

2. Award: 1.25 points

Carver Inc. purchased a building and the land on which the building is situated for a total cost of \$933,900 cash. The land was appraised at \$204,057 and the building at \$869,928.

**Required**

- Determine the amount of the purchase cost to allocate to the land and the amount to allocate to the building.
- Would the company recognize a gain on the purchase?
- Record the purchase in a statements model like the following one.
- Record the purchase in general journal format.

**Complete this question by entering your answers in the tabs below.**

Required A	Required B	Required C	Required D
------------	------------	------------	------------

Determine the amount of the purchase cost to allocate to the land and the amount to allocate to the building. (Do not round intermediate calculations. Round your final answers to nearest whole dollar.)

	Allocated Cost
Land	
Building	
Total	\$ 0

< Required A Required B >

**References**

**Accounting Equation** Difficulty: 1 Easy

Learning Objective: 08-01 Identify and determine the cost of long-term operational assets.

## 2. Award: 1.25 points

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Would the company recognize a gain on the purchase?

Would the company recognize a gain on the purchase?	Yes

< Required A Required C >

### References

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Required A	Required B	Required C	Required D
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Record the purchase in a statements model like the following one. (Do not round intermediate calculations. Round your final answers to nearest whole dollars. Use initials OA to designate operating activity, IA for investing activity, FA for financing activity, NC for net change in cash and NA for not affected. Enter any minus sign.)

CARVER INC.											
Statements Model											
Balance Sheet						Income Statement				Statement of Cash Flows	
Assets			=	Liabilities	+	Equity	Revenue	-	Expenses		
Cash	+	Land	+	Building	=						
	+		+		=						

< Required B      Required D >

**References**

Accounting Equation

Difficulty: 1 Easy

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- a. Determine the amount of the purchase cost to allocate to the land and the amount to allocate to the building.
- b. Would the company recognize a gain on the purchase?
- c. Record the purchase in a statements model like the following one.
- d. Record the purchase in general journal format.

Complete this question by entering your answers in the tabs below.

Required A	Required B	Required C	Required D
------------	------------	------------	------------

Record the purchase in general journal format. (Do not round intermediate calculations. Round your final answers to nearest whole dollar. If no entry is required for a transaction/event, select "No journal entry required" in the first account field.)

[View transaction list](#)

**Journal entry worksheet**

< A >

Record purchase of land and building for cash.

Note: Enter debits before credits.

Event	General Journal	Debit	Credit
1			

Record entry
Clear entry
View general journal

< Required C      Required D >

References

Accounting Equation      Difficulty: 1 Easy

Learning Objective: 08-01 Identify and determine the cost of long-term operational assets.

4.

Award: 1.25 points

Golden Manufacturing Company started operations by acquiring \$121,300 cash from the issue of common stock. On January 1, Year 1, the company purchased equipment that cost \$121,300 cash, had an expected useful life of six years, and had an estimated salvage value of \$24,260. Golden Manufacturing earned \$94,710 and \$68,030 of cash revenue during Year 1 and Year 2, respectively. Golden Manufacturing uses double-declining-balance depreciation.

**Required:**

Prepare income statements, balance sheets, and statements of cash flows for Year 1 and Year 2. Use a vertical statements format. (*Hint:* Record the events in T-accounts prior to preparing the statements.) **(Do not round intermediate calculations. Round your final answers to the nearest whole dollar. Amounts to be deducted and net loss should be indicated with a minus sign.)**

<b>GOLDEN MANUFACTURING COMPANY</b>		
<b>Financial Statements</b>		
	<b>Year 1</b>	<b>Year 2</b>
<b>Income statements</b>		
Cash	\$ 121,300	
Common stock		121,300
	\$ 121,300	\$(121,300)
<b>Balance sheets</b>		
Assets		
Total assets	\$ 0	\$ 0
<b>Stockholders' equity</b>		
Total stockholders' equity	\$ 0	\$ 0
<b>Statements of cash flows</b>		
Cash flows from operating activities:		
Cash flows from investing activities:		
Cash flows from financing activities:		
Net change in cash	0	0
Ending cash balance	\$ 0	\$ 0

**References****Financial Statements**

Difficulty: 1 Easy

Learning Objective: 08-03 Calculate double-declining-balance depreciation and show how it affects financial statements.

[The following information applies to the questions displayed below.]

At the beginning of Year 1, Copland Drugstore purchased a new computer system for 250,000. It is expected to have a five-year life and a \$40,000 salvage value.

6. Award: 1.25 points

b. Record the purchase of the computer system and the depreciation expense for the first year under straight-line and double-declining-balance methods in a financial statements model like the following one: (In the Cash Flow column, use the initials OA to designate operating activity, IA for investing activity, FA for financing activity and NA to indicate the element is not affected by the event. Enter any decreases to account balances with a minus sign.)

COPELAND DRUGSTORE										
Statements Model										
Balance Sheet					Income Statement			Cash Flow		
Assets		=	Equity	Revenue	-	Expense	=	Net Income		
Cash	+		Book Value of Comp. Sys.	=	Retained Earnings		-		=	
	+			=			-		=	
Straight-line depreciation										
	+			=			-		=	
Double-declining-balance depreciation										
	+			=			-		=	

#### References

**Accounting Equation** Learning Objective: 08-02  
Calculate straight-line depreciation and show how it affects financial statements.

**Difficulty: 1 Easy** Learning Objective: 08-03  
Calculate double-declining-balance depreciation and show how it affects financial statements.

3. Award: 6.68 points

The following transactions pertain to Harrison Imports for Year 1:

1. Started business by acquiring \$29,000 cash from the issue of common stock.
2. Provided \$70,200 of services for cash.
3. Invested \$34,000 in marketable investment securities.
4. Paid \$26,550 of operating expense.
5. Received \$350 of investment income from the securities.
6. Invested an additional \$13,000 in marketable investment securities.
7. Paid a \$2,300 cash dividend to the stockholders.
8. Sold investment securities that cost \$8,663 for \$11,550.
9. Received another \$900 in investment income.
10. Determined the market value of the investment securities at the end of the year was \$35,937.

**Required:**

Use a vertical statements model to prepare a Year 1 income statement, balance sheet, and statement of cash flows, assuming that the marketable investment securities were classified as (a) held to maturity, (b) trading, and (c) available for sale. (*Hint: Record the events in T-accounts prior to preparing the financial statements.*) **(Record the transactions in the given order. Amounts to be deducted, cash outflows and losses should be indicated with a minus sign.)**

(a) Held-to-Maturity

Cash				Investment Securities			
Beg. Bal.	29,000			Beg. Bal.			
				End. Bal.			
End. Bal.	29,000						
Common Stock				Dividends			
Beg. Bal.	29,000			Beg. Bal.			
End. Bal.	29,000			End. Bal.			
Service Revenue				Investment Income			
Beg. Bal.				Beg. Bal.			
End. Bal.				End. Bal.			
Gain on Sale of Invest.				Operating Expenses			
Beg. Bal.				Beg. Bal.			
End. Bal.				End. Bal.			

(b) Trading

Cash				Investment Securities			
Beg. Bal.				Beg. Bal.			
				End. Bal.			
End. Bal.							
Common Stock				Dividends			
Beg. Bal.				Beg. Bal.			
End. Bal.				End. Bal.			
Service Revenue				Investment Income			
Beg. Bal.				Beg. Bal.			
End. Bal.				End. Bal.			
Gain on Sale of Invest.				Operating Expenses			
Beg. Bal.				Beg. Bal.			
End. Bal.				End. Bal.			
(Income Statement Account) Unrealized Gain/Loss							
Beg. Bal.							
End. Bal.							

(c) Available-for-Sale

Cash				Investment Securities			
Beg. Bal.				Beg. Bal.			
				End. Bal.			
End. Bal.							
Common Stock				Dividends			
Beg. Bal.				Beg. Bal.			
End. Bal.				End. Bal.			
Accum. Other Comp. Income Unrealized Gain/Loss				Service Revenue			
Beg. Bal.				Beg. Bal.			
End. Bal.				End. Bal.			
Investment Income				Gain on Sale of Invest.			
Beg. Bal.				Beg. Bal.			
				End. Bal.			
End. Bal.							
Operating Expenses							
Beg. Bal.							
End. Bal.							

HARRISON IMPORTS			
Income Statements			
For the Year Ended Year 1			
Investment Securities Classified as	Held-to-Maturity	Trading	Available-for-Sale
	0	0	0
	\$ 0	\$ 0	\$ 0

HARRISON IMPORTS			
Balance Sheets			
As of December 31, Year 1			
Investment Securities Classified as	Held-to-Maturity	Trading	Available-for-Sale
<b>Assets</b>			
Total Assets	\$ 0	\$ 0	\$ 0
<b>Stockholders' Equity</b>			
Total Stockholders' Equity	\$ 0	\$ 0	\$ 0

HARRISON IMPORTS			
Statements of Cash Flows			
For the Year Ended December 31, Year 1			
Investment Securities Classified as	Held-to-Maturity	Trading	Available-for-Sale
Cash flows from operating activities:			
Net cash flow from operating activities:	0	0	0
Cash flow from investing activities:			
Net cash flow from investing activities	0	0	0
Cash flow from financing activities			
Net cash flow from financing activities	0	0	0
Net change in cash			
Ending cash balance	\$ 0	\$ 0	\$ 0

**References**

**Financial Statements** Difficulty: 2 Medium

[The following information applies to the questions displayed below.]

Exact Photo Service purchased a new color printer at the beginning of Year 1 for \$36,800. The printer is expected to have a four-year useful life and a \$3,400 salvage value. The expected print production is estimated at \$1,781,000 pages. Actual print production for the four years was as follows:

Year 1	552,800
Year 2	480,300
Year 3	384,400
Year 4	<u>387,500</u>
Total	<u>1,805,000</u>

The printer was sold at the end of Year 4 for \$3,600.

7.

Award: 1.25 points

**Required**

a. Compute the depreciation expense for each of the four years, using double-declining-balance depreciation. (Do not round intermediate calculations. Round your answers to the nearest whole dollar amount.)

	Depreciation Expense
Year 1	
Year 2	
Year 3	
Year 4	
Total accumulated depreciation	\$ 0

**References**

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Year 1	552,800
Year 2	480,300
Year 3	384,400
Year 4	387,500
Total	<u>1,805,000</u>

The printer was sold at the end of Year 4 for \$3,600.

8.

Award: 1.25 points

b. Compute the depreciation expense for each of the four years, using units-of-production depreciation. **(Round cost per unit to three decimal places and final answers to the nearest whole dollar amount.)**

	Depreciation Expense
Year 1	
Year 2	
Year 3	
Year 4	
Total accumulated depreciation	

### References

9. Award: 1.25 points

City Taxi Service purchased a new auto to use as a taxi on January 1, Year 1, for \$22,900. In addition, City paid sales tax and title fees of \$530 for the vehicle. The taxi is expected to have a five-year life and a salvage value of \$5,940.

**Required**

a. Using the straight-line method, compute the depreciation expense for Year 1 and Year 2.

b & c. Assume that the taxi was sold on January 1, Year 3, for \$18,899. Prepare the general journal entries to record the Year 1 depreciation and sale of the taxi in Year 3.

**Complete this question by entering your answers in the tabs below.**

Req A	Req B and C
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Using the straight-line method, compute the depreciation expense for Year 1 and Year 2. (Round your answers to the nearest whole dollar amount.)

	Year 1	Year 2
Depreciation expense		

< Req A

Req B and C >

**References**

**General Journal**

Learning Objective: 08-02  
Calculate straight-line depreciation and show how it affects financial statements.

**Difficulty: 1 Easy**

Learning Objective: 08-05  
Show how gains and losses on disposals of long-term operational assets affect financial statements.

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Req A	Req B and C
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Assume that the taxi was sold on January 1, Year 3, for \$18,899. Prepare the general journal entries to record the Year 1 depreciation and sale of the taxi in Year 3. (If no entry is required for a transaction/event, select "No journal entry required" in the first account field.)

[View transaction list](#)

### Journal entry worksheet

<

1

2

>

Record depreciation expense.

Note: Enter debits before credits.

Date	General Journal	Debit	Credit
Year 1			

Record entry
Clear entry
View general journal

< Req A                      Req B and C >

**References**

**General Journal**                      Learning Objective: 08-02  
 Calculate straight-line depreciation and show how it affects financial statements.