

### 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.

Jan. 31	Property Tax Expense	1,500	
	Property Taxes Payable		1,500
Oct. 31	Property Tax Expense	2,500	
	Property Taxes Payable		2,500

$(\$19,200/12) = \$1,600 - \$1,500 = \$100$ .  $(\$100)(9) = \$900$ .  $\$900 + \$1,600 = \$2,500$

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.

Jan. 7	Sales Salaries Expense (5) (\$300)	1,500	
	Office Salary Expense	500	
	FICA Taxes Payable (\$2,000) (.0765)		153
	Health Insurance Payable (5) (\$55)		275
	Employee Income Tax Payable		300
	Accrued Payroll		1,272
Jan. 7	Payroll Tax Expenses	277	
	FICA Taxes Payable		153
	State Unemployment Taxes Payable (.054) (\$2,000)		108
	Federal Unemployment Taxes Payable (.008) (\$2,000)		16
Jan. 7	Employee Benefit Expense	80	
	Health Insurance Payable		80
Jan. 7	Accrued Payroll	1,272	
	Cash		1,272

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.

Dec. 31	Warranty Expense	3,000	
	Allowance for Warranty Liability		3,000
Jan. 20	Cash	150	
	Allowance for Warranty Liability	50	
	Parts Inventory		50
	Service Revenue		150

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