CONTINUING PAYROLL PROBLEM • A

In the Continuing Payroll Problem A, presented at the end of succeeding chapters, you will gain experience in computing wages and salaries and preparing a payroll register for Kipley Company, Inc., a newly formed corporation. At the end of subsequent chapters, information will be presented so that the payroll register can be completed step by step as you proceed through the discussion material relating to that particular section of the payroll register.

Kipley Company is a small manufacturing firm located in Pittsburgh, Pennsylvania. The company has a workforce of both hourly and salaried employees. Each employee is paid for hours actually worked during each week, with the time worked being recorded in quarter-hour increments. The standard workweek consists of 40 hours, with all employees being paid time and one-half for any hours worked beyond the 40 regular hours.

Wages are paid every Friday, with one week's pay being held back by the company. Thus, the first payday for Kipley Company is January 14 for the workweek ending January 8 (Saturday).

The information below will be used in preparing the payroll for the pay period ending January 8.

Time Card No.	Employee Name	Hourly Wage or Salary
11	Fran M. Carson	$ 7.50 per hour
12	William A. Wilson	7.25 per hour
13	Harry T. Utley	8.10 per hour
21	Lawrence R. Fife	7.90 per hour
22	Lucy K. Smith	9.75 per hour
31	Gretchen R. Fay	515 per week
32	Glenda B. Robey	1,700 per month
33	Thomas K. Schork	2,350 per month
51	Barbara T. Hardy	1,510 per month
99	Carson C. Kipley	52,000 per year

Ms. Glenda B. Robey prepares the time clerk's report for each pay period. Her report for the first week of operations is given below.

TIME CLERK'S REPORT NO. 1
For Period Ending January 8, 20--

	Employee	Time Record						Time Worked*	Time Lost
		M	T	W	T	F	S		
11	Fran M. Carson	8	8	8	8	8	—	40	
12	William A. Wilson	8	8	8	8	8	8	48	
13	Harry T. Utley	8	5½	8	8	8	—	37½	2½ hrs. tardy
21	Lawrence R. Fife	10	10	8	8	10	—	46	
22	Lucy K. Smith	8	8	8	8	8	—	40	
31	Gretchen R. Fay	8	8	8	8	8	1¼	41¼	
32	Glenda B. Robey	8	8	8	8	8	—	40	
33	Thomas K. Schork	8	8	8	8	8	—	40	
51	Barbara T. Hardy	8	8	8	8	8	4	44	
99	Carson C. Kipley	8	8	8	8	8	—	40	

*All employees, except for Carson Kipley, are paid for hours worked beyond 40 at one and one-half times their regular hourly rate of pay.

DATE ______________ NAME ______________________________

CONTINUING PAYROLL PROBLEM • A

Refer to the partially completed payroll register you started at the end of Chapter 2. You will now determine the amount of FICA taxes to be withheld from each employee's pay for the pay period ending January 8.

1. In the Taxable Earnings columns, record the amount of each employee's weekly earnings that is subject to FICA taxes.
2. Using the amount recorded in step (1), compute the taxes for each employee and record in the appropriate column.

Note: Keep your partially completed payroll register for use at the end of Chapter 4.

DATE ________ NAME ____________________

CONTINUING PAYROLL PROBLEM • A

Refer to the partially completed payroll register which you worked on at the end of Chapter 3. You will now determine the amount of income tax to withhold for each employee, proceeding as follows:

1. In the appropriate columns of your payroll register, record the marital status and number of withholding allowances claimed for each employee, using the information provided.
2. Record the payroll deductions for the SIMPLE plan that the employer has established for participating employees. All of the employees are participating, and their weekly contributions are listed below. The tax deferral on these deductions applies only to the federal income tax.
3. Record the amount of federal income taxes using the wage-bracket method.
4. Record the state income taxes on the gross weekly earnings for each employee. The rate is 3.07% for the state of Pennsylvania.
5. Record the city income taxes on the gross weekly earnings of each employee. The rate is 3% for the city of Pittsburgh residents.

Time Card No.	Marital Status	No. of Allowances	SIMPLE Deductions
11	S	1	$20
12	S	0	50
13	M	2	40
21	M	4	50
22	S	2	20
31	M	3	40
32	M	6	50
33	S	1	60
51	M	5	30
99	M	7	80

CONTINUING PAYROLL PROBLEM • A

Refer to the partially completed payroll register that you worked on at the end of Chapter 4. You will now compute the employer's liability for unemployment taxes (FUTA and SUTA) for the pay of January 14. These computations will be used at the end of Chapter 6 in recording the payroll tax entries.

To compute the employer's liability for unemployment taxes, proceed as follows:

1. Enter each employee's gross earnings in the Taxable Earnings—FUTA and SUTA columns.
2. Total the Taxable Earnings—FUTA and SUTA columns.
3. At the bottom of your payroll register, compute the following:
   a. Net FUTA tax. Since this is the first pay period of the year, none of the employees are near the $7,000 ceiling; therefore, each employee's gross earnings is subject to the FUTA tax.
   b. SUTA tax. Since Kipley Company is a new employer, Pennsylvania has assigned the company a contribution rate of 3.6785% on the first $8,500 of each employee's earnings. Employees pay 0.07% on total gross pay.

Note: Retain your partially completed payroll register for use at the end of Chapter 6.

CONTINUING PAYROLL PROBLEM • A

In this last phase of your work on the Continuing Payroll Problem A, you will record the amounts withheld for group and health insurance and calculate the net pay for each employee. Refer to the partially completed payroll registers upon which you were working at the end of Chapter 5, and proceed as follows:

1. In the appropriate column of the payroll register, record the amount to be withheld for group life insurance. Each employee contributes 85¢ each week toward the cost of group insurance coverage, with the exception of Smith and Schork (Kipley Company), who are not yet eligible for coverage under the company plan.
2. Record the amount to be withheld for health insurance. Each employee contributes $1.65 each week toward the cost of health insurance.
3. Record the net pay for each employee. The net pay for each employee is obtained by subtracting the total amount of all deductions from the total earnings.
4. Each worker is to be paid by check. Assign check numbers commencing with No. 313.
5. Foot all money columns of the payroll register, and prove the accuracy of the column totals.
6. On a separate sheet of paper:
   a. Prepare the journal entries as of January 12 to record the payroll and the payroll taxes for the week ending January 8. Credit Salaries Payable for the total net pay.

      Use the following tax rates and bases: employer's FICA—OASDI, 6.2% on the first $113,700; employer's FICA—HI, 1.45% on total earnings; FUTA, 0.6% on the first $7,000; and SUTA, 3.6785% on the first $8,500.

   b. Prepare the journal entry to record the payment of the payroll on January 14 when the paychecks are distributed to all workers.

Your work on the Continuing Payroll Problem A is now completed, and you may be asked to submit your payroll register to your instructor. The experience you have gained in working on each of the succeeding phases of the Continuing Payroll Problem will aid you in undertaking the payroll work involved in Chapter 7. In the Comprehensive Payroll Project, you will be responsible for all aspects of payroll operations for a company for an entire calendar quarter.