## 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 <br> Rate | Hours <br> Worked | Regular <br> Earnings | Overtime <br> Earnings | Gross Pay |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Kristen <br> Wedge | $\$ 15$ | 42 | $\$ 600$ | $\$ 30$ | $\$ 630$ |
| Arnold <br> Bodkin | 17 | 45 | 680 | 85 | 765 |
| Andrea <br> 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 <br> Rate | Hours <br> Worked | Regular <br> Earnings | Overtime <br> Earnings | Gross Pay |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Ann We | $\$ 18$ | 45 | $\$$ | $\$$ | $\$$ |
| Gregory <br> Box | 19 | 44 |  |  |  |
| Dan Knox | 19 | 43 |  |  |  |
| Lana <br> 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 <br> Rate | Hours <br> Worked | Regular <br> Earnings | Overtime <br> Earnings | Gross Pay |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Megan <br> 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 <br> Salary | The year-to- <br> date <br> earnings up <br> to November | Social <br> Security Tax <br> (December, <br> 2016) | Medicare Tax <br> (December, <br> 2016) |
| :--- | :--- | :--- | :--- | :--- |
| Kristen <br> 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 * 6.2\% = \$148.8

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

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:
2. 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 <br> Salary | The year-to- <br> date <br> earnings up <br> to November | Social <br> Security Tax <br> (December, <br> 2016) | Medicare Tax <br> (December, <br> 2016) |
| :--- | :--- | :--- | :--- | :--- |
| Rod Cast | $\$ 2,900$ | $\$$ | $\$$ | $\$$ |
| Veronica <br> 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:
3. 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 <br> Salary | The year-to- <br> date <br> earnings up <br> to November | Social <br> Security Tax <br> (December, <br> $2016)$ | Medicare Tax <br> (December, <br> 2016) |
| :--- | :--- | :--- | :--- | :--- |
| Emma Lonk | $\$ 4,500$ | $\$$ | $\$$ | $\$$ |
| Andrew Arlo 10,700   <br> Babaduck <br> Brynn 9,750   |  |  |  |  |

Exercise 7. Letco Company's accounting year ends on December 31, 2016. On December 1, Letco signs a note for \$10,000, 60-day, and 6\% interest. Record (in General Journal) the note, the accrual of interest on December 31 and its payment on February 1 of the next year.

Exercise 8. Lola Company's accounting year ends on December 31, 2016. On December 1, Lola signs a note for $\$ 12,000,90$-day, and $5 \%$ interest. Record (in General Journal) the note, the accrual of interest on December 31 and its payment on March 1 of the next year.

Exercise 9. Minko Inc. had a payroll of \$59,000 for the month of May. The company withheld the following amounts from the employees' pay: federal income taxes $\$ 9,100$; FICA taxes $\$ 4,514$ (Social Security Tax $=\$ 3,658$; Medicare Tax=856) ; and medical insurance premiums $\$ 4,940$. Please, record these payroll entries in the General Journal.

General Journal
Page: 5

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Exercise 10. Elmo Inc. had a payroll of $\$ 77,550$ for the month of December. The company withheld the following amounts from the employees' pay: federal income taxes $\$ 15,100$; FICA taxes $\$ 5,932$ (Social Security Tax $=\$ 4,808$; Medicare Tax $=1,124$ ) ; and medical insurance premiums $\$ 7,940$. Please, record these payroll entries in the General Journal.
General Journal

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## 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= $\mathbf{\$ 6 4 0} \mathbf{- \$ 1 6 8 . 9 6 = \$ 4 7 1}$

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?
