

# Century 21 Southwestern Accounting

## Answers Chapter 14

<b>chapter</b> <b>1</b> <b>TEST A</b>	Name <u>Keri Mason</u>	Perfect Score	Your Score
	Defining Accounting Terms	22 Pts.	
	Analyzing Accounting Practices	15 Pts.	
	Determining How Transactions Change an Accounting Equation	48 Pts.	
	Determining How Transactions Change an Accounting Equation	40 Pts.	
	<b>Total</b>	<b>125 Pts.</b>	

### Part One—Defining Accounting Terms

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Column I	Column II	Answers
<input checked="" type="checkbox"/> A. account	1. The use of ethics in making business decisions.	1. <u>I</u>
<input checked="" type="checkbox"/> B. account balance	2. Planning, recording, analyzing, and interpreting financial information.	2. <u>D</u>
<input checked="" type="checkbox"/> C. account title	3. An equation showing the relationship among assets, liabilities, and owner's equity.	3. <u>E</u>
<input checked="" type="checkbox"/> D. accounting	4. A business activity that changes assets, liabilities, or owner's equity.	4. <u>U</u>
<input checked="" type="checkbox"/> E. accounting equation	5. A planned process for providing financial information that will be useful to management.	5. <u>G</u>
<input checked="" type="checkbox"/> F. accounting records	6. The amount in an account.	6. <u>B</u>
<input checked="" type="checkbox"/> G. accounting system	7. The account used to summarize the owner's equity in the business.	7. <u>J</u>
<input checked="" type="checkbox"/> H. asset	8. The amount remaining after the value of all liabilities is subtracted from the value of all assets.	8. <u>P</u>
<input checked="" type="checkbox"/> I. business ethics	9. A record summarizing all the information pertaining to a single item in the accounting equation.	9. <u>A</u>
<input checked="" type="checkbox"/> J. capital	10. Organized summaries of a business's financial activities.	10. <u>F</u>
<input checked="" type="checkbox"/> K. equities	11. Anything of value that is owned.	11. <u>H</u>
<input checked="" type="checkbox"/> L. ethics	12. A sale for which cash will be received at a later date.	12. <u>S</u>
<input checked="" type="checkbox"/> M. expense	13. Assets taken out of a business for the owner's personal use.	13. <u>V</u>
<input checked="" type="checkbox"/> N. financial statements	14. An increase in owner's equity resulting from the operation of a business.	14. <u>R</u>
<input checked="" type="checkbox"/> O. liability	15. A business owned by one person.	15. <u>Q</u>
<input checked="" type="checkbox"/> P. owner's equity	16. Financial rights to the assets of a business.	16. <u>K</u>
<input checked="" type="checkbox"/> Q. proprietorship	17. A business that performs an activity for a fee.	17. <u>T</u>
<input checked="" type="checkbox"/> R. revenue	18. The principles of right and wrong that guide an individual in making decisions.	18. <u>L</u>
<input checked="" type="checkbox"/> S. sale on account	19. Financial reports that summarize the financial conditions and operations of a business.	19. <u>N</u>
<input checked="" type="checkbox"/> T. service business	20. An amount owed by a business.	20. <u>O</u>
<input checked="" type="checkbox"/> U. transaction	21. The name given to an account.	21. <u>C</u>
<input checked="" type="checkbox"/> V. withdrawals	22. A decrease in owner's equity resulting from the operation of a business.	22. <u>M</u>

## Century 21 Southwestern Accounting Answers Chapter 14

Chapter 14 of the Century 21 Southwestern Accounting textbook delves into essential concepts related to payroll accounting and the intricacies of payroll systems. As businesses grow and their employee base expands, understanding payroll becomes crucial not only for compliance but also for maintaining employee satisfaction and operational efficiency. This chapter provides numerous scenarios and problems that help students grasp the importance of accurate payroll processing and the intricacies involved in it.

# Overview of Payroll Accounting

Payroll accounting is the process of managing and recording employee compensation, including wages, bonuses, and deductions. It encompasses a variety of tasks that ensure employees are paid accurately and on time while complying with legal obligations.

## Key Components of Payroll Accounting

1. **Gross Pay:** The total amount earned by an employee before any deductions are made. This includes base salary, overtime pay, bonuses, and commissions.
2. **Deductions:** These are amounts subtracted from an employee's gross pay. Deductions can be mandatory, such as federal and state taxes, or voluntary, such as retirement contributions or insurance premiums.
3. **Net Pay:** The amount that an employee receives after all deductions have been made. This is often referred to as "take-home pay."
4. **Payroll Taxes:** Employers are responsible for withholding taxes from employees' paychecks and matching certain taxes, such as Social Security and Medicare.
5. **Payroll Records:** Accurate record-keeping is essential for tracking hours worked, wages earned, and deductions made. This documentation is vital for audits and tax reporting.

## The Payroll Process

Understanding the payroll process is fundamental to mastering payroll accounting. The following steps outline the typical payroll process:

1. **Employee Setup:** Collecting necessary information from employees, including tax forms (like W-4), and setting up payroll profiles in the accounting system.
2. **Time Tracking:** Accurately recording the hours worked by hourly employees or the salary for salaried employees. This can be done through timecards, electronic timekeeping systems, or other methods.
3. **Calculating Gross Pay:** For hourly employees, multiply the number of hours worked by the hourly wage. For salaried employees, determine the salary for the pay period.
4. **Calculating Deductions:** Determine the various deductions that will apply to each employee's gross pay, including federal and state taxes, Social Security, Medicare, and any voluntary deductions.
5. **Calculating Net Pay:** Subtract total deductions from gross pay to arrive at net pay.
6. **Issuing Paychecks:** Paychecks can be issued in various forms, including direct deposit, paper checks, or pay cards.

7. Payroll Reporting: Employers must prepare and file various reports related to payroll, including quarterly and annual tax forms, and maintain accurate records for each employee.

## **Common Payroll Problems and Solutions**

Chapter 14 presents a variety of scenarios and problems that students must solve to understand payroll accounting better. Here are some common problems that may arise, along with potential solutions:

### **1. Incorrect Time Records**

- Problem: An employee reports incorrect hours worked, leading to overpayment or underpayment.
- Solution: Implement a robust timekeeping system, and regularly review time records with employees to ensure accuracy.

### **2. Miscalculation of Deductions**

- Problem: Deductions are incorrectly calculated, resulting in issues with employee tax filings.
- Solution: Utilize payroll software that automatically updates tax rates, and regularly train staff on current tax laws and regulations.

### **3. Compliance Issues**

- Problem: Failing to comply with federal or state payroll regulations can lead to fines and penalties.
- Solution: Stay informed on payroll regulations and consider consulting with a payroll specialist to ensure compliance.

## **Payroll Accounting Tools and Software**

Technology plays a significant role in modern payroll accounting. Various tools and software solutions streamline the payroll process, enhance accuracy, and reduce the administrative burden.

### **Popular Payroll Software Features**

1. Automated Calculations: Most payroll software can automatically calculate gross pay, deductions, and net pay, significantly reducing the risk of human error.
2. Tax Compliance: Quality payroll software updates tax rates regularly and helps ensure compliance with federal and state payroll regulations.

3. **Employee Self-Service:** Many systems allow employees to access their pay stubs, tax forms, and update personal information, enhancing transparency and reducing administrative requests.
4. **Reporting Capabilities:** Comprehensive reporting features help businesses track payroll expenses and generate necessary tax forms.
5. **Integration:** Many payroll systems can integrate with other business software, such as accounting systems and HR management tools.

## **Conclusion**

Chapter 14 of the Century 21 Southwestern Accounting textbook provides a foundational understanding of payroll accounting, emphasizing its importance in any business environment. The chapter outlines the critical components of payroll accounting, the payroll process, common problems, and solutions, and highlights the role of technology in managing payroll effectively.

Mastering the principles outlined in this chapter equips students with the knowledge to navigate the complexities of payroll accounting, ensuring they can contribute to the financial health of any organization. Understanding these concepts not only prepares students for their careers in accounting but also reinforces the importance of accuracy and compliance in managing payroll.

As payroll accounting continues to evolve with technological advancements, staying informed and adaptable will ensure that future accountants can meet the demands of this essential function within businesses.

## **Frequently Asked Questions**

### **What are the key concepts covered in Chapter 14 of Century 21 Southwestern Accounting?**

Chapter 14 focuses on payroll accounting, including calculating wages, withholdings, and the recording of payroll transactions.

### **How do you calculate gross pay for hourly employees in Chapter 14?**

Gross pay for hourly employees is calculated by multiplying the number of hours worked by the hourly wage rate.

### **What types of deductions are discussed in Chapter 14?**

Chapter 14 discusses mandatory deductions such as federal income tax, Social Security, Medicare, and optional deductions like retirement contributions.

### **What is the importance of payroll records as mentioned in Chapter 14?**

Payroll records are essential for maintaining accurate financial statements, complying with tax regulations, and ensuring employees are paid correctly.

## **How is net pay calculated according to Chapter 14?**

Net pay is calculated by subtracting total deductions from gross pay.

## **What is the purpose of a payroll register in Chapter 14?**

A payroll register is used to summarize payroll data for each pay period, including gross pay, deductions, and net pay for each employee.

## **What are the steps for recording payroll transactions mentioned in Chapter 14?**

The steps include calculating gross pay, determining deductions, preparing payroll checks, and recording the transactions in the journal.

## **What is included in a payroll summary report as indicated in Chapter 14?**

A payroll summary report includes total gross pay, total deductions, total net pay, and summaries of withholdings for the entire pay period.

## **How does Chapter 14 address the payroll tax liabilities?**

Chapter 14 explains how to calculate payroll tax liabilities, including employer contributions for Social Security and Medicare, and how to record them.

## **What role do employee time cards play in payroll processing as outlined in Chapter 14?**

Employee time cards are crucial for tracking hours worked, which are used to calculate gross pay and ensure accurate payroll processing.

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