



### Self-Management

People with self-management skills can set attainable goals and motivate themselves.

#### ON THE JOB

As a payroll clerk, you process all payroll and tax reports. It is December. What do you need to do now to make sure you process the payroll tax reports on time?

#### INSTRUCTIONS

Describe the reports you will need to file, and name the payroll records you will need to complete each one.



### Cultural Values of Employees

Dutch sociologist Geert Hofstede interviewed thousands of employees worldwide to understand their cultures and values. One value dimension he studied was *individualism*—emphasis on the individual and individual achievement. He found that individualism is important in the United States, where workers prefer to work independently and do not expect organizations to take care of them. In Latin American countries like Mexico, employees value group experience, expect close supervision, and want their company to take care of their interests.

**INSTRUCTIONS** Discuss these differences found by Hofstede.



### Your Payroll Deductions

You may have wondered how your employer pays the taxes and other deductions from your paycheck.

**PERSONAL FINANCE ACTIVITY** Ask your friends what deductions are taken from their paychecks (categories, not amounts). Identify the forms related to the deductions and write a brief report about the deductions and forms.

**PERSONAL FINANCE ONLINE** Log on to [glencoeaccounting.glencoe.com](http://glencoeaccounting.glencoe.com) and click on **Student Center**. Click on **Making It Personal** and select Chapter 13.



### Employee Costs

Employee benefits might include paid vacations and health insurance. Many employers calculate the cost of benefits as a percentage of total salaries.

**INSTRUCTIONS** Use the payroll register on page 320 and payroll tax information in this chapter to answer these questions.

1. If the employee benefits cost 24% of employee regular earnings, what is the benefits cost for this salary period?
2. If a new employee is to be hired for a 40-hour work week at wages of \$8 an hour, what would be the total weekly cost for the new employee? (The company estimates its employee benefits cost at 22%.)

### WebQuest

#### Tax Obligations

As you explore different ways of compensating employees, remember that taxes still apply. Visit [glencoeaccounting.glencoe.com](http://glencoeaccounting.glencoe.com) and click on **Student Center**. Click on **WebQuest** and select **Unit 3** to continue your Internet project.



## MINI PRACTICE SET 3

# Payroll Accounting

### Main Task

- ▶ Prepare the weekly payroll for Green Thumb Plant Service.

### Summary of Steps

- ▶ Calculate gross earnings, deductions, and net pay.
- ▶ Prepare the payroll register.
- ▶ Write paychecks for the employees.
- ▶ Enter information on employee's earnings records.
- ▶ Journalize and post the payroll transaction.
- ▶ Calculate, journalize, and post the employer's payroll tax liability.
- ▶ Make the payroll tax deposit.
- ▶ Journalize and post the payroll tax deposit.
- ▶ Pay the insurance premium, and journalize and post the entry.

### Why It's Important

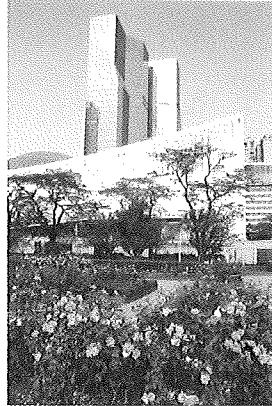
- ▶ Payroll is a basic cost of doing business.

## Green Thumb Plant Service



**Company Background:** Green Thumb Plant Service is a plant maintenance company that is located in Kingsbury, Michigan. It is a service business that is organized as a sole proprietorship. It is owned and operated by Joanna Ecke. The company places and maintains plants, flowers, and small trees in offices and corporate buildings.

The business has been in operation for almost five years. During that time its revenue has increased each year, additional employees have been hired, and the business is now showing a good profit.



**Payroll Information:** The business presently employs eight people. A Form W-4 is on file for each employee. The list that follows summarizes the data on those documents.

Michael Alter	Single	claims 1 exemption
Christine Cuddy	Single	claims 0 exemptions
Jesse Dubow	Single	claims 0 exemptions
Joclyn Filley	Single	claims 1 exemption
Greg Millette	Married	claims 2 exemptions
Heather Repicky	Married	claims 3 exemptions
Daniel Ripp	Married	claims 2 exemptions
Yourself	Single	claims 1 exemption

The business pays its employees on a weekly basis. Overtime is paid at the rate of  $1\frac{1}{2}$  times the regular rate of pay for all hours worked over 40. The weekly pay period runs from Monday through Saturday, with employees being paid on Saturday for the week's work. Because most office buildings are closed on Sunday, the business is also closed.

The employees are paid by one of three methods: hourly rate, salary, or salary plus 10% commission on any new accounts they acquire for the company. The following table lists the employees, the method by which their wages are computed, and other pertinent information. Next, you will find the time cards for the employees who are paid on an hourly basis.

## Green Thumb Plant Service (continued)

Complete the project using:

Manual Glencoe  
Working Papers

OR Peachtree Complete  
Accounting Software

OR QuickBooks  
Templates

Employee	Empl. No.	Position	Employee Status	Rate of Pay
Heather Repicky	010	Manager	Full-time	\$725.00/weekly salary
Greg Millette	011	Salesperson	Full-time	\$450.00/week plus 10% Commission
Jesse Dubow	012	Bookkeeper	Part-time	\$250.00/week
Joclyn Filley	013	Supply clerk	Full-time	\$7.40/hour
Daniel Ripp	016	Service	Full-time	\$8.30/hour
Christine Cuddy	018	Service	Full-time	\$8.30/hour
Michael Alter	019	Supply clerk	Part-time	\$7.10/hour
Yourself	022	Accounting clerk	Part-time	\$175.00/week

The time cards for the hourly-rate employees are shown here.

NO. 019  
NAME Michael Alter  
SOC. SEC. NO. 049-XX-XXXX  
WEEK ENDING 7/25/20--

DAY	IN	OUT	IN	OUT	IN	OUT	TOTAL
M		2:00	5:00				
T		2:00	6:00				
W		3:00	5:00				
Th		2:00	6:00				
F		2:00	6:00				
S		9:00	2:00				
S							

NO. 013  
NAME Joclyn Filley  
SOC. SEC. NO. 042-XX-XXXX  
WEEK ENDING 7/25/20--

DAY	IN	OUT	IN	OUT	IN	OUT	TOTAL
SIGN.	M	9:00	12:00	1:00	3:00		
SIGN.	T	9:00	12:00	1:00	5:00		
SIGN.	W	8:00	12:00	1:00	5:00		
SIGN.	Th	9:00	12:00	1:00	3:30		
SIGN.	F	9:00	12:00	1:00	4:00		
SIGN.	S	9:00	12:00				
SIGN.	S						

TOTAL HOURS

REGULAR	HOURS	RATE	AMOUNT
REGULAR			
OVERTIME			

TOTAL EARNINGS

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

NO. 018  
NAME Christine Cuddy  
SOC. SEC. NO. 223-XX-XXXX  
WEEK ENDING 7/25/20--

DAY	IN	OUT	IN	OUT	IN	OUT	TOTAL
M	9:00	12:00	12:30	5:00			
T	9:00	11:30	12:00	5:00			
W	9:00	1:00					
Th	9:00	12:00	12:30	4:00			
F	8:30	1:00	1:30	3:00			
S	9:00	1:30					
S							

NO. 016  
NAME Daniel Ripp  
SOC. SEC. NO. 011-XX-XXXX  
WEEK ENDING 7/25/20--

DAY	IN	OUT	IN	OUT	IN	OUT	TOTAL
SIGN.	M	9:00	12:00	12:30	5:00		
SIGN.	T	9:00	12:30	1:00	6:00		
SIGN.	W	9:00	12:00	1:00	4:30		
SIGN.	Th	8:30	12:30	1:00	5:00		
SIGN.	F	9:00	11:30	12:00	5:00		
SIGN.	S	9:00	1:00				
SIGN.	S						

TOTAL HOURS

REGULAR	HOURS	RATE	AMOUNT
REGULAR			
OVERTIME			

TOTAL EARNINGS

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

Use the federal tax tables in the working papers to determine federal income tax withholding. These are the rates for other taxes: state income tax, 2%; FICA (employee and employer contributions) social security tax, 6.2% and Medicare tax, 1.45%; state unemployment tax, 5.4%; and federal unemployment tax, 0.8%.

**Peachtree®**

### SMART GUIDE

**Step-by-Step Instructions:**

1. Select the problem set for Green Thumb Plant Service (MP-3).
2. Rename the company and set the system date.
3. Enter your name for employee record 022.
4. Record the weekly payroll and print checks for all employees using the **Payroll Entry** option.
5. Print a Payroll Register for the current week and proof your work.
6. Print a Payroll Journal report.
7. Calculate and record the employer's payroll tax expense using the **General Journal Entry** option.
8. Record the deposit for the taxes owed to the federal government and enter the monthly insurance premium using the **General Journal Entry** option.
9. Manually complete Form 8109.
10. Print a General Journal report and proof your work.
11. Print a General Ledger report.
12. Print Quarterly Earnings reports for Michael Alter and Greg Millette.
13. Complete the Analyze activity and complete the Audit Test.
14. End the session.

## QuickBooks

## PROBLEM GUIDE

## Step-by-Step Instructions:

1. Restore the Mini Practice Set 3.QBB file.
2. Enter your name in the Employee List.
3. Record the weekly payroll using the **Pay Employees** option and print the checks for all employees using the **Write Checks** option.
4. Print paychecks and an Employee Earnings Summary report.
5. Calculate and record the employer's payroll tax expense using the **Make General Journal Entries** option.
6. Record the deposit for the taxes owed to the federal government, and enter the monthly insurance premium using the **Write Checks** option.
7. Manually complete Form 8109.
8. Print a Journal report for July 21–25 and proof your work.
9. Print a General Ledger report.
10. Print a Payroll Summary report.
11. Complete the Analyze activity using the Profit & Loss Standard and Journal reports, and complete the Audit Test.
12. Back up your work.

YOUR JOB RESPONSIBILITIES  
Green Thumb Plant Service

The business entered the third quarter of its fiscal year at the beginning of July. It is presently the last week of July. Jesse Dubow, the bookkeeper, is leaving on vacation. In his absence you are to prepare this week's payroll.

- (1) Complete the timecards for the four hourly employees. Enter the total hours worked at the bottom of each card. Complete each timecard to the nearest quarter hour.
- (2) Greg Millette recorded additional clients that brought in \$925.00 in new business. Calculate his commission and add it to his salary to determine his gross earnings.
- (3) Enter the payroll information for all employees in the payroll register. Each employee was recently assigned an employee number because the business is soon converting to an automated payroll preparation system. Since this payroll is being prepared manually, list the employees in the payroll register in alphabetical order by last name.
- (4) Use the following information to complete the payroll register.
  - (a) Use the federal tax chart to determine income tax amounts to be withheld.
  - (b) Michael Alter, Christine Cuddy, Joclyn Filley, and Greg Millette each have \$5.00 deducted for the purchase of U.S. savings bonds.
- (c) Jesse Dubow, Heather Repicky, and Daniel Ripp each have \$4.00 deducted for donations to the United Way.
- (d) All employees pay an insurance premium each week. Married employees pay \$9.00 and single employees pay \$6.00.
- (e) None of Green Thumb's employees has reached the maximum taxable amount for the social security tax.
- (5) Calculate the net pay for each employee.
- (6) Total all amount columns in the payroll register. Prove the accuracy of the totals.
- (7) Write Check 972 for the amount of the total net pay on the regular checking account of the business. Make the check payable to the Green Thumb Plant Service—Payroll Account. In Jesse's absence Joanna Ecke will sign the check for you. Complete the deposit slip for the payroll account.
- (8) Record the payroll transaction in the general journal, page 21. Use the information contained in the payroll register and Check 972 as the source documents. Post the transaction to the general ledger accounts.
- (9) Write the paychecks for the employees. Use the information in the payroll register to complete the check stubs. After a check has been written for an employee, enter the check number in the payroll register.

## Green Thumb Plant Service (continued)

- (10) Enter this week's payroll information on the employee's earnings records for Michael Alter and Greg Millette only. Be sure to add the current gross earnings amount to the accumulated total.
- (11) Calculate and record the employer's taxes for this pay period in the general journal. The source of information is the payroll register. Post the journal entry to the general ledger.
- (12) Make a deposit for the taxes owed to the federal government. The total includes the amounts withheld for employees' federal income tax, social security tax, and Medicare tax. Complete Form 8109 by entering the amount owed. Write Check 973, payable to the First Federal Bank for the taxes.
- (13) Enter the transaction in the general journal and post the entry to the general ledger.
- (14) Pay the monthly insurance premium by writing Check 974 to the American Insurance Company for \$228.00. Record the payment in the general journal and post the entry to the general ledger.

**Analyze**

**Identify the pay method that had the highest employee gross earnings this week.**



# UNIT 4

# The Accounting Cycle for a Merchandising Corporation

**STANDARD  
& POOR'S**

## Personal Finance Q & A

**Q:** Why is learning about merchandising corporations important to me?

**A:** Most of the things you buy are probably purchased at merchandising corporations. Learning about these businesses can help you make wise consumer decisions.

**Q:** Where can I find financial information about these corporations?

**A:** The financial sections of newspapers and magazines often have information about well-known corporations.

### THINK IT OVER

Name several large merchandising corporations. What are some of the most popular items sold at each company?