

2013

1. Paid \$800 for repairs to the computer system.
2. Bought a case of toner cartridges for the printers that are part of the computer system, \$1,200.
3. Collected \$38,000 in data entry fees from clients.
4. Paid \$900 in fees to service the computers.
5. Recorded double-declining-balance depreciation for 2013.
6. Closed the revenue and expense accounts to Retained Earnings at the end of 2013.

2014

1. Paid \$3,000 to upgrade the computer system, which extended the total life of the system to six years.
2. Paid \$900 in fees to service the computers.
3. Collected \$35,000 in data entry fees from clients.
4. Recorded double-declining-balance depreciation for 2014.
5. Closed the revenue and expense accounts at the end of 2014.

Required

- a. Record the above transactions in a horizontal statements model like the following one.

Event	Balance Sheet						Income Statement			Statem. of Cash Flows			
	Assets			=	Equity			Rev.	-		Exp.	=	Net Inc.
	Cash	+	Equip.	-	A. Depr.	=	Com. Stock	+	Ret. Earn.				

- b. Use a vertical model to present financial statements for 2012, 2013, and 2014.

Problem 6-25 *Calculating depreciation expense using four different methods*

O'Brian Service Company purchased a copier on January 1, 2012, for \$17,000 and paid an additional \$200 for delivery charges. The copier was estimated to have a life of four years or 800,000 copies. Salvage was estimated at \$1,200. The copier produced 230,000 copies in 2012 and 250,000 copies in 2013.

Required

Compute the amount of depreciation expense for the copier for calendar years 2012 and 2013, using these methods:

- a. Straight-line.
- b. Units-of-production.
- c. Double-declining-balance.

Problem 6-26 *Effect of straight-line versus double-declining-balance depreciation on the recognition of expense and gains or losses*

Same Day Laundry Services purchased a new steam press on January 1, for \$35,000. It is expected to have a five-year useful life and a \$3,000 salvage value. Same Day expects to use the steam press more extensively in the early years of its life.

Required

- a. Calculate the depreciation expense for each of the five years, assuming the use of straight-line depreciation.
- b. Calculate the depreciation expense for each of the five years, assuming the use of double-declining-balance depreciation.

LO 3

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CHECK FIGURES

- b. Depreciation Expense, 2012: \$4,600
- c. Depreciation Expense, 2013: \$4,300

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CHECK FIGURES

- a. Depreciation Expense, Year 2: \$6,400
- b. Depreciation Expense, Year 2: \$8,400