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Employee Earnings and Deductions

STUDY GUIDE QUESTIONS

PART 1 True/False

For each of the following statements, circle T if the statement is true and F if the statement is false.

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| T | F | 1. Social Security and Medicare taxes are paid by both the employer and the employee. |
| T | F | 2. The difference between an employee's net pay and her take-home pay is the amount of her personal deductions. |
| T | F | 3. Information for an employee's individual earnings record is taken directly from the general journal. |
| T | F | 4. The payroll register is considered to be a book of original entry. |
| T | F | 5. On a payroll register, an employee's net amount paid equals total earnings minus total individual deductions. |
| T | F | 6. All employees should use a special payroll bank account. |
| T | F | 7. Individual earnings records should be kept for salaried employees. |
| T | F | 8. The basis for the payroll register is the payroll journal entry. |
| T | F | 9. Employees are required by law to participate in the Social Security program provided by the FICA. |
| T | F | 10. The fee paid by a company to a CPA for auditing its books is subject to income tax withholding. |

PART 2 Completion—Language of Business

Complete each of the following statements by writing the appropriate word(s) in the spaces provided.

- Total earnings for an employee are called the employee's _____.
- A(n) _____ is one who works for compensation under the direction or control of an employer.
- Another term having the same meaning as withholding allowance is _____.
- Another term having the same meaning as take-home-pay pay is _____.
- Someone who is engaged for a definite job and who chooses his or her own means of doing the work is a(n) _____.
- Each employee's personal payroll information for the year is listed in the _____.

PART 3 Calculation of Earnings

Henderson Company pays its employees time-and-a-half for all hours worked in excess of forty per week. For the first week of October, determine the total earnings for each of the following employees.

Employee's Name	Hours Worked	Regular Hourly Rate	Total Earnings
A.L. Gonzales	42	\$ 9.60	
L.A. Lamar	46	8.40	
C.W. Nelson	51	10.20	

PART 4 Payroll Entry

Using the column totals for the week ended March 14 as listed in the payroll register, give the entry in general journal form to record the payroll. Number the page 79.

Total Earnings	\$93,640.00
Federal Income Tax Deduction	9,300.00
Social Security Tax Deduction	5,805.68
Medicare Tax Deduction	1,357.78
U.S. Savings Bonds Deduction	900.00
Union Dues Deduction	1,200.00
Medical Insurance Deduction	2,000.00
Net Amount	73,076.54
Sales Salary Expense	72,000.00
Office Salary Expense	21,640.00