ACCT 100 – Chapters 10 & 11 Outline

We will not be covering all of Chapters 10 & 11. You will only be responsible for the information on this outline.

Businesses pay employees and the amount paid is an expense to the business. Employers must calculate Gross Pay, Deductions and Net Pay. Employers must also calculate and pay the payroll taxes of the business.

I.   How employees get paid

      A.   How often get paid

           1.   Monthly – 12 checks per year

           2.   Semi-Monthly – twice a month, 24 checks per year

           3.   Bi-Weekly -   every other week (every two weeks); 26 checks per year

           4.   Weekly – once a week; 52 checks per year

      B.   Hourly – the employee earns a fixed amount for each hour worked. Multiply the number of hours worked by the employee's hourly pay rate to get the total amount earned

           1.   Full-Time work is considered 40 hours per week. Per the text, any hours in excess of 40 per week or 8 per day is considered overtime

           2.   Overtime pay is based on a multiple of the normal hourly rate

                 a.   time-and-a-half = hourly rate x 1.5

                 b.   double-time = hourly rate x 2

                 c.   triple time = hourly rate x 3

Perry Keats earns $15 per hour and time-and-a-half for overtime. During the week Perry worked 45 hours. How much did Perry Keats earn?

      C.   Salary – earn a fixed amount regardless of the number of hours worked

           1.   In some cases, an employee can earn overtime even if paid a salary

                 a.   to figure the hourly rate, divided the annual salary by 2080 hours

                 b.   2080 hours = 40 hours per week x 52 weeks per year.

        c.   must annualize the salary before calculate the hourly rate

           1.   Perry Keats earns $26,728 per year, how much does he make per hour?

           2.   Sarah Nade earns $2,548 per month. How much does he make per hour?

C.   Commission – earn a percentage of your total sales amount

II.   Deductions from Payroll

The amount that the employee earns is not the amount that the employee actually gets to take home

A.   Federal Income Tax – amount depends on income level and marital status

        Federal and State Income Tax are calculated on using a progressive tax rate based on projected annualized income and deductions. We will use a given amount for federal and state income tax. Deduct $85 for federal income tax and $32 for state income tax.

B.   State Income Tax

C.   Social Security Tax – 6.2% of the first $142,800 earned per year (per the book). (the actual wage base for 2023 is $160,200; 2024 is $167,700; 2025 is $174,900)

D.   Medicare – 1.45% of total earnings

        1. Social Security Tax + Medicare = FICA.

E.   Medical Insurance

F.   Union Dues

G.   Retirement Plan Contributions

H.   Charitable Contributions

I.   Net Pay = Gross Pay – Deductions

III.   Payroll Journal Entry

Record the journal entry to pay Perry Keats. He pays $10 per week for union dues and $22 toward his medical insurance premium.

	DATE		DESCRIPTION	POST REF	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9

IV.   Employer Payroll Taxes

Employers are responsible for paying payroll taxes above and beyond what they pay to the employee and what the employee pays in taxes

A.   Social Security & Medicare – FICA tax is imposed equally on both the employer and the employee. Therefore, the employer has to pay the same amount that was deducted from the employees.

B.   State Unemployment Tax (SUTA) – is paid **only** by the employer at the rate of 5.4% of the first $7,000 earned by each employee

C.   Federal Unemployment Tax (FUTA) - is paid **only** by the employer at the rate of 0.6% of the first $7,000 earned by each employee

Record the journal entry for the employer's payroll taxes for the amount paid to Perry Keats.

	DATE		DESCRIPTION	POST REF	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
17							17
18							18
19							19
20							20
21							21
22							22
23							23
24							24
25							25
26							26
27							27
28							28
29							29
30							30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38
39							39
40							40
41							41

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
17							17
18							18
19							19
20							20
21							21
22							22
23							23
24							24
25							25
26							26
27							27
28							28
29							29
30							30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38
39							39
40							40
41							41

General Journal

	DATE		DESCRIPTION	PR	DEBIT	CREDIT	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10
11							11
12							12
13							13
14							14
15							15
16							16
17							17
18							18
19							19
20							20
21							21
22							22
23							23
24							24
25							25
26							26
27							27
28							28
29							29
30							30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38
39							39
40							40
41							41