MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Which of the following are included in the cost of land?  
A) The cost of fencing  
B) The cost of outdoor lighting  
C) The cost of paving  
D) The cost of clearing the land

2) Hastings Company has purchased a group of assets for $350,000. The assets and their market values are listed as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$125,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>75,000</td>
</tr>
<tr>
<td>Building</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Which of the following amounts would be debited to the Land account?  
A) $65,625  
B) $125,000  
C) $109,375  
D) $175,000

3) A company purchased a used machine for $80,000. The machine required installation costs of $8,000 and insurance while in transit of $500. At which of the following amounts would the equipment be recorded?  
A) $88,000  
B) $80,000  
C) $80,500  
D) $88,500

4) Which of the following accounting principles requires depreciation?  
A) The matching concept  
B) The revenue concept  
C) Entity concept  
D) Reliability concept

5) Which of the following factors are estimates?  
A) The cost of the asset  
B) The useful life of the asset  
C) The residual value of the asset  
D) Both B and C

6) Which of the following depreciation methods allocates an equal amount of depreciation to each year?  
A) Declining- balance  
B) Straight- line  
C) Units-of-production  
D) All of the above

7) Which of the following depreciation methods does NOT use a residual method in the first year?  
A) Units-of-production  
B) Declining- balance  
C) Straight-line  
D) All of the above

8) Which of the following depreciation methods is used by MOST companies for their financial statements?  
A) Units-of-production  
B) Declining- balance  
C) Straight-line  
D) All of the above methods are used about equally

9) Which of the following is the expected cash value of an asset at the end of its useful life?  
A) Carrying value  
B) Residual value  
C) Book value  
D) Market value
Table 10.1
On January 1, 2011, Zane Manufacturing Company purchased a machine for $40,000. The company expects to use the machine a total of 24,000 hours over the next 6 years. The estimated sales price of the machine at the end of 6 years is $4,000. The company used the machine 8,000 hours in 2011 and 12,000 in 2012.

10) Refer to Table 10.1. What is depreciation expense for 2011 if the company uses double-declining balance depreciation?
   A) $6,000  B) $12,000  C) $6,667  D) $13,333

11) When is a gain on disposal of an asset recorded?
   A) A gain is recorded when the asset's residual value is less than the cash received.
   B) A gain is recorded when accumulated depreciation is less than the cash received.
   C) A gain is recorded when the asset is sold for a price greater than the asset’s book value.
   D) A gain is recorded when the asset is sold for a price less than the asset’s book value.

12) An asset was purchased for $12,000. The asset's estimated useful life was 3 years and its residual value was $2,000. How much gain or loss is reported if the asset is sold for $3,000 at the beginning of the fourth year?
   A) No gain or loss  B) $1,000 loss  C) $2,000 loss  D) $1,000 gain

13) An asset was purchased for $12,000. The asset’s estimated useful life was 3 years and its residual value was $2,000. How much gain or loss is reported if the asset is sold for $5,333 at the beginning for the third year if the straight line method of depreciation was used?
   A) $1,000 gain  B) $2,000 loss  C) No gain or loss  D) $1,000 loss

14) Which of the following items is included in the journal entry if a company sells equipment at a price less than its book value?
   A) A credit to accumulated depreciation
   B) A debit to equipment for its book value
   C) A debit to loss on sale of equipment
   D) A credit to gain on sale of equipment

15) Lowery Food Market owns refrigeration equipment that cost $10,000 and has accumulated depreciation of $8,500. The company exchanges the equipment for new equipment worth $12,000. In addition to the old equipment, the company pays $10,000 for the new equipment. Which of the following is the correct entry to record the transaction?
   A) Refrigeration equipment 12,000
      Accumulated depreciation 8,500
      Gain on exchange of equipment 500
      Cash 10,000
      Refrigeration equipment 10,000
   B) Refrigeration equipment 11,000
      Accumulated depreciation 8,500
      Loss on exchange of equipment 500
      Cash 10,000
      Refrigeration equipment 10,000
   C) Refrigeration equipment 11,500
      Accumulated depreciation 8,500
      Cash 10,000
      Refrigeration equipment 10,000
   D) None of the above
TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

16) The double-declining balance method of depreciation computes annual depreciation by multiplying the asset's decreasing book value by a constant percent that is two times the straight-line rate.  16) ____

17) If assets are junked before being fully depreciated, there is a loss equal to the book value of the asset.  17) ____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

18) Which of the following is a characteristic of a current liability?
   A) A current liability must be of a known amount.
   B) Current liabilities are subtracted from long-term liabilities on the balance sheet.
   C) A current liability must be of an estimated amount.
   D) A current liability is due within one year or one operating cycle, whichever is longer.  18) ____

19) If an installment note payable has installments due within a year, the entire note is treated as a current liability.  19) ____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

20) Liabilities are often created as a result of an expense incurred by a company. Which of the following liabilities is NOT the result of an expense incurred by the company?
   A) Sales tax payable
   B) State unemployment tax payable
   C) Federal unemployment tax payable
   D) Estimated warranty payable  20) ____

21) Which of the following occurs when a company records accrued interest on a note payable?
   A) Interest payable is credited.
   B) Interest expense is credited.
   C) Note payable is credited.
   D) Cash is debited.  21) ____

22) Which of the following is a liability created when a company receives cash for services to be provided in the future?
   A) Unearned revenue
   B) Service revenue
   C) Estimated warranty payable
   D) Accrued liability  22) ____

23) Sales revenue for a sporting goods store amounted to $215,000 for the current period. All sales are on account and are subject to a sales tax of 7%. Which of the following would be included in the journal entry to record these sales?
   A) A debit to sales tax payable for $15,050
   B) A debit to sales revenue for $215,000
   C) A debit to accounts receivable for $230,050
   D) A debit to accounts receivable for $215,000  23) ____

24) A $20,000, 90-day, 8% note payable was issued on November 1, 2015. Using a 360-day year, what is the amount of accrued interest on December 31, 2015?
   A) $267
   B) $133
   C) $800
   D) $200  24) ____
25) Which of the following are categories of contingent liabilities?
   A) Reasonably possible
   B) Remote
   C) Probable, and the amount can be reasonably estimated
   D) All of the above are categories of contingent liabilities

26) A restaurant has been sued because a customer claims to have found a cockroach in her chili. The company’s lawyers believe there is only a remote possibility that the lawsuit will result in an actual liability. Which of the following actions should be taken by the company’s management?
   A) The liability should be estimated and recorded as an expense.
   B) The situation should be described in a note to the financial statements.
   C) The possible liability should be ignored.
   D) Management should consider resigning.

27) Which of the following is true of a contingent liability?
   A) It is a potential liability that depends on a future event.
   B) It is an actual liability that is difficult to estimate.
   C) It is an actual liability that depends on a past event.
   D) It is a court-imposed liability based on an officer’s fraud as decided in a completed lawsuit.

28) In which of the following periods should the expense for warranty costs be recorded?
   A) The period when the product is repaired or replaced
   B) The period when cash is paid to repair or replace the product
   C) The period when the product is sold
   D) The period when cash is collected for the sale of the product

29) Which of the following is included in the entry to record warranty expense?
   A) A debit to warranty expense
   B) A debit to estimated warranty payable
   C) A credit to estimated warranty payable
   D) A credit to warranty expense

30) Which of the following is the proper response for a liability that exists but the exact amount of the liability is not known?
   A) The amount of the liability should be estimated.
   B) The liability should be reported in the notes to the financial statements.
   C) The liability should be treated as a contingent liability.
   D) The liability should be ignored.

31) For which of the following taxes is there a ceiling on the amount of annual earnings subject to the tax?
   A) Only the state and federal unemployment taxes
   B) The FICA tax and the state and federal unemployment taxes
   C) Only the FICA tax and the federal unemployment
   D) Only the FICA tax

32) Which of the following is referred to as net pay?
   A) Take-home pay plus all deductions
   B) Gross pay minus federal and state income taxes
   C) All deductions plus all withholdings
   D) Gross pay minus all deductions
33) Which of the following is NOT an expense of the employer?
   A) Federal unemployment taxes  B) Employee income taxes  
   C) FICA taxes  D) State unemployment taxes

34) Which of the following forms is used to determine the number of exemptions claimed by an 
   employee for purposes of determining the amount of income taxes withheld?
   A) Form W-4  B) Form W-2  C) Form 941  D) Form 1040

35) Which of the following is NOT an optional deduction?
   A) Medical insurance  B) Social security taxes  
   C) Charitable contributions  D) Union dues

36) Which of the following accounting principles requires that warranty expenses must be estimated 
   and recognized in the same period as the related sales revenue is recognized?
   A) The matching principle  B) The conservatism principle  
   C) The full disclosure principle  D) The revenue recognition principle

37) A $20,000, 90-day, 8% note payable was issued on November 1, 2015. Using a 360-day year, what 
   is the amount of interest expense recorded in 2016?
   A) $200  B) $800  C) $267  D) $133

38) A $20,000, 90-day, 8% note payable was issued on November 1, 2015. Which of the following 
   would be included in the journal entry required on the note’s maturity date?
   A) A debit to interest expense for $133  B) A credit to note payable for $20,400  
   C) A debit to interest payable for $133  D) A credit to cash for $10,000

39) Which of the following would be included in the journal entry to record the payment of accrued 
   sales tax?
   A) A credit to sales tax payable  B) A debit to sales tax payable  
   C) A credit to sales tax expense  D) A debit to sales tax expense

40) Which of the following correctly describes interest payable?
    A) Interest payable is shown on the balance sheet as a long-term liability.  
    B) Interest payable is shown on the balance sheet as a current liability.  
    C) Interest payable is shown on the income statement as an operating expense.  
    D) Interest payable is shown on the balance sheet as a current asset.

Table 10.1
On January 1, 2011, Zane Manufacturing Company purchased a machine for $40,000. The company expects to use 
the machine a total of 24,000 hours over the next 6 years. The estimated sales price of the machine at the end of 6 years is $4,000. 
The company used the machine 8,000 hours in 2011 and 12,000 in 2012.

41) Refer to Table 10.1. What is depreciation expense for 2012 if the company uses double-declining 
   balance depreciation?
    A) $6,000  B) $8,889  C) $13,333  D) $10,000

42) Refer to Table 10.1. What is the book value of the machine at the end of 2012 if the company uses 
   double-declining balance depreciation?
    A) $13,333  B) $28,000  C) $20,000  D) $17,778
43) Refer to Table 10.1. What is depreciation expense for 2011 if the company uses straight-line depreciation?
   A) $6,667  B) $6,000  C) $13,333  D) $12,000

44) Refer to Table 10.1. What is depreciation expense for 2012 if the company uses straight-line depreciation?
   A) $9,000  B) $6,000  C) $10,000  D) $13,333

45) Refer to Table 10.1. What is the book value of the machine at the end of 2012 if the company uses straight-line depreciation?
   A) $10,000  B) $20,000  C) $17,778  D) $28,000

46) Refer to Table 10.1. What is depreciation expense for 2011 if the company uses units-of-production depreciation?
   A) $13,333  B) $6,000  C) $6,667  D) $12,000

47) Refer to Table 10.1. What is depreciation expense for 2012 if the company uses units-of-production depreciation?
   A) $9,000  B) $10,000  C) $18,000  D) $6,000

48) Refer to Table 10.1. What is the book value of the machine at the end of 2012 if the company uses units-of-production depreciation?
   A) $10,000  B) $28,000  C) $17,778  D) $20,000

49) Which of the following depreciation methods allocates a fixed amount of depreciation to each...components?
   A) Units-of-production  B) Declining-balance
   C) Straight-line  D) All of the above

50) Which of the following depreciation methods writes off more depreciation near the start of an asset’s life than in later years?
   A) Declining-balance  B) Units-of-production
   C) Straight-line  D) All of the above

51) Which of the following properly describes accumulated depreciation?
   A) Accumulated depreciation is a contra-equity account.
   B) Accumulated depreciation is an expense account.
   C) Accumulated depreciation is a contra-liability account.
   D) Accumulated depreciation is a contra-asset account.

52) Which of the following would be expensed rather than capitalized?
   A) Addition to storage capacity  B) Modification for new use
   C) Oil change and lubrication  D) Major engine overhaul

53) Which of the following is included in the cost of a plant asset?
   A) Amounts paid to ready the asset for its intended use
   B) The purchase price of the plant asset
   C) The taxes paid
   D) All of the above
54) Which of the following assets groups includes fencing?  
   A) Machinery and equipment  
   B) Buildings  
   C) Land  
   D) Land improvements

55) Which of the following are deducted in arriving at an employee's net pay?  
   A) Federal income taxes  
   B) FICA taxes  
   C) Federal unemployment taxes  
   D) Both federal income taxes and FICA taxes are deducted

56) Which of the following deductions must be matched by the employer, resulting in an expense to the employer?  
   A) Federal unemployment taxes  
   B) FICA taxes  
   C) Federal income taxes  
   D) Both federal income taxes and FICA taxes are matched by the employer

Case 11.1
Dan Jones and Pat Smith are the only two employees of Lone Star Company. In January, 2009, Dan's gross pay was $4,400 and Pat's gross pay was $5,200. All earnings are subject to FICA taxes of 8%.

57) Refer to Case 11.1. Which of the following would be included in the entry to record the payroll for January?  
   A) A credit to FICA tax payable for $768  
   B) A debit to salary payable to employees for $8,832  
   C) A credit to salary expense for $8,832  
   D) A debit to FICA tax payable for $768

Case 11.2
A company has 24 employees who are paid on a monthly basis. For the most recent month, gross earnings were $78,000, of which $27,000 is subject to employment taxes. The federal unemployment tax rate is .8% and the state unemployment rate is 5.4%. Federal income taxes are withheld at the rate of 20% of total earnings. All earnings are subject to FICA taxes of 8%.

58) Refer to Case 11.2. What is the employer's total payroll taxes expense for the month?  
   A) $ 7,914  
   B) $12,480  
   C) $ 6,240  
   D) $23,514

59) Where would sales tax payable appear?  
   A) On the income statement as an expense  
   B) On the balance sheet as a current liability  
   C) On the balance sheet as a long-term liability  
   D) There is no account called sales tax payable

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

60) Warranties pose an accounting challenge because a company does not know which or how many products will have to be repaired.  
61) A contingent liability that will probably become an actual liability must be estimated and recorded as an expense.
62) Payroll tax expense includes the employer’s portion of FICA taxes, state unemployment taxes, and federal unemployment taxes. 62)

63) Mutual agency means that each partner has unlimited personal liability for the debts of the partnership. 63)

64) When an asset contributed to a partnership is subject to a liability, the asset is recorded as the net amount of the value of the asset and the liability. 64)

65) Profits and losses are allocated equally among the partners when there is no partnership agreement. 65)

66) When a person is admitted to a partnership by investing directly in the partnership, the ownership interest must be recorded at book value. 66)

67) The death of a partner dissolves a partnership. 67)

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

68) Which of the following partnership characteristics causes every partner to be bound by a contract created by other partners of the firm?
   A) Limited life  B) Mutual agency  C) Co-ownership of property  D) Unlimited liability

69) Which of the following is TRUE of a limited partnership?
   A) A limited partnership must have at least two general partners.
   B) A limited partnership must have at least one general partner.
   C) All of the partners of a limited partnership have unlimited liability.
   D) All of the partners of a limited partnership have limited liability.

70) Which of the following is TRUE of the net business profit of the partnership?
   A) The profits of the partnership pass through the partnership to be taxed to the partners.
   B) The profits of a partnership are not taxable unless the partnership has over $250,000 of net profits.
   C) The profits of a partnership are only taxable to the limited partners.
   D) The profit is not taxable.

71) How are the investments of assets into a partnership recorded?
   A) Book value  B) Current market value  C) Original cost adjusted for inflation  D) Original cost

72) Andrew’s share of net income is $35,000 and Barbara’s share of net income is $45,000. Which of the following would be included in a closing entry as a result of these allocations?
   A) Andrew’s capital account would be debited for $35,000.
   B) Andrew’s capital account would be credited for $40,000.
   C) Barbara’s capital account would be credited for $40,000.
   D) The income summary would be debited for $80,000.
73) Which of the following would be TRUE if the partnership agreement does not stipulate how profits and losses will be allocated?  
A) Profits and losses will be allocated based on the amount of time devoted to the business.  
B) Profits and losses will be allocated in proportion to the partners' initial investments.  
C) Profits and losses will be allocated equally to the partners.  
D) Profits and losses will be allocated in the ratio of the partners' capital balances.

Case 12.2  
Edward, Robert, and Brenda form a partnership. Cash invested is $50,000 by Edward, $60,000 by Robert, and $90,000 by Brenda.

74) Refer to Case 12.2. The partners do not have articles of partnership. The partnership has net income of $120,000. How much of the income is allocated to Edward?  
A) $40,000  
B) $50,000  
C) $30,000  
D) $60,000

75) Anne and Joshua are partners. After the books are closed, their capital balances are $80,000 and $100,000, respectively. They share profits equally. Anne sells her partnership interest to Neil for $135,000. Which of the following would be included in the partnership's entry to record this transaction?  
A) Neil, capital would be credited for $135,000.  
B) Neil, capital would be debited for $135,000.  
C) Neil, capital would be credited for $80,000.  
D) Cash would be debited for $135,000

Case 12.3  
Betsey and Brenda are partners. After the books are closed, their capital balances are $240,000 and $260,000, respectively. They share profits by a 2:6 ratio. They have decided to admit Angela to the partnership.

76) Refer to Case 12.3. Which of the following would be included in the entry to record Angela's transaction if she purchases a 20% interest from the partnership for $90,000?  
A) Betsey, capital would be credited for $7,000.  
B) Angela, capital would be credited for $118,000.  
C) Cash would be credited for $90,000.  
D) Angela, capital would be credited for $90,000.

Case 12.5  
Rachel, Ashley, and Jacob are partners. They share profits and losses equally. After the books are closed, their capital balances are $90,000, $120,000, and $70,000, respectively. Jacob has decided to leave the firm.

77) Refer to Case 12.5. Which of the following would be included in the entry to record the transaction if the partnership pays Jacob $50,000 in cash and a promissory note for $20,000 for his withdrawal from the partnership?  
A) Jacob, capital would be credited for $70,000.  
B) Jacob, capital would be debited for $50,000.  
C) Jacob, capital would be credited for $50,000.  
D) Jacob, capital would be debited for $70,000.
78) After the partners decide to liquidate a partnership, which of the following is the last step in the liquidation?
   A) The partnership books are adjusted and closed up to the date of the liquidation.
   B) The assets are sold and any gain or loss is allocated to the partners.
   C) Liabilities are paid.
   D) Any remaining cash is paid to the partners based on the capital balance.

Case 12.5
Rachel, Ashley, and Jacob are partners. They share profits and losses equally. After the books are closed, their capital balances are $90,000, $120,000, and $70,000, respectively. Jacob has decided to leave the firm.

79) Refer to Case 12.5. Which of the following would be included in the entry to record the transaction if the partnership pays Jacob $100,000 in cash for his withdrawal from the partnership?
   A) Ashley, capital would be credited for $15,000.
   B) Jacob, capital would be debited for $100,000.
   C) Rachel, capital would be debited for $30,000.
   D) Ashley, capital would be debited for $15,000.

80) Refer to Case 12.5. Which of the following would be included in the entry to record the transaction if the partnership pays Jacob $60,000 in cash for his withdrawal from the partnership?
   A) Ashley, capital would be debited for $5,000.
   B) Rachel, capital would be debited for $5,000.
   C) Jacob, capital would be debited for $60,000.
   D) Rachel, capital would be credited for $5,000.

Case 12.3
Betsey and Brenda are partners. After the books are closed, their capital balances are $240,000 and $260,000, respectively. They share profits by a 2:6 ratio. They have decided to admit Angela to the partnership.

81) Refer to Case 12.3. Which of the following would be included in the entry to record Angela's transaction if she purchases a 25% interest from the partnership for $200,000?
   A) Angela, capital would be credited for $200,000.
   B) Brenda, capital would be debited for $18,750.
   C) Angela, capital would be debited for $175,000.
   D) Betsey, capital would be credited for $6,250.

82) Refer to Case 12.3. Which of the following would be included in the entry to record Angela's transaction if she purchases a 15% interest from the partnership for $100,000?
   A) Brenda, capital would be credited for $7,500.
   B) Betsey, capital would be debited for $6,250.
   C) Angela, capital would be credited for $100,000.
   D) Betsey, capital would be credited for $6,250.

83) Refer to Case 12.3. Which of the following would be included in the entry to record Angela's transaction if she purchases one-third of Betsey's interest from Betsey for $100,000?
   A) Angela, capital would be credited for $80,000.
   B) Cash would be debited for $100,000.
   C) Angela, capital would be credited for $100,000.
   D) None of the above would be included.
84) Dawn, Dustin, and Derek are partners. After the books are closed, their capital balances are $36,000, $45,000, and $60,000, respectively. Dustin sells his partnership interest to Amy for $52,000. Which of the following would be included in the partnership’s entry to record this transaction?
A) Amy, capital would be credited for $52,000.
B) Amy, capital would be debited for $45,000.
C) Amy, capital would be credited for $45,000.
D) Cash would be debited for $45,000.

Case 12.2
Edward, Robert, and Brenda form a partnership. Cash invested is $50,000 by Edward, $60,000 by Robert, and $90,000 by Brenda.

85) Refer to Case 12.2. The articles of partnership specify that net income is to be divided 2:4:4 among Edward, Robert, and Brenda, respectively. The partnership has net income of $120,000. How much of the income is allocated to Edward?
A) $48,000
B) $60,000
C) $36,000
D) $24,000

86) Refer to Case 12.2. The articles of partnership specify that net income is to be divided based on the ratio of the partners’ capital balance. The partnership has net income of $120,000. How much of the income is allocated to Edward?
A) $40,000
B) $50,000
C) $60,000
D) $30,000

87) Refer to Case 12.2. The articles of partnership specify that net income is to be divided by allocating a salary of $30,000 to Brenda, with the remainder of the income to be divided equally among the three partners. The partnership has net income of $120,000. How much of the income is allocated to Brenda?
A) $30,000
B) $60,000
C) $50,000
D) $40,000

88) Refer to Case 12.2. The partners do not have articles of partnership. The partnership has a net loss of $90,000. How much of the loss is allocated to Edward?
A) ($10,000)
B) ($20,000)
C) ($40,000)
D) ($30,000)

89) A net loss of $25,000 is divided equally between Harrison and Melanie. Which of the following would be included in a closing entry as a result of these allocations?
A) Cash would be debited for $25,000.
B) The income summary would be debited for $25,000.
C) Melanie’s capital account would be debited for $12,500.
D) Harrison’s capital account would be credited for $12,500.

90) Betty invests equipment with a cost of $100,000 and accumulated depreciation of $30,000 in a new partnership. The current value of the equipment is $105,000. The replacement value of the equipment is $135,000. At what amount would the equipment be recorded in Betty’s capital account?
A) $135,000
B) $100,000
C) $70,000
D) $105,000

91) Which of the following partnership characteristics causes the partnership to dissolve when a partner withdraws or a new partner is added?
A) Unlimited liability
B) Limited life
C) Co-ownership of property
D) Mutual agency
TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

92) The final step in partnership liquidation is selling the entity's assets.  

93) Partners' capital accounts are debited when assets are sold at a loss as part of a liquidation.  

94) After assets are sold and liabilities are paid in a partnership liquidation, remaining cash is paid to the partners according to their capital balances.  

95) The bonus method of accounting for a new partner's investment in a partnership allows the existing partners to attract a new partner by recording the new partner's interest at an amount greater than the amount invested by the new partner.  

96) An allocation ratio of 2:4:4 indicates the partners receive $20,000, $40,000 and $40,000 respectively.  

97) State and federal unemployment taxes are withheld from each employee's paycheck.  

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

Case 11.2
A company has 24 employees who are paid on a monthly basis. For the most recent month, gross earnings were $78,000, of which $27,000 is subject to employment taxes. The federal unemployment tax rate is .8% and the state unemployment rate is 5.4%. Federal income taxes are withheld at the rate of 20% of total earnings. All earnings are subject to FICA taxes of 8%.

98) Refer to Case 11.2. What is the employees' net pay?  
A) $62,400  
B) $56,160  
C) $54,486  
D) $55,944  

99) Refer to Case 11.2. What is the company's total payroll cost for the month?  
A) $101,514  
B) $ 85,914  
C) $ 6,240  
D) $ 78,000  

Case 11.1
Dan Jones and Pat Smith are the only two employees of Lone Star Company. In January, 2009, Dan's gross pay was $4,400 and Pat's gross pay was $5,200. All earnings are subject to FICA taxes of 8%.

100) Refer to Case 11.1. Which of the following would be included in the entry to record the payroll taxes imposed on Lone Star Company for January?  
A) A debit to salary payable to employees $9,600  
B) A credit to salary expense for $8,832  
C) A debit to FICA tax payable for $768  
D) A credit to FICA tax payable for $768