Problem 8 Wages and payroll tax expense. [former exam question] Otte Corporation has two salaried employees (Kipfer and Keegan) whom it pays on a monthly basis. Otte has a state unemployment tax rate of 7.0 percent and a federal unemployment tax rate of 6.2 percent rate (before granting a 5.4 percent credit for state unemployment tax paid). The state unemployment tax is based on a ceiling of the first $8,000 of each employee’s wages, and the federal unemployment tax is based on the first $7,000 of earnings. The social security rate is 6.2 percent for employer and 6.2 percent for employee on the first $117,000 of earnings. The medicare tax rate for both employee and employer is 1.45 percent on all gross wages. Payroll information for Otte for the month of October is as follows:

<table>
<thead>
<tr>
<th>Employee</th>
<th>YTD, Sept.30</th>
<th>October</th>
<th>Federal withholding October</th>
<th>State withholding October</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kipfer</td>
<td>6,000</td>
<td>3,000</td>
<td>300</td>
<td>50</td>
</tr>
<tr>
<td>Keegan</td>
<td>105,000</td>
<td>10,000</td>
<td>2,500</td>
<td>500</td>
</tr>
</tbody>
</table>

You can assume that the payroll and all tax payments for January through September already have been accounted for.

What journal entry should Otte accrue for employer wages expense for the month of October?

What journal entry should Otte accrue for employer payroll tax expense for the month of October?
Problem 9 Wages and payroll tax expense. Albrecht Corporation has two salaried employees (Smith and Jones) whom it pays on a monthly basis. Albrecht has a state unemployment tax rate of 7.0 percent and a federal unemployment tax rate of 0.8 percent rate (6.2 percent before granting a 5.4 percent credit for state unemployment tax paid). The state unemployment tax is based on a ceiling of the first $12,000 of each employee’s wages, and the federal unemployment tax is based on the first $7,000 of earnings. The social security rate is 6.2 percent for employer and 6.2 percent for employee on the first $117,000 of earnings. The medicare tax rate for both employee and employer is 1.45 percent on all gross wages. Payroll information for Albrecht for the month of February is as follows:

<table>
<thead>
<tr>
<th>Employee</th>
<th>Gross Salary YTD, Jan. 31</th>
<th>Gross Salary February</th>
<th>Federal withholding February</th>
<th>State withholding February</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smith</td>
<td>2,500</td>
<td>2,600</td>
<td>190</td>
<td>40</td>
</tr>
<tr>
<td>Jones</td>
<td>9,000</td>
<td>9,000</td>
<td>1,700</td>
<td>450</td>
</tr>
</tbody>
</table>

You can assume that the payroll and all tax payments for January already have been accounted for.

1. **What journal entry** should Albrecht make to accrue for employer wages expense for the month of February?

2. **What journal entry** should Albrecht make accrue for employer payroll tax expense for the month of February?

3. **What journal entry** should Albrecht make for the payment of all payroll taxes?
Problem 10 Wages and payroll tax expense. Albrecht Corporation has two salaried employees (Smith and Jones) whom it pays on a monthly basis. Albrecht has a state unemployment tax rate of 8.0 percent and a federal unemployment tax rate of 0.8 percent rate (6.2 percent before granting a 5.4 percent credit for state unemployment tax paid). The state unemployment tax is based on a ceiling of the first $15,000 of each employee’s wages, and the federal unemployment tax is based on the first $7,000 of earnings. The social security rate is 6.2 percent for employer and 6.2 percent for employee on the first $117,000 of earnings. The medicare tax rate for both employee and employer is 1.45 percent on all gross wages. Payroll information for Albrecht for the month of June is as follows:

<table>
<thead>
<tr>
<th>Employee</th>
<th>Salary YTD, May 31</th>
<th>Salary June</th>
<th>Federal withholding June</th>
<th>State withholding June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smith</td>
<td>10,000</td>
<td>3,000</td>
<td>280</td>
<td>125</td>
</tr>
<tr>
<td>Jones</td>
<td>55,000</td>
<td>11,000</td>
<td>1,300</td>
<td>460</td>
</tr>
</tbody>
</table>

You can assume that the payroll and all tax payments for May already have been accounted for.

1. **What journal entry** should Albrecht make to accrue for employer wages expense for the month of June?

2. **What journal entry** should Albrecht make accrue for employer payroll tax expense for the month of June?

3. **What journal entry** should Albrecht make for the payment of all payroll taxes?

Problem 11 Vacation and illness pay. Refer to Problem 10. Albrecht accrues vacation pay of 1/12 of gross wages for each employee for vacations and 1/24 of gross wages for illness pay.

During the month of June, Smith used $80 of illness pay. Jones used 5,500 of vacation pay.

1. **What journal entry** should Albrecht make to accrue for vacation and illness pay for the month of June?

2. **What journal entry** should Albrecht make to account for the illness and vacation pay used by Smith and Jones?
Problem 12 Payroll tax expense. Total wage expense in 2014 for Vicky’s Boutique was $31,260. Vicky had one employee. There is a $12,000 ceiling for state unemployment tax. Federal and state income tax withheld from paychecks was $3,810 and $930. The employee contribution for pensions was $2,400, and for healthcare was $1,910. Social security and medicare was also withheld from paychecks.

Vicky is subject to a state unemployment tax of 5.4% on the first $12,000 of employee wages. Federal unemployment tax is 6.2% on the first $7,000 of employee wages, but a credit is allowed for up to 5.4% on state unemployment tax paid.

**Required:** Create Vicky’s journal entry for the amount of payroll taxes for the entire year.

Problem 13 Payroll tax expense. Same as Problem 12, except that Vicky’s state unemployment tax rate is only 3% because of her work force is very stable.

Problem 14 Payroll tax expense. Same as Problem 12, except that Vicky’s state unemployment tax rate is 9% because of the rapid turnover of her work force.

Problem 15 Payroll, comprehensive

Through out 2011 (the year to be accounted for), Albrecht Company has one employee. The employee has a contract for a wage of $11,000 per month for the entire year.

The monthly wage (for first day of month through the last) is accrued on the third day following the month. Payments to employees are made on the sixth day. Tax payments are made on the 10th day. Other payments are made on the 15th day. The federal income tax rate is 15%. The state income tax rate is 5%. The employee makes a contribution to a pension plan, equal to 10% of gross wages. There is no healthcare or union dues to account for. Federal unemployment tax is 0.8% and state unemployment tax is 5.4% on gross wages up to a ceiling of $7,000.

**Required:**

1. Prepare an orderly worksheet that shows computations for all necessary amounts for Albrecht Company payroll throughout the year.