

Farmer, Inc.
 Deferred Taxes
 For the Year Ended December 31, 2010

Enacted tax rate (2011)= 35%
 Enacted Tax Rate (2012) = 40%

<u>Accounting Event</u>	<u>Future Taxable Amount</u>	<u>Future Deductible Amount</u>	<u>Deferred Tax Liability</u>	<u>Deferred Tax Asset</u>	<u>Taxable Income</u>
Pretax income					\$ 240,000
Noncurrent					
Unearned rent		\$ 60,000	\$ -	\$ 24,000	\$ 60,000
Severance Pay	\$ 30,000		\$ 12,000		\$ (30,000)
Total Noncurrent			<u>\$ 12,000</u>	<u>\$ 24,000</u>	
Current					
Unearned rent		\$ 60,000	\$ -	\$ 21,000	\$ 60,000
Severance Pay	\$ 30,000		\$ 10,500		\$ (30,000)
Total Current			<u>\$ 10,500</u>	<u>\$ 21,000</u>	
Permanent Items					
Life insurance premiums					\$ 10,000
Taxable income					\$ 310,000
Current tax rate					30%
Tax payable					<u>\$ 93,000</u>

Journal Entry

Noncurrent deferred tax asset	\$ 24,000	
Current deferred tax asset	\$ 21,000	
Provision for income taxes	\$ 70,500	
Noncurrent deferred tax liability		\$ 12,000
Current deferred tax liability		\$ 10,500
Income tax payable		\$ 93,000