

Accounting I
Chapter 12
Preparing Payroll Records

Assign Students to Read Ch. 12 and complete the terms p. 338 (Students may hand-write them on handout or do on word processor)

Discuss Section 12-1: Preparing Payroll Time Cards

Salary-money paid for employee services

Pay Period-the time period covered by a salary payment

Payroll-the total amount earned by all employees for a pay period.

Time Card-used as the basic source of information used to prepare a payroll.

First task in preparing payroll in to calculate the number of hours worked by each employee—on time card

1. Calculate regular hours worked each day
2. Calculate the number of overtime hours worked each day
3. Total hours worked
4. Enter regular rate/calculate regular earnings
5. Enter overtime rate/calculate overtime earnings (1.5 times regular rate)
6. Calculate total earnings (regular + overtime)

Practice: complete 12-1 WT/OYO p. 344

Apply: complete Application 12-1 p. 360

Discuss Section 12-2: Determining Payroll Tax Withholding

Payroll Taxes-taxes based on the payroll of a business

- Required by law that employers withhold certain taxes from employee earnings
 - Federal Income tax
 - Social security tax
 - Medicare tax
- Business may be charged a penalty for not withholding correct taxes
- Payroll taxes are a liability to the business until paid
- Federal Income taxes withheld in all 50 states
 - Many states, counties, cities may have income tax

Withholding Allowance-a deduction from total earnings for each person legally supported by a taxpayer, including the employee.

- Comes from Form W-4
- Amount of Income Tax withheld depends on marital status and number of allowances
 - A married employee will have less tax withheld than a single employee
 - The larger the number of withholding allowances claimed, the smaller amount of income tax withheld
 - Exemptions allowed for low income/part time workers
- Amount withheld determined by Internal Revenue Service
 - Use tables-Publication 15
 - Use appropriate table for pay period/marital status
 - Tables p. 347-348

Social Security Tax-a federal tax paid for old-age, survivors, and disability insurance (FICA)

Medicare Tax-a federal tax paid for hospital insurance

Social Security and Medicare Tax are paid by both employee and employer.

- employer withholds employee share from total earnings and pays a matching amount.
- Textbook uses 6.2% for Social Security tax/1.45% for Medicare Tax

Tax Base-the maximum amount of earnings on which a tax is calculated.

- Textbook uses \$87,000 for Social Security tax
- No tax base for Medicare tax

Practice: complete 12-2 WT/OYO p. 350

Apply: complete Application 12-2 p. 360

Discuss Section 12-3: Preparing Payroll Records

Payroll Register-a business form used to record payroll information

- Summarizes the payroll for one pay period and shows total earnings, payroll withholdings and net pay of all employees
- Sample/Steps p. 351-352

Employees Earnings Record-a business form used to record details affecting payments made to an employee

- Provided detailed information about each employee's earnings
- An employee's earnings and deductions for each pay period are summarized on one line.
- A new employee earning record is prepared for each quarter
- Sample/Steps p. 353-354

Practice: complete 12-3 WT/OYO p. 355

Apply: complete Application 12-3 & 12-4 p. 360-361

Discuss Section 12-4: Preparing Payroll Checks

- A check for the total payroll is written on the general checking account to the payroll account
- Individual employee checks are written on the payroll account
 - -Helps control altered or unauthorized payroll checks
- Information needed for payroll checks is taken from payroll register
- Some employers use EFT for direct deposit of employees payroll checks
 - Payroll process is still calculated
 - Payroll check are not issued or distributed
 - Employee receives a statement of earnings and deductions

Practice: complete 12-4 WT/OYO p. 358

Apply: complete Application 12-5 p. 361

Formative Assessment: Assign Mastery Problem 12-5 p. 361-362
Prepare for Summative Assessment: Complete Study Guide
Study—Complete Practice Test to Review for Exam
Summative Assessment--Ch. 12 Quiz--Concept & Application