

ACCOUNTING FOR PAYROLL

Quiz: Journal Entries

Burch Corporation's payroll records for the payroll period ending Jan. 15 showed **gross earnings of \$410,000** and **income tax withholding of \$105,000**. The payroll was subject to a **social security tax rate of 6%** on a \$90,000 base, to a **medicare tax rate of 1.5%** on all wages, to **state unemployment tax of 5.4%** on a \$7,000 base, and to **federal unemployment tax of 0.8%** on a \$7,000 base. No employee earned more than \$7,000 during this period.

Prepare two separate journal entries below to record

- the accrued payroll and deductions from employees' pay
- the payroll taxes on the employer resulting from this payroll

GENERAL JOURNAL

a)

	Sal. exp	410,000	
	income tax pay		105,000
	SS tax pay 6%		24,600
	MC tax pay 1.5%		6,150
	Cash		274,250

GENERAL JOURNAL

b)

	Payroll tax exp	56,170	
	SS		24,600
	MC		6,150
	FUTA .8%		3,280
	SUTA 5.4%		22,140

ACCOUNTING
Stockholders' Equity REVIEW

Name _____

Brandon Baseball was incorporated in January 2010. In 2010, net income was \$880,000. The board of directors declared and paid a cash dividend of \$4 per share to the common stockholders in addition to satisfying the preferred stock dividend requirements.

Additional Info:

Preferred stock: 3,000 shares issued at \$100 per share

Common Stock: 20,000 shares sold at \$22 per share

Complete the stockholders' equity section of Brandon Baseball balance sheet at December 31, 2010.

Stockholders' equity:

11% cumulative preferred stock, \$100 par value,
 3,000 shares authorized and issued

Common stock, \$2 par value, 200,000 shares
 Authorized; 20,000 shares issued

Additional Paid-in capital: Common Stock
 $22 - 2 = 18 \times 20,000$
 Total Paid-in Capital

Retained Earnings

Total Stock Holders Equity

$$\begin{array}{r}
 \$ 300,000 (100 \times 3,000) \\
 40,000 (2 \times 20,000) \\
 \hline
 360,000 \\
 = 700,000 \\
 \hline
 767,000 \\
 \hline
 1,467,000 \\
 \hline
 \end{array}$$

$$\begin{array}{r}
 880,000 \\
 - 80,000 \quad \$4 \times 20,000 \\
 - 30,000 \quad 11\% \times 300,000 \\
 \hline
 767,000
 \end{array}$$

ACCOUNTING
Stockholders' Equity
Final Review

Name _____

O'Leary Inc. was incorporated in January 2010. In 2010, net income was \$600,000. The board of directors declared and paid a cash dividend of \$2 per share to the common stockholders in addition to satisfying the preferred stock dividend requirements.

Additional Info:

Preferred stock: 5,000 shares issued at \$100 per share
Common Stock: 100,000 shares sold at \$18 per share

Complete the stockholders' equity section of O'Leary's Inc's balance sheet at December 31, 2010.

Stockholders' equity:

6% cumulative preferred stock, \$100 par value,
5,000 shares authorized and issued

Common stock, \$2 par value, 200,000 shares
Authorized; 100,000 shares issued

Additional Paid-in capital: Common Stock
 $18 - 2 = 16 \times 100,000$
Total Paid-in Capital

Retained Earnings

Total Stock Holders Equity

$$\begin{array}{r} \$ 500,000 (100 \times 5,000) \\ 200,000 (100,000 \times \$2) \\ \hline 1,600,000 \\ = 2,300,000 \\ 370,000 \\ \hline 2,670,000 \end{array}$$

$$\begin{array}{r} 600,000 \\ - 200,000 (\$2 \times 100,000) \\ - 30,000 (6\% \times 500,000) \\ \hline \end{array}$$

370,000

STOCKHOLDERS' EQUITY * like the final exam!!
Journalizing Transactions

The Smith's Surf Boards specializes in Surf Boards. It is organized as a corporation. During the month of May, the stockholders' equity accounts of Smith's Surf Boards were affected by the following events:

- | | |
|--------|---|
| May 2 | The corporation sold 10,000 shares of capital stock at \$25 per share. Par Value of the stock is \$5. |
| May 8 | The corporation declared a 30 cents per share dividend on its 5,000 shares of outstanding stock, payable on May 25. |
| May 25 | The corporation paid the dividend declared on May 8. |

GENERAL JOURNAL

GENERAL JOURNAL			
May 2	Cash	250,000	
	Common stock: \$2 par value		50,000
	APIC (20 x 10,000)		200,000
May 8	Dividends	1500	
	Dividends payable		1500
May 15	Dividends Payable	1500	
	Cash		1500