

## Chapter 12: Preparing Payroll Records: Chapter Overview

### Learning Objectives

After studying Chapter 12, in addition to defining key terms, you will be able to:

- LO1 Explain how employees are paid.
- LO2 Calculate hourly employee earnings.
- LO3 Demonstrate the process for determining federal income tax withholdings.
- LO4 Demonstrate the process for calculating social security and Medicare taxes.
- LO5 Explain the benefit of funding medical and retirement plans with pretax contributions.
- LO6 Prepare a payroll register.
- LO7 Prepare employee earnings records.
- LO8 Justify the use of a payroll checking account.
- LO9 Prepare employee payroll checks.



Chapter 12 Preparing Payroll Records			
12-1 Calculating Employee Earnings	<ul style="list-style-type: none"> <li>✓ LO1 Explain how employees are paid.</li> <li>✓ LO2 Calculate hourly employee earnings.</li> </ul>	<b>Implementing Payroll and Payroll Tax Procedures</b> 82: Describe methods used to determine gross earnings (e.g., piece-rate, hourly, salary, commission, overtime, bonuses). 88: Identify source documents required for adding and deleting employees from payroll. 90: Prepare employer tax returns.	Wage Salary Commission Total earnings Pay period Payroll Payroll clerk Time clock
12-2 Determining Payroll Tax Withholding	<ul style="list-style-type: none"> <li>✓ LO3 Demonstrate the process for determining federal income tax withholdings.</li> <li>✓ LO4 Demonstrate the process for calculating Social Security and Medicare taxes.</li> <li>✓ LO5 Explain the benefits of funding medical and</li> </ul>	<b>Understanding the Accounting Cycle for a Service Business</b> 52: Identify special transactions that require tax review. <b>Implementing Payroll and Payroll Tax Procedures</b> 83: Explain the purposes of withholdings and other deductions.	Payroll taxes Withholding allowance Payroll deduction Social security tax Medicare tax Accumulated earnings Tax base Qualified

	retirement plans with pretax contributions.		retirement plan 401(K) Individual retirement account (IRA) Roth individual retirement account (Roth IRA)
12-3 preparing Payroll Records	<ul style="list-style-type: none"> <li>✓ LO6 Prepare a payroll register.</li> <li>✓ LO7 Prepare employee earnings record.</li> </ul>	<p><b>Understanding the Accounting Cycle for a Service Business</b> 51: Describe record-organization and retention-schedule procedures for a service business.</p> <p><b>Implementing Payroll and Payroll Tax Procedures</b> 84: Compute employee gross earnings, deductions, and net pay on a payroll register. 86: Maintain employee earnings records.</p>	Payroll register Net pay Employee earnings record
12-4 Preparing Payroll Checks	<ul style="list-style-type: none"> <li>✓ LO8 Justify the use of a payroll checking account.</li> <li>✓ LO9 Prepare employee payroll checks.</li> </ul>	<p><b>Understanding the Accounting Cycle for a Service Business</b> 73: Maintain financial records for a merchandising business, using accounting software. 74: Maintain financial records for a merchandising business, using spreadsheet software. 87: Generate payroll checks.</p>	Voucher check Direct deposit