



Global Payroll Practice Sheet: Compiled Questions, Answers, and Explanations

1. U.S. Payroll

Question: Maria is a non-exempt graphic designer in California earning **\$30/hour**. This week, she worked **44 hours** (40 regular + 4 overtime). She also contributes **\$150** to her pre-tax 401(k) retirement plan each week. Using the 2025 FICA rates (Social Security: 6.2%, Medicare: 1.45%), calculate her: a. Gross Pay for the week. b. Taxable Income for FICA purposes. c. Total FICA withholding amount.

Answer:

- a. Gross Pay: **\$1,380**
- b. Taxable Income (FICA): **\$1,230**
- c. FICA Withholding: **\$94.10**

Explanation:

- **a. Gross Pay Calculation:**
 - Regular Pay: $\$30/\text{hr} \times 40 \text{ hours} = \$1,200$
 - Overtime Pay: $(\$30/\text{hr} \times 1.5) \times 4 \text{ hours} = \180
 - **Gross Pay:** $\$1,200 + \$180 = \mathbf{\$1,380}$
- **b. Taxable Income (FICA):**
 - Taxable Income is the Gross Pay minus any pre-tax deductions.
 - **Taxable Income:** $\$1,380 \text{ (Gross Pay)} - \$150 \text{ (401k)} = \mathbf{\$1,230}$
- **c. FICA Withholding:**
 - Social Security: $\$1,230 \times 6.2\% = \76.26
 - Medicare: $\$1,230 \times 1.45\% = \17.84
 - **Total FICA:** $\$76.26 + \$17.84 = \mathbf{\$94.10}$

2. Japan Payroll

Question: Yuki is an animator in Osaka with an hourly rate of **¥2,500**. In one month, she worked her standard **160 hours**. Due to a project deadline, she also worked **15 overtime hours**. Of those overtime hours, **5** were between 10 PM and 5 AM. She receives a standard monthly commuting allowance of **¥15,000**. Calculate her total Gross Pay for the month.

Answer:

- Gross Pay: **¥461,250**

Explanation:

- **Base Pay:** $¥2,500/\text{hr} \times 160 \text{ hours} = ¥400,000$
- **Regular OT Premium (+25%):** This applies to all 15 overtime hours.
 - $¥2,500 \times 0.25 \times 15 \text{ hours} = ¥9,375$
- **Late Night Premium (+25%):** This "stacks" on top for the 5 hours that were both overtime and late at night.
 - $¥2,500 \times 0.25 \times 5 \text{ hours} = ¥3,125$
- **Allowance:** $¥15,000$
- **Gross Pay:** $¥400,000 \text{ (Base)} + ¥9,375 \text{ (OT)} + ¥3,125 \text{ (Night)} + ¥15,000 \text{ (Allowance)} = ¥461,250$

3. Philippines Payroll

Question: Miguel works as a customer service representative in Manila and is paid **₱250/hour**. This month, he worked his standard **160 hours**, plus **10 overtime hours** on regular workdays and **15 hours** that qualified for the night shift differential. Calculate his Gross Pay for the month.

Answer:

- Gross Pay: **₱41,000**

Explanation:

- **Base Pay:** $₱250/\text{hr} \times 160 \text{ hours} = ₱40,000$
- **OT Premium (+25%):** The extra pay for the 10 overtime hours.
 - $₱250 \times 0.25 \times 10 \text{ hours} = ₱625$
- **Night Differential (+10%):** The extra pay for the 15 night hours.
 - $₱250 \times 0.10 \times 15 \text{ hours} = ₱375$
- **Gross Pay:** $₱40,000 \text{ (Base)} + ₱625 \text{ (OT Premium)} + ₱375 \text{ (Night Differential)} = ₱41,000$

4. Payroll Journal Entry

Question: A small U.S. tech company has a total Gross Pay of **\$50,000** for the month. The total of all employee deductions (taxes, insurance, etc.) is **\$12,000**. The company's required employer-side payroll tax contribution is **\$4,500**. Prepare the summary journal entry to record this payroll.

Answer:

- **Debit Wages Expense: \$50,000**
- **Debit Payroll Tax Expense: \$4,500**
- **Credit Withholdings Payable: \$12,000**
- **Credit Wages Payable/Cash: \$38,000**

Explanation:

- **Debit Wages Expense (\$50,000):** Recognizes the full cost of employee labor (Gross Pay).
- **Debit Payroll Tax Expense (\$4,500):** Recognizes the employer's share of taxes as an additional business expense.
- **Credit Withholdings Payable (\$12,000):** Creates a liability for the amount withheld from employees' pay that the company owes to the government.
- **Credit Wages Payable/Cash (\$38,000):** This is the net pay owed to employees (\$50,000 Gross - \$12,000 Deductions).

5. Conceptual Question (U.S.)

Question: An employee in the United States has a Gross Pay of \$1,000 but contributes \$100 to a pre-tax health insurance plan. Why is it incorrect to calculate their income tax based on the \$1,000 figure?

Answer: It is incorrect because pre-tax deductions reduce Gross Pay to create a lower "Taxable Income." Taxes are calculated on this lower amount (\$900), not on the full Gross Pay.

Explanation: The key concept is the difference between Gross Pay and Taxable Income. Pre-tax deductions, such as for health insurance or a 401(k), are subtracted from Gross Pay *before* any income taxes are calculated. This lowers the employee's overall tax burden, as they are only taxed on the income remaining after these contributions.

6. Conceptual Question (Philippines)

Question: What is "13th Month Pay" in the Philippines, and is it optional for employers?

Answer: It is a legally mandatory payment, equivalent to one month's basic salary, that must be paid to rank-and-file employees by December 24th each year. It is not optional.

Explanation: The 13th Month Pay is a government-mandated benefit in the Philippines enshrined in labor law. It is a compulsory payment that demonstrates the country's strong focus on employee benefits and protections.

7. Comparative Question

Question: An employee in Japan and an employee in the Philippines both work one hour of overtime late at night (e.g., at 11 PM). Which employee will have a higher total premium percentage for that single hour, and why?

Answer: The employee in **Japan**.

Explanation: In Japan, overtime and late-night premiums "stack." For that one hour, the employee would receive both premiums.

- **Japan:** 25% (Overtime) + 25% (Late Night) = **50% total premium.**

- In the Philippines, the premiums are calculated separately and do not stack in the same way, resulting in a lower overall premium for a single hour that is both overtime and at night.

8. U.S. Overtime

Question: David works at a warehouse in the U.S. and is non-exempt. He earns **\$18/hour**. In one week, he worked **50 hours**. Calculate his total Gross Pay for that week.

Answer:

- Gross Pay: **\$990**

Explanation:

- **Regular Pay:** $\$18/\text{hr} \times 40 \text{ hours} = \720
- **Overtime Hours:** $50 \text{ total hours} - 40 \text{ regular hours} = 10 \text{ OT hours}$
- **Overtime Pay (at 1.5x rate):** $(\$18/\text{hr} \times 1.5) \times 10 \text{ hours} = \270
- **Gross Pay:** $\$720 \text{ (Regular)} + \$270 \text{ (Overtime)} = \mathbf{\$990}$

9. Advanced Japan Payroll

Question: Haruto is a senior programmer in Tokyo earning **¥4,000/hour**. This month was extremely busy, and he worked **70 hours of overtime**. All of these overtime hours were during regular daytime hours. Calculate his total overtime premium pay for the month, keeping in mind the rule for excessive overtime.

Answer:

- Total Overtime Premium Pay: **¥80,000**

Explanation: Japanese labor law increases the overtime premium rate from 25% to 50% for any hours worked *beyond* 60 in a single month.

- **Premium for first 60 OT hours (at +25%):**
 - $60 \text{ hours} \times (\text{¥}4,000 \times 0.25) = 60 \times \text{¥}1,000 = \text{¥}60,000$
- **Premium for remaining 10 OT hours (at +50%):**
 - $10 \text{ hours} \times (\text{¥}4,000 \times 0.50) = 10 \times \text{¥}2,000 = \text{¥}20,000$
- **Total OT Premium Pay:** $\text{¥}60,000 + \text{¥}20,000 = \mathbf{\text{¥}80,000}$

10. Philippines Night Shift

Question: Anna is a virtual assistant in the Philippines earning **₱350/hour**. Her shift is from 4 PM to 1 AM. In one 8-hour shift, how much will she earn in total, including her night shift differential? (Note: The night shift is from 10 PM to 6 AM).

Answer:

- Total Earnings for Shift: **₱2,905**

Explanation: The night shift differential applies only to the hours worked between 10 PM and 6 AM.

- **Night Shift Hours Worked:** 3 hours (from 10 PM to 1 AM)
- **Base Pay for the full shift:** 8 hours \times ₱350/hr = ₱2,800
- **Night Differential Premium (+10%):** This is the *extra* pay for the 3 night hours.
 - 3 hours \times (₱350 \times 0.10) = 3 \times ₱35 = ₱105
- **Total Earnings:** ₱2,800 (Base Pay) + ₱105 (Night Premium) = **₱2,905**