

INGRAM HEATING & COOLING

A PAYROLL PRACTICE SET

WOOD & COHEN

4TH EDITION

INGRAM HEATING & COOLING --- A PAYROLL PRACTICE SET

MERLE WOOD
SHERRY COHEN



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Ingram Heating and Cooling: A Payroll Practice Set

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INTRODUCTION

This practice set will give you experience in performing a wide range of payroll activities. You will handle the payroll work of a small business, Ingram Heating and Cooling, during a one-month period and will be totally responsible for its payroll records. Your work will involve the preparation of four weekly payrolls and the completion of end-of-quarter and end-of-year procedures.

ABOUT THE BUSINESS

Ingram Heating and Cooling is a retail business that sells, installs, and repairs heating and air-conditioning equipment. The firm also fabricates the ductwork needed for heating and cooling systems. Ingram specializes in high-quality equipment that is reliable, cost efficient, and environmentally safe. The firm supplies its heating and cooling systems to builders of houses and business properties and to homeowners and business owners who need replacement systems.

Ingram is located in San Jose, California, at the south end of the San Francisco Bay area. It serves customers in San Jose and a dozen surrounding communities.

Ingram has been in operation for 11 years and has expanded rapidly. Because of its location in San Jose, the firm has benefited from the explosive growth of Silicon Valley, an area that contains many computer, microchip, and software companies. The growth of these companies has led to many new jobs and the construction of many new homes and business buildings.

Ingram Heating and Cooling is owned and operated by William Ingram, who is president. (The firm is a corporation.) Bill Ingram has had many years of experience in working with heating and air-conditioning systems. He started his career as an installer's helper at another firm and eventually became general manager of that firm. He left to start his own business.

Bill Ingram advertises widely on the radio and in local newspapers. His advertisements stress his long experience with heating and cooling systems and his firm's reputation for excellent work. The newspaper advertisement shown at left illustrates this approach.

In addition to selling and installing new equipment, Ingram provides maintenance and repair service for older equipment. Ingram has maintenance contracts with many homeowners and businesses and provides annual inspections, cleaning, and adjustment of heating and cooling systems for these customers. Ingram also repairs malfunctioning equipment. The repair business is not only profitable for the firm, but it sometimes leads to sales of new equipment. When the necessary repairs are extensive, customers often decide that it would be more cost-effective to buy a new system.

Looking for a heating and air-conditioning system for your new house or business building or a replacement system for an older home or business property?

At Ingram Heating and Cooling, we are dedicated to providing you with the best equipment and the best service. Our president, Bill Ingram, has more than 30 years experience with heating and air-conditioning systems and has established a standard of excellence that every employee must live up to.

- We carefully assess your needs and plan the most efficient, economical, and environmentally safe system to meet those needs.
- We sell only the finest brands of equipment Heat-King furnaces and Royal air conditioners.
- We do all installation work ourselves, including the fabrication of ductwork.
- We offer regular maintenance service and can also provide quick repairs if there is an emergency.



Ingram Heating and Cooling

4466 Maritime Way • San Jose, CA 95001

Call Bill Ingram at 1-800-555-7771 to discuss your needs.

THE STAFF

Ingram Heating and Cooling has a staff of 14 employees. All the employees work under the direction of Bill Ingram, the president and general manager.

Selling Operations There is no formal sales department at the firm. Bill Ingram handles most of the selling work. He talks with customers, looks over their building plans or inspects their premises, plans a suitable system, prepares a bid, and negotiates the contract. Because the business has been expanding so rapidly, Mr. Ingram has recently turned to the firm's office manager, Mina Hook, for help with some selling activities. She is very familiar with prices and the bidding process, and Mr. Ingram has therefore asked her to work with customers on some of the simpler jobs. She receives a small sales commission for this extra work that she has taken on.

Purchasing Operations Bill Ingram purchases all equipment and supplies for the firm. He carries premium quality brands of equipment—Heat-King furnaces and Royal air conditioners. Both brands are manufactured by Midwest Products, which is located in Ohio.

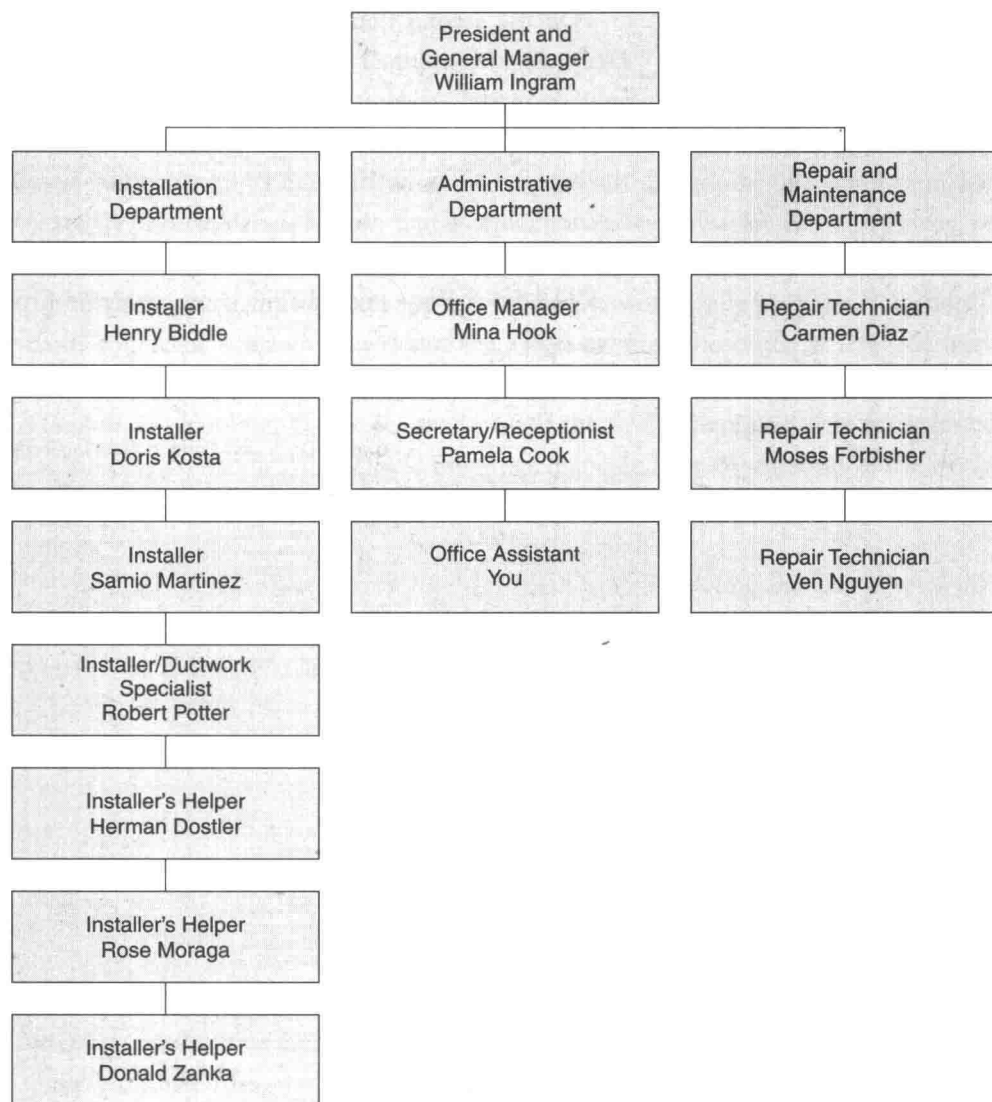
Administrative Operations The administrative activities of the firm are handled by the office manager, a secretary, and an office assistant. The office manager, Mina Hook, is in charge of the bookkeeping work of the firm. She handles cash receipts and cash payments, banking, and payroll. She also processes all contracts for the firm. The secretary, Pamela Cook, acts as receptionist and service coordinator. She handles correspondence with customers, greets visitors, and coordinates the scheduling of installation, maintenance, and repair work. The office assistant is a part-time employee who helps the office manager with payroll work and with other administrative activities. The person who holds this job is always a business major at a local college who participates in a cooperative work-study program. The job of office assistant is the one that you will assume in this practice set.

Installation Operations The installation of heating and air conditioning systems at Ingram is handled by three two-member teams: Henry Biddle and Herman Dostler, Doris Kosta and Donald Zanka, and Samio Martinez and Rose Moraga. Each team consists of an experienced installer and a helper, who is usually a recent graduate of a technical training program. Every installation team has its own truck for transporting equipment and tools. There is another experienced installer, Robert Potter, who does not belong to a team. He plans the ductwork, fabricates it from sheet metal, and sometimes helps to install it when a job is very complex.

Repair and Maintenance Operations Ingram has three employees who do repair and maintenance work: Carmen Diaz, Moses Forbisher, and Ven Nguyen. Each of these employees has a light van for carrying equipment and tools to jobs. To facilitate communication between the firm's office and its installation, repair, and maintenance employees, all of Ingram's trucks and vans contain cellular phones.

An organization chart for the firm is shown on page 3. This chart lists all of the current employees of Ingram Heating and Cooling.

One of Ingram's biggest problems is finding competent employees and keeping them on staff. It is especially difficult to hire and retain people with the technical skills needed to install and repair heating and air conditioning systems. Because the area of California where Ingram is located is growing so rapidly, there is tremendous



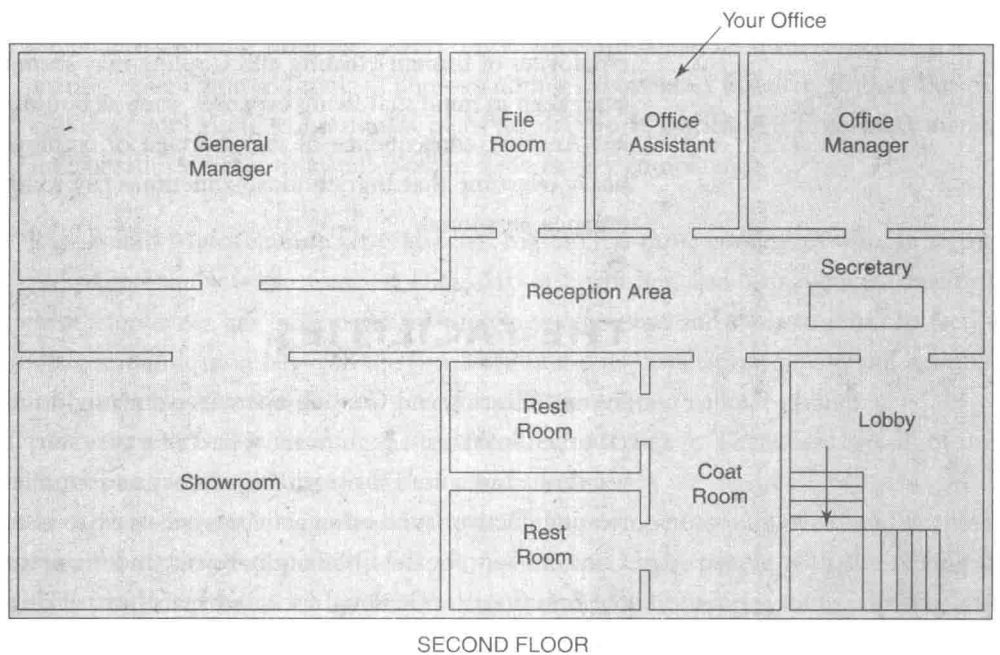
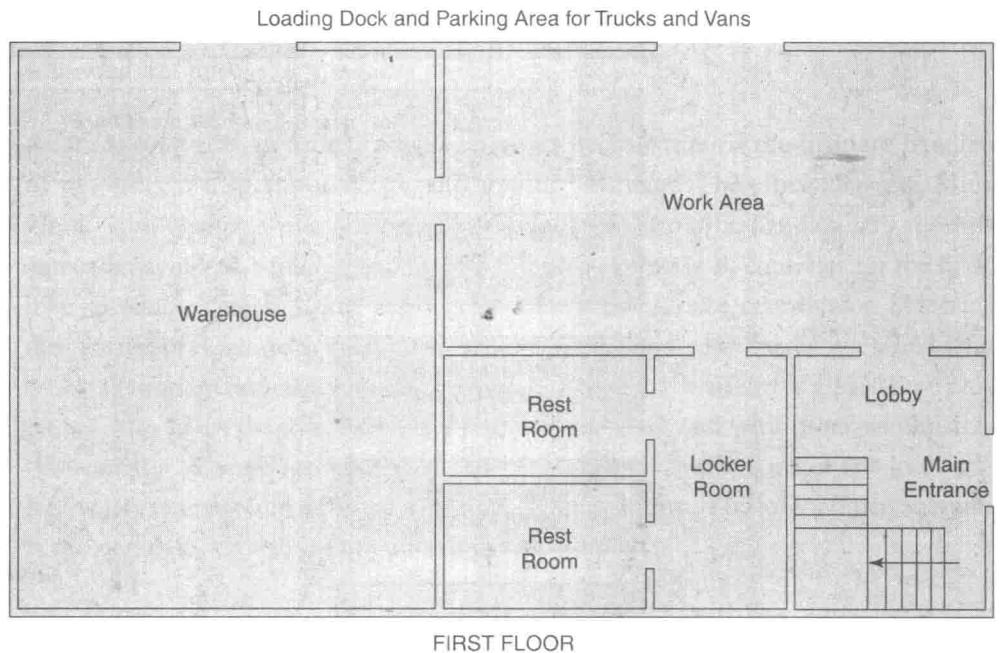
competition for employees, and earnings are high. The salaries and wages paid to the employees of Ingram Heating and Cooling may seem inflated to some people. However, keep in mind that living expenses, such as housing costs, are high in Silicon Valley. Another consequence of the shortage of employees with technical skills is the heavy overtime that Ingram must sometimes pay to its installation, repair, and maintenance personnel.

THE FACILITIES

Ingram Heating and Cooling operates from a light industrial park that contains a total of 24 businesses. Ingram rents part of a two-story building. On the first floor is a warehouse area used for storing inventory and supplies and a work area used for fabricating ductwork and other activities necessary to assemble the systems. There is also a locker room for the installation, repair, and maintenance employees. At the back of the first floor is a loading dock and space for parking the firm's trucks and vans. In the front of the building are parking spaces for the cars of employees and customers.

On the second floor of the building are the offices and showroom of Ingram Heating and Cooling. The showroom contains sample equipment and special demonstration models, diagrams, and a video supplied by the manufacturer of the equipment. Bill Ingram uses this room to discuss projects with customers and demonstrate the benefits of the heating and air-conditioning systems that he sells. There is a conference table at one end of the showroom where Mr. Ingram can review building plans and bid specifications with customers.

The floor plans given below show what the firm's facilities are like and where your office is located.



JOB OPENINGS FOR COOPERATIVE WORK- STUDY PROGRAM

Job: Office assistant at small heating and air-conditioning firm

Location: Maritime Industrial Park in San Jose

Hours: 10 hours per week; 2 hours per day, Monday–Friday

Requirements: Business major who has a basic knowledge of accounting, payroll, and banking procedures. Must have an aptitude for figures. Computer skills helpful because the firm intends to automate its payroll work within the next year.

Rate: \$9.50 per hour

If you are interested in this job, call the coordinator of the work-study program for an appointment.

YOUR JOB

In November, Ingram asked the head of the cooperative work-study program at your college for help in finding a new part-time office assistant. The student who previously held this job, Lucinda Renne, had to give it up because of a conflict in her schedule. The job requires two hours of work each day, Monday through Friday, or a total of 10 hours a week. The pay is \$9.50 an hour.

Because you had previously applied to join the work-study program, the coordinator contacted you and showed you the job description illustrated at left. You were interested and supplied the coordinator with a résumé, which he submitted to Ingram Heating and Cooling. You were asked to visit the firm, where you were interviewed by Bill Ingram and by Mina Hook, the office manager. The coordinator of the work-study program then notified you that the job was yours and that you should start on Monday, December 5.

The job of office assistant at Ingram Heating and Cooling involves several different types of activities. You will be handling payroll, bank reconciliation, the checking of bills received from suppliers against purchase orders, the preparation of sales reports, and other financial recordkeeping work. However, payroll will take up the greatest amount of your time, and that aspect of the job will be covered in the work you do in this practice set.

REGULAR PAYROLL ACTIVITIES

Ingram Heating and Cooling has a weekly payroll period that starts on Sunday and ends on Saturday. Employees are paid on the Wednesday following the end of each payroll period. For example, look at the calendars shown below, which cover the last three months of the year. The first full payroll period in October began on Sunday, October 2, and ended on Saturday, October 8. The employees received their pay for this period on Wednesday, October 12. In this practice set, you will be involved in preparing the payroll for the weeks ending December 10, 17, 24, and 31.

October						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

November						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

December						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Three different pay plans are used to compute employee earnings at Ingram Heating and Cooling.

Salary Plan

Pamela Cook
William Ingram

Salary-Commission Plan

Mina Hook

Hourly-Rate Plan

Henry Biddle
Carmen Diaz
Herman Dostler
Moses Forbisher
Doris Kosta
Samio Martinez
Rose Moraga
Ven Nguyen
Robert Potter
Donald Zanka
You

The cycle of regular payroll activities begins each Monday morning when all of the installation and repair employees submit their time sheets for the previous week to Pamela Cook, the secretary. She transfers the information from the individual time sheets to a summary of hours worked. She also transfers her own hours worked and those of the office assistant from a time sheet kept in the office. She gives the summary of hours worked to Bill Ingram, who reviews it and indicates whether the sick days, vacation days, or other absences listed should be paid or unpaid. The summary of hours worked then goes to the office assistant, who determines the total regular and overtime hours for each nonexempt employee for the week. (See page 33 for an example of the summary of hours worked.)

Employees who are subject to the overtime pay provision of the Fair Labor Standards Act are referred to as *nonexempt employees*. People who are not covered by this part of the law are known as *exempt employees*. At Ingram Heating and Cooling, no record is kept of the time worked by exempt employees. The list shown below gives a breakdown of the firm's nonexempt and exempt employees.

Nonexempt Employees

Henry Biddle
Pamela Cook
Carmen Diaz
Herman Dostler
Moses Forbisher
Doris Kosta
Samio Martinez
Rose Moraga
Ven Nguyen
Robert Potter
Donald Zanka
You

Exempt Employees

William Ingram
Mina Hook

As noted already, Mina Hook, the office manager, is now helping Bill Ingram with sales. Because she is very familiar with prices and the bidding process, she is able

to work with customers on some of the simpler jobs, usually those for replacement systems or for systems in which the builder has provided detailed specifications. Every Monday, Mr. Ingram gives the office assistant a report showing the sales made by Mina Hook during the previous week. Because she is doing this selling work in addition to her normal duties as office manager, Mr. Ingram is providing her with extra compensation in the form of a commission. The office assistant totals Mina Hook's sales for the week and computes the commission that is due. This amount will be added to her salary to find the amount of her earnings for the week. (See page 34 for an example of the sales report for Mina Hook.)

After completing the summary of hours worked and the sales report, the office assistant computes the earnings, deductions, and net pay of all employees and records the figures in the payroll register. Then the office assistant totals, proves, and rules the payroll register and posts the amounts to the employee earnings records. The next step is to prepare the forms needed to pay the employees. Finally, the office assistant computes the deposits of federal and state withholding taxes that must be made. Mina Hook, the office manager, is responsible for distributing the paychecks to the firm's employees.

SUMMARY OF REGULAR PAYROLL ACTIVITIES

The following is a summary of the regular payroll activities that you will perform in your job as office assistant at Ingram Heating and Cooling.

A. Complete the time and sales records.

1. Complete the weekly summary of hours worked. For each employee, enter the total regular hours worked and the total overtime hours worked during the week. The regular workweek is 40 hours. Any time worked beyond 40 hours in a week is treated as overtime. Notice that Mr. Ingram uses the code PS to indicate a paid sick day, the code PH to indicate a paid holiday, the code PV to indicate a paid vacation day, and the code PA to indicate a paid absence of some other type. For each paid sick day, holiday, vacation day, or absence of another type, add 8 hours to the number of regular hours for the week. The codes US, UH, UV, and UA indicate unpaid sick days, holidays, vacation days, and absences of another type.
2. Complete the report showing the weekly sales made by Mina Hook. Total the sales, and compute the commission due. Multiply the total sales by the commission rate of 1.5 percent (0.015).

B. Prepare the payroll register, earnings records, and payment forms.

1. Start the payroll register. Fill in the heading, the employee data, and the hours worked. Obtain the employee data from the employee earnings records. List all employees alphabetically. Obtain the regular and overtime hours from the summary of hours worked. For exempt employees whose time has not been recorded, simply place a dash in the Regular Hours column of the payroll register.
2. Compute the earnings of each employee, and enter the amounts in the payroll register. For Mina Hook, obtain her commission from the sales report. Add her

regular weekly salary and her commission to find her total earnings. For Bill Ingram, his regular weekly salary is the total of his earnings. All other employees are nonexempt and therefore receive overtime for any hours worked beyond 40 in a week. Overtime pay is computed at $1\frac{1}{2}$ times the regular hourly rate. To find overtime pay for Pamela Cook, the secretary, who receives a weekly salary, first determine her regular hourly rate by dividing her salary by 40. Then compute her overtime rate and apply it to her overtime hours. All other nonexempt employees are on the hourly-rate plan.

3. Compute the deductions for each employee, and then enter the amounts in the payroll register. The headings of the employee earnings records show information about marital status, withholding allowances, and voluntary deductions.
 - Use the tax tables on pages 25–32 to determine the deductions for federal and state income taxes.
 - Compute social security tax at a rate of 6.2 percent (0.062) and Medicare tax at a rate of 1.45 percent (0.0145). For social security tax, consider the first \$68,400 earned by an employee in the calendar year as the wage base (the maximum taxable earnings). All earnings are subject to Medicare tax.
 - Compute the state disability insurance (SDI) tax levied by California at a rate of 0.5 percent (0.005). Consider the first \$31,767 earned by an employee during the calendar year as the wage base.

Before deducting social security tax and SDI tax from an employee's earnings for a payroll period, check his or her earnings record to see whether the employee has reached the maximum taxable level for the year. Consult the Year-to-Date Earnings column of the earnings record.

4. Compute the net pay for each employee, and then enter the amounts in the payroll register.
5. Total, prove, and rule the payroll register.
6. Post the data from the payroll register to the employee earnings records. Be sure to compute the new year-to-date earnings for each employee and enter it in his or her earnings record.
7. Prepare all the forms required to pay the employees. Obtain the necessary figures from the payroll register. Enter the payment date in the heading of the payroll register. Remember that the payment date is always the Wednesday following the end of a payroll period. Refer to the December calendar on page 5. An exception will be made for the last payroll period in December. The payment date for this period will be December 31.

C. Prepare deposits of federal and state taxes.

1. Compute the employer's share of social security tax and Medicare tax at the end of each payroll period. For social security tax, multiply the total *taxable* earnings of all employees during the payroll period by a rate of 6.2 percent (0.062). For Medicare tax, multiply the total earnings of all employees during the payroll period by a rate of 1.45 percent (0.0145). Add the employer and employee shares of social security tax, the employer and employee shares of Medicare tax, and the federal income tax withheld from employee earnings for the payroll period. In-

gram Heating and Cooling is a semiweekly depositor, based on the amount of taxes it owed to the federal government in the last lookback period. Therefore, the firm must deposit the total federal taxes due for each payroll period according to the following schedule.

Semiweekly Deposit Schedule for social security tax, Medicare tax, and federal income tax withheld

Payment Day for Payroll	Deposit Taxes by
Wednesday, Thursday, and/or Friday	Following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	Following Friday

Because Ingram normally pays its employees every Wednesday, its deposit of federal income tax withheld, social security tax, and Medicare tax is due by the next Wednesday. Employers like Ingram that owe more than \$50,000 of such taxes each year must make their deposits through electronic funds transfer (EFT). Ingram uses its bank to handle the transfer. At the end of each payroll period, the office assistant prepares a memorandum showing the amount to be deposited. The office manager communicates this information to the bank so that the electronic funds transfer can be made.

There is one exception to the semiweekly deposit schedule shown above. If a quarter ends on a day other than Tuesday or Friday, taxes owed for the days during the quarter are subject to one deposit requirement and taxes owed for the days covered by the new quarter are subject to a separate deposit obligation.

2. California tax law requires that Ingram Heating and Cooling deposit the state income tax and state disability insurance (SDI) tax it withholds from employee earnings at the same time that it deposits the federal tax withholdings. Because Ingram owes more than \$20,000 of such taxes each year, it must make its deposits through electronic funds transfer (EFT). Again, Ingram uses its bank to handle the EFT process. At the end of each payroll period, the office assistant prepares a memorandum showing the amount to be deposited and gives it to the office manager, who communicates with the bank.

END-OF-QUARTER PAYROLL ACTIVITIES

At the end of each quarter, the office assistant at Ingram Heating and Cooling must total the employee earnings records and prepare certain tax forms that are due on a quarterly basis.

SUMMARY OF END-OF-QUARTER PAYROLL ACTIVITIES

1. Enter the totals for the quarter in the employee earnings records.
2. Compute the amount of federal unemployment (FUTA) tax that the firm owes for the quarter. If a deposit is necessary, prepare Form 8109, Federal Tax Deposit Coupon.

3. Compute the amount of state unemployment (SUTA) tax and the amount of employment training (ETT) tax that the firm owes for the quarter. If a deposit is necessary, prepare California Form DE 88, Payroll Tax Deposit Coupon.
4. Complete Form 941, Employer's Quarterly Federal Tax Return.
5. Complete California Form DE 6, Quarterly Wage and Withholding Report.

END-OF-YEAR PAYROLL ACTIVITIES

At the end of each year, the office assistant at Ingram Heating and Cooling must complete the employee earnings records by entering the final totals and must prepare various tax forms to report yearly data.

SUMMARY OF END-OF-YEAR PAYROLL ACTIVITIES

1. Determine the yearly payroll totals and record them in the employee earnings records.
2. Complete Form 940-EZ, Employer's Annual Federal Unemployment (FUTA) Tax Return.
3. Complete a Form W-2, Wage and Tax Statement, for each employee, including any employees who left the firm during the year.
4. Complete Form W-3, Transmittal of Wage and Tax Statements.
5. Complete California Form DE 7, Annual Reconciliation Return.

GETTING STARTED

Take the following steps to start the practice set:

1. Establish an employee earnings record for yourself. (Use a blank form from the back of this booklet.) Assume that you live at 6508 Lincoln Avenue, San Jose, CA 95163 and your social security number is 442-69-5149. Use December 4 of the current year as the official starting date for your employment. Assume that you are single and claim no withholding allowances. Your regular rate is \$9.50 per hour. You have no voluntary deductions.
2. Enter the current year at the top of all the employee earnings records, and then remove the records from this booklet. File your earnings record in alphabetic order with the rest of the earnings records. (Leave the earnings record for Lucinda Renne, the former office assistant, in its present position. You will need this record for end-of-quarter and end-of-year activities.)
3. Paper-clip all the employee earnings records together, including the blank ones at the end of the booklet, and keep these records available for your payroll work throughout the practice set.

NARRATIVE OF TRANSACTIONS

Use the following information as you handle the payroll work of Ingram Heating and Cooling for the month of December.

WEEK ENDED DECEMBER 10

- Robert Potter's wife had a baby on Saturday, December 3. Therefore, he now has an additional withholding allowance and has filed a new Form W-4. In the heading of his employee earnings record, change the number of his withholding allowances from 3 to 4. (Record the date of the change—12/4—next to the new figure in the earnings record.)
- Henry Biddle wants to increase his weekly IRA contribution from \$10 to \$25. Make this change in the heading of his employee earnings record. (Record the date of the change—12/4—next to the new amount.)
- To obtain the input data for the weekly payroll period ended December 10, use the summary of hours worked and the sales report on pages 33 and 34. First, complete the summary of hours worked by entering the total regular and total overtime hours for each nonexempt employee. Whenever there is a paid sick day, holiday, vacation day, or absence of another type, add 8 hours to the amount of the employee's regular hours for the week. Such days are designated with the codes PS, PH, PV, and PA. For example, on Monday, December 5, Robert Potter took a vacation day so that he could bring his wife and new baby home from the hospital. Mr. Ingram approved this use of a vacation day ahead of time and has therefore recorded the code PV on the summary of hours worked. Because Robert Potter is to be paid for the day, he will have a total of 40 regular hours for the week. Similarly, Carmen Diaz was absent on Friday, December 9 to attend her brother's funeral. In accordance with company policy, Mr. Ingram has designated this as a paid absence (PA). Thus, Carmen Diaz should also have a total of 40 regular hours for the week. After you complete the summary of hours worked, compute the total sales made by Mina Hook during the week and the commission that is due her. Record these amounts on the sales report.
- Follow the weekly payroll procedures outlined on pages 7 through 9. The necessary payroll register appears on pages 42 and 43. Since Lucinda Renne is no longer with the firm, her name should not appear in the payroll register. However, your name should be listed. Before computing the deductions for the weekly payroll period, be sure to check to see if any employees have reached or are close to the yearly wage base of \$68,400 for social security tax and \$31,767 for state disability insurance (SDI) tax. (Remember: The yearly wage base is the maximum amount of an employee's yearly earnings subject to a tax.) Refer to the Year-to-Date Earnings column of the employee earnings records. If an employee is close to the yearly wage base, only part of his or her earnings for the period may be taxable. To pay the employees, use the payroll checks on pages 55 through 62. Leave the signature lines blank. Mr. Ingram signs all checks for the business.

Checkpoint After you record the December 10 payroll, your payroll register should show \$11,246.84 as the total of the Net Pay column.

- Because the firm is a semiweekly depositor of federal withholding taxes, it must make a deposit of the taxes owed on the December 3 payroll. This payroll was paid on December 7, and the tax deposit is therefore due by the following Wednesday, which is December 14. You must prepare a memorandum with information

about the deposit so that the office manager can instruct the firm's bank to complete the necessary electronic funds transfer. Use the memorandum form on page 69. The amounts involved are federal income tax withheld, \$2,272.99; the employer and employee shares of social security tax, \$1,240.85; and the employer and employee shares of Medicare tax, \$430.51. Compute the total of the deposit.

- The firm must also make a deposit of the state withholding taxes owed on the December 3 payroll by means of electronic funds transfer. Prepare a memorandum with information about this deposit for the office manager. Use the memorandum form on page 69. The amount of the state income tax being deposited is \$582.05, and the amount of the state disability insurance (SDI) tax being deposited is zero. Record the total of the deposit.

Optional Activities Perform the activities that follow if your instructor tells you to do so. The necessary journal and ledger accounts appear on pages 92 through 104.

- Journalize and post the expense and liabilities for the December 10 payroll. The date of the entry should be December 12.
- Journalize and post the employer's payroll taxes for the December 10 payroll. Use the following rates: 6.2 percent of the *taxable* earnings for social security tax, 1.45 percent of all earnings for Medicare tax, 0.8 percent of the *taxable* earnings for FUTA tax, 2.1 percent of the *taxable* earnings for SUTA tax, and 0.1 percent of the *taxable* earnings for employment training tax (ETT). Remember that the taxable earnings for each employee for the calendar year are \$68,400 for social security tax, \$7,000 for FUTA tax, \$7,000 for SUTA tax, and \$7,000 for ETT tax. The date of the journal entry should be December 12.
- Journalize and post the payment of the December 10 payroll. The date of the entry should be December 14.
- Journalize and post the deposit of federal income tax withheld, social security tax, and Medicare tax for the December 3 payroll. The date of the entry should be December 14.
- Journalize and post the deposit of state income tax withheld and state disability insurance (SDI) tax for the December 3 payroll. The date of the entry should be December 14.

WEEK ENDED DECEMBER 17

- Herman Dostler has received a wage increase. Mr. Ingram has raised his hourly rate from \$15.30 to \$16. Make this change in the heading of Mr. Dostler's employee earnings record. (Enter the date of the change—12/11—next to the new rate in the earnings record.)
- To obtain the input data for the weekly payroll period ended December 17, use the summary of hours worked and the sales report on pages 35 and 36.
- Follow the weekly payroll procedures outlined on pages 7 through 9. The necessary payroll register appears on pages 44 and 45. Ingram Heating and Cooling has decided to pay its employees by direct deposit rather than by check from now on. Thus, use the bank transfer form and the pay statements on pages 63 through 68

for this payroll. The office manager will issue a check for the total amount of the payroll transfer. The bank account numbers for the employees are shown below. Leave the signature line of the bank transfer form blank. Mr. Ingram will sign this form.

Biddle	078924	Hook	063792	Nguyen	149853
Cook	099331	Ingram	129841	Potter	058924
Diaz	125874	Kosta	071281	Zanka	094731
Dostler	061159	Martinez	139522	You	189358
Forbisher	143726	Moraga	116786		

Checkpoint After you record the December 17 payroll, your payroll register should show \$11,305.10 as the total of the Net Pay column.

- Prepare a memorandum showing the federal withholding taxes owed on the December 10 payroll, which was paid on December 14. This deposit is due by Wednesday, December 21, and must be made by electronic funds transfer. Use the memorandum form on page 70. The deposit will consist of the federal income tax withheld, the employer and employee shares of social security tax, and the employer and employee shares of Medicare tax for the payroll period ended December 10.
- Prepare a memorandum showing the state withholding taxes owed on the December 10 payroll. Use the memorandum form on page 70. The deposit will consist of the state income tax withheld and the state disability insurance (SDI) tax for the payroll period ended December 10.

Optional Activities Perform the activities that follow if your instructor tells you to do so.

- Journalize and post the expense and liabilities for the December 17 payroll. The date of the entry should be December 19.
- Journalize and post the employer's payroll taxes for the December 17 payroll. Use the rates and wage bases given on page 12. The date of the entry should be December 19.
- Journalize and post the payment of the December 17 payroll. The date of the entry should be December 21.
- Journalize and post the deposit of federal income tax withheld, social security tax, and Medicare tax for the December 10 payroll. The date of the entry should be December 21.
- Journalize and post the deposit of state income tax withheld and state disability insurance (SDI) tax for the December 10 payroll. The date of the entry should be December 21.

WEEK ENDED DECEMBER 24

- Moses Forbisher left Ingram Heating and Cooling as of December 17 to join the staff of another company. Enter his termination date in the heading of his