



## Article # 1314

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### Technical Note: Understanding the Journal Entries Created when Processing an Employee's Regular Payroll

**Difficulty Level:** Beginner Level AccountMate User

**Version(s) Affected:** AccountMate 12 for SQL and Express  
AccountMate 11 for SQL and Express  
AccountMate 10 for SQL, Express, and LAN  
AccountMate 9 for SQL, Express, and LAN

**Module(s) Affected:** PR

**Posting Date:** 09/15/2021

#### DESCRIPTION

Multiple transactions occur when companies process their employee regular payroll; thus, multiple journal entries are generated to represent these transactions. AccountMate's Payroll module generates these journal entries when you record transactions in the **Apply Payroll/Payment, Print Payroll Check, and Post After-the-Fact Payroll** functions. "Regular payroll" in this Technical Note refers only to employee records that are assigned earning codes that have the Regular earning type assigned.

This Technical Note discusses the journal entries that will be generated when processing an employee's regular payroll and the source fields where you can find the GL Account IDs being used.

#### SOLUTION

##### Apply Payroll/Payment Journal Entries

AccountMate automatically generates a journal entry upon saving the apply payroll transaction in the **Apply Payroll/Payment** function. To illustrate the entries generated during apply payroll, consider the given data below:

Earning Code Type	Regular
Total Wages Amount	4,000.00
Federal Withholding (W/H)	666.60
FICA	416.00 (Employer's share = 248.00)
Medicare	116.00 (Employer's share = 58.00)
State W/H	227.19
Deduction Payable Amount	600.00
Employer's Matching/Contribution	200.00
Worker's Comp Amount	26.40
Paid Leave Amount	100.00

During apply payroll, AccountMate accrues the employer's share for the tax withholdings and the other payroll related expenses. Using the given data above, AccountMate generates these journal entries:

DR: Wage/Service Expense	4,000.00	
DR: Employer's PR Tax Expense	306.00	
DR: Paid Leave Expense	100.00	
DR: Deduction Matching Expense	200.00	
DR: Worker's Comp Expense	26.40	
CR: Accrued Employer's Tax		306.00
CR: Accrued Other Expenses		226.40
CR: Paid Leave Liability		100.00
CR: Wage/Service Liability		4000.00

The default GL Account IDs come from the **Payroll Module Setup > GL Accounts** tab except for the following:

- The default Wage/Service Expense, Tax Expense, and Worker's Comp Expense GL Account IDs come from the **Employee Maintenance > Earning Code** tab; however, you may amend the default GL Account IDs during apply payroll in the **Apply Payroll/Payment > GL Distribution** tab.
- The default Paid Leave GL Account IDs come from the **Paid Leave Code Maintenance** function.
- The default Deduction Matching Expense GL Account ID comes from the **Deduction Maintenance > Employer Matching/Contribution (M/C)** tab.

The employer's share for FICA and Medicare withholding taxes are recorded as Accrued Employers Tax. The Deduction Matching Liability and Worker's Comp Liability are recorded as Accrued Other Expenses. The employee taxes and other payroll related expenses are recognized as a Wage/Service Liability. The Wage/Service Liability amount is calculated as follows:

Federal Withholding	666.60
FICA (Employee's share)	168.00
Medicare (Employee's share)	58.00
State Withholding	227.19
Deduction Matching Liability	600.00
Wages Liability (The amount paid to employees net of tax and deductions)	<u>2,280.21</u>
Total	<u><u>4,000.00</u></u>

### **Print Payroll Check or Post After-The-Fact Payroll Journal Entries**

AccountMate automatically generates an entry when printing payroll checks using the **Print Payroll Check**, posting handwritten checks using the **Post Handwritten Check** function, and posting after-the-fact payroll transaction using the **Post After-the-Fact Payroll** function. Using the given data in the *Apply Payroll/Payment Journal Entries* section above, AccountMate generates the following journal entries:

DR: Wage/Service Liability	4,000.00	
DR: Accrued Employer's Tax	306.00	
DR: Accrued Other Expenses	226.40	
CR: Federal W/H Liability		666.60
CR: FICA Liability		416.00
CR: Medicare Liability		116.00
CR: State W/H Liability		227.19
CR: Deduction Payable		600.00
CR: Deduction Matching Liability		200.00
CR: Worker's Comp Liability		26.40
CR: Cash in Bank		2,280.21

The default Cash in Bank GL Account ID comes from the **Bank Account Maintenance** function. Please refer to the *Apply Payroll/Payment Journal Entries* section for the discussion about the other GL Account ID sources.

Accrued Employer's Tax is debited to reverse the accrual and to recognize the employer's share in FICA and Medicare liabilities to their specific GL Account IDs. Note that the credit to FICA and Medicare also includes the employee's share. Accrued Other Expenses is also reversed to record the Deduction Matching Liability and Worker's Comp Liability using their specific GL Account IDs.

Understanding the journal entries generated in the **Apply Payroll, Print Payroll Check, and Post After-The-Fact Payroll** functions will greatly help users review the journal entries transferred from the Payroll module to the General Ledger module. Knowing the GL Account ID sources will also help users verify whether the journal entries use the correct GL Account IDs.

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