#2

The following monthly data are taken from Ramirez Company at July 31: sales salaries, $200,000; office salaries, $160,000; federal income taxes withheld, $90,000; state income taxes withheld, $20,000; Social Security taxes withheld, $22,320; Medicare taxes withheld, $5,220; medical insurance premiums, $7,000; life insurance premiums, $4,000; union dues deducted, $1,000; and salaries subject to unemployment taxes, $50,000. The employee pays 40% of medical and life insurance premiums.

**Directions: Complete the journal entries to record**:

1. accrued payroll, including employee deductions, for July;
2. cash payment of the net payroll (salaries payable) for July;
3. accrued employer payroll taxes, and other related employment expenses, for July—assume that FICA taxes are identical to those on employees and that SUTA taxes are 5.4% and FUTA taxes are 0.6%; and
4. cash payment of all liabilities related to the July payroll.

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Account | Debit | Credit |
| 1. July 31 | Sales Salaries Expense  |  |  |
|  | Office Salaries Expense  |  |  |
|  |  FICA—Social Sec. Taxes Payable  |  |  |
|   |  FICA—Medicare Taxes Payable  |  |  |
|  |  Employee Fed. Inc. Taxes Payable  |  |  |
|  |  Employee State Inc. Taxes Payable  |  |  |
|  |  Employee Medical Insurance Payable\*  |  |  |
|  |  Employee Life Insurance Payable\*\*  |  |  |
|  |  Employee Union Dues Payable  |  |  |
|  |  Salaries Payable  |  |  |
|  |  *To record payroll for period.* |  |  |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Account | Debit | Credit |
| 2. July 31 | Salaries Payable  |  |  |
|  |  Cash  |  |  |
|  |  *To record payment of payroll.* |  |  |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Account | Debit | Credit |
| 3. July 31 | Payroll Taxes Expense  |  |  |
|  |  FICA⎯Social Sec. Taxes Payable  |  |  |
|  |  FICA⎯Medicare Taxes Payable  |  |  |
|  |  State Unemployment Taxes Payable  |  |  |
|  |  Federal Unemployment Taxes Payable  |  |  |
|  |  *To record employer payroll taxes.* |  |  |
|  |  |  |  |
| July 31 | Employee Benefits Expense  |  |  |
|  |  Employee Medical Insurance Payable\*  |  |  |
|  |  Employee Life Insurance Payable\*\*  |  |  |
|  |  *To record costs of employee benefits.* |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Account | Debit | Credit |
| 4. July 31 | FICA⎯Social Security Taxes Payable  |  |  |
|  | FICA⎯Medicare Taxes Payable  |  |  |
|  | Employee Fed. Income Taxes Payable.  |  |  |
|  | Employee State Income Taxes Payable.  |  |  |
|  | Employee Medical Insurance Payable  |  |  |
|  | Employee Life Insurance Payable  |  |  |
|  | Employee Union Dues Payable  |  |  |
|  | State Unemployment Taxes Payable  |  |  |
|  | Federal Unemployment Taxes Payable  |  |  |
|  |  Cash  |  |  |
|  | *To record payment of FICA, income taxes, SUTA, FUTA, union dues, and insurance premiums.* |  |  |