Problems Series B

PR 10-1B
Allocate payments and receipts to fixed asset accounts
obj. 1

✓ Land, $356,200

The following payments and receipts are related to land, land improvements, and buildings acquired for use in a wholesale ceramic business. The receipts are identified by an asterisk.

a. Fee paid to attorney for title search	$ 1,500
b. Cost of real estate acquired as a plant site: Land	270,000
Building	30,000
c. Special assessment paid to city for extension of water main to the property	20,000
d. Cost of razing and removing building	5,000
e. Proceeds from sale of salvage materials from old building	3,600*
f. Delinquent real estate taxes on property, assumed by purchaser	15,800
g. Premium on one-year insurance policy during construction	4,200
h. Cost of filling and grading land	17,500
i. Architect's and engineer's fees for plans and supervision	18,000
j. Money borrowed to pay building contractor	750,000*
k. Cost of repairing windstorm damage during construction	4,500
l. Cost of paving parking lot to be used by customers	15,000
m. Cost of trees and shrubbery planted	9,000
n. Cost of floodlights installed on parking lot	1,100
o. Cost of repairing vandalism damage during construction	1,500
p. Proceeds from insurance company for windstorm and vandalism damage	6,000*
q. Payment to building contractor for new building	800,000
r. Interest incurred on building loan during construction	45,000
s. Refund of premium on insurance policy (g) canceled after 11 months	350*

Instructions

1. Assign each payment and receipt to Land (unlimited life), Land Improvements (limited life), Building, or Other Accounts. Indicate receipts by an asterisk. Identify each item by letter and list the amounts in columnar form, as follows:

Item	Land	Land Improvements	Building	Other Accounts

2. Determine the amount debited to Land, Land Improvements, and Building.
3. The costs assigned to the land, which is used as a plant site, will not be depreciated, while the costs assigned to land improvements will be depreciated. Explain this seemingly contradictory application of the concept of depreciation.

PR 10-2B
Compare three depreciation methods
obj. 2

✓ a. 2008: straight-line depreciation, $21,000

Mammoth Company purchased packaging equipment on January 3, 2008, for $67,500. The equipment was expected to have a useful life of three years, or 25,000 operating hours, and a residual value of $4,500. The equipment was used for 12,000 hours during 2008, 9,000 hours in 2009, and 4,000 hours in 2010.

Instructions

Determine the amount of depreciation expense for the years ended December 31, 2008, 2009, and 2010, by (a) the straight-line method, (b) the units-of-production method, and (c) the double-declining-balance method. Also determine the total depreciation expense for the three years by each method. The following columnar headings are suggested for recording the depreciation expense amounts:

	Depreciation Expense		
Year	Straight-Line Method	Units-of-Production Method	Double-Declining-Balance Method

PR 10-3B
Depreciation by three methods; partial years
obj. 2

✓ a. 2008: $2,510

Quality IDs Company purchased plastic laminating equipment on July 1, 2008, for $15,660. The equipment was expected to have a useful life of three years, or 18,825 operating hours, and a residual value of $600. The equipment was used for 3,750 hours during 2008, 7,500 hours in 2009, 5,000 hours in 2010, and 2,575 hours in 2011.

Instructions

Determine the amount of depreciation expense for the years ended December 31, 2008, 2009, 2010, and 2011, by (a) the straight-line method, (b) the units-of-production method, and (c) the double-declining-balance method. Round to the nearest dollar.

PR 10-4B
Depreciation by two methods; sale of fixed asset
objs. 2, 3

KLOOSTER & ALLEN

✓ b. Year 1: $52,500 depreciation expense

New lithographic equipment, acquired at a cost of $131,250 at the beginning of a fiscal year, has an estimated useful life of five years and an estimated residual value of $11,250. The manager requested information regarding the effect of alternative methods on the amount of depreciation expense each year. On the basis of the data presented to the manager, the double-declining-balance method was selected.

In the first week of the fifth year, the equipment was sold for $21,500.

Instructions

1. Determine the annual depreciation expense for each of the estimated five years of use, the accumulated depreciation at the end of each year, and the book value of the equipment at the end of each year by (a) the straight-line method and (b) the double-declining-balance method. The following columnar headings are suggested for each schedule:

Year	Depreciation Expense	Accumulated Depreciation, End of Year	Book Value, End of Year

2. Journalize the entry to record the sale.
3. Journalize the entry to record the sale, assuming that the equipment was sold for $12,500 instead of $21,500.

PR 10-5B
Transactions for fixed assets, including sale
objs. 1, 2, 3

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The following transactions, adjusting entries, and closing entries were completed by Trail Creek Furniture Co. during a three-year period. All are related to the use of delivery equipment. The double-declining-balance method of depreciation is used.

2008

Jan. 6.	Purchased a used delivery truck for $24,000, paying cash.
July 19.	Paid garage $500 for miscellaneous repairs to the truck.
Dec. 31.	Recorded depreciation on the truck for the year. The estimated useful life of the truck is four years, with a residual value of $4,000 for the truck.

2009

Jan. 2.	Purchased a new truck for $69,000, paying cash.
Aug. 1.	Sold the used truck for $10,250. (Record depreciation to date in 2009 for the truck.)
Oct. 24.	Paid garage $415 for miscellaneous repairs to the truck.
Dec. 31.	Record depreciation for the new truck. It has an estimated residual value of $15,000 and an estimated life of five years.

2010

July 1.	Purchased a new truck for $70,000, paying cash.
Oct. 1.	Sold the truck purchased January 2, 2009, for $25,000. (Record depreciation for the year.)
Dec. 31.	Recorded depreciation on the remaining truck. It has an estimated residual value of $18,000 and an estimated useful life of eight years.

Instructions

Journalize the transactions and the adjusting entries.

Dec. 31. Paid $34,000 to the employee pension plan. The annual pension cost is $40,000. (Record both the payment and unfunded pension liability.)

Instructions

1. Journalize the transactions.
2. Journalize the following adjusting entries on December 31:
   a. Salaries accrued: operations salaries, $3,420; officers salaries, $2,240; office salaries, $540. The payroll taxes are immaterial and are not accrued.
   b. Vacation pay, $11,500.

Problems Series B

11-1B
bility transactions
s. 1, 5

The following items were selected from among the transactions completed by Paulson, Inc. during the current year:

Apr. 1. Borrowed $60,000 from McCaw Company, issuing a 45-day, 6% note for that amount.

26. Purchased equipment by issuing a $160,000, 180-day note to Houston Manufacturing Co., which discounted the note at the rate of 8%.

May 16. Paid McCaw Company the interest due on the note of April 1 and renewed the loan by issuing a new 30-day, 10% note for $60,000. (Record both the debit and credit to the notes payable account.)

June 15. Paid McCaw Company the amount due on the note of May 16.

Sept. 3. Purchased merchandise on account from Oatley Co., $42,000, terms, n/30.

Oct. 3. Issued a 30-day, 9% note for $42,000 to Oatley Co., on account.

23. Paid Houston Manufacturing Co. the amount due on the note of April 26.

Nov. 2. Paid Oatley Co. the amount owed on the note of October 3.

10. Purchased store equipment from Biden Technology Co. for $200,000, paying $60,000 and issuing a series of seven 9% notes for $20,000 each, coming due at 30-day intervals.

Dec. 10. Paid the amount due Biden Technology Co. on the first note in the series issued on November 10.

16. Settled a personal injury lawsuit with a customer for $42,500, to be paid in January. Paulson, Inc. accrued the loss in a litigation claims payable account.

Instructions

1. Journalize the transactions.
2. Journalize the adjusting entry for each of the following accrued expenses at the end of the current year:
   a. Product warranty cost, $10,400.
   b. Interest on the six remaining notes owed to Biden Technology Co.

PR 11-2B
Entries for payroll and payroll taxes
objs. 2, 3

✓ 1. (b) Dr. Payroll Tax Expense, $68,304

The following information about the payroll for the week ended December 30 was obtained from the records of Vienna Co.:

Salaries:		Deductions:	
Sales salaries	$ 670,000	Income tax withheld	$198,744
Warehouse salaries	110,000	Social security tax withheld	51,714
Office salaries	234,000	Medicare tax withheld	15,210
	$1,014,000	U.S. savings bonds	30,420
		Group insurance	45,630
			$341,718

Tax rates assumed:

Social security, 6% on first $100,000 of employee annual earnings
Medicare, 1.5%
State unemployment (employer only), 3.8%
Federal unemployment (employer only), 0.8%

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Continued

Instructions

1. Assuming that the payroll for the last week of the year is to be paid on December 31, journalize the following entries:
   a. December 30, to record the payroll.
   b. December 30, to record the employer's payroll taxes on the payroll to be paid on December 31. Of the total payroll for the last week of the year, $30,000 is subject to unemployment compensation taxes.
2. Assuming that the payroll for the last week of the year is to be paid on January 4 of the following fiscal year, journalize the following entries:
   a. December 30, to record the payroll.
   b. January 4, to record the employer's payroll taxes on the payroll to be paid on January 4.

PR 11-3B
Wage and tax statement data and employer FICA tax
objs. 2, 3

✓ 2. (e) $26,019.00

CTU Industries, Inc., began business on January 2, 2009. Salaries were paid to employees on the last day of each month, and social security tax, Medicare tax, and federal income tax were withheld in the required amounts. An employee who is hired in the middle of the month receives half the monthly salary for that month. All required payroll tax reports were filed, and the correct amount of payroll taxes was remitted by the company for the calendar year. Early in 2010, before the Wage and Tax Statements (Form W-2) could be prepared for distribution to employees and for filing with the Social Security Administration, the employees' earnings records were inadvertently destroyed.

None of the employees resigned or were discharged during the year, and there were no changes in salary rates. The social security tax was withheld at the rate of 6.0% on the first $100,000 of salary and Medicare tax at the rate of 1.5% on salary. Data on dates of employment, salary rates, and employees' income taxes withheld, which are summarized as follows, were obtained from personnel records and payroll records:

Employee	Date First Employed	Monthly Salary	Monthly Income Tax Withheld
Brown	Aug. 1	$3,600	$ 552
Carroll	Jan. 2	9,500	2,113
Grobe	May 1	6,500	1,277
Meyer	July 1	4,200	702
Saban	Jan. 2	5,100	927
Tressel	Apr. 16	3,200	452
Weis	Oct. 1	3,000	402

Instructions

1. Calculate the amounts to be reported on each employee's Wage and Tax Statement (Form W-2) for 2009, arranging the data in the following form:

Employee	Gross Earnings	Federal Income Tax Withheld	Social Security Tax Withheld	Medicare Tax Withheld

2. Calculate the following employer payroll taxes for the year: (a) social security; (b) Medicare; (c) state unemployment compensation at 4.8% on the first $10,000 of each employee's earnings; (d) federal unemployment compensation at 0.8% on the first $10,000 of each employee's earnings; (e) total.

PR 11-4B
Payroll register
objs. 2, 3

✓ 3. Dr. Payroll Tax Expense, $788.40

If the working papers correlating with this textbook are not used, omit Problem 11-4B.

The payroll register for Gogol Manufacturing Co. for the week ended September 12, 2010, is presented in the working papers.

Instructions

1. Journalize the entry to record the payroll for the week.
2. Journalize the entry to record the issuance of the checks to employees.
3. Journalize the entry to record the employer's payroll taxes for the week. Assume the following tax rates: state unemployment, 3.2%; federal unemployment, 0.8%. Of the earnings, $1,800 is subject to unemployment taxes.
4. Journalize the entry to record a check issued on September 15 to Third National Bank in payment of employees' income taxes, $2,337.88, social security taxes, $1,021.44, and Medicare taxes, $411.36.