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# Payroll Accounting for Construction Contractors

BY WILLIAM B. PINSON

MANY pamphlets and articles have been written on the methods of keeping payrolls. But for the most part they have been devoted to prevention of padding and other frauds in connection with payroll expense.

I have been unable to find information to simplify the work of the bookkeeper or paymaster in construction offices where more than one job is being operated and the labor expense for all these jobs is being paid by a central cashier. In addition, matters are often complicated by men being transferred from one job to another during a pay period.

Since information regarding the amount of pay for each man and the labor cost for each job must be maintained and must be accurate, I have installed with great success the method and system described herein in plumbing, heating, roofing, painting, plastering, and tiling firms.

This article is not intended to open discussion as to the best methods of checking actual time on the individual jobs. I am assuming at the outset that the various foremen are accurate and trustworthy in their timekeeping.

If the men are to have individual cards, the card can be as shown in exhibit I.

If, on the other hand, each job has a foreman or timekeeper who is charged with keeping the time record for that particular job, then a book or card of the type shown in exhibit II is preferable.

Since the home office or the paying office has a personal history of each employee, that record need not necessarily be on the card or in the book.

These books are then brought in to the paymaster's office for payroll preparation.

The payroll preparation sheet should look like that shown in exhibit III.

The column headings are self explanatory—a separate line for each employee and a separate column for each job. On the line for the employee in the proper job column, place the number of hours that employee has worked, during the payroll period, on each particular job. Carry the total hours across to the column marked total hours. The hours multiplied by the rate per hour equals the gross wage expense for that man. Then deduct the federal old-age-security tax and the result will be the net amount to be paid to that employee.

Additional columns can be used for any other deductions or additions that may be applicable.

By returning to the job column and multiplying the number of hours each man spent on each job, the total labor cost for that job during the payroll period under consideration can be determined.

After completing all this work there are several cross checks by which to determine the correctness of the figures.

First: from the total of the gross column deduct the total of the tax column. The result should equal the total of the net column. Second: compare the total of the gross column with the total of the job-cost column. These should be equal.

From the job-cost column post the cost of each job to the job-cost ledger. This will give a running cost of the labor for that job. From the gross column, post to the individual employee record, which will give the total receipts by that individual for the state and federal old-age and unemployment requirements.

The journal or cash-book entry will be:

Dr. Labor (from the gross column)  
Cr. To—Federal social-security  
tax payable cash

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Thus from a single work sheet can be determined all the necessary records which must be maintained where sub-contractors are running a number of jobs at one time. The man-hour and the total labor cost, the job labor cost and social-security-tax deductions are all on one sheet. Since there are several cross

checks on the accuracy of the figures the correctness of the work sheet can be determined rapidly.

An additional safeguard is that of permitting one man to work out the work sheet and having another enclose the cash in the envelopes and pay off the men.

EXHIBIT I  
EMPLOYEE TIME CARD

| Name _____                |                      | Week ending _____ |               |               |                   |
|---------------------------|----------------------|-------------------|---------------|---------------|-------------------|
| Address _____             |                      |                   |               |               |                   |
| Social security No. _____ |                      |                   |               |               |                   |
| Day                       | Job address and name | Job No.           | Hours per job | Total for day | Foreman signature |
| Monday                    |                      |                   |               |               |                   |
| Tuesday                   |                      |                   |               |               |                   |
| Wednesday                 |                      |                   |               |               |                   |
| Thursday etc.             |                      |                   |               |               |                   |

EXHIBIT II  
JOB TIME RECORD

| Job name _____ |   |    |   |                   |   |   |       |
|----------------|---|----|---|-------------------|---|---|-------|
| Address _____  |   |    |   |                   |   |   |       |
| No. _____      |   |    |   | Week ending _____ |   |   |       |
| Foreman _____  |   |    |   |                   |   |   |       |
| Employee name  | M | Tu | W | Th                | F | S | Total |
|                |   |    |   |                   |   |   |       |
|                |   |    |   |                   |   |   |       |
|                |   |    |   |                   |   |   |       |

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EXHIBIT III

PAYROLL PREPARATION SHEET

| Week ending   | Conn. job   | Diplomat 4006 | Rosen 4007 | Job name and No. cont'd | Total hours | Rate per hour | Gross wages | Soc. sec. tax ded. | Net wages |
|---------------|-------------|---------------|------------|-------------------------|-------------|---------------|-------------|--------------------|-----------|
| Employee name | Conner 4001 |               |            |                         |             |               |             |                    |           |
| Brown.....    |             | 24            |            |                         | 24          | \$ .70        | \$ 16.80    | \$ .17             | \$ 16.63  |
| Carroll.....  | 24          | 16            |            |                         | 40          | .90           | 36.00       | .36                | 35.64     |
| Jones.....    | 40          |               |            |                         | 40          | 1.00          | 40.00       | .40                | 39.60     |
| Peterson...   | 24          | 8             | 8          |                         | 40          | .90           | 36.00       | .36                | 35.64     |
| Richardson.   | 20          |               | 4          |                         | 24          | .50           | 12.00       | .12                | 11.88     |
| Smith.....    | 20          | 12            | 4          |                         | 36          | .70           | 25.20       | .25                | 24.95     |
| Trager.....   |             | 40            |            |                         | 40          | 1.00          | 40.00       | .40                | 39.60     |
| Voight.....   |             |               | 40         |                         | 40          | 1.00          | 40.00       | .40                | 39.60     |
| Wright....    |             | 24            | 12         |                         | 36          | .50           | 18.00       | .18                | 17.82     |
|               |             |               |            |                         |             |               | \$264.00    | \$2.64             | \$261.36  |

RECAPITULATION

| Job name      | No.  | Job cost |
|---------------|------|----------|
| Conner.....   | 4001 | \$107.20 |
| Diplomat..... | 4006 | 98.80    |
| Rosen.....    | 4007 | 58.00    |
|               |      | <hr/>    |
|               |      | \$264.00 |