

**Specific Current Liabilities
CPA**

Under state law, Acme may pay 3% of eligible gross wages or it may reimburse the state directly for actual unemployment claims.

Acme believes that actual unemployment claims will be 2% of eligible gross wages and has chosen to reimburse the state. Eligible gross wages are defined as the first \$10,000 of gross wages paid to each employee. Acme had five employees each of whom earned \$20,000 during 2004.

In its December 31, 2004 balance sheet, what amount should Acme report as accrued liability for unemployment claims?

- A. \$1,000
- B. \$1,500
- C. \$2,000
- D. \$3,000

After three profitable years, Dodd Co. decided to offer a bonus to its branch manager, Cone, of 25% of income over \$100,000 earned by his branch. For the year 2002, income for Cone's branch was \$160,000 before income taxes and Cone's bonus. Cone's bonus is computed on income in excess of \$100,000 after deducting the bonus, but before deducting taxes. What is Cone's bonus for the year 2002?

- A. \$12,000
- B. \$15,000
- C. \$25,000
- D. \$32,000

Lime Co.'s payroll for the month ended January 31, 2005, is summarized as follows:

Total wages	\$10,000
Federal income tax withheld	1,200

All wages paid were subject to FICA. FICA tax rates were 7% each for employee and employer. Lime remits payroll taxes on the 15th of the following month. In its financial statements for the month ended January 31, 2005, what amounts should Lime report as total payroll tax liability and as payroll tax expense?

	Liability	Expense
<input type="checkbox"/>	\$1,200	\$1,400
<input type="checkbox"/>	\$1,900	\$1,400
<input type="checkbox"/>	\$1,900	\$700
<input checked="" type="checkbox"/>	\$2,600	\$700

As of December 15, 2002, Aviator had dividends in arrears of \$200,000 on its cumulative preferred stock. Dividends for 2002 of \$100,000 have not yet been declared. The Board of Directors plans to declare cash dividends on its preferred and common stock on January 16, 2003. Aviator paid an annual bonus to its CEO based on the company's annual profits. The bonus for 2002 was \$50,000, which will be paid on February 10, 2003. What amount should Aviator report as current liabilities on its balance sheet at December 31, 2002?

- A. \$ 50,000

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- B. \$150,000
- C. \$200,000
- D. \$350,000

Dana Co.'s officers' compensation expense account had a balance of \$224,000 at December 31, 2004 before any appropriate year-end adjustment relating to the following:

No salary accrual was made for December 30-31, 2004. Salaries for the two-day period totaled \$3,500.

2004 officers' bonuses of \$62,500 were paid on January 31, 2005.

In its 2004 income statement, what amount should Dana report as officers' compensation expense?

- A. \$290,000
- B. \$286,500
- C. \$227,500
- D. \$224,000

Hudson Hotel collects 15% in city sales taxes on room rentals, in addition to a \$2 per room, per night, occupancy tax.

Sales taxes for each month are due at the end of the following month, and occupancy taxes are due 15 days after the end of each calendar quarter. On January 3, 2005 Hudson paid its November 2004 sales taxes and its fourth quarter 2004 occupancy taxes. Additional information pertaining to Hudson's operations is:

<u>2004</u>	<u>Room Rentals</u>	<u>Room Nights</u>
October	\$100,000	1,100
November	110,000	1,200
December	150,000	1,800

What amounts should Hudson report as sales taxes payable and occupancy taxes payable in its December 31, 2004 balance sheet?

	<u>Sales taxes</u>	<u>Occupancy taxes</u>
<input type="checkbox"/>	\$39,000	\$6,000
<input checked="" type="checkbox"/>	\$39,000	\$8,200
<input type="checkbox"/>	\$54,000	\$6,000
<input type="checkbox"/>	\$54,000	\$8,200

Rice Co. salaried employees are paid biweekly. Advances made to employees are paid back by payroll deductions. Information relating to salaries follows:

	<u>12/31/05</u>	<u>12/31/0</u>
Employee advances	\$24,000	\$ 36,000
Accrued salaries payable	40,000	?

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Salaries expense during the year 420,000
Salaries paid during the year (gross) 390,000

In Rice's December 31, 2006 balance sheet, accrued salaries payable was

- A. \$94,000
- B. \$82,000
- C. \$70,000
- D. \$30,000

Kent, Co. filed a voluntary bankruptcy petition on August 15, 2005 and the statement of affairs reflects the following accounts:

	<u>Book Value</u>	<u>Current Value</u>
Assets:		
Assets pledged with fully secured creditors	\$ 300,000	\$370,000
Assets pledged with partially secured creditors	180,000	120,000
Free assets	<u>420,000</u>	<u>320,000</u>
	\$ 900,000	\$810,000
	=====	=====
Liabilities:		
Liabilities with priority	\$ 70,000	
Fully secured creditors	260,000	
Partially secured creditors	200,000	
Unsecured creditors	<u>540,000</u>	
	\$1,070,000	
	=====	

Assume that the assets are converted to cash at the estimated current values and the business is liquidated. What amount of cash will be available to pay unsecured non-priority claims?

- A. \$240,000
- B. \$280,000
- C. \$320,000
- D. \$360,000

Bloy Corp.'s payroll for the pay period ended October 31, 2005 is summarized as follows:

	<u>Federal income</u>		<u>Amount of wages subject to payroll taxes</u>	
<u>Department Payroll</u>	<u>Total Wages</u>	<u>Tax withheld</u>	<u>F.I.C.A.</u>	<u>Unemployment</u>
Factory	22,000	3,000	16,000	2,000
Sales	18,000	2,000	8,000	-
Office	60,000	7,000	56,000	18,000
Total	\$100,000	\$12,000	\$80,000	\$20,000
	=====	=====	=====	=====

Assume the following payroll tax rates:

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F.I.C.A. for employer and employee 7% each

Unemployment 3%

What amount should Bloy accrue as its share of payroll taxes in its October 31, 2005 balance sheet?

- A. \$18,200
- B. \$12,600
- C. \$11,800
- D. \$6,200