### 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	19	44			
Box					
Dan Knox	19	43			
Lana	17	46			
Gonzales					
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	Hours	Regular	Overtime	Gross Pay
	Rate	Worked	Earnings	Earnings	
Megan	\$16.5	47	\$	\$	\$
Dell					
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	The year-to-	Social	Medicare Tax
	Salary	date	Security Tax	(December,
		earnings up	(December,	2016)
		to November	2016)	
Kristen	\$2,400	\$26,400	\$148.8	\$34.8
Wedge				
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	The year-to-	Social	Medicare Tax
	Salary	date	Security Tax	(December,
		earnings up	(December,	2016)
		to November	2016)	
Rod Cast	\$2,900	\$	\$	\$
Veronica	10,800			
Ergo				
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.

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

Date	Description/ Account	Debit	Credit

**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 Page: 7

Date	Description/ Account	Debit	Credit

### **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?