South University
Test Chapter 6 & 7

[redacted]
Make up

QUESTION	ANSWER	Points

1 A machine costing $ 450,000 with a four-year life and an $ 50,000 salvage value is installed in Jenkins Company's factory on January 1. The factory manager estimates that the machine will produce 200,000 units of product during its life. It actually produces: Year 1 - 50,000; Year 2 - 50,000; Year 3 - 60,000; Year 4 - 50,000.

Cost of Machine
less: estimated salvage value

	Units	Cost per Unit	Depreciation Expense
Year 1	50,000.00		
Year 2	50,000.00		
Year 3	60,000.00		
Year 4 *	50,000.00		
TOTAL	210,000.00		

requires a plug

What is the Year 1 Depreciation Expense? 1a ________ 8

What is the Year 4 Depreciation Expense? 1b ________ 8

2 A machine with a cost of $ 10,000 and no salvage is depreciated using the double declining rate. The straight-line rate is 20%.

20 % * 2 = 40 % which equals .4

Depreciation Schedule

Year	Rate	Book Value	Depreciation Expense	Accum. Deprec.
2010				
2011				
2012				
2013				
2014				

Book Value

Cost	Accum. Depr.	BV
10,000.00		
10,000.00		
10,000.00		
10,000.00		
10,000.00		

A. What is the depreciation expense in year 2010? 4A ________ 8

B. What is the book value at the end of year 2014? 4B ________ 8

3 Best Win Company purchased land and building for $ 750,000. The appraisal of the land was $ 200,000, the building was $ 550,000. Using the basket purchase method determine the amounts that would be recorded in the general ledger for building.

Land	200,000.00	27%
Building	550,000.00	73%
	750,000.00	100%

5 ________ 5

4 If we purchase an asset for $ 5,000 with a salvage value of 2,000 on July 1, with a 3 year life, how much is the depreciation expense for the first year, given that it is only owned for 6 months.

6 ________ 5

5 Barrier Island resorts has the following Adjusted Trial Balance for the Year Ended Dec 31, 2013:

Account Number	Account Name	Debit	Credit
1000	Cash	50,000	
1150	Accounts Receivable	60,000	
1750	Inventory	30,000	
1400	Land	575,000	
1475	Building	800,000	
1480	Equipment	25,000	
1480	Accumulated Depreciation - Building		200,000
2000	Accounts Payable		25,000
2025	Interest Payable		5,000
2075	Notes Payable (current portion)		1,000
2095	Mortgage Payable (current portion)		60,000
2575	Notes payable		3,000
2595	Mortgage Payable		900,000
3050	Common Stock		67,500

3100 Retained Earnings (beginning)		125,000
4000 Sales Revenue		800,000
5000 Cost of Goods Sold	500,000	
6000 Salaries Expense	95,000	
6100 Insurance Expense	6,000	
6200 Rent Expense	25,000	
6300 Depreciation Expense	20,000	
6500 Interest Expense	500	
	2,186,500	2,186,500

Barrier Island Company
Income Statement
For the Year Ended Dec 31, 2013

Sales Revenue		
Expenses:		
Cost of Goods Sold		
Salaries Expense		
Insurance Expense		
Rent Expense		
Depreciation Expense		
Interest Expense		
Net Income		

A. What is the Net Income for the year ended December 31, 2013?

7A ________ 8

Barrier Island Company
Statement of Changes in Shareholder's Equity
For the Year Ended Dec 31, 2013

Common Stock	
Beginning Retained Earnings	
Net Income	
Dividends	
Ending Retained Earnings	
Total Shareholder's Equity	

B. What is total shareholder's equity at December 31, 2013?

7B ________ 8

Barrier Island Company
Balance Sheet
31-Dec-13

Current Assets		
Cash		
Accounts Receivable		
Inventory		
Total Current Assets		
Property and Equipment		
Land		
Building		
Equipment		
Accumulated Depreciation - Building		
Net Property and Equipment		
Total Assets		
Liabilities and Shareholders Equity		
Current Liabilities		
Accounts Payable		
Interest Payable		
Notes Payable (current portion)		
Mortgage Payable (current portion)		
Total Current Liabilities		
Notes payable		
Mortgage Payable		
Total Liabilities		
Shareholder's Equity		
Common Stock		
Retained Earnings		
Total Shareholder's Equity		
Total Liabilities and Shareholder's Equity		

C. What is the Net Property and Equipment? 7C________ 8

D. What are the Total Current Liabilities? 7D________ 8

E. What are the Total Current Assets? 7E________ 8

F. What are the Total Assets? 7F________ 8

8 More Special Company borrowed $ 6,000 at a rate of 12 % for 5 years. The monthly payment is $ 133.47

	Month	Cash Payment	Interest	Principal Reduction	Principal Balance	
	Beginning balance				6,000.00	
	1	133.47				
	2	133.47				

What is the principal balance at the end of month 2? 8________ 10

TOTAL POINTS 100