P11-1B  On January 1, 2017, the ledger of Werth Company contains the following liability accounts.

Accounts Payable $35,000  
Sales Taxes Payable 5,000  
Unearned Service Revenue 12,000

During January, the following selected transactions occurred.

Jan. 1  Borrowed $30,000 in cash from Platteville Bank on a 4-month, 6%, $30,000 note.
5  Sold merchandise for cash totaling $11,130, which includes 6% sales taxes.
12 Performed services for customers who had made advance payments of $8,000. (Credit Service Revenue.)
14  Paid state treasurer’s department for sales taxes collected in December 2016, $5,000.
20  Sold 750 units of a new product on credit at $44 per unit, plus 6% sales tax. 
   This new product is subject to a 1-year warranty.
25  Sold merchandise for cash totaling $16,536, which includes 6% sales taxes.

Instructions
(a) Journalize the January transactions.
(b) Journalize the adjusting entries at January 31 for (1) the outstanding notes payable, 
   and (2) estimated warranty liability, assuming warranty costs are expected to equal 5% 
   of sales of the new product.
(c) Prepare the current liabilities section of the balance sheet at January 31, 2017. Assume 
   no change in accounts payable.

P11-2B The following are selected transactions of Lindblom Company. Lindblom 
prepares financial statements quarterly.

Jan. 2  Purchased merchandise on account from Evers Company, $20,000, terms 2/10, 
n/30. (Lindblom uses the perpetual inventory system.)
Feb. 1  Issued a 12%, 2-month, $20,000 note to Evers in payment of account.
Mar. 31  Accrued interest for 2 months on Evers note.
Apr. 1  Paid face value and interest on Evers note.
July 1  Purchased equipment from Francisco Equipment paying $12,000 in cash and 
   signing a 10%, 3-month, $40,000 note.
Sept. 30  Accrued interest for 3 months on Francisco note.
Oct. 1  Paid face value and interest on Francisco note.
Dec. 1  Borrowed $25,000 from the National Bank by issuing a 3-month, 12% note 
   with a face value of $25,000.
Dec. 31  Recognized interest expense for 1 month on National Bank note.

Instructions
(a) Prepare journal entries for the above transactions and events.
(b) Post to the accounts, Notes Payable, Interest Payable, and Interest Expense.
(c) Show the balance sheet presentation of notes and interest payable at December 31.
(d) What is total interest expense for the year?

P11-3B Otto Drug Store has four employees who are paid on an hourly basis plus time- 
and-a-half for all hours worked in excess of 40 a week. Payroll data for the week ended 
February 15, 2017, are shown below.

<table>
<thead>
<tr>
<th>Employee</th>
<th>Hours Worked</th>
<th>Hourly Rate</th>
<th>Federal Income Tax Withholdings</th>
<th>United Fund Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Dingler</td>
<td>39</td>
<td>$12.00</td>
<td>$34</td>
<td>$ –0–</td>
</tr>
<tr>
<td>D. Patel</td>
<td>42</td>
<td>12.00</td>
<td>20</td>
<td>10.00</td>
</tr>
<tr>
<td>L. Grimmett</td>
<td>44</td>
<td>10.00</td>
<td>51</td>
<td>5.00</td>
</tr>
<tr>
<td>A. Bly</td>
<td>46</td>
<td>10.00</td>
<td>36</td>
<td>5.00</td>
</tr>
</tbody>
</table>

The following tax rates are applicable: FICA 7.65%, state income taxes 3%, state unemployment 
taxes 5.4%, and federal unemployment 0.8%. The first three employees are sales clerks (store wages expense). The fourth employee performs administrative duties (office wages expense).
Instructions
(a) Prepare a payroll register for the weekly payroll.
(b) Journalize the payroll on February 15, 2017, and the accrual of employer payroll taxes.
(c) Journalize the payment of the payroll on February 16, 2017.
(d) Journalize the remittance to the Federal Reserve bank on February 28, 2017, of the FICA and federal income taxes payable to the government.

P11-4B The following payroll liability accounts are included in the ledger of Grandon Company on January 1, 2017.

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>FICA Taxes Payable</td>
<td>$540</td>
</tr>
<tr>
<td>Federal Income Taxes Payable</td>
<td>1,100</td>
</tr>
<tr>
<td>State Income Taxes Payable</td>
<td>210</td>
</tr>
<tr>
<td>Federal Unemployment Taxes Payable</td>
<td>54</td>
</tr>
<tr>
<td>State Unemployment Taxes Payable</td>
<td>365</td>
</tr>
<tr>
<td>Union Dues Payable</td>
<td>200</td>
</tr>
<tr>
<td>U.S. Savings Bonds Payable</td>
<td>300</td>
</tr>
</tbody>
</table>

In January, the following transactions occurred.

Jan. 10 Sent check for $200 to union treasurer for union dues.
12 Remitted check for $1,640 to the Federal Reserve bank for FICA taxes and federal income taxes withheld.
15 Purchased U.S. Savings Bonds for employees by writing check for $300.
17 Paid state income taxes withheld from employees.
20 Paid federal and state unemployment taxes.
31 Completed monthly payroll register, which shows salaries and wages $42,000, FICA taxes withheld $3,213, federal income taxes payable $2,540, state income taxes payable $500, union dues payable $300, United Fund contributions payable $1,300, and net pay $34,147.
31 Prepared payroll checks for the net pay and distributed checks to employees.

At January 31, the company also makes the following accruals pertaining to employee compensation.
1. Employer payroll taxes: FICA taxes 7.65%, state unemployment taxes 5.4%, and federal unemployment taxes 0.8%.
2. Vacation pay: 5% of gross earnings.

Instructions
(a) Journalize the January transactions.
(b) Journalize the adjustments pertaining to employee compensation at January 31.

P11-5B For the year ended December 31, 2017, Stone Company reports the following summary payroll data.

<table>
<thead>
<tr>
<th>Gross earnings:</th>
<th>Deductions:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative salaries</td>
<td>FICA taxes</td>
<td>$26,735</td>
</tr>
<tr>
<td>Electricians’ wages</td>
<td>Federal income taxes withheld</td>
<td>78,000</td>
</tr>
<tr>
<td>Total</td>
<td>State income taxes withheld (3%)</td>
<td>11,700</td>
</tr>
<tr>
<td></td>
<td>United Fund contributions payable</td>
<td>17,000</td>
</tr>
<tr>
<td></td>
<td>Health insurance premiums</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$145,435</td>
</tr>
</tbody>
</table>

Stone Company’s payroll taxes are Social Security tax 6.2%, Medicare tax 1.45%, state unemployment 2.5% (due to a stable employment record), and 0.8% federal unemployment. Gross earnings subject to Social Security taxes of 6.2% total $340,000, and gross earnings subject to unemployment taxes total $90,000.

Instructions
(a) Prepare a summary journal entry at December 31 for the full year’s payroll.
(b) Journalize the adjusting entry at December 31 to record the employer’s payroll taxes.
(c) The W-2 Wage and Tax Statement requires the dollar data shown below.

<table>
<thead>
<tr>
<th>Employee</th>
<th>Gross Earnings</th>
<th>Federal Income Tax Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Chavez</td>
<td>$50,000</td>
<td>$18,300</td>
</tr>
<tr>
<td>E. Kremer</td>
<td>24,000</td>
<td>4,800</td>
</tr>
</tbody>
</table>

Complete the required data for the following employees.