CHAPTER 8: ACCOUNTING FOR PAYROLL

LEARNING OBJECTIVES:

▸ Prepare the payroll sheet to facilitate computation of salaries.

▸ Record payroll transactions

▸ Be familiar with the different payroll deductions for remittance to government workers.

▸ The employer has to collect the employers' and workers' contributions for the following government agencies namely: Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund and Bureau of Internal Revenue.

▸ Payroll is prepared to facilitate the computation of employees' salaries and workers' wages.

▸ Payroll represents the total salaries and wages paid to company's employees and workers for services rendered to the company.

▸ Payroll period is the duration of time when an employer normally pays its employees and workers their salaries and wages.

▸ A payroll sheet clearly shows the gross pay, the details of deductions form the gross pay in order to arrive at the net pay of the employees or workers.

SAMPLE PAYROLL SHEET

Employee	Gross Pay	Withholding Tax	SSS	Philhealth	Pag-IBIG	Other Deductions	Total Deductions	Net Pay

▸ Gross Pay – the remuneration of the employee for rendering services to the employer which is the amount subject to deductions.

▸ Net Pay- take home pay of the employee.

- Deductions for Withholding Tax, Social Security System (SSS) and Philhealth is based on tables provided by the government agencies.
- Paying these contributions is for the purpose of availing certain benefits.
- SSS – sickness benefits, maternity benefits, disability benefits, retirement benefits or death benefits.
- Philhealth- hospitalization benefits
- Pag- IBIG – housing loans

COMPUTATIONS

TEE NGA DENTAL LABORATORY FROM AUGUST 16 – 31, 2014

Employee	Gross Pay	Withholding Tax	SSS	Philhealth	Pag-IBIG	Total Deductions	Net Pay
Irene Cheng	5, 600	486.01	183.30	62.50	100	831.81	4,768.19
Christina Litam	5,000	371.73	166.70	62.50	100	700.93	4,299.07
Jocelyn Ting	5,500	399.61	183.30	62.50	100	745.41	4,754.59
Nancy Ting	5,700	572.21	183.30	62.50	100	918.01	4,781.99
James Uy	5,000	217.24	166.70	62.50	100	546..44	4,453.56
	26,800	2,046.80	883.30	312.50	500	3,742.60	23,057.40

JOURNAL ENTRY FOR THE PAYROLL

Aug 31 Salaries Expense   26, 800

                SSS Contributions Payable   883.30

                Philhealth Contributions Payable   312.50

                Pag-IBIG Contributions Payable   500

                Withholding Taxes Payable   2,046.80

                Cash on Hand   23,057.40

        To record payroll for the period

EMPLOYER'S SHARE FOR THE PAYROLL PERIOD AUGUST 16– 31, 2014

EMPLOYEE	SSS	PHILHEALTH	EC	PAG- IBIG	TOTAL
Irene Cheng	388.70	62.50	10	100	561.20
Christina Litam	353.30	62.50	10	100	525.80
Jocelyn Ting	388.70	62.50	10	100	561.20
Nancy Ting	388.70	62.50	10	100	561.20
James Uy	353.30	62.50	10	100	525.80
	1,872.70	**312.50**	**50**	**500**	**2,735.20**

JOURNAL ENTRY FOR THE EMPLOYER'S SHARE

Aug 31 SSS Contributions Expense   1, 872.70

       EC Contributions Expense   50

       Philhealth Contributions Expense 312.50

       Pag-IBIG Contributions Expense   500

            SSS Contributions Payable   1,872.70

            EC Contributions Payable   50

            Philhealth Contributions Payable 312.50

            Pag- IBIG Contributions Payable 500

     To record employer's share

AFTER COLLECTION, IT WILL BE REMITTED TO THE GOVERNMENT AGENCIES

Sept 5	SSS Premiums Payable	2, 756	
	EC Premiums Payable	50	
	Cash in Bank		2,806
	Remitted SSS and EC contributions		
5	Philhealth Contributions Payable	625	
	Cash in Bank		625
	Remitted Philhealth Contributions		

Sept 10	Withholding Taxes Payable	2, 046.80	
	Cash in Bank		2,046.80
	Remitted withholding taxes		
11	Pag-IBIG Contributions Payable	1,000	
	Cash in Bank		1,000
	Remitted Pag-IBIG Contributions		

EXERCISE 1: WRITE THE JOURNAL ENTRIES

The monthly payroll of Blue Ribbon Cakes for January showed total salaries of P40, 000. The following were withheld from the employees' salaries: SSS-P1,333.50; Philhealth – P500; Pag-IBIG- P800; and Withholding Taxxes- P3,032.10. Employer's share consisted of the following: SSS – P2,826.50; EC-P50; Philhealth- P500; Pag-IBIG- P800. From the given facts, record the journal entries.