Payroll Project Chapter 7 Answers 2020

INTRODUCTION: NAVIGATING YOUR PAYROLL PROJECT CHAPTER 7

If you are a student in an accounting, finance, or business management program, you have likely encountered the term **Payroll Project Chapter 7 Answers 2020**. This phrase often pops up in online searches when students need help completing their end-of-chapter assignments. Whether you are working through a popular textbook like *College Accounting: A Practical Approach* or a specialized payroll project workbook, Chapter 7 typically dives into the critical area of payroll taxes, employer liabilities, and the reconciliation of payroll records. In this comprehensive guide, we will not give you the exact answers from a copyrighted textbook, but we will provide a detailed breakdown of the concepts, typical problems, and step-by-step reasoning that will help you arrive at the correct solutions on your own. By understanding the underlying principles, you will be better equipped to tackle any variation of the 2020 payroll project and build a solid foundation for real-world payroll management.

Many students search for “Payroll Project Chapter 7 Answers 2020” because they want a quick fix. However, payroll is one of the most compliance-sensitive areas in business. A single miscalculation in Social Security taxes, Medicare withholdings, or federal unemployment tax can lead to penalties. This article will serve as your study companion, explaining the most common topics covered in Chapter 7 and showing you how to approach each problem logically. By the end, you should be able to confidently complete your assignment and even explain the reasoning behind each answer.

UNDERSTANDING THE SCOPE OF PAYROLL PROJECT CHAPTER 7

Chapter 7 in most payroll project textbooks focuses on the employer’s responsibilities for payroll taxes. While earlier chapters cover employee gross pay, deductions, and net pay, Chapter 7 shifts the spotlight to what the employer owes. This includes the employer’s share of FICA (Social Security and Medicare taxes), federal unemployment tax (FUTA), and state unemployment tax (SUTA). Often, the chapter also requires you to prepare journal entries to record these liabilities and the eventual payment to the government. The 2020 edition of many payroll projects incorporates the specific tax rates, wage bases, and thresholds that were in effect for that year. For example, the Social Security tax rate was 6.2% on earnings up to $137,700, and the Medicare tax rate was 1.45% on all wages (with an additional 0.9% for high earners, though that is rarely required in basic projects).

The “answers” many students look for usually involve computing these taxes correctly and then applying them to sample employees or a small company’s payroll register. You may also need to account for adjustments if the project includes year-end reconciliations or erroneous calculations from prior periods. The key is to remain systematic: list all gross wages subject to each tax, apply the correct rate, and then double-check the sum of individual employee deductions against the employer’s matching amount.

Common Topics Covered in Chapter 7 Payroll Projects (2020 Edition)

1. Employer FICA (Social Security and Medicare) Taxes

The employer must match the Social Security and Medicare taxes withheld from employees’ wages. So if an employee has $100 withheld for Social Security, the employer also owes $100. In Chapter 7, you are often given a list of employees’ taxable wages for Social Security (only up to the wage base) and for Medicare (all wages). You then calculate the employer’s share. A typical problem might ask: “Using the 2020 rates, compute the employer’s FICA tax for the following employees: Employee A earned $56,000, Employee B earned $140,000 (exceeding the Social Security base), etc.”

Key tip: For Social Security, only apply the 6.2% rate to wages up to $137,700. For Medicare, apply 1.45% to all wages. If the project states that some employees have already reached the Social Security wage limit during the year, you only tax the amount of wages that fall within the limit for that pay period.

2. Federal Unemployment Tax (FUTA)

FUTA is an employer-only tax. In 2020, the standard FUTA rate was 6.0% on the first $7,000 of each employee’s annual wages. However, employers typically receive a credit (up to 5.4%) for paying state unemployment taxes on time, resulting in an effective rate of 0.6%. Many Chapter 7 problems ask you to compute the net FUTA liability after the credit. For example, if an employer has 10 employees each earning over $7,000, the FUTA tax is 10 × $7,000 × 0.6% = $420. But if the state credit is not allowed (e.g., the state has a loan from the federal government), you may have to use the full 6.0% rate. Always check the instructions in your specific project.

3. State Unemployment Tax (SUTA)

SUTA rates vary by state, but many projects assume a given rate (e.g., 2.7% or 3.5%) on a certain wage base (often also $7,000 to $10,000). The 2020 project might provide a fictional state rate and wage base. You will compute the employer’s SUTA liability using the same logic as FUTA, but with the state-specific figures. Be careful: SUTA applies to the same first $7,000 of each employee’s wages unless the problem states otherwise. If an employee has already reached the state wage base in a prior quarter, you do not apply SUTA to additional pay.

4. Journal Entries for Payroll Taxes

After computing the taxes, you must record them in the general journal. Typical debits and credits include:

- **Debit Payroll Tax Expense** (for employer’s share of FICA, FUTA, SUTA)

- **Credit FICA Taxes Payable** (for the employer's portion)
- **Credit FUTA Taxes Payable**
- **Credit SUTA Taxes Payable**

Sometimes the project also requires you to record the employee deductions (FICA withheld, income tax withheld, etc.) separately, but Chapter 7 usually focuses on the employer side. You may also need to record the payment of these taxes later. A common test question: "Prepare the journal entry to record the employer's payroll tax expense for the week ending December 31, 2020, based on the following information."

5. Quarterly Federal Tax Return (Form 941) Preparation

Advanced Chapter 7 projects may ask you to complete a portion of Form 941. This form reconciles total wages, federal income tax withheld, Social Security and Medicare taxes (both employee and employer), and any adjustments. In 2020, there were also special pandemic-related credits (like the Employee Retention Credit), but many basic projects ignore them. For the sake of the assignment, you will simply total the amounts from earlier calculations and fill in the lines. When searching for "Payroll Project Chapter 7 Answers 2020", some students are looking for the correct numbers to plug into Form 941. However, the key is to ensure your numbers tie back to your journal entries.

HOW TO APPROACH YOUR PAYROLL PROJECT CHAPTER 7 ANSWERS (WITHOUT CHEATING)

Instead of hunting for a ready-made answer key, use these systematic steps to derive your own answers. This approach ensures that even if your textbook has different names or figures, you can adjust accordingly.

Step 1: Gather All Employee Data

Your project should provide a payroll register or a list of employees with their gross pay for the period, cumulative earnings before this period, and any year-to-date totals. Write down each employee's current period gross pay. Also note which employees have already exceeded the Social Security wage base ($137,700) and the FUTA/SUTA base ($7,000). In many projects, a small company with 5-10 employees makes this manageable.

Step 2: Compute Employer FICA Taxes

For each employee, calculate the Social Security portion: only on wages that are within the wage base. For example, if an employee earned $1,500 in the current period and has cumulative earnings of $138,000 (already above the limit), then no current Social Security tax is due. If they have $136,000 cumulative, you have room for $1,700 more before hitting the cap. You would apply 6.2% only on the amount needed to reach $137,700. The Medicare tax applies to the entire $1,500. Then sum these for all employees. That total is the employer's matching share.

Step 3: Compute FUTA and SUTA

Check cumulative wages before this period for each employee. If they have already earned $7,000 or more, no FUTA or SUTA is due on current pay. Otherwise, apply the tax to the lesser of current pay or the amount needed to reach $7,000. Multiply by the respective rates (often 0.6% for net FUTA and the given state rate for SUTA). Sum across all employees.

Step 4: Journalize the Expenses

Create a journal entry with a debit to Payroll Tax Expense for the total of all employer taxes computed. Credit separate payable accounts for each type of tax. Example: If employer Social Security is $500, Medicare is $200, FUTA is $50, and SUTA is $150, the entry is:

Debit Payroll Tax Expense $900
Credit FICA Taxes Payable (SS) $500
Credit FICA Taxes Payable (Med) $200
Credit FUTA Taxes Payable $50
Credit SUTA Taxes Payable $150

Step 5: Review for Adjustments or Errors

Sometimes Chapter 7 includes a scenario where a previous quarter had a mistake (e.g., over-withholding). You then need to adjust the current liabilities. Read the problem carefully and follow the "error correction" procedure taught in your textbook (usually a debit/credit to an appropriate account).

SAMPLE PROBLEM WALKTHROUGH (GENERIC 2020 DATA)

Scenario: A company has two employees. Employee X has year-to-date earnings of $50,000 and earns $2,000 this week. Employee Y has year-to-date earnings of $136,000 and earns $4,000 this week. Assume 2020 rates: SS 6.2% up to $137,700; Med 1.45% on all; FUTA net 0.6% on first $7,000; SUTA 2.7% on first $7,000. Both employees already exceed $7,000 year-to-date for FUTA/SUTA purposes.

Calculations:

- Employer Social Security: For X: $2,000 × 6.2% = $124. For Y: Y's cumulative ($136,000) + current ($4,000) = $140,000, so only the first $1,700 of Y's current pay is subject (since $136,000 + $1,700 = $137,700). So $1,700 × 6.2% = $105.40. Total SS = $124 + $105.40 = $229.40.
- Employer Medicare: X: $2,000 × 1.45% = $29. Y: $4,000 × 1.45% = $58. Total = $87.
- FUTA: Both employees already over $7,000 for the year, so FUTA = $0.
- SUTA: Similarly $0.

Journal Entry: Debit Payroll Tax Expense $316.40; Credit FICA Taxes Payable—Social Security $229.40; Credit FICA Taxes Payable—Medicare $87.

This simple walkthrough demonstrates the logic you need