

FA Module 13 Tax expense with deferred taxes practice exam questions

covering taxes paid, current tax asset, current tax liability, deferred tax asset, deferred tax liability, tax expense

(The attached PDF file has better formatting.)

A firm pays income taxes of 99 in 20X1 and of 80 in 20X2. The corporate tax rate is 20%.

The firm reports deferred tax assets and liabilities for December 31, 20X1, and December 31, 20X2, as:

<i>Deferred taxes at</i>	<i>December 31, 20X1</i>	<i>December 31, 20X2</i>
<i>Current tax asset</i>	15	26
<i>Current tax liability</i>	42	39
<i>Deferred tax asset</i>	57	64
<i>Deferred tax liability</i>	85	75

Question 13.1: Tax expense

What is the firm's tax expense in 20X2?

Answer 13.1: $80 - (26 - 15) + (39 - 42) - (64 - 57) + (75 - 85) = 49$

Taxes paid
- Current tax asset
+ Current tax liability
- Deferred tax asset
+ Deferred tax liability
= Tax expense