

SHORT ANSWER QUESTIONS, EXERCISES, AND PROBLEMS

Example 1: Regular Earnings, Overtime Earnings, and Gross Pay

Exercise 1. During the past week, four employees of the Kinko Inc. worked the number of hours shown in the table. All four employees receive overtime pay at one and a half times their regular hourly rate for any hours worked beyond 40 in a week. Calculate the regular earnings, overtime earnings, and gross pay for each employee.

Employee	Hourly Rate	Hours Worked	Regular Earnings	Overtime Earnings	Gross Pay
Kristen Wedge	\$15	42	\$600	\$30	\$630
Arnold Bodkin	17	45	680	85	765
Andrea Landowska	18	43	720	54	774
Kris Castro	16	41	640	16	656
Total		171	2,640	185	\$2,825

Exercise 2. During the past week, four employees of the Lovo Inc. worked the number of hours shown in the table. All four employees receive overtime pay at one and a half times their regular hourly rate for any hours worked beyond 40 in a week. Calculate the regular earnings, overtime earnings, and gross pay for each employee.

Employee	Hourly Rate	Hours Worked	Regular Earnings	Overtime Earnings	Gross Pay
Ann We	\$18	45	\$	\$	\$
Gregory Box	19	44			
Dan Knox	19	43			
Lana Gonzales	17	46			
Total		178			\$

Exercise 3. During one week, two employees of the Retro Furniture Inc. worked the number of hours shown in the table. All four employees receive overtime pay at one and a half times their regular hourly rate for any hours worked beyond 40 in a week. Calculate the regular earnings, overtime

earnings, and gross pay for each employee.

Employee	Hourly Rate	Hours Worked	Regular Earnings	Overtime Earnings	Gross Pay
Megan Dell	\$16.5	47	\$	\$	\$
Max Levy	19.25	43			
Total		178			\$

Example 2: Social Security and Medicare Tax Computation

Exercise 4. The monthly wages for December, 2016 and the year-to-date earnings as of November 30 for the three employees of the Raton Inc. are listed in the table below.

Requirements:

1. Calculate the amount of FICA: Social security tax and Medicare tax to be withheld from each of the employee's gross (December only). Apply a 6.2 percent as a social security tax rate using the annual limit of the contribution and benefit base. For earnings in 2016, this base is \$118,500. Also, apply a 1.45 percent as a Medicare tax rate.

Employee	December Salary	The year-to-date earnings up to November	Social Security Tax (December, 2016)	Medicare Tax (December, 2016)
Kristen Wedge	\$2,400	\$26,400	\$148.8	\$34.8
Manuel Ergo	11,800	129,800	0	171.1
Ewe Raiden	9,500	114,000	279	137.75

Explanation:

1. Kristen Wedge Social Sec. Tax: $\$2,400 \times 6.2\% = \148.8
Medicare Tax : $\$2,400 \times 1.45\% = \34.8
2. Manuel Ergo: Social Sec. Tax: $\$0 = \0 (he reached the maximum > \$118,500)
Medicare Tax : $\$11,800 \times 1.45\% = \171.1
3. Ewe Raiden: Social Sec. Tax: $(\$118,500 - \$114,000) \times 6.2\% = \279
Medicare Tax : $\$9,500 \times 1.45\% = \137.75

Exercise 5. The monthly wages for December, 2016 and the year-to-date earnings as of November 30 for the three employees of the Elegant Inc. are listed in the table below.

Requirements:

- Calculate the amount of FICA: Social Security Tax and Medicare Tax to be withheld from each of the employee's gross (December only). Apply a 6.2 percent as a social security tax rate using the annual limit of the contribution and benefit base. For earnings in 2016, this base is \$118,500. Also, apply a 1.45 percent as a Medicare tax rate.

Employee	December Salary	The year-to-date earnings up to November	Social Security Tax (December, 2016)	Medicare Tax (December, 2016)
Rod Cast	\$2,900	\$	\$	\$
Veronica Ergo	10,800			
Ann Lola	9,650			

Exercise 6. The monthly wages for December, 2016 and the year-to-date earnings as of November 30 for the three employees of the Elegant Inc. are listed in the table below.

Requirements:

- Calculate the amount of FICA: Social Security Tax and Medicare Tax to be withheld from each of the employee's gross (December only). Apply a 6.2 percent as a social security tax rate using the annual limit of the contribution and benefit base. For earnings in 2016, this base is \$118,500. Also, apply a 1.45 percent as a Medicare tax rate.

4.

Employee	December Salary	The year-to-date earnings up to November	Social Security Tax (December, 2016)	Medicare Tax (December, 2016)
Emma Lonk	\$4,500	\$	\$	\$
Andrew Arlo	10,700			
Babaduck Brynn	9,750			

Example 3: Payroll Computation

Exercise 11. During one week ended May 8, 2016, Arnold Hanover worked 40 hours. His regular hourly rate is \$15. These earnings are subject to social security tax at a rate of 6.2 percent and Medicare tax at a rate of 1.45 percent. This employee also has some deductions including: \$51 for federal income tax and \$69 for health insurance.

Compute the following:

1. Gross pay for a week?
2. Total of the employee deductions for a week?
3. Net pay for this week?

Explanation:

1. **Gross pay: $40 * \$15 = \640**
2. **Total deductions: Social Security Tax \$39.68; Medicare Tax \$9.28; Federal Income Tax \$51, and Health Insurance \$69 = \$168.96**
3. **Net Pay = $\$640 - \$168.96 = \$471$**

Exercise 12. During one week ended April 7, 2016, Arnold Hanover worked 40 hours. His regular hourly rate is \$17. These earnings are subject to social security tax at a rate of 6.2 percent and Medicare tax at a rate of 1.45 percent. This employee also has some deductions including: \$63 for federal income tax and \$87 for health insurance.

Compute the following:

1. Gross pay for a week?
2. Total of the employee deductions for a week?
3. Net pay for this week?