Chapter 14
Employees, Payroll and Account Reconciliation
Employees, Payroll, and Account Reconciliation

Employees and employers are required to pay local, state, and federal payroll taxes. Employers must withhold taxes from each employee’s paycheck. The amount withheld for federal taxes is determined from tax tables published by the IRS.

The amount withheld depends on the employee’s earnings and the number of exemptions or withholding allowances claimed by the employee. FICA taxes and Medicare taxes are also deducted from employee’s paychecks.

It is the purpose of Chapter 14 to show you how to use Peachtree to enter payroll default information, add employees, make journal entries for payroll, print payroll reports, and complete account reconciliation.
Software Objectives, p. 523

- Explore the Payroll Setup Wizard.
- Enter initial payroll fields.
- Enter employee and employer default information.
- Journalize and post Payroll Journal entries.
- Print paychecks.
- Print the financial statements
- Reconcile La Brea Bank Account and the Payroll Checking Account.
- Compare the vendor ledgers, customer ledgers, and inventory valuation report to the associated general ledger accounts.
- Print the financial statements.
- Make four backups: two for Susan’s Service Merchandise; two for the end-of-chapter exercises.
Web Objectives, p. 523

- Use your Internet browser to go to the book’s website at [www.mhhe.com/yacht2008](http://www.mhhe.com/yacht2008).
- Go to the Internet Activity link on the book’s website. Then, select WEB EXERCISES PART 3. Complete the fourth web exercise in Part 3–Salary Calculator.
- Use a word processing program to write a summary of the websites that you visited.
Peachtree Tips

The exercises in Part 3 are cumulative. Exercises 11-1 through 13-2 must be completed before starting Exercise 14-1.

The Payroll Entry window is the Payroll Journal.

The payroll tax withholdings calculated automatically when students select the Payroll Entry window are for example purposes only. They do not reflect exact withholding amounts. For an additional fee, Peachtree Software has a payroll tax update service.

To learn more about Peachtree Software’s payroll tax service, visit their website at http://peachtree.com/payroll/.
Peachtree Tips (concluded)

Follow these steps to check the global tax table version:

2. From the menu bar, click on Help; About Peachtree Accounting. The Installed Tax Service shows 19000101. The About Peachtree Accounting window is shown on page 528.
Backing Up Chapter 14

This information is also shown on page 380.

<table>
<thead>
<tr>
<th>Backup Name</th>
<th>KB</th>
<th>Page Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 14 Begin</td>
<td>1,050 KB</td>
<td>539-540</td>
</tr>
<tr>
<td>Chapter 14</td>
<td>1,089 KB</td>
<td>561</td>
</tr>
<tr>
<td>Exercise 14-1</td>
<td>984 KB</td>
<td>568</td>
</tr>
<tr>
<td>Exercise 14-2</td>
<td>1,012 KB</td>
<td>571</td>
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</table>
Chapter 14 Topics

1. Software & web objectives, p. 523
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   b. Establishing the payroll account, p. 529
3. Initial payroll fields, pp. 529-532
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5. Entering employee maintenance information, pp. 537-539
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   b. Payroll Checking Account bank statement, p. 550
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Chapter 14 Topics (concluded)

10. Printing the general ledger trial balance, p. 557
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14. Summary and review, p. 562
   a. Going to the net, pp. 562-563
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   d. Exercise 14-2, pp. 569-571
   e. Chapter 14 index, p. 572
Getting started, pp. 526-527

- Complete steps 1 – 2g. on pages 526-527.
- Remember, you must complete Chapters 11, 12, and 13 before starting Chapter 14.
From the menu bar, click on Help; About Peachtree Accounting. The Peachtree Complete Accounting window appears.

Read the information on page 528. Click on <OK> to close the About Peachtree Accounting window.
Establishing the payroll account, p. 529

In order to establish the payroll checking account, transfer funds from La Brea Bank (Account No. 10200) to the Payroll Checking Account (Account No. 10300). Read the transaction information on p. 529.

![Image of a General Journal for Susan's Service Merchandise]

### Susan's Service Merchandise
General Journal
For the Period From Jan 1, 2008 to Jan 31, 2008

Filter Criteria includes: Report order is by Date. Report is printed with Accounts having Zero Amounts and with shortened descriptions and in Detail Format.

<table>
<thead>
<tr>
<th>Date</th>
<th>Account ID</th>
<th>Reference</th>
<th>Trans Description</th>
<th>Debit Amt</th>
<th>Credit Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/4/08</td>
<td>10300</td>
<td></td>
<td>Payroll Checking Accounting</td>
<td>6,500.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10200</td>
<td></td>
<td>La Brea Bank</td>
<td></td>
<td>6,500.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td>6,500.00</td>
<td>6,500.00</td>
</tr>
</tbody>
</table>
From the Employees & Payroll page, click . Then, select Set Up Employee Defaults. Type 3.4 in the Unemployment Percent for Your Company field.

Read step 3, p. 530. Accept the default accounts by clicking <Next>.
Payroll Setup Wizard, concluded, pp. 530-532

- The 401 (k) Setup window appears. Since you are *not* making any changes, click <Next>.
- The Vacation Time Tracking and Sick Time Tracking Setup window appears. Click <Next>.
- Complete step 7 on pp. 531. The Payroll Setup Complete window is shown on p. 531.

- Click Finish.
Entering employee and employer default information, pp. 532-537

- Read the information on p. 532. From the Employees & Payroll page, click then select Set Up Employee Defaults. Observe that CA is shown in the State field.
- Select the Assign Payroll Fields for W-2s arrow. The Assign Payroll Fields for W-2s window is shown below step 2, p. 533.

- Click <OK>.
Assign Payroll Fields for EmployEE Paid Taxes, p. 533

- Click on the arrow next to EmployEE Paid Taxes. This window is shown on p. 533 below step 4.

- Click <OK>.
Assign Payroll Fields for EmployER Paid Taxes, p. 534

- Click on the arrow next to EmployER Paid Taxes. Click on the down-arrow in the State Disability (SDI) field. Select SDI. This window is shown on p. 534 below step 7.

![Assign Payroll Fields for Employer Paid Taxes](image)

- Click on <OK> to return to the Employee Defaults window. Then, select the Pay Levels tab.
Employee Defaults, p. 534

Make sure you have selected the Pay Levels tab on the Employee Defaults window. Then for Overtime, select Account No. 77600, Overtime Expense. The Employee Defaults, Pay Levels window is shown on p. 534 below step 10.
Complete steps 11–18 on p. 535. This window is shown below step 18, p. 535.
EmployER Fields tab, pp. 536-537

Complete step 19 on p. 536. This window is shown below step 19 on p. 536.

On p. 537, complete step 20 by clicking on <OK> to save your changes.
Entering employee maintenance information, p. 537

- From the Employees & Payroll page, click .
- Select New Employee. The Maintain Employees/Sales Reps window appears.
- Complete the employee information shown on step 2, p. 537.
Entering Employee Maintenance Information, pp. 537-538

- Click on the Withholding Info tab. Complete step 3 on page 537. This window is shown at the top of page 538.

- Complete steps 4 – 6 on pp. 538.
After completing step 6 on page 538, this window shows Pay Info.

Complete steps 7 – 12 on p. 539.
Backing up your data, p. 539-540

Complete steps 1 – 6 on pp. 539-540 to back up your data.

Use Chapter 14 Begin as the back up name.
Payroll Entry, pp. 540-542

- Read the information on pages 540-541.
- Complete steps 1 – 9 on pages 541-542 to issue a payroll check. The Payroll Entry window is shown on p. 542 below step 9.

Click <Print>.

Click <OK>. Complete steps 12 and 13 on pages 543-544.
Type 101 as the First Check Number. The Print Forms: Payroll Checks window is shown on p. 544 below step 14.

Click <Print>. Compare your check with the one shown on page 544. Complete steps 16 and 17, p. 545. Then, issue the checks shown in step 18, p. 545. When through, close the Payroll Entry window.
Printing the payroll journal, pp. 546-548

Complete steps 1 and 2 on p. 546.

Compare your payroll journal to the one shown on pp. 546-548.
Read page 548. Peachtree’s general ledger is integrated with other parts of the program.

The La Brea Bank Statement is on pp. 549-550.

Payroll Checking Account Bank Statement is on p. 550.

Printing Reports: Account Reconciliation, General Ledgers, Customer Ledgers, Vendor Ledgers, and Inventory reports are on pp. 551-556
Printing the general ledger trial balance, p. 557

- Complete steps 1 and 2 on p. 557.
- Compare your general ledger trial balance to the one shown on p. 557.
Printing the financial statements, pp. 558-560

- Complete steps 1-3 on pp. 558-560.
- Compare your financial statements with the ones shown on pages 558, 559, and 560.
Backing Up Chapter 14 Data, p. 561

- Complete steps 1-6 on page 561.
- The back up name is **Chapter 14**.
Chapter 14
Glossary of Terms
These are withholding allowances claimed by the employee. The number of exemptions or withholding allowances usually includes one for the employee, one for the employee’s spouse, and one for each dependent.
Exemptions claimed by the employee. The number of exemptions or withholding allowances usually includes one for the employee, one for the employee’s spouse, and one for each dependent.
This deduction from wages is also called the social security tax and provides qualified workers who retire at age 62 or older with monthly payments from the federal government. A portion of this tax is for Medicare.
A portion of FICA taxes (also called social security taxes) deducted from wages of qualified workers. Medical benefits called Medicare are received by retirees after reaching age 65.
W-2 forms, p. 524

An annual report of an employee’s wages subject to FICA and federal income tax that shows the amounts of these taxes that were withheld.
## Internet Activity, p. 561

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Link to Student Edition.</td>
</tr>
<tr>
<td>3</td>
<td>In the Course-wide Content list, link to Part 3 Internet Activities for Chapters 11-14. Open or Save. (You can also choose Chapter 14, then link to Internet Activities. If you Choose a Chapter, observe that other chapter-specific links are available; for example, Quizzes, PowerPoints, and Going to the Net Exercises.)</td>
</tr>
<tr>
<td>4</td>
<td>Complete the SALARY WIZARD-Chapter 14 exercise. Read steps 1-5.</td>
</tr>
<tr>
<td>5</td>
<td>Follow the steps shown on the book’s website to complete this Internet activity.</td>
</tr>
<tr>
<td>6</td>
<td>Using a word processing program, write a brief summary of what you find. Include all appropriate website addresses.</td>
</tr>
</tbody>
</table>
Access the Employer Reporting and Instructions website at http://www.ssa.gov/employer/. Link to General W-2 Filing Information, then answer these questions.

1. What are dates that employers must send W-2 information to the Social Security Administration? (Include the dates for both electronic and paper filing.)

2. When must employers give employees their W-2?

3. What two forms do employers send to the Social Security Administration?