Preparing the Payroll

Making the Transition from a Manual to a Computerized System

Task	Manual Methods	Computerized Methods
Enter and maintain employee information; process payroll.	• Calculate employee gross earnings based on time cards or salary information. • Calculate required and voluntary deductions for each employee. • Complete the payroll register. • Prepare payroll checks. • Update employee earnings records. • Prepare journal entries. • Post journal entries to the general ledger.	• Set up information related to employee earnings and deductions in employees' records. • Based on rate, deduction, and withholding information for each employee, the software automatically calculates gross earnings and deductions. • The payroll checks, journal entries, and ledger postings are generated automatically.

Peachtree® Q & A

Peachtree Question	Answer
How do I process a payroll?	1. Select **Payroll Entry** from the *Tasks* menu. 2. Select the employee(s) to be paid. 3. Verify the pay amounts that are automatically entered for you. (These amounts are pulled from employee records stored in the system.) 4. Type the hours worked or the commission amounts. 5. Click **Save.** 6. To print payroll checks, click on **Open**, select checks to print and click **OK.** 7. Click **Print.**

QuickBooks Q & A

QuickBooks Question	Answer
How do I process a payroll?	1. Select **Pay Employees** from the *Employees* menu. 2. Set the date of payment and end of payroll period. 3. Select the employees to be paid and click **Create.** 4. Verify the pay amounts that are automatically entered for you. (These amounts are pulled from employee records stored in the system.) 5. Type the hours worked or the commission amounts. 6. Click **Create.** 7. To print payroll checks, click on *File*, select **Print Forms**, and then **Paychecks.** 8. Click **OK** and then **Print.**

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

Peachtree®

SMART GUIDE

Step–by–Step Instructions: Problems 12–5

1. Select the problem set for Wilderness Rentals (Prob. 12–5).
2. Rename the company and set the system date.
3. Enter John Gilmartin's regular and overtime pay rates using the **Employees/Sales Reps** option in the *Maintain* menu.
4. Calculate the employees' gross pay using the **Payroll Entry** option.
5. Print a Payroll Register report.
6. Proof your work.
7. Complete the Analyze activity.
8. End the session.

QuickBooks

PROBLEM GUIDE

Step–by–Step Instructions: Problem 12–5

1. Restore the Problem 12-5.QBB file.
2. Enter John Gilmartin's regular and overtime pay rates using the **Employee List** option in the *Employees* menu.
3. Calculate the employee's gross pay using the **Pay Employees** option in the *Employees* menu.
4. Print an Employee Earnings Summary report using the **Employees & Payroll** option in the *Reports* menu.
5. Proof your work.
6. Complete the Analyze activity.
7. Back up your work.

Problem 12–5 Calculating Gross Pay

Wilderness Rentals pays employees either an hourly wage or a salary plus commission based on rental revenue. Hourly wage employees can earn overtime. The overtime rate is 1½ times the regular hourly rate of pay for hours worked over 40 in a week.

Instructions For each of the following employees, determine the total gross pay for the pay period.

John Gilmartin
- Earns an hourly wage of $6.80.
- Worked 43 hours this week.

Arlene Stone
- Receives a salary of $250 per week plus a 3% commission on rental revenue.
- Had rental revenue of $760 this week.

Tom Driscoll
- Earns an hourly wage of $7.35.
- Worked 39 hours this week.

Ann Ryan
- Receives a salary of $185 per week plus 3% commission.
- Had rental revenue of $1,235 this week.

Analyze Identify the employee who had the lowest gross pay for the week.

Problem 12–6 Preparing a Payroll Register

Hot Suds Car Wash has four employees. They are paid on a weekly basis with overtime paid for all hours worked over 40 in a week. The overtime rate is 1½ times the regular rate of pay. The payroll information follows.

Employee	Employee Number	Rate per Hour	Marital Status	Allowances	Union Member
James Dumser	108	$6.40	Single	0	No
Gail Job	112	$7.22	Married	1	Yes
James Liptak	102	$6.70	Married	2	Yes
Bruce Stern	109	$7.80	Single	1	Yes

During the week ending October 9, Dumser worked 39 hours, Job worked 41 hours, and Liptak and Stern each worked 36 hours.

Instructions On the forms provided in your working papers:

1. Prepare a payroll register for the week ending October 9. The date of payment is also October 9. List employees in alphabetical order by *last* name. Use the tables on page 317 to determine the federal income tax withholding. The rate for the state income tax is 2%. Compute social security tax at 6.2% and Medicare tax at 1.45%. Union members pay weekly dues of $4.50. Both Gail Job and Bruce Stern had $6.75 deducted for health and hospital insurance.
2. Total the amount columns. Subtract total deductions from total earnings. Does the result equal the sum of the Net Pay column? If not, find and correct any error(s) on the payroll register.

Analyze Identify the employee who had the highest amount withheld for federal income tax for the week.

Problem 12-7 Preparing Payroll Checks and Employee's Earnings Records

The payroll register for Kits & Pups Grooming is presented here and also appears in your working papers.

PAYROLL REGISTER

PAY PERIOD ENDING October 17   20 --   DATE OF PAYMENT October 17, 20--

EMPLOYEE NUMBER	NAME	MAR. STATUS	ALLOW.	TOTAL HOURS	RATE	EARNINGS			DEDUCTIONS							NET PAY	CK. NO.
						REGULAR	OVERTIME	TOTAL	SOC. SEC. TAX	MEDICARE TAX	FED. INC. TAX	STATE INC. TAX	HOSP. INS.	OTHER	TOTAL		
162	Hurd, Mildred	S	0	38	7.60	288 80		288 80	17 91	4 19	35 00	7 22		(B) 5 00	69 32	219 48	1
157	Montego, José	S	1	39	7.90	308 10		308 10	19 10	4 47	30 00	7 70	5 10		66 37	241 73	2
151	Pilly, Amanda	M	2	36	8.10	291 60		291 60	18 08	4 23	10 00	7 29	7 60	(B) 5 00	52 20	239 40	3
163	Steams, Margaret	S	0	41	7.60	304 00	11 40	315 40	19 55	4 57	40 00	7 89			72 01	243 39	4
24																	24
25																	25
	TOTALS					1,192 50	11 40	1,203 90	74 64	17 46	115 00	30 10	12 70	(B)10 00	259 90	944 00	

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.

Instructions On the forms in your working papers:

1. Prepare a payroll check and stub for each employee. Where would you record the check numbers in the payroll register?
2. Record the payroll information in the employee's earnings records for José Montego and Amanda Pilly.

Analyze Identify the net pay for José Montego for this week.

Problem 12-8 Preparing the Payroll

Outback Guide Service has six employees and pays each week. Hourly employees are paid overtime for all hours worked over 40 in a week. The overtime rate is 1½ times the regular rate of pay. Outback pays its employees by hourly rate, salary, or salary plus a 5% commission on total amount of sales.

CONTINUE ▶

Problems

Method of Computing Earnings

Employee	Hourly Wage	Salary	Salary Plus Commission
Cummings, Carol		$270.00	
Dame, Ted	$6.95		
Lengyel, Tom			$160.00 plus 5%
Robinson, Jean			$140.00 plus 5%
Usdavin, James	$6.65		
Wong, Kim			$140.00 plus 5%

Employee deductions include federal income taxes (use the tables on page 317), FICA taxes at 6.2% for social security and 1.45% for Medicare, state income taxes of 1.5%, and hospital insurance premiums of $5.43 for single employees and $9.37 for married employees. Also, Kim Wong and Tom Lengyel have $10.00 withheld each week to purchase U.S. savings bonds.

During the pay period ending October 17, the sales were: Tom Lengyel $1,204.76, Jean Robinson $1,925.80, and Kim Wong $2,135.65.

The hourly employees filled in the following time cards.

NO. __73__

NAME __Ted Dame__

SOC. SEC. NO. __093-XX-XXXX__

WEEK ENDING __10/17/20--__

DAY	IN	OUT	IN	OUT	IN	OUT
M	8:58	12:03	12:55	5:09		
T	8:55	11:55	1:00	4:00		
W	9:30	12:10	1:04	3:30		
Th	8:57	12:03	12:59	6:00		
F	8:58	12:00	1:00	6:05		
S	9:00	12:00				
S						

TOTAL HOURS

	HOURS	RATE
REGULAR		
OVERTIME		

TOTAL EARNINGS

SIGNATURE_____ DATE_____

NO. __92__

NAME __James Usdavin__

SOC. SEC. NO. __087-XX-XXXX__

WEEK ENDING __10/17/20--__

DAY	IN	OUT	IN	OUT	IN	OUT	TOTAL
M	8:55	12:06	1:01	5:35			
T	7:58	11:01	12:03	6:38			
W	9:03	1:10	2:00	6:00			
Th	7:59	11:55	1:10	4:51			
F	9:01	12:06	1:05	3:47			
S	9:00	12:03					
S							

TOTAL HOURS

	HOURS	RATE	AMOUNT
REGULAR			
OVERTIME			

TOTAL EARNINGS

SIGNATURE_____ DATE_____

Instructions On the forms in your working papers:

1. Complete the time cards to the nearest quarter hour.
2. Prepare a payroll register for the week ending October 17. The date of payment is also October 17. Each employee's number, marital status, and number of allowances claimed are listed on her or his employee's earnings record.
3. Prepare a payroll check and stub for each employee.
4. Record the payroll information for each employee on her or his employee's earnings record.

Analyze Calculate the total amount deducted from employees' gross pay for FICA taxes (social security and Medicare).

Problem 12–9 Preparing the Payroll Register

Showbiz Video has six employees who are paid weekly. The hourly employees are paid overtime for hours worked over 40 in a week, at a rate 1½ times their regular rate of pay. Employee information follows:

Employee	Employee Number	Marital Status	Allowances
Mary Arcompora	105	Married	2
Barbara Fox	137	Married	1
John French	135	Single	1
Chris German	141	Married	4
David Izbecki	139	Single	0
Susan Tilbert	129	Married	1

Mary Arcompora, the store manager, is paid a salary of $300.00 per week plus 1% of all rental sales. Barbara Fox and John French, salespeople, are paid a salary of $200.00 per week plus a 6% commission on all rentals from the "Oldies but Goodies" section. Chris German and David Izbecki, office workers, are paid an hourly wage of $7.25. Susan Tilbert, a stock person, is paid $6.40 per hour.

The payroll deductions include federal income tax, social security tax of 6.2%, Medicare tax of 1.45%, and state income tax of 1.8%. Chris German and Susan Tilbert have $12.50 deducted each week for hospital insurance.

During the week ending October 24, "Oldies but Goodies" rentals were $484.90 for Barbara Fox and $641.70 for John French. Total rental revenue for the week was $3,917.30.

NO. __141__

NAME __Chris German__

SOC. SEC. NO. __449-XX-XXXX__

WEEK ENDING __October 24, 20--__

DAY	IN	OUT	IN	OUT	IN	OUT	TOTAL
M	8:05	12:03	1:00	5:05			
T	8:00	12:05	1:10	5:00			
W	9:05	12:05	1:15	6:05			
Th	8:30	11:55	1:15	6:00			
F	8:00	12:00	1:00	6:15			
S							
S							

TOTAL HOURS

	HOURS	RATE	AMOUNT
REGULAR			
OVERTIME			

TOTAL EARNINGS

CONTINUE

Problems

Instructions

Prepare a payroll register in your working papers for the week ending October 24. Complete time cards to the nearest quarter of an hour. Use the federal income tax tables provided in the chapter.

NO. __139__
NAME __David Izbecki__
SOC. SEC. NO. __461-XX-XXXX__
WEEK ENDING __October 24, 20--__

DAY	IN	OUT	IN	OUT	IN	OUT
M	8:00	12:05	1:00	5:00		
T	8:10	12:00	1:00	5:05		
W	8:05	12:30	1:30	5:00		
Th	8:00	12:00	1:00	5:10		
F	8:05	12:05	1:05	3:30		
S						
S						

TOTAL HOURS _____

	HOURS	RATE
REGULAR		
OVERTIME		

TOTAL EARNINGS _____

SIGNATURE_____ DATE_____

NO. __129__
NAME __Susan Tilbert__
SOC. SEC. NO. __401-XX-XXXX__
WEEK ENDING __October 24, 20--__

DAY	IN	OUT	IN	OUT	IN	OUT	TOTAL
M	8:05	12:00	1:00	5:00			
T	8:10	12:00	1:15	5:00			
W	8:30	12:00	1:00	6:00			
Th	9:00	12:00	12:45	5:00			
F	9:00	11:50					
S							
S							

TOTAL HOURS _____

	HOURS	RATE	AMOUNT
REGULAR			
OVERTIME			

TOTAL EARNINGS _____

SIGNATURE_____ DATE_____

Analyze | **Compute the total net pay of all employees for the pay period.**

CHALLENGE PROBLEM

Problem 12-10 Calculating Gross Earnings

Job Connect has seven employees, all of whom are paid weekly. For hourly wage employees, overtime is paid at 1½ times the regular rate of pay for hours worked over 40 in a week.

Barbara Miller, the office manager, is paid a salary of $375.00 per week plus a bonus of 3% of all revenue *over* $6,000 per week. Lynn Austin, an office assistant, is paid a salary of $250.00 per week plus 5% of all telephone sales made in the office. Charlene Womack, the office secretary, is paid a salary of $230.00 per week. Susan Dilloway and Doris Franco, placement workers, are paid an hourly wage of $8.95. Pam Darrah is also a placement worker but is paid a commission of $35.00 for every job placement that she completes. David Facini, a part-time maintenance worker, is paid $6.75 per hour.

For the week ending October 24, the office recorded the following payroll information.

- Total office sales for the week were $8,420.00.
- Susan Dilloway worked a total of 38½ hours.
- Doris Franco worked a total of 41¼ hours.
- Phone sales for the week were $1,375.00.
- Pam Darrah made seven job placements.
- David Facini worked a total of 23 hours.

Instructions Using the form provided in your working papers, calculate the gross earnings for the workers at Job Connect for the week ending October 24.

Analyze | **Identify the employee who had the highest gross earnings.**