

## E11-16 Recording and reporting current liabilities

Worldly Publishing completed the following transactions during 2016:

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- Oct. 1 Sold a six-month subscription (starting on November 1), collecting cash of \$450, plus sales tax of 6%.
- Nov. 15 Remitted (paid) the sales tax to the state of Tennessee.
- Dec. 31 Made the necessary adjustment at year-end to record the amount of subscription revenue earned during the year.
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Journalize the transactions (explanations are not required).

Date	Accounts and Explanation	Debit	Credit
2016 Oct. 1	Cash Unearned Revenue Sales Tax Payable ( $\$450 \times 6\%$ ) <i>To record unearned revenue and the related sales tax.</i>	477	450 27
Nov. 15	Sales Tax Payable Cash <i>To record cash payment for sales tax payable.</i>	27	27
Dec. 31	Unearned Revenue Subscription Revenue <i>To record subscription revenue earned that was collected in advance. <math>\\$450 \times 2/6</math>.</i>	150	150

**Learning Objective 2**

**E11-20 Recording employee and employer payroll taxes**

District Company had the following partially completed payroll register:

2. Salaries & Wages Payable  
\$17,060.10

Earnings			Withholdings					Salaries and Wages Expense			
Beginning Cumulative Earnings	Current Period Earnings	Ending Cumulative Earnings	OASDI	Medicare	Income Tax	Health Insurance	United Way	Total Withholdings	Net Pay	Check No.	Wages Expense
\$ 83,000	\$ 4,300				\$ 860	\$ 86	\$ 20			801	
110,900	7,800				1,560	156	15			802	
37,000	2,100				420	42	0			803	
60,500	4,500				900	90	35			804	
0	5,500				1,100	110	0			805	
\$ 291,400	\$ 24,200				\$ 4,840	\$ 484	\$ 70				

**Requirements**

1. Complete the payroll register.
2. Journalize District's wages expense accrual for the current pay period.
3. Journalize District's expenses for employer payroll taxes for the current pay period.

**FICA = 6.2% for first \$117,000**

**Medicare = 1.45% for first \$200,000, then 2.35%**

**FUTA = 5.4% SUTA = .6%**

**E11-20**  
**Requirement 1**

Beginning Cumulative Earnings	Earnings		Withholdings						Net Pay	Check No.	Salaries and Wages Expense
	Current Period Earnings	Ending Cumulative Earnings	OASDI	Medicare	Income Tax	Health Insurance	United Way	Total Withholdings			
\$ 83,000.00	\$ 4,300.00	\$ 87,300.00	\$ 266.60	\$ 62.35	\$ 860.00	\$ 86.00	\$ 20.00	\$ 1,294.95	\$ 3,005.05	801	\$ 4,300.00
110,900.00	7,800.00	118,700.00	378.20	113.10	1,560.00	156.00	15.00	2,222.30	5,577.70	802	7,800.00
37,000.00	2,100.00	39,100.00	130.20	30.45	420.00	42.00	0.00	622.65	1,477.35	803	2,100.00
60,500.00	4,500.00	65,000.00	279.00	65.25	900.00	90.00	35.00	1,369.25	3,130.75	804	4,500.00
0	5,500.00	5,500.00	341.00	79.75	1,100.00	110.00	0.00	1,630.75	3,869.25	805	5,500.00
\$ 291,400.00	\$ 24,200.00	\$ 315,600.00	\$ 1,395.00	\$ 350.90	\$ 4,840.00	\$ 484.00	\$ 70.00	\$ 7,139.90	\$ 17,060.10		\$ 24,200.00

See next page.

Requirement 2

Date	Accounts and Explanation	Debit	Credit
	Salaries and Wages Expense	24,200.00	
	Employee Income Taxes Payable		4,840.00
	FICA—OASDI Taxes Payable*		1,395.00
	FICA—Medicare Taxes Payable		350.90
	Health Insurance Payable		484.00
	United Way Payable		70.00
	Salaries and Wages Payable		17,060.10
	<i>To record salaries and wages expense and payroll withholdings.</i>		

\*Calculation of tax for OASDI

Employee earnings subject to tax	\$ 117,000.00
Employee earnings prior to the current month	– 110,900.00
Current pay subject to tax	\$ 6,100.00
Tax rate	× 0.062
Employer tax	\$ 378.20
All others (\$24,200 – \$7,800) × 6.2%	1,016.80
	\$ 1,395.00

Requirement 3

Date	Accounts and Explanation	Debit	Credit
	Payroll Tax Expense	2,075.90	
	FICA—OASDI Taxes Payable *		1,395.00
	FICA—Medicare Taxes Payable (1.45% × \$24,200)		350.90
	Federal Unemployment Taxes Payable (0.6% × \$5,500 (first \$7,000 only))		33.00
	State Unemployment Taxes Payable (5.4% × \$5,500 (first \$7,000 only))		297.00
	<i>To record employer's payroll tax expense.</i>		

**E11-20, cont.**  
**Requirement 2**

<b>Date</b>	<b>Accounts and Explanation</b>	<b>Debit</b>	<b>Credit</b>
	Salaries and Wages Expense	19,200.00	
	Employee Income Taxes Payable		3,840.00
	FICA—OASDI Taxes Payable		726.60
	FICA—Medicare Taxes Payable		278.40
	Health Insurance Payable		355.00
	United Way Payable		20.00
	Salaries and Wages Payable		13,980.00
	<i>To record salaries and wages expense and payroll withholdings.</i>		

**Requirement 3**

<b>Date</b>	<b>Accounts and Explanation</b>	<b>Debit</b>	<b>Credit</b>
	Payroll Tax Expense	1,475.00	
	FICA—OASDI Taxes Payable *		1,072.60
	FICA—Medicare Taxes Payable (1.45% × \$19,200)		278.40
	Federal Unemployment Taxes Payable (0.6% × \$2,000 (first \$7,000 only))		12.00
	State Unemployment Taxes Payable (5.6% × \$2,000 (first \$7,000 only))		112.00
	<i>To record employer's payroll tax expense.</i>		

\*Calculation of tax for OASDI

Employee earnings subject to tax	\$ 110,100
Employee earnings prior to the current month	– 105,000
Current pay subject to tax	<u>\$ 5,100</u>
Tax rate	× 0.062
Employer tax	<u>\$ 316.20</u>
All others (\$19,200 – \$7,000) × 6.2%	<u>756.40</u>
	<u><u>\$ 1,072.60</u></u>