

# [Corporation and partnership](https://assignbuster.com/corporation-and-partnership/)

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Salta Company installs a manufacturing machine in its factory at the beginning of the year at a cost of $87, 000. The machine’s useful life is estimated to be 5 years, or 400, 000 units of product, with a $7, 000 salvage value. During its second year, the machine produces 84, 500 units of product. Determine the machines’ second-year depreciation under the units of production method: Answer:

$16, 900 Cost-Salvage Value/Total units of production

(87, 000 – 7, 000)/400, 000 = 0. 2

0. 2 \* 84, 500 = 16, 900

Amortization: Answer: Is the systematic allocation of the cost of an intangible asset to expense over its estimated useful life.

Big River Rafting pays $310, 000 plus $15, 000 in closing costs to buy out a competitor. The real estate consists of land appraised at $105, 000, a building appraised at $210, 000 and equipment appraised at $35, 000. Compute the cost that should be allocated to the land. Answer: $97, 500

105, 000 + 210, 000 + 35, 000 = 350, 000

105, 000/350, 000 = 0. 3

0. 3 \* 325, 000 = 97, 500

Leasehold: Answer: are the rights granted to the lessee by the lessor of a lease.

Copyright: Answer: Gives its owner the exclusive right to publish and sell a musical or literary work during the life of the creator plus 70 years.

A patent: Answer: Gives its owner exclusive right to manufacture and sell a patented item or to use a process for 20 years. Carmel Company acquires a mineral deposit at a cost of $5, 900, 000. It incurs additional costs of $600, 000 to access the deposit, which is estimated to contain 2, 000, 000 tons and is expected to take 5 years to extract. Compute the depletion expense for the first year assuming 418, 000 tons were mined. Answer:

$1, 358, 500 5, 900, 000 + 600, 000 = 6, 500, 000

Cost – Salvage Value/ Total Units of Capacity

6, 500, 000-0/2000000 = 3. 25

3. 25 \* 418, 000 = 1, 358, 500

Cambria Company reports net sales of $4, 315 million; the cost of goods sold of $2, 808 million; net income of 283 million; and average total assets of $2, 136. Compute its total asset turnover. Answer: 2. 02 Net Sales/Average Total Asset 4, 315/2, 136 = 2. 02 Salta Company installs a manufacturing machine in its factory at the beginning of the year at a cost of $87, 000. The machine’s useful life is estimated to be 5 years, or 400, 000 units of product, with a $7, 000 salvage value. During its second year, the machine produces 84, 500 units of product.

Determine the machine’s second-year depreciation under the straight-line method. Answer: $16, 000 Cost – salvage value/useful life in periods 87, 000 – 7, 000/5 = 16, 000

A depreciation asset costing $75, 000 is purchased on September 1, year 1. The asset is estimated to have a salvage value of $10, 000 and an estimated useful life of 4 years. Double-declining-balance depreciation is used. If the asset is sold on December 31, Year 3 for $13, 000, the journal entry to record the sale will include: Answer: A debit to loss on sale for $2, 625.

The current FUTA tax rate is 0. 8% and SUTA tax rate is 5. 4%. Both taxes are applied to the first $7, 000 of an employee’s pay. Assume that an employee earned $8, 900. What is the amount of total unemployment taxes the employer must pay on the employee’s wages? Answer:

434. 00 7, 000\*5. 4% = 378

7000\*0. 8% = 56

378 + 56 = 434

FICA taxes include: Answer: Social Security taxes

Liability: Answer: Must sometimes be estimated

If the times interest ratio: Answer: Increase then the risk decreases.

Gross pay is? Answer: Total compensation earned by an employee before any deductions.

A company’s income before interest expense and taxes is $250, 000 and its interest expense is $100, 000. It’s times interest earned ratio is: Answer: 2. 50 Income before Interest expense and income taxes/Interest Expense 250, 000/100, 000 = 2. 50

Employee vacation benefits: Answer: are estimated liabilities

The amount of federal income taxes withheld from an employee’s paycheck is determined by: Answer: the amount of the employee’s current earnings for the pay period and number of withholding allowances the employee claims.

Amount received in advance from customers for future products or services: Answer: are liabilities

A company estimates that a warranty expense will be 4% of sales. The company’s sales for the current period are $185, 000. The current period’s entry to record warranty expense is: Answer: Debit warranty expense $7, 400; credit estimated warranty liability $7, 400 185, 000\*4% = 7, 400 An employee earned 62, 500 during the year working for an employer. The FICA tax rate for social security is 6. 2% and the FICA tax rate for Medicare is 1. 45%. The current FUTA tax rate is 0. 8% and SUTA is 5. 4%.

Both unemployment taxes are applied to the first $7, 000 of an employee’s pay. What is the total unemployment taxes does the employee have to pay? Answer: $0. 00 Employees do not pay unemployment taxes.

FUTA taxes are: Answer: unemployment taxes Arena Company’s salaried employee’s earned two weeks’ vacation per year. It pays $858, 000 in total employee salaries for 52 weeks but its employees work only 50. Record Arena Company’s weekly journal entry to record the vacation expense; Answer: Debit vacation benefits expense $17, 160; Credit vacation benefits payable $17, 160 858, 000/50 = 17, 160

A company sells computers at a selling price of $1, 800 each. Each computer has a 2-year warranty that covers the replacement of defective parts. It is estimated that 2% of all computers sold will be under the warranty at an average cost of $150 each. During November the company sold 30, 000 computers and 400 computers were serviced under the warranty at a total cost of 55, 000. The balance is the estimated warranty liability account on November 1 was $29, 000. What is the company’s warranty expense for the month of November? Answer: 90, 000 (30, 000\*2%\*150) = 90, 000

A company had fixed interest expense of $6, 000, its income before interest expense and any income taxes is $18, 000, and its net income is $8, 400. The company’s Times interest earned ratio equals: Answer: 3. 0

Advanced ticket sales totaling $6, 000, 000 cash would be recognized as follows: Answer: Debit Cash; Credit Unearned Revenue During August, Arena Company sells $356, 000 in the product that has a one year warranty. Experience shows that warranty expenses average about 5% of the selling price. The warranty liability account has a balance of $12, 800 before adjustment.

Customers returned product for warranty repairs during the month that used $9, 400 in parts and repairs. The entry to record customer warranty repairs is: Answer: Debit Estimated Warranty Liability $9, 400; credit Parts Inventory $9, 400 Obligations not expected to be paid within the length of one year or the company’s operating cycle is reported as: Answer: Long-term liability

Times Interest earned computation is: Answer: (Net Income + Interest expense + Income taxes)/Interest expense The difference between the amount received from issuing a note payable and the amount repaid is referred to as: Answer: Interest

A contingent Liability: Answer: is a potential obligation that depends on a future event arising from a past transaction or event.

In the accounting records of a defendant, lawsuits: Answer: should be recorded if payment for damages is probable and the amount can be reasonably estimated.

A company’s fixed interest expense is $8, 000 its income before interest expense and income taxes is $32, 000. Its net income is $9, 600. The company’s time’s interest earned ratio equals: Answer: 4. 0