

Comprehensive Projects— QuickBooks Versions



These comprehensive projects are designed to be completed electronically, through the use of Intuit QuickBooks. For more information about installing QuickBooks 2019 trial software, refer to the installation guide at: lablearning.com/qb-install

After examining the annual payroll process, it is important to practice using the skills you've learned. In this chapter, two payroll-related projects are provided. The first project focuses on Ellipses Corp. For this company you will complete all payroll-related tasks for the month of December and will then finalize all year-end reporting. The second project focuses on Ampersand, Inc. For this company you will complete all payroll-related tasks for the 4th quarter of the year, after which you will finalize all year-end payroll reporting. You will utilize QuickBooks accounting software to complete all necessary forms and schedules for these projects.

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In order to complete the exercises in this chapter, you must use QuickBooks Pro 2019. To activate a 140-day trial of the software that will allow you to work with sample company files, see the instructions on the inside front cover of this book or on the documentation provided to you when you purchased your ebook.

One-Month Project

NOTE! Templates needed to complete these exercises are included in the Student Exercise Files download for this course. Within that download you'll also find the "Using QuickBooks for Payroll" file. Be sure to review that file and complete the instructions prior to beginning this project.

Ellipses Corp. is a small business that operates in Herndon, VA. The company is located at 10 Period Lane, Herndon, VA 20170. Its federal identification number is 77-7777777, its state identification number is 12-345678999F-012, its state unemployment number is 1234567890, and its president, who signs all tax forms, is John Parker (telephone #571-555-0073). The company does not wish to name a third-party designee on forms. Within QuickBooks the industry associated with the company is *General Business Service* and the business type is *Corporation*. Ellipses Corp. is on a weekly payroll schedule.

During 2019 four individuals are employed by Ellipses Corp. These employees are as follows:

Name	Address	Social Security #	Federal W/H Allowances	State W/H Allowances	Marital Status
Hunter Cranston	85 Southern Road Herndon, VA 20170	111-11-1111	2	2	Married
Allison Harrison	203A Pine Court Herndon, VA 20170	777-77-7777	4	3	Married
John Parker	212 Tradition Lane Herndon, VA 20170	444-44-4444	1	1	Single
Pierre Sternberg	41 Seward Boulevard Herndon, VA 20170	333-33-3333	2	2	Married

Note that Pierre Sternberg was hired in November, and his first day of work was Monday, November 18, 2019. Additionally, due to an economic downturn, Allison Harrison was laid off in mid-December, with her last day of work on Friday, December 20.

All employees of Ellipses Corp. work a regular 40-hour workweek (thus all hours worked over 40 in a given week are overtime hours), receive overtime pay at a rate of 1.5 times the regular wage rate, and are paid weekly on Monday for the previous week (which runs from Saturday through Friday, although employees never work on weekends). The SUTA tax rate applicable to Ellipses Corp. is 2.53%, while the SUTA wage base in Virginia is \$8,000. Note that QuickBooks defaults to a Social Security wage base of \$127,200 in the Ellipses Corp. company file. Although this amount differs from the 2019 wage base, please utilize this amount when completing the payroll cycle.

Earnings and voluntary deduction information for each of the four employees is as follows:

Name	Regular Wage Rate	Annual Salary	Weekly 401(k) Deduction	Weekly Charitable Contribution
Hunter Cranston	\$18/hour	N/A	6% of gross pay	\$5
Allison Harrison	\$24/hour	N/A	5% of gross pay	\$5
John Parker	N/A	\$205,400	N/A	\$25
Pierre Sternberg	N/A	\$111,800	10% of gross pay	N/A

The first 11 months of the year have passed, and all payroll-related activity has been properly accounted for as of 11/30/2019. Note that retirement deductions are made in association with the Williams Insurance Agency. Payroll data for each of the four employees for the first three quarters of the year, as well as for the months of October and November, is as follows:

Hunter Cranston

Period	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$9,360	\$455	\$439.92	\$580.32	\$135.72	\$561.60	\$65
2nd quarter	\$9,360	\$455	\$439.92	\$580.32	\$135.72	\$561.60	\$65
3rd quarter	\$9,360	\$455	\$439.92	\$580.32	\$135.72	\$561.60	\$65
October	\$3,600	\$175	\$169.20	\$223.20	\$52.20	\$216	\$25
November	\$3,123	\$128	\$146.78	\$193.63	\$45.28	\$187.38	\$20

Allison Harrison

Period	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$12,480	\$624	\$592.80	\$773.76	\$180.96	\$624	\$65
2nd quarter	\$12,480	\$624	\$592.80	\$773.76	\$180.96	\$624	\$65
3rd quarter	\$12,480	\$624	\$592.80	\$773.76	\$180.96	\$624	\$65
October	\$4,800	\$240	\$228	\$297.60	\$69.60	\$240	\$25
November	\$4,164	\$163	\$197.79	\$258.17	\$60.38	\$208.20	\$20

John Parker

Period	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$51,350	\$12,308.57	\$2,567.50	\$3,183.70	\$744.58	\$0	\$325
2nd quarter	\$51,350	\$12,308.57	\$2,567.50	\$3,183.70	\$744.58	\$0	\$325
3rd quarter	\$51,350	\$12,308.57	\$2,567.50	\$1,519	\$744.58	\$0	\$325
October	\$19,750	\$4,734.24	\$987.50	\$0	\$286.38	\$0	\$125
November	\$15,800	\$3,787.24	\$790	\$0	\$229.10	\$0	\$100

Pierre Sternberg

Period	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2nd quarter	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3rd quarter	\$0	\$0	\$0	\$0	\$0	\$0	\$0
October	\$0	\$0	\$0	\$0	\$0	\$0	\$0
November	\$2,150	\$185.53	\$96.75	\$133.30	\$31.18	\$215	\$0

Note that all tax payments and filings are made on the due date and that the company is a monthly depositor. Based on the data provided here, you will complete the following:

1. Within QuickBooks, process payroll for December for each of the four employees. When calculating federal income tax withholding, use the withholding tables where possible, and refer to the percentage method only when necessary. Additionally, for simplicity, calculate the state income tax withholding as 5% of each employee's taxable pay (which is the same as taxable pay for FWT). Recall that state income tax withholding would ordinarily be calculated using the applicable state's withholding tables. Note that as of December 7, Hunter Cranston requests that his federal withholding allowances increase from two to three. (Ellipses Corp. makes this change.) Payroll checks are remitted to the employees in the same order (Cranston, Harrison, Parker, Sternberg) each pay period and are written from a bank account that is used solely for these payments. The dates for the first pay period you enter may need to be changed. This bank account has been established within QuickBooks to reflect a balance of \$500,000 as of January 1, 2019. The first payroll check written in December is check #735.

Employees may be subject to Additional Medicare Tax. Watch cumulative pay and calculate when applicable. This is necessary because you do not have a purchased payroll subscription. Note that all charitable contributions are remitted to the organizations on the final day of each month. The following information will be required for the processing of payroll for the two employees who are compensated with an hourly wage:

Weekly Hours Worked

Weekly Start Date	Hunter Cranston	Allison Harrison
November 30	40	41
December 7	39	37
December 14	38	36
December 21	24	0

WARNING! The above dates are weekly start dates. Refer to a calendar to determine the weekly end dates and associated pay dates. Dates in QuickBooks may not be correct for the first pay period you are entering. Check them and make changes accordingly. Keep in mind that tax liability and payment amounts are determined based on the weekly pay dates.

2. Within QuickBooks, create a Payroll Report that summarizes December payroll data (in the same manner that a payroll register summarizes such data). Export the report to Microsoft Excel.
3. Within QuickBooks, create a Payroll Report that summarizes 4th quarter (October–December) payroll data. Export the report to Microsoft Excel. Then complete Form 941 for the 4th quarter. Note that based on the lookback period, the company is a monthly depositor that made timely payments throughout the entire year. Although Virginia quarterly state payroll forms are also filed by Ellipses Corp., you will not complete these.
4. Within QuickBooks, create a Payroll Report that summarizes payroll data for the entire year. Export the report to Microsoft Excel. Then complete Form 940 for Ellipses Corp. Note that 401(k) deductions are taxable for FUTA and that FUTA payments are made only when required (i.e., if the employer is permitted to postpone the payment of these taxes, it will do so until a point in time when payment must be remitted).
5. Calculate total SUTA tax owed by the employer. Although Ellipses Corp. will file state forms in which this figure is reported, you are required to calculate only the total amount owed for the year and provide it to your instructor via a Microsoft Excel file.
6. Based on the QuickBooks reports previously generated, complete Copy A of Form W-2 for each of the four employees. State wages were the same as federal wages subject to federal withholding tax for each of the four employees, and the state identification number for Ellipses Corp. was given at the beginning of the project.
7. Based on the QuickBooks reports previously generated, complete Form W-3 for Ellipses Corp. Note that the company files the paper version of the form and selects “None apply” in the *Kind of Employer* section.

Three-Month Project

NOTE! Templates needed to complete these exercises are included in the Student Exercise Files download for this course. Within that download you’ll also find the “Using QuickBooks for Payroll” file. Be sure to review that file and complete the instructions *prior* to beginning this project.

Ampersand, Inc., is a small business that operates in Somerset, VT. The company is located at 732 Appalachian Way, Somerset, VT 05363. Its federal identification number is 12-3456789, its state identification number is WHT999999999, its state unemployment number is 222 2222, and its president, who signs all tax forms, is Stacey Jones (telephone #802-555-3917). The business does not wish to name a third-party designee on forms. Within QuickBooks the industry associated with the company is *General Business Service* and the business type is *Corporation*. Ampersand, Inc., is on a weekly payroll schedule.

During 2019 four individuals are employed by Ampersand, Inc. These employees are as follows:

Name	Address	Social Security #	Federal W/H Allowances	State W/H Allowances	Marital Status
William Finnegan	7 Smith Boulevard Somerset, VT 05363	999-99-9999	2	2	Married
Maggie Hough	13 Spruce Street Somerset, VT 05363	222-22-2222	1	1	Single
Stacey Jones	8110 Browning Place Somerset, VT 05363	555-55-5555	2	1	Single
Francine Stewart	101 Park Court Somerset, VT 05363	888-88-8888	3	3	Married

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Note that Francine Stewart was hired in September, and her first day of work was Monday, September 16. Additionally, due to an economic downturn, Maggie Hough was laid off in late November, with her last day of work on Friday, November 15.

All employees of Ampersand, Inc., work a regular 40-hour workweek (thus all hours worked over 40 in a given week are overtime hours), receive overtime pay at a rate of 1.5 times the regular wage rate, and are paid weekly on Monday for the prior week (which runs from Monday through Sunday, although employees never work on weekends). The SUTA tax rate applicable to Ampersand, Inc., is 2.5%, while the SUTA wage base in Vermont is \$15,600. Note that QuickBooks defaults to a Social Security wage base of \$127,200 in the Ampersand, Inc., company file. Although this amount differs from the 2019 wage base, please utilize this amount when completing the payroll cycle.

Earnings and voluntary deduction information for each of the four employees is as follows:

Name	Regular Wage Rate	Annual Salary	Weekly 401(k) Deduction	Weekly Charitable Contribution
William Finnegan	\$20/hour	N/A	4% of gross pay	\$5
Maggie Hough	\$15/hour	N/A	5% of gross pay	\$10
Stacey Jones	N/A	\$265,044	N/A	\$15
Francine Stewart	N/A	\$94,120	10% of gross pay	N/A

The first three quarters of the year have passed, and all payroll-related activity has been properly accounted for as of 9/30/2019. Note that retirement deductions are made in association with the Franklin Insurance Agency. Quarterly payroll data for each of the four employees is as follows:

William Finnegan

Quarter	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$10,400	\$507	\$499.20	\$644.80	\$150.80	\$416	\$65
2nd quarter	\$10,400	\$507	\$499.20	\$644.80	\$150.80	\$416	\$65
3rd quarter	\$10,400	\$507	\$499.20	\$644.80	\$150.80	\$416	\$65

Maggie Hough

Quarter	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$7,800	\$611	\$370.50	\$483.60	\$113.10	\$390	\$130
2nd quarter	\$7,800	\$611	\$370.50	\$483.60	\$113.10	\$390	\$130
3rd quarter	\$7,800	\$611	\$370.50	\$483.60	\$113.10	\$390	\$130

Stacey Jones

Quarter	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$66,261	\$16,064.62	\$3,313.05	\$4,108.18	\$960.79	\$0	\$195
2nd quarter	\$66,261	\$16,064.62	\$3,313.05	\$3,778.22	\$960.79	\$0	\$195
3rd quarter	\$66,261	\$16,064.62	\$3,313.05	\$0	\$960.79	\$0	\$195

Francine Stewart

Quarter	Gross Earnings	Federal Income Tax	State Income Tax	Social Security Tax	Medicare Tax	401(k) Deduction	Charitable Cont.
1st quarter	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2nd quarter	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3rd quarter	\$1,810	\$132.79	\$81.45	\$112.22	\$26.25	\$181	\$0

Note that all tax payments and filings are made on the due date and that the company is a monthly depositor. Based on the data provided here, you will complete the following:

1. Within QuickBooks, process payroll for the 4th quarter (October through December) for each of the four employees. When calculating federal income tax withholding, use the withholding tables where possible, and refer to the percentage method only when necessary. Additionally, for simplicity, calculate the state income tax withholding as 5% of each employee's taxable pay (which is the same as taxable pay for FWT). Recall that state income tax withholding would ordinarily be calculated using the applicable state's withholding tables. Note that as of November 25, Stacey Jones requests that her federal withholding allowances decrease from two to one. (Ampersand, Inc., makes this change.) Payroll checks are remitted to the employees in the same order (Finnegan, Hough, Jones, Stewart) each pay period and are written from a bank account that is used solely for these payments. This bank account has been established within QuickBooks to reflect a balance of \$152,000 at the beginning of October. The first payroll check written in October is check #4714.

Employees may be subject to Additional Medicare Tax. Watch cumulative pay and calculate it when applicable. This is necessary because you do not have a purchased payroll subscription. Note that all charitable contributions are deemed to be remitted to the charitable organizations on the final day of each month. The following information will be required for the processing of payroll for the two employees who are compensated with an hourly wage:

Weekly Hours Worked

Weekly Start Date	William Finnegan	Maggie Hough
September 30	44	41
October 7	42	42
October 14	40	39
October 21	43	40
October 28	44.5	43.5
November 4	40	40
November 11	36	30

Weekly Start Date	William Finnegan	Maggie Hough
November 18	34.5	0
November 25	40	0
December 2	40	0
December 9	39	0
December 16	40	0
December 23	40	0

2. Within QuickBooks, create a Payroll Report that summarizes payroll for the 3rd quarter (July–September). Export this report to Microsoft Excel and complete Form 941 for the 3rd quarter. Assume that the employees earned the same amount during each pay period of the 3rd quarter and that there were five, four, and four pay periods during the months of July, August, and September, respectively. Note that based on the lookback period, the company is a monthly depositor that made timely payments throughout the entire year. Although Vermont quarterly state payroll forms are also filed by Ampersand, Inc., you will not complete these.
3. Within QuickBooks, create three Payroll Reports that summarize payroll data for each of the three months (October–December) of the 4th quarter (in the same manner that a payroll register summarizes such data). Export these three reports to Microsoft Excel.
4. Within QuickBooks, create a Payroll Report that summarizes payroll data for the 4th quarter (October–December). Export this report to Microsoft Excel. Then complete Form 941 for the 4th quarter. Note that based on the lookback period, the company is a monthly depositor that made timely payments throughout the entire year. Although Vermont quarterly state payroll forms are also filed by Ampersand, Inc., you will not complete these.
5. Within QuickBooks, create a Payroll Report that summarizes payroll data for the entire year. Export the report to Microsoft Excel. Then complete Form 940 for Ampersand, Inc. Note that 401(k) deductions are taxable for FUTA and that FUTA payments are made only when required (i.e., if the employer is permitted to postpone the payment of these taxes, it will do so until a point in time when payment must be remitted).
6. Calculate total SUTA tax owed by the employer. Although Ampersand, Inc., will file state forms in which this figure is reported, you are required to calculate only the total amount owed for the year and provide it to your instructor via a Microsoft Excel file.
7. Based on the QuickBooks reports previously generated, complete Copy A of Form W-2 for each of the four employees using the blank PDF form available in the Student Exercise Files download from the Learning Resource Center (labyrinthlab.com/lrc). State wages were the same as federal wages subject to federal withholding tax for each of the four employees, and the state identification number for Ampersand, Inc., was provided earlier in the project.
8. Based on the QuickBooks reports previously generated, complete Form W-3 for Ampersand, Inc. Note that the company files the paper version of the form and selects “None apply” in the *Kind of Employer* section.