

Skills and Concepts

SECTION OBJECTIVE 20-1 AND EXAMPLES

Complete a payroll register.

Lorenzo's Italian Eatery has a total weekly gross payroll of \$9,432.02. Deductions totaled \$5,410.65. What is the total net pay?

STEP: Find the net pay.

$$\begin{array}{r} \text{Gross Pay} - \text{Deductions} \\ \$9,432.02 - \$5,410.65 = \$4,021.37 \text{ total net pay} \end{array}$$

REVIEW EXERCISES

Use the Social Security tax rate of 6.2 percent and the Medicare tax rate of 1.45 percent.

	Employee	Gross Pay	FIT	Social Security	Medicare	Total Deductions	Net Pay
10.	Acevedo	\$ 395.00	\$ 37.00	a.	b.	c.	d.
11.	Bacci	561.25	62.00	a.	b.	c.	d.
12.	Cook	898.45	145.00	a.	b.	c.	d.
13.	Graham	311.00	25.00	a.	b.	c.	d.
14.	Grajales	432.00	43.00	a.	b.	c.	d.
15.	Lyons	1,090.50	197.00	a.	b.	c.	d.

16. Central Grocery Store's gross payroll for the week was \$32,906.56. The total deductions were \$12,458.93. What is the total net pay?

Use the tables on pages 788–791 for federal withholding. Use the Social Security tax rate of 6.2 percent and the Medicare tax rate of 1.45 percent.

17. Jeremy Scharfetter works for Rhodes Electronics and earns \$13.50 per hour. He is single and claims 1 allowance. He is paid weekly. Last week, he worked 38 hours. What is his net pay?

SECTION OBJECTIVE 20-2 AND EXAMPLES

Calculate the percent that a particular business expense is of the total expenses.

Oswaldo Electronics manufactures pacemakers. Its monthly payroll expenses are \$9,321 and total monthly expenses are \$54,210. Payroll is what percent of the total expenses?

STEP: Find the percent of the total.

$$\begin{array}{r} \text{Particular Expense} \div \text{Total Expenses} \\ \$9,321 \div \$54,210 \\ = 0.1719 \text{ or } 17.2\% \text{ of total expenses} \end{array}$$

REVIEW EXERCISES

For Problems 18–23, find out what percent (nearest tenth) each item is of the total?

Retailer's Cost and Profit		
18.	Digital camera from manufacturer	\$ 550.00
19.	Advertising, other sales expenses	99.00
20.	Store operations	150.00
21.	Payroll	85.50
22.	Taxes	25.50
23.	Profit from sale to retail customer	140.00
Total (selling price to customer)		\$1,050.00

SECTION OBJECTIVE 20-3 AND EXAMPLES

Figure out a department's share of the total business expense.

Giant is a grocery store comprising 65,000 square feet of store space. Within Giant, Flower Mart occupies an area that measures 25 feet by 45 feet. The annual cost of maintenance for the entire grocery store is \$125,000. Giant apportions the cost based on square feet occupied. What annual amount for maintenance does Giant charge Flower Mart?

STEP 1: Find the square feet occupied.

$$25 \text{ feet} \times 45 \text{ feet} = 1,125 \text{ square feet occupied}$$

STEP 2: Find the amount paid.

$$\frac{\text{Square Feet Occupied}}{\text{Total Square Footage}} \times \text{Total Expense}$$

$$(1,125 \div 65,000)$$

$$0.017307692 \times \$125,000 = \$2,163.46 \text{ amount paid}$$

REVIEW EXERCISES

For Problems 24–28, complete the chart.

The Expo Building apportions costs among the tenants on the basis of square footage. How much does each tenant pay for each annual expense?

Expo Building										
Tenant	Dimensions	Sq. Ft.	Base Rent	Sec.	Taxes	Insur.	Maint.	Assoc. Fee	Total	
24.	Kwok Insurance	35 × 85	a.	b.	c.	d.	e.	f.	g.	h.
25.	Lyons & Associates	40 × 85	a.	b.	c.	d.	e.	f.	g.	h.
26.	Go Travel	50 × 100	a.	b.	c.	d.	e.	f.	g.	h.
27.	Community Bank	30 × 70	a.	b.	c.	d.	e.	f.	g.	h.

REVIEW EXERCISES

Eileen Arthur purchased an underwater camera for her diving students to use. The camera cost \$5,290, has a useful life of 8 years, and has a salvage value of \$890. Calculate the straight-line depreciation and the book value after each year of use.

	End of Year	Original Cost	Annual Depreciation	Accumulated Depreciation	Book Value
35.	1	a.	b.	c.	d.
36.	2	a.	b.	c.	d.
37.	3	a.	b.	c.	d.
38.	4	a.	b.	c.	d.
39.	5	a.	b.	c.	d.
40.	6	a.	b.	c.	d.
41.	7	a.	b.	c.	d.
42.	8	a.	b.	c.	d.

SECTION OBJECTIVE 20-6 AND EXAMPLES

Use the modified accelerated cost recovery system to compute the annual depreciation and book value.

Case Digital Design Company purchased an equipment van for \$15,000. MACRS allows equipment vans to be depreciated fully in 6 years according to six fixed percents: 20 percent the first year, 32 percent the second year, 19.2 percent the third year, 11.52 percent the fourth and fifth years, and 5.76 percent the sixth year. What is the annual depreciation?

STEP: Find the annual depreciation.

Year	Original Cost	×	Fixed Percent	=	Annual Depreciation
1	\$15,000.00	×	20.00%	=	\$ 3,000.00
2	15,000.00	×	32.00%	=	4,800.00
3	15,000.00	×	19.20%	=	2,880.00
4	15,000.00	×	11.52%	=	1,728.00
5	15,000.00	×	11.52%	=	1,728.00
6	15,000.00	×	5.76%	=	864.00
Total				100.00%	\$15,000.00

REVIEW EXERCISES

A laser engraving machine is fully depreciated in 8 years. Complete the depreciation table for a laser engraving machine costing \$86,500.

	Year	Percent	Original Cost	Annual Depreciation	Accumulated Depreciation	Book Value
43.	1	20.00%	a.	b.	c.	d.
44.	2	16.80%	a.	b.	c.	d.
45.	3	14.20%	a.	b.	c.	d.
46.	4	12.20%	a.	b.	c.	d.
47.	5	9.85%	a.	b.	c.	d.
48.	6	9.15%	a.	b.	c.	d.
49.	7	9.02%	a.	b.	c.	d.
50.	8	8.78%	a.	b.	c.	d.

SECTION OBJECTIVE 20-4 AND EXAMPLES

Utilize the straight-line method to compute the annual depreciation of an item. An advertising agency purchased a color laser printer that cost \$4,210. The life of the printer is estimated to be 4 years. The total salvage value after 4 years of use is estimated to be \$610. Using the straight-line method, find the annual depreciation of the laser printer.

STEP: Find the annual depreciation.

$$(\text{Original Cost} - \text{Salvage Value}) \div \text{Estimated Life} \\ (\$4,210 - \$610) \div 4 = \$900 \text{ annual depreciation}$$

REVIEW EXERCISES

Find the annual depreciation.

	Item	(Original Cost	-	Salvage Value)	÷	Estimated Life	=	Annual Depreciation
29.	Server	(\$ 8,500	-	\$ 900)	÷	2 years	=	
30.	Copy machine	(25,400	-	2,800)	÷	6 years	=	
31.	Tour bus	(170,000	-	18,000)	÷	10 years	=	
32.	Furniture	(4,310	-	257)	÷	3 years	=	
33.	Front end loader	(35,000	-	1,000)	÷	8 years	=	
34.	Fork lift	(18,750	-	750)	÷	9 years	=	

SECTION OBJECTIVE 20-5 AND EXAMPLES

Apply the straight-line method to compute the book value of an item.

An advertising agency purchased a color laser printer that cost \$4,210. The life of the printer is estimated to be 4 years. The total salvage value after 4 years of use is estimated to be \$610. Using the straight-line method, the agency determined that the printer would depreciate \$900 per year. What is the book value at the end of each year of depreciation?

STEP 1: Find the accumulated depreciation.

	Previous Year's Accumulated Depreciation	+	Current Year's Depreciation	=	
First year:	\$ 0	+	\$900	=	\$ 900
Second year:	900	+	900	=	1,800
Third year:	1,800	+	900	=	2,700
Fourth year:	2,700	+	900	=	3,600

STEP 2: Find the book value.

	Original Cost	-	Accumulated Depreciation	=	
First year:	\$4,210	-	\$ 900	=	\$3,310
Second year:	4,210	-	1,800	=	2,410
Third year:	4,210	-	2,700	=	1,510
Fourth year:	4,210	-	3,600	=	610