

ACCT 100 - Introduction to Accounting
Payroll Coverage – Chapters 10 & 11
Payroll Computations, Records and Payments
Payroll Taxes, Deposits, and Reports

Purpose: The purpose of this handout is to describe various pertinent issues related to the payroll process.

Be familiar with terms and definitions. These are highlighted in yellow throughout the text. There are many new terms related to the payroll process.

Be familiar with important payroll laws:

The Fair Labor Standards Act of 1938
Federal Insurance Contribution Act
Federal Unemployment Tax Act

Be able to calculate an employee's gross pay under different situations:

- Regular pay
- Regular pay with overtime
- Salary
- Commission
- Piece rate

Be able to calculate common taxes and withholdings to come up with net pay:

- Federal withholding using Circular E
- State withholding using a straight percentage
- FICA – Social Security and Medicare
- Optional deductions

Be able to calculate employer taxes if rates and ceilings or maximums are given:

- Social Security and Medicare (matching portions)
- FUTA
- SUTA

Be able to record a basic payroll journal entry based on a completed payroll register .

Be able to record employER taxes.

Be familiar with worker's compensation insurance and how it is recorded and paid.

Coverage will be limited. I do not expect you to memorize any rates, due dates. The focus of material on text will be calculation of gross pay, payroll deductions and net pay. In addition, you will be tested on your ability to record a basic payroll journal entry and a basic payroll tax journal entry.

What you should concentrate on:

Calculating Gross Pay

Calculating the employers FICA

Calculating Deductions

Recording the payroll tax JE

Calculating Net Pay

Terms and Definitions

Completing a payroll register

Recording the payroll JE

Terms and definitions

You will not be expected to memorize any tax rates or any dates. Tax rates and limitations or ceiling amounts will be provided to you, if they are needed.

Some Important Terms

Form W-4

FUTA

Form W-2

SUTA

Exemption (Withholding allowance)

Form W-3

FICA

Payroll Tax Expense

Gross Pay

Worker's Comp

Net Pay

Payroll register

Taxable earnings

Circular E

ACCT 100

The Journal Entries for Payroll

The journal entries are not that difficult. For a good summary of the various entries, refer to your text.

To record the **regular payroll**, take the totals from the completed payroll register and make sure you do the following:

- Record the Gross Pay using Wages or Salaries Expense
- Record all of the deductions in the appropriate liability accounts
- Record the net pay in the wages or salaries payable account
- Make sure the debits equal the credits

When the payroll checks are actually issued to the employees, debit the wages payable and credit cash.

To record the actual payment of the various taxes and other deductions, simply debit the liabilities and credit the cash.

To record the actual payment of the various taxes and other deductions, simply debit the liabilities and credit the cash.

To record the **employer's tax expense**, remember to do the following:

Debit Payroll Tax Expense for the sum of the four taxes

Credit the following accounts for the amounts payable:

- Social Security Payable
- Medicare Payable
- FUTA Payable
- SUTA Payable

We will practice these in class