

**1. Which of the following best describes a deferred tax liability?**

- A. A tax obligation that is due within the current reporting period.
- B. A tax amount that will increase taxable income in future periods due to temporary differences.
- C. A reduction of taxable income in future periods due to deductible temporary differences.
- D. A tax amount that arises from permanent differences between accounting and taxable income.



**Answer: B**



**Explanation:** A **deferred tax liability** represents the amount of income tax that will be payable in future periods due to temporary differences that cause accounting income to be higher than taxable income in the current period.

**2. Entity ABC reported an accounting profit of ₱2,500,000 for the year. Included in this amount was a ₱300,000 fine for regulatory violations, which is not deductible for tax purposes. The applicable tax rate is 30%. What is the current tax expense?**

- A. ₱600,000
- B. ₱660,000
- C. ₱750,000
- D. ₱840,000



**Answer: D**



**Solution:**

**Step 1: Compute Taxable Income**

Taxable Income=Accounting Profit+Non-deductible Expenses =2,500,000+300,000 =2,800,000

**Step 2: Compute Current Tax Expense**

Current Tax Expense=Taxable Income×Tax Rate =2,800,000×30% =840,000

Thus, the correct answer is **D. ₱840,000**

**3. Under PFRS, how should deferred tax assets and liabilities be measured?**

- A. At historical tax rates applicable when the temporary differences originated.
- B. Using the tax rates enacted or substantively enacted at the balance sheet date.

- C. Using estimated tax rates that may apply in future periods.
- D. Based on the management's expectation of future tax rate changes.



**Answer: B**



**Explanation:** According to **PFRS (PAS 12 - Income Taxes)**, deferred tax assets and liabilities should be measured using **the tax rates that have been enacted or substantively enacted** as of the reporting date.

**4. DEF Corporation has the following temporary differences at year-end:**

- **Accelerated depreciation (taxable temporary difference):** ₱400,000
- **Warranty expense (deductible temporary difference):** ₱150,000

The tax rate is 25%. What is the net deferred tax liability?

- A. ₱62,500
- B. ₱100,000
- C. ₱125,000
- D. ₱250,000



**Answer: A**



**Solution:**

**Step 1: Compute Deferred Tax Liability (DTL) for Accelerated Depreciation**

$$\text{DTL} = 400,000 \times 25\% = 100,000$$

**Step 2: Compute Deferred Tax Asset (DTA) for Warranty Expense**

$$\text{DTA} = 150,000 \times 25\% = 37,500$$

**Step 3: Compute Net Deferred Tax Liability**

$$\text{Net DTL} = \text{DTL} - \text{DTA} = 100,000 - 37,500 = 62,500$$

Thus, the correct answer is **A. ₱62,500**.