**Current Liabilities In Class Assignments Student Version Wild 7e**

**QS 9-3**

Accounting for sales taxes C2

Dextra Computing sells merchandise for $6,000 cash on September 30 (cost of merchandise is $3,900). The sales tax law requires Dextra to collect 5% sales tax on every dollar of merchandise sold. Record the entry for the $6,000 sale and its applicable sales tax. Also record the entry that shows the remittance of the 5% tax on this sale to the state government on October 15.

**QS 9-5**

Interest-bearing note transactions P1

On November 7, 2013, Mura Company borrows $160,000 cash by signing a 90-day, 8% note payable with a face value of $160,000. (1) Compute the accrued interest payable on December 31, 2013, (2) prepare the journal entry to record the accrued interest expense at December 31, 2013, and (3) prepare the journal entry to record payment of the note at maturity.

**QS 9-6**

Record employee payroll taxes P2

On January 15, the end of the first biweekly pay period of the year, North Company's payroll register showed that its employees earned $35,000 of sales salaries. Withholdings from the employees' salaries include FICA Social Security taxes at the rate of 6.2%, FICA Medicare taxes at the rate of 1.45%, $6,500 of federal income taxes, $772.50 of medical insurance deductions, and $120 of union dues. No employee earned more than $7,000 in this first period. Prepare the journal entry to record North Company's January 15 (employee) payroll expenses and liabilities. (Round amounts to cents.)

**QS 9-7**

Record employer payroll taxes P3

Merger Co. has ten employees, each of whom earns $2,000 per month and has been employed since January 1. FICA Social Security taxes are 6.2% of the first $113,700 paid to each employee, and FICA Medicare taxes are 1.45% of gross pay. FUTA taxes are 0.6% and SUTA taxes are 5.4% of the first $7,000 paid to each employee. Prepare the March 31 journal entry to record the March payroll taxes expenses. (Round amounts to cents.)

**Exercise 9-6**

Computing payroll taxes P2 P3

BMX Company has one employee. FICA Social Security taxes are 6.2% of the first $113,700 paid to its employee, and FICA Medicare taxes are 1.45% of gross pay. For BMX, its FUTA taxes are 0.6% and SUTA taxes are 2.9% of the first $7,000 paid to its employee. Compute BMX's amounts for each of these four taxes as applied to the employee's gross earnings for September under each of three separate situations (*a*), (*b*), and (*c*). (Round amounts to cents.)

|  |  |
| --- | --- |
| **Gross Pay through August** | **Gross Pay for September** |
| **a.** | $ 6,400 | $ 800 |
| **b.** | 18,200 | 2,100 |
| **c.** | 107,400 | 8,000 |

**Check**

(*a*) FUTA, $3.60; SUTA, $17.40

**Exercise 9-9**

Warranty expense and liability computations and entries P4

Hitzu Co. sold a copier costing $4,800 with a two-year parts warranty to a customer on August 16, 2013, for $6,000 cash. Hitzu uses the perpetual inventory system. On November 22, 2014, the copier requires on-site repairs that are completed the same day. The repairs cost $209 for materials taken from the Repair Parts Inventory. These are the only repairs required in 2014 for this copier. Based on experience, Hitzu expects to incur warranty costs equal to 4% of dollar sales. It records warranty expense with an adjusting entry at the end of each year.

**Check**

(1) $240

(4) $31

1. How much warranty expense does the company report in 2013 for this copier?
2. How much is the estimated warranty liability for this copier as of December 31, 2013?
3. How much warranty expense does the company report in 2014 for this copier?
4. How much is the estimated warranty liability for this copier as of December 31, 2014?
5. Prepare journal entries to record (*a*) the copier's sale; (*b*) the adjustment on December 31, 2013, to recognize the warranty expense; and (*c*) the repairs that occur in November 2014.

 **QS 9-4**

Accounting for contingent liabilities C3

The following legal claims exist for Huprey Co. Identify the accounting treatment for each claim as either (*a*) a liability that is recorded or (*b*) an item described in notes to its financial statements.

1. Huprey (defendant) estimates that a pending lawsuit could result in damages of $1,250,000; it is reasonably possible that the plaintiff will win the case.
2. Huprey faces a probable loss on a pending lawsuit; the amount is not reasonably estimable.
3. Huprey estimates damages in a case at $3,500,000 with a high probability of losing the case.