

Financial Accounting

1. On September 30 of the current year, a company acquired and placed in service a machine at a cost of \$700,000. It has been estimated that the machine has a service life of five years and a salvage value of \$40,000. Using the double-declining-balance method of depreciation, prepare a schedule showing depreciation amounts for the current year and the next 4 years (round answers to the nearest dollar). The company closes its books on December 31 of each year.

Answer:

Year	Depreciation for the Period			End of Period	
	Beginning of Period Book Value	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
1					
2					
3					
4					
5					
6					

2. A company purchased land with a building for a total cost of \$2,570,000 (\$500,000 paid in cash and the balance on a long-term note). It was estimated that the land and building had market values of \$900,000 and \$2,100,000, respectively.

Determine the cost to be apportioned to the land and to the building and prepare the journal entry to record the acquisition.

Answer:

<u>Asset</u>	<u>Appraised Value</u>	<u>Percent of Total</u>	<u>Apportioned Cost</u>
Land			
Building			
Total			
Land.....			
Building.....			
Cash.....			
Long-Term Note Payable.....			

3. On January 1, a machine costing \$260,000 with a 4-year life and an estimated \$5,000 salvage value was purchased. It was also estimated that the machine would produce 500,000 units during its life. The actual units produced during its first year of operation were 110,000. Determine the amount of depreciation expense for the first year under each of the following assumptions:

1. The company uses the straight-line method of depreciation.
2. The company uses the units-of-production method of depreciation.
3. The company uses the double-declining-balance method of depreciation.

4. A company purchased a truck on October 1 of the current year at a cost of \$40,000. The truck is expected to last six years and has a salvage value of \$2,200. The company's annual accounting period ends on December 31.

1. What is the depreciation expense for the current year, assuming the straight-line method is used?
2. What is the depreciation expense for the current year, assuming the double-declining-balance method is used?

5. On July 1 of the current year, a company purchased and placed in service a machine with a cost of \$240,000. The company estimated the machine's useful life to be four years or 60,000 units of output with an estimated salvage value of \$60,000. During the current year, 15,000 units were produced.

Prepare the necessary December 31 adjusting journal entry to record depreciation for the current year assuming the company uses:

- a. The straight-line method of depreciation
- b. The units-of-production method of depreciation
- c. The double-declining balance method of depreciation

Answer:

a. Depreciation Expense—Machinery
 Accumulated Depreciation—Machinery :

b. Depreciation Expense—Machinery
 Accumulated Depreciation—Machinery

c. Depreciation Expense—Machinery
 Accumulated Depreciation—Machinery