

Lesson 20: Payroll Accounting — Recording Employee Costs

Part A: Gross-to-Net Pay Calculation

Employee: Sarah | Gross Salary \$5,000 | Federal Tax 22% | FICA (SS+Medicare) 7.65% | Health Insurance \$150

Component	Amount (\$)
Gross Salary	5,000
Less: Federal Income Tax (22%)	
Less: FICA (7.65%)	
Less: Health Insurance	150
= Net Pay	

Part B: Payroll Journal Entry

Record the payroll expense using the numbers you calculated above. Include employer FICA (\$382.50):

Account	Debit (\$)	Credit (\$)
Salaries Expense		
Federal Income Tax Payable		
FICA Payable (employee)		
Health Insurance Payable		
Cash (net pay)		

Part C: Short Answer

Explain the difference between an employee's gross pay, net pay, and the employer's total payroll cost.
