

Chapter 2 Problems

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

- 1) Neiger Flours owes \$16,929 in taxes on taxable income of \$61,509. If the firm earns \$100 more in income, it will owe an additional \$48 in taxes. What is the average tax rate on income of \$61,609? 1) _____
- A) 35.00 percent B) 27.56 percent
 C) 28.00 percent D) 30.33 percent

- 2) Red's Tractors owes \$52,311 in taxes on a taxable income of \$608,606. The company has determined that it will owe \$56,211 in tax if its taxable income rises to \$620,424. What is the marginal tax rate at this level of income? 2) _____
- A) 39 percent B) 34 percent C) 33 percent D) 35 percent

- 3) Use the following tax table to answer this question: 3) _____

Taxable Income		Tax Rate
\$ 0-	50,000	15%
50,001-	75,000	25
75,001-	100,000	34
100,001-	335,000	39
335,001-	10,000,000	34

- BT Trucking has taxable income of \$617,429. How much does it owe in taxes?
- A) \$240,797.31 B) \$96,025.86 C) \$209,925.86 D) \$201,354.82

- 4) Gino's Winery has net working capital of \$29,800, net fixed assets of \$64,800, current liabilities of \$34,700, and long-term debt of \$23,000. What is the value of the owners' equity? 4) _____
- A) \$71,600 B) \$36,900 C) \$106,300 D) \$66,700

- 5) Marcie's has sales of \$179,600, depreciation of \$14,900, costs of goods sold of \$138,200, and other costs of \$28,400. The tax rate is 35 percent. What is the net income? 5) _____
- A) \$1,204 B) -\$1,235 C) \$14,660 D) \$13,665 E) \$382

- 6) Lew's Auto Repair has cash of \$18,600, accounts receivable of \$34,500, accounts payable of \$28,900, inventory of \$97,800, long-term debt of \$142,000, and net fixed assets of \$363,800. The firm estimates that if it wanted to cease operations today it could sell the inventory for \$85,000 and the fixed assets for \$349,000. The firm could collect 100 percent of its receivables as they are secured. What is the market value of the firm's assets? 6) _____
- A) \$458,200 B) \$487,100 C) \$332,800 D) \$495,500

Answer Key

Testname: CHAPTER2PROBLEMS

- 1) B
- 2) C
- 3) C
- 4) A
- 5) B
- 6) B