her spouse; and one because she has more than \$1,500 in dependent care expenses.
  - c. Maria Ramirez is entitled to two withholding allowances: one for herself as a dependent and one because she is single and has only one job.
  - d. Carol Van Patten is entitled to six withholding allowances: one for herself as a dependent, one because she is single and has only one job, two for her children as dependents, and two for the child tax credit.
  - e. Scott Hanson is entitled to eight withholding allowances: one for himself as a dependent, one for his spouse, three for his children as dependents, and three for the child tax credit.
2.
  - a. David Chu is entitled to two withholding allowances: one for himself as a dependent, and one because he is single and has only one job.
  - b. Joyce DeVito is entitled to two withholding allowances. Using the Deductions and Adjustments worksheet,  $\$12,000 - \$4,300 = \$7,700$ ;  $\$7,720 \div 3 = 2$  (drop decimal).
  - c. Nancy Abramson is entitled to three withholding allowances: one for herself as a dependent; one because she is married, has only one job, and her spouse does not work; and, one for her spouse.

## **LEARNING THROUGH PRACTICE EXERCISES**

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### **EXERCISE 2-1**

The data on this form will vary for each student.

### **EXERCISE 2-2**

The data on this form will vary for each student.

### **EXERCISE 2-3**

The data on this form will vary for each student.

### **EXERCISE 2-4**

The data on this form will vary for each student.

### **EXERCISE 2-5**

The data on this form will vary for each student.

### **EXERCISE 2-6**

1. It is often tempting to break a rule in order to help a friend, especially when it doesn't seem that anyone will be harmed. However, Teri Allison should explain to Kim Shaw that one of the important aspects of her job as a payroll clerk is to keep all salary information confidential. She should also explain that this policy benefits all employees of the company, including Kim, by ensuring privacy. If Kim wants to have information about her salary increase in advance, the correct procedure would be for her to ask her supervisor.
2. Jeff Morgan does not really have enough evidence to report his fellow employee to a supervisor for examining confidential records without permission. However, Jeff should prevent this situation from occurring in the future by placing the payroll records in a locked drawer or a locked file cabinet whenever he plans to be away from his office. It is up to Jeff, as a payroll clerk, to avoid carelessness and protect confidential records.

# ALTERNATE LEARNING THROUGH PRACTICE EXERCISES

## EXERCISE 2-1A



### Please Read Before Signing Application

Ingram Heating and Cooling is an equal opportunity employer. All applicants and employees are considered for employment, development, advancement, and earnings based upon their skills, performance, and potential without regard to race, color, religion, sex, national origin, age, or handicap status.

I understand that the information I provide in this application must be complete and accurate to the best of my knowledge. I realize that falsification and/or incomplete information may jeopardize my employment now or in the future. Ingram Heating and Cooling or its agents may seek to verify this information and may make inquiries by securing a consumer investigative report concerning my character, criminal convictions, employment experience, education, and community standing. I further understand that if this information results in my dismissal, the nature and scope of these reports may be secured directly from the supplier of such information. I hereby authorize any previous employer to release to Ingram Heating and Cooling relevant information such as my work habits, performance, attendance, and reason for leaving.

I agree to conform to the rules and regulations of Ingram Heating and Cooling and understand that my employment can be terminated, with or without cause, and with or without notice, at any time, at the option of either Ingram Heating and Cooling or myself. I further understand that no manager, supervisor, or other representative of Ingram Heating and Cooling has any authority to enter into any agreement contrary to the foregoing.

Signature *Robert A. Lesko*

Date *June 24, 2005*

### Personal Data

Name <i>Robert Allen Lesko</i>		Social Security Number <i>442-69-5149</i>	Home Phone <i>(408)237-4851</i>
Address <i>779 Davis Avenue San Jose, CA 95163</i>			
Position Desired <i>Installer's Helper</i>		Date Available <i>Immediately</i>	Willing to travel? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Relocate? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Are you a U.S. Citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		If No, Visa Type and Number	
Have you been convicted of a crime? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		If Yes, Please Detail—Offense and Disposition	

### Source

How were you referred? <input checked="" type="checkbox"/> Classified Ad <input type="checkbox"/> Employment Agency <input type="checkbox"/> Other Source or Person		
Please Identify—Name of Newspaper, Employment Agency, or Other Source or Person <i>Web site www.techjobs.com</i>		

(continued)

**EXERCISE 2-1A** (continued)**U.S. Military Service**

Branch <b>U.S. Army</b>	Final Rank <b>Corporal</b>	Date Entered <b>7/98</b>	Date Discharged <b>7/02</b>
Service schools or special experience related to job for which you are applying? <b>Was in a Transportation Unit that serviced trucks and other Army vehicles.</b>			

**Education**

School Name	City, State	Dates From-To	Major Course of Study	Graduation Month/Year	Degree or Certificate
High School <b>Emerson High School</b>	<b>San Jose, CA</b>	<b>1994   1998</b>	<b>Regular</b>	<b>6   98</b>	<b>Regents Diploma</b>
College(s) <b>Lawson Technical College</b>	<b>San Jose, CA</b>	<b>2002   2004</b>	<b>Heating and Air Conditioning Technology</b>	<b>6   04</b>	<b>Associate's Degree</b>
Graduate					
Other					

**Employment**

Please list all employers beginning with your present employer			
Firm Name <b>Apex Heating and Cooling</b>	Address <b>817 Evans St., San Jose</b>	Phone <b>(408)642-3311</b>	Dates-From-To <b>1/6/04-5/8/05</b>
Position Held <b>Installer's helper</b>	Earnings-Beginning <b>\$9 per hr.</b>	Ending	Supervisor-Name and Title <b>Dennis O'Hara, manager</b>
Reason for leaving <b>This was a part-time job. It was an internship arranged by my college.</b>			
Firm Name <b>Bay Auto Repair and Tires</b>	Address <b>1869 Pine Ave., San Jose</b>	Phone <b>(408)527-6973</b>	Dates-From-To <b>9/10/96-4/30/98</b>
Position Held <b>Tire installer + repair work</b>	Earnings-Beginning <b>\$6.75 per hr.</b>	Ending	Supervisor-Name and Title <b>John Tonelli, Manager</b>
Reason for leaving <b>This was a part-time job after school and during summers.</b>			
Firm Name	Address	Phone	Dates-From-To
Position Held	Earnings-Beginning	Ending	Supervisor-Name and Title
Reason for leaving			
Firm Name	Address	Phone	Dates-From-To
Position Held	Earnings-Beginning	Ending	Supervisor-Name and Title
Reason for leaving			

**Additional Experience**

Please list any additional experiences you feel bear upon your skills or professional development.

**EXERCISE 2-2A**

# **SOCIAL SECURITY ADMINISTRATION** **Application for a Social Security Card**

 Form Approved  
 OMB No. 0960-0066

<b>1</b>	<b>NAME</b> <span style="float: right;">→</span> <small>TO BE SHOWN ON CARD</small>			First <i>Lisa</i>	Full Middle Name <i>Marie</i>	Last <i>Watkins</i>
	<b>FULL NAME AT BIRTH</b> <small>IF OTHER THAN ABOVE</small>			First	Full Middle Name	Last
	<b>OTHER NAMES USED</b>					
<b>2</b>	<b>MAILING ADDRESS</b> <span style="float: right;">→</span> <small>Do Not Abbreviate</small>			Street Address, Apt. No., PO Box, Rural Route No. <i>2709 Mission Road</i>		
				City <i>San Bruno</i>	State <i>CA</i>	Zip Code <i>94096</i>
<b>3</b>	<b>CITIZENSHIP</b> <span style="float: right;">→</span> <small>(Check One)</small>	<input checked="" type="checkbox"/> U.S. Citizen <input type="checkbox"/> Legal Alien Allowed To Work <input type="checkbox"/> Legal Alien Not Allowed To Work (See Instructions On Page 1) <input type="checkbox"/> Other (See Instructions On Page 1)				
<b>4</b>	<b>SEX</b> <span style="float: right;">→</span>	<input type="checkbox"/> Male <input checked="" type="checkbox"/> Female				
<b>5</b>	<b>RACE/ETHNIC DESCRIPTION</b> <span style="float: right;">→</span> <small>(Check One Only - Voluntary)</small>	<input type="checkbox"/> Asian, Asian-American or Pacific Islander <input type="checkbox"/> Hispanic <input type="checkbox"/> Black (Not Hispanic) <input type="checkbox"/> North American Indian or Alaskan Native <input type="checkbox"/> White (Not Hispanic)				
<b>6</b>	<b>DATE OF BIRTH</b> <span style="float: right;">→</span> <i>4/11/86</i> <small>Month, Day, Year</small>	<b>7</b>	<b>PLACE OF BIRTH</b> <span style="float: right;">→</span> <i>San Jose</i> <small>(Do Not Abbreviate)</small>	City <i>San Jose</i>	State or Foreign Country <i>CA</i>	Office Use Only <small>FCI</small>
<b>8</b>	<b>A. MOTHER'S MAIDEN NAME</b> <span style="float: right;">→</span>		First <i>Deborah</i>	Full Middle Name <i>Ann</i>	Last Name At Her Birth <i>McNally</i>	
	<b>B. MOTHER'S SOCIAL SECURITY NUMBER</b> <span style="float: right;">→</span>			<div style="border: 1px solid black; padding: 2px; display: flex; justify-content: space-between;"> <span>4</span><span>1</span><span>6</span><span>—</span><span>0</span><span>9</span><span>—</span><span>2</span><span>7</span><span>3</span><span>8</span> </div>		
<b>9</b>	<b>A. FATHER'S NAME</b> <span style="float: right;">→</span>		First <i>Thomas</i>	Full Middle Name <i>Henry</i>	Last <i>Watkins</i>	
	<b>B. FATHER'S SOCIAL SECURITY NUMBER</b> <span style="float: right;">→</span>			<div style="border: 1px solid black; padding: 2px; display: flex; justify-content: space-between;"> <span>2</span><span>4</span><span>9</span><span>—</span><span>1</span><span>5</span><span>—</span><span>7</span><span>6</span><span>2</span><span>2</span> </div>		
<b>10</b>	Has the applicant or anyone acting on his/her behalf ever filed for or received a Social Security number card before? <input type="checkbox"/> Yes (If "yes", answer questions 11-13.) <input checked="" type="checkbox"/> No (If "no", go on to question 14.) <input type="checkbox"/> Don't Know (If "don't know", go on to question 14.)					
<b>11</b>	Enter the Social Security number previously assigned to the person listed in item 1. <span style="float: right;">→</span>			<div style="border: 1px solid black; padding: 2px; display: flex; justify-content: space-between;"> <span></span><span></span><span></span><span>—</span><span></span><span></span><span>—</span><span></span><span></span><span></span><span></span> </div>		
<b>12</b>	Enter the name shown on the most recent Social Security card issued for the person listed in item 1. <span style="float: right;">→</span>		First	Middle Name	Last	
<b>13</b>	Enter any different date of birth if used on an earlier application for a card. <span style="float: right;">→</span>			Month, Day, Year		
<b>14</b>	<b>TODAY'S DATE</b> <span style="float: right;">→</span> <i>6/6/05</i> <small>Month, Day, Year</small>		<b>15</b>	<b>DAYTIME PHONE NUMBER</b> <span style="float: right;">→</span> <i>(408) 317-4296</i> <small>Area Code     Number</small>		
<b>16</b>	I declare under penalty of perjury that I have examined all the information on this form, and on any accompanying statements or forms, and it is true and correct to the best of my knowledge.					
	<b>YOUR SIGNATURE</b> <i>Lisa Marie Watkins</i>			<b>YOUR RELATIONSHIP TO THE PERSON IN ITEM 1 IS:</b> <input checked="" type="checkbox"/> Self <input type="checkbox"/> Natural Or Adoptive Parent <input type="checkbox"/> Legal Guardian <input type="checkbox"/> Other (Specify)		
DO NOT WRITE BELOW THIS LINE (FOR SSA USE ONLY)						
NPN		DOC		NTI		CAN
PBC		EVI	EVA	EVC	PRA	NWR
						DNR
						UNIT
EVIDENCE SUBMITTED				SIGNATURE AND TITLE OF EMPLOYEE(S) REVIEWING EVIDENCE AND/OR CONDUCTING INTERVIEW		
				DATE		
				DCL		
				DATE		

## EXERCISE 2-3A

U.S. Department of Justice  
Immigration and Naturalization Service

OMB No. 1115-0136

### Employment Eligibility Verification

Please read instructions carefully before completing this form. The instructions must be available during completion of this form. **ANTI-DISCRIMINATION NOTICE:** It is illegal to discriminate against work eligible individuals. Employers **CANNOT** specify which document(s) they will accept from an employee. The refusal to hire an individual because of a future expiration date may also constitute illegal discrimination.

#### Section 1. Employee Information and Verification. To be completed and signed by employee at the time employment begins.

Print Name: Last <u>Lesko</u>	First <u>Robert</u>	Middle Initial <u>A.</u>	Maiden Name
Address (Street Name and Number) <u>779 Davis Avenue</u>		Apt. #	Date of Birth (month/day/year) <u>March 7, 1980</u>
City <u>San Jose</u>	State <u>CA</u>	Zip Code <u>95163</u>	Social Security # <u>442-69-5149</u>

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):  
☐ A citizen or national of the United States  
☐ A Lawful Permanent Resident (Alien # A)  
☐ An alien authorized to work until    /    /     
(Alien # or Admission #)                     

Employee's Signature Robert A. Lesko Date (month/day/year) August 1, 2004

**Preparer and/or Translator Certification.** (To be completed and signed if Section 1 is prepared by a person other than the employee.) I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

Preparer's/Translator's Signature	Print Name
Address (Street Name and Number, City, State, Zip Code)	
Date (month/day/year)	

#### Section 2. Employer Review and Verification. To be completed and signed by employer. Examine one document from List A OR examine one document from List B and one from List C, as listed on the reverse of this form, and record the title, number and expiration date, if any, of the document(s)

List A	OR	List B	AND	List C
Document title: _____		_____		_____
Issuing authority: _____		_____		_____
Document #: _____		_____		_____
Expiration Date (if any): <u>  </u> / <u>  </u> / <u>  </u>		<u>  </u> / <u>  </u> / <u>  </u>		<u>  </u> / <u>  </u> / <u>  </u>
Document #: _____				
Expiration Date (if any): <u>  </u> / <u>  </u> / <u>  </u>				

**CERTIFICATION** - I attest, under penalty of perjury, that I have examined the document(s) presented by the above-named employee, that the above-listed document(s) appear to be genuine and to relate to the employee named, that the employee began employment on (month/day/year)    /    /    and that to the best of my knowledge the employee is eligible to work in the United States. (State employment agencies may omit the date the employee began employment.)

Signature of Employer or Authorized Representative	Print Name	Title
Business or Organization Name	Address (Street Name and Number, City, State, Zip Code)	Date (month/day/year)

#### Section 3. Updating and Reverification. To be completed and signed by employer.

A. New Name (if applicable)	B. Date of rehire (month/day/year) (if applicable)
C. If employee's previous grant of work authorization has expired, provide the information below for the document that establishes current employment eligibility. Document Title: _____ Document #: _____ Expiration Date (if any): <u>  </u> / <u>  </u> / <u>  </u>	

I attest, under penalty of perjury, that to the best of my knowledge, this employee is eligible to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative	Date (month/day/year)
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Form I-9 (Rev. 11-21-91)N Page 2



## EXERCISE 2-4A

### Form W-4 (2004)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

**Exemption from withholding.** If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2003 expires February 16, 2004. See **Pub. 505**, Tax Withholding and Estimated Tax.

**Note:** You cannot claim exemption from withholding if: (a) your income exceeds \$750 and includes more than \$250 of unearned income (e.g., interest and dividends) and (b) another person can claim you as a dependent on their tax return.

**Basic instructions.** If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized

deductions, certain credits, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. **However, you may claim fewer (or zero) allowances.**

**Head of household.** Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line **E** below.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See **Pub. 919**, How Do I Adjust My Tax Withholding? for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using

**Form 1040-ES**, Estimated Tax for Individuals. Otherwise, you may owe additional tax.

**Two earners/two jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others.

**Nonresident alien.** If you are a nonresident alien, see the **Instructions for Form 8233** before completing this Form W-4.

**Check your withholding.** After your Form W-4 takes effect, use **Pub. 919** to see how the dollar amount you are having withheld compares to your projected total tax for 2003. See **Pub. 919**, especially if your earnings exceed \$125,000 (Single) or \$175,000 (Married).

**Recent name change?** If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 for a new social security card.

#### Personal Allowances Worksheet (Keep for your records.)

<b>A</b>	Enter "1" for <b>yourself</b> if no one else can claim you as a dependent . . . . .	<b>A</b>	<u>1</u>
<b>B</b>	Enter "1" if: <div style="display: inline-block; vertical-align: middle;"> <ul style="list-style-type: none"> <li>• You are single and have only one job; or</li> <li>• You are married, have only one job, and your spouse does not work; or</li> <li>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less.</li> </ul> </div>	<b>B</b>	<u>    </u>
<b>C</b>	Enter "1" for your <b>spouse</b> . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . .	<b>C</b>	<u>0</u>
<b>D</b>	Enter number of <b>dependents</b> (other than your spouse or yourself) you will claim on your tax return . . . . .	<b>D</b>	<u>    </u>
<b>E</b>	Enter "1" if you will file as <b>head of household</b> on your tax return (see conditions under <b>Head of household</b> above) . . . . .	<b>E</b>	<u>    </u>
<b>F</b>	Enter "1" if you have at least \$1,500 of <b>child or dependent care expenses</b> for which you plan to claim a credit . . . . .	<b>F</b>	<u>    </u>
<b>(Note: Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)</b>			
<b>G</b>	<b>Child Tax Credit</b> (including additional child tax credit):		
	<ul style="list-style-type: none"> <li>• If your total income will be between \$15,000 and \$42,000 (\$20,000 and \$65,000 if married), enter "1" for each eligible child plus <b>1 additional</b> if you have three to five eligible children or <b>2 additional</b> if you have six or more eligible children.</li> <li>• If your total income will be between \$42,000 and \$80,000 (\$65,000 and \$115,000 if married), enter "1" if you have one or two eligible children, "2" if you have three eligible children, "3" if you have four eligible children, or "4" if you have five or more eligible children.</li> </ul>		
<b>H</b>	Add lines A through G and enter total here. <b>Note:</b> This may be different from the number of exemptions you claim on your tax return. <span style="float: right;">▶</span>	<b>H</b>	<u>1</u>
<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; padding-left: 10px; margin-right: 10px;"> For accuracy, complete all worksheets that apply. </div> <div> <ul style="list-style-type: none"> <li>• If you plan to <b>itemize or claim adjustments to income</b> and want to reduce your withholding, see the <b>Deductions and Adjustments Worksheet</b> on page 2.</li> <li>• If you have <b>more than one job</b> or are <b>married and you and your spouse both work</b> and the combined earnings from all jobs exceed \$35,000, see the <b>Two-Earner/Two-Job Worksheet</b> on page 2 to avoid having too little tax withheld.</li> <li>• If <b>neither</b> of the above situations applies, <b>stop here</b> and enter the number from line H on line 5 of Form W-4 below.</li> </ul> </div> </div>			

----- Cut here and give Form W-4 to your employer. Keep the top part for your records. -----

<b>Form W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b> ▶ For Privacy Act and Paperwork Reduction Act Notice, see page 2.		OMB No. 1545-0010 <div style="font-size: 2em; font-weight: bold;">2003</div>
1 Type or print your first name and middle initial <b>Robert A.</b>		Last name <b>Lesko</b>		2 Your social security number <b>442 69 5149</b>
Home address (number and street or rural route) <b>779 Davis Avenue</b>		3 <input type="checkbox"/> Single <input checked="" type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. <b>Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.</b>		
City or town, state, and ZIP code <b>San Jose, CA 95163</b>		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a new card. <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)				5 <u>1</u>
6 Additional amount, if any, you want withheld from each paycheck				6 \$ <u>    </u>
7 I claim exemption from withholding for 2003, and I certify that I meet <b>both</b> of the following conditions for exemption: • Last year I had a right to a refund of <b>all</b> Federal income tax withheld because I had <b>no</b> tax liability <b>and</b> • This year I expect a refund of <b>all</b> Federal income tax withheld because I expect to have <b>no</b> tax liability. If you meet both conditions, write "Exempt" here <span style="float: right;">▶</span>				<div style="border: 1px solid black; width: 40px; height: 40px; margin: 0 auto;"></div>
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.				
Employee's signature (Form is not valid unless you sign it.) ▶ <b>Robert A. Lesko</b>		Date ▶ <b>Aug. 1, 2005</b>		
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)	10 Employer identification number	

Cat. No. 10220Q

EXERCISE 2-5A

EMPLOYEE EARNINGS RECORD FOR YEAR 2005

Name Robert A. Lesko  
Address 779 Davis Avenue  
San Jose, CA 95163  
Social Security No. 442-69-5149  
Job Title Installer's Helper  
Date Employed Aug. 1, 2004  
Date Terminated \_\_\_\_\_

Marital Status **M** ☒ **S** ☐  
No. of Withholding Allowances 1  
Regular Rate \$15.00 per hour  
Voluntary Deductions:  
IRA \_\_\_\_\_  
U.S. Savings Bonds \$30.00 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																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
10																		
11																		
12																		
13																		
14																		
1st Quarter Totals																		

EXERCISE 2-6A

1. Rather than accusing Gary Phillips of claiming more withholding allowances than he is entitled to claim, Ryan Beck should say to him: "Form W-4 can be confusing. Before you submit this form, let's review the data that you entered." Perhaps Gary has made an honest mistake, or perhaps he is entitled to claim allowances for items that Ryan is not aware of such as child care credits or dependent care credits. If Gary is intentionally claiming more withholding allowances than he is entitled to claim, Ryan should explain to him that there are legal penalties for providing false information on Form
- W-4. Ryan should then have Gary prepare a correct Form W-4.

2. As a payroll supervisor, Brenda Hall cannot divulge confidential information about salaries. If the women who approached her feel that they are being underpaid in comparison to the men who hold similar positions as merchandise managers, they should discuss the problem with the head of the human resources department. If they cannot reach a satisfactory solution in that way, these women should seek the help of a lawyer who specializes in employment discrimination cases. Brenda could be fired if she reveals confidential payroll information.

UNIT 3

STUDY QUESTIONS

1. a. Weekly—The pay period covers one full week, for example, from Monday through the following Sunday.

b. Biweekly—The pay period ends on a specific day every two weeks, such as on every other Saturday.
- c. Semimonthly—The pay period ends twice every month on a specific date, such as the first and fifteenth.

d. Monthly—The pay period ends on a specific date in the month, such as the first.

2. Howard worked 6 1/2 hours.

3. a. Exempt                      d. Nonexempt  
b. Nonexempt                  e. Exempt  
c. Nonexempt                  f. Exempt
4. Under the FLSA, an employer must record the following types of information about time worked: the day and time the employee's workweek started, the number of hours worked each day, the total hours worked during the week.
5. Time is figured to the nearest quarter hour. The odd minutes before and after the nearest quarter hour are ignored. Under this system, a quarter of an hour is subtracted from the time worked when the employee arrives more than 7 minutes late or leaves more than 7 minutes early.
6. Time records must be kept, available to FLSA, for three years.
7. Factory workers are often paid for the amount of goods they produce. This is called piece work. Similarly, salespeople are often paid on the basis of the amount of goods they sell.
8. A quota is an amount of dollar sales that a salesperson must sell before he or she begins to earn a commission. Salespeople earn a commission on all sales above their quota.
9. In this way the exact cost of labor on a specific job or project can be determined. This can help the firm determine the exact profit generated by the job or project.
10. Each contract worker who receives more than \$600 in a year.

## REVIEW EXERCISES

1. a. Craig Hodges: Total sales, \$2,285  
Linda Chavez: Total sales, \$2,155  
Michael Kaminski: Total sales, \$1,518  
b. Craig Hodges: Gross earnings, \$159.95  
(\$2,285  $\times$  .07)  
Linda Chavez: Gross earnings, \$150.85  
(\$2,155  $\times$  .07)  
Michael Kaminski: Gross earnings, \$106.26  
(\$1,518  $\times$  .07)
2. a. Heather Ross: Net sales, \$6,440 (computers, \$3,500 + software, \$2,200 + supplies, \$660 + books, \$80)  
b. Heather Ross: Gross earnings, \$386.40  
(\$6,440  $\times$  .06)
3. a. Heather Ross: Net sales, \$6,677.50  
Computers, \$3,500 + software, \$2,200 = \$5,700  
\$5,700  $\times$  .20 = \$1,140  
\$5,700 + \$1,140 = \$6,840  
Supplies, \$660 + books, \$80 = \$740  
\$6,840 + \$740 = \$7,580  
b. Heather Ross: Gross earnings, \$454.80  
(\$7,580  $\times$  .06)

4. a. Peter Nagel, 820 pieces; Julie Adams, 1,010 pieces; Greg Gomez, 1,240 pieces  
b. Peter Nagel, 33 regular hours; Julie Adams, 40 regular hours; Greg Gomez, 40 regular hours and 2 1/2 overtime hours
5. Peter Nagel, 1,025 pieces ( $820 \times .25 = 205$ ;  $820 + 205 = 1,025$ )

6.

Employee	Hours Spent on Project
Paul McManus	1 1/4
Cheryl Gray	1/2
Lisa Myers	1 1/2
Joseph Pacelli	1 1/4
Dale Moore	2 3/4
David Roth	1
Total	8 1/4

7. a. 52                      c. 24  
b. 26                      d. 12

8. 7 1/2 hours

9. a. 40 1/2 hours  
b. 5 1/2 hours

10. First week: 8 hours  $\times$  5 days = 40 hours  
Second week: 8 hours  $\times$  3 days = 24 hours  
3 hours  $\times$  1 day = 3 hours  
Total hours for biweekly period: 67

11.

Day	Hours
Monday	8
Tuesday	8 1/2
Wednesday	8 3/4
Thursday	8
Friday	9 1/4
Total	42 1/2 (Overtime hours, 2 1/2)

12.

Day	Harry O'Brien	Ruth Jones
Monday	8 hours 2 minutes	8 hours 11 minutes
Tuesday	7 hours 34 minutes	8 hours 2 minutes
Wednesday	7 hours 27 minutes	7 hours 59 minutes
Thursday	8 hours 12 minutes	7 hours 32 minutes
Friday	3 hours 58 minutes	7 hours 39 minutes
Totals	35 hours 13 minutes	39 hours 23 minutes

# LEARNING THROUGH PRACTICE EXERCISES

## EXERCISE 3-1

Name <u>Kaitlin Smith</u> Employee No. <u>51</u>							
Week Ending <u>June 21, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.							
Mon.	8 <sup>02</sup>	11 <sup>59</sup>	12 <sup>59</sup>	5 <sup>01</sup>			<b>8</b>
Tues.	7 <sup>55</sup>	12 <sup>03</sup>	1 <sup>00</sup>	5 <sup>05</sup>			<b>8</b>
Wed.	7 <sup>58</sup>	12 <sup>01</sup>	12 <sup>56</sup>	5 <sup>04</sup>			<b>8</b>
Thurs.	7 <sup>57</sup>	12 <sup>04</sup>	12 <sup>58</sup>	4 <sup>59</sup>	5 <sup>31</sup>	7 <sup>30</sup>	<b>10</b>
Fri.	7 <sup>56</sup>	12 <sup>05</sup>	1 <sup>02</sup>	5 <sup>03</sup>	5 <sup>59</sup>	8 <sup>01</sup>	<b>10</b>
Sat.							
Extra Hours Approved				Hours	Rate	Earnings	
		Regular		<b>40</b>	<i>\$12.80</i>		
		Overtime		<b>4</b>	<i>\$19.20</i>		
Supervisor		Total Hours		<b>44</b>	Gross Earnings		

Name <u>Peter Fong</u> Employee No. <u>52</u>							
Week Ending <u>June 21, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.	8 <sup>00</sup>	12 <sup>01</sup>	12 <sup>58</sup>	5 <sup>02</sup>			<b>8</b>
Mon.	8 <sup>03</sup>	11 <sup>57</sup>	12 <sup>59</sup>	5 <sup>00</sup>	5 <sup>32</sup>	7 <sup>29</sup>	<b>10</b>
Tues.	7 <sup>55</sup>	12 <sup>00</sup>	1 <sup>05</sup>	5 <sup>01</sup>			<b>8</b>
Wed.	8 <sup>01</sup>	12 <sup>04</sup>	1 <sup>00</sup>	4 <sup>59</sup>			<b>8</b>
Thurs.	7 <sup>58</sup>	11 <sup>59</sup>	1 <sup>01</sup>	5 <sup>05</sup>			<b>8</b>
Fri.	7 <sup>56</sup>	12 <sup>01</sup>					<b>4</b>
Sat.							
Extra Hours Approved				Hours	Rate	Earnings	
		Regular		<b>40</b>	<i>\$12.20</i>		
		Overtime		<b>6</b>	<i>\$18.30</i>		
Supervisor		Total Hours		<b>46</b>	Gross Earnings		

## EXERCISE 3-2

DONALD ADVERTISING TIME SHEET																								
Week Ended <u>July 19</u> , 20 <u>05</u>																								
EMPLOYEE		SUNDAY			MONDAY			TUESDAY			WEDNESDAY			THURSDAY			FRIDAY			SATURDAY			TOTALS	
		In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	Reg.	O.T.
Arnold, Henry	AM				9 <sup>00</sup>	12 <sup>00</sup>	<b>3</b>	8 <sup>55</sup>	12 <sup>00</sup>	<b>3</b>	9 <sup>05</sup>	1 <sup>00</sup>	<b>4</b>	9 <sup>00</sup>	12 <sup>05</sup>	<b>3</b>	9 <sup>00</sup>	12 <sup>00</sup>	<b>3</b>					
	PM				1 <sup>05</sup>	6 <sup>00</sup>	<b>5</b>	1 <sup>00</sup>	6 <sup>00</sup>	<b>5</b>			<b>0</b>	1 <sup>00</sup>	5 <sup>55</sup>	<b>5</b>	1 <sup>05</sup>	7 <sup>00</sup>	<b>6</b>				<b>37</b>	
Bennett, Susan	AM				9 <sup>10</sup>	12 <sup>10</sup>	<b>3</b>	9 <sup>00</sup>	12 <sup>00</sup>	<b>3</b>	8 <sup>55</sup>	12 <sup>00</sup>	<b>3</b>	9 <sup>00</sup>	12 <sup>00</sup>	<b>3</b>	9 <sup>00</sup>	11 <sup>55</sup>	<b>3</b>					
	PM				1 <sup>00</sup>	6 <sup>05</sup>	<b>5</b>	1 <sup>05</sup>	6 <sup>00</sup>	<b>5</b>	1 <sup>30</sup>	6 <sup>30</sup>	<b>5</b>	12 <sup>55</sup>	7 <sup>30</sup>	<b>6½</b>	12 <sup>30</sup>	6 <sup>30</sup>	<b>6</b>				<b>40</b>	<b>2½</b>
Mueller, Carl	AM				9 <sup>30</sup>	1 <sup>00</sup>	<b>3½</b>	9 <sup>00</sup>	1 <sup>05</sup>	<b>4</b>	9 <sup>00</sup>	12 <sup>55</sup>	<b>4</b>	8 <sup>30</sup>	1 <sup>00</sup>	<b>4½</b>	9 <sup>00</sup>	1 <sup>00</sup>	<b>4</b>					
	PM				1 <sup>30</sup>	6 <sup>00</sup>	<b>4½</b>	2 <sup>00</sup>	6 <sup>55</sup>	<b>5</b>	2 <sup>00</sup>	7 <sup>35</sup>	<b>5½</b>	2 <sup>05</sup>	6 <sup>30</sup>	<b>4½</b>	2 <sup>00</sup>	5 <sup>55</sup>	<b>4</b>				<b>40</b>	<b>3½</b>
Van Zant, Lois	AM				8 <sup>55</sup>	12 <sup>00</sup>	<b>3</b>	8 <sup>30</sup>	12 <sup>00</sup>	<b>3½</b>	9 <sup>00</sup>	11 <sup>55</sup>	<b>3</b>	8 <sup>00</sup>	12 <sup>00</sup>	<b>4</b>	9 <sup>00</sup>	12 <sup>00</sup>	<b>3</b>					
	PM				1 <sup>00</sup>	7 <sup>00</sup>	<b>6</b>	12 <sup>30</sup>	3 <sup>00</sup>	<b>2½</b>	1 <sup>00</sup>	6 <sup>00</sup>	<b>5</b>	1 <sup>05</sup>	6 <sup>00</sup>	<b>5</b>	12 <sup>35</sup>	6 <sup>30</sup>	<b>6</b>				<b>40</b>	<b>1</b>
	AM																							

### EXERCISE 3-3

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. Dallas Daily Banner 112 Main Street Dallas, TX 75208 (214)763-9821		1 Rents	OMB No. 1545-0115 <b>2005</b> Form 1099-MISC	<b>Miscellaneous Income</b>  <b>Copy B</b> <b>For Recipient</b>
		\$		
		2 Royalties		
\$	3 Other income	4 Federal income tax withheld		
\$	\$	\$	5 Fishing boat proceeds	6 Medical and health care payments
PAYER'S Federal identification number	RECIPIENT'S identification number	\$	\$	
04-0215490	123-45-6789	\$	\$	
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Juan Matos		\$1600.00	\$	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds	
645 East Main Street		\$	\$	
City, state, and ZIP code		11	12	
Dallas, TX 75208		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
Account number (optional)		\$	\$	
15		16 State tax withheld	17 State/Payer's state no.	18 State income
		\$		\$
		\$		\$

Form 1099-MISC

(keep for your records)

Department of the Treasury - Internal Revenue Service

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115 <b>2005</b> Form 1099-MISC	<b>Miscellaneous Income</b>  <b>Copy B</b> <b>For Recipient</b>
		\$		
		2 Royalties		
\$	3 Other income	4 Federal income tax withheld		
\$	\$	\$	5 Fishing boat proceeds	6 Medical and health care payments
PAYER'S Federal identification number	RECIPIENT'S identification number	\$	\$	
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
		\$	\$	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds	
		\$	\$	
City, state, and ZIP code		11	12	
Account number (optional)		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
		\$	\$	
15		16 State tax withheld	17 State/Payer's state no.	18 State income
		\$		\$
		\$		\$

Extra Form

## EXERCISE 3-4

1. Cathy Craig should try to settle the problem with David Sanders's work as soon as possible because it is hurting her ability to meet the requirements of her own job. Cathy should talk to David about the problem in a serious but friendly way. She might suggest that David take some time to double-check his computations rather than trying to get the time cards to her ahead of schedule. If David's work does not improve after she speaks to him, she should discuss the situation with their supervisor. Since the supervisor has told Cathy that she must speed up her work, Cathy cannot continue to cover up the problem. However, it is only fair to make David aware of the problem first and give him a chance to correct it on

his own. If he doesn't, he may not have the skills or the right attitude to do payroll work properly, and it is important that the supervisor should know this.

2. Sue Stevens should not sign in for Jill Reed on the time sheet. It is hard to refuse to do a favor for a friend, but Jill's request would require Sue to enter false information in company records. This is dishonest and could get both of them into serious trouble with their managers. Sue should explain this to Jill and should also suggest that Jill discuss the problem with her manager. Perhaps they can arrange for Jill to make up for her lateness in the morning and avoid losing any pay by working 30 minutes during her lunch period or after 5 p.m. until the car is fixed.

## ALTERNATE LEARNING THROUGH PRACTICE EXERCISES

### EXERCISE 3-1A



Name <u>Charles Delgado</u> Employee No. <u>26</u>							
Week Ending <u>April 14, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.							
Mon.	8 <sup>01</sup>	12 <sup>00</sup>	1 <sup>03</sup>	3 <sup>05</sup>			<b>6</b>
Tues	7 <sup>59</sup>	11 <sup>58</sup>	12 <sup>57</sup>	5 <sup>02</sup>			<b>8</b>
Wed.	8 <sup>03</sup>	12 <sup>04</sup>	12 <sup>59</sup>	5 <sup>01</sup>			<b>8</b>
Thurs.	7 <sup>57</sup>	11 <sup>56</sup>	1 <sup>02</sup>	5 <sup>05</sup>	6 <sup>01</sup>	8 <sup>35</sup>	<b>10½</b>
Fri.	7 <sup>55</sup>	12 <sup>02</sup>	1 <sup>05</sup>	4 <sup>59</sup>	5 <sup>56</sup>	8 <sup>01</sup>	<b>10</b>
Sat.	8 <sup>02</sup>	12 <sup>03</sup>					<b>4</b>
Extra Hours Approved				Hours	Rate	Earnings	
		Regular		<b>40</b>	\$10.60		
		Overtime		<b>6½</b>	\$15.90		
Supervisor		Total Hours		<b>46½</b>	Gross Earnings		

Name <u>Jennifer Abbati</u> Employee No. <u>27</u>							
Week Ending <u>April 14, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.							
Mon.	7 <sup>55</sup>	12 <sup>31</sup>	1 <sup>04</sup>	5 <sup>06</sup>			<b>8½</b>
Tues	7 <sup>58</sup>	12 <sup>02</sup>	1 <sup>00</sup>	5 <sup>03</sup>			<b>8</b>
Wed.	8 <sup>00</sup>	11 <sup>58</sup>	12 <sup>56</sup>	6 <sup>01</sup>			<b>9</b>
Thurs.	7 <sup>59</sup>	12 <sup>01</sup>	1 <sup>04</sup>	6 <sup>32</sup>			<b>9½</b>
Fri.	8 <sup>01</sup>	11 <sup>59</sup>	1 <sup>01</sup>	4 <sup>58</sup>	5 <sup>31</sup>	7 <sup>33</sup>	<b>10</b>
Sat.							
Extra Hours Approved				Hours	Rate	Earnings	
		Regular		<b>40</b>	\$10.80		
		Overtime		<b>5</b>	\$16.20		
Supervisor		Total Hours		<b>45</b>	Gross Earnings		

### EXERCISE 3-2A

CAREER BUILDERS TIME SHEET																								
Week Ended <u>January 7</u> , 20 <u>05</u>																								
EMPLOYEE		SUNDAY			MONDAY			TUESDAY			WEDNESDAY			THURSDAY			FRIDAY			SATURDAY			TOTALS	
		In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	In	Out	Hrs.	Reg.	O.T.
Acosta, Eric	AM				9 <sup>05</sup>	1 <sup>02</sup>	4	8 <sup>55</sup>	1 <sup>00</sup>	4	9 <sup>00</sup>	1 <sup>30</sup>	4½	9 <sup>00</sup>	1 <sup>00</sup>	4	8 <sup>05</sup>	1 <sup>00</sup>	5					
	PM				2 <sup>00</sup>	6 <sup>35</sup>	4½	2 <sup>05</sup>	6 <sup>00</sup>	4	2 <sup>30</sup>	6 <sup>00</sup>	3½	2 <sup>05</sup>	7 <sup>00</sup>	5	2 <sup>00</sup>	6 <sup>05</sup>	4				40	2½
Bryan, Nancy	AM				9 <sup>00</sup>	12 <sup>00</sup>	3	9 <sup>15</sup>	12 <sup>15</sup>	3	9 <sup>00</sup>	1 <sup>00</sup>	4	9 <sup>05</sup>	12 <sup>00</sup>	3	8 <sup>55</sup>	12 <sup>00</sup>	3					
	PM				12 <sup>55</sup>	6 <sup>00</sup>	5	1 <sup>00</sup>	6 <sup>00</sup>	5				1 <sup>00</sup>	6 <sup>00</sup>	5	12 <sup>30</sup>	7 <sup>25</sup>	7				38	
Long, Darren	AM				10 <sup>00</sup>	1 <sup>05</sup>	3	9 <sup>00</sup>	1 <sup>00</sup>	4	8 <sup>55</sup>	1 <sup>00</sup>	4	9 <sup>00</sup>	1 <sup>00</sup>	4	9 <sup>00</sup>	12 <sup>55</sup>	4					
	PM				1 <sup>30</sup>	6 <sup>25</sup>	5	2 <sup>00</sup>	6 <sup>05</sup>	4	2 <sup>05</sup>	7 <sup>00</sup>	5	2 <sup>00</sup>	6 <sup>05</sup>	4	2 <sup>00</sup>	7 <sup>00</sup>	5				40	2
Patel, Nina	AM				8 <sup>55</sup>	12 <sup>00</sup>	3	9 <sup>00</sup>	12 <sup>00</sup>	3	9 <sup>05</sup>	11 <sup>55</sup>	3	9 <sup>05</sup>	12 <sup>00</sup>	3	8 <sup>25</sup>	12 <sup>30</sup>	4					
	PM				1 <sup>05</sup>	6 <sup>00</sup>	5	12 <sup>55</sup>	6 <sup>00</sup>	5	1 <sup>00</sup>	7 <sup>30</sup>	6½	1 <sup>00</sup>	6 <sup>00</sup>	5	1 <sup>00</sup>	5 <sup>00</sup>	4				40	1½
	AM																							

### EXERCISE 3-3A

PAYER'S name, street address, city, state, ZIP code, and telephone no. <b>Prime Advertising Agency</b> <b>2641 Delta Drive</b> <b>Sacramento, CA 95834</b>  <b>(916) 644-8169</b>		1 Rents \$	OMB No. 1545-0115  <b>2003</b> Form <b>1099-MISC</b>		<b>Miscellaneous Income</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b>  For Privacy Act and Paperwork Reduction Act Notice, see the <b>2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
PAYER'S Federal identification number <b>08-5736127</b>		2 Royalties \$	3 Other income \$			
RECIPIENT'S identification number <b>345-56-8790</b>		4 Federal income tax withheld \$		5 Fishing boat proceeds \$		
RECIPIENT'S name <b>Donna Franz</b>		6 Medical and health care payments \$		7 Nonemployee compensation <b>\$2,320.00</b>		
Street address (including apt. no.) <b>211 Brock Avenue</b>		8 Substitute payments in lieu of dividends or interest \$		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		
City, state, and ZIP code <b>Sacramento, CA 95834</b>		10 Crop insurance proceeds \$		11 		
Account number (optional)		12 		13 Excess golden parachute payments \$		
2nd TIN not <input type="checkbox"/>		14 Gross proceeds paid to an attorney \$		15		
16 State tax withheld \$		17 State/Payer's state no.		18 State income \$		
17 State/Payer's state no.		18 State income \$		19 State income \$		

Form **1099-MISC**

Cat. No. 14425J

Department of the Treasury - Internal Revenue Service

### EXERCISE 3-4A

1. Bill Chung should hold a meeting with all the sales associates in his department. He should tell them that he appreciates their good work, but it is not acceptable for anyone to arrive late in the morning or after the lunch break. Despite the advice of the other department manager, Bill Chung should not overlook violations of the rules by the employees of his department. As a manager, it is Bill's responsibility to enforce the rules established by the firm. Also, a policy of tolerating small infractions can easily lead employees to think that larger infractions will be acceptable.

2. Based on the fact that Paul King is willing to work an additional 30 minutes at the end of the day and based on his good work record, Lori Palmer should grant his request to arrive at 9:30 a.m. so that he can take his son to day care. Because of the nature of his job, arriving half an hour after his normal starting time should not be a problem for the firm. However, to avoid the appearance of favoritism, Lori Palmer should make clear to the rest of the staff that Paul King is still working the required number of hours each week.

## UNIT 4

### STUDY QUESTIONS

1. 

a. 1	e. 3
b. 5	f. 7
c. 6	g. 4
d. 2	
2. Gross earnings are the amounts employers owe to employees before any deductions are made. These amounts are owed for the work that employees have performed.
3. No. Managers and supervisors are exempt, but many other salaried employees are subject to the overtime pay provision of the FLSA.
4. To compute the hourly rate for an employee who is paid a monthly salary, the following steps are taken.
  - a. The monthly salary is multiplied by 12 to obtain the annual salary.
  - b. The annual salary is divided by 52 to determine the weekly salary.
  - c. The weekly salary is divided by 40 to determine the regular hourly rate.
5.  $\$12 \times 1.5 = \$18$
6. If the business is covered by the FLSA, certain types of salespeople are subject to the minimum wage requirements and are, therefore, entitled to receive the minimum wage for each hour worked.
7. For each piece-rate employee, a business must keep production records showing the items produced and time records showing the hours worked during each pay period.
8. If an employee receives a single rate for all pieces, the number of pieces produced in a pay period is multiplied by the rate. The result is the employee's gross earnings for the period. When the employee is paid different piece rates for different types of

items or different quantities, it is necessary to first determine the number of units produced at each rate. Then the number of units in each group is multiplied by the applicable rate. Finally, the amounts computed at each rate are added together to obtain the employee's gross earnings for the period.

9. Method 1: employees are paid one-half their regular hourly rate for each overtime hour worked. The regular hourly rate is determined by dividing the employee's piece-rate earnings for the pay period by the total number of hours worked (including overtime hours). Then this figure is divided by 2 to find the overtime hourly rate. Finally, the overtime hourly rate is multiplied by the number of overtime hours. Method 2: piece-rate employees are paid a special, agreed-upon rate for all units produced in overtime hours. The special rate must be at least 1 1/2 times the regular piece rate.
10. Tips must be tracked and reported as income on Form W-2.

### REVIEW EXERCISES

1. Regular earnings for week:  $\$12.50 \times 40 = \$500$   
Overtime earnings for 4 hours:  $\$25 \times 4 = \$100$   
Total earnings for week:  $\$500 + \$100 = \$600$
2. Regular hourly rate:  $\$630 \div 35 = \$18$
3. Regular hourly rate:  $\$17.25$   
 $\$2,500 \times 12 = \$30,000$   
 $\$30,000 \div 52 = \$577$   
 $\$577 \div 40 = \$14.43$   
Regular earnings for week:  $\$577$   
Overtime earnings for 4 hours:  $\$103.52$   
 $\$14.43 \times 1.5 = \$21.645 = \$21.65$   
 $\$21.65 \times 4 = \$86.60$   
Total earnings for week:  $\$577 + \$86.60 = \$663.60$



4. Regular earnings for week:  $\$18 \times 40 = \$720$   
 Overtime earnings for week:  $\$108 + \$144 = \$252$   
 Saturday overtime:  $\$18 \times 1.5 = \$27 \times 4 = \$108$   
 Sunday overtime:  $\$18 \times 2 = \$36 \times 4 = \$144$   
 Total earnings for week:  $\$720 + \$252 = \$972$
5. Piece-rate earnings for week: \$551  
 $605 - 25 = 580 \times \$0.95 = \$551$
6. Gross earnings for week:  
 $\$685.90 + \$31.20 = \$717.10$   
 Piece-rate earnings:  $722 \times \$0.95 = \$685.90$   
 Regular hourly rate:  
 $\$685.90 \div 44 = \$15.588 = \$15.59$   
 Overtime hourly rate:  $\$15.59 \div 2 = \$7.795 = \$7.80$   
 Overtime earnings:  $\$7.80 \times 4 = \$31.20$
7. Commission earnings for March: \$9,750  
 Total sales =  $\$60,000 + \$225,000 + \$40,000 = \$325,000$ . Commission:  $\$325,000 \times .03 = \$9,750$
8. Gross earnings for year:  
 $\$41,600 + \$54,000 = \$95,600$   
 Salary for year:  $\$800 \times 52 = \$41,600$   
 Commission for year: \$54,000  
 $\$5,600,000 - \$2,000,000 = \$3,600,000$   
 $\$3,600,000 \times .015 = \$54,000$
9. Gross earnings for month:  $\$1,600 + \$1,520 = \$3,120$   
 Salary for month: \$1,600  
 Commission for month:  $\$1,350 + \$170 = \$1,520$   
 $\$18,500 - \$5,000 = \$13,500 \times .10 = \$1,350$   
 $\$18,500 - \$10,000 = \$8,500 \times .02 = \$170$
10. Gross earnings for week: \$738  
 Commission:  
 $\$3,000 \times .08 = \$240$   
 $3,000 \times .10 = 300$   
 $2,650 \times .12 = 318$   

<u>\$8,650</u>	<u>\$858</u>
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## PROBLEMS

1.

Employee	Regular Earnings	Overtime Rate	Overtime Earnings	Gross Earnings
Laura Chase	\$624.00	\$23.40	\$105.30	\$729.30
Edward Klein	540.00	20.25	101.25	641.25
Frank Nunez	680.00	25.50	51.00	731.00
Sandra Stewart	580.00	21.75	108.75	688.75

2.

Employee	Batches of 100 Units	Rate per 100 Units	Piece-Rate Earnings	Rate per Hour
Ryan Davis	10	\$4.00	\$ 40.00	\$13.69
	5	5.50	27.50	
	7	6.00	42.00	
			<u>\$109.50</u>	
Jan Ericson	10	\$4.00	\$ 40.00	\$18.19
	5	5.50	27.50	
	13	6.00	78.00	
			<u>\$145.50</u>	
John Ostrowski	10	\$4.00	\$ 40.00	\$23.56
	5	5.50	27.50	
	21	6.00	126.00	
			<u>\$193.50</u>	
Sheila Scott	10	\$4.00	\$ 40.00	\$22.69
	5	5.50	27.50	
	19	6.00	114.00	
			<u>\$181.50</u>	
Russell Thayer	10	\$4.00	\$ 40.00	\$15.19
	5	5.50	27.50	
	9	6.00	54.00	
			<u>\$121.50</u>	

3. a. Regular piece-rate earnings:  $900 \times \$0.65 = \$585$   
 Overtime piece-rate earnings:  $150 \times \$1 = \$150$   
 Total piece-rate earnings:  $\$585 + \$150 = \$735$
- b. Piece-rate earnings:  $1,050 \times \$0.65 = \$682.50$   
 Regular hourly rate:  $\$682.50 \div 44 = \$15.51$   
 Overtime hourly rate:  
 $\$15.51 \div 2 = \$7.755 = \$7.76$   
 Overtime earnings:  $\$7.76 \times 4 = \$31.04$   
 Total earnings:  $\$682.50 + \$31.04 = \$713.54$

4.

Employee	Regular Hourly Rate	Overtime Hourly Rate	Regular Earnings	Overtime Earnings	Gross Earnings
Carlton Ames	\$13.50	\$20.25	\$540.00	\$101.25	\$641.25
Mark Bodine	14.10	21.15	564.00	42.30	606.30
Patricia Connolly	18.75	28.13	750.00	112.52	862.52
Ann Hoffman	20.19	30.29	807.60	—0—	807.60
George Janovic	17.50	26.25	700.00	39.38	739.38
Stacey King	18.00	27.00	720.00	81.00	801.00
Roy McDonald	23.08	34.62	923.20	69.24	992.44

5.

Employee	Salary	Commission	Gross Earnings	Hourly Rate
Casey Donahue	—0—	\$730.00	\$730.00	\$18.25
Sarah Martin	\$350.00	130.00	480.00	13.71
Joseph Rossi	—0—	588.00	588.00	19.60
Joyce Winters	300.00	212.00	512.00	12.80

# LEARNING THROUGH PRACTICE EXERCISES

## EXERCISE 4-1

Name <u>Kaitlin Smith</u> Employee No. <u>51</u>							
Week Ending <u>June 21, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.							
Mon.	8 <sup>02</sup>	11 <sup>59</sup>	12 <sup>59</sup>	5 <sup>01</sup>			<b>8</b>
Tues	7 <sup>55</sup>	12 <sup>03</sup>	1 <sup>00</sup>	5 <sup>05</sup>			<b>8</b>
Wed.	7 <sup>58</sup>	12 <sup>01</sup>	12 <sup>56</sup>	5 <sup>04</sup>			<b>8</b>
Thurs.	7 <sup>57</sup>	12 <sup>04</sup>	12 <sup>58</sup>	4 <sup>59</sup>	5 <sup>31</sup>	7 <sup>30</sup>	<b>10</b>
Fri.	7 <sup>56</sup>	12 <sup>05</sup>	1 <sup>02</sup>	5 <sup>03</sup>	5 <sup>59</sup>	8 <sup>01</sup>	<b>10</b>
Sat.							
Extra Hours Approved				Hours	Rate	Earnings	
		Regular		<b>40</b>	<i>\$12.80</i>	<b>\$512.00</b>	
		Overtime		<b>4</b>	<i>\$19.20</i>	<b>76.80</b>	
Supervisor		Total Hours		<b>44</b>	Gross Earnings	<b>\$588.80</b>	

Name <u>Peter Fong</u> Employee No. <u>52</u>							
Week Ending <u>June 21, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.	8 <sup>00</sup>	12 <sup>01</sup>	12 <sup>58</sup>	5 <sup>02</sup>			<b>8</b>
Mon.	8 <sup>03</sup>	11 <sup>57</sup>	12 <sup>59</sup>	5 <sup>00</sup>	5 <sup>32</sup>	7 <sup>29</sup>	<b>10</b>
Tues	7 <sup>55</sup>	12 <sup>00</sup>	1 <sup>05</sup>	5 <sup>01</sup>			<b>8</b>
Wed.	8 <sup>01</sup>	12 <sup>04</sup>	1 <sup>00</sup>	4 <sup>59</sup>			<b>8</b>
Thurs.	7 <sup>58</sup>	11 <sup>59</sup>	1 <sup>01</sup>	5 <sup>05</sup>			<b>8</b>
Fri.	7 <sup>56</sup>	12 <sup>01</sup>					<b>4</b>
Sat.							
Extra Hours Approved				Hours	Rate	Earnings	
		Regular		<b>40</b>	<i>\$12.20</i>	<b>\$488.00</b>	
		Overtime		<b>6</b>	<i>\$18.30</i>	<b>109.80</b>	
Supervisor		Total Hours		<b>46</b>	Gross Earnings	<b>\$597.80</b>	

## EXERCISE 4-2

- Gross earnings:  $\$15.20 \times 36.5 = \$554.80$
- Overtime rate:  $\$17.40 \times 1.5 = \$26.10$   
Regular earnings:  $\$17.40 \times 40 = \$696$   
Overtime earnings:  $\$26.10 \times 2 = \$52.20$   
Gross earnings:  $\$696 + \$52.20 = \$748.20$
- Overtime rate (time-and-a-half):  $\$14.60 \times 1.5 = \$21.90$   
Overtime rate (double time):  $\$14.60 \times 2 = \$29.20$   
Regular earnings:  $\$14.60 \times 40 = \$584$   
Overtime earnings (time-and-a-half):  $\$21.90 \times 2 = \$43.80$   
Overtime earnings (double time):  $\$29.20 \times 6 = \$175.20$   
Gross earnings:  $\$584 + \$43.80 + \$175.20 = \$803$

## EXERCISE 4-3

- Regular hourly rate:  $\$600 \div 40 = \$15$   
Overtime rate:  $\$15 \times 1.5 = \$22.50$   
Weekly salary:  $\$600$

Overtime earnings:  $\$22.50 \times 4 = \$90$

Gross earnings:  $\$600 + \$90 = \$690$

- Regular hourly rate:  $\$670 \div 40 = \$16.75$   
Gross earnings:  $\$16.75 \times 36 = \$603$
- Yearly salary:  $\$3,500 \times 12 = \$42,000$   
Weekly salary:  $\$42,000 \div 52 = \$808$   
Regular hourly rate:  $\$800 \div 40 = \$20.20$   
Overtime rate:  $\$20.20 \times 1.5 = \$30.30$   
Monthly salary:  $\$3,500$   
Overtime earnings:  $\$30.30 \times 6 = \$181.80$   
Gross earnings:  $\$3,500 + \$181.80 = \$3,681.80$

## EXERCISE 4-4

- Gross earnings:  $1,100 \times \$0.48 = \$528$
- Gross earnings:  $\$510 + \$117 = \$627$   
 $1,500 \times \$0.34 = \$510$   
 $225 \times \$0.52 = \$117$
- Regular hourly rate:  $1,850 \times \$0.38 = \$703$   
 $\$703 \div 45 = \$15.62$   
Overtime rate:  $\$15.62 \div 2 = \$7.81$

Piece-rate earnings:  $1,850 \times \$0.38 = \$703$

Overtime earnings:  $\$7.81 \times 5 = \$39.05$

Gross earnings:  $\$703 + \$39.05 = \$742.05$

### EXERCISE 4-5

- Gross earnings:  $\$46,750 \times .04 = \$1,870$
- Gross earnings:  $\$7,820 \times .06 = \$469.20$   
Regular hourly rate:  $\$469.20 \div 40 = \$11.73$
- Commission on paintings:  $\$31,450 \times .03 = \$943.50$   
Commission on drawings:  $\$8,700 \times .015 = \$130.50$   
Gross earnings:  $\$943.50 + \$130.50 = \$1,074$

### EXERCISE 4-6

- Weekly salary: \$300  
Commission:  $\$16,500 \times .03 = \$495$   
Gross earnings:  $\$300 + \$495 = \$795$
- Sales above quota:  $\$118,000 - \$30,000 = \$88,000$   
Monthly salary: \$1,600  
Commission:  $\$88,000 \times .04 = \$3,520$   
Gross earnings:  $\$1,600 + \$3,520 = \$5,120$
- Monthly salary: \$3,120  
Commission on personal sales:  $\$18,500 \times .05 = \$925$   
Commission on sales of other salespeople:  $\$124,000 \times .005 = \$620$   
Gross earnings:  $\$3,120 + \$925 + \$620 = \$4,665$

## ALTERNATE LEARNING THROUGH PRACTICE EXERCISES

### EXERCISE 4-1A

Name <u>Charles Delgado</u> Employee No. <u>26</u>							
Week Ending <u>April 14, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.							
Mon.	8 <sup>01</sup>	12 <sup>00</sup>	1 <sup>03</sup>	3 <sup>05</sup>			<b>6</b>
Tues.	7 <sup>59</sup>	11 <sup>58</sup>	12 <sup>57</sup>	5 <sup>02</sup>			<b>8</b>
Wed.	8 <sup>03</sup>	12 <sup>04</sup>	12 <sup>59</sup>	5 <sup>01</sup>			<b>8</b>
Thurs.	7 <sup>57</sup>	11 <sup>56</sup>	1 <sup>02</sup>	5 <sup>05</sup>	6 <sup>01</sup>	8 <sup>35</sup>	<b>10½</b>
Fri.	7 <sup>55</sup>	12 <sup>02</sup>	1 <sup>05</sup>	4 <sup>59</sup>	5 <sup>56</sup>	8 <sup>01</sup>	<b>10</b>
Sat.	8 <sup>02</sup>	12 <sup>03</sup>					<b>4</b>
Extra Hours Approved				Hours	Rate		Earnings
		Regular		<b>40</b>	\$10.60		<b>\$424.00</b>
		Overtime		<b>6½</b>	\$15.90		<b>103.35</b>
Supervisor		Total Hours		<b>46½</b>	Gross Earnings		<b>\$527.35</b>

Name <u>Jennifer Abbati</u> Employee No. <u>27</u>							
Week Ending <u>April 14, 2005</u>							
Days	Regular				Other		Hours
	In	Out	In	Out	In	Out	
Sun.							
Mon.	7 <sup>55</sup>	12 <sup>31</sup>	1 <sup>04</sup>	5 <sup>06</sup>		7 <sup>29</sup>	<b>8½</b>
Tues.	7 <sup>58</sup>	12 <sup>02</sup>	1 <sup>00</sup>	5 <sup>03</sup>			<b>8</b>
Wed.	8 <sup>00</sup>	11 <sup>58</sup>	12 <sup>56</sup>	6 <sup>01</sup>			<b>8</b>
Thurs.	7 <sup>59</sup>	12 <sup>01</sup>	1 <sup>04</sup>	6 <sup>32</sup>			<b>9½</b>
Fri.	8 <sup>01</sup>	11 <sup>59</sup>	1 <sup>01</sup>	4 <sup>58</sup>	5 <sup>31</sup>	7 <sup>33</sup>	<b>10</b>
Sat.							
Extra Hours Approved				Hours	Rate		Earnings
		Regular		<b>40</b>	\$10.80		<b>\$432.00</b>
		Overtime		<b>5</b>	\$16.20		<b>81.00</b>
Supervisor		Total Hours		<b>45</b>	Gross Earnings		<b>\$513.00</b>

### EXERCISE 4-2A

1. Gross earnings:  $\$18.60 \times 35.5 = \$660.30$
2. Overtime rate:  $\$15.80 \times 1.5 = \$23.70$   
Regular earnings:  $\$15.80 \times 40 = \$632$   
Overtime earnings:  $\$23.70 \times 6 = \$142.20$   
Gross earnings:  $\$632 + \$142.20 = \$774.20$
3. Overtime rate (time-and-a-half):  
 $\$24.20 \times 1.5 = \$36.30$   
Overtime rate (double time):  $\$24.20 \times 2 = \$48.40$   
Regular earnings:  $\$24.20 \times 40 = \$968$   
Overtime earnings (time-and-a-half):  
 $\$36.30 \times 3 = \$108.90$   
Overtime earnings (double time):  $\$48.40 \times 4 = \$193.60$   
Gross earnings:  $\$968 + \$108.90 + \$193.60 = \$1,270.50$

### EXERCISE 4-3A

1. Regular hourly rate:  $\$560 \div 40 = \$14$   
Overtime rate:  $\$14 \times 1.5 = \$21$   
Weekly salary: \$560  
Overtime earnings:  $\$21 \times 5 = \$105$   
Gross earnings:  $\$560 + \$105 = \$665$
2. Regular hourly rate:  $\$730 \div 40 = \$18.25$   
Gross earnings:  $\$18.25 \times 32 = \$584$
3. Yearly salary:  $\$3,640 \times 12 = \$43,680$   
Weekly salary:  $\$43,680 \div 52 = \$840$   
Regular hourly rate:  $\$840 \div 40 = \$21$   
Overtime rate:  $\$21 \times 1.5 = \$31.50$   
Monthly salary: \$3,640  
Overtime earnings:  $\$31.50 \times 4 = \$126$   
Gross earnings:  $\$3,640 + \$126 = \$3,766$

### EXERCISE 4-4A

1. Gross earnings:  $650 \times \$0.86 = \$559$
2. Gross earnings:  $\$576 + \$46.80 = \$622.80$   
 $1,200 \times \$0.48 = \$576$   
 $72 \times \$0.65 = \$46.80$

3. Regular hourly rate:  $920 \times \$0.54 = \$496.80$ ;  
 $\$496.80 \div 47 = \$10.57$   
Overtime rate:  $\$10.57 \div 2 = \$5.285 = \$5.29$   
Piece-rate earnings:  $920 \times \$0.54 = \$496.80$   
Overtime earnings:  $\$5.29 \times 7 = \$37.03$   
Gross earnings:  $\$496.80 + \$37.03 = \$533.83$

### EXERCISE 4-5A

1. Gross earnings:  $\$54,360 \times .02 = \$1,087.20$
2. Gross earnings:  $\$32,600 + .03 = \$978$   
Regular hourly rate:  $\$978 \div 40 = \$24.45$
3. Commission on home systems:  
 $\$22,400 \times .025 = \$560$   
Commission on business systems:  
 $\$16,850 \times .04 = \$674$   
Gross earnings:  $\$560 + \$674 = \$1,234$

### EXERCISE 4-6A

1. Weekly salary: \$350  
Commission:  $\$27,345 \times .02 = \$546.90$   
Gross earnings:  $\$350 + \$546.90 = \$896.90$
2. Sales above quota:  $\$122,000 - \$50,000 = \$72,000$   
Monthly salary: \$1,780  
Commission:  $\$72,000 \times .05 = \$3,600$   
Gross earnings:  $\$1,780 + \$3,600 = \$5,380$
3. Monthly salary: \$3,600  
Commission on personal sales:  
 $\$12,200 \times .04 = \$488$   
Commission on sales of other salespeople:  
 $\$410,000 \times .005 = \$2,050$   
Gross earnings:  $\$3,600 + \$488 + \$2,050 = \$6,138$

## UNIT 5

### STUDY QUESTIONS

1. Deductions from employee earnings may include federal income tax, social security tax, Medicare tax, state income tax, local income tax, state disability tax, state unemployment tax, and garnishment for overdue debts.
2. Some factors that determine the amount of federal income tax withheld from an employee's earnings are the length of the payroll period, the employee's gross earnings for the period, the employee's marital status, and the number of withholding allowances claimed by the employee.
3. The steps to follow in using wage-bracket tables to determine federal income tax withholding are:
  - a. Select the withholding table that applies to the employee's marital status and the payroll period.
  - b. Examine the first two columns of the table in order to locate the wage bracket that covers the employee's earnings for the period.
  - c. Find the column for the number of withholding allowances claimed by the employee. Follow the line for the wage bracket to the appropriate allowance column. The amount at this point in the table is the tax to be withheld.

4. The publication that contains tables for federal income tax and social security tax is Circular E, The Employer's Tax Guide, published by the Department of the Treasury, Internal Revenue Service.
5. The Employee Earnings Record contains information on an employee's marital status and withholding allowances.
6. To determine the amount of withholding for social security using the percentage method, multiply the employee's taxable earnings for the payroll period by the current social security rate.
7. Most states require the employer to withhold state income tax at the end of each payroll period. The methods used to determine the amount to be withheld are similar to those followed for federal income tax. They include the use of wage-bracket tables and the use of the percentage method. Some states also require employers to withhold state disability and unemployment taxes. Five states and Puerto Rico have disability insurance programs. Two states require deductions for state unemployment tax. The amount to be withheld for these taxes is generally computed by multiplying each employee's taxable earnings by the current tax rate.
8. An employee who receives tips can keep track of the amounts by using form 4070A. At the end of each month, daily tips must be totaled and entered on form 4070A. This form is given to the employer.
9.
  - a. Garnishment (court-ordered debt payments that continue until the debt is paid).
  - b. Union dues and assessments
  - c. Insurance premiums (health and life insurance)
  - d. Pension payments
  - e. Savings (savings bonds, company stock)
  - f. Charitable contributions (United Way)
10. The Employee Earnings Record will provide information about voluntary deductions.
11. Net pay is determined as follows:
  - a. Determine the employee's gross earnings for the payroll period.
  - b. Determine the employee's tax deductions and other deductions for the period. Add together all deductions and find the total.
  - c. Subtract total deductions from the gross earnings to determine the net pay.
12. State disability insurance covers a worker whose sickness or injury is not job-related. State unemployment compensation tax covers workers who lose their jobs and cannot find other work immediately.
13. An employee who wishes to change the number of withholding allowances claimed makes out a new Form W-4.
14. The signed request form proves the amount and the purpose of the withholding in the event some question should surface in the future.

## REVIEW EXERCISES

I.

Employee	Federal Income Tax	Social Security Tax	Medicare Tax
Janet Cole	\$85.00	\$43.09	\$10.08
Lisa Fernandez	80.00	55.18	12.91
Duane Hadley	48.00	46.19	10.80
Amy Jennings	83.00	38.75	9.06
Michael Zorin	66.00	60.76	14.21

2. Social security tax for the week:  $\$1,100 \times .062 = \$68.20$   
Medicare tax for the week:  $\$1,100 \times .0145 = \$15.95$
3. Federal income tax for the week: \$53
4.
  5. Federal income tax for the week: \$158  
Social security tax for the week:  $\$980 \times .062 = \$60.76$   
Medicare tax for the week:  $\$980 \times .0145 = \$14.21$   
Total deductions:  $\$158 + \$60.76 + \$14.21 + \$49.07 + \$11.56 + \$30 + \$20 = \$343.60$   
Net pay for the week:  $\$980 - \$343.60 = \$636.40$

Employee	State Income Tax
John Califano	\$64.80
Keesha Graham	38.40
Randall Rhodes	31.00
Jeffrey Stein	34.00
Mary Beth Travis	49.60

6.

Employee	Taxable Earnings	State Disability Insurance Tax
Robert Ayala	\$ 625	\$7.38
Dawn Ferris	829	9.78
Stanley Hall	1,500	17.70
Mark Wilenski	695	8.20
Ruth Young	653	7.71

7. a. Disability tax for the week:  $\$79 \times .006 = \$0.474 = \$0.47$   
 b. Disability tax for the week:  $\$105 \times .006 = \$0.63$ , which must be reduced to \$0.60 because that is the maximum amount that can be deducted in any week.
8. a. Unemployment tax for the week:  $\$580 \times .005 = \$2.90$   
 Unemployment tax for the year:  $\$7,000 \times .005 = \$35$   
 b. No unemployment tax will be withheld after the 13th week:  $\$7,000 \div \$580 = 12.07$  or  $\$35 \div \$2.90 = 12.07$

9.

Employee	Taxable Earnings for Social Security Tax	Social Security Tax
Richard Aoki	\$5,250.00	\$325.50
Rebecca Mills	5,800.00	359.60
Laura Savino	6,300.00	390.60

Employee	Taxable Earnings for Medicare Tax	Medicare Tax
Richard Aoki	\$5,250.00	\$76.13
Rebecca Mills	5,800.00	84.10
Laura Savino	6,300.00	91.35

10.

Employee	State Income Tax	City Income Tax
Anthony Bruno	\$19.56	\$ 9.78
Diane Dempsey	21.30	10.65
Martin McGill	14.85	7.43
Sarah Yates	16.44	8.22

## PROBLEMS

1.

Employee	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	SDI Tax
Beverly Chung	\$ 78.00	\$21.03	\$40.92	\$ 9.57	\$ 7.79
Vernon Hayes	86.00	19.26	65.10	15.23	12.39
Sylvia Marcus	102.00	23.94	61.07	14.28	11.62
Tyler Thompson	57.00	8.94	45.88	10.73	8.73

2. a.

Employee	Taxable Earnings for Social Security Tax	Social Security Tax
Troy Adams	\$4,360.00	\$270.32
Donna Mason	5,950.00	368.90
Vincent Torre	690.00	42.78
Eileen Walsh	5,420.00	336.04

b.

Employee	Taxable Earnings for Medicare Tax	Medicare Tax
Troy Adams	\$4,360.00	\$63.22
Donna Mason	5,950.00	86.28
Vincent Torre	6,110.00	88.60
Eileen Walsh	5,420.00	78.59

3.

Employee	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	SDI Tax
Ellen Ashley	\$114.00	\$27.82	\$69.44	\$16.24	\$13.22
George Beck	98.00	22.61	42.16	9.86	8.02
Joan Jacobs	88.00	18.48	55.49	12.98	10.56
Carl Sadowski	116.00	31.86	77.50	18.13	14.75
Marion Taylor	66.00	15.11	36.58	8.56	6.96
Walter Wang	81.00	16.16	59.83	13.99	11.39

4.

Form <b>4070A</b> (Rev. July 1996) Department of the Treasury Internal Revenue Service		<b>Employee's Daily Record of Tips</b> This is a voluntary form provided for your convenience. See instructions for records you must keep.			OMB No. 1545-0065	
Employee's name and address <i>Paul C. Kagan</i> <i>343 Niles St.</i> <i>Charlotte, NC 28273</i>				Employer's name <i>Christine Kelly</i> Establishment name (if different) <i>Express Coffee Shop</i>		Month and year <i>May 2005</i>
Date tips rec'd.	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips	
1	5/1	11.60	14.00			
2	5/2	12.10	11.50			
3	—	—	—			
4	—	—	—			
5	5/5	8.00	16.50			
<b>Subtotals</b>		<b>31.70</b>	<b>42.00</b>			

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Date tips rec'd.	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
6	5/6	10.90	4.00		
7	5/7	12.30	31.40		
8	5/8	14.10	16.60		
9	5/9	8.40	14.20		
10	—	—	—		
11	—	—	—		
12	5/12	10.20	12.80		
13	5/13	14.10	22.00		
14	5/14	4.50	11.60		
15	5/15	12.00	15.00		
<b>Subtotals</b>		<b>86.50</b>	<b>127.60</b>		

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Date tips rec'd.	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
16	5/16	8.20	15.00		
17	—	—	—		
18	—	—	—		
19	5/19	12.30	10.00		
20	5/20	5.00	8.30		
21	5/21	16.00	14.50		
22	5/22	14.10	22.00		
23	5/23	21.20	16.30		
24	—	—	—		
25	—	—	—		
<b>Subtotals</b>		<b>76.80</b>	<b>86.10</b>		

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Date tips rec'd.	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
26	5/26	8.10	12.00		
27	5/27	4.30	8.30		
28	5/28	6.00	10.60		
29	5/29	9.80	32.00		
30	5/30	7.70	14.60		
31	—	—	—		
<b>Subtotals from pages 1, 2, and 3</b>		<b>31.70</b> <b>86.50</b> <b>76.80</b>	<b>42.00</b> <b>127.60</b> <b>86.10</b>		
<b>Totals</b>		<b>230.90</b>	<b>333.20</b>		

1. Report total cash tips (col. a) on Form 4070, line 1.
2. Report total credit card tips (col. b) on Form 4070, line 2.
3. Report total tips paid out (col. c) on Form 4070, line 3.

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Form <b>4070</b> (Rev. July 1996) Department of the Treasury Internal Revenue Service	<b>Employee's Report of Tips to Employer</b>	OMB No. 1545-0065
► For Paperwork Reduction Act Notice, see back of form.		
Employee's name and address <i>Paul C. Kagan 343 Niles St. Charlotte, NC 28273</i>		Social security number <i>408 : 69 : 3161</i>
Employer's name and address (include establishment name, if different) <i>Christine Kelly Express Coffee Shop 6621 Fairfax Ave. Charlotte, NC 28273</i>		<div style="border-bottom: 1px solid black; padding-bottom: 2px;"> <b>1</b> Cash tips received  <div style="text-align: right;"><b>230.90</b></div> </div> <div style="border-bottom: 1px solid black; padding-bottom: 2px;"> <b>2</b> Credit card tips received  <div style="text-align: right;"><b>333.20</b></div> </div> <div style="border-bottom: 1px solid black; padding-bottom: 2px;"> <b>3</b> Tips paid out         </div>
Month or shorter period in which tips were received from <i>May 1</i> , 2005, to <i>May 31</i> , 2005		<div style="border-bottom: 1px solid black; padding-bottom: 2px;"> <b>4</b> Net tips (lines 1 + 2 - 3)  <div style="text-align: right;"><b>564.10</b></div> </div>
Signature <i>Paul C. Kagan</i>		Date <i>May 31, 2005</i>

## LEARNING THROUGH PRACTICE EXERCISES

### EXERCISES 5-1, 5-2, 5-3, 5-4, AND 5-5

Trail Blazer Products—Payroll Summary for Purchasing Department

Empl. No.	Gross Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	State Disability Tax	Total Deductions	Net Pay
1	\$1,192	\$98.00	\$73.90	\$17.28	\$25.48	\$14.07	\$228.73	\$963.27
2	664	78.00	41.17	9.63	21.03	7.84	157.67	506.33
3	1,056	95.00	65.47	15.31	20.84	12.46	209.08	846.92
4	920	84.00	57.04	13.34	16.14	10.86	181.38	738.62
5	715	61.00	44.33	10.37	11.28	8.44	135.42	579.58
6	608	78.00	37.70	8.82	17.89	7.17	149.58	458.42

### EXERCISE 5-6

- I. Lyle Scott's unwillingness to follow a necessary payroll procedure created a difficult situation for Bill King. Bill was correct in trying to enforce the rules, but he did not handle the conversation with Lyle Scott properly. Bill did not communicate well for several reasons.
  - a. Bill never explained to Lyle why it was so important that he sign the authorization form before the company deducts any money from his salary for savings bonds—or for any other purpose. This procedure is intended to provide a legal safeguard for the company, but it also protects employees like Lyle by preventing unauthorized deductions from their earnings. Rather than telling Lyle that rules are rules, Bill could have helped the situation by explaining to Lyle why this procedure is of benefit to him and all other employees of the company.
  - b. Bill seemed to lose his temper and started to speak to Lyle in a rude way. No doubt Bill felt annoyed by Lyle's attitude, but his angry response only made the situation worse. Instead of remaining calm, Bill tried to get back at Lyle by saying things like "I'm busy too, and I can't spend my time on the telephone with you. I've told you what the rules are. If you don't want to follow them, that's your problem." This type of language often closes off communication by causing the other person to react with even more anger.

2. In order to deal with Lyle Scott effectively, Bill King should have done the following.
  - a. When Lyle was not willing to fill out the authorization form right away, Bill should have explained the purpose of the procedure.
  - b. If Lyle still insisted that he was too busy to go to the payroll department, Bill should have tried to work out a solution. For example, Bill might have offered to send the form to Lyle through interoffice mail if the firm has such a system. Bill might also have offered to drop off the form at Lyle's office or send it through the mail to his home.
  - c. Bill should have kept his self-control and spoken more politely throughout the conversation.
  - d. If Bill found that he could not reach a satisfactory solution with Lyle, he should have notified his supervisor and discussed the situation with him or her. The supervisor might want to deal with the situation personally since the company's sales manager is involved. But, in any case, it is wise to inform one's supervisor about a contentious situation that may result in a complaint.

## ALTERNATE LEARNING THROUGH PRACTICE EXERCISES

### EXERCISES 5-1A, 5-2A, 5-3A, 5-4A, AND 5-5A

Nortek Cameras—Payroll Summary for Marketing Department

Empl. No.	Gross Earnings	Federal Income Tax	Social Security Tax	Medicare Tax	State Income Tax	State Disability Tax	Total Deductions	Net Pay
1	\$ 785	\$108	\$48.67	\$11.38	\$30.63	\$ 9.26	\$207.94	\$ 577.06
2	1,250	125	77.50	18.13	33.44	14.75	268.82	981.18
3	1,390	119	86.18	20.16	37.33	16.40	279.07	1,110.93
4	1,172	104	72.66	16.99	27.06	13.83	234.54	937.46
5	810	130	50.22	11.75	32.21	9.56	233.74	576.26
6	724	63	44.89	10.50	12.08	8.54	139.01	584.99

### EXERCISE 5-6A

1. Craig Wilson's manager was justified in criticizing his behavior. Craig was impolite and highly unprofessional when he told members of the sales department to "shut up" and called their questions "dumb."
2. Craig should have stayed calm and politely asked his interrupters to hold their questions until he finished his presentation. He should have assured everyone that he would answer any questions they had after the presentation.