

III. PROPERTY TAXES

Because Linda spent \$18,000 in property taxes last year, she made monthly adjusting entries beginning in January of $\$18,000/12 = \$1,500$. In October the tax rate revealed a total liability of \$19,200. Make the January 31 Adjusting Entry and the October 31 entry required to bring Property Taxes Payable up-to-date.

Hint: October's property tax transaction was \$1,000 greater than January's.

IV. PAYROLL

Linda's Video Showcase paid five sales people \$300 per week and a bookkeeper \$500 per week. FICA taxes were 7.65% while Federal and State Unemployment Taxes were .8% and 5.4% respectively on earnings up to \$7,000. Federal Income Tax Withheld amounted to \$300. All salespeople had \$55 per week withheld for health insurance. The bookkeeper had her \$80 per week health policy paid for by the company. Make the Journal Entries for the first week in January.

Hint: Accrued Payroll was \$1,272 and Payroll Expenses were \$277.

V. WARRANTIES

Linda's Video Showcase received merchandise returns not covered by manufacturer warranty. A \$3,000 allowance account was set up to offset potential settlements. Only parts were covered, customers paid for labor. Make the necessary Journal Entries on January 20th to set up the allowance account and record the settlement of a \$200 claim consisting of \$50 in parts and \$150 of labor.

Hint: As of January 21 the balance in the Warranty Allowance Account was \$2,950.