

Recording and Paying Payroll Tax Liabilities

Making the Transition from a Manual to a Computerized System

Task	Manual Methods	Computerized Methods
Record and post payroll entries; pay payroll tax liabilities	<ul style="list-style-type: none"> • Prepare the payroll journal entry based on the payroll register totals. • Post the payroll entries to the general ledger. • Prepare tax liability checks to pay federal, state, and local taxing authorities. • Prepare journal entries to record the payment of the liabilities. 	<ul style="list-style-type: none"> • When the payroll checks are generated, the payroll tax journal entries are automatically prepared and posted.



Peachtree® Q & A

Peachtree Question	Answer
How do I journalize the employer's tax liabilities?	<ul style="list-style-type: none"> • When payroll checks are issued, Peachtree automatically journalizes the tax liabilities.
How do I pay the payroll tax liabilities?	<ol style="list-style-type: none"> 1. Select Payments from the <i>Tasks</i> menu. 2. Select the taxing authority ID to be paid. 3. Enter the amount and cash account number. 4. Enter description and general ledger account (tax liability account). 5. Click Print.



QuickBooks Q & A

QuickBooks Question	Answer
How do I journalize the employer's tax liabilities?	<ul style="list-style-type: none"> • When payroll checks are issued, QuickBooks Payroll service automatically journalizes the liabilities.
How do I pay the payroll tax liabilities?	<ol style="list-style-type: none"> 1. Select Process Payroll Liabilities from the <i>Employees</i> menu, and then select Pay Payroll Liabilities. 2. Enter the date range for the liabilities you want to pay, and click OK. 3. In the Pay by Check tab, enter the bank account and the check date, and then mark the items to be paid. 4. Click Create.

For detailed instructions, see your Glencoe Accounting Chapter Study Guides and Working Papers.

CHAPTER 13

Problems

Complete problems using:

Manual Glencoe
Working Papers

OR

Peachtree Complete
Accounting Software

OR

QuickBooks
Templates

OR

Spreadsheet
Templates

SPREADSHEET SMART GUIDE

Step-by-Step Instructions: Problem 13-6

1. Select the spreadsheet template for Problem 13-6.
2. Enter your name and the date in the spaces provided on the template.
3. Complete the spreadsheet using the instructions in your working papers.
4. Print the spreadsheet and proof your work.
5. Complete the Analyze activity.
6. Save your work and exit the spreadsheet program.

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SMART GUIDE

Step-by-Step Instructions: Problem 13-7

1. Select the problem set for Kits & Pups Grooming (Prob. 13-7).
2. Rename the company and set the system date.
3. Record the payroll entry using the **General Journal Entry** option.
4. Print a General Journal report and a General Ledger report.
5. Proof your work.
6. Complete the Analyze activity.
7. End the session.

Problem 13-6 Calculating Employer's Payroll Taxes

Instructions For each of the total gross earnings amounts recorded in the past five pay weeks for Hot Suds Car Wash, determine these taxes:

- employer's FICA taxes (social security 6.2%, Medicare 1.45%)
- federal unemployment tax (.8%)
- state unemployment tax (5.4%)

Use the form provided in the working papers. None of the employees has reached the taxable earnings limit.

Total gross earnings:

1. \$914.80
2. \$1,113.73
3. \$2,201.38
4. \$791.02
5. \$1,245.75

Analyze

Explain the relationship between federal and state unemployment tax rates.

Problem 13-7 Recording the Payment of the Payroll

The totals of the payroll register for Kits & Pups Grooming are shown in your working papers. On December 31 the owner, Abe Shultz, wrote Check 1400 to pay the payroll.

Instructions In your working papers:

1. Record the payroll entry in the general journal.
2. Post the entry to the general ledger accounts.

Analyze

Identify the payroll liability account that has the largest credit entry.

Problem 13-8 Journalizing Payroll Transactions

The Outback Guide Service payroll register for the week ending Dec. 31 follows:

PAYROLL REGISTER																			
PAY PERIOD ENDING Dec. 31										DATE OF PAYMENT Dec. 31, 20--									
EMPLOYEE NUMBER	NAME	M	H	T	R	S	A	T	R	EARNINGS									
										REGULAR	OVERTIME	TOTAL	SOC. SEC. TAX	MEDICARE TAX	FED. INC. TAX	STATE INC. TAX	HOSP. INS.	OTHER	TOTAL
31	Coleman, Clarence	M	1	41	7.60					304.00	11.40	315.40	19.55	4.57	21.00	6.31			51.43
28	Lorman, Victoria	S	1	30	8.00					240.00		240.00	14.88	3.48	21.00	4.80		(U) 5.40	49.56
33	Peterson, Peg	S	1	38	7.25					275.50		275.50	17.08	3.99	26.00	5.51			52.58
35	Torrez, Joyce	M	2	36	7.25					261.00		261.00	16.18	3.78	6.00	5.22		(U) 5.40	36.58
TOTALS										1,080.50	11.40	1,091.90	67.69	15.82	74.00	21.84		10.80	190.15

Other Deductions: Write the appropriate code letter to the left of the amount: B-U.S. Savings Bonds; C-Credit Union; UD-Union Dues; UW-United Way.

Problems

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Instructions In your working papers:

1. Record the entry for the payment of the payroll on page 15 of the general journal. (Check 1201, dated Dec. 31).
2. Use the information in the payroll register to compute the employer's payroll taxes:
 - FICA taxes (6.2% for social security, 1.45% for Medicare)
 - federal unemployment tax (0.8%)
 - state unemployment tax (5.4%)

None of the employees has reached the taxable earnings limit.

3. Record the entry for the employer's payroll taxes on page 15 of the general journal.

Analyze

Examine the entry recording the payment of payroll. Which account, **Social Security Tax Payable** or **Employees' Federal Income Tax Payable**, had the larger credit?

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SMART GUIDE

Step-by-Step Instructions: Problem 13-8

1. Select the problem set for Outback Guide Service (Prob. 13-8).
2. Rename the company and set the system date.
3. Record the payment of the payroll and the employer's payroll taxes.
4. Print a General Journal and a General Ledger report.
5. Proof your work.
6. Complete the Analyze activity.
7. End the session.

Problem 13-9 Recording and Posting Payroll Transactions

Showbiz Video completed the following payroll transactions during the first two weeks of December. Showbiz Video pays its employees on a biweekly basis (every two weeks).

Instructions In your working papers:

1. Record the December 13 transactions on page 38 in the general journal.
2. Post both payroll entries to the appropriate general ledger accounts.
3. Journalize and post the December 16 transactions.

Date	Transactions
Dec. 13	Wrote Check 2206 to pay the payroll of \$3,840.58 (gross earnings) for the pay period ending December 13. The following amounts were withheld: FICA taxes, \$238.12 for social security and \$55.69 for Medicare; employees' federal income taxes, \$639.00; employees' state income taxes, \$96.02; insurance premium, \$21.00; U.S. savings bonds, \$20.00.
13	Recorded the employer's payroll taxes (FICA tax rates, 6.2% for social security and 1.45% for Medicare; federal unemployment tax rate, 0.8%; state unemployment tax rate, 5.4%). No employee has reached the maximum taxable amount.
16	Paid the amounts owed to the federal government for employees' federal income taxes and FICA taxes, Check 2215.
16	Purchased U.S. savings bonds for employees for \$100.00, Check 2216.

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PROBLEM GUIDE

Step-by-Step Instructions: Problem 13-8

1. Restore the Problem 13-8.QBB file.
2. Enter the payroll transactions using **Make General Journal Entries** and **Write Checks** options.
3. Print a Journal report and a General Ledger report.
4. Proof your work.
5. Complete the Analyze activity.
6. Back up your work.

SOURCE DOCUMENT PROBLEM

Problem 13-9

Use the source documents in your working papers to complete this problem.

CONTINUE

CHAPTER 13

Problems

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SMART GUIDE

Step-by-Step Instructions: Problem 13-9

1. Select the problem set for Showbiz Video (Prob. 13-9).
2. Rename the company and set the system date.
3. Record the transactions.
4. Print a General Journal report and a General Ledger report.
5. Proof your work.
6. Complete the Analyze activity.
7. End the session.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions: Problem 13-9

1. Restore the Problem 13-9.QBB file.
2. Enter the payroll transactions.
3. Print a Journal and a General Ledger report.
4. Complete the Analyze activity.
5. Back up your work.

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SMART GUIDE

Step-by-Step Instructions: Problem 13-10

1. Select the problem set for Job Connect and set the system date.
2. Rename the company and set the system date.
3. Record all transactions.
4. Print a General Journal report and a General Ledger report.
5. Proof your work.
6. Manually prepare Form 8109.
7. Complete the Analyze activity.
8. End the session.

Date	Transactions (cont.)
16	Paid \$148.00 to American Insurance Company for employees' insurance, Check 2217.

Analyze

Identify the payroll accounts that have a balance after entries have been posted.



Problem 13-10 Recording and Posting Payroll Transactions

Job Connect pays its employees twice a month. Employee earnings and tax amounts for the pay period ending December 31 are:

Gross earnings	\$12,543.40
Social security tax	777.69
Medicare tax	181.88
Employees' federal income tax	662.00
Employees' state income tax	250.87

Instructions In your working papers:

1. Prepare Check 1602 (payable to "Job Connect Payroll Account") to transfer the net pay amount to the payroll checking account.
2. On page 19 of the general journal, record the payment of the payroll.
3. Post the payroll transaction to the general ledger.
4. Compute payroll tax expense forms and journalize the entry to record employer's payroll taxes using these rates:
 - social security, 6.2%
 - state unemployment, 5.4%
 - Medicare, 1.45%
 - federal unemployment, 0.8%

No employee has reached the taxable earnings limit.
5. Post the entry to the general journal.
6. Prepare checks dated December 31 to pay the following payroll liabilities:
 - (a) Federal unemployment taxes, payable to First City Bank (Check 1603).
 - (b) State unemployment taxes, payable to the State of North Carolina (Check 1604).
 - (c) Employees' federal income taxes and FICA taxes, payable to First City Bank (Check 1605).
7. Journalize and post the entries for the payment of the payroll liabilities.
8. Complete payroll tax expense forms. Prepare a Form 8109 for each of the two federal tax deposits paid in Instruction 6, parts (a) and (c). The oval for FICA and federal income tax is 941. The oval for the federal unemployment tax is 940.

Analyze

Calculate the employer's total payroll-related expense for the pay period.