

Personal Financial Management

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January 2019 - May 2019

HW 2

Question 4

For each of the following situations, compute the missing amount.

1. Assets \$45,000; liabilities \$12,600; net worth \$32,400
2. Assets \$78,980; liabilities \$65,280; net worth \$13,700
3. Assets \$44,280; liabilities \$12,965; net worth \$31,315
4. Assets \$92,140; liabilities \$38,345; net worth \$53,795

Question 1

Ross Martin arrived at the following tax information:

Gross salary	\$56,145
Interest earnings	\$205
Dividend income	\$65
One personal exemption	\$4,050
Itemized deductions	\$11,250
Adjustments to income	\$1,200

What amount would Ross report as taxable income?

$$56,145 + 205 + 65 - 1,200 - 4,050 - 11,250 = 39,915$$

Question 2

If Lola Harper had the following itemized deductions, should she use Schedule A or the standard deduction? The standard deduction for her tax situation is \$6,300.

Donations to church and other charities	\$2,050
Medical and dental expenses exceeding 10 percent of adjusted gross income	\$400
State income tax	\$690
Job-related expenses exceeding 2 percent of adjust gross income	\$2,010

She should use the standard deduction since she will only have \$5,150 in deductions under Schedule A.

Question 5

What would the average tax rate for a person who paid taxes of \$5,490 on a taxable income of \$41,670?

$$\frac{5490}{41670} = 0.1317 = 13.17\%$$

Question 6

Based on the following data, would Ann and Carl Wilton receive a refund or owe additional taxes?

Adjusted gross income	\$66,686
Itemized deductions	\$14,900
Child care tax credit	\$100
Federal income tax withheld	\$5,490
Amount for personal exemptions	\$12,150
Tax rate on taxable income	15 percent

Tax liability: $0.15(66686 - 14900 - 12150) - 100 = 5845.4$

Based on this information, Ann and Carl Wilton would owe an additional \$355.40.

You can find all my notes at <http://omgimanerd.tech/notes>. If you have any questions, comments, or concerns, please contact me at alvin@omgimanerd.tech