QS 11-2

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 11-3

Unearned revenue C2

Ticketsales, Inc., receives $5,000,000 cash in advance ticket sales for a four-date tour of Bon Jovi. Record the advance ticket sales on October 31. Record the revenue earned for the first concert date of November 5, assuming it represents one-fourth of the advance ticket sales.

Exercise 11-2

Recording known current liabilities C2

Prepare any necessary adjusting entries at December 31, 2015, for Piper Company's year-end financial statements for each of the following separate transactions and events.

1. Piper Company records an adjusting entry for $10,000,000 of previously unrecorded cash sales (costing $5,000,000) and its sales taxes at a rate of 4%.
2. The company earned $50,000 of $125,000 previously received in advance for services.

Exercise 11-12

Accounting for estimated liabilities P4

Prepare any necessary adjusting entries at December 31, 2015, for Maxum Company's year-end financial statements for each of the following separate transactions and events.

1. Employees earn vacation pay at a rate of one day per month. During December, 20 employees qualify for one vacation day each. Their average daily wage is $160 per employee.
2. During December, Maxum Company sold 12,000 units of a product that carries a 60-day warranty. December sales for this product total $460,000. The company expects 10% of the units to need warranty repairs, and it estimates the average repair cost per unit will be $15.

QS 11-4

Interest-bearing note transactions P1

On November 7, 2015, 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, 2015, (2) prepare the journal entry to record the accrued interest expense at December 31, 2015, and (3) prepare the journal entry to record payment of the note at maturity.

Exercise 11-3

Accounting for note payable P1

Sylvestor Systems borrows $110,000 cash on May 15, 2015, by signing a 60-day, 12% note.

1. On what date does this note mature?
2. Suppose the face value of the note equals $110,000, the principal of the loan. Prepare the journal entries to record (*a*) issuance of the note and (*b*) payment of the note at maturity.

Check  (2*b*) Interest expense, $2,200

Exercise 11-4

Interest-bearing notes payable with year-end adjustments P1

Keesha Co. borrows $200,000 cash on November 1, 2015, by signing a 90-day, 9% note with a face value of $200,000.

1. On what date does this note mature? (Assume that February of 2015 has 28 days.)
2. How much interest expense results from this note in 2015? (Assume a 360-day year.)
3. How much interest expense results from this note in 2016? (Assume a 360-day year.)
4. Prepare journal entries to record (*a*) issuance of the note, (*b*) accrual of interest at the end of 2015, and (*c*) payment of the note at maturity. (Assume no reversing entries are made.)

QS 11-5

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 11-6

Record employer payroll taxes P3

Merger Co. has 10 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 $117,000 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 11-5

Computing payroll taxes P2 P3

BMX Company has one employee. FICA Social Security taxes are 6.2% of the first $117,000 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.)



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

Exercise 11-6

Payroll-related journal entries P2

Using the data in *situation a* of Exercise 11-5, prepare the employer's September 30 journal entries to record salary expense and its related payroll liabilities for this employee. The employee's federal income taxes withheld by the employer are $80 for this pay period. (Round amounts to cents.)

Exercise 11-7

Payroll-related journal entries P3

Using the data in *situation a* of Exercise 11-5, prepare the employer's September 30 journal entries to record the *employer's* payroll taxes expense and its related liabilities. (Round amounts to cents.)

QS 11-7

Accounting for bonuses P4

Noura Company offers an annual bonus to employees if the company meets certain net income goals. Prepare the journal entry to record a $15,000 bonus owed to its workers (to be shared equally) at calendar year-end.

Exercise 11-11

Computing and recording bonuses P4

For the year ended December 31, 2015, Lopez Company has implemented an employee bonus program equal to 3% of Lopez's net income, which employees will share equally. Lopez's net income (pre-bonus) is expected to be $500,000, and bonus expense is deducted in computing net income.

1. Compute the amount of the bonus payable to the employees at year-end (use the method described in the chapter and round to the nearest dollar).
2. Prepare the journal entry at December 31, 2015, to record the bonus due the employees.
3. Prepare the journal entry at January 19, 2016, to record payment of the bonus to employees.

Check  (1) $14,563

QS 11-9

Recording warranty repairs P4

On September 11, 2014, Home Store sells a mower for $500 with a one-year warranty that covers parts. Warranty expense is estimated at 8% of sales. On July 24, 2015, the mower is brought in for repairs covered under the warranty requiring $35 in materials taken from the Repair Parts Inventory. Prepare the September 11, 2014, entry to record the mower sale, and the July 24, 2015, entry to record the warranty repairs.

Exercise 11-10

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, 2015, for $6,000 cash. Hitzu uses the perpetual inventory system. On November 22, 2016, 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 2016 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.

1. How much warranty expense does the company report in 2015 for this copier?
2. How much is the estimated warranty liability for this copier as of December 31, 2015?
3. How much warranty expense does the company report in 2016 for this copier?
4. How much is the estimated warranty liability for this copier as of December 31, 2016?
5. Prepare journal entries to record (*a*) the copier's sale; (*b*) the adjustment on December 31, 2015, to recognize the warranty expense; and (*c*) the repairs that occur in November 2016.

Check  (1) $240

(4) $31

QS 11-10

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.

Exercise 11-13

Accounting for contingent liabilities C3

Prepare any necessary adjusting entries at December 31, 2015, for Melbourn Company's year-end financial statements for each of the following separate transactions and events.

1. Melbourn Company guarantees the $100,000 debt of a supplier. The supplier will probably not default on the debt.
2. A disgruntled employee is suing Melbourn Company. Legal advisers believe that the company will probably need to pay damages, but the amount cannot be reasonably estimated.