

ACCT 101 - Chapter 9

I. Current Liabilities – amounts to be paid in cash or earned as revenue in one year or less.

A. Notes Payable

1. Issuer

a. May be issued to:

1.

2.

b. Components of Notes Payable

1.

2.

3.

May 1, Bowden Co. issued a \$10,000, 60-day, 12% note to Thatcher Co., on account.

Due Date?

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	May	1					1
2							2
3							3
4							4
5							5
6							6
7							7

On August 10, Cary Company issued a \$20,000, 15%, 90-day note to Rock Company in exchange for inventory.

Due Date?

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Aug	10					1
2							2
3							3
4							4
5							5
6							6
7							7

- B. Sales Tax Payable – when a company charges sales tax on a sale, the amount of sales tax is immediately owed to the state, therefore, the amount of the sales tax is recorded in an account called Sales Tax Payable, a current liability.

On September 9, Cary Company sold \$6,000 of merchandise to Kelly Collectibles. The sale was subject to 9% sales tax. The cost of the inventory sold was \$3,100.

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Sept	9					1
2							2
3							3
4							4
5							5
6							6
7							7

- C. Unearned Revenue – if we receive cash in advance of performing the services or shipping the products, the amount received is recorded in an unearned revenue account, which is a current liability, as we owe the products or services to our customers. (same as discussed in chapter 3)

On October 10, Cary Company received full payment of \$30,000 from Jay Walker Company for merchandise to be shipped on November 1.

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Oct	10					1
2							2
3							3

## D. Payroll and Payroll Taxes

### 1. Employee wages and taxes

a. Gross Wages

b. Gross Salaries

### 2. Employee Deductions

a. Federal Income Tax

b. FICA Tax

1. Social Security - 6.2% of the first \$137,700 in gross wages  
(actual for 2023 = \$160,200; 2024 = \$167,700)

2. Medicare – 1.45% of all wages

c. State Income Tax

d. Voluntary Deductions

1. Union Dues

2. Retirement Plans

3. Charitable Organizations

4. Repayment of loans

5. Insurance Contributions

e. Net Pay

### 3. Employer Payroll Taxes

a. FICA Taxes

b. Federal Unemployment Compensation Tax (FUTA)

c. State Unemployment Compensation Tax (SUTA)

Our employee earns \$22 per hour and is paid once a week. During the week ended January 19, 2024, she worked 47 hours. The following amounts were deducted from her paycheck; Federal income tax, \$126; state income tax, \$72, social security 6.2%, Medicare 1.45%; union dues, \$15; health insurance, \$52. The Federal unemployment tax rate is .8% and the state unemployment tax rate is 4.6%.

	DATE	DESCRIPTION	P/R	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
12						12
13						13
14						14
15						15
16						16
17						17
18						18

E. Multi period known liabilities (current portion of long-term debt)

F. Vacation Benefits

G. Contingent Liabilities

A.

B.

C.

D.

Warren Tea Company sells \$60,000 of product on which there is a 12-month warranty for repairing defects. Past experience indicated that the average cost to repair warranty defects is 5% of the sales price.

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Dec	31					1
2							2
3							3

On March 12 of the following year, a customer comes in for \$500 repair, \$150 in inventory parts and \$350 in labor.

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Mar	12					1
2							2
3							3