Score: **188.30** out of 190 points (99.11%)

1. award: **10 out of 10.00 points**

On January 2, 2013, the Cerritos Band acquires sound equipment for concert performances at a cost of $65,800. The band estimates it will use this equipment for four years, during which time it anticipates performing about 200 concerts. It estimates that after four years it can sell the equipment for $2,000. During year 2013, the band performs 45 concerts.

Compute the year 2013 depreciation using the units-of-production method.

Select formula for the depreciation rate of Units of Production :	
(Cost - Salvage) / Total units of production ✓	
Calculate 2013 depreciation expense:	
Depreciation per concert	$ 319.00 ✓
Concerts in 2013	45 ✓
Depreciation in 2013	14355 ✓

2. award: **10 out of 10.00 points**

In early January 2013, NewTech purchases computer equipment for $154,000 to use in operating activities for the next four years. It estimates the equipment's salvage value at $25,000.

Prepare a table showing depreciation and book value for each of the four years assuming straight-line depreciation.

Straight-Line Depreciation					
	Choose Numerator:	/	**Choose Denominator:**	=	**Annual Depreciation Expense**
	Cost minus Salvage ✔	/	Estimated Useful Life (years) ✔	=	Depreciation Expense
	$ 129,000 ✔	/	4 ✔	=	$ 32,250
Year	**Annual Depreciation**		**Year-End Book Value**		
2013	$ 32,250 ✔		$ 121,750 ✔		
2014	32,250 ✔		89,500 ✔		
2015	32,250 ✔		57,250 ✔		
2016	32,250 ✔		25,000 ✔		
Total	$ 129,000				

3. award: **10 out of 10.00 points**

Hortez Co. owns equipment that cost $76,800, with accumulated depreciation of $40,800. Hortez sells the equipment for cash.

Record the sale of the equipment assuming Hortez sells the equipment for (1) $47,000 cash, (2) $36,000 cash, and (3) $31,000 cash.

Event	General Journal	Debit	Credit
1	Cash ✓	47,000 ✓	
	Accumulated depreciation ✓	40,800 ✓	
	Equipment ✓		76,800 ✓
	Gain on sale of equipment ✓		11,000 ✓
2	Cash ✓	36,000 ✓	
	Accumulated depreciation ✓	40,800 ✓	
	Equipment ✓		76,800 ✓
3	Cash ✓	31,000 ✓	
	Accumulated depreciation ✓	40,800 ✓	
	Loss on sale of equipment ✓	5,000 ✓	
	Equipment ✓		76,800 ✓

4. award: 10 out of 10.00 points

a. Paid $40,000 cash to replace a compressor on a refrigeration system that extends its useful life by four years.
b. Paid $200 cash per truck for the cost of their annual tune-ups.
c. Paid $175 for the monthly cost of replacement filters on an air-conditioning system.
d. Completed an addition to an office building for $225,000 cash.

1. Classify the above transactions as either revenue or capital expenditures.

Transaction	
a	Capital expenditure ✓
b	Revenue expenditure ✓
c	Revenue expenditure ✓
d	Capital expenditure ✓

2. Prepare the journal entries to record transactions *a* and *d*.

Transaction	General Journal	Debit	Credit
a	Equipment ✓	40,000 ✓	
	Cash ✓		40,000 ✓
d	Building ✓	225,000 ✓	
	Cash ✓		225,000 ✓

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

Liltua Company pays $375,280 for real estate plus $20,100 in closing costs. The real estate consists of land appraised at $157,040; land improvements appraised at $58,890; and a building appraised at $176,670.

5. award:
10 out of 10.00 points

Allocate the total cost among the three purchased assets.

	Appraised Value	Percent of Total Appraised Value	x Total Cost of Acquisition	= Apportioned Cost
Land	$ 157,040	40%	× 395,380	$ 158,152
Land improvements	58,890	15%	× 395,380	59,307
Building	176,670	45%	× 395,380	177,921
Totals	$ 392,600	100%		$ 395,380

6.

award:

10 out of 10.00 points

Prepare the journal entry to record the purchase.

Event	General Journal	Debit	Credit
1	Land ✔	158,152 ✔	
	Land improvements ✔	59,307 ✔	
	Building ✔	177,921 ✔	
	Cash ✔		395,380 ✔

7. award:
10 out of
10.00
points

A fleet of refrigerated delivery trucks is acquired on January 5, 2013, at a cost of $830,000 with an estimated useful life of eight years and an estimated salvage value of $75,000.

Compute the depreciation expense for the first three years using the double-declining-balance method.

	Depreciation for the Period			End of Period	
Annual Period	Beginning of Period Book Value	Depreciation Rate (%)	Depreciation Expense	Accumulated Depreciation	Book Value
First Year	$ 830,000	25%	$ 207,500	$ 207,500	$ 622,500
Second Year	622,500	25%	155,625	363,125	466,875
Third Year	466,875	25%	116,719	479,844	350,156

8. award:

10 out of 10.00 points

Corentine Company acquires an ore mine at a cost of $1,400,000. It incurs additional costs of $400,000 to access the mine, which is estimated to hold 1,000,000 tons of ore. 180,000 tons of ore are mined and sold the first year. The estimated value of the land after the ore is removed is $200,000. Calculate the depletion expense from the information given. **(Do not round your intermediate calculations.)**

Cost	$ 1,800,000 ✔
Salvage	200,000 ✔
Amount subject to depletion	$ 1,600,000 ✔
Total units of capacity	1,000,000 ✔
Depletion per unit (#.##)	$ 1.60 ✔
Units extracted and sold in period	180,000 ✔
Depletion expense	$ 288,000 ✔

1. Prepare the entry to record the cost of the ore mine.

Event	General Journal	Debit	Credit
1	Ore mine ✔	1,800,000 ✔	
	Cash ✔		1,800,000 ✔

2. Prepare the year-end adjusting entry.

Event	General Journal	Debit	Credit
1	Depletion expense—Ore mine ✔	288,000 ✔	
	Accumulated depletion—Ore mine ✔		288,000 ✔

9. award: **10 out of 10.00 points**

Kegler Bowling installs automatic scorekeeping equipment with an invoice cost of $190,000. The electrical work required for the installation costs $20,000. Additional costs are $4,000 for delivery and $13,700 for sales tax. During the installation, a component of the equipment is carelessly left on a lane and hit by the automatic lane-cleaning machine. The cost of repairing the component is $1,850.

What is the total recorded cost of the automatic scorekeeping equipment?

	Total cost	Included Excluded	DR Machinery	DR Expense
Invoice cost	$ 190,000	Included ✔	$ 190,000	
Electrical work required for installation	20,000	Included ✔	20,000	
Delivery costs	4,000	Included ✔	4,000	
Sales tax	13,700	Included ✔	13,700	
Repair costs	1,850	Excluded ✔		$ 1,850
Total	$ 229,550		$ 227,700	$ 1,850

10. award: **10 out of 10.00 points**

Timberly Construction negotiates a lump-sum purchase of several assets from a company that is going out of business. The purchase is completed on January 1, 2013, at a total cash price of $850,000 for a building, land, land improvements, and four vehicles. The estimated market values of the assets are building, $441,600; land, $249,600; land improvements, $67,200; and four vehicles, $201,600. The company's fiscal year ends on December 31.

Required:

1.1 Prepare a table to allocate the lump-sum purchase price to the separate assets purchased.

Allocation of total cost	Appraised Value	Percent of Total Appraised Value	x	Total cost of Acquisition	Apportioned Cost
Building	$ 441,600	46%	x	$ 850,000	$ 391,000
Land	249,600	26%	x	$ 850,000	221,000
Land improvements	67,200	7%	x	$ 850,000	59,500
Vehicles	201,600	21%	x	$ 850,000	178,500
Total	$ 960,000	100%			$ 850,000

1.2 Prepare the journal entry to record the purchase.

Date	General Journal	Debit	Credit
Jan 01	Building	391,000	
	Land	221,000	
	Land improvements	59,500	
	Vehicles	178,500	
	Cash		850,000

2. Compute the depreciation expense for year 2013 on the building using the straight-line method, assuming a 15-year life and a $29,000 salvage value.

Depreciation expense on building	$ 24,133

3. Compute the depreciation expense for year 2013 on the land improvements assuming a five-year life and double-declining-balance depreciation.

Depreciation expense on land improvements	$ 23,800

11. award: **10 out of 10.00 points**

Ramirez Company installs a computerized manufacturing machine in its factory at the beginning of the year at a cost of $43,500. The machine's useful life is estimated at 10 years, or 385,000 units of product, with a $5,000 salvage value. During its second year, the machine produces 32,500 units of product.

Determine the machine's second-year depreciation and year end book value under the straight-line method.

Straight-Line Depreciation				
Choose Numerator:	/	**Choose Denominator:**	=	**Annual Depreciation Expense**
Cost minus Salvage	/	Estimated Useful Life (years)	=	Depreciation Expense
$ 38,500	/	10	=	$ 3,850
Year 2 Depreciation	$ 3,850			
Year End Book Value (Year 2)	$ 35,800			

12. award: **10 out of 10.00 points**

Caleb Co. owns a machine that costs $42,400 with accumulated depreciation of $18,400. Caleb exchanges the machine for a newer model that has a market value of $52,000.

(1) Record the exchange assuming Caleb paid $30,000 cash and the exchange has commercial substance.

Event	General Journal	Debit	Credit
1	Machinery (new)	52,000	
	Accumulated depreciation—Machinery (old)	18,400	
	Loss on exchange of assets	2,000	
	Cash		30,000
	Machinery (old)		42,400

(2) Record the exchange assuming Caleb pays $22,000 cash and the exchange lacks commercial substance.

Event	General Journal	Debit	Credit
1	Machinery (new)	46,000	
	Accumulated depreciation—Machinery (old)	18,400	
	Cash		22,000
	Machinery (old)		42,400

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

In January 2013, Mitzu Co. pays $2,700,000 for a tract of land with two buildings on it. It plans to demolish Building 1 and build a new store in its place. Building 2 will be a company office; it is appraised at $570,000, with a useful life of 20 years and an $90,000 salvage value. A lighted parking lot near Building 1 has improvements (Land Improvements 1) valued at $540,000 that are expected to last another 18 years with no salvage value. Without the buildings and improvements, the tract of land is valued at $1,890,000. The company also incurs the following additional costs:

Cost to demolish Building 1	$ 340,400
Cost of additional land grading	195,400
Cost to construct new building (Building 3), having a useful life of 25 years and a $398,000 salvage value	2,262,000
Cost of new land improvements (Land Improvements 2) near Building 2 having a 20-year useful life and no salvage value	178,000
Total costs	$5,675,800

13. award: **10 out of 10.00 points**

Required:

1. Allocate the costs incurred by Mitzu to the appropriate columns and total each column.

Allocation of purchase price	Appraised Value	Percent of Total Appraised Value	x	Total cost of acquisition	=	Apportioned Cost
Land	$ 1,890,000	63%	x	$ 2,700,000	=	$ 1,701,000
Building 2	570,000	19%	x	2,700,000	=	513,000
Land Improvements 1	540,000	18%	x	2,700,000	=	486,000
Totals	$ 3,000,000	100%				$ 2,700,000

	Land	Building 2	Building 3	Land Improvements 1	Land Improvements 2
Purchase Price	$ 1,701,000	$ 513,000	$ 0	$ 486,000	$ 0
Demolition	340,400	0	0	0	0
Land grading	195,400	0	0	0	0
New building (Construction cost)	0	0	2,262,000	0	0
New improvements cost	0	0	0	0	178,000
Totals	$ 2,236,800	$ 513,000	$ 2,262,000	$ 486,000	$ 178,000

14. award: 8.30 out of 10.00 points

2. Prepare a single journal entry to record all the incurred costs assuming they are paid in cash on January 1, 2013.

Date	General Journal	Debit	Credit
Jan 01	Land	2,236,800	
	Building 2	513,000	
	Land improvements 1	486,000	
	Land improvements 2	178,000	
	Building 3	2,262,000	

15.

award:
10 out of 10.00 points

3. Using the straight-line method, prepare the December 31 adjusting entries to record depreciation for the 12 months of 2013 when these assets were in use.

Date	General Journal	Debit	Credit
Dec 31	Depreciation expense—Building 2 ✓	21,150 ✓	
	Accumulated depreciation—Building 2 ✓		21,150 ✓
Dec 31	Depreciation expense—Building 3 ✓	74,560 ✓	
	Accumulated depreciation—Building 3 ✓		74,560 ✓
Dec 31	Depreciation expense—Land improvements 1 ✓	27,000 ✓	
	Accumulated depreciation—Land improvements 1 ✓		27,000 ✓
Dec 31	Depreciation expense—Land improvements 2 ✓	8,900 ✓	
	Accumulated depreciation—Land improvements 2 ✓		8,900 ✓

16. award: **10 out of 10.00 points**

Rizio Co. purchases a machine for $12,500, terms 2/10, n/60, FOB shipping point. The seller prepaid the $360 freight charges, adding the amount to the invoice and bringing its total to $12,860. The machine requires special steel mounting and power connections costing $895. Another $475 is paid to assemble the machine and get it into operation. In moving the machine to its steel mounting, $180 in damages occurred. Materials costing $40 are used in adjusting the machine to produce a satisfactory product. The adjustments are normal for this machine and are not the result of the damages.

Complete the below table to calculate the cost recorded for this machine. (Rizio pays for this machine within the cash discount period.)

Amount included in cost of equipment:	
Invoice price of machine	$ 12,500 ✔
Less: Discount ✔	250 ✔
Net purchase price	12,250
Assembly ✔	475 ✔
Freight charges ✔	360 ✔
Materials used in adjusting ✔	40 ✔
Mounting and power connections ✔	895 ✔
	0
	0
Total cost to be recorded	$ 14,020

17. award: **10 out of 10.00 points**

On January 2, 2013, the Cerritos Band acquires sound equipment for concert performances at a cost of $65,800. The band estimates it will use this equipment for four years, during which time it anticipates performing about 200 concerts. It estimates that after four years it can sell the equipment for $2,000. During year 2013, the band performs 45 concerts. Assume that the Cerritos Band uses straight-line depreciation but realizes at the start of the second year that due to concert bookings beyond expectations, this equipment will last only a total of three years. The salvage value remains unchanged.

Compute the following at the point of revision:

Book value at point of revision	$	49,850 ✓
Remaining depreciable cost	$	47,850 ✓
Depreciation per year for years 2 and 3	$	23,925 ✓

18. award: **10 out of 10.00 points**

On January 2, 2013, the Cerritos Band acquires sound equipment for concert performances at a cost of $65,800. The band estimates it will use this equipment for four years, during which time it anticipates performing about 200 concerts. It estimates that after four years it can sell the equipment for $2,000. During year 2013, the band performs 45 concerts.

Compute the year 2013 depreciation using the straight line method.

Depreciation expense - 2013	$	15,950 ✓

19. award:
10 out of 10.00 points

On April 1, 2012, Cyclone's Backhoe Co. purchases a trencher for $280,000. The machine is expected to last five years and have a salvage value of $40,000.

Compute depreciation expense for both years ending December 2012 and 2013 assuming the company uses the double-declining-balance method.

	Depreciation for the Period				End of Period	
Annual Period	Beginning of Period Book Value	Depreciation Rate	Partial Year	Depreciation Expense	Accumulated Depreciation	Book Value
2012	$ 280,000	40%	9/12	$ 84,000	$ 84,000	$ 196,000
2013	$ 196,000	40%	12/12	$ 78,400	$ 162,400	$ 117,600