E3-10 Payroll distribution LO3

The total wages and salaries earned by all employees of Rivers Manufacturing Co. during March, as shown in the labor cost summary and the schedule of fixed administrative and sales salaries, are classified as follows:

Direct labor	$ 625,125
Indirect labor	162,120
Administrative salaries	140,200
Sales salaries	172,500
Total wages earned	$1,099,945

a. Prepare a journal entry to distribute the wages earned during March.

b. What is the total amount of payroll taxes that will be imposed on the employer for the payroll, assuming that two administrative employees with combined earnings this period of $3,000 have exceeded $8,000 in earnings prior to the period?

E3-11 Payroll distribution LO3

The total wages and salaries earned by all employees of Phillips Manufacturing Co. during the month of February, as shown in the labor cost summary and the schedule of fixed administrative and sales salaries, are classified as follows:

Direct labor	$526,125
Indirect labor	126,210
Administrative salaries	104,200
Sales salaries	127,500
Total wages earned	$884,035

a. Prepare a journal entry to distribute the wages earned during February.

b. What is the total amount of payroll taxes that will be imposed on the employer for the payroll, assuming that three administrative employees with combined earnings this period of $4,500 have exceeded $8,000 in earnings prior to the period?

E3-12 Employees' earnings and taxes LO2 LO3

A weekly payroll summary made from labor time records shows the following data for Victory Parkway Inc.:

Employee	Classification	Hourly Rate	Hours Regular	Hours Overtime
Holloway, T.	Direct	$12	40	2
Jackson, D.	Direct	12	40	3
McLean, J.	Direct	15	40	4
Lyons, M.	Indirect	9	40	
Taylor, A.	Indirect	18	40	

Overtime is payable at one-and-a-half times the regular rate of pay and is distributed to all jobs worked on during the period.

a. Determine the net pay of each employee. The income taxes withheld for each employee amount to 15% of the gross wages.

b. Prepare journal entries for the following:
   1. Recording the payroll.
   2. Paying the payroll.
   3. Distributing the payroll. (Assume that the overtime premium will be charged to all jobs worked on during the period.)
   4. The employer's payroll taxes. (Assume that none of the employees has achieved the maximum wage bases for FICA and unemployment taxes.)

LO1 LO3

E3-13 Employees' earnings using hourly and piece-rate methods

The payroll records of Linda Vista Machining Co. show the following information for the week ended April 17:

Employee	Classification	Hours Worked	Production (Units)	Rate	Income Tax W/held
Manressa, C.	Direct	42		$18.00/hr.	$ 80
Dorr, M.	Direct	48		$17.60/hr.	84
Ginty, D.	Direct	39	2,000	$0.44/piece	110
Norris, D.	Direct	40	1,800	$0.44/piece	100
Rancifer, K.	Indirect	40		$800/wk	100
Greer, B.	Indirect	50		$1,600/wk	240
Holbert, R.	Indirect	40		$1,400/wk	120

Hourly workers are paid time-and-a-half for overtime.

a. Determine the net earnings of each employee.

b. Prepare the journal entries for the following:
   1. Recording the payroll.
   2. Paying the payroll.
   3. Distributing the payroll. (Assume that the overtime premium will be distributed to all jobs worked on during the period.)
   4. Recording the employer's payroll taxes. (Assume that none of the employees has achieved the maximum wage bases for FICA and unemployment taxes.)

LO5

E3-14 Accounting for bonus and vacation pay

Diane Vance, a factory worker, earns $1,000 each week. In addition, she will receive a $4,000 bonus at year-end and a four-week paid vacation. Prepare the entry to record the weekly payroll and the costs and liabilities related to the bonus and the vacation pay, assuming that Vance is the only employee.

LO5

E3-15 Accounting for holiday and vacation pay

Jim Olsen earns $800 per week for a five-day week, and he is entitled to 12 paid holidays and four weeks of paid vacation.

a. Over how many weeks should the holiday pay and vacation pay be expensed?
b. What is the amount of the total holiday pay, and how much of it should be expensed per week?
c. How much is the total vacation pay, and how much of it should be expensed per week?

E3-16 Accounting for holiday and vacation pay LO5

Jane Kurtz earns $1,000 per week for a five-day week, and she is entitled to 10 paid holidays and four weeks of paid vacation.

a. Over how many weeks should the holiday pay and vacation pay be expensed?
b. What is the amount of the total holiday pay, and how much of it should be expensed per week?
c. How much is the total vacation pay, and how much of it should be expensed per week?

PROBLEMS

P3-1 Payroll computation with incentive bonus LO1

Fifteen workers are assigned to a group project. The production standard calls for 500 units to be completed each hour to meet a customer's set deadline for the products. If the required units can be delivered before the target date on the order, the customer will pay a substantial premium for early delivery. The company, wishing to encourage the workers to produce beyond the established standard, has offered an excess-production bonus that will be added to each project employee's pay. The bonus is to be computed as follows:

a. $\dfrac{\text{Group's excess production over standard} \times 50\%}{\text{Standard units for week}} = \text{bonus percentage}$
b. Individual's hourly wage rate × bonus percentage = hourly bonus rate
c. Hourly wage rate + hourly bonus rate = new hourly rate for week
d. Total hours worked × new hourly rate = earnings for week

The average wage rate for the project workers is $15 per hour. The production record for the week shows the following:

	Hours Worked	Production (Units)
Monday	112	61,040
Tuesday	112	60,032
Wednesday	112	60,480
Thursday	112	65,632
Friday	108	57,344
Saturday	60	26,000
	616	330,528

P3-6 LO1 LO2

Payroll for piece-rate wage system

Grand Slam Manufacturing Co. operates on a modified wage plan. During one week's operation, the following direct labor costs were incurred:

		Units Completed				
Employee	**Piece Rate per 100 Units**	**M**	**T**	**W**	**T**	**F**
A. Gonzalez	$1.20	6,800	7,100	6,500	8,000	4,800
A. Pujols	1.10	6,300	6,400	2,900	2,800	7,000
R. Howard	1.30	6,200	6,100	7,100	6,000	2,800

The employees are machine operators. Piece rates vary with the kind of product being produced. A minimum of $70 per day is guaranteed to each employee by union contract.

Required:

1. Compute the weekly earnings for Gonzalez, Pujols, and Howard.
2. Prepare journal entries to:
   a. record the week's payroll, assuming that none of the employees has achieved the maximum base wage for FICA taxes.
   b. record payment of the payroll.
   c. record the employer's share of payroll taxes, assuming that none of the employees has achieved the maximum base wage for FICA or unemployment taxes.

P3-7 LO3

Payment and distribution of payroll (similar to Self-Study Problem 1)

The general ledger of Catskill Mountain Manufacturing Inc. showed the following credit balances on January 15:

FICA Tax Payable	3,100.00
Employees Income Tax Payable	1,937.50
FUTA Tax Payable	193.75
State Unemployment Tax Payable	775.00

Direct labor earnings amounted to $10,500 from January 16 to 31. Indirect labor was $5,700, and sales and administrative salaries for the same period amounted to $3,800. All wages are subject to FICA, FUTA, state unemployment taxes, and 10% income tax withholding.

Required:

1. Prepare the journal entries for the following:
   a. Recording the payroll.
   b. Paying the payroll.
   c. Recording the employer's payroll tax liability.
   d. Distributing the payroll costs for January 16 to 31.

P3-8

Employ
Allen
Devine
Fiorelli
O'Clock
O'Reilly
Pawluk
Surdick
Trebbi
Webb

2. Prepare the journal entry to record the payment of the amounts due for the month to the government for FICA and income tax withholdings.
3. Calculate the amount of total earnings for the period from January 1 to 15.

P3-8 **Payroll work sheet and journal entries**

LO2 LO3

The payroll records of Software Inc. for the week ending October 7, the 40th week in the year, show the following:

Employee	Classification	Salary or Wage per 40-Hour Week	Hours Worked	Income Tax Withheld	Gross Earnings through 39th Week
Allen	President	$2,489	40	$488	$109,560
Devine	Vice President–Administration	2,238	40	402	99,500
Fiorelli	Supervisor–Production	700	40	180	27,300
O'Clock	Factory–Direct	500	48	150	19,820
O'Reilly	Factory–Direct	400	46	160	17,200
Pawlukiewicz	Factory–Direct	400	44	110	16,600
Surdick	Factory–Direct	380	42	120	15,200
Trebbi	Factory–Indirect	300	42	80	7,800
Webb	Factory–Indirect	300	42	60	6,600

Required:

1. Complete a work sheet with the following column headings:
   Employee
   3 columns for Earnings for Week:
   - Use one for Regular Pay.
   - Use one for Overtime Premium Pay. (The company pays time-and-a-half for overtime for all employees below the supervisory level.)
   - Use one for Total for Week.

   Total Earnings through 40th Week
   FICA Taxable Earnings
   FICA
   Income Tax Withheld
   Net Earnings
2. Prepare journal entries for the following:
   a. Payroll for the 40th week.
   b. Payment of payroll for the week.
   c. Distribution of the payroll costs, assuming that overtime premium is charged to all jobs worked on during the period.
   d. Employer's payroll tax liability.
3. The company carries a disability insurance policy for the employees at a cost of $15 per week for each employee. Journalize the employer's cost of insurance premiums for the week.