Go Figure...

GROSS EARNINGS AND OVERTIME

Example: Kelly worked 43 hours this week. If her regular hourly wage is $7.40, and her overtime wage is $11.10, what are her gross earnings for the week?

Formula: $\left(\begin{matrix}\text{Hourly}\\ \text{Rate}\end{matrix} \times \begin{matrix}\text{Regular}\\ \text{Hours}\end{matrix}\right) + \left(\begin{matrix}\text{Overtime}\\ \text{Rate}\end{matrix} \times \begin{matrix}\text{Overtime}\\ \text{Hours}\end{matrix}\right) = \text{Gross Earnings}$

Solution:

($7.40	× 40)	+ ($11.10 × 3)	= Gross Earnings
$296		+ $33.30	= $329.30

Kelly's gross earnings for the week are $329.30.

Figure 19.1

Internal Revenue Service Tax Table

SINGLE Persons—**WEEKLY** Payroll Period

If the wages are		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
125	130	11	4	0	0	0	0	0	0	0	0	0
130	135	12	5	0	0	0	0	0	0	0	0	0
135	140	13	5	0	0	0	0	0	0	0	0	0
140	145	14	6	0	0	0	0	0	0	0	0	0
145	150	14	7	0	0	0	0	0	0	0	0	0
150	155	15	8	0	0	0	0	0	0	0	0	0
155	160	16	8	1	0	0	0	0	0	0	0	0
160	165	17	9	1	0	0	0	0	0	0	0	0
165	170	17	10	2	0	0	0	0	0	0	0	0
170	175	18	11	3	0	0	0	0	0	0	0	0
175	180	19	11	4	0	0	0	0	0	0	0	0
180	185	20	12	4	0	0	0	0	0	0	0	0
185	190	20	13	5	0	0	0	0	0	0	0	0
190	195	21	14	6	0	0	0	0	0	0	0	0
195	200	22	14	7	0	0	0	0	0	0	0	0
200	210	23	15	8	0	0	0	0	0	0	0	0
210	220	25	17	9	2	0	0	0	0	0	0	0
220	230	26	18	11	3	0	0	0	0	0	0	0
230	240	28	20	12	5	0	0	0	0	0	0	0
240	250	29	21	14	6	0	0	0	0	0	0	0
250	260	31	23	15	8	0	0	0	0	0	0	0
260	270	32	24	17	9	2	0	0	0	0	0	0
270	280	34	26	18	11	3	0	0	0	0	0	0
280	290	35	27	20	12	5	0	0	0	0	0	0
290	300	37	29	21	14	6	0	0	0	0	0	0
300	310	38	30	23	15	8	0	0	0	0	0	0
310	320	40	32	24	17	9	1	0	0	0	0	0
320	330	41	33	26	18	11	3	0	0	0	0	0
330	340	43	35	27	20	12	4	0	0	0	0	0
340	350	44	36	29	21	14	6	0	0	0	0	0

PAYING UNCLE SAM

Depending on the number of allowances you claim, your employer will withhold a certain amount from your paycheck each pay period for federal income tax. ***What is the purpose of withholding this money?***

Go Figure...

FICA DEDUCTION

Example: What is the FICA deduction for Alex Calligros if his gross earnings for the week are $380?

Formula:

$$\left(\begin{matrix}\text{Gross}\\ \text{Earnings}\end{matrix} \times \begin{matrix}\text{Social}\\ \text{Security}\\ \text{Tax}\end{matrix}\right) + \left(\begin{matrix}\text{Gross}\\ \text{Earnings}\end{matrix} \times \begin{matrix}\text{Medicare}\\ \text{Tax}\end{matrix}\right) = \text{FICA Deduction}$$

Solution:

$$(\$380 \times 6.2\%) + (\$380 \times 1.45\%) = \text{FICA Deduction}$$
$$\$23.56 + \$5.51 = \$29.07$$

The amount deducted from Alex's paycheck for FICA taxes is $29.07.

Figure 19.2

Completed Payroll Register for Ezra's Sport Clothes

PAYROLL REGISTER

PAY PERIOD ENDING May 18 20 -- DATE OF PAYMENT May 18

	EMPLOYEE NUMBER	NAME	MAR. STATUS	ALLOW.	TOTAL HOURS	RATE	EARNINGS			DEDUCTIONS						NET PAY	CK. NO.	
							REGULAR	OVERTIME	TOTAL	SOC. SEC. TAX	MED. TAX	FED. INC. TAX	STATE INC. TAX	HOSP. INS.	UNION DUES	TOTAL		
1	3	Drummond, R.	S	0	37	7.80	288 60		288 60	17 89	4 18	35 00	5 77		5 00	67 84	220 76	186	1
2	7	Feld, D.	M	2	41	7.40	296 00	11 10	307 10	19 04	4 45	14 00	6 14	12 00		55 63	251 47	187	2
3	4	Monsalves, D.	S	0	33	8.10	267 30		267 30	16 57	3 88	32 00	5 35	7 00		64 80	202 50	188	3
4	9	Simon, J.	S	1	28	7.40	207 20		207 20	12 85	3 00	15 00	4 14		5 00	39 99	167 21	189	4
5	11	Turner, J.	S	0	42	8.20	328 00	24 60	352 60	21 86	5 11	52 00	7 05	7 00	5 00	98 02	254 58	190	5
6	6	Wyman, B.	M	2	39	7.60	296 40		296 40	18 38	4 30	14 00	5 93	12 00		54 61	241 79	191	6
24																			24
25																			25
		TOTALS					1683 50	35 70	1719 20	106 59	24 92	162 00	34 38	38 00	15 00	380 89	1338 31		

PREPARING PAYROLL

A payroll register summarizes information on employee earnings and deductions for each pay period. ***What other information is recorded on the register?***

Figure 19.3

Completed Payroll Check and Stub

Ezra's Sport Clothes 186
155 Gateway Blvd.
Sacramento, CA 94230

91-182
1721

Date May 18 *20* --

Pay to the Order of Ryan Drummond $ 220.76

Two hundred twenty dollars and 76/100 *Dollars*

American National Bank
SACRAMENTO, CALIFORNIA

Agnes Werman

172109182 085 015 1189064 186

Employee Pay Statement 186
Detach and retain this statement.

Period Ending	Earnings			Deductions							Net Pay
	Regular	Overtime	Total	Social Security Tax	Med. Tax	Federal Income Tax	State Income Tax	Hosp. Ins.	Union Dues	Total	
5/18	288.60		288.60	17.89	4.18	35.00	5.77	–	5.00	67.84	220.76

PAYDAY

The amount on each payroll check—often called "take-home pay"—should equal the net pay listed for each employee on the payroll register. ***What were Ryan Drummond's gross earnings for the period ending May 18? What was his net pay?***

Go Figure...

UNEMPLOYMENT TAXES

Example: The total gross earnings of Prairie Pet Store are $3,000 for the pay period. None of the employees has reached the maximum taxable amount. How much money must the owner pay to the federal and state governments, based on the unemployment tax rates for 2000?

Formula:

$$\left(\begin{matrix}\text{Total}\\ \text{Gross}\\ \text{Earnings}\end{matrix} \times \begin{matrix}\text{Federal}\\ \text{Tax}\\ \text{Rate}\end{matrix}\right) + \left(\begin{matrix}\text{Total}\\ \text{Gross}\\ \text{Earnings}\end{matrix} \times \begin{matrix}\text{State}\\ \text{Tax}\\ \text{Rate}\end{matrix}\right) = \begin{matrix}\text{Total}\\ \text{Unemployment}\\ \text{Taxes}\end{matrix}$$

Solution:

$$(\$3{,}000 \times 0.8\%) + (\$3{,}000 \times 5.4\%) = \begin{matrix}\text{Total}\\ \text{Unemployment}\\ \text{Taxes}\end{matrix}$$

$$\$24 + \$162 = \$186$$

Prairie Pet Store will have to pay $24 to the federal government and $162 to the state government for a total of $186.

Figure 19.5

Computer Printout from a Perpetual Inventory System

Wilton Outdoor Center
DAILY INVENTORY REPORT
Department 47
October 13, 20--

Stock No.	Item	Unit	Quality	Unit Cost	Total Value
7651	Kilmer Rods	Each	8	$31.80	$254.40
7560	Tyon Rods	Each	12	36.40	436.80
7762	Peterson Rods	Each	11	29.75	327.25
7785	K & R Rods	Each	6	26.30	157.80
7208	Weber Reels	Each	5	35.20	176.00
7338	Pro Reels	Each	8	41.40	331.20
7193	Artcraft Reels	Each	4	47.10	188.40
7525	#7 Fishing Hook	Box	26	4.86	126.36
7937	#9 Fishing Hook	Box	31	5.24	162.44
	Total				$2,160.65

WHAT'S IN STOCK?

A perpetual inventory system allows you to update inventory records every time an item is sold. ***How many Peterson rods and Weber reels did the Wilton Outdoor Center have in stock as of October 13?***

Go Figure... AVERAGE INVENTORY

Example: Cindy's Fine China had an inventory valued at $65,000 as of January 1, 2002, and an inventory valued at $80,000 as of December 31, 2002. What was the store's average inventory for 2002?

Formula:

$$\frac{\text{Value of Beginning Inventory} + \text{Value of Ending Inventory}}{2} = \text{Average Inventory}$$

Solution:

$$\frac{\$65{,}000 + \$80{,}000}{2} = \$72{,}500$$

The store's average inventory for 2002 was $72,500.

Go Figure... NUMBER OF DAYS IN STOCK

Example: The inventory turnover for Cindy's Fine China was 2.76 in 2002 and 3.25 in 2001. How many days did the merchandise remain in stock each year?

Formula:

$$\frac{365 \text{ Days}}{\text{Turnover Rate}} = \text{Number of Days in Stock}$$

Solution:

$\frac{365}{2.76}$ = about 132 days $\qquad$ $\frac{365}{3.25}$ = about 112 days

Merchandise remained in stock for about 132 days in 2002 and about 112 days in 2001.

Go Figure...

NUMBER OF DAYS IN STOCK

Example: The inventory turnover for Cindy's Fine China was 2.76 in 2002 and 3.25 in 2001. How many days did the merchandise remain in stock each year?

Formula: $\frac{\text{365 Days}}{\text{Turnover Rate}} = \text{Number of Days in Stock}$

Solution: $\frac{365}{2.76} = \text{about 132 days}$ $\frac{365}{3.25} = \text{about 112 days}$

Merchandise remained in stock for about 132 days in 2002 and about 112 days in 2001.

Your Financial Portfolio

Keeping Track of Inventory

Janine is helping with inventory at her mother's jewelry store, The Silver Parrot. She's been working on birthstone pendants. After she counted them, she looked up how many were on order. Then she filled in the number to order, based on the guideline of always keeping at least five in stock.

Description	Number in Stock	Number on Order	Number to Order
January	2	3	0
February	5	0	0
March	0	3	2
April	0	3	2
May	1	3	1
June	4	3	0
July	3	3	0
August	3	0	2
September	2	0	3
October	4	0	1
November	2	3	0
December	1	3	1

Calculate Before the new product were ordered, Janine's mother decides to change the guideline to always keep 15 of each pendant in stock, rather than five. In your workbook or on a separate sheet of paper, calculate how many additional birthstone pendants Janine should order.