DeZigns Inc

Jack Cooper starts his own graphic design company that services primarily the CD and novelty t-shirt market. Besides himself, he has five other employees. He is trying to put together a plan for the next five years so that he can better evaluate where he is now versus his original business plan. Your task is not only to prepare his current period payroll, but to also analyze his payroll costs and plan for the future.

You will prepare the payroll for the current pay period, Jan. 1 – Jan 15 (to be paid on Jan. 19), and prepare the two journal entries necessary. Use the following information:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Emp.  No. | Employee | MS | WH | Salary  (Annual) | Hourly | Commission %  Of Contract $ | Benefits | Position |
| 1 | Jack Cooper | M | 2 | $70,000 |  | 6 | Family | President |
| 2 | Joel Almonte | S | 0 | 52,000 |  |  | Single | Accounting Manager |
| 3 | Gwen Shaeffer | M | 0 | 40,000 |  | 4 | Family | Marketing |
| 4 | Chris Bowdy | S | 1 | 52,000 |  |  | Single | Designer |
| 5 | Justin Lynch | S | 0 | 50,000 |  |  | Single | Designer |
| 6 | Cammy Johnson | M | 3 |  | 15.00 |  | Declined | Mail/Copy Clerk |

* The pay period is bi-weekly
* Employees contribute 15% of the annual premium (Annual Family Premium=$11,235 and Annual Single Premium=$9,600; declined indicates that employee has alternative source of benefits, such as spouse)
* Tax rates: Social Security=6.5%, Medicare=1.5%, Federal Unemployment-.8% and State Unemployment=5.4%
* Use the tax tables provided
* Contract commissions are paid quarterly based on contracts signed, figured at the end of each quarter
* Cammy worked 92 hours during this period; standard overtime rates apply when hours exceed 80
* The company uses a Salaries & Wages expense account for the gross payroll.
* DeZigns, Inc. deposits the amount of net pay into a special account used specifically for the payroll.

INSTRUCTIONS

1. Complete the payroll register. Round all amounts to the nearest whole dollar.
2. Journalize the entries on page 12 of the journal provided:

* to pay the payroll, C112
* to recognize the employer payroll taxes, M31

1. Answer the following:
2. Cammy’s hours are typical for the last six months. Should Jack consider hiring a part-time clerk for the mail room?
3. What is the total EXPENSE to the company for the payroll this period?
4. Health benefits are expected to rise by 14 percent for next year. How much additional expense will this mean to the company?
5. In order to follow the matching principle, how much should Jack recognize as additional expense for this part of the quarter’s commissions based on $61,000 of signed contracts for Jack thus far and $37,000 of contracts for Gwen? What would the journal entry look like? Use M32. (Remember: It is only January and commissions are paid in March)